



April 24, 2010

Tips for Last Minute Tax Filers by Attorney near 33605 (part 1)

If you have not filed your tax returns by now, you may have delayed it this long because you find it difficult to afford paying your taxes. It is only a matter of days before the deadline closes so if you fall into this category of taxpayers, let me offer a few suggestions of what you can do.

Pay by Installments

There is a provision for you to arrange for an installment payment through the Internet. However, you must be current in your debts, owe less than \$25,000 and agree to pay off the debt within 5 years at most. If you fulfill these conditions, to set up a payment plan go to the Online Payment Agreement Application at the IRS website, www.irs.gov.

There is an interest charged that is determined every quarter. Currently, the IRS charges 4% interest on your unpaid amount of tax. There is also a \$105 processing fee imposed, which can be reduced to \$52 if you agree to electronic withdrawals of your installments. Taxpayers from the low income bracket can qualify for a reduced processing fee of only \$43.

Use your Credit Card

You can use your credit card to pay your tax bill but you need to remember that you have to add the bank's processing fee because the IRS is not allowed by law to pay it, unlike the typical merchant you buy stuff from. Most banks charge between 2 to 3% for their processing fee so if you pay your taxes by credit card, you need to add an extra 2.35% to your tax bill. For instance, if you owe \$3,000 in taxes, you need to swipe your card for \$3,070.50.

But if you choose this method of paying you need to bear in mind its possible consequences. Firstly, it may adversely affect your credit score. Of late, many credit card companies have reduced the credit limit of customers who pay their taxes with their cards, especially if the taxes come up to a substantial percentage of their credit limit. This could make a difference to your credit utilization ratio which is the amount of your outstanding debt as a percentage of your available credit limit. The higher your credit utilization ratio, the worse your credit standing becomes, which could make it more expensive to obtain other forms of credit such as a car loan or a house mortgage.

Secondly, if you intend to rack up your points for your credit card's reward scheme, think again because nowadays generally reward schemes are not as attractive as a before. Take Citibank, for example. They used to 5% cash back reward scheme with no limits. Although there is a convenience fee charged, but the rate of that fee was less than 5% so cardholders still gain from the cash back. But the scheme was changed to lessen the percentage of cash back. Most cash back schemes these days offer only a 1% cash return. Bearing in mind the administrative fee, it is no longer worth it.

Another example is American Express cards. They allow cardholders to utilize their reward points to pay for their taxes but the amount of points utilized is not 1 point for \$1. Amex cardholders must use 200 points to pay for every \$1 in taxes which means if you pay \$3,000 in taxes with your Amex card, you are down by 600,000 points.

These are two things you can do for now. I will give you two more tips on what to do in filing your taxes at this late hour in my next article.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.