

When A Client Owes Money to the IRS

Background

April 15 is the annual deadline for most people to file their federal income tax return and pay any taxes they owe. Clients should be aware that it is in their best interests to pay all tax liabilities in full before the date due. If full payment is not possible, then a client should pay as much as she can, as soon as she can. By law, the IRS may assess penalties for both failing to file a tax return and for failing to pay taxes they owe by the deadline.

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.

Foundation Communities Policy

VITA Volunteers should instruct clients to make payments to IRS by following the instructions provided in IRS Publication 4012 (Section K: Finishing the Return).

VITA volunteers should encourage clients to file a tax return by the due date in order to avoid incurring a failure-to-file penalty, even if a client cannot pay a tax liability in full.

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

How To Assist Tax Clients

Refer to Pub 4012, Section K: Finishing the Return.

The penalty for filing late is **five percent** of the unpaid taxes for each month or part of a month that a tax return is late. This is why it is important to file on time, even if your client cannot pay the taxes they owe. The late-filing penalty is capped at 25 percent of the unpaid taxes.

The penalty for paying late is **one-half of 1 percent** of the unpaid taxes -- much less than the late filing penalty.

If your client files late *and* pays late, the maximum penalty that she will pay for both is **five percent**. If she files her tax return more than 60 days after the due date, the minimum penalty is the **smaller of \$135 or 100 percent** of the unpaid tax.

If the client cannot full pay by April 15, encourage her to pay as much as she can. Explain that it is to her advantage to pay her tax debt as soon as possible, because the IRS charges interest and penalty on the balance due beginning April 16. If the client plans to make payments, he should pay as much as possible each month. Generally, so long as the IRS sees that a good faith effort is being made, and if payments are made every month, the IRS will not start collection proceedings.

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
 - \$120 for a standard payment agreement
 - \$52 for a direct debit payment agreement
 - \$42 if the 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.

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

Internal Revenue Service
(800) 829-1040

Texas Rio Grande Legal Aid (TRLA)
Taxpayer Assistance Project
(512) 374-2700

Internal Revenue Service
Taxpayer Advocate Service
(877) 777-4778

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*.