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**The National Society of Accountants (NSA) Offers Guidance on Tax Extensions and Offer in Compromise**

***Details to help taxpayers with navigating the proper process***

**ALEXANDRIA, VA., August 6, 2013** – If you filed for a tax extension this year, you are not alone. In fact, each year an increasing number of taxpayers file for an extension or arranges an Offer in Compromise to pay a tax bill. But each of these options have potential pitfalls, so taxpayers should be aware of the rules in order to avoid both penalties and disappointment.

Your extension was simply a way to ask the Internal Revenue Service (IRS) for more time to file a return. The deadline was April 15 of this year, and your filing of IRS Form 4868 moved the deadline to October 15 of this year. Your extension of time to file was not, however, an extension of time to pay: Tax payments made after April 15 are subject to late-payment penalties on any portion of federal tax unpaid.

Among the details, according to the IRS:

•If you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of $135 or 100 percent of the unpaid tax.

•You will owe interest on any tax not paid by the regular return due date of April 15.

•If you do not pay your taxes by the due date, you will generally have to pay a failure-to-pay penalty of 5 percent of your unpaid taxes for each month or part of a month after the due date that the taxes are not paid. This penalty can be as much as 25 percent of your unpaid taxes.

•If you requested an extension to file by April 15 and you paid at least 90 percent of your actual tax liability by that date, you will not face a failure-to-pay penalty if the remaining balance is paid by the extended due date of October 15.

•You will not have to pay a failure-to-file or failure-to-pay penalty if you show that you failed to file or pay on time because of reasonable cause and not because of willful neglect.

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**Did You Take the Offer in Compromise Option?**

You may have taken an Offer in Compromise (OIC) option to settle your tax debts by offering an amount less than what you owe in full settlement of your taxes. Before the IRS will review your offer in compromise, you must be current on your taxes for the year you submit the offer. They will not consider the offer if you are not current. Tips to bear in mind as the clock ticks on your OIC:

•OICs must meet very strict IRS requirements. Do not believe any advertisements claiming that virtually anyone can pay pennies on the dollar merely by filing an OIC.

•Have ready all relevant documents proving you lack means to pay all your taxes. Make sure your documents are current and verifiable – an IRS specialist will examine your income and expenditures in detail and compare them with such documents as your bank statements, rent or mortgage agreements and utility bills, among others. Submit at least three months’ documentation.

•While your offer is being evaluated, your non-refundable payments and fees will be applied to the tax liability, a Notice of Federal Tax Lien may be filed and other collection activities are suspended and the legal assessment and collection period extended.

•If the IRS accepts your OIC you must agree to certain conditions: you must pay the amount you offered; file your returns on time and pay your taxes on time for the next five years; forego refunds, payments and credits applied to your tax debts prior to submitting your OIC; and forego tax refunds for the calendar year your OIC was approved.

With the right kind of help from a tax professional, you can more easily navigate the proper process for making the most of your tax-filing extension and your OIC. For more information and to find a qualified tax preparer in your area, visit [www.nsacct.org](http://www.nsacct.org).

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