

Nine Tips for Taxpayers Who Owe Money to the IRS

Did you end up owing taxes this year? The majority of Americans get a tax refund from the IRS each spring, but those who receive a bill may not know there are a number of ways for people to pay. Here are nine tips for taxpayers who owe money to the IRS.

1. If you get a bill this summer for late taxes, you are expected to promptly pay the tax owed including any penalties and interest. If you are unable to pay the amount due, it is often in your best interest to get a loan to pay the bill in full rather than to make installment payments to the IRS.
2. You can also pay the bill with your credit card. The interest rate on a credit card or bank loan may be lower than the combination of interest and penalties imposed by the Internal Revenue Code. To pay by credit card contact one of the following processing companies: Official Payments Corporation at 888-UPAY-TAX (also www.officialpayments.com/fed) or Link2Gov at 888-PAY-1040 (also www.pay1040.com) or RBS WorldPay, Inc at 888-9PAY-TAX (also www.payUSAtax.com).
3. You can pay the balance owed by electronic funds transfer, check, money order, cashier's check or cash. To pay using electronic funds transfer you can take advantage of the Electronic Federal Tax Payment System by calling 800-555-4477 or online at www.eftps.gov.
4. An installment agreement may be requested if you cannot pay the liability in full. This is an agreement between you and the IRS to pay the amount due in monthly installment payments. You must first file all returns that are required and be current with estimated tax payments.
5. If you owe \$25,000 or less in combined tax, penalties and interest, you can request an installment agreement using the Online Payment Agreement application at IRS.gov.
6. You can also complete and mail an IRS Form 9465, Installment Agreement Request, along with your bill in the envelope that you have received from the IRS. The IRS will inform you usually within 30 days whether your request is approved, denied, or if additional information is needed. If the amount you owe is \$25,000 or less, provide the highest monthly amount you can pay with your request.
7. You may still qualify for an installment agreement if you owe more than \$25,000, but a Form 433F, Collection Information Statement, is required to be completed before an installment agreement can be considered. If your balance is over \$25,000, consider your financial situation and propose the highest amount possible, as that is how the IRS will arrive at your payment amount based upon your financial information.
8. If an agreement is approved, a one-time user fee will be charged. The user fee for a new agreement is \$105 or \$52 for agreements where payments are deducted directly from your bank account. For eligible individuals with incomes at or below certain levels, a reduced fee of \$43 will be charged.
9. Taxpayers who have a balance due may want to consider changing their W-4, Employee's Withholding Allowance Certificate, with their employer. There is a withholding calculator available on IRS.gov to help taxpayers determine the amount that should be withheld.

For more information about installment agreements and other payment options, visit IRS.gov. IRS Publications 594, The IRS Collection Process and 966, Electronic Choices to Pay All Your Federal Taxes.