



Part 5. Collecting Process

Chapter 14. Installment Agreements

Section 10. Payroll Deduction Agreements and Direct Debit Installment Agreements

5.14.10.2 (01-22-2015)

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. Streamlined installment agreements with aggregate unpaid balance of assessments (UBA) between \$25,001 and \$50,000 require either a payroll deduction agreement or direct debit as the method of payment.
3. Taxpayers should determine whether their employers will accept and process executed agreements before agreements are submitted for approval or finalized.
4. Comptroller General decision B-45105 (signed in 1955) requires Federal Agencies to deduct and pay over the amount shown on payroll deduction agreements.
5. Allow a reasonable period for the employer to complete the necessary bookkeeping and submit the first payment.
6. Encourage taxpayers to hand deliver agreements to employers; otherwise mail agreements to employers. Ensure that the third party contact requirements of IRC 7602(c) have been observed before mailing agreements to employers. See IRM 5.1.1.10.1, *Field Collecting Procedures* for instructions regarding the provision of advance notice to the taxpayer of third party contact.
7. The employer and the taxpayer must sign Form 2159 before submission to the manager for approval.
8. Ensure TC 971 AC 043 is input on all modules within 24 hours of the taxpayer's request for a payroll deduction agreement.
9. If employers must be contacted during payroll deduction agreements, ensure Letter 3164 A, (Third Party Contact letter) was sent previously. ICS systemically generates Third Party Contact (TPC) data and updates the TPC Command Code database if the revenue officer utilizes the Taxpayer or Asset Location Activity menu within the History section of ICS. If this ICS feature is not used, complete Form 12175 and properly route to the Third Party Contact coordinator. (See IRM 25.27.1.4, *Third Party Contacts*.)
10. To insure proper remittance and posting, instruct employers, or request taxpayers advise their employers, to show taxpayers' names and TINs, tax form(s) and period(s) on all remittances.
11. Determine the correct agreement locator number (ALN) , per Exhibit 5.14.1-2 for Payroll Deduction Agreements. Generation of the Form 2159 from the ICS Templates menu will automatically default the "XX" position of the ALN to "11" while allowing the initiator to select the appropriate indicator for the "YY" position of the ALN. For most circumstances, the ALN will be 1109.