

House Bill 1149 Testimony In Favor for Senate.pdf

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Position: FAV

March 31, 2026

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The Honorable Senator Guy Guzzone
Chair, Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Maryland Society of Accounting and Tax Professionals

Re: House Bill 1149 – State Finance – Claims of the State – Settlement

Chair Guzzone and Members of the Committee,
The Maryland Society of Accounting and Tax Professionals represents over 1,400 tax and accounting professionals who collectively serve more than 400,000 Maryland taxpayers and small businesses. We respectfully submit this testimony in support of House Bill 1149.

House Bill 1149 authorizes the Comptroller to settle a claim of the State that is in arrears, regardless of how long the claim has been outstanding. Under current law, settlement authority is limited by a time requirement. This bill removes that limitation while preserving safeguards requiring the Comptroller to thoroughly examine the claim and determine that the State could not collect it through legal process before settlement.

This legislation is the direct result of an advocacy meeting between MSATP members and Delegate Young. During that discussion, practitioners shared real-world examples of situations where rigid statutory limitations prevented practical resolutions of long-standing State claims. In many cases, taxpayers are willing to resolve matters in good faith, yet administrative barriers prevent efficient settlement.

By allowing flexibility regardless of how long a claim has been in arrears, HB 1149:

- Promotes efficient resolution of outstanding State claims
- Encourages voluntary compliance and negotiated settlements
- Reduces prolonged collection efforts that may ultimately yield little recovery
- Allows the State to recover funds that might otherwise remain uncollected
- Provides fairness and finality for taxpayers seeking resolution

Importantly, the bill does not weaken oversight. The Comptroller must still examine the claim thoroughly and determine that legal collection is unlikely before settlement, and must maintain records supporting any partial settlement. These safeguards ensure that settlements serve the interests of the State while maintaining accountability.

From both a fiscal and administrative standpoint, this bill strengthens Maryland's ability to manage aged receivables pragmatically and responsibly.

For these reasons, the Maryland Society of Accounting and Tax Professionals respectfully urges a Favorable Report on House Bill 1149.

Respectfully submitted,

Giavante Hawkins
Giavante' Hawkins

Testimony for HB1149 on 4-02-26.pdf

Uploaded by: Jonathan Rivlin

Position: FAV

Maryland Senate Budget and Taxation Committee

Chair: Senator Guy Guzzone

Vice Chair: Senator Jim Rosapepe

Hearing on Thur 2nd Apr 2026 at 1PM.

Re: HB1149, State Finance – Claims of the State – Settlement

Position: SUPPORT

Testimony:

Thank you Senator Guzzone and Senator Rosapepe for this opportunity. Thank you Delegate Young and Delegate Hornberger for sponsoring this important legislation.

My name is Jonathan Rivlin and I am a CPA in public practice. My office is in Owings Mills. This is now my 28th tax season. I work with my father, David Rivlin, also a CPA now in his 53rd tax season.

In our practice, we see first hand what happens to our fellow Marylanders that fall behind in their taxes. The system in its current setup is punitive and makes it difficult for people to get back into compliance.

For those people that are true tax scofflaws, I support this system. However, for those people who have suffered from a traumatic situation (divorce, a medical condition, destruction of property, etc), that have fallen behind in their filing of returns and/or payment of tax, but could otherwise come back to the ‘straight and narrow’ – and have an attitude where they want to comply, the State affords no flexibility. In fact, with the current mandatory 2 year waiting period to submit an Offer in Compromise (OIC), such people are pushed further away from being able to get back on their feet. Please note that the IRS does not have such a waiting period for a federal OIC.

I am currently working with one of our fellow Marylanders who is working through a situation that cries out for this legislation. The person suffered a mental breakdown and lost his job, his home, his marriage, his car – and because of the requisite tax issues, his ability to renew his professional license. We prepared the tax returns for all of the back years but were told by the Comptroller’s Office that his OIC could not be considered because of this 2 year limitation.



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Our client is currently living in a group home and seeing a mental health professional. He is on the road to recovery – which considering that he had a suicide attempt, is no small matter.

I must ask you, members of this committee – do we the people really want to incentivize suicide as the only practical way out of a crushing tax debt?

Note that prior to this person's descent, they had a salary of over \$100k. Because of the tax debts hanging over them, they are stuck in a low paying job earning a small percentage of what they used to earn. Many employers avoid hiring people with open debts. This is a vivid example of the system keeping someone down.

On more practical terms, I submit these arguments for your consideration:

- 1) A person able to earn a decent wage generates more tax revenues for the State than a person trapped in a low income job because the State has put a hold on their ability to renew things like their driver's license, professional license, and other related items needed to find gainful employment in this modern economy.
 - a. As in the case described above – if the person could settle their debts, they'd be able to move on with their life and find gainful employment that would ultimately benefit the state as well.
- 2) Usually, when a taxpayer falls behind, not only is there a debt to the State, but there is also an often larger debt to the IRS. Such taxpayers have limited resources to draw from to settle their debts. In the current legal framework, the IRS takes these resources as part of the federal OIC process, leaving little to nothing for the State. Removing this 2 year limitation will give the State an opportunity to claim a piece of such resources while also helping to get our fellow Marylanders back on their feet.
 - a. Note that the federal OIC forms (IRS Forms 656 and 433-A (OIC)), has a line item for delinquent state taxes.
 - b. Specific reference is: Form 433-A (OIC), Section 7, Line 51 which can be found at the bottom of page 6 of this form.
 - i. Version of the form referenced above is (Rev. 4-2025)
- 3) A piece of something is better than all of nothing.

Thank you all again for the opportunity to testify **in favor of and support for this bill, HB1149.**

Sincerely,

Jonathan Rivlin, CPA

Jonathan Rivlin, CPA

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Baltimore Sun's Op-ed Maryland's Tax Rules Are Lea

Uploaded by: Sakinah Tillman

Position: FAV

OPINION > COMMENTARY

Maryland's tax rules are leaving the vulnerable behind | GUEST COMMENTARY



Keith Srakocic/ Associated Press file

Multiple forms printed from the Internal Revenue Service web page that are used for U.S. federal tax returns. (AP Photo/Keith Srakocic, File)



By **SAKINAH TILLMAN**

PUBLISHED: June 4, 2025 at 1:56 PM EDT

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Maryland is unique in many ways, and proudly so. But in one important instance, being an outlier is a problem to be corrected.

Under current law, Maryland requires taxpayers seeking to settle a tax debt to wait two years before they are even eligible to apply. Only after being in arrears for that long can they seek relief through the state's Offer in Compromise Program, a process that allows individuals to settle their tax debt for less than what it was originally, when full repayment would cause financial hardship.

Of the 28 states that offer this kind of agreement, Maryland is the only one that imposes a mandatory two-year waiting period. Compounding the issue, the law doesn't clearly define "arrears," leaving taxpayers as well as their tax professionals to interpret vague terms and guess when eligibility begins.

For Marylanders trying to comply and move toward resolution, that waiting period can be devastating. In my research — the first of its kind to examine this policy and its real-world effects — I found it not only delays relief and increases confusion but also places unnecessary burdens on the very people the program is intended to assist.



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This delay doesn't just set Maryland apart, it puts thousands of low-income residents at a disadvantage. These are taxpayers doing the right thing. They want to resolve their debts. They are proactively engaging with the process and requesting relief that's available by law. But under Maryland's current statute, they must wait and, in the meantime, face mounting penalties and interest that make repayment even harder.

The requirement comes from a statute dating back to 1884 that authorizes the comptroller to settle tax debts quickly. The statute was later amended to include "arrears," which is never clearly defined. In practice, the comptroller's office starts the clock from the date of the most recent assessment notice and can issue new notices for the same tax year, resetting the clock indefinitely.

This ambiguity has real consequences. Taxpayers and their representatives often have no clear way to know when the two-year period begins. They submit applications believing they're eligible — only to be denied. Meanwhile, enforcement actions like wage garnishment or bank levies may continue unchecked.

The people affected by this policy are not avoiding responsibility. Many are gig workers or independent contractors who received 1099 income without realizing they needed to make estimated payments. Others didn't have enough tax withheld from their paychecks. Still, they take the proactive step of seeking a legal path to settle their debts — often with help from the UDC David A. Clarke School of Law's Tax Clinic, where I serve as director.

Maryland's policy punishes that effort, contradicting the law's original intent. When the settlement statute was enacted, it was meant to make it easier for the state to resolve tax claims. Today, it does the opposite — creating confusion and needless delay that

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The clients we work with are trying to make things right — they are gathering documents, submitting paperwork, asking for assistance — only to be denied because of an unclear and shifting timeline. These individuals aren't gaming the system. They're trying to navigate it.

Unlike Maryland, most states begin the offer in compromise process once a tax liability becomes final and unpaid. That approach gives taxpayers clear rules and a reasonable timeline. Maryland's method, by contrast, lacks predictability and places too much discretion in the hands of the comptroller, without transparency or meaningful recourse.

This isn't just a technical flaw. It is a structural barrier that disproportionately harms people with fewer resources and less access to professional help. The consequences — such as lost wages, frozen accounts, suspended licenses — can quickly spiral into job loss or housing insecurity.

State lawmakers can and should repeal the arbitrary two-year rule. At the very least, the statute should be amended to clearly define “arrears” and prevent repeated notices from resetting eligibility. Tax policy should be consistent, understandable and fair — not an obstacle course that punishes people trying to do the right thing.

Taxpayers who seek to resolve their debts through established legal channels deserve clarity, not confusion and penalty. Maryland's rule fails that standard. It's time for that to change.

Sakinah Tillman is an assistant professor and director of the University of the District of Columbia David A. Clarke School of Law's Tax Clinic.

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Tillman Impact of Vague State Collection Alternati

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IMPACT OF VAGUE STATE TAX COLLECTION ALTERNATIVES ON LOW-INCOME TAXPAYERS

SAKINAH TILLMAN[†]

INTRODUCTION

Benjamin Franklin stated, “In this world, nothing is certain except death and taxes.”¹ While death is inevitable, navigating the complexities of state tax laws and procedures for paying state tax debt is far from straightforward. State tax laws are unnecessarily complex, disproportionately burdening low-income taxpayers, especially Black and Brown individuals.² These taxpayers face systemic inequities and ambiguous collection alternatives that trap them in perpetual cycles of debt and noncompliance.³

When taxpayers cannot pay their state tax in full, states offer various collection alternatives to help repay their unpaid tax debt.⁴

[†] Assistant Professor and Director of the Tax Clinic at University of the District of Columbia David A. Clarke School of Law. I would like to thank my colleagues for their helpful comments, Fred Brown at the University of Baltimore School of Law; Rebecca Rosenberg and David Singleton at the University of the District of Columbia David A. Clarke School of Law. I would also like to thank my writing buddies, Professors Yvette Pappoe and Shakisha Morgan for the encouragement and accountability to write this piece. A special thank you to my mentor, Dean Vanita “Saleema” Snow for her continued support, guidance, and encouragement. Lastly, I would like to thank my amazing research assistant, Isaiah Howton.

1. *Benjamin Franklin’s last great quote and the Constitution*, NAT’L CONST. CTR.: CONST. DAILY BLOG (Nov. 13, 2023), <https://constitutioncenter.org/blog/benjamin-franklins-last-great-quote-and-the-constitution>.

2. MISHA HILL, CARL DAVIS & MEG WIEHE, INST. ON TAX’N & ECON. POL’Y, TAXES AND RACIAL EQUITY: AN OVERVIEW OF STATE AND LOCAL POLICY IMPACTS 4–5 (2021), https://itep.sfo2.digitaloceanspaces.com/ITEP_Taxes-and-Racial-Equity-State-and-Local-Policy-Impacts-2.pdf.

3. Cathy Sullivan-Windt, *Women’s Mental Load: How to Share an Invisible Burden and Reduce Stress*, NEW CONNECTIONS COUNSELING CTR. (Dec. 20, 2023), <https://newconnectionsounselingcenter.com/womens-mental-load-how-to-share-an-invisible-burden-and-reduce-stress> (stating that invisible burdens are hidden obligations that are not outwardly visible or acknowledged, but it can create significant stress). Tax can be an invisible burden due to the complexities of tax compliance and the inequities in the state tax system that contribute to the unfairness toward low-income taxpayers.

4. Jamie Smith Hopkins & Maya Srikrishnan, *Behind on state income taxes? Here’s what you need to know.*, CTR. FOR PUB. INTEGRITY (Dec. 14, 2023), <https://publicintegrity.org/>

These options are in place to encourage compliance and increase the likelihood of repayment.⁵ Most states have two collection alternatives: offer in compromise (“OIC”) and installment agreements. An OIC allows taxpayers to settle their tax debt for less than what is initially owed by proposing a specific amount of money to resolve the debt.⁶ Alternatively, an installment agreement allows a taxpayer to make monthly payments toward their state tax debt until it is paid in full.⁷ However, state tax collection agencies make it difficult for taxpayers to understand the various collection alternatives available to them because the statutes that govern them or forms used to request a collection alternative are often ambiguous or absent.⁸ Thus, the vagueness of a statute or form can significantly hinder taxpayers’ understanding of the requirements for collection alternatives that can create disproportionate enforcement at the state level and increase the risk of noncompliance.⁹

The impact of these statutory and procedural barriers is particularly harsh on low-income taxpayers, who are not intentionally avoiding tax debt, but simply lack the financial means to pay.¹⁰ As a result, these challenges lead to collateral consequences where the state can impose punitive enforcement measures, such as suspending a driver’s or professional license for unpaid state tax debt.¹¹

To illustrate these issues, the following story will highlight the challenges low-income taxpayers face when requesting a state collection alternative and the consequences of noncompliance.¹²

*Irma Smith (“taxpayer”)*¹³ is a 70-year-old, single Black woman living in Prince George’s County, Maryland, struggling to make ends meet on her fixed income.¹⁴ Ms. Smith, a fixed-income retiree, receives

inequality-poverty-opportunity/taxes/unequal-burden/behind-on-state-income-taxes-heres-what-you-need-to-know.

