

IRS TAX TIP 2002-61

NEED LAST-MINUTE TAX HELP? DON'T PANIC

If you're trying to beat the tax deadline, the IRS says there are several options for last-minute help. If you need a form or publication, the IRS Web site at www.irs.gov has copies available. If you discover you need more time to finish your return, get a four-month extension with Form 4868. And if you have trouble paying your tax bill, the IRS has several payment options available.

To get the automatic extension, file Form 4868, "Application for Extension of Time to File U.S. Individual Tax Return," with the IRS by the regular April deadline, or make an extension-related electronic payment. You can now file your extension request by phone or by computer instead of using the paper Form 4868.

The extension will give you extra time to get the paperwork to the IRS, but it does not extend the time you have to pay any tax due. You have to make an accurate estimate of any tax due when you request an extension. You may also send a payment for the expected balance due, but this is not required to get the extension. However, you will owe interest on any amounts not paid by the April deadline, plus a late payment penalty if you have paid less than 90 percent of your total tax by that date.

The IRS opened a special toll-free phone line for extension requests on March 1. The number is 1-888-796-1074. Use Form 4868 as a worksheet to prepare for the call and have a copy of your 2000 tax return. You will need to enter the adjusted gross income and total tax amounts from that return to verify your identity.

The system will give you a confirmation number to signify that the extension request has been accepted. Put this confirmation number on your copy of Form 4868 and keep it for your records. Do not send the form to the IRS. If you call the extension line, you can choose to pay any expected balance due by authorizing an automatic withdrawal from a checking or savings account.

You may also e-file an extension request using your own tax preparation software or by going to a tax preparer. As with the phone system, computer filers must provide two figures from the previous year's tax return to verify identity.

If you determine that you need still more time to prepare and file your return beyond the initial four-month extension, you may be able to get two more months to file. You will have to either write to the IRS or file Form 2688, "Application for Additional Extension of Time to File Individual Tax Return." You must give the IRS the reason why the second extension is needed.

If your return is completed but you are unable to pay the tax due, do not request an extension. File your return on time and pay as much as you can. The IRS will send you a bill or notice for the balance due. You may also request an installment agreement by completing Form 9465, "Installment Agreement Request," either when you file the return or when you get the bill. The IRS will charge interest and penalties on the unpaid balance.

Those who cannot pay the full tax due may qualify for an installment payment plan. The IRS offers a streamlined approval process if the amount due is not more than \$25,000 and the taxpayer will pay it within a five-year period. These agreements do not require a collection manager's approval, and do not involve the filing of liens.

You may ask for an installment plan when you file by attaching Form 9465, "Installment Agreement Request," to the front of the tax return, listing the proposed monthly payment amount and date. You may also choose to conveniently pay from your bank account each month through an automatic withdrawal program.

There is a \$43 fee for setting up the installment agreement. Taxpayers will also pay interest, compounded daily, plus a late payment penalty. This penalty, usually 0.5 percent of the balance due per month, drops to 0.25 percent when the IRS approves the agreement, if the taxpayer filed the return on time and did not receive a levy notice.

Besides possibly qualifying for this reduced late payment penalty, people who cannot pay the taxes owed have another reason to file on time — to avoid the late filing penalty of five percent per month of the balance due. Sending as large a payment as possible with the return will lessen any interest and penalty charges.

The IRS Web site at www.irs.gov has an interactive feature to help taxpayers determine their eligibility for an installment agreement and to download related forms. Form 9465 is also available by calling toll free 1-800-TAX-FORM (1-800-829-3676), or from IRS TaxFax. From a fax machine, call 703-368-9694 (not a toll-free number) and request item #14842 by return fax.

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