



What To Do if You Can't Pay Your Taxes

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What To Do If You Can't Pay Your Taxes

Do not panic! Here are some ideas for getting your tax bill paid and minimizing interest and penalties.

File your tax return on time. Individual income taxes are due and payable in full on April 15. If you expect to owe, you may be tempted to postpone filing until you have the money or decide not to file the return at all.

- If you cannot file your personal tax return by April 15, you can apply for an automatic six-month extension of time to file. Tax returns filed after April 15 are subject to the late-filing penalty if no extension is in place.
- The automatic six-month extension is obtained by filing Form 4868. This is only an extension of time to file, not of time to pay.
- Be sure to file the return before the extension expires. Missing the tax return due date (including extensions) makes you subject to the late filing penalty, which can be as much as 25% of the amount of tax due.
- To avoid the late-payment penalty, pay at least 90% of your tax liability by April 15 and pay in full by the extension date of October 15. Otherwise, the late payment penalty can also be as much as 25% of the amount due.

Pay as much as you can with your tax return. Even if you cannot pay the entire amount, pay as much as possible when you file your tax return.

- Every dollar you pay reduces the late payment penalty and cuts down on interest charges.
- The same principle holds if you owe because of an audit or IRS notice. Pay as much as you can as early as you can.

Consider getting a loan or using your credit card to pay your tax balance in full. The interest rate and fees charged by a lender or credit card company might be lower than the interest and penalties the IRS can charge you.

- Be sure to calculate the total cost of a bank or credit card loan before choosing this option.
- The bank or credit card interest you pay will generally not be tax deductible.

Ask the IRS for more time to pay. The IRS may grant you a short additional period (60–180 days) to pay your taxes in full. Interest and penalty accrue on the unpaid amount.

- Call the IRS at 800-829-1040, or
- Use the IRS Online Payment Agreement application at www.irs.gov.

Request an extension of time to pay by filing Form 9465, *Installment Agreement Request*. You may attach Form 9465 to your tax return or file it by itself. Do not file Form 9465 if you can pay your entire balance due within 180 days or if you request an Online Payment Agreement.

- On Form 9465, you specify the payment amount and monthly due date. You may make an initial payment with Form 9465. If the IRS approves your request, you can have up to 72 months to pay. Interest accrues during the payment period, but penalties might be abated.
- If the amount you owe is between \$25,000 and \$50,000, you must agree to payments by direct debit and provide bank information.
- If you owe \$10,000 or less, and the IRS agrees that you are not able to pay in full, your request will be automatically approved if all the following are true.
 - 1) You agree to pay in full within three years.
 - 2) You have no other IRS installment agreements in place.
 - 3) You have filed on time and paid your taxes for the previous five years.
 - 4) You agree to comply with the tax laws.
- If you owe more than \$50,000, you must attach Form 433-F, *Collection Information Statement*, to Form 9465 in order to determine the monthly payment amount.