5. *Id.*

6. *See id.*; *see also* 26 U.S.C. § 7122.

7. *See* Hopkins & Srikrishnan, *supra* note 4.

8. *Id.*; *see also* MICH. COMP. LAWS § 205.23a (2025).

9. *See* Hopkins & Srikrishnan, *supra* note 4.

10. *Id.*

11. *Id.*

12. My tax clinic handles tax controversy cases, disputes between the taxpayer and the IRS and/or State tax collection agencies. We aim to assist taxpayers with their tax debt and find the best collection alternative.

13. Ms. Smith is a fictional character. No real names are used in the story and throughout the Article for confidentiality purposes. Maryland state law is used in this story as an example. However, this Article will explain how these are issues in other states, as well.

14. *Prince George’s County, Maryland*, U.S. CENSUS BUREAU (2024), https://data.census.gov/profile/Prince_George’s_County,_Maryland?g=050XX00US24033#income-and-povertym (stating the median gross rent in Prince George’s County is \$1,791 and the per capita income in the past twelve months was \$45,863).

\$41,000 annually from Social Security and her pension.¹⁵ She relies on her 1989 Buick Park Avenue to get to doctor's appointments and run essential errands, such as grocery shopping and pharmacy pickups.

For tax year 2020, Ms. Smith earned \$39,500 and was required to file a tax return.¹⁶ She timely filed a federal and Maryland tax return on April 15, 2021.¹⁷ The taxpayer did not have a federal tax liability. However, Ms. Smith owed \$1,500 in Maryland taxes for this tax year. Unfortunately, the taxpayer is unable to pay the balance in full. She asked her niece to search online about various Maryland tax reliefs. Her niece found information about the various collection alternatives available on the Comptroller of Maryland's website.¹⁸ The first relief is OIC. However, the state of Maryland requires the tax debt to be least two-year-old before submitting an offer.¹⁹ The second relief is an installment agreement. This allows Ms. Smith to make monthly payments toward her tax debt until it is paid in full.²⁰ Ms. Smith is on a tight budget and does not have additional funds to enter into an installment agreement. Ms. Smith attempted to contact the Comptroller several times to inquire about the various tax relief options but received no response. As a result, Ms. Smith has taken no further steps to address her state tax debt, leaving her out of compliance with the Comptroller of Maryland. Consequently, a hold was placed on renewing her driver's license due to unpaid state taxes.²¹

On January 7, 2023, Ms. Smith contacted the UDC Law Clinic for assistance. She shared that she was interested in pursuing an OIC. We informed her that we must wait at least two years from the date the return was filed before submitting an OIC.²² We also informed her that the Comptroller of Maryland offers a hardship program for individuals

15. See Amir El-Sibaie, *2020 Tax Brackets*, TAX FOUND. (Nov. 14, 2019), <https://taxfoundation.org/data/all/federal/2020-tax-brackets> (providing IRS tax bracket information that is helpful background to this story).

16. See *id.*

17. 26 U.S.C. § 6072(a) (stating that "returns made on the basis of the calendar year shall be filed on or before the 15th day of April following the close of the calendar year"); MD. CODE ANN., TAX-GEN. § 10-820(a)(1)(i) (West 1988) (noting that individual tax returns must be made "on or before April 15th of the next taxable year").

18. *Offer in Compromise*, COMPTROLLER OF MD. (2025) [hereinafter *Md. Offer in Compromise*], https://services.marylandcomptroller.gov/taxes/en/offer-in-compromise?id=kb_article_view&sysparm_article=KB0010042.

19. MD. CODE ANN., STATE FIN. & PROC. § 6-219(b) (West 2025).

20. See, e.g., Hopkins & Srikrishnan, *supra* note 4.

21. MD. CODE REGS. 11.11.15.01 (2025).

22. MD. CODE ANN., STATE FIN. & PROC. § 6-219(b) (West 2025). This statute is confusing for most Maryland tax practitioners. It is assumed that a taxpayer can submit an OIC two years from the date that the tax return is filed. However, the Comptroller's internal procedures do not interpret the statute that way. Instead, a taxpayer can submit an OIC two years from the date of the latest notice of assessment. See *Md. Offer in Compromise*, *supra* note 18.

whose expenses exceed their income.²³ This program allows the Comptroller to temporarily suspend collection activities for taxpayers experiencing financial hardship. The program is not listed on the Comptroller's website; the application is only available upon email request.²⁴ However, it's unclear how long a taxpayer can remain in hardship status, as the Comptroller does not publish any information regarding the duration of this relief.²⁵ After careful consideration, Ms. Smith decided to pursue an OIC instead.

On February 1, 2023, Ms. Smith received a Notice of Tax Assessment for the 2020 tax year, a notice the Comptroller issues when a tax liability remains unpaid.²⁶ At this point, Ms. Smith's outstanding state tax debt is now \$2,300, which includes the original \$1,500 balance, plus accrued interest, and penalties for nonpayment. To address the noncompliance, our clinic submitted a Maryland OIC on April 29, 2023. However, on May 9, 2023, the Comptroller rejected the offer, citing that the tax assessment did not meet the requirement of being at least two years old.²⁷ The Comptroller specified that the Notice of Tax Assessment for the tax year 2020, issued on February 1, 2023, makes her ineligible for an offer under the current law.²⁸ Anecdotally, a Maryland OIC application qualifies if it is submitted within two years from the date of the latest Notice of Tax Assessment. However, the statute or regulations do not specify this as a requirement when determining the timeframe for submitting an OIC.

Furthermore, when the Comptroller rejects an OIC, the decision is final and cannot be appealed.²⁹ This leaves the taxpayer with no immediate recourse. The taxpayer must either enter into an installment agreement or request for a hardship. Unfortunately, the timeframe of the hardship program is unclear, which may make it a less viable option.³⁰ For Ms. Smith, the only feasible option is the OIC. However, the Comptroller of Maryland reserves the right to reject

23. MD. VOLUNTEER LAWS. SERV., *Maryland's Low Income Hardship Program*, at 5:35-25:07 (YouTube, Mar. 9, 2021), <https://www.youtube.com/watch?v=dAUeS-7pcSA> (describing the processes and requirements of the Comptroller of Maryland's low-income hardship tax support program).

24. *Id.*

25. *Id.*

26. *Individual Income Tax Notice*, COMPTROLLER OF MD. (Mar. 5, 2025), <https://www.marylandtaxes.gov/divisions/cd/individual-income-tax-notice.php> ("A Notice of Income Tax Assessment (NITA) is issued when there is no response to an initial notice or when a tax liability is not resolved or paid within the time indicated on the initial notice."). The NITA serves as a reminder notice when the taxpayer does not respond to the initial Income Tax Computation Notice. *See id.*

27. MD. CODE ANN., STATE FIN. & PROC. § 6-219(c) (West 2025).

28. *See id.*

29. MD. CODE ANN., STATE FIN. & PROC. § 6-219(c) (West 2025).

30. Hopkins & Srikrishnan, *supra* note 4.

offers if the taxpayer does not meet the requirements or is determined that they can pay the liability in full.³¹ As a result, Ms. Smith had to wait until April 2, 2025, to submit a new offer for her 2020 tax liability.

Ms. Smith's experience is far from unique. Many taxpayers in various states face similar challenges when dealing with state tax debt.³² The vagueness in the statute that governs collection alternatives can lead to noncompliance and harsh enforcement actions.³³ Taxpayers like Ms. Smith have the right to know what is required to comply with state tax laws. State tax agencies that lack transparency leave taxpayers in a perpetual cycle of unpaid state tax debt because they are unaware of the options available to them.³⁴ Thus, this lack of clarity creates a collateral consequence where the taxpayer not only remains responsible for the tax owed but also faces accrued interest and penalties, as well as the potential loss of their driver's or professional license.³⁵

Part I of this Article explores how the racial equity framework applies to state tax collection procedures and analyzes how state tax systems disproportionately impact low-income taxpayers, particularly Black and Brown individuals.³⁶ Part II of this Article addresses how vague statutes, ambiguous forms governing collection alternatives, or the absence of such statutes or forms can significantly hinder taxpayers' ability to understand the requirements for pursuing relief, leading to disproportionate enforcement at the state level.³⁷ Without clear guidelines, taxpayers must navigate the complexities and ambiguities of the state tax collection process. Part III discusses how vagueness regarding collection alternatives disproportionately impacts low-income taxpayers. Part IV examines how punitive state-level collection enforcement measures, including the suspension of driver's and professional licenses, unfairly harm Black and Brown taxpayers. Part V proposes three solutions: (1) states should defer to the Internal

31. *Id.*; *Maryland Tax Payment Plan*, TAX GRP. CTR., <https://www.taxgroupcenter.com/maryland-tax-payment-plan> (last visited Sep. 30, 2025); *Setting Up a Payment Plan*, COMPTROLLER OF MD. (Mar. 5, 2025), <https://www.marylandtaxes.gov/divisions/cd/business/business-setup-payments.php>.

32. See Maya Srikrishnan & Ashley Clarke, *State tax collectors push struggling people deeper into hardship*, CTR. FOR PUB. INTEGRITY (Dec. 13, 2023), <https://publicintegrity.org/inequality-poverty-opportunity/taxes/unequal-burden/state-tax-collectors-push-struggling-people-deeper-into-hardship>.

33. *See id.*

34. *See id.*

35. *See id.*

36. Melissa Hellmann et al., *How state taxes make inequality worse*, CTR. FOR PUB. INTEGRITY (Sep. 14, 2022), <https://publicintegrity.org/inequality-poverty-opportunity/taxes/unequal-burden/taxes-inequality-worse-progressive-tax>.

37. Srikrishnan & Clarke, *supra* note 32.

Revenue Service (“IRS”) for clear guidance on collection alternatives; (2) states should ensure that their websites comprehensively list all available tax relief options that align with state law; and (3) states should remove the driver’s and professional license suspension for unpaid taxes. These proposals address the unfairness and racial inequities in state tax collection and promote a more equitable and inclusive approach to state collection practice. Part VI is an appendix that includes a table listing all states with non-appealable OIC programs.

I. RACIAL EQUITY FRAMEWORK

A racial equity framework requires acknowledging racial disparities, developing strategies to dismantle them, and ensuring improved outcomes for all.³⁸ Although the Internal Revenue Code and state tax agencies do not collect race information, the tax system has a legacy deeply rooted in white supremacy and patriarchy.³⁹ In 1976, Supreme Court Justice Byron White noted that tax statutes may have a disproportionate racial impact.⁴⁰ However, the legal academy only began addressing these issues in the late 1990s.⁴¹ More than two decades later, in 2023, the IRS finally recognized the racial inequities in tax code enforcement and its disparate impact on Black taxpayers.⁴² Yet, racial disparities in taxation extend beyond federal policies; they significantly impact state and local tax policies as well.

State tax agencies handling tax collections generally do not track demographic data that would reveal how their policies impact taxpayers differently by race.⁴³ However, these disparities are already apparent. Black and Brown families are overrepresented

38. *What is Racial Equity?*, RACE FORWARD, <https://www.raceforward.org/what-racial-equity-0> (last visited Sep. 28, 2025).

39. Janelle Jones, *Foreword* to WHITNEY TUCKER, CTR. ON BUDGET & POL’Y PRIORITIES, BLACK WOMEN BEST FRAMEWORK POINTS THE WAY TO EQUITABLE AND JUST STATE TAX REFORM 1 (Apr. 17, 2024), <https://www.cbpp.org/sites/default/files/4-17-24sfp.pdf>; see Jeremy Bearer-Friend, *Colorblind Tax Enforcement*, 97 N.Y.U. L. REV. 1, 2 (2022).

40. *Washington v. Davis*, 426 U.S. 229, 248 (1976) (“[A] whole range of tax . . . statutes [] may be more burdensome to the poor and to the average black than to the more affluent white.”); see also Dorothy Brown, *Racial Equality in the Twenty-First Century: What’s Tax Policy Got to Do with It?*, 21 U. ARK. LITTLE ROCK L. REV. 759, 759 (1999) (noting Justice White’s recognition that tax statutes may have a disparate racial impact).

41. STEPHAN THERNSTROM & ABIGAIL THERNSTROM, AMERICA IN BLACK AND WHITE: ONE NATION, INDIVISIBLE 535 (1999) (noting that beginning in the 1990s in America, “the foundation of progress for many Blacks is no longer fragile. Progress is real and solid.”).

42. Alan Rappeport, *I.R.S. Acknowledges Black Americans Face More Audit Scrutiny*, N.Y. TIMES (May 16, 2023), <https://www.nytimes.com/2023/05/15/us/politics/irs-black-americans-tax-audit.html>.

43. Maya Srikrishnan & Ashley Clarke, *How states can make taxes more equitable*, CTR. FOR PUBLIC INTEGRITY (Feb. 22, 2024), <https://publicintegrity.org/inequality-poverty-opportunity/taxes/unequal-burden/how-states-can-make-taxes-more-equitable>.

among low-income populations due to years of systemic barriers to homeownership, education, and employment, leaving them at a significant disadvantage.⁴⁴ According to the U.S. Census Bureau, the poverty rate is highest among Black Americans (17.1%), followed by Hispanic Americans (16.9%), while the rate for both White and Asian Americans is 8.6%.⁴⁵ At the median, Black and Brown families earn \$35,000 less annually than White families.⁴⁶ The racial wealth gap is even more eye-opening. The median Black household has roughly 84% less wealth than the median White household, while the median Brown house has about 78% less.⁴⁷ At this rate, it will take up to 228 years to close the racial wealth gap.⁴⁸ These economic disparities directly shape tax burden distribution, with Black and Brown taxpayers likely paying a disproportionately higher share of their income in state and local taxes compared to their White counterparts.⁴⁹ Because these families may have fewer financial resources, it may be difficult to pay additional taxes and thus, may be susceptible to the overly harsh enforcement actions addressed in Part III.

