

OWE UNCLE SAM?

WHAT PAYMENT OPTIONS ARE AVAILABLE WHEN YOU HAVE A BALANCE DUE?

Each year at tax time, millions of Americans are surprised to learn they owe Uncle Sam rather than getting that expected refund. Most likely, it's because they didn't have enough withheld from their paycheck or they forgot to consider taxes associated with a financial event during the year, like inheriting assets or cashing out a 401(k).

You can't ignore the IRS, but you can choose one of the alternatives below to help pay your balance due.

IRS Installment Agreements

Generally, the IRS will accept what's called an installment agreement if the tax you owe is less than \$25,000 and you can pay the balance due within a maximum of five years.

You can make monthly payments by check or have them automatically withdrawn from your checking account. Although you'll be charged interest on the balance due, it's usually significantly less than credit card interest.

To request an installment agreement, file Form 9465, Installment Agreement Request, with your return, or call the IRS at 1-800-829-1040. You'll hear whether the agreement is approved within 30 days. (If you apply after March 31, it may take longer.) The IRS charges a \$43 set-up fee.

// Don't panic if you have a balance due on your tax return! Several payment options are available. However, none of the options eliminate the need to file and pay your taxes by April 15; otherwise, you'll face stiff interest and penalties from the IRS. //

— Jackie Perlman,
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Getting a Loan

It may be possible to obtain a less costly loan, like a home equity loan or a line-of-credit. You can compare interest rates on these loans with the IRS installment rate. And interest on a home equity loan is usually tax deductible. Be sure to consider any fees or closing costs associated with these loans.

H&R Block is offering, through their lending bank, a convenient loan program for clients called Easy Pay to pay off a balance due on a federal tax return. Easy Pay is an interest-free loan, extended by the lending bank for 90 days, same as cash, for qualified H&R Block taxpayers. No interest is charged on the loan if the client repays the balance within 90 days after the IRS payment date. APR is Prime + 14.9 percent. There is a one-time bank set-up fee of \$19.95.

Credit Card Payment

You can charge your tax balance due to your credit card through these two services:

Official Payments Corporation
1-800-2PAY-TAX
(1-800-272-9829)

Customer Service:
1-877-754-4413
www.officialpayments.com

Link2Gov Corporation
1-888-PAY-1040
(1-888-729-1040)

Customer Service
1-888-658-5465
www.pay1040.com

The services will charge a convenience fee based on the amount of the payment.

Remember to use this option with caution, since credit card rates are often much higher than the IRS installment rate.

Waiting for the IRS Bill

Another option is to file your return and wait for the IRS to send you a notice of the balance due. You'll be charged interest on the unpaid balance, plus a late payment penalty of .5% per month. The maximum penalty is 25% of the balance due.

An Extension of Time

If you can establish, to the satisfaction of the IRS, that your assets, liabilities, income, and expenses are such that immediate payment would cause "severe loss and undue hardship," you can receive an extension of time to pay your

tax liability. To request a payment extension, file Form 1127, Application for Extension of Time for Payment of Tax. If an extension is granted, you'll avoid late payment penalties, but you will still have to pay interest on the balance due.

Whatever you do, make sure you file!

Even if you can't pay the balance due, file your tax return by April 15. Failing to file on time brings stiff penalty fees of 5% a month, in addition to the regular interest charged on the late balance due.