

Are you unsure what to do now that you've completed your tax return and owe money but you can't pay right away?

If you owe tax and can't pay, the most important thing you can do is file your tax return on time to avoid a penalty. That said, you can avoid ALL penalties and interest if you file and pay on time. But... if you can't, it's better to file timely ... and pay as much as you can ... and consider one of the IRS payment options.

By law, the IRS may assess penalties to taxpayers for both failing to file a tax return ... AND for failing to pay taxes they owe by the deadline. Interest also accrues. So remember, the sooner paid, the less owed.

The *Failure to **File*** penalty is... based on the amount of tax you owe... and is generally 5 percent per month and can be as much as 25 percent of the unpaid tax, depending on how late you file.

For example:

This taxpayer owes \$1,000 but didn't file on time. The Failure to File Penalty for filing their return 6 months late is \$225.

Remember, you can simply avoid the failure to file penalty by filing by the due date.

There is also the Failure to Pay penalty.

The *Failure to **Pay*** penalty is for any taxes not paid by the deadline and is generally one half a percent of the unpaid taxes per month. It can build up to as much as 25 percent of the unpaid tax. The penalty rate is cut in half for taxpayers who have a payment agreement with the IRS. If both the late filing and late payment penalties apply, the maximum amount charged for the two penalties is 5 percent per month.

So, if it looks like you're not going to be able to file your return by the due date, file an extension.

Keep in mind that an extension of time to file is not an extension of time to pay.

Taxpayers should pay as much as they can to avoid possible penalties and interest.

Also remember, interest is calculated based on how much tax you owe for each day it's not paid in full.

For more information about payment options, including installment and online payment agreements, visit irs.gov/payments.