Although the IRS also contributes to inequality by providing massive tax breaks for high-income earners, it does not force low-income individuals to bear the most significant relative tax burdens, as most states do.⁵⁰ Most states rely on a regressive tax system, where low-income taxpayers pay a greater share of their income than wealthy taxpayers; who are disproportionately White.⁵¹ As a result, many individuals are contributing more to government state programs while struggling to pay for necessities like food, healthcare, and shelter.⁵²

44. Ricardo Mimbela & Katie Duarte, *Visualizing the Racial Wealth Gap*, ACLU: NEWS & COMMENT. (Aug. 10, 2023), <https://www.aclu.org/news/racial-justice/visualizing-the-racial-wealth-gap>.

45. John Creamer et al., *Table B-2. Number and Percentage of People in Poverty Using the Supplemental Poverty Measure by Age, Race, and Hispanic Origin: 2009 to 2021*, U.S. CENSUS BUREAU (Sep. 2022), <https://www.census.gov/data/tables/2022/demo/income-poverty/p60-277.html>.

46. CARL DAVIS ET AL., INST. ON TAX'N & ECON. POL'Y, WHO PAYS? A DISTRIBUTIONAL ANALYSIS OF THE TAX SYSTEMS IN ALL 50 STATES 18 (7th ed. 2024), <https://sfo2.digitaloceanspaces.com/itep/ITEP-Who-Pays-7th-edition.pdf>.

47. *Id.*

48. Joshua Holland, *The Average Black Family Would Need 228 Years to Build the Wealth of a White Family Today*, NATION (Aug. 8, 2016), <https://www.thenation.com/article/archive/the-average-black-family-would-need-228-years-to-build-the-wealth-of-a-white-family-today>.

49. *Id.*; see Hellman et al., *supra* note 36.

50. Hellman et al., *supra* note 36.

51. *Id.*

52. *Id.*; see also *State and Local Backgrounders: State and Local Expenditures*, URB. INST., <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance->

The consequences of these policies are devastating—exacerbating existing racial and economic inequalities.⁵³ While many focus on racial disparities at the federal level, this is the first legal scholarship to explore how these disparities affect taxpayers at the state level, particularly collection procedures and taxpayers' ability to pay their tax debt. Applying the racial equity framework to state collection alternatives and harsh enforcement procedures is critical for dismantling the harmful legacies of past racism and ensuring justice for all.⁵⁴

II. HOW VAGUE COLLECTION ALTERNATIVES CAN SIGNIFICANTLY HINDER TAXPAYERS' ABILITY TO UNDERSTAND THE REQUIREMENTS FOR PURSUING RELIEFS

A. *Offer in Compromise*⁵⁵

Twenty-seven states and the District of Columbia accept OICs, and most follow the same general structure with state-specific variations.⁵⁶ Typically, the department of revenue, tax commissioner, or mayor can compromise any tax assessment.⁵⁷ Most states also require an OIC submission fee, which may be a flat rate or percentage of the offer.⁵⁸ For example, Georgia requires a \$100 nonrefundable fee, while Hawaii, Louisiana, Michigan, and Oklahoma require applicants to submit 20% of the offer.⁵⁹

initiative/state-and-local-backgrounders/state-and-local-expenditures (last visited Sep. 30, 2025).

53. MICHAEL LEACHMAN ET AL., *CTR. ON BUDGET & POL'Y PRIORITIES, ADVANCING RACIAL EQUITY WITH STATE TAX POLICY 14* (2018), <https://www.cbpp.org/sites/default/files/atoms/files/11-15-18sfp.pdf>.

54. LEACHMAN ET AL., *supra* note 53.

55. For this section, I discuss how offer in compromises at the state level are vague and unclear. Considering that many states have similar issues, I picked the states that best illustrate the challenges and potential solutions related to this matter.

56. Hopkins & Srikrishnan, *supra* note 4; *Tax Type: Personal Income Tax*, LEXIS, <https://plus.lexis.com/api/permalink/b6415acc-ea2c-45be-8b17-4ec3d8463328/?context=1530671> (last visited Dec. 1, 2024). For this article, I am referring to states with income taxes that have offered compromises as an "option."

57. *Tax Type: Personal Income Tax*, *supra* note 56; see D.C. CODE § 47-4404 (2001) (noting that the District of Columbia is the only "state" allowing the Mayor to settle any tax debt).

58. See, e.g., GA. CODE ANN. § 48-2-18.1(b) (2024); KY. DEP'T OF REVENUE, KENTUCKY DEPARTMENT OF REVENUE OFFER IN SETTLEMENT APPLICATION (2018), [https://revenue.ky.gov/Forms/12A018%20\(5-18\)%20%20OIS%20Application.pdf](https://revenue.ky.gov/Forms/12A018%20(5-18)%20%20OIS%20Application.pdf); HAW. REV. STAT. § 231-9.2 (2003); LA. STAT. § 47:15178 (2015); MICH. COMP. LAWS § 205.23a (2023).

59. See, e.g., GA. CODE ANN. § 48-2-18.1(b) (2024); KY. DEP'T OF REVENUE, *supra* note 58, at 1 (\$500 nonrefundable fee); HAW. REV. STAT. § 231-9.2 (2003); LA. STAT. § 47:15178 (2015); MICH. COMP. LAWS § 205.23a (2023).

States typically accept or consider OICs based on specific criteria, including (1) doubt as to liability;⁶⁰ (2) doubt as to collectibility;⁶¹ (3) best interest of the state;⁶² (4) promotion of equity and/or effective tax administration;⁶³ or (5) discretion of the authorized decision-maker.⁶⁴ Despite these general criteria, the requirements for submitting an OIC are often vague and require further interpretation, which creates issues for taxpayers.⁶⁵ Similarly, the IRS has three main criteria for OICs: (1) doubt as to liability; (2) doubt as to collectibility; and (3) effective tax administration.⁶⁶ While each of these allows a taxpayer to settle their debt for less than the full amount owed, they have different requirements and evaluation standards.

i. States' Approach to Doubt as to Liability

The criterion for doubt as to liability applies when a taxpayer has a legitimate doubt that they owe part or all the tax debt.⁶⁷ However, some states do not provide clear guidance on what is needed to meet the requirements for this type of offer.⁶⁸ In Missouri, possible reasons to submit this type of offer include whether there is new evidence, evidence not considered, or a disputed tax.⁶⁹ The state provides no detailed guidance on how it interprets these standards.⁷⁰ Although Form MO-656 instructions include a list of documents required for submission with an offer, they do not provide specific

60. Hopkins & Srikrishnan, *supra* note 4.

61. *Id.*

62. See FLA. STAT. § 213.21 (2024) (noting that Florida offers a “best interest of the state” offer in compromise). However, since Florida does not impose an income tax, these offers are submitted for other state and local taxes. This article focuses exclusively on income tax, so it will not cover this type of offer.

63. See N.Y. TAX LAW § 171 (LexisNexis 2025) (describing the powers of a New York commissioner of taxation and finance to advance equitable results).

64. See Hopkins & Srikrishnan, *supra* note 4.

65. For purposes of this article, I will analyze the state OICs that align with the IRS: (1) Doubt as to Liability; (2) Doubt as to Collectibility; and (3) Effective Tax Administration. IRS, FORM 656 BOOKLET: OFFER IN COMPROMISE 1 (2025), <https://www.irs.gov/pub/irs-pdf/f656b.pdf>. Some states offer Effective Tax Administration (“ETA”) or OICs, though the name may vary. However, the application and underlying principles remain the same. See TAX TYPE: PERSONAL INCOME TAX, *supra* note 56.

66. IRS, *supra* note 65. This booklet allows a taxpayer to submit a Doubt as to Collectibility and Effective Tax Administration offers. Doubt as to Liability is in the OIC Booklet 656-L Doubt as to Liability. These two booklets are slightly different. The Form 656-L does not require a taxpayer to complete Form 433-A OIC or 433-B OIC and there is no application fee.

67. See IRM 5.19.24.2 (July 14, 2016).

68. See MO. DEP’T OF REVENUE, OFFER IN COMPROMISE INSTRUCTIONS 3 (2022), <https://dor.mo.gov/forms/MO-656%20Instructions.pdf>; MO. REV. STAT. § 32.378 (2002).

69. See MO. DEP’T OF REVENUE, *supra* note 68.

70. *Id.*

samples of what is needed for this type of OIC.⁷¹ Instead, the instructions offer a generic list of items needed for all OICs, leaving taxpayers without any direction on the necessary documentation to support a doubt as to liability offer.⁷²

Michigan faces the same challenges as Missouri regarding doubt as to liability offer-in-compromise.⁷³ However, Michigan also imposes an additional burden, requiring taxpayers to “demonstrate clear and convincing evidence that they would have prevailed in a contested case.”⁷⁴ The clear and convincing evidence standard is more rigorous than other applicable legal standards, such as preponderance of the evidence standard. It creates an unreasonable burden that is nearly impossible for taxpayers to meet because it requires a high level of certainty in proving their claim rather than demonstrating that it is more likely than not that the tax is incorrect.⁷⁵ Therefore, Michigan’s restrictive standard and Missouri’s unclear guidance can discourage taxpayers from submitting an offer that may otherwise meet the requirements. Moreover, due to vague instructions, taxpayers may fail to provide all necessary documents to demonstrate a legitimate dispute, leading to unwarranted rejections.⁷⁶ Michigan has a higher burden of proof for doubt as to liability offers compared to the IRS, which instead requires only that the taxpayer demonstrates a reasonable belief that they do not owe all or part of tax debt.⁷⁷

ii. IRS’s Approach to Doubt as to Liability

In IRS cases, the standard is burden of the persuasion, which requires the taxpayer to convince the IRS that a legitimate doubt exists.⁷⁸ It also has an online pre-qualifier assessment, which asks

71. *Id.*

72. *See id.*

73. *OIC Guidelines: Examination of a Doubt as to Liability Offer*, MICH. DEP’T OF TREASURY, <https://www.michigan.gov/taxes/collections/oic/guidelines/section-2---guidelines-for-reviewing-an-offer-in-compromise/2---examination-of-a-doubt-as-to-liability-offer>. (last visited Sep. 30, 2025).

74. *Id.*

75. *Id.*

76. *Id.*; MO. DEP’T OF REVENUE, *supra* note 68; *see also* GA. DEP’T OF REVENUE, FORM OIC-1: OFFER IN COMPROMISE (2024), <https://dor.georgia.gov/document/form/form-oic-1-offer-compromise-applicationpdf> (demonstrating that Georgia has the same issue as Michigan and Missouri: the Doubt as to Liability form is vague and unclear).

77. IRS, FORM 656-L OFFER IN COMPROMISE: DOUBT AS TO LIABILITY (DATL) 3 (2024), <https://www.irs.gov/pub/irs-pdf/f656l.pdf>.

78. Richard Molina & Bruce W. McClain, *Has the Shift in Burden of Proof Really Helped Taxpayers in Litigation?*, 178 TAX NOTES FED. 1123, 1124 (Feb. 20, 2023), <https://www.taxnotes.com/special-reports/practice-and-procedure/has-shift-burden-proof-really-helped-taxpayers-litigation/2023/02/17/7fxls>.

questions to determine a taxpayer's eligibility and whether they are requesting the correct type of offer.⁷⁹ The pre-qualifier includes eleven questions and if a taxpayer answers "No" for questions 1-10, the taxpayer may qualify for this offer.⁸⁰ The questions and the OIC booklet provide clear examples of scenarios that are considered grounds for this type of offer.⁸¹ Furthermore, the pre-qualifier assessment explicitly states when a taxpayer is eligible, and the language on the OIC form is clear and unambiguous, making it easier for a reasonable person to understand.⁸² Therefore, the IRS doubt as to liability offer form ensures transparency and accessibility, reducing confusion and enhancing the likelihood that qualified taxpayers can navigate the process.

iii. States' Approach to Doubt as to Collectibility

In contrast, doubt as to collectibility applies when there is no dispute about the tax liability, but the taxpayer's assets and income are insufficient to cover the total amount owed, making them unable to fully pay their tax debt.⁸³ In Utah, the Tax Commission will consider a doubt as to collectibility offer if the taxpayer can demonstrate that the full tax liability cannot be collected.⁸⁴ The taxpayer bears the burden of proof and must substantiate their claim of inability to pay.⁸⁵ This requires submitting the documents outlined in the offer form, such as financial statements, bank statements, expense verification, income statements, and any other supporting documents the taxpayer believes can help their claim.⁸⁶ While the form's instructions explain why these documents are necessary, they do not clarify how the State uses them to determine the offer amount.

The Utah OIC form does not provide any guidance on how to calculate a reasonable offer amount, leaving taxpayers to determine the offer on their own.⁸⁷ This lack of clarity increases the risk of submitting an offer that is too low, leading to rejection.⁸⁸

79. IRS, *supra* note 77, at 4.

80. *Id.*

81. *Id.* at 3.

82. *See id.*

83. 26 C.F.R. § 301.7122-1(a)(2); *see* IRM 5.8.4.3 (Apr. 25, 2025).

84. *See* UTAH STATE TAX COMM'N, FORM TC-410: OFFER IN COMPROMISE REQUEST (2017), <https://files.tax.utah.gov/tax/forms/current/tc-410.pdf>; *see also* UTAH CODE ANN. § 59-1-401 (LexisNexis 2018).

85. UTAH STATE TAX COMM'N, *supra* note 84.

86. *Id.* (explaining that the Utah State Tax Commission requires the same documentation as the IRS).

87. *Id.*

88. *Id.*

Unfortunately, Utah is not unique in this regard—the District of Columbia faces a similar issue, as its OIC process also lacks clear instructions on how to calculate an acceptable offer.⁸⁹ Unlike many jurisdictions, Utah does not require payment at the time of submission.⁹⁰ Instead, taxpayers must pay the full offer amount within thirty days of acceptance.⁹¹ While this can alleviate the immediate financial burden, the uncertainty surrounding offer calculations still presents a significant problem for taxpayers in these states.

