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| INDIVIDUAL INCOME TAXES

A Third of Americans Say They Can't Pay Their Taxes This Year Due to Covid

With record high unemployment, the TaxAudit survey shows the burden faced by taxpayers due to the crisis, with many making the difficult choice to drain savings accounts and miss mortgage payments, property tax payments, and even some monthly bills just

Jun 25th, 2020



According to a new survey conducted in May, the majority of taxpayers (61%) are deeply concerned that the financial impacts of COVID-19 may force them into tax debt, adding to the \$131 billion already owed to the IRS by 14 million Americans. The survey also found that more than a third of taxpayers (37%) do not have the resources to pay 2019 taxes owed despite the deadline being extended to July 15th.

The survey was commissioned by [TaxAudit](#), the largest tax representation service in the country.

With record high unemployment, the TaxAudit survey shows the burden faced by taxpayers due to the crisis, with many making the difficult choice to drain savings accounts and miss mortgage payments, property tax payments, and even some monthly bills just to survive. With concern mounting, taxpayers are also wondering if they'll owe more in taxes next year because they have borrowed from their retirement funds, sold stock or liquidated investments, or started collecting Social Security benefits earlier than anticipated.

“COVID-19 has resulted in a financial crisis that, understandably, has taxpayers deeply concerned about being able to pay their taxes this year, despite the extended deadline. Fear of falling into tax debt next year is clearly warranted,” said Arnold van Dyk, Esq., TaxAudit’s Director of Tax Services. “Tax debt is already a massive underreported problem in this country with millions of taxpayers in billions of dollars of debt owed to the IRS, and COVID-19 is only compounding the problem. For taxpayers concerned about falling victim to tax debt, it’s important to know your rights and seek guidance from a reputable agency to help negotiate with the IRS.”

Key Survey Findings *Taxpayers are fearful of falling into tax debt*

- The majority (61%) are concerned they may end up in tax debt due to COVID-19.
- More than a quarter (27%) of those on a payment plan with the IRS for old tax debt are concerned about making payments once the deferment period ends in July.
- Nearly half (49%) are anxious about being contacted by the IRS regarding tax debt.

Taxpayers are concerned about how COVID-19 will increase the amount of taxes owed next year

- 43% are worried about owing taxes next year.
- 61% of those who received a stimulus check are concerned they may owe more taxes next year.
- 37% of taxpayers who are receiving or have received unemployment benefits during COVID-19 are concerned they may owe an increased amount of taxes next year.
- 30% of taxpayers who have borrowed money from their retirement accounts during COVID-19 are concerned they will owe an increased amount of taxes next year.
- 28% of taxpayers who have sold stock or liquidated other investments are concerned they may owe an increased amount of taxes next year.

Small business owners are struggling with payroll taxes

- *28% had to close their business or had to lay off or furlough workers.*
- *28% applied for the Payment Protection Program loan and were approved while 15% applied for the loan and were denied.*
- *43% are behind on making their payroll tax deposits and 39% are unaware of the fines for falling behind in making payroll tax deposits.*

TaxAudit also released its tips for taxpayers who can't pay their taxes to help minimize their tax burden.

1. **Don't ignore it.** This will only make the problem worse and lead to additional penalties and fees including a failure-to-file penalty, as well as the potential for more serious consequences like wage garnishment, tax liens, and more.
2. **Determine if you can postpone the payment.** If you're unable to make payments by the July 15th deadline, you may be able to postpone the payment. Keep in mind that penalties and interest will begin to accrue if payment hasn't been made by the deadline.

- 3. Speak with a tax professional before entering into an agreement with the IRS.** While there are numerous payment plans available through the IRS for tax debt, it's important to speak with a tax professional to ensure you understand your options and explore which option is best for you.
- 4. Sign up for an IRS Installment Agreement.** An installment agreement can help resolve your tax liability. The IRS will generally accept any installment agreement you propose if you owe less than \$50,000 and can pay in six years or less. If you owe more than \$50,000 or need more than six years to pay, the IRS will ask you to provide a Financial Information Statement to determine how much you can pay on a monthly basis towards your debt.
- 5. Determine if you qualify for Currently Not Collectible (CNC) status.** If your monthly expenses are more than your monthly income and you cannot afford a monthly payment to the IRS, the IRS may determine that you are eligible for CNC status with the appropriate supporting documents.
- 6. Check to see if you qualify for IRS Offer in Compromise.** You may be able to settle the debt for less than the amount you owe with the IRS Offer in Compromise program.

