

NO DEBTOR' S PRISON

What happens if you cannot pay your income tax?

If you are unable to pay your income tax, things are not as bad as many people have conjured up. The USA has no debtor's prison. That is not to say we do not have a "cheater's" prison. If you are convicted of a criminal fraud on your income tax return, you could well go to prison.

If you are unable to pay the tax due on a properly filed tax return, you will not serve time. In fact the IRS will not require you to sell your home, your car, or tools of your trade - They may, however, require you to liquidate less essential assets.

Because many taxpayers feel intimidated by the IRS, they fail to correspond in a timely manner and cause themselves additional problems. If you don't have the money to pay your income tax, be sure you still file your tax return when it's due. Failure to file the tax return on time can result in stiff penalties. On the other hand, filing your tax return and sending no check will simply result in your receiving a bill and paying interest on the balance due.

If you're still unable to pay by the time you receive the bill, return it with a request for monthly payments. The IRS will evaluate your financial condition to determine your ability to pay. In so doing they will request a full list of all your assets and debts.

When corresponding with the IRS, always enclose a copy of their last notice to you. It contains file and reference numbers to assist them in handling your case.

Don't ignore correspondence from the IRS. IRS agents are people just like you and me. They get up in the morning, go to work, and try to do their job the best they can. If you ignore their correspondence and otherwise try to make their day miserable, you should expect a little of the same in return.