Moreover, Maryland's OIC forms share similarities with Utah and the District of Columbia but include additional eligibility requirements for doubt as to collectibility.⁹² The Comptroller of Maryland may consider an OIC only if the tax debt has been in arrears for at least two years.⁹³ However, the Maryland code does not clearly define "arrears," making it difficult to determine when the two-year timeframe begins. This lack of clarity makes it difficult for taxpayers, like Ms. Smith, to know when an offer can be submitted, leading to situations where taxpayers may submit premature offers that are subsequently rejected.

Most states require a non-refundable fee or percentage of the offer at the time of submission.⁹⁴ This forces a taxpayer to risk paying for an OIC without any guarantee of acceptance. If the offer is rejected, the payment is not returned but is applied to the outstanding tax debt, which can add to their financial strain.⁹⁵ Thus, the combination of non-refundable fees and vagueness not only makes the OIC submission burdensome but creates a financial gamble for taxpayers.⁹⁶ These challenges such as a lack of calculation guidance, ambiguous eligibility requirements, and vague instruction often result in taxpayer confusion, rejection of OIC applications and non-refundable payments.⁹⁷

89. See GOV'T OF D.C., OFFER IN COMPROMISE: FORM OTR-10 BOOKLET, <https://otr.cfo.dc.gov/sites/default/files/dc/sites/otr/publication/attachments/OICrevisions062314.pdf>.

90. UTAH STATE TAX COMM'N, *supra* note 84 (explaining that a Utah taxpayer must pay "by certified funds within 30 days of acceptance"); see also Hopkins & Srikrishan, *supra* note 4 (noting that Utah taxpayers in hardship may request waivers for reasonable cause).

91. UTAH STATE TAX COMM'N, *supra* note 84.

92. *Md. Offer in Compromise*, *supra* note 18.

93. MD. CODE ANN., STATE FIN. & PROC. § 6-219(b) (West 2025).

94. IRS, *Topic no. 204, Offers in compromise* (Nov. 21, 2025), <https://www.irs.gov/taxtopics/tc204>.

95. *Id.*

96. See Hopkins & Srikrishnan, *supra* note 4.

97. *Id.*

iv. IRS's Approach to Doubt as to Collectibility

On the contrary, the IRS OIC form is comprehensive and provides clear guidance for taxpayers, helping them navigate the OIC process.⁹⁸ It includes a detailed financial calculation to determine a taxpayer's ability to pay and a reasonable offer amount.⁹⁹ Additionally, the IRS's website features a thorough FAQ page, which is a significant advantage over most state OIC programs.¹⁰⁰ This page addresses more than twenty questions to assist taxpayers in understanding the OIC process, eligibility, the required documents and their significance, and what to expect after the offer is accepted, rejected, or returned.¹⁰¹ This transparency allows a taxpayer to focus on what documentation is needed and ensure the form is completed correctly, minimizing the risk of incomplete submissions that could delay or jeopardize their application. The IRS requires a \$205 application fee for OICs.¹⁰² However, this fee can be waived for taxpayers that meet the low-income certification guidelines, which are based on family size, place of residence, and the income reported on their most recent tax return.¹⁰³ In addition to the application fee, the taxpayer must submit an initial payment with the offer.¹⁰⁴ The amount of the initial payment depends on the payment option: (1) lump sum or (2) periodic payment. Lump sum payments require 20% of the total offer amount to be paid upon submission, with the remaining balance due within five months after the offer is accepted.¹⁰⁵ The periodic payment option requires the taxpayer to submit the first payment along with the offer and continue making monthly payments while the OIC is under review.¹⁰⁶ However, if a taxpayer qualifies for the low-income certification guidelines, the IRS waives both the application fee and the payment requirements while the OIC is being considered.¹⁰⁷ This means no payment is required upon submission, reducing the financial strain on eligible

98. *Id.*

99. *Id.*

100. See Hopkins & Srikrishnan, *supra* note 4; *Offer in compromise – Frequently asked questions*, IRS (Dec. 16, 2025), <https://www.irs.gov/businesses/small-businesses-self-employed/offer-in-compromise-faqs>.

101. *Offer in compromise – Frequently asked questions*, *supra* note 100.

102. IRS, FORM 656 BOOKLET: OFFER IN COMPROMISE (2025), <https://www.irs.gov/pub/irs-pdf/f656b.pdf>.

103. *Id.*; see also Hopkins & Srikrishnan, *supra* note 4 (noting some states offer low-income guidelines to waive application fees).

104. IRS, *supra* note 102.

105. *Id.*

106. *Id.*

107. *Id.*

taxpayers.¹⁰⁸ Therefore, the IRS provides a more efficient and structured process for taxpayers to follow when submitting doubt as to collectibility offers compared to state OIC programs.

v. States' Approach to Effective Tax Administration ("ETA") Offers

In Vermont, a taxpayer can submit an OIC for exceptional circumstances. The State defines this as unplanned events or special circumstances, such as serious illness, where paying the full tax liability may interfere with taxpayers' ability to provide for themselves and their families.¹⁰⁹ Typically, a serious illness is a health condition that can be considered a high risk and negatively impacts a person's daily routine or quality of life.¹¹⁰ Examples might include cancer, a stroke, high blood pressure, or HIV.¹¹¹ However, Vermont does not clearly define what constitutes a "serious illness" or specify additional examples of "special circumstances" that would be considered in the State's evaluation process.¹¹² This lack of clarity can make it difficult for taxpayers to determine whether their situation qualifies for this type of relief.

Nevada has similar issues as Vermont.¹¹³ In Nevada, a taxpayer can apply for a Consideration of Equity and Fairness offer when:

The medical condition of the taxpayer or the medical condition of the spouse, parent, sibling or child of the taxpayer to whom the taxpayer provides full-time medical care or living assistance was such that the taxpayer was unable to manage the financial affairs of the taxpayer during the period in which the liability of the taxpayer was incurred.¹¹⁴

108. *See id.*

109. VT. DEP'T OF TAXES, FORM OIC-671 INSTRUCTIONS: OFFER IN COMPROMISE AGREEMENT (2021), <https://tax.vermont.gov/sites/tax/files/documents/OIC-671.pdf>.

110. *See* Amy S. Kelley & Evan Bollens-Lund, *Identifying the Population with Serious Illness: The "Denominator" Challenge*, 21 J. PALLIATIVE MED. S-7, S-7 (Mar. 2018), <https://pmc.ncbi.nlm.nih.gov/articles/PMC5756466> [<https://doi.org/10.1089/jpm.2017.0548>].

111. *See generally* A to Z, NHS INFORM: ILLNESSES AND CONDITIONS, <https://www.nhs.uk/inform.scot/illnesses-and-conditions/a-to-z/#A> (last visited Sep. 28, 2025) (describing a variety of common illnesses and their symptoms).

112. VT. DEP'T OF TAXES, *supra* note 109.

113. *Compare id. with* NEV. DEP'T OF TAX'N, OFFER IN COMPROMISE (2023), <https://tax.nv.gov/wp-content/uploads/2024/03/REV-F021-Offer-in-Compromise-Form.pdf> (demonstrating that neither form contains definitions of the terms "medical condition," for example). Other comparisons are detailed in this paragraph.

114. NEV. DEP'T OF TAX'N, *supra* note 113.

The terms “medical condition,” “unable to manage financial affairs,” or “full-time medical care or living assistance” are not defined, which leaves room for interpretation. A medical condition is the state of someone’s health, including a health issue or illness diagnosed by a doctor.¹¹⁵ While a serious illness such as cancer, a stroke, or diabetes might seem to meet this definition, it is unclear whether a chronic autoimmune disease like lupus or mental health disorders such as schizophrenia would also qualify.¹¹⁶ When the terms are unclear, it is easy to misinterpret the intention of the state agency.¹¹⁷

Similarly, the phrase “unable to manage financial affairs” lacks specificity. It is unclear whether the state requires a specific time that a taxpayer must be unable to manage their finances. For instance, if someone cannot pay their bills or if their expenses exceed their income for one month, it is unclear if this meets the standard. Additionally, “full-time medical care or living assistance” requires clarification. It is uncertain whether “full-time medical care” refers to an individual’s only job, or if it implies continuous around-the-clock care. Furthermore, the standard does not specify the number of hours that qualify as “full-time.” This ambiguity makes it difficult for taxpayers to understand if their circumstances qualify with this type of offer.

vi. IRS’s Approach to ETA Offers

The Internal Revenue Service’s ETA offers are similar to state offers listed above, but also include considerations for economic hardships, public policy, and equity reasons.¹¹⁸ The definition of economic hardship as it applies to ETA means that the taxpayer can pay the tax liability in full, but collection would interfere with their ability to pay reasonable basic living expenses.¹¹⁹ For instance, a taxpayer living on fixed income may own a home with sufficient equity to cover the tax liability.¹²⁰ However, forcing the sale of the

115. *Medical Condition*, SCIENCEDIRECT, <https://www.sciencedirect.com/topics/computer-science/medical-condition> (last visited Oct. 1, 2025) (AI generated definition based on the INT’L ENCYC. OF THE SOC. & BEHAV. SCIS. (2001)).

116. *See A to Z*, *supra* note 111.

117. *See Vagueness*, BLACK’S LAW DICTIONARY (12th ed. 2024).

118. IRM 5.8.11.2(1) (Apr. 11, 2024).

119. Treas. Reg. § 301.6342-1(b)(4) (Dec. 30, 1994).

120. *See, e.g.*, *Est. of Baumgardner v. Comm’r*, No. 11343-19L, 2024 T.C.M. LEXIS 81, at *3 (T.C. Aug. 22, 2024). In this case, the personal representative of the state challenged the IRS’s determination sustaining a levy to collect the unpaid estate tax liabilities. *Id.* The estate submitted an Effective Tax Administration OIC arguing that full payment would cause economic hardship, as selling estate assets—particularly real estate and life insurance proceeds—would leave the personal representative without sufficient funds for essential

home to satisfy the tax debt can result in the taxpayer losing stable housing without an affordable housing alternative. Additionally, a taxpayer may submit an ETA offer for compelling public policy or equity reasons when there is a sufficient basis for compromising the liability.¹²¹ Compelling public policy or equity reasons would exist if enforcing the full tax liability undermines the public confidence in how the tax laws are being administered.¹²² These reasons address situations where strict enforcement may appear overly punitive, unjust, or inconsistent with the public's expectation of fairness.¹²³ For example, a tax liability arising from IRS errors, third-party actions, or unintended consequences of complex tax laws may warrant relief to maintain trust in the tax system.¹²⁴ While the characteristics that may qualify for a compromise based on public policy or equity are inherently unique, the IRS considers several factors when evaluating an ETA offers.¹²⁵ These factors include: (1) IRS error, erroneous advice, or undue delay; (2) wrongful acts by third parties; (3) negative community impact; and (4) incapacitation.¹²⁶ These factors help determine whether accepting an OIC is in the taxpayer's and IRS's best interest, ensuring that the laws are applied fairly.¹²⁷

Therefore, the purpose of ETA offers is to ensure that tax administration remains fair, equitable, and reasonable, particularly in cases where full collection can cause an economic hardship or be unjust due to the circumstances.¹²⁸ However, ETA offers at the state level are often inconsistent and lack clarity, making it difficult for taxpayers to access this type of relief, and state agencies lack uniformity when evaluating these offers. Unlike the states, the IRS has a structured framework for accessing ETA offers. This framework ensures transparency and fairness—its intended purpose.

vii. State Offers are Non-Appealable

Not only do state-level OICs have various issues such as inconsistency and lack of clarity, but they are also non-appealable,

healthcare and living expenses. *Id.* at *6–*7. The IRS rejected the OIC, asserting the estate had income producing assets and could liquidate properties to satisfy the debt. *Id.* at *17. The Tax Court upheld the IRS's determination. *Id.* at *45.

121. IRM. 5.8.11.3.2(3) (Apr. 11, 2024).

122. *Id.*

123. IRM. 5.8.11.3.2.1(2) (Apr. 11, 2024).

124. IRM. 5.8.11.3.2.1(1) (Apr. 11, 2024).

125. *Id.*

126. *Id.*

127. IRM 5.8.11.3.2.1(2) (Apr. 11, 2024).

128. *Id.*

which further exacerbates the challenges for taxpayers seeking relief.¹²⁹ Of the twenty-seven states and the District of Columbia that allow OICs, twenty-six states and the District of Columbia provide no appeal process, leaving the taxpayer with no recourse if the offer is denied.¹³⁰ Wisconsin is the only state that allows a taxpayer to appeal their OIC.¹³¹ When an offer is non-appealable, taxpayers cannot challenge the denial or seek clarification on how the state tax agency came to their outcome.¹³² Without an appeal process, there is no case law or precedent that exists to guide state tax authorities in their decision-making process.¹³³ This leaves taxpayers uncertain about the requirements for a favorable outcome.¹³⁴ In addition, when there is no appeal process, it grants authorized decision-makers full discretion to determine which OICs to accept or reject, leading to inconsistent outcomes depending on who reviews the documentation. Without an appeal process, decisions are final. This means that taxpayers cannot address any mistakes or errors made by the states. Therefore, the absence of an appeal process not only undermines fairness, but it also weakens taxpayers' confidence in state tax administration. Without clear guidelines, ability to challenge decisions, and legal precedent, taxpayers are left vulnerable to subjective rulings.¹³⁵

viii. IRS OICs are appealable

When the IRS rejects a taxpayer's OIC, the taxpayer may administratively appeal to the IRS Independent Office of Appeals¹³⁶ by requesting a review within thirty days from the date of the rejection letter.¹³⁷ Taxpayers having the ability to appeal the IRS's rejection is critical for several reasons. First, it gives taxpayers an opportunity to challenge the IRS's rejection and have the offer reviewed by a separate and impartial office, rather than by the same

129. Hopkins & Srikrishnan, *supra* note 4.

130. *See id.*

131. *See Petition for Compromise of Taxes – Inability to Pay*, WIS. DEP'T OF REVENUE (Oct. 20, 2025), <https://www.revenue.wi.gov/Pages/FAQS/ise-petcomp.aspx>.

132. *See* Hopkins & Srikrishnan, *supra* note 4.

