



News Release

For more information:

California Society of Enrolled Agents

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FOR IMMEDIATE RELEASE

DON'T MAKE A DREADFUL DECISION AT TAX TIME

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Some taxpayers who can't pay the full amount they owe on the tax deadline are going to make a terrible decision, predicts Jennifer MacMillan, EA, President of the California Society of Enrolled Agents. Enrolled Agents are tax professionals licensed by the federal government to represent taxpayers and assist them with tax planning and tax return preparation.

"If you can't finish your taxes on time, or can't pay all of what you owe, you have several options. The worst possible choice, unfortunately, is the one opted for by many taxpayers – do nothing, don't pay, don't file," she says. "This is a terrible decision and a big mistake – it's not worth the aggravation and certainly not worth the heftier tax bills you're going to have in the near future."

Ms. MacMillan offers the following advice to taxpayers who can't file their returns on time, or can't pay on time:

- **File an Extension.** A request for a six-month extension of time to file a tax return will automatically be granted by the IRS (use Form 4868). Remember, the tax liability must be properly estimated at the time of the request, because you could incur extra penalties by estimating too low.
- **Request an Installment Agreement.** The IRS will usually approve an Installment Agreement for taxpayers who owe less than \$25,000 and who are current with their other taxes. Use Form 9465 to request an Installment Agreement; be sure to indicate the amount of your proposed monthly payment and the date each month you wish to make your payment. The Agreement covers payment of the balance due plus penalties and interest for a period of up to five years. The IRS charges a \$43 fee for setting up an Agreement.

Whether or not you file an extension, you are still responsible for any taxes owed but not paid by April 16, including penalties and interest. Here's the big difference, though: If you file late without an extension, you'll owe an additional five percent per month of the balance due (up to a maximum of 25%) on top of the interest. With an extension, however, the penalty for late payment is much less, only one-half of one percent per month. With an installment agreement, it's even less, only one-quarter of one percent per month.

California residents are automatically granted an extension until October 15 to file their California state returns; no extension form is required. "If you owe tax to the state on April 16, however," Ms. MacMillan says, "you have to pay it even if you're granted an extension. There is a flat 5% penalty for any tax not paid by April 16, and in addition to that interest and additional penalties are added every month."

For more information or to discuss your particular tax situation, locate an Enrolled Agent in your area by calling toll free 1-800-TAXPRO-5 or online at www.csea.org. Outside California, the Enrolled Agent referral number is 800/424-4339. Extension or installment forms can be downloaded at no charge from www.csea.org or www.irs.gov.

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