



Unable to Pay Your Taxes? MoneyRates Shows the Routes to Take

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It's never a good idea to duck the IRS. MoneyRates.com advises Americans who cannot pay the tax bill

Foster City, CA – March 16, 2021 – Americans are in the throes of tax filing season and some may be worrying about the ability to pay their tax bill. Personal finance site [MoneyRates.com](https://www.moneyrates.com) offers suggestions and guidance to those struggling to pay Uncle Sam.

"Taxpayers should not panic if they find themselves in this situation," stresses Gina Pogol, MoneyRates' personal finance specialist. "While it can be scary, there are several options available to satisfy the IRS bill."

Find the new resource here: [What to Do if You Can't Pay Your Taxes](#).

Experts emphasize that regardless of the ability to pay, it is important to at least file on time. If not, file for an extension -- file first, angst later.

"Failing to file a tax return on time can be incredibly expensive," says Pogol. "The failure-to-file penalty is 5% of the unpaid balance per month until the taxes are filed."

What happens, when someone cannot pay their taxes?

Back taxes do not disappear or magically forgotten, so personal finance experts warn not to ignore them. When they are not paid, the IRS first sends a notice of demand for payment and should be contacted within ten days with a plan of action or the collection process is accelerated. The IRS can, in fact, seize assets that include wages, bank accounts, retirement income or real estate. The sooner the tax bill is addressed, the less painful and expensive the outcome will be.

"The IRS is tough, but not entirely unforgiving," says Pogol. "Keep in mind, though, that tax bills, just like government-backed student loans, are extremely difficult to erase even in bankruptcy."

The IRS bill: options to pay

The IRS offers several options to pay, which include full payment with a credit or debit card, a short-term payment plan, or a long-term payment plan. Some may qualify to apply online for an installment agreement, including owing less than \$50,000 in combined tax, penalties and interest. Repayment plans require the money is taken automatically from the taxpayer's checking account or via a credit or debit card.

Other options for paying off the IRS include private loans such as:

- Home equity loan or line of credit
- Credit card
- 401(k) loan
- Personal loan

Which Way is Right for You?

This largely depends on circumstances such as how much is owed, credit rating and income.

Factors to consider:

- If the amount owed is relatively small and the taxpayer's credit is good, [applying for a credit card](#) with a zero percent introductory rate is a viable option. Pay as much as possible during the interest-free period, which is usually six to 24 months.
- An IRS plan may not be optimal if a large amount is owed. The agency generally charges about 6.2% interest.
- It's sometimes possible to borrow up to 50% of the balance from a 401(k) loan.

For those with good-to-excellent credit, MoneyRates explains that taxpayers may be able to get a better interest rate from a personal loan.

"Another way to minimize the payment is by combining a personal loan and credit card," adds Pogol. "Using a rewards card to pay the IRS can rack up travel miles and then taxpayers could pay off the card with a lower-interest personal loan. It's important to compare personal loan offers; interest rates vary widely."

Advantages of [using a personal loan](#) to pay for taxes:

- Paying late doesn't equal trouble with the IRS
- The interest rate is usually fixed and often lower than a penalty interest rate pending good credit
- The payment is controlled by choosing a loan term
- The ability to take advantage of favorable credit card offers such as rewards or zero interest
- Getting approved for an IRS plan takes longer than applying for a personal loan

"It's best to always consult a tax professional to avoid any trouble in the future," concludes Pogol.

Pogol is available to discuss options for paying back owed taxes and other personal finance planning issues.

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Since 1998, MoneyRates has served as a personal finance resource designed to help readers make the most of their money. In addition to a variety of financial calculators, MoneyRates.com researches and tracks CD, savings, and money market rates offered from over 400 financial institutions across the country to offer expert advice on banking, investing and retirement planning.

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