133. *Id.*

134. *Id.*

135. IRM. 8.23.3.2 (Aug. 21, 2023) (stating the IRS allows a taxpayer to appeal an OIC determination within thirty days from the determination letter).

136. IRM 8.1.1.1.1 (Jan. 9, 2024) (stating appeals are separate and independent from the IRS Examination and Collection functions that make tax assessments and initiate collection actions).

137. Treas. Reg. § 301.7122-1(f) (2002). This is a strict deadline that taxpayers must comply with. If taxpayers do not act within that timeframe, they will lose their right to an administrative appeal, and the IRS can resume with collection efforts. *See id.* § 301.7122-1(g).

collection officer who initially denied it.¹³⁸ Second, it ensures that taxpayers are treated fairly in collection matters and not subject to arbitrary rejections without the opportunity to be heard. Third, it suspends collection actions while the review is pending. In conclusion, the IRS's appeal procedures ensure procedural fairness, protect taxpayer rights, and help promote accountability and transparency in IRS decision making, which is something that states lack.

B. Installment Agreements

i. States' Approach to Installment Agreements

An installment agreement allows taxpayers to pay off a tax bill over a specific period.¹³⁹ In Maryland, no statutes govern installment agreements.¹⁴⁰ While the Comptroller of Maryland's website states such agreements are offered, it does not provide detailed terms.¹⁴¹ It is unclear on the duration of the plan, how monthly payments are calculated, or whether a down payment is required.¹⁴² This lack of transparency creates confusion and makes it difficult for taxpayers to understand the eligibility requirements for payment plans.¹⁴³ However, Maryland is not alone in this issue; other states face similar challenges.¹⁴⁴

Like Maryland, Arkansas also lacks a specific statute governing installment agreements for state income tax liabilities.¹⁴⁵ According to the Arkansas Department of Finance and Administration ("DFA") website, taxpayers who are not insolvent may request an installment agreement.¹⁴⁶ However, the website does not provide detailed information regarding the terms, duration, or how the state determines the payment amounts.¹⁴⁷ The request for payment plans

138. See *Brown v. Comm'r*, No. 160-24L, 2025 T.C.M. LEXIS 18, at *1 (T.C. Feb. 18, 2025) (describing a situation where the same Appeals Officer rejected the petitioners' OIC and sustained the Notice of Federal Tax Lien).

139. See *Additional information on payment plans*, IRS, <https://www.irs.gov/payments/payment-plans-installment-agreements> (last visited Sep. 28, 2025).

140. See Hopkins & Srikrishnan, *supra* note 4.

141. *Id.*

142. *Id.*

143. *Id.*

144. See *id.*

145. See *id.*

146. *Id.*; see *Offers In Compromise*, ARK. DEP'T. OF FIN. & ADMIN., <https://www.dfa.arkansas.gov/office/taxes/other-taxes/problems-resolution/offers-in-compromise> (last visited Oct. 1, 2025) (defining insolvent to mean when your expenses exceed your income or liabilities exceed your assets).

147. Hopkins & Srikrishnan, *supra* note 4.

is reviewed case by case, but the lack of clearly defined requirements leaves the process entirely at the DFA's discretion.¹⁴⁸ This results in inconsistencies and unpredictability, making it difficult for taxpayers to navigate the tax system.

Although websites provide general guidance for taxpayers, they are not binding authority.¹⁴⁹ Because states lack clear legal frameworks, taxpayers are often left with informal guidance that state tax agencies are not required to follow. This further increases discretion, leaving states to determine what requirements to impose or overlook.¹⁵⁰ Thus, taxpayers face uncertainty, making compliance difficult and inconsistent.¹⁵¹

Moreover, the lack of defined terms, statutes, and written procedures for installment agreements at the state level has broader implications.¹⁵² When a state does not have a statute or clear administrative guidance governing installment agreements, it creates significant problems for taxpayers. Without consistency, taxpayers—particularly low-income taxpayers—may receive different outcomes based on the state tax agency's discretion.¹⁵³ The absence of clear terms makes it difficult for taxpayers to plan their finances accordingly or predict the duration of the installment agreement. This uncertainty may discourage taxpayers from submitting installment agreements altogether, which can lead to enforcement actions.¹⁵⁴ Additionally, it can create perceptions of unfair treatment and undermine trust in the state's tax administration.

In many states, taxpayers have no right to appeal the rejection, modification, or termination of an installment agreement.¹⁵⁵ These agreements and OICs often serve as the taxpayer's last ability to

148. *Id.*

149. See *Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944) (reasoning that an agency's interpretation may carry persuasive weight but is not binding authority).

150. Hopkins & Srikrishnan, *supra* note 4; see WIS. STAT. § 71.92 (2024). The statute explicitly states that: “[i]f within 3 years of the date of the compromise order or the date of final payment under a payment schedule, whichever is later, the department ascertains that the taxpayer has an income or property sufficient to enable the taxpayer to pay the remainder of the tax including costs, penalty, and interest the department shall reopen the matter and order the payment in full of such taxes, costs, penalties and interest.” *Id.* § 71.92(3). This means that Wisconsin can repeal an offer within three years if it determines that the taxpayer can pay. However, no established criteria guide how the state decides which offers to reconsider. This uncertainty may discourage taxpayers from applying for a Wisconsin offer, as they face the risk of having it rescinded within three years.

151. *Id.*

152. *Id.*

153. See Srikrishnan & Clarke, *supra* note 43.

154. See Hellmann et al., *supra* note 36.

155. See Richard M. Lipton, *Procedural Due Process in Tax Collection: An Opportunity for a Prompt Post Deprivation Hearing*, 44 U. CHI. L. REV. 594, 595 (1977).

avoid enforcement actions such as wage garnishments, property tax liens, or bank levies.¹⁵⁶ When a state allows state tax agencies to reject or revoke an installment agreement without an appeal process, taxpayers might suddenly face enforcement actions.¹⁵⁷ Thus, the absence of these procedural safeguards can raise concern about due process, especially for low-income taxpayers that may rely on installment agreements to stay in compliance.¹⁵⁸

ii. IRS's Approach to Installment Agreements

In contrast, the IRS provides clear and structured guidelines for installment agreements, offering various options to meet taxpayers' needs.¹⁵⁹ Streamlined installment agreements allow taxpayers owing \$50,000 or less and businesses owing \$25,000 or less to set up a payment plan over seventy-two months without requiring any financial disclosure.¹⁶⁰ For taxpayers with balances exceeding these limits, non-streamlined agreements require collection information statements and offer flexible repayment options.¹⁶¹ Guaranteed installment agreements are available to taxpayers with tax balances of \$10,000 or less.¹⁶² These agreements ensure that taxpayers pay off the liability within thirty-six months.¹⁶³ Additionally, Partial Payment Installment Agreements allow taxpayers experiencing hardships to make reduced payments, require a collection information statement, and pay off the debt within three years.¹⁶⁴ Overall, the IRS provides a well-structured framework for installment agreements, ensuring that taxpayers have access to several payment options based on their financial circumstances.¹⁶⁵

156. *IRS' Use of Enforcement Authorities to Collect Delinquent Taxes: Testimony Before the S. Comm. On Fin.*, 95th Cong. 3 (1977), <https://www.gao.gov/assets/t-ggd-97-155.pdf> (statement of Lynda D. Willis, Dir., Tax Pol'y & Admin. Issues, Gen. Gov't Div.) (on file with the Wake Forest Journal of Law & Policy).

157. *Id.*

158. See Lipton, *supra* note 155, at 602-03.

159. See Srikrishnan & Clarke, *supra* note 32.

160. See IRM 5.14.1 (July 2, 2024). When a taxpayer requests an IRS collection alternative, such as an installment agreement or an OIC, they may be required to submit a Collection Information Statement using Form 433. This form collects detailed information about the taxpayer's assets, liabilities, and income. Its primary purpose is to provide the IRS with a comprehensive overview of the taxpayer's financial situation to assess their ability to pay the tax liability in full or determine the feasibility of alternative payment arrangements. See IRS, FORM 433-D: INSTALLMENT AGREEMENT (2024), <https://www.irs.gov/pub/irs-pdf/f433d.pdf>.

161. See IRS, *supra* note 160.

162. See IRM 5.14.1 (July 2, 2024).

163. *Id.*; see also I.R.C. § 6159(c)(4) (establishing taxpayers must pay off full debt within three years).

164. See IRM 5.14.2 (June 5, 2025).

165. *Id.*; see also Srikrishnan & Clarke, *supra* note 32.

What distinguishes IRS installment agreements from state installment agreements is the presence of governing statutes, regulations interpreting the statutes, and detailed procedures outlined in the Internal Revenue Manual (“IRM”).¹⁶⁶ Under I.R.C. § 6159, the IRS is explicitly authorized to accept installment agreements for taxpayers to pay their tax liability over time.¹⁶⁷ The statute is clear and unambiguous. It provides a legal foundation for installment agreements and outlines the IRS’s authority to structure these arrangements.¹⁶⁸ In cases where further clarification is required, the Treasury Regulations supplement the statute, which is also binding authority interpreting the statute.¹⁶⁹ The regulations provide additional guidance on the processes, eligibility criteria, and administrative procedures for installment agreements, ensuring that the IRS is consistent in its application.¹⁷⁰ The IRM supplements the statutory authority by creating clear instructions for IRS employees to follow when evaluating and administering installment agreements or other collection alternatives.¹⁷¹

Thus, the IRS’s statutory and procedural framework for installment agreements ensure predictability, fairness, and flexibility for taxpayers with various financial circumstances, whereas state tax agencies lack uniformity and operate with broad discretion. This disparity is evident when considering hardship options.

C. Hardship

i. States’ Approach to Hardship Programs

A hardship program temporarily suspends collection actions or reduces immediate payment burden.¹⁷² While many states offer hardship options for taxpayers experiencing economic challenges, the availability and transparency of these programs vary widely.¹⁷³ In Arizona, taxpayers experiencing financial hardship can request a collection hold, temporarily pausing any collection activity.¹⁷⁴ To apply, Arizona’s Department of Revenue requires the taxpayer to complete a collection information statement evaluating their

166. See IRM 5.14.2 (June 5, 2025).

167. *Id.*; see also I.R.C. § 6159(a) (authorizing the IRS to establish installment agreements with taxpayers).

168. See I.R.C. § 6159(a).

169. See Treas. Reg. § 301.6159-1.

170. *Id.*

171. See *Internal Revenue Manuals*, IRS, <https://www.irs.gov/irm> (last visited Jan. 13, 2026).

172. See Srikrishnan & Clarke, *supra* note 32.

173. Hopkins & Srikrishnan, *supra* note 4.

174. *Id.*

financial situation and ability to pay their tax debt.¹⁷⁵ However, requesting a collection hold is not straightforward.¹⁷⁶ The information about this relief is unavailable online, and taxpayers must call the Department to inquire about the process.¹⁷⁷ Unfortunately, this can create barriers for low-income taxpayers who may not have access to a reliable phone or face long waiting times when they attempt to contact the Department.

Moreover, Arizona does not specify the timeframe of the collection hold, there is no governing statute for this relief, and there is limited guidance on how collection statements are evaluated to determine eligibility.¹⁷⁸ A collection hold might last one day, five days, or thirty days, depending on the discretion of the Department.¹⁷⁹ Without a clear and binding statute outlining the requirements of a collection hold, the Arizona Department of Revenue has discretionary power, which can lead to inequitable outcomes for taxpayers.¹⁸⁰

Similarly, Maryland faces challenges with their low-income hardship program, where a lack of transparency creates challenges for taxpayers. Like Arizona, Maryland does not have a statute that governs hardship.¹⁸¹ Taxpayers must email the Comptroller of Maryland to request a hardship application.¹⁸² Unfortunately, most employees do not know that this program exists. When employees at

175. *Id.*; AZ. DEP'T OF REVENUE, FORM 10896: COLLECTION INFORMATION STATEMENT (PERSONAL) (2010), https://azdor.gov/sites/default/files/2023-03/FORMS_COLLECT_10896-f.pdf; AZ. DEP'T OF REVENUE, FORM 91: REQUEST FOR TAXPAYER ASSISTANCE ORDER (2025), https://azdor.gov/sites/default/files/document/FORMS_10813-f.pdf; AP 631: *The Collections Process*, MASS. DEP'T OF REVENUE (Jan. 27, 2025), <https://www.mass.gov/administrative-procedure/ap-631-the-collection-process> (explaining that in Massachusetts, a taxpayer may ask for temporary relief due to significant hardship). The state defines significant hardship as the inability to pay for necessities such as food, shelter, clothing, or medical care. AP 631: *The Collections Process*, *supra*. Taxpayers can apply for hardship online or by completing Form M-911 Taxpayer's Application for Relief Due to Hardship. *Id.* Like Arizona and Massachusetts, Indiana allows taxpayers that are suffering financially to apply to its hardship program using Form FS-H. *See* IND. DEP'T OF REVENUE, Form FS-H: HARDSHIP FINANCIAL STATEMENT (2024), <https://forms.in.gov/download.aspx?id=2851> (providing an overview of who may qualify for the hardship program).

176. Hopkins & Srikrishnan, *supra* note 4.

177. *Id.*

178. *See* AZ. DEP'T OF REVENUE, COLLECTIONS PROCESS (2014), https://azdor.gov/sites/default/files/2023-03/PUBLICATION_2014_002.pdf.

179. *Id.*

180. *Id.*

181. *Id.* The Washington, D.C. Office of Tax and Revenue ("OTR") may temporarily suspend collection actions for taxpayers experiencing financial hardship on a case-by-case basis. However, the OTR does not provide guidance or information regarding this hardship option on its website. Similarly, states like Vermont, Montana, and Connecticut offer collection suspensions for taxpayers facing financial hardship, but their websites lack specific details about the hardship criteria.

