

Taking Care of Old Debt

Whether you are filing as an individual or a business, Miller & Company will ensure that any balances with the IRS are taken care of quickly and easily. Their expertise will shine through as they set up monthly installment payments that are manageable and without undue impact on your bottom line.

Getting Things in Order

Before you can file an application to request a payment plan with the IRS, you have to make sure all other tax returns are complete and current. Having past due tax returns will automatically disqualify you from setting up a monthly installment plan. Those who are considered self-employed must have all quarterly estimated tax payments current for the year. Finally, those who have employees must be current on payroll taxes to get a monthly installment plan.

The Terms

This is where having Miller & Company working for you has the most impact: the terms of your monthly installment agreement with the IRS. You can create an online agreement with the IRS, easily the simplest and fastest way to get the ball rolling, but there are some conditions:

- As an individual, you cannot owe more than \$50,000 to include past due income tax, late fees and penalties.
- Businesses cannot owe more than \$25,000 in payroll taxes and must be current on filing income tax returns

If you owe more than the amounts listed, you'll need to file a paper application or call the number on your IRS bill. Miller & Company can lead you through the maze of paperwork and requirements to get your IRS monthly installment plan set up. The IRS has made the forms needed, Form 9465 and form 433-F, available as PDFs on their website for ease of use. Filing this may mean that you have to show proof of your current financial situation so the IRS can decide if the monthly payment amount you've requested is acceptable.

Those who owe more than \$50,000 will find it much more challenging to get their installment plan accepted. You will have to have a complete financial statement, as well as submit supporting documents, to account for all of your income, expenses and assets.

Some additional advice:

- Don't offer to pay more than you can reasonably afford. Once the IRS takes you up on your offer, they are notoriously difficult to renegotiate with. You'll want to leave a cushion every month for unforeseen expenses and emergencies, yet still be able to make your payment to the IRS.
- At the time you turn in your paperwork, offer to make a payment right then. The IRS typically takes a few months to get you all the paperwork detailing your IRS monthly installment plan, so making payments before the plan is finalized shows you can make the payments proposed. This may encourage the IRS to more readily accept your proposal.

Know What it Will Cost You

A payment plan agreement with the IRS may not be the perfect solution for you or your business and here's why: you will have to pay about 10% over the course of the payment plan in fees and penalties, which continue to accrue while you're making payments. You have up to 72 months to pay the money owed, but interest alone can really add up in six years. Additionally, the IRS charges a fee for setting up the payment plan, ranging from \$31 to \$225 as of January 1, 2017, depending on the amount of debt, whether you are applying as an individual or a business and where your financial circumstances currently stand.

Once you go over your monthly expenses, if you don't have any money leftover, you don't have enough to pay the IRS and your monthly payment plan application will more than likely be rejected. At that point, your options will be reduced to proposing an Offer in Compromise, talking to the IRS about putting their collection activities on hold or filing for bankruptcy.

Other Ways to Pay

There are other ways to break up what you owe the IRS so that you are paying less interest and fewer penalties. Each of these options is heavily reliant on a specific situation so not all of them will apply to you or your business.

- Personal Loans from friends or family to immediately pay the IRS and avoid penalties is a great idea if they can help. Then you can set up a notarized payment plan with that friend or family member and potentially pay it back to them interest-free.
- The IRS also offers Short-Term Extensions, where you pay the money owed within 120 days, neatly avoiding extra penalties and fees. The bonus here is that the IRS will wave the set-up fee for this type of repayment.
- An Undue Hardship Extension may be needed for extreme situations where paying the amount owed would cause you financial distress, such as being forced to sell your home in order to make the payment. On a case-by-case basis, the IRS may decide to give you up to 18 months to pay the full amount.
- An Offer in Compromise, also known as an OIC, is a request to the IRS to accept an overall lower amount from you because you will never be able to pay them back the amount listed. These are particularly challenging to get, but it's worth a shot if your financial situation has become untenable.
- If it is your business that is impacted, you may be eligible for an In-Business Trust Fund Express Installment Agreement, which does not require a financial statement or verification. The qualifications for this agreement include: owing less than \$25,000, agreeing to pay the debt within 24 months and enrolling in a Direct Debit Install Agreement if the amount owed is greater than \$10,000 but no more than \$25,000.

In terms of getting the IRS their money on a monthly basis, you can pay one of several ways: direct payroll deduction, direct debit, mailing in your payments or making payments online. Whichever payment system you decide on, make sure the IRS gets those payments every month and do not renege on your agreement. If you do, the IRS may come after you to pay the remaining balance in full immediately and may not be prepared to return to your agreement once a payment is missed.

For more information about the best way to handle a tax balance with the IRS and how to set up an IRS monthly installment plan, contact Miller & Company.