



Quick Tips

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Get to the IRS on Time: Even If You Can't Pay

Have you ever completed your tax returns only to find out that you owe way more to Uncle Sam than you were expecting – or worse, that your tax bill is more than you can possibly afford to pay right now?

Don't worry. If this is the case, you're not alone. And, more importantly, you're not going to jail just for being a little short on cash. Rest assured, the IRS only seeks criminal charges for those who the agency can prove intentionally chose not to file and pay taxes. So, even if you can't pay your bill right away, file your return on time, and not only will you stay off the IRS' bad side, you'll avoid some hefty financial penalties in the process.

Penalties

According to the IRS, the penalty for filing late is generally 5% per month, or up to 25% of the total tax amount due. Not to mention interest charges, which the IRS changes quarterly, and which range between 4% and 9%. This interest applies to the unpaid balance, penalties, and to any interest that has been charged to the account as well.

If no effort is made to pay back-taxes, the IRS can impose stricter penalties, including levying bank accounts, wages, other income, or taking other assets like houses and cars. A Federal Tax Lien could also be filed, which could ruin your credit history for years to come.

The penalty for filing on time but paying late, however, is only half of one percent or .5% per month, up to 25% of the total amount owed. If you choose an installment plan to pay your debt, interest will accrue on the unpaid debt amount only. Therefore, when you file your return, pay as much as you can and cut down the penalties even more.

Extensions

It is possible to get a 30 to 120-day extension to pay your taxes after filing a return on time. Soon after filing, the IRS will send you a tax bill for the amount you still owe. Simply call the number on the bill and request an extension and explain your situation. If granted an extension, the penalties and interest will be much lower.

If you cannot pay any part of your tax bill, the IRS may temporarily delay collection until your financial situation improves, although interest and penalties will accrue throughout this time. But this extension is reserved for what the IRS calls "significant hardship."

I'd appreciate any thoughts or stories you might have on this subject. Please feel free to give me a call!

