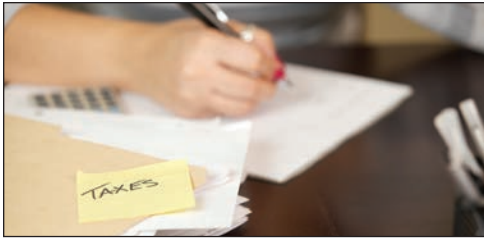


What Should You Do if You Can't Pay Your Taxes?



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Don't 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 can't 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 can't 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.

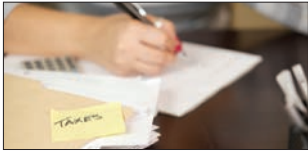
- Be sure to calculate the total cost of a bank or credit card loan before choosing this option.
- The bank or credit card interest you pay will generally not be tax deductible.

Ask the IRS for more time to pay. The IRS may grant you a short additional period (60–120 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. Don't file Form 9465 if you can pay your entire balance due within 120 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 you plan to make payments by check, money order, credit card, or payroll deduction, the IRS set-up fee is \$120. If your payments will be made by direct debit, the fee is \$52. Certain low-income taxpayers may pay a lower fee.
- If the amount you owe is between \$25,000 and \$50,000, you must agree to payments by direct debit and provide bank information.



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- 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.

File Form 9465-FS, *Installment Agreement Request*, if you owe \$50,000 or less. Consider paying your tax debt down to \$50,000 so that you may qualify for the Fresh Start provisions and the streamlined process for setting up an installment agreement.

- Form 9465-FS is essentially Form 9465 with an additional page. If you owe more than \$25,000, but not more than \$50,000, you must provide additional financial information on the second page of Form 9465-FS.
- Although Form 9465-FS is intended to be used by taxpayers who owe \$25,000–\$50,000, it may be used by anyone to request an installment agreement with the IRS.
- Current Fresh Start rules allow you 72 months to pay your back taxes in full. You may make an initial payment with Form 9465-FS.
- You must agree to monthly direct debits on a specified date from a bank account. The \$52 set-up fee for direct debit agreements can be added to your balance due.
- If you owe more than \$50,000, you must attach Form 433-F, *Collection Information Statement*, to Form 9465-FS in order to determine the monthly payment amount.

Request an extension of time to pay using the IRS Online Payment Agreement application at www.irs.gov. Instead of filing Form 9465 or 9465-FS, you may set up an installment agreement online. The terms of the IRS Online Payment Agreement are similar to the terms for Form 9465 and 9465-FS.

You are eligible to apply online if:

- You owe no more than \$50,000 in combined taxes, interest, and penalties, and
- You have filed all required tax returns.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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Keep your Installment Agreement.

- Make your payments on time.
- Stay current in your tax filings.

Consider making an Offer in Compromise. After you have considered all payment options, you may find that you cannot pay your tax debt or that doing so will create financial hardship.

- **Offer in compromise (OIC).** An offer in compromise allows you to settle (compromise) your tax debt for less than the full amount you owe. The IRS considers your unique set of facts and circumstances, including:
 - Your true ability to pay,
 - Your income and expenses, and
 - Your equity in your assets.

Generally, the IRS will not accept an offer if you can pay your tax debt in full with an installment agreement or lump sum payment.

- **Eligibility.** In order for the IRS to consider your offer in compromise, you must be current with all tax filing and payment requirements and may not be in any open bankruptcy proceedings.
- **Making an offer.** A completed offer includes:
 - Detailed financial disclosure on Form 433-A (OIC), *Collection Information Statement for Wage Earners and Self-employed Individuals*. This form is used to calculate an appropriate offer amount based on your assets, income, expenses, and future earning potential.
 - Form 656, *Offer in Compromise*. Form 656 identifies the tax years, type of tax you would like to compromise, your offer amount, and the payment terms.
 - \$186 non-refundable application fee. The fee may be waived for low-income taxpayers.
 - Your initial payment, either 20% of the total offer or the first month's payment. The initial payment is nonrefundable, but may be waived for low-income taxpayers.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.