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10 TIPS WHEN YOU OWE MONEY TO THE IRS

By Victor Sy, CPA

1. **Pay if you can:** Pay promptly to stop additional penalties and interest from accruing. If you are unable to pay, consider getting a loan to pay the bill in full rather than make installment payments to the IRS.
2. **Additional Time to Pay:** If you are unable to pay, request for additional time via installment agreement.
3. **Installment Agreement:** You may request an installment agreement but you have to be current with filing and paying requirements. File all required returns for the past years and pay estimated taxes for the current year.
4. **Form 9465:** Complete and mail an IRS Form 9465 (Installment Agreement Request) along with your tax return or bill (use return envelope from the IRS).
5. **Collection Information Statement:** If you owe more than \$25,000, you will be required to complete Form 433F (Collection Information Statement).
6. **Online Payment Agreement:** If you owe \$25,000 or less in combined taxes, penalties and interest, you can request an installment agreement using the Online Payment Agreement application at www.irs.gov.
7. **Credit Card Payments:** You can pay your bill with a credit card. The interest rate on a credit card may be lower than the combination of interest and penalties imposed by the Internal Revenue Code. Contact one of the following processing companies: Link2Gov at 888-PAY-1040 (or www.pay1040.com), RBS WorldPay, Inc. at 888-9PAY-TAX (or www.payUSAtax.com), or Official Payments Corporation at 888-UPAY-TAX (or www.officialpayments.com/fed).
8. **Electronic Funds Transfer:** Use the Electronic Federal Tax Payment System by either calling 800-555-4477 or using the online access at www.eftps.gov.
9. **User fees:** If an installment agreement is approved, a one-time user fee is charged.
10. **TIP: Reduce the Number of Withholding Exemptions at Work:** If you want to prevent future nightmares, consider changing your W-4 (Employee's Withholding Allowance Certificate) at work. Example: Go from M-2 (married with two dependents) to M-0 or even S-0 (Single with no dependent). Your employer will withhold a little more each payday but this will alleviate your tax problems when you file. You don't claim your dependents at work but you'll deduct exemptions for all dependents when you file. Result is either less tax due or more refunds. Try it.