



Refunds and Tax Due

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➤ **Late Filing Facts**

April 15 is the annual deadline for most people to file their federal income tax return and pay any taxes they owe. If taxpayers are due a refund, there is no penalty if they file a late tax return.

Taxpayers who owe tax, and failed to file and pay on time, will most likely owe interest and penalties on the tax they pay late. To keep interest and penalties to a minimum, taxpayers should file their tax return and pay any tax owed as soon as possible.

VITA volunteers should avoid offering specific advice to taxpayers about resolution of tax debt issues. Volunteers should not attempt to calculate the amount of penalties and interest that may be assessed by the IRS for delinquent taxpayers.

Here are some facts that taxpayers should know:

1. **Two penalties may apply.** One penalty is for filing late and one is for paying late. They can add up fast. Interest accrues on top of penalties.
2. **Penalty for late filing.** If taxpayers file their 2018 tax return more than 60 days after the due date or extended due date, the minimum penalty is \$205 or, if they owe less than \$205, 100 percent of the unpaid tax. Otherwise, the penalty can be as much as **5 percent** of their unpaid taxes each month up to a maximum of 25 percent.



3. **Penalty for late payment.** The penalty is generally **0.5 percent** of taxpayers' unpaid taxes per month. It can build up to as much as 25 percent of their unpaid taxes.
4. **Interest and penalties** will accrue from the due date of the return until the amount is paid in full. If the client timely files a tax return and makes only a partial payment or makes no payment on the debt, then she will receive a letter from the IRS stating her balance due.
5. **Combined penalty per month.** If both the late filing and late payment penalties apply, the maximum amount charged for the two penalties is 5 percent per month.
6. **Taxpayers should file even if they can't pay.** Filing and paying as soon as possible will keep interest and penalties to a minimum.
7. **Payment options.** Taxpayers should explore their payment options at [IRS.gov/payments](https://www.irs.gov/payments). IRS Direct Pay is an electronic payment option available that allows you to schedule payments online from your checking or savings account with no additional fee and with immediate payment confirmation. It's secure, easy, and much quicker than mailing in a check or money order.
8. **Late payment penalty may not apply.** If taxpayers requested an extension of time to file their income tax return by the tax due date and paid at least 90 percent of the taxes they owe, they may not face a failure-to-pay penalty. However, they must pay the remaining balance by the extended due date. Taxpayers will owe interest on any taxes they pay after the April 15 due date.
9. **No penalty if reasonable cause.** Taxpayers will not have to pay a failure-to-file or failure-to-pay penalty if they can show reasonable cause for not filing or paying on time. For more information about penalty and interest charges, refer to Part One, Chapter 1, Filing Information, of Publication 17, Your Federal Income Tax for Individuals.

➤ **Clients have several ways to pay their taxes**

1. They may personally deliver their payment to the IRS walk-in office located at 825 East Rundberg, which is open 8:30 am to 4:30 pm, Monday through Friday. Cash is not accepted. They **must have an appointment** in order to make personal payment. They may schedule an appointment by calling 1-844-545-5640.
2. They may mail in their payment.
3. They may pay with a credit or debit card. The IRS does charge a fee for using a credit or debit card.
4. They may pay electronically through Direct Pay, linked from www.irs.gov. This option allows your client to schedule payments online from his checking or savings account with no additional fee and with immediate payment confirmation. It's secure, easy, and much quicker than mailing in a check or money order. This option is available only to those with a valid SSN.
5. Formal payment plans are available. However, most include a fee to set up the plan. It may be advantageous for the client to have *all* payments applied toward their tax balance rather than pay



administrative fees. For those who want an approved payment plan, they may use the **Online Payment Agreement Application (OPA)**. OPA provides three payment options:

- a. Full payment now, meaning within 10 days -- no user fee
- b. Short-term extension to pay: full payment within four months -- no user fee
- c. Monthly payments: the most costly option considering penalties and interest plus a user fee of
 - \$149 for a standard payment agreement (or \$43 if client meets low-income guidelines)
 - \$31 for a direct debit payment agreement (or \$0 if client meets low-income guidelines)

6) The newest payment option offered by the IRS is for individual taxpayers who need to pay their taxes with cash. In partnership with ACI Worldwide's OfficialPayments.com and the PayNearMe Company, clients can now make a payment without the need of a bank account or credit card at over 7,000 7-Eleven stores nationwide. If a client wants to use this option, they should visit the IRS.gov [payments](#) page, select the cash option in the "other ways you can pay" section and follow the instructions:

- Taxpayers will receive an email from OfficialPayments.com confirming their information.
- Once the IRS has verified the information, PayNearMe sends the taxpayer an email with a link to the payment code and instructions.
- Individuals may print the payment code provided or send it to their smart phone, along with a list of the closest 7-Eleven stores.
- The retail store provides a receipt after accepting the cash and the payment usually posts to the taxpayer's account within two business days.

There is a \$1,000 payment limit per day and a \$3.99 fee per payment. Because PayNearMe involves a three-step process, the IRS urges taxpayers choosing this option to start the process well ahead of the tax deadline to avoid interest and penalty charges.

➤ **What is the last day you can select direct debit in TaxSlayer?**

Taxpayers who owe a balance on their tax return can select for the amount to be automatically withdrawn from their bank account through direct debit. There are two constraints in TaxSlayer we need to be aware of:

1. We cannot put a direct debit date for the same day the return is e-filed.
2. We cannot set the direct debit date for after April 15th.

