

## What to Do If You Can't Pay Your Taxes

Tax time can be tough, especially when you don't have the money to pay what's due. You may have gone into tax season knowing you were going to owe money and that you wouldn't be able to pay. Or perhaps you were walloped with a large, unexpected amount due. Either way, you're in a fix, and you have to figure out how to get out of it responsibly.

### File anyway

You may be tempted to avoid the whole situation by [not filing your returns](#). That's dangerous. You may have to pay a penalty for failing to file your return, which can be higher than the penalty for failing to pay everything you owe. The Internal Revenue Service is also more likely to agree to a manageable payment plan if you demonstrate that you've made every effort to report your earnings honestly and on time.

### Pay what you can

Because penalties and interest are based on the amount due, you can make things easier for yourself and lower the overall cost by making a partial payment. Don't be tempted to [pay with a credit card](#), though. That can be a more expensive and riskier solution.

### Apply for a payment plan

This is your best chance of getting the debt paid off without major damage to your credit history and at minimal added expense. If you've filed your tax returns and you owe less than \$50,000 in combined taxes, penalties and interest, you can use the IRS' [online application](#) to set up an installment payment plan. You can also call the IRS directly to talk about your situation. The best number to call is 1-800-829-1040.

### Make this the last time

How did you get into this situation? If it was because you didn't ask your employer to withhold enough from your pay, you need to correct that now so you're not in the same position next year. If you're self-employed or have to keep track of your own tax obligations, consider meeting

with an accountant to [get advice](#) about how much money to set aside or how much to pay quarterly. Some people find it helpful to set up a dedicated account to save for taxes and put in part of each paycheck so they'll have enough set aside when tax time rolls around.

All of these solutions may hurt in the short term, because they'll reduce the amount of money you have to spend every month. But careful tax planning is a crucial part of managing your finances. You've seen what can happen if you don't adequately plan for taxes. You don't want to let it happen again.

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