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PRODUCT & SERVICE GUIDE

What to Do if You Can't Pay Your Taxes Because of Coronavirus

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Jun. 25, 2020



A majority of taxpayers (61%) are deeply concerned that the financial impacts of COVID-19 may force them into tax debt, adding to the \$131 billion already owed to the IRS by 14 million Americans. That's according to a new survey conducted in May by [TaxAudit](#), the largest tax representation service in the country.

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With record high unemployment, the TaxAudit survey shows the burden faced by taxpayers due to the crisis, with many making the difficult choice to drain savings accounts and miss mortgage payments, property tax payments, and even some monthly bills just to survive. With concern mounting, taxpayers are also wondering if they'll owe more in taxes next year because they have borrowed from their retirement funds, sold stock or liquidated investments, or started collecting Social Security benefits earlier than anticipated.

"COVID-19 has resulted in a financial crisis that, understandably, has taxpayers deeply concerned about being able to pay their taxes this year, despite the extended deadline. Fear of falling into tax debt next year is clearly warranted," said Arnold van

Dyk, Esq., TaxAudit's Director of Tax Services. "Tax debt is already a massive underreported problem in this country with millions of taxpayers in billions of dollars of debt owed to the IRS, and COVID-19 is only compounding the problem. For taxpayers concerned about falling victim to tax debt, it's important to know your rights and seek guidance from a reputable agency to help negotiate with the IRS."

Key Survey Findings *Taxpayers are fearful of falling into tax debt*

- The majority (61%) are concerned they may end up in tax debt due to COVID-19.
- More than a quarter (27%) of those on a payment plan with the IRS for old tax debt are concerned about making payments once the deferment period ends in July.
- Nearly half (49%) are anxious about being contacted by the IRS regarding tax debt.

Taxpayers are concerned about how COVID-19 will increase the amount of taxes owed next year

- 43% are worried about owing taxes next year.
- 61% of those who received a stimulus check are concerned they may owe more taxes next year.
- 37% of taxpayers who are receiving or have received unemployment benefits during COVID-19 are concerned they may owe an increased amount of taxes next year.
- 30% of taxpayers who have borrowed money from their retirement accounts during COVID-19 are concerned they will owe an increased amount of taxes next year.
- 28% of taxpayers who have sold stock or liquidated other investments are concerned they may owe an increased amount of taxes next year.

Small business owners are struggling with payroll taxes

- 28% had to close their business or had to lay off or furlough workers.
- 28% applied for the Payment Protection Program loan and were approved while 15% applied for the loan and were denied.
- 43% are behind on making their payroll tax deposits and 39% are unaware of the fines for falling behind in making payroll tax deposits.

TaxAudit also released its tips for taxpayers who can't pay their taxes to help minimize their tax burden.

- 1. Don't ignore it.** This will only make the problem worse and lead to additional penalties and fees including a failure-to-file penalty, as well as the potential for more serious consequences like wage garnishment, tax liens, and more.
- 2. Determine if you can postpone the payment.** If you're unable to make payments by the July 15th deadline, you may be able to postpone the payment. Keep in mind that penalties and interest will begin to accrue if payment hasn't been made by the deadline.
- 3. Speak with a tax professional before entering into an agreement with the IRS.** While there are numerous payment plans available through the IRS for tax debt, it's important to speak with a tax professional to ensure you understand your options and explore which option is best for you.
- 4. Sign up for an IRS Installment Agreement.** An installment agreement can help resolve your tax liability. The IRS will generally accept any installment agreement you propose if you owe less than \$50,000 and can pay in six years or less. If you owe more than \$50,000 or need more than six years to pay, the IRS will ask you to provide a Financial Information Statement to determine how much you can pay on a monthly basis towards your debt.
- 5. Determine if you qualify for Currently Not Collectible (CNC) status.** If your monthly expenses are more than your monthly income and you cannot afford a monthly payment to the IRS, the IRS may determine that you are eligible for CNC status with the appropriate supporting documents.
- 6. Check to see if you qualify for IRS Offer in Compromise.** You may be able to settle the debt for less than the amount you owe with the IRS Offer in Compromise program.

Please note: This is only a short list of tips for taxpayers who can't pay their taxes to avoid falling into tax debt. Please spend time learning about the rules at [IRS.gov](https://www.irs.gov) so you are knowledgeable about qualifying deductions, exemptions, and more that may help to reduce your tax burden.

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