



Should You File Your Tax Return If You Can't Pay Your Taxes?

So, you owe the IRS additional tax money? Can't pay your taxes this year? Approximately, one out of six people owe additional taxes when they complete their tax return each year and most cannot pay right away. So, should you file the tax return? It is a question many people ask since they cannot pay the tax now. The thought is why generate a tax bill? Well, not filing could only make the situation worse.

Rationales to file even if the tax cannot be paid:

1. The tax owed will increase with penalties and interest.

If the tax return is not filed timely, the IRS will add an additional penalty, which is the failure to file penalty that can increase your tax up to 25% more to the bill. If the tax is not paid on time as well, the IRS adds interest on the taxes and penalties on the total. Still want to hide from the IRS? Well, the IRS can find ways to collect the taxes that are owed, including the penalties and interest, with tax liens, levies and wage garnishments.

2. The IRS will file the return for you.

The IRS will file a "substitute" tax return for anyone that does not file their own return. The problem with this is in their favor. The IRS will use the income coming from banks, employers, and other payers but any credits and deductions that are allowable would not be considered. It is to the best interest of every taxpayer to file their own return and not have the IRS complete it for you!

3. The IRS can "confiscate" future refunds.

If in future years a refund is due, the IRS may already have in mind to take it for the tax owed from a prior year(s). Therefore, not filing this year could affect your status in future years. If you have not filed in past years, it would be wise to file the back years to determine the actual tax liability without the IRS calculating that amount for you.

4. "Willful" non-filing can be a criminal offense.

The IRS likes to include the word "willful" in many of their laws. It is their method of being able to establish if you simply "forgot" or "willfully" did not want to file. While the IRS does not prosecute many people for tax crimes, there can be strict and harsh penalties – including a 75% penalty for "willingly" and "knowingly" not filing a tax return. The IRS will assess you a fraudulent failure to file penalty. Criminals in the past have been sent to jail for the fraudulent failure to file because they were not convicted of their actual criminal crimes.

What is good? The IRS will work with you if you owe.

It is wise to file and not ignore the obligation because tax is due. The IRS will work with you! The IRS offers several options for those who cannot pay their taxes by the due date. Some of these options include extensions of time to pay, monthly payment plans, and for financial hardship situations. A tax professional can help determine which option is best, and even request the payment plan for you from the IRS.