

## Article 3

### Options For Taxpayers Unable To Pay Their Tax

1. **Pay late.** If payment can be made within a few months of filing, pay as much as possible with the return or extension. Mail the balance on receipt of the IRS notice of tax due. Cost: Interest at the federal rate plus late payment penalty of 0.5% monthly.
2. **Pay by credit card.** Cost: Percentage of tax as a convenience fee plus interest at the credit card rate.
3. **Installment Agreement.** The IRS will generally accept an installment agreement from taxpayers if the unpaid liability is \$25,000 or less and the tax will be paid within five years. Taxpayers can call the IRS at 1-800-829-1040 to set up installment payments or file Form 9465, *Installment Agreement Request*. A taxpayer who has an installment agreement for a prior year cannot file Form 9465. A \$43.00 user fee will be deducted from the first payment. Late payment penalties and interest will be charged on the unpaid balance. While an installment agreement is in effect, the late payment penalty is 0.25% per month. If the taxpayers return was not timely filed, the penalty is 0.5% monthly. Interest is charged at the federal interest rate, compounded daily.
4. **Extension of time to pay.** A taxpayer can request a six-month extension by filing Form 1127, *Application for Extension of Time for Payment of Tax*. The taxpayer must show that he/she cannot sell assets or borrow to pay the tax except under terms that would cause severe loss and undue hardship. Statements of assets, liabilities and receipts and disbursements for three months preceding the due date of the tax are required. Form 1127 must be filed by the due date for payment. An approved extension eliminates the late payment penalty but has no effect on interest charges.