

## How to Pay Your Federal Taxes

Let's face it, the IRS wants your money, or at least the part you owe them. They're trying to make it as easy as possible for you to get it to them, and you now have lots of choices how to do it. The best place to start is online at [www.irs.gov/payments](http://www.irs.gov/payments).

**Paper Filing:** Occasionally, you will still be required to paper file. You pay by check or money order attached to the tax return. **Do not send cash** unless you have set up a payment plan online and then you go to a participating 7-Eleven store in 34 states!

**E-Filing:** The standard filing method today is electronically. You sign a form authorizing us to file your tax return for you. There is a separate payment voucher with the tax return. The payment and tax return go to separate locations. We can e-file your tax return early and then you send the voucher with your check later, by the due date of your return. Just make sure you remember to do it!

**Charge!!!:** The IRS has awarded contracts to three processors to accept card fees from both electronic and paper filers. Each company has its own fee schedule ranging from \$2.20 to \$2.55 for a debit card and 1.87% to 1.98% on a credit card, and each offers both phone and Internet payment services. Go to <https://www.irs.gov/payments/pay-your-taxes-by-debit-or-credit-card> to find your choices.

In some cases, if you really don't have the money to pay by the deadline it may be cheaper to pay this credit card fee than the penalties and interest the IRS will charge if you don't pay your tax on time. For some, a credit card bill can be a lot easier to deal with than all the notices and correspondence you're going to get from the IRS if you're late.

**Volunteer for the Draft (E-Pay):** You can pay taxes electronically by authorizing an e-pay option, such as an electronic funds withdrawal from a checking or savings account. You have to authorize the transaction at the time you file, but you can schedule the transfer to happen any time you like, up to the due date of your return. Taxpayers who will be making more than one estimated tax payment may want to enroll in Electronic Federal Tax Payment System (EFTPS) by visiting <https://www.irs.gov/payments/eftps-the-electronic-federal-tax-payment-system>. EFTPS is run by the Treasury Dept.

Additionally, you can use a secure service to pay your individual tax bill or estimated federal tax payments directly to the IRS from your checking or savings account without pre-registration at [www.irs.gov/payments/direct-pay](http://www.irs.gov/payments/direct-pay). You will receive instant confirmation and no bank account information is retained.

There are **no fees** with either service.

**Payment Agreement Online:** You can create a payment plan by going online to [www.irs.gov/Individuals/Online-Payment-Agreement-Application](http://www.irs.gov/Individuals/Online-Payment-Agreement-Application) and setting up an **Online Payment Agreement (OPA)**. An approved Installment Agreement allows you to make a series of monthly payments over a period as long as six years. Your total debt with tax, penalty and interest must be \$50,000 or less and you filed all returns. There is a \$130 (\$43 for low-income taxpayers) user fee to set up the agreement. It can be reduced further to \$31 (0 for low-income taxpayers) for direct debit. The interest charges continue to apply since these payments are considered late. Additionally, if you miss a payment, you'll have even more problems. Consider an installment arrangement as your last option, not your first. Additionally, there is a short-term payment plan (paying in 180 days or less) if you owe less than \$100,000.

**Push 'em Back:** You can also go to Online Payment Agreement (OPA) and receive a short-term (30-120 day) extension to pay. This can reduce some penalties and there is no user fee.

**Payment Agreement Not Online:** We can prepare Form 9465 (which will be attached to the return for \$\_\_\_) and let the IRS know how you are going to pay your balance due at a later date. If you owe more than \$50,000, you will also need to complete Form 433-F, Collection Information Statement and contact the IRS. We will be glad to discuss the investment required for Payment Agreement services.

**The Offer in Compromise (OIC):** If you cannot full pay your IRS debt, you may file Form 656. To see if you are eligible, complete the OIC Pre-Qualifier at [https://irs.treasury.gov/oic\\_pre\\_qualifier/](https://irs.treasury.gov/oic_pre_qualifier/). The IRS requires a \$205 non-refundable application fee and a partial payment of the offer amount. The IRS reviews your ability to pay, income, expenses, and asset equity to determine if they will accept less than the full balance. We will be glad to discuss the investment required for Offer in Compromise services.

**Empty Pockets:** If you really can't pay, file your tax return on time anyway, with the biggest payment you can make. There are separate penalties for filing late and paying late, and you get the biggest immediate hit from filing late. So at least if you file, you'll eliminate one penalty, and by paying whatever you can, you'll reduce late payment penalties and interest until you get caught up. Remember, if you're short on cash by the due date, you have options to avoid interest and penalty as we discussed above.

**Doing Time** . . . Well, we don't really want to discuss that one, do we?

Call us any time if you have more questions on these or any other tax issues.