

# I Owe The IRS Money But Cannot Pay. What Should I Do?

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**Dear Ask the Attorney:**

I made a good amount of money in 2009 as an independent contractor. When I prepared my tax return for 2009, the software said I owed over \$25,000 so I didn't file the return or pay the taxes. I didn't work much 2010 and didn't file a tax return that year either. In 2011, I was hired by a new company as a permanent employee, and have filed my returns on time since then. I just got a notice from the IRS saying that I owe the \$25,000 from 2009 plus all kinds of interest in penalties. What can I do? I don't have enough savings to pay.

**B.T.**

Hi B.T.:

Your problem is common for people who work temporarily as independent contractors. Independent contractors are generally required to pay estimated quarterly taxes to the IRS. For independent contractors who are unaware of this requirement or simply do not pay the estimated taxes, the tax due when they prepare their return can be shocking. Unfortunately, many people in this situation decide to ignore the problem, which eventually results in the notice you received.

Now that you received the notice, you have to make paying your taxes a top priority. You do not want to ignore the problem. The best thing you can do is pay the outstanding taxes in full. You said you can't afford it, but it is worth really digging into your finances and potential sources for loans like friends and family to determine whether you can pay.

If you can't pay in full up front, the good news is that the IRS provides you with options to make payments. The first option you should consider is an installment agreement. An installment agreement is an agreement you make with the IRS where you agree to pay a specific amount each month to the IRS until your tax debt is paid off. The IRS allows up to 72 months to pay off the debt. If the amount you owe is less than \$50,000, you can apply for an installment agreement online through the IRS website. You will have to file returns for 2009 and 2010, and then provide the IRS with some financial information.

If the monthly amount will be too much for you to pay, you may qualify for an offer in compromise. An offer in compromise allows you to settle your tax debt for less than the full amount you owe. You make an offer to the IRS of a specific amount of money to settle your debt. The IRS will determine, based on your financial information and earning capacity, whether the amount offered represents the most it can expect to collect within a reasonable period of time. If you are working, as you mentioned you are, you may not qualify for an offer in compromise based on your income.

As with all IRS issues, it is important to consult with a tax attorney or accountant to review your options. It can be difficult to face your tax debt, but delaying will only increase the problem.

*“Ask the Attorney” is a blog in which answers to your legal questions submitted to [asktheattorney@einhornlawyers.com](mailto:asktheattorney@einhornlawyers.com) may be answered. The answers to the questions are for informational purposes only and are not to be construed as legal advice or the creation of an attorney-client relationship. The facts of each case are different, therefore you should seek competent legal representation.*