182. *Id.*

the Maryland Comptroller’s office or other state agencies are new or insufficiently trained, they may unintentionally miscommunicate the internal processes or provide incorrect information due to their limited knowledge or understanding.¹⁸³ This misinformation can further complicate the burdensome process of seeking hardship relief. In contrast, New Mexico allows taxpayers to file a hardship application for full or partial deferral of collections for up to one year.¹⁸⁴ However, this is problematic for taxpayers who require assistance beyond one year.¹⁸⁵ While many states have OICs as collection alternatives as a hardship relief, this option is not available in New Mexico.¹⁸⁶ Instead, the state provides installment agreements for up to six years, though some taxpayers may struggle to afford monthly payments.¹⁸⁷

ii. IRS’s Approach to Hardship Programs

While states like Arizona, Maryland, and New Mexico face challenges in providing adequate information for hardship relief, especially for low-income taxpayers, the IRS offers a hardship relief known as Currently Not Collectible (“CNC”).¹⁸⁸ The IRS determines if a hardship exists when a taxpayer cannot pay their reasonable basic living expenses.¹⁸⁹ This determination is based on the taxpayer’s financial condition outlined in their Collection Information Statement.¹⁹⁰ Hardship cases typically involve taxpayers whose monthly expenses exceed their income, or who have little to no income or assets.¹⁹¹ The IRM details taxpayer eligibility requirements and the procedures IRS employees must follow to evaluate these cases.¹⁹² Throughout this analysis, it is evident that a vague statute—or the absence of one—can significantly hinder taxpayers’ understanding of the requirements for collection alternatives.

183. *See id.* Most state tax agencies do not have written procedures readily available online for taxpayers. Most procedures at the state level are internal, which makes it difficult to determine eligibility requirements for collection matters. In contrast, the IRS has the Internal Revenue Manual, which outlines the procedures by which the IRS must comply.

184. *See* Hopkins & Srikrishnan, *supra* note 4.

185. *Id.*

186. *Id.*

187. *Id.*

188. IRM 5.19.17.2 (Mar. 19, 2025); *see also* Srikrishnan & Clarke, *supra* note 32 (noting that, in general, the IRS offers far more assistance for taxpayers in financial hardship than most states).

189. IRM 5.16.1.2.9 (Mar. 3, 2025).

190. *Id.*

191. *Id.*

192. *Id.*

III. HOW VAGUENESS REGARDING COLLECTION ALTERNATIVES DISPROPORTIONATELY IMPACT LOW- INCOME TAXPAYERS

As mentioned above, the vagueness of a statute, the absence of one, or the ambiguity of the state tax forms related to various collection alternatives significantly impacts taxpayers, specifically, low-income taxpayers. Navigating the legal statutes governing collection alternatives and engaging with state tax agencies can be complex and often requires legal assistance.¹⁹³ Tax professionals possess the expertise to develop strategic plans, and they understand tax laws and procedures.¹⁹⁴ They can guide taxpayers through the complexities of interpreting tax laws, ensure compliance, resolve tax disputes efficiently, and effectively communicate with the state tax agencies.¹⁹⁵ However, some taxpayers lack the financial resources to hire a tax attorney or Certified Public Accountant for their tax matters.¹⁹⁶ With a tax professional, taxpayers are better equipped to understand their rights, explore available collection alternatives, receive assistance in completing necessary tax forms, and have an advocate to communicate with tax agencies on their behalf, rather than navigating the process alone.¹⁹⁷

In 2023, approximately 36.8 million people in the United States lived in poverty.¹⁹⁸ Of those living in poverty, 17.9% are Black—the highest poverty rate compared to any race.¹⁹⁹ Impoverished individuals face systemic barriers when dealing with tax-related issues.²⁰⁰ Without access to affordable legal representation, many may struggle to navigate the complex tax laws, leading to unfavorable outcomes or missed opportunities for tax relief through collection alternatives.²⁰¹

Legal aid organizations and Low-Income Taxpayer Clinics (“LITCs”) can play a critical role in bridging this gap by providing free

193. Parham Khorsandi, *Navigating Tax Controversies: Resolving Disputes With The IRS*, FORBES: FORBES BUSINESS COUNCIL (May 29, 2024, at 10:00 ET), <https://www.forbes.com/councils/forbesbusinesscouncil/2024/05/29/navigating-tax-controversies-resolving-disputes-with-the-irs>.

194. *Id.*

195. *Id.*

196. *Id.*

197. *Id.*

198. *National Poverty in America Awareness Month: January 2025*, U.S. CENSUS BUREAU (Jan. 2025), <https://www.census.gov/newsroom/stories/poverty-awareness-month.html>.

199. *Data on Poverty in the United States*, CTR. FOR AM. PROGRESS, <https://www.americanprogress.org/data-view/poverty-data> (last visited Oct. 1, 2025).

200. *Id.*

201. Srikrishnan & Clarke, *supra* note 32.

or low-cost legal assistance for those who qualify.²⁰² These organizations ensure taxpayers have access to fair representation regarding their tax rights and responsibilities.²⁰³ However, they rely heavily on federal funding and donations to continue providing these essential services.²⁰⁴ Limited funding can restrict their ability to assist all eligible taxpayers, resulting in long waits or rejection of clients who desperately need the service.²⁰⁵ On January 27, 2025, the Office of Management and Budget (“OMB”) issued a memo ordering a temporary pause on the disbursement of federal loans and grants to review its alignment with the Trump Administration.²⁰⁶ The directive, set to take effect on January 28, 2025, caused widespread concern among organizations that rely on federal funding.²⁰⁷ However, minutes before the funding freeze was set to take effect, U.S. District Judge Loren L. Alikhan temporarily blocked the funding freeze.²⁰⁸ Subsequently, the OMB rescinded the memo on January 29, 2025, but the situation remains as legal challenges continue.²⁰⁹ This judicial intervention temporarily relieves organizations that depend on federal funding, but the legal battle is ongoing.²¹⁰ If the funding freeze is reinstated, it could severely impact the capacity of legal aid organizations and LITCs to provide legal services to low-income taxpayers. The uncertainty surrounding federal funding not only underscores the importance of these services, but it also highlights the systemic barriers that low-income taxpayers face in accessing pro bono services.

202. *Low Income Taxpayer Clinics represented nearly 20,000 taxpayers dealing with an IRS tax controversy*, IRS (Feb. 9, 2022), <https://www.irs.gov/newsroom/low-income-taxpayer-clinics-represented-nearly-20000-taxpayers-dealing-with-an-irs-tax-controversy>.

203. *Id.*

204. *Id.*

205. *See generally* TREAS. INSPECTOR GEN. FOR TAX ADMIN., THE IRS LACKS AUTHORITY TO INDEPENDENTLY VERIFY THAT LOW INCOME TAXPAYER CLINIC GRANT RECIPIENTS ARE MEETING ELIGIBILITY REQUIREMENTS, TIGTA REP. NO. 2025-100-005 (2025), https://www.tigta.gov/sites/default/files/reports/2025-08/2025100005fr_1.pdf (detailing the Treasury Inspector General for Tax Administration’s efforts to remediate flaws within the existing tax structure).

206. Jonathan Swan & Zolan Kanno-Youngs, *Inside the Chaotic Rollout of Trump’s Federal Funding Freeze*, N.Y. TIMES (Feb. 3, 2025), <https://www.nytimes.com/2025/01/29/us/politics/trump-funding-freeze-rollout.html>.

207. *Id.*

208. Chris Megerian & Lindsay Whitehurst, *Federal judge temporarily blocks Trump administration freeze on federal grants and loans*, AP NEWS: POL. (Jan. 29, 2025, at 1:56 ET), <https://apnews.com/article/donald-trump-pause-federal-grants-aid-f998b9996c0ca971f0065fac85737ce> (noting that the temporary administrative stay was supposed to last until Feb. 3, 2025, but the administration did not comply with an earlier order requiring restoration of paused or withheld funds during the litigation).

209. *Id.*

210. *Id.*

Moreover, rural taxpayers often face additional barriers when seeking tax services. These include a lack of nearby legal aid clinics, a lack of internet access, and fewer tax professionals available in those areas.²¹¹ For example, there are only two LITCs in Maryland and both are in Baltimore City.²¹² Taxpayers living in Maryland's Eastern Shore must travel over two hours to reach the nearest LITC that can assist with their tax issues.²¹³ Whether a taxpayer lives in Maryland's Eastern Shore or another rural area, the challenges of rural environments limit access to in-person tax professionals.²¹⁴ Traveling over two hours, without factoring in potential traffic delays or accidents, can create significant burdens for taxpayers seeking assistance.²¹⁵ The time and cost associated with the trip can deter a taxpayer from seeking help, leaving them to navigate their tax matter alone. As a result, these barriers contribute to disparate enforcement actions at the state level, which are overly harsh to low-income taxpayers, particularly Black and Brown individuals.²¹⁶

IV. HOW PUNITIVE STATE-LEVEL COLLECTION ENFORCEMENT MEASURES UNFAIRLY HARM BLACK AND BROWN TAXPAYERS

A. *Driver's License Suspensions*

State tax agencies use punitive measures to collect unpaid taxes, including suspending or refusing to renew a taxpayer's driver's license in nine states.²¹⁷ For example, California can suspend or

211. Kelsey L. Thomas (Conley) & Elizabeth A. Dobis, *Less internet access available for rural residents in counties with persistent poverty in the U.S. Deep South and Southwest*, U.S. DEP'T OF AGRIC.: ECON. RSCH. SERV. (Jan. 14, 2022), <https://www.ers.usda.gov/data-products/charts-of-note/chart-detail?chartId=102945> (noting that lack of internet access can hinder taxpayers' ability to contact LITCs, submit documents by email, and access online tax resources).

212. *Low Income Taxpayer Clinics (LITC)*, TAXPAYER ADVOCATE SERV., <https://www.taxpayeradvocate.irs.gov/about-us/low-income-taxpayer-clinics-litc> (last visited Sep. 28, 2025).

213. I live in Maryland and am familiar with the distance to travel to various counties and towns.

214. See TREAS. INSPECTOR GEN. FOR TAX ADMIN., OPPORTUNITIES EXIST TO IMPROVE TAXPAYER SERVICE TO UNDERSERVED, UNDERREPRESENTED, AND RURAL COMMUNITIES, TIGTA REP. NO. 2024-IE-R014 (2024), <https://taxprofellowship.com/members/media/resources/tigta/2024/07/tigta-2024ier014fr-20240701.pdf>.

215. *Id.*

216. See Hellman et al., *supra* note 36.

217. Srikrishnan & Clarke, *supra* note 32 (stating the nine state tax agencies which use punitive measures to collect unpaid taxes are California, Louisiana, Maryland, Massachusetts, Montana, New York, Pennsylvania, Rhode Island, and South Dakota); see also Hopkins & Srikrishnan, *supra* note 4 (noting that, like the IRS, states have the authority to file tax liens and levies to collect unpaid taxes). However, this section focuses on the punitive enforcement

refuse a taxpayer's license for debts exceeding \$100,000, and New York sets the threshold at \$10,000, while Louisiana requires just \$1,000.²¹⁸ Unlike these states, Maryland has no specific minimum renewal threshold, meaning any unpaid tax amount can result in a suspension or renewal hold.²¹⁹

While these procedures are intended to encourage compliance, they push struggling taxpayers who rely on their vehicle to transport them to work into a deeper hardship.²²⁰ Losing the ability to drive makes it difficult to earn income to pay off the tax debt, exacerbating the taxpayer's financial struggles and making repayment even more difficult.²²¹ For example, suspending a taxpayer's license in a rural area can be a significant burden, as public transportation options are limited, making it difficult to commute to work and access essential services.²²² In contrast, taxpayers living in metropolitan areas may have greater access to public transit.²²³ However, relying on public transportation presents challenges.²²⁴ Whether a taxpayer lives in a rural or metropolitan area, public transit can extend commute times compared to driving.²²⁵ Some workplaces are not public transit accessible, making a vehicle a necessity rather than a convenience.²²⁶ Even when public transportation is available, it can be unreliable due to cancellations, delays, and limited services during nights and weekends.²²⁷ Thus, states suspending driver's licenses as an enforcement measure inadvertently creates additional barriers to financial stability, making it more difficult for taxpayers to pay their tax debt and become compliant.²²⁸

The suspension of driver's licenses for individuals with unpaid state taxes is compounded by the lengthy periods that states have to

measures unique to state tax agencies—actions that the IRS does not take, such as suspending driver's licenses and professional licenses.

218. Srikrishnan & Clarke, *supra* note 32.

219. *Id.*

220. *Id.*

221. *Id.*

222. *Id.*

223. Joseph Mengedoth, *Transportation Access as a Barrier to Work*, FED. RSRV. BANK OF RICH.: DIST. DIG. ECON. FOCUS, Fourth Quarter 2023, at 26, https://www.richmondfed.org/-/media/RichmondFedOrg/publications/research/econ_focus/2023/q4/district_digest.pdf.

224. *See id.* at 24; *see also* Wesley Jenkins, *The Unequal Commute: Examining inequities in four metro areas' transportation systems*, URB. INST. (Oct. 6, 2020), <https://www.urban.org/features/unequal-commute?utm> (highlighting the lack of reliable transportation options for workers, especially late-shift workers).

225. *See* Jenkins, *supra* note 224 (stating "[a]verage commute times for late-shift workers who take public transit are twice as long as those for workers with car access.").

226. *Id.*

227. *Id.* (stating that late-shift workers have few options for commuting and the average commute times on public transportation are longer than driving a car).

