

Do You Owe Uncle Sam? Payment Options Are Available

Tax season is over, but you've filed an extension because you owe the IRS. Now what? You may be considering fleeing the country or hoping the IRS forgets you owe them money. Unfortunately, the IRS never forgets, and leaving the country is not really an option. There are choices that are more realistic for those who do not possess immediate funds to pay what is owed in full.

First, don't panic or ignore any notices you might receive from the IRS. Second, seek the assistance of a tax professional if you have difficulty interpreting the IRS notices. A professional can help you understand and confirm what the IRS requires, inform you of options, and help you develop a plan for paying your taxes.

One option is to submit an installment agreement to the IRS indicating the monthly payments you are able to afford. You can request an installment agreement by filing Form 9465 and attaching it to the front of your tax return. Once the IRS accepts the installment agreement, you will receive a letter and a bill for the \$43 agreement fee. A late payment penalty may be assessed on any tax not paid by the due date even if the installment request is accepted. You will be required to stay current on all payments, and by signing, you agree to pay any future tax liability on time. To limit the interest and penalty charges, file your tax return on time and pay as much of the tax due as possible.

Another option is an offer in compromise. An offer in compromise is requested when there is a doubt as to the tax liability or an inability to pay what is due. Detailed financial statements outlining all your assets, liabilities, and all sources of income must accompany an offer. Although a payment is not required when submitting an offer, the IRS advises that either the full amount you are willing to pay, or a deposit if your offer provides for future installment payments, accompany the offer in compromise. Although there is no fee for submitting an offer in compromise, the IRS is less willing to accept an offer if they deem you to have the means to pay your tax liability in full.

Regardless of how you decide to make your tax payments, the IRS will assess interest on any unpaid tax liability, currently at 6%, compounded daily from the date the tax was originally due. In addition, the IRS may assess a late payment penalty of 0.5% for each month the payment remains unpaid, up to a maximum penalty of 25%. Needless to say, an honest effort to comply with due dates and filing complete forms is in your best interest.

Staying on the right track with the IRS can be confusing. The rules for requesting payment options and filing all the necessary forms can become quite complex. Assistance from a tax professional may be critical in these circumstances. As professional tax experts, the staff at AJE FINANCIAL SERVICES can assist you with deciphering IRS notices and forms. Please give us a call for assistance with all your tax needs.