

Manage Your Tax Payments with an Installment Agreement

After filing their annual tax returns, several people discover that they owe a large amount of money to the IRS. Soon after, the realization hits that they don't have adequate funds needed to pay such a large debt. However, there are other options or methods that can help make that IRS tax debt more manageable. One of these methods is the setting up of an [installment agreement](#) with the IRS, which is essentially, a payment plan arranged with the Federal Government.

The IRS is very willing to accept monthly payments. In fact, they even permit you to pick the amount you would like to pay on a monthly basis and on which date that it is due. Actually, if you have filed a tax return and paid your taxes in a timely manner, your tax bill amount equals less than \$10,000 and you have somehow proven that you do not have that much money readily available, the IRS can't turn down your request for installment payments. The catch is that the monthly installment plan that you propose must sufficiently pay off the total tax debt within at least three years. To begin the process, you should fill out and attach Form 9465 (Installment Agreement Request Form) to the front of the tax return you are filing.

Taxpayers who are truly financially troubled are also given the option to make partial payments of tax liability. Although slightly dissimilar from the one discussed above, this is an installment plan, nevertheless. Specific financial details such as information regarding equity assets are required from those who would like to make use of a partial payment installment agreement. Because the IRS will verify all the data provided, it is always in the best interest of the applicants to make sure that everything is accurate. Also, to check if you are already in a better financial position and to see if [partial installment payments](#) are no longer required, the IRS will conduct a re-assessment every two years. The amount of each monthly payment may also be increased or the arrangement may be terminated altogether.

Whether or not you decide or are not able to pay your tax bill in one complete payment or you choose to use any of the installment agreement options available, the fact is, you will be paying more money to the IRS the longer you stretch your payment agreement. In essence, you are buying time from the IRS if you utilize these installment options. There are also fees associated with any installment agreement. The IRS will impose a one-time fee of \$105 unless you opt to directly debit your monthly payment from your bank account. If you choose the latter, the fee reduces to \$52. If you are in a certain tax bracket, and meet the requirements to be considered as lower income, the fee may be reduced to \$43.

Some people may consider installment plans as an attractive option but other taxpayers feel differently. For them, it is better to apply for an [Offer in Compromise](#), or OIC, because even if it requires them to give out a lump-sum amount, this is considerably lesser than the original tax due. However, if tax problems necessitate the use of any of the mentioned strategies, it is always best to seek professional assistance regarding this matter.