228. *See* Srikrishnan & Clarke, *supra* note 32.

collect unpaid taxes. Many states can collect unpaid tax debt longer than the IRS, which generally stops pursuing a tax debt after ten years.²²⁹ For example, Maryland can collect taxes indefinitely, while California and Illinois have twenty years to collect the tax debt.²³⁰ The pernicious effect of not having a collection expiration date or allowing the state to collect a tax for up to twenty years puts a virtually unending burden on taxpayers. It allows the state to continuously attempt to collect a taxpayer's tax debt without considering the taxpayer's current financial status. Additionally, unforeseen circumstances can arise, such as a taxpayer becoming ill or getting into a car accident, rendering them unable to work and receive income needed to pay the tax debt. For example, if a taxpayer owed \$500 in Maryland taxes for tax year 1999, the Maryland Comptroller can still collect on this twenty-six-year-old debt.²³¹ However, if the taxpayer lived in California, Illinois, or many other states, this tax debt would expire, preventing the states from further collection efforts.²³² Additionally, interest and penalties will continue to accrue until the tax is paid in full.²³³ This means that until it's resolved, this old debt can increase from \$500 to \$5,000 or more.²³⁴ Although some states have hardship options to assist taxpayers, interest and penalties will accrue, and the taxpayer will remain responsible for paying the total balance if it falls within the statutory expiration period for collecting taxes.²³⁵ As a result, a taxpayer may never be able to renew their driver's license, which affects their ability to work and earn income to pay off the balance.²³⁶ This creates a perpetual cycle of hardship that reinforces, rather than resolves financial stability.

The driver's license suspension mechanism for enforcing the collection of unpaid state taxes disproportionately impacts Black taxpayers.²³⁷ In 2019, eighty-five percent of Black workers relied on

229. *Id.*; Treas. Reg. § 6502 (noting the IRS has ten years from the date that the tax return is processed and, after this date, the tax is forgiven, and the IRS is unable to proceed with the collection).

230. MD. CODE ANN., TAX-GEN. § 13-1103 (LexisNexis 2025); CAL. REV. & TAX. CODE § 19255 (Deering 2025); 35 ILL. COMP. STAT. 200/20-190 (2025).

231. MD. CODE ANN., TAX-GEN. § 10-820 (LexisNexis 2024). In this case, a Maryland 1999 tax return will be due on April 15, 2000.

232. Srikrishnan & Clarke, *supra* note 32.

233. I.R.C. § 6601; I.R.C. § 6651; Srikrishnan & Clarke, *supra* note 32.

234. I.R.C. § 6601; I.R.C. § 6651; Srikrishnan & Clarke, *supra* note 32.

235. Srikrishnan & Clarke, *supra* note 32.

236. The total balance includes the principal tax, interest, and penalties.

237. Devin Michelle Bunten et al., *The Problem Has Existed Over Endless Years: Racialized Difference in Commuting, 1980-2019*, at 18 (Fed. Rsv. Bank Phila., Working Paper No. 22-13, 2022), <https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2022/wp-22-13.pdf>.

automobiles to work.²³⁸ While this policy can be detrimental for all taxpayers, Black households earn less than White households, making them more vulnerable to this harm.²³⁹ This can trigger a chain reaction of other problems extending beyond the suspension. These challenges may include being unable to maintain employment, struggling to afford necessities, and having limited access to essential services, thus exacerbating the hardship.²⁴⁰ In addition, many Black taxpayers are struggling with balancing competing needs, such as food, rent, childcare, and healthcare, making it more difficult to allocate funds toward tax debt.²⁴¹ Survival takes precedence when forced to choose between the two needs, leaving the taxes unpaid.²⁴² Ultimately, the tradeoff between paying for survival and paying for taxes arises from the taxpayer's financial constraints, not from intentionally avoiding tax payments.²⁴³ As a result, this policy is not

238. *Id.* at 3 (noting in 2019, 92% of White commuters relied on automobiles, compared to 85% of Black commuters). However, despite this lower car usage rate, Black commuters experienced longer average commute times than White commuters. *Id.*

239. *Id.*; See also DAVIS ET AL., *supra* note 46, at 18.

240. Srikrishnan & Clarke, *supra* note 32; see also *Driving While Revoked, Suspended or Otherwise Unlicensed: Penalties by State*, NAT'L CONF. STATE LEGISLATURES (July 7, 2021), <https://www.ncsl.org/transportation/driving-while-revoked-suspended-or-otherwise-unlicensed-penalties-by-state>.

241. ANGELA HANKS, DANYELLE SOLOMON & CHRISTIAN E. WELLER, CTR. FOR AM. PROGRESS, SYSTEMATIC INEQUALITY HOW AMERICA'S STRUCTURAL RACISM HELPED CREATE THE BLACK-WHITE WEALTH GAP 1, 4 (2018), <https://www.americanprogress.org/wp-content/uploads/sites/2/2018/02/RacialWealthGap-report.pdf> (discussing how structural racism and discriminatory policies have led to persistent economic disparities for Black Americans and other marginalized groups); Cristina Novoa, *How Child Care Disruptions Hurt Parents of Color Most*, CTR. FOR AM. PROGRESS (June 29, 2020), <https://www.americanprogress.org/article/child-care-disruptions-hurt-parents-color> (noting Black families spend 56% of its income on childcare, a larger share of total family income than that of any other group); Christopher J. Brooks, *People of color face higher rental costs than White Americans*, *Zillow finds*, CBS NEWS: MONEYWATCH (Apr. 13, 2022, at 11:16 ET), <https://www.cbsnews.com/news/zillow-black-renters-hispanic-security-deposit> (noting Blacks and Hispanic Americans are paying extra money to secure rental housing in the U.S. compared to whites); JAMILA TAYLOR, CENTURY FOUND., RACISM, INEQUALITY, AND HEALTH CARE FOR AFRICAN AMERICANS 2 (2019), https://production-tcf.imgix.net/app/uploads/2019/12/19172443/AfAmHealth_Jamila_PDF.pdf (noting the average American family spends around 11 percent of household income on health care premiums and out-of-pocket costs, but that amount approaches 20% for African American Households).

242. See generally HANKS, SOLOMON & WELLER, *supra* note 241, at 10 (emphasizing the "primary worry" for most Black families is paying for household bills when an emergency occurs); Novoa, *supra* note 241 (discussing how many Black families may be forced "to choose between putting food on the table and providing their children with the close supervision and enrichment they need"); Brooks, *supra* note 241 (emphasizing increased costs Black families face when trying to secure housing); TAYLOR, *supra* note 241, at 8 (explaining the wealth gap's impact on Black families' ability to access health care).

243. See generally HANKS, SOLOMON & WELLER, *supra* note 241, at 3 (discussing the racial wealth gap creates a cycle of economic struggle for Black families); Novoa, *supra* note 241 (noting the expense of childcare and its disparate impact on Black families); Brooks, *supra* note 241 (discussing the housing barriers faced by Black Americans when trying to secure housing); see also TAYLOR, *supra* note 241, at 1 (emphasizing the disparities among racial

a deterrent, but rather punishes low-income taxpayers who are already struggling to meet basic needs.²⁴⁴

B. Professional License Suspension

Another punitive measure that state tax agencies use to collect unpaid taxes is suspending professional licenses.²⁴⁵ At least sixteen states and Washington, D.C. can suspend or decline to renew professional licenses for unpaid taxes.²⁴⁶ States like California, Delaware, Iowa, and Minnesota have the following thresholds for professional license suspension: debts over \$100,000, \$2,500, \$1,000, and \$500, respectively, before initiating the suspension process.²⁴⁷ States use thresholds to target taxpayers with significant tax debt.²⁴⁸ California focuses on taxpayers with serious delinquent tax debts, while Minnesota targets lower-level debts, and Maryland does not require a certain minimum amount of tax to be owed before it may suspend a professional license.²⁴⁹

While thresholds can help states prioritize enforcement efforts for unpaid debt tax, they can also disproportionately impact lower-income professionals.²⁵⁰ In 2020, researchers at Arizona State University conducted a study to analyze the suspension of health care professional licenses in Missouri for unpaid state tax debt.²⁵¹ The study focused on sixteen healthcare-related professions regulated by Missouri's Division of Professional Registration.²⁵² It

groups to afford healthcare insurance); David Kenchington & Roger White, *Income Tax Noncompliance and Professional License Suspension: Evidence from a Natural Experiment in Missouri*, U.N.C. TAX CTR. 1, 4–5 (Mar. 2020), <https://tax.kenaninstitute.unc.edu/wp-content/uploads/2020/04/KenchingtonWhite-2020.pdf> (noting a sustained pattern of license suspensions as likely results from financial constraints) (on file with the Wake Forest Journal of Law & Policy).

244. See generally HANKS, SOLOMON & WELLER, *supra* note 241, at 1 (highlighting how the wealth gap allows for fewer opportunities of upward mobility in Black families); Novoa, *supra* note 241 (highlighting the difficulties Black families have finding childcare while working); Brooks, *supra* note 241 (noting Blacks must submit more applications to find housing, as well as pay more in related fees compared to White renters); TAYLOR, *supra* note 241, at 7 (highlighting the inequalities African American families face to access health care); Kenchington & White, *supra* note 243, at 1 (discussing noncompliant tax payers may be a result of inability to afford payment).

245. Srikrishnan & Clarke, *supra* note 32; Kenchington & White, *supra* note 243, at 1.

246. Srikrishnan & Clarke, *supra* note 32; Kenchington & White, *supra* note 243, at 1–2 (noting these states include California, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, Oklahoma, Oregon, Vermont, and Wisconsin).

247. Kenchington & White, *supra* note 243, at 15 n.5.

248. *Id.*

249. *Id.*

250. *Id.* at 5.

251. *Id.* at 3.

252. *Id.* at 8.

also considered the following variables: (1) income levels; (2) employment status; (3) health insurance coverage; (4) mobility; and (5) professional license suspension rates due to tax noncompliance.²⁵³ The findings showed that nearly ten percent of professional licenses for lower-income professions were suspended over the eight-year period.²⁵⁴ Specifically, massage therapists (13.9%) and licensed practical nurses (9.5%) had the highest suspension rates.²⁵⁵ Their median income, along with that of other affected low-income workers, ranged from \$15,000 to \$40,000, and their average tax debt was between \$200 and \$600.²⁵⁶ Doctors (0.66%) and pharmacists (0.08%), who earn significantly higher incomes, experienced fewer suspensions.²⁵⁷ Their median incomes were around \$145,000 and \$100,000, respectively.²⁵⁸ Although the study does not provide the amount of taxes owed by higher-earning professionals, it implies that they will likely owe more compared to lower-income professionals.²⁵⁹

The study also highlighted the financial constraints that significantly influence noncompliance.²⁶⁰ Lower-income professionals often work in informal employment arrangements such as independent contractors, gig workers, or staging agencies.²⁶¹ These arrangements make them more vulnerable to noncompliance since taxes are not automatically withheld, which makes it easier to fall behind on tax payments.²⁶² They want to comply, but lack the funds to pay their tax bill on time.²⁶³ Suspending their professional license for noncompliance can lead to job loss, pushing them into deeper financial hardship where they cannot pay their taxes or for necessities.²⁶⁴ Beyond the immediate loss of income, the suspension can make it difficult for taxpayers to re-enter the profession due to employment gaps or having a professional license suspension on their record.²⁶⁵ Additionally, the cost of reinstating a professional

253. *Id.* at 20–25.

254. *Id.* at 4.

255. *Id.* at 10.

256. *Id.* at 21 (noting that the lower-income professions also include chiropractor, dental assistant, dental hygienist, vocational nurse, physical therapy assistant, and physical assistant).

257. *Id.* at 10.

258. *Id.* at 21.

259. *Id.* at 2.

260. *Id.* at 16.

261. *Id.*

262. *Id.* at 13.

263. *Id.* at 15.

264. Srikrishnan & Clarke, *supra* note 32, at 6.

265. Kenchington & White, *supra* note 243, at 7.

license can be a significant barrier, potentially leading to lower wages, high poverty, and increased reliance on public assistance.²⁶⁶

Therefore, professional license suspensions have severe consequences. While intended to deter non-compliance, this enforcement procedure often backfires, making it harder for taxpayers to earn the income needed to pay their taxes.²⁶⁷ Thus, this policy will likely reduce compliance rather than improve it.²⁶⁸

C. IRS's Approach to Enforcement Actions

While states use punitive measures to collect unpaid taxes, the IRS does not rely on such enforcement tactics.²⁶⁹ Instead, the IRS relies on a structured collection process for taxpayers.²⁷⁰ This collection process is a series of actions that the IRS can take when the taxpayer fails to pay their tax liability in full.²⁷¹ The process begins with sending the taxpayer a notice detailing the amount owed and available payment options.²⁷² If the taxpayer is unable to pay, the IRS can enforce collection actions by filing a federal tax lien or levy to ensure the right to a taxpayer's property to pay the tax.²⁷³ Although states also have the authority to file tax liens and levies, they often impose harsh enforcement measures that the IRS does not use.²⁷⁴

Ironically, while the IRS has a fearsome reputation in the public when it comes to the consequences that follow for unpaid tax debt, taxpayers should be more concerned with the state tax agencies.²⁷⁵ Unpaid state tax debts can lead to serious consequences beyond levies or liens, including the revocation of essential rights afforded by the state.²⁷⁶ Thus, the IRS collection procedures are not only clear, but their employees must also adhere to the guidelines set forth in

266. *Id.* at 8.

267. *Id.* at 6.

268. *Id.* at 4–5.

269. Srikrishnan & Clarke, *supra* note 32, at 4.

270. *Id.* at 3.

271. IRS, THE IRS COLLECTION PROCESS: PUBLICATION 594, at 1 (2024), <https://www.irs.gov/pub/irs-pdf/p594.pdf>.

272. *Id.* at 2.

273. Hopkins & Srikrishnan, *supra* note 4; IRM 5.12.1.1 (July 11, 2018); IRM 5.11.2 (Dec. 21, 2020). A lien establishes the government's legal claim against the taxpayer's current and future property, securing the collection of an individual's or business's tax debt. A levy allows the IRS to legally seize the taxpayer's property to satisfy the unpaid taxes. State tax agencies also could file liens and levies for unpaid tax debt.

274. Hopkins & Srikrishnan, *supra* note 4; see I.R.C. § 7345 (explaining that the IRS can revoke a taxpayer's passport for unpaid taxes).