Please note: This is only a short list of tips for taxpayers who can't pay their taxes to avoid falling into tax debt. Please spend time learning about the rules at IRS.gov so you are knowledgeable about qualifying deductions, exemptions, and more that may help to reduce your tax burden.

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The Tax Blotter - June 2020

Jun 22nd, 2020



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IRS Watchdog Says Some Tax Pros Are Evading Taxes

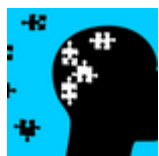
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[ExPat Tax Deadline Also Extended to July 15](#)

Anyone, including Americans who live and work abroad, nonresident aliens and foreign entities with a U.S. filing and payment requirement, have until July 15 to file their 2019 federal income tax return and pay any tax due.

Jun 2nd, 2020

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[Changes to Income Tax Withholding for Retirement and Annuity Payments](#)

The U.S. Department of the Treasury and the IRS have issued a proposed regulation updating the federal income tax withholding rules for periodic retirement and annuity payments made after December 31, 2020.

[Isaac O'Bannon](#)

May 29th, 2020

Individual Income Taxes

Stimulus Debit Cards Arriving in Plain Envelopes

Most eligible Americans have already received their coronavirus Economic Impact Payments. But several million people, often those with incomplete banking information or those who didn't file taxes recently, will soon be sent some payments by debit ...

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May 29th, 2020

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IRS Tax Forums Go Virtual for Rest of 2020

The switch to a virtual format allows experts from the IRS and its association partners to continue to educate and inform members of the tax community. The webinars will cover the tax law, cybersecurity, ethics and a wide range of other topics.

May 26th, 2020

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IRS Adds 3,500 Phone Staff to Help with Coronavirus Stimulus Questions

Help lines are open Monday through Friday 7 a.m. to 7 p.m. local time and are routed to your nearest geographic office. Residents of Alaska and Hawaii should follow Pacific time. Phone lines in Puerto Rico are open from 8 a.m. to 8 p.m. local time.

May 19th, 2020

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IRS Issues Guidance on Deductibility of Fines and Penalties

Under the TCJA, this disallowance may not apply to amounts that taxpayers establish, and court orders or settlement agreements identify, are paid as restitution, remediation, or to come into compliance with a law so long as the amounts otherwise ...

May 13th, 2020

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IRS Proposes New Regulations for Estates and Trusts Itemizing Deductions

The Internal Revenue Service has issued proposed regulations that provide guidance for estates and trusts clarifying that certain deductions of estates and non-grantor trusts are not miscellaneous itemized deductions.

May 7th, 2020

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Millions are Still Waiting on IRS Coronavirus Stimulus Payments - Here's Some Help

Are you still waiting for your stimulus payment due to a recent address change or no or outdated direct deposit information on file with the IRS? You may have to wait a little longer.

May 6th, 2020

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Coronavirus Tax Resource Center for Tax Firms

The COVID-19 Tax Resource Portal is free. There is both a generic version of the site and a branded version option. Firms will want to brand their portal if they wish to use the portal to push the content to their clients through social posts and use it

May 4th, 2020

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IRS Accepting Applications for 2021 Grants for Low Income Taxpayer Clinics

The LITC Program is a federal grant program administered by the Office of the Taxpayer Advocate at the IRS, which is led by National Taxpayer Advocate Erin M. Collins.

Isaac O'Bannon

Apr 30th, 2020

Top Tax News

Where's My Coronavirus Payment? IRS Adds Tools for Tracking and Changing Direct Deposit

The IRS has added new features to the “Get My Payment” tool on its website to help more taxpayers receive and track their coronavirus stimulus payments. Taxpayers who did not have direct deposit information on record with the IRS can now enter or ...

Isaac O'Bannon

Apr 29th, 2020

Top Tax News

Low Income Americans Can Use IRS Website to Register for Economic Relief Payments

The Non-Filers tool is designed for people with incomes typically below \$24,400 for married couples or less than \$12,200 for single people. This includes couples and individuals who are homeless. People can qualify, even if they do not work. Anyone claime

Apr 28th, 2020



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