

H&R Block Advises Filing Return, Extension Even if Taxes Not Paid

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Not Filing on Time Can Add Penalties and Interest That Exceed 25 Percent of Balance Due

KANSAS CITY, MO, Apr 11, 2012 (MARKETWIRE via COMTEX) --H&R Block (NYSE: HRB) advises the more than 20 percent of taxpayers who owe taxes to be sure to file a tax return or extension to file by April 17 to limit penalties assessed. The penalty for not paying in full is 0.5 percent of the unpaid balance per month, whereas the monthly penalty for not filing a tax return is 10 times that amount (5 percent). Interest also accrues on the unpaid tax and the penalties assessed.

"With less than a week remaining to file a 2011 tax return or an extension, the best option for taxpayers short on cash is clear: file," said Elaine Smith, enrolled agent and master tax advisor for H&R Block. "Filing a completed tax return or an extension prevents a taxpayer from paying a penalty that could add 25 percent in penalties and interest to their tax bill."

The following scenarios created by The Tax Institute at H&R Block show the financial impact of three tax payment options. These scenarios assume an original balance due of \$2,000 and the taxpayer paying the balance in full by Oct. 15, which is the deadline to file a return for those who got an extension to file.

-- File now, pay later = \$2,090 - If a taxpayer can't pay what is due April 17, the least expensive option is to file a return or extension on time and pay by Oct. 15. The additional cost is approximately \$90 in failure-to-pay penalties and interest.

-- File now, pay with a credit card now = \$2,230 - Another option is to file a return or extension and pay the tax due with a credit card, which keeps the taxpayer from paying IRS penalties and interest. If the credit card has an 18-percent APR, taking six months to pay the balance could cost the taxpayer an additional \$230 or more in interest and convenience fees.

-- File later, pay later = \$2,600 - The most costly option is not filing a return by the April 17 deadline and not paying any of the taxes due until Oct. 15 (the extended due date for the 2011 tax return), which could cost a taxpayer approximately an additional \$600 in IRS failure-to-file and failure-to-pay penalties and interest.

"For some taxpayers, the failure-to file penalty could end up costing them more than if they paid their taxes by April 17 using a credit card. The bottom line is that even if a taxpayer isn't able to pay all of their taxes due by the filing deadline, they should at least file a return or extension," Smith said.

IRS Fresh Start initiative provides additional payment options

The unemployment rate is going down, but the millions who were unemployed at any time last year or this year could find it difficult to pay their taxes in full by the April 17 tax filing deadline. The IRS's new Fresh Start Penalty Relief Initiative can help some of these taxpayers.

The Fresh Start initiative includes provisions giving certain unemployed taxpayers until Oct. 15 to pay their taxes with no failure-to-pay penalty assessed. To participate in the Fresh Start initiative, taxpayers must meet all of the following eligibility requirements:

-- Unemployed at least 30 consecutive days between Jan. 1, 2011 and April 17, 2012

-- OR a self-employed worker whose 2011 business income decreased at

least 25 percent from 2010 due to the economy

- Adjusted gross income less than \$100,000 for single or head of household filers (\$200,000 for married filing jointly)
- Less than \$50,000 in taxes owed.
- All taxes owed must be paid by Oct. 15, 2012.

The taxpayer must complete new Form 1127-A, Application for Extension of Time for Payment of Income Tax for 2011 Due to Undue Hardship. The form must be postmarked no later than April 17, 2012.

Other Fresh Start options are available for all taxpayers who meet the qualifications, including revamped installment agreements and offers in compromise.

An installment agreement will reduce penalties, but interest will continue to accrue on the outstanding balance. The threshold for using an installment agreement without having to supply the IRS with a financial statement has doubled from \$25,000 to \$50,000. The maximum term for installment agreements is now 72 months instead of 60 months.

Recent changes to the offer in compromise program make this option available to more taxpayers. An offer in compromise is an agreement that lets a taxpayer settle the tax debt for less than what is owed. However, if the IRS believes that the full amount can be paid in full as a lump sum or through a payment agreement, it is unlikely the request will be accepted. In making this determination, the IRS reviews the taxpayer's income and assets.

Even if a taxpayer isn't able to pay the taxes due and is not eligible for an IRS relief option, filing a tax return or an extension to file can help limit how much ultimately must be paid in penalties and interest. Talking to a tax professional can help taxpayers save time and money when they are short on both. Participating H&R Block offices are offering taxpayers free extension filing through April 17.

For more information about tax payment options, visit www.hrblock.com or call 800-HRBLOCK.

H&R Block's tax professionals provide guaranteed tax return preparation services in-person at retail tax offices open year-round and through Block Live(SM), the only face-to-face online tax preparation experience available in the industry. The Tax Institute at H&R Block manages Tax Answers, an online Q&A database that has more than 2,100 entries. Do-it-yourself filers benefit from the institute's expertise and guidance when using H&R Block At Home(TM) on their computers, tablets and smartphones. Because understanding taxes is an integral part of managing personal finances, H&R Block keeps the conversation going with clients all year via blogs, tweets and Facebook status updates.

About H&R Block H&R Block, Inc. (NYSE: HRB) has prepared more than 575 million tax returns worldwide since 1955, making it the country's largest tax services provider. In fiscal 2011, H&R Block had annual revenues of \$3 billion and prepared more than 24.5 million tax returns worldwide, including Canada and Australia. Tax return preparation services are provided in company-owned and franchise retail tax offices by approximately 100,000 professional tax preparers, and through H&R Block At Home(TM) digital products. The H&R Block Bank provides affordable banking products and services. For more information, visit the H&R Block Online Press Center.

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