

OPTIONS FOR TAXPAYERS WHO DON'T HAVE CASH TO PAY THEIR INCOME TAX BILLS

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What if a taxpayer owed a little more in taxes this year than he/she had anticipated, and would like to avoid tapping into his/her 401(k) retirement savings to cover the cash flow shortage?

There is some good news: The Internal Revenue Services is willing to work with taxpayers. The following alternatives might encourage taxpayers to file their return now rather than waiting until they have the cash to pay.

Paying in full within 120 days. A taxpayer can pay the full amount owed within 120 days, without having to pay any fee. Interest and any applicable penalties continue to accrue until the tax is paid in full. Taxpayers can use an online payment application at (<https://www.irs.gov/individuals/online-payment-agreement-application>).

Installment agreements. Taxpayers unable to pay the full amount owed within 120 days may be able to enter into an installment agreement with the IRS to pay the tax. Apply using Form 9465, Installment Agreement Request, and Form 433-F, Collection Information Statement. (<https://www.irs.gov/individuals/payment-plans-installment-agreements>).

There are different rules for taxpayers who owe \$10,000 or less, and for taxpayers who owe \$50,000 or less.

The IRS is required to enter into the agreement if the actual tax liability is less than \$10,000 and if certain conditions are met, including proof that the taxpayer is financially unable to pay the tax in full. Nevertheless, the Internal Revenue Manual notes that, as a matter of policy, IRS will approve guaranteed installment agreements even if the taxpayer can pay his or her liability in full.

In addition, there is a streamlined procedure for granting agreements for payment of tax in installments for amounts of \$50,000 or less. The IRS may accept streamlined installment agreements without requiring financial statements if certain conditions are met including full payment of the tax liability in 72 months.

Under a test program scheduled to run until September 30, 2018, the IRS expanded the criteria for streamlined processing to also apply to individual taxpayers who agree to pay a balance due of between \$50,000 and \$100,000 within a 7-year period.

There are some nominal fees associated with the installment agreements that range from \$31 to \$225.

Offer in compromise (OIC). An OIC is an agreement between a taxpayer and the IRS that settles the taxpayer's tax liability for less than the full amount owed. The IRS is most likely to grant an OIC when requiring payment in full would either create an economic hardship or would be unfair and inequitable because of exceptional circumstances.

Temporarily delay the collection process. There is one final option, if payment would create financial hardship: ask the IRS to delay collection until the taxpayer is able to pay. The IRS may delay collection until the taxpayer's financial condition improves. Interest and penalties accrue until the tax debt is paid in full.



If you have questions about this or any other business or tax issue, please contact your Account Manager or Gloria Moore, CPA at 314-205-2510 or by email at gmoore@connerash.com.