This means that **the latest date we can put for direct debit is April 15th for returns filed up through April 14th. On April 15th, we cannot set up direct debit on any e-filed returns.** *Please note that these constraints do not apply to direct deposits for refunds.*



➤ **Pointers for Direct Deposit of Refund** (from Section K of Pub 4012)

Use a check, paper or electronic documentation from the financial institution as proof of account & verify:

- Routing Transit Number (RTN). The RTN must contain 9 digits and begin with 01 through 12 or 21 through 32.
- Depositor Account Number (DAN). The DAN can be up to 17 characters. Include hyphens but omit spaces and special symbols. Don't include the check number or the dollar amount on canceled checks. On the sample check below, the account number is 20202086.
- Don't use a deposit slip for proof of RTN as this may not be the same RTN used for direct deposit. For direct deposit into a savings account, it is a good idea for the taxpayer to obtain a statement from the financial institution to verify the routing and account number for direct deposit. **The checking and savings account numbers will never be the same.**
- **Financial institutions generally don't allow a joint refund to be deposited into an individual account.** The IRS isn't responsible if a financial institution refuses a direct deposit.
- Direct deposit of a taxpayer's refund is to be made to an account (or accounts) only in the taxpayer's name. Advise taxpayers their refund may only be deposited directly into his/her own account(s).
- To combat fraud and identity theft, IRS permits a maximum of three refunds to be electronically deposited into a single financial account. The fourth and subsequent refunds automatically will convert to a paper refund check and be mailed to the taxpayer.
- Entering the incorrect RTN and/or DAN will result in a 4-6 week delay of the refund, or it may go into some else's account. If the direct deposit is voided, a paper check will automatically be mailed to the address on the electronic tax form.
- Double-check the RTN of the financial institution if:
 - You are unfamiliar with the financial institution. (Some types of accounts that exist through brokerage firms can't accept direct deposits.)
 - The RTN is for a credit union, which is payable through another financial institution. The taxpayer should contact his or her credit union for the correct RTN.

➤ **What if the tax return was submitted with incorrect direct deposit information?**

If the return has not posted to IRS systems, the taxpayer can ask the IRS to stop the direct deposit refund by calling 1-800-829-1040, Monday through Friday from 7am to 7pm.

Entering the incorrect routing and/or account number will result in a 4-6 week delay of the refund, or it may go into some else's account. If the direct deposit is voided, a paper check will automatically be mailed to the address on the electronic tax form.



If the financial institution designated on the return has accepted the deposit, then the taxpayer should work directly with the institution to recover their funds.

If the taxpayer has contacted the institution and two weeks have passed with no results, the taxpayer should be advised to file Form 3911, Taxpayer Statement Regarding Refund, with the IRS, to initiate a trace. This allows the IRS to contact the bank of the taxpayer's behalf to attempt recovery of their refund.

➤ **Refund Offset**

The Department of Treasury's Financial Management Service (FMS), which issues IRS tax refunds, has been authorized by Congress to conduct the Treasury Offset Program. Through this program, a taxpayer's refund or overpayment may be reduced by FMS and offset to pay:

- Past-due child support
- Federal agency non-tax debts
- State income tax obligations
- Certain unemployment compensation debts owed a state

If a client does not receive her refund, she may make a refund offset inquiry by calling the IRS Financial Management System at (800) 304-3107.

➤ **Can I receive a tax refund if I am currently making payments under an installment agreement or payment plan for another federal tax period?**

No, one of the conditions of your installment agreement is that the IRS will automatically apply any refund due to you against taxes you owe. Because your refund isn't applied toward your regular monthly payment, continue making your installment agreement payments as scheduled.

If your refund exceeds your total balance due on all outstanding liabilities including accruals, and you don't owe certain past-due amounts, such as federal tax, state tax, a student loan, or child support, you'll receive a refund of the amount over and above what you owe. For more information on these non-IRS refund offsets, you can call the Bureau of the Fiscal Service (BFS) at 800-304-3107 (toll-free).

➤ **View account balance online**

Individual taxpayers can create an account at www.irs.gov/balancedue to view:

- Your payoff amount, updated for the current calendar day
- The balance for each tax year for which you owe
- Up to 24 months of your payment history
- Key information from your current tax year return as originally filed.



Once you have viewed your information, you can:

- Select an electronic payment option
- Go directly to Get Transcript without having to log in again

Please note:

- **Your balance will update no more than once every 24 hours, usually overnight.**
- Allow 1 to 3 weeks for payments to appear in the payment history.

You can also call **1-800-829-0922** to review your account with an IRS representative.

➤ **Getting advice or representation for accounts in collection**

If the client's tax account is in IRS collections, they may get advice or representation by contacting:

- Internal Revenue Service: (800) 829-1040
- Internal Revenue Service – Taxpayer Advocate Service: (877) 777-4778
- Texas Rio Grande Legal Aid (TRLA) Taxpayer Assistance Project: (512) 374-2700

Instruct the client to inform representatives of these organizations that Foundation Communities/VITA was the source of the referral. Clients may also wish to download from the IRS website IRS Publication 594, *The IRS Collection Process*.