



## Internal Revenue Service

United States Department of the Treasury

### Part 5. Collecting Process

#### Chapter 14. Installment Agreements

#### Section 10. Payroll Deduction Agreements and Direct Debit Installment Agreements

##### 5.14.10 Payroll Deduction Agreements and Direct Debit Installment Agreements

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##### 5.14.10.1 (09-30-2004)

###### Overview

1. *This chapter provides procedures for processing Payroll Deduction agreements and Direct Debit installment agreements. Payroll deduction agreements are those agreements where employers deduct payments from taxpayer's wages, and mail them to the Internal Revenue Service. Direct Debit Agreements allow the Service to debit taxpayer's bank accounts. Payroll Deduction agreements and Direct Debit installment agreements benefit the taxpayer by reducing the likelihood of default and lessening taxpayer burden.*

##### 5.14.10.2 (09-30-2004)

###### Payroll Deduction Agreements

1. The use of Form 2159, Payroll Deduction Agreement, must be strongly encouraged when the taxpayer is a wage earner, particularly if the taxpayer defaulted on a previous installment agreement.
2. Private employers, states, and political subdivisions are not required to enter into payroll deduction agreements. Taxpayers should determine whether their employers will accept and process executed agreements before agreements are submitted for approval or finalized.
3. Comptroller General decision B-45105 (signed in 1955) requires Federal Agencies to deduct and pay over the amount shown on payroll deduction agreements.
4. Allow a reasonable period for the employer to complete the necessary bookkeeping and submit the first payment.
5. On balance due and ACS accounts, encourage taxpayers to hand deliver agreements to employers; otherwise mail agreements to employers. If taxpayers prefer the Service initiate this contact, it may be made if the taxpayer received Letter 3164 A at least 10 days prior to mailing Form 2159 to the employer. Ensure Form 12175 is completed and forwarded to the Third Party Contact Coordinator in the area or center initiating the contact. Letter 3164 A must have been mailed for each module included in the installment agreement. If Letter 3164 A has not been mailed, the taxpayer may authorize a specific third party contact if the revenue officer or other contact employee completes Form 12180 and has it signed by the taxpayer(s). This form should be kept with the case file and the case file history should be documented to reflect the date that the taxpayer provided the authorization. In processing Payroll Deduction Agreements ensure that all Third Party Contact guidelines have been observed. See IRM 5.1.17.
6. The employer and the taxpayer should sign Form 2159 before submission to the manager for approval.
7. On ACS accounts, direct employers responses to ACS call sites, document case files and forward them to call sites after completing telephone contact.
8. Ensure TC 971 AC 043 is input on all modules within 24 hours of the taxpayer's request for a payroll deduction agreement.