

IRS TAX TIP 2003-64

WHAT TO DO IF YOU CAN'T PAY YOUR TAXES

If this year's tax filing deadline will be a "pay" day for you and you cannot pay the full amount that you owe, you should still file your return by the due date and pay as much as you can.

You can charge your taxes on your American Express, MasterCard, Visa or Discover Card. To pay by credit card, contact one of the service providers at its telephone number or Web site listed below and follow the instructions. The service providers charge a convenience fee based on the amount you are paying. Do not add the convenience fee to your tax payment.

Official Payments Corporation

Phone 1-800-2PAY-TAX (1-800-272-9829)
Web Site www.officialpayments.com

Link2Gov Corporation

Phone 1-888-PAY-1040 (1-888-729-1040)
Web Site www.pay1040.com

If this option is not a good one for you, the IRS may allow you to pay any remaining balance over time in monthly installments through an Installment Agreement or possibly even settle for less than the full amount owed through its Offer in Compromise program.

To see if you qualify for an installment payment plan, attach a Form 9465, "Installment Agreement Request," to the front of your tax return. The IRS has streamlined the approval process if the amount owed is not more than \$25,000 and can be paid off within a five-year period. Be sure to show the amount of your proposed monthly payment and the date you wish to make your payment each month.

The IRS charges a \$43 fee for setting up an installment agreement and you will also be required to pay interest plus a late payment penalty on the unpaid balance. This penalty, usually 0.5 (one half) percent of the balance due per month, drops to a 0.25 (one quarter) percent rate when the IRS approves the installment agreement if your return was filed on time and you did not receive a levy notice from the IRS.

Besides possibly qualifying for the reduced late payment penalty, you have another reason for filing your return by the due date — you avoid the late filing penalty, 5 percent per month of the balance due. Paying as much as you can when you file your return will reduce interest and penalty charges.

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If you find that you cannot possibly come up with the money to pay your taxes, even through an installment plan, you may apply for an “offer in compromise” to settle your tax debt for less than the full amount owed. The IRS will review your financial situation and future income potential to determine whether your offer is appropriate. Send Form 656, “Offer in Compromise,” and Form 433A, “Collection Information Statement,” to the IRS to determine your eligibility.

The IRS Web site at *IRS.gov* has interactive sections to help you determine your eligibility for an installment plan or an offer in compromise. For more information about filing and paying your taxes, refer to Form 1040 or IRS Publication 17, “Your Federal Income Tax.” You may request a copy of IRS forms or publications by calling 1-800-TAX-FORM (1-800-829-3676) or download them from *IRS.gov*. Taxpayers needing Form 9465, 656, 433A or any other federal tax form should act soon to be sure they have the item in time to meet the April deadline.

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