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What To Do If You Cannot Pay Your Tax Owed to the IRS

If you cannot pay the amount due on your income tax return, you should still file your return by the due date to avoid any late filing penalties. When you file your return, pay in as much as you can to reduce the amount of interest and penalties charged to your account. Next, talk with your accountant or call the IRS at 800-829-1040 to discuss your payment options. In many cases the IRS will grant short-term extensions to pay, set up installment agreements (Form 9465), or temporarily delay collections until you are able to pay. Typically, the IRS will work with you on payments for a couple of years but if they determine it to be a continual problem, they are less willing to work with you. We can help to set up an installment agreement as well if you wish to pay for that service.

Also, it is important to note that an extension of your tax return is an extension of time to file - not an extension of time to pay. If you owe with your tax return the payment is due on the original due date of the return and if not paid in full then penalties and interest start to accumulate. We recommend providing information to us in time to work up a tax estimate so we can send in payment with your extension and avoid paying more than necessary because of the interest and penalties.

SBW & Associates recommended best practices would be to work up a tax estimate prior to year end for proactive planning which would at a minimum give you an idea of where you are from a tax liability perspective to have time to save or address and evaluate what needs to be done.

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