275. Srikrishnan & Clarke, *supra* note 32.

276. *Id.*

the IRM, ensuring transparency and accountability—which are two things that many state tax agencies lack.²⁷⁷

V. PROPOSED SOLUTIONS

Throughout this Article, I discussed the challenges that low-income taxpayers face when dealing with state tax agencies. State tax collection agencies make it difficult for taxpayers to understand the various tax relief options that are available because the governing statutes are often ambiguous or nonexistent. This hinders taxpayers' ability to understand the requirements for pursuing these options, which leads to noncompliance and creates disparate enforcement at the state level. These are real problems that lead to disparate consequences. However, real problems have real solutions. Thus, to create an equitable and fair state collection practice for all states, I propose three solutions: (1) states should defer to the IRS guidelines for collection alternatives; (2) states' websites should list all available tax relief that aligns with state law; and (3) and state enforcement mechanisms should eliminate license suspensions.

A. States Should Defer to the IRS Guidelines for Collection Alternatives

States should align their collection procedures with the IRS. The IRS collection alternatives—including OICs, installment agreements, and CNC (hardship) status—are governed by clear statutes, regulations, and the IRM.²⁷⁸ Each collection alternative has specific eligibility requirements and timeframes for an agency response, highlighted in the IRM.²⁷⁹ For example, OICs must meet the criteria in I.R.C. § 7122, and the IRS is required to accept or reject an offer within two years, or it is deemed accepted by law.²⁸⁰ As stated above, the IRS has different types of installment agreements.²⁸¹ They are structured to last up to seventy-two months or longer in various cases.²⁸² Taxpayers can propose a payment amount that allows them to pay off the debt within the timeframe requested.²⁸³ CNC status requires taxpayers to submit financial documentation demonstrating economic hardship.²⁸⁴ Taxpayers may remain in this

277. *Id.*

278. *See* IRM 8.22.7 (Aug. 26, 2020).

279. *Id.*

280. I.R.C. § 7122(f).

281. IRM 5.14.1.2 (July 2, 2024).

282. IRM 5.14.1.4.1 (Mar. 31, 2023).

283. IRM 5.14.1.4 (July 2, 2024).

284. *See* IRM 5.19.17.2 (June 2, 2023).

status until their financial situation improves or until the IRS's ten-year collection statute expires, whichever comes first.²⁸⁵ These procedures promote transparency, consistency, and fairness and are supported by an appeal process.²⁸⁶ Taxpayers have the right to appeal decisions involving collection alternatives and enforcement actions through the IRS Independent Office of Appeals.²⁸⁷ An appeal process allows decisions to be reviewed and interpreted, builds a body of precedent, and helps clarify how the law should be applied. It also ensures that taxpayers are given a fair opportunity and independent review of their case, and it protects against inconsistent or arbitrary outcomes.

In contrast, many state tax agencies lack structured collection alternatives. Some states do not provide written guidance or an appeal process, and the statutes governing the collection alternatives are often vague or unclear.²⁸⁸ When statutes are vague or nonexistent, taxpayers and their tax professionals must interpret unclear rules without judicial guidance, especially in states where collection decisions are non-appealable. This disparity creates an uneven playing field with state tax agencies having broad discretion over when to accept or reject collection alternatives. Aligning state collection procedures with the IRS would improve transparency, ensure fairness, and provide taxpayers with equitable pathways to resolving their debt.²⁸⁹

B. States' Websites Should List All Tax Relief Options Available

States should also ensure that their websites comprehensively list all available tax relief options that align with state law.²⁹⁰ It can create an issue when tax relief options are omitted from online resources, leaving the taxpayers unaware unless they call the tax agencies to inquire about the various options. Relying on phone inquiries places an unnecessary burden on taxpayers and limits access to relief.²⁹¹ To avoid misinformation, states should ensure that all collection alternatives are governed by state law and clearly

285. *See id.*

286. IRM 8.1.1.2 (Jan. 9, 2024).

287. *See id.*

288. *See infra* Table 1.

289. Srikrishnan & Clarke, *supra* note 32; *see* Douglas L. Lindholm, Fredrick J. Nicely & Priya D. Nair, *The Best and Worst of State Tax Administration*, COUNCIL ON STATE TAX'N (Dec. 2023), <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/cost-2023-admin-scorecard---final-draft-combined.pdf>.

290. Srikrishnan & Clarke, *supra* note 32.

291. *Id.*

outlined on official websites.²⁹² This transparency allows taxpayers to make informed decisions about tax reliefs that fit their situation, and it provides access to essential information without unnecessary hurdles.²⁹³

C. Eliminate License Suspensions

States should remove license suspensions for unpaid taxes. Robust evidence suggests that tax debt license suspensions are ineffective and fiscally unwise for states and municipalities.²⁹⁴ Driver's license suspension is a debt collection tool that works when the taxpayer has sufficient funds to repay their tax debt.²⁹⁵ If a taxpayer has the funds to repay their tax debt, but is simply ignoring or delaying their tax obligation, the threat of losing their license can be an effective incentive to get them compliant.²⁹⁶ To avoid this, those taxpayers may move quickly to resolve their debt to avoid any disruption in their daily lives.²⁹⁷ These suspensions can be seen as a way to ensure delinquent taxpayers do not get away with noncompliance and to pay their fair share of taxes like everyone else.²⁹⁸ However, this tool fails when a taxpayer lacks financial means to pay their tax debt.²⁹⁹ Suspending a driver's license does not generate money for taxpayers. Instead, it can lead to job loss, exacerbating financial instability and increasing difficulty in repayment. Moreover, debt-based driver's license suspensions disproportionately harm low-income taxpayers.³⁰⁰ For example, in Tennessee, studies show that Black taxpayers living in poverty are likely to have their license suspended.³⁰¹ This same study found that over 93% of Tennessee residents with suspended licenses are low-income, highlighting the severe economic impact of this policy.³⁰²

Driver's license suspension harms the economy.³⁰³ Losing a driver's license can lead to higher unemployment claims and reduced income, making it difficult for taxpayers to pay their debt.³⁰⁴ This

292. *Id.*

293. *Id.*

294. C.R. CORPS, THE FISCAL IMPACT OF DEBT-BASED DRIVER'S LICENSE SUSPENSIONS 1, <https://civilrightscorps.org/wp-content/uploads/2021/10/7QZT9ZsRTT6YYwglCeYQ.pdf>. (last visited Oct. 2, 2025).

295. *Id.*

296. *Id.*

297. *Id.*

298. *Id.*

299. *Id.*

300. *See id.* 2–3.

301. *Id.* at 1.

302. *Id.*

303. *Id.* at 2–3.

304. *Id.* at 3.

results in the state losing tax revenue, reducing funding for both state and local governments.³⁰⁵ Additionally, driver's license suspensions waste taxpayer dollars.³⁰⁶ Studies show that 75% of individuals continue to drive on a suspended license to get to school, work, grocery stores, or medical appointments.³⁰⁷ This leads to unnecessary arrest and legal proceedings, wasting public resources on enforcing penalties that do not improve tax collection or public safety.³⁰⁸ Thus, a taxpayer's civil tax issue can escalate into a criminal matter.

If states are reluctant to remove license suspension, they can implement an income threshold for unpaid taxes before enforcing a suspension.³⁰⁹ As noted above, most taxpayers who owed taxes were lower income professionals with an average tax liability between \$200 and \$600.³¹⁰ States could align enforcement thresholds with the Federal Poverty Guidelines, ensuring that license suspensions do not unfairly affect individuals who are least able to pay. This approach allows the state to focus on bad actors, who have the means to pay, but choose not to—while recognizing that this policy is not an effective deterrent for low-income taxpayers. Instead of encouraging compliance, it is likely to have the opposite effect, making it even more difficult for taxpayers to become compliant. By prioritizing enforcement efforts on higher-income individuals who can pay, but failed to do so, states can receive more in unpaid taxes compared to targeting low-income taxpayers, who are often treated as low-hanging fruit despite their inability to pay.

CONCLUSION

This Article explores the racial and economic disparities in state tax collection procedures and how it disproportionately impacts low-income taxpayers, especially Black and Brown taxpayers. These vague statutes that govern collection alternatives make it difficult for taxpayers to access tax relief options such as offer-in-compromise, installment agreements, and hardship exceptions. As a result, it creates compounding collateral consequences for taxpayers. These consequences include punitive measures like driver's and professional license suspensions, which exacerbate financial

305. *Id.* at 3–4.

306. *Id.* at 3.

307. *Id.* at 2.

308. *Id.* at 3–4.

309. *See, e.g.*, Kenchington & White, *supra* note 243, at 15 n.5 (describing various thresholds in different states).

310. *Id.* at 5.

hardship by restricting mobility and employment. To address these issues, the Article proposes three solutions that aim to create a more transparent, equitable, fair, and accessible state tax system for all taxpayers.

VI. APPENDIX

Table 1

| STATES WITH NON- APPEALABLE OICs | LANGUAGE |
|---|--|
| Arkansas | "The acceptance or rejection of an offer in compromise is within the sole discretion of the Director. A final decision of the Director with regard to an offer in compromise is not subject to administrative or judicial review." Form 2000-4 Offers in Compromise Application Instructions and Checklist. |
| California | "A determination by the Franchise Tax Board that it would not be in the best interest of the state to accept an offer in compromise in satisfaction of a final tax liability shall not be subject to administrative appeal or judicial review." Cal. Rev. & Tax. Code § 19443(d). |
| District of Columbia | "All decisions under the Offer in Compromise Program are final and cannot be appealed. For this reason, you should carefully consider the facts and arguments submitted with the original offer." Form OTR-10 Booklet. |
| Indiana | "The decision to reject an offer in compromise is not subject to review." Form FS-OIC Booklet. |
| Iowa | "A taxpayer shall not have the right to a settlement of any tax, penalty, or interest liability under this section. Any determination by the department regarding the settlement shall be discretionary and shall be final and conclusive except in the case of fraud, mutual mistake of material fact, or as otherwise stated in a written settlement agreement between the taxpayer and the department." Iowa Code § 421.5(5). |

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| Kansas | "Determinations are final and conclusive and not subject to review." Petition for Abatement Forms. |
| Louisiana | "Louisiana law makes no provision for appeal of a declined offer." Form R-20212. |
| Maine | "The decision of the assessor to reject an offer in compromise is not subject to review under section 151. 36." Me. Rev. Stat. tit. 36, § 143. |
| Maryland | "All decisions under the Offer in Compromise Program are final and cannot be appealed." Offer in Compromise Program. |
| Michigan | "The department's final assessment issued under this subdivision is not subject to challenge or appeal under this act or reviewable in any court by mandamus, appeal, or other method of direct or collateral attack." Mich. Comp. Laws Serv. § 205.28. |
| Minnesota | "The agreement shall be final and conclusive and, except upon a showing of fraud or malfeasance, or misrepresentation of a material fact, the case shall not be reopened as to the matters agreed upon, or the agreement modified, by any employee or agent of the state; and, in any suit, action, or proceeding, the agreement, or any determination, assessment, collection, payment, abatement, refund, or credit, made in accordance with the agreement, shall not be annulled, modified, set aside, or disregarded." Minn. Stat. Ann. § 270C.52. |
| Mississippi | "You cannot appeal this decision." Offer in Compromise Agreement. |
| Missouri | "The taxpayer shall have no right to contest in court or otherwise the amount of the liability compromised." Mo. Rev. Stat. § 32.378. "The law does not provide for an appeal of a rejected offer." Form MO-656 Instructions. |
| North Carolina | "North Carolina statutes make no provision for appeal of a denied offer." OIC-101. |
| Ohio | "The rejection of a compromise or payment-over-time agreement proposed by a taxpayer with respect to a claim shall not be appealable." ORC Ann. 5703.06(C). |

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|----------|---|
| Oklahoma | "Oklahoma law makes no provision for appeal of a declined Application." Packet S. |
| Oregon | "If we deny your settlement offer . . . you can't appeal our decision." 150-101-157 Form OR-SOA. |
| Virginia | "Although there is no right of appeal in the offer in compromise process, in the case of a denial you may submit additional information for reconsideration." Form OIC I-2. |

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Uploaded by: Nicole Mcdonald

Position: UNF

Testimony for HB 1149 (UNFAVORABLE)

The McDonald Mandate: Accountability, Not Just Settlements

To Chair Guy Guzzone and the Members of the Senate Budget and Taxation Committee:

My name is Nicole McDonald. I am a candidate for Delegate in District 45, and I am here to offer a reality check on HB 1149. While the Comptroller seeks efficiency in settling state claims, I am here to ensure that "efficiency" doesn't become a "get out of jail free card" for those who are currently harming our community.

1. No Settlements for Failing Vendors (The Accountability Provision)

HB 1149 repeals the two-year waiting period for debt settlements. I support moving faster, but only if we move *fairly*. We cannot allow this bill to benefit private vendors who have a track record of stripping services from our system. As we see in **SB 742 (The Protecting People with Disabilities Act)**, our families are being procedurally disenrolled and losing lifelines. No debt should be settled or reduced for any vendor that has been penalized for service failures or is currently under investigation for stripping services from Maryland families.

2. The Community Reinvestment Rule (The Winston Amendment)

When the state recovers money or settles a claim, that money often disappears into the General Fund while the harm to the neighborhood remains. I propose a **Community Reinvestment Amendment**: A mandated percentage of funds recovered from settlements with health and human service vendors must be directed into a **Community Repair Fund**. These funds should be used to restore the very resources—like vocational training and food access—lost when these vendors failed.

3. Stop the Waste: Use the Tools We Have

We don't need to spend more money on new administrative layers or higher salaries for officials (**HB 607**). We have the **Central Collection Unit (CCU)** and the **Comptroller's Office**. My mandate is simple: **Implement the laws we already have**. Those in charge must answer for why they let services get stripped while they ask for more budget to manage the decline. As Governor Moore says, "Accountability is not a suggestion—it is a requirement." We need to see that accountability applied to the leaders who let these debts pile up in the first place.

Conclusion

Do not just "clear the books" for the state; clear a path for the recovery of our communities. Let's make sure that justice is meted out equally—where a vendor doesn't get a "slick" settlement while a disabled child in District 45 loses their care.

Respectfully Submitted,

By Authority of: Nichole McDonald for District 45 Lonetta Mason, Treasurer