

YOU FILED YOUR TAX RETURN, BUT YOU CAN'T PAY WHAT YOU OWE...NOW WHAT?

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When owing the IRS or the State any taxes, time is not on your side. The interest rates are compounding on a daily basis...so every day your situation is getting worse. Contact one of our Senior Tax Advisors at IRSProblemsResolved.com to find which resolution process is best for you.

You pay your bills on time, though you still live paycheck-to-paycheck. You filed your Internal Revenue Service tax return on time but were not able to pay the bill. You barely have enough money to pay your other monthly bills. What do you do? Do you just ignore what you owe and hope it goes away? No, please don't do that. If there's one problem that will never go away, it's your IRS tax bill. That bill is as dependable as old age.

So, what can you do? You had some bad luck last year, and though you filed your tax return, it arrived at the IRS office sans the money you owe. If you make contact with the IRS, there's a bevy of resolutions you can pursue depending on your situation. A few examples include:

- Pay the IRS pennies on the dollar with the Offer in Compromise.
- You can negotiate an installment agreement...pay monthly just like you do your car payment.
- And though marriage may not last a life time, the bills your former wife or husband left you with could. You can make arrangements to pay back your taxes through the innocent spouse program
- Partial payments are another option. Pay a portion of your back taxes in monthly installments.
- Abatement programs are a method of relieving yourself of any additional penalties even though you have not paid back your taxes in full.

However, all these methods are dependent on one thing – Contacting the IRS and starting the negotiation process. If you do nothing, the penalties and interest continue to pile up. And next year you're in an even more precarious position.

So let's look at your options in greater detail.

Find out more about the different types of tax options at <http://www.irsproblemsresolved.com>

OFFERS IN COMPROMISE – THE “PENNIES ON THE DOLLAR METHOD”

Offers in Compromise are the most popular form of IRS tax resolution for the taxpayer who finds himself with a tax bill he can not afford to pay and will likely not be able to pay in the future. Unfortunately, offers of compromise are also the least approved method to pay back taxes...by the IRS anyway.

This is the method where you or your representative (attorney, tax specialist, accountant) agree to pay the IRS back a percentage of every dollar you owe, usually 10-to-50 cents on the dollar. This is not something the taxpayer can pay back over time. When a settlement amount is reached (which is rare), you pay the bill. When you do, any liens the IRS has against your assets will be released and you are free to start fresh. If the IRS is nice enough to allow you to pay back your taxes under an offer of compromise, this is what it looks like:

EXAMPLE		
You owe the IRS:	You negotiate a settlement of:	You pay the IRS:
\$10,000	10 cents on the dollar	\$1,000
Result: You have a weight lifted from your shoulders and start over with a clean slate		

INSTALLMENT AGREEMENTS – THE “PAY-AS-YOU-GO METHOD”

The installment agreement (the most approved method to pay back taxes by the IRS) is a tool for the taxpayer who has the ability to pay their back taxes over a period of time in monthly installments. After an audit of your monthly expenses, you determine that you can pay back our taxes, just not the full payment at one time.

After making this determination, you, as the taxpayer, should contact your tax attorney and let him negotiate the installment agreement for you. The monthly payment will likely be different that you originally calculated. What the IRS considers and allowable monthly expense and what you calculated as your allowable monthly expenses could, and probably will, differ. As long as you owe the IRS less than \$25,000, financial disclosure of your assets is required. For anything more than \$25,000, be prepared to reveal everything to Uncle Sam. If you work this tax resolution method properly, you can have your back taxes paid off in as little as 1-to-5 years.

PARTIAL PAYMENTS – THE “THIS IS ALL I’VE GOT” METHOD”

The partial payment method is just as the name implies. The taxpayer negotiates a reduced settlement amount and agrees to pay off the settled amount over a period of time in monthly payments. When the lower, negotiated settlement amount is paid off, the remainder of the outstanding tax debt is forgiven...Clean slate!

INNOCENT OR INJURED SPOUSE – THE “IF IT WEREN’T FOR BAD LUCK I’D HAVE NO LUCK AT ALL” METHOD

We have all had those bad years where everything seems to come crashing down around us. This is the predicament taxpayers who recently went through a divorce or had a spouse hospitalized often find themselves in. For the spouse who signed a joint tax return last year only to get divorced months later, an unwelcome, and unfortunately completely legitimate tax bill, may be heading their way. This situation is often the case when one

spouse completes the tax form and reports their income in a less than honest fashion. Since the other spouse also signed the tax return, he/she is just as liable for any unpaid taxes, interest and penalties. This is also true of the injured spouse. If, by chance, the injured spouse was hospitalized and can no longer work, the other spouse is liable for the income tax bill.

To help you determine if you are eligible for the innocent or injured spouse relief resolution, talk to your tax attorney. The rules surrounding this tax resolution method are very detailed and complicated.

ABATEMENT RESOLUTIONS – THE “TWO STEPS FORWARD, THREE STEPS BACK METHOD”

And finally there's the abatement resolutions method...better known to the layman as the “Two steps forward, three steps back” method. This is what happens when the penalties and interest are so high that even though you may be in a position to pay back your back taxes through one of the previous methods described, the penalties and interest will keep you in the red for years. There are four separate categories that can allow you file for penalty abatement:

- Reasonable cause – this is what happens when the taxpayer makes a perfectly “reasonable mistake” because of ignorance of the law. Death and serious illness also fall under this category.
- Statutory exceptions – the tax code was simply too complicated and the tax payer filled out the tax return incorrectly.
- Administrative waivers – exceptions due to flood, fire, natural disaster and bad tax advice.
- Correction of error – error made by the IRS.

SUMMARY

So as you can see, all is not lost. As long as you file your tax returns when you are supposed to, even if you can't pay the bill, you have options. But those options have to be explored. You can't sit on your hands and do nothing. Contact the IRS in person or through your tax representative and work something out.

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