1. What Happens If You Don't File Taxes With The IRS - YouTube

<https://www.youtube.com/watch?v=j2YnA1eDS_g>

Transcript:

hey there i'm oscar and i'm jillian from bench at bench we believe that staying on top of small business finances should be simple and straightforward that's why we're here to help with everything from bookkeeping to tax prep and advisory today we're going to talk about what happens when you get behind on your business taxes staying up to date with your taxes is important since falling behind could lead to unexpected bill from the irs before you panic though take a deep breath life happens and it's easy to get

off track you're not alone either more than 7 million americans miss their tax filing deadline every year the irs takes owed taxes pretty seriously which is why back taxes are a problem you can't afford to ignore unfortunately if you do nothing things can snowball pretty quickly if you're behind on your business taxes we'll tell you what to expect and how you can move forward though business owners can and do fall behind on their employment and sales taxes today we're going to talk about the most common issue

income taxes now when we talk about falling behind on business taxes that can mean a number of things and each situation is unique but for this video we're keeping it simple and talking about not filing your taxes or not paying your taxes or most often both if you fall into one or both of these categories first you'll get hit with penalties both for failing to file and failing to pay the size of these penalties will depend on how much you owe and how long you take to file or pay if you don't pay your owed tax on time

the standard penalty is half percent of the unpaid tax for each month it remains unpaid if you don't file your tax return by the deadline provided you haven't filed for an extension the penalty is much bigger five percent of the unpaid tax for each month that that return is late both these penalties max out at 25 of the tax amount owed which means that the larger failure to file penalty maxes out after five months now if both penalties apply in the same month the maximum penalty applied will be five percent

you'll pay the half percent failure to pay penalty and a four and a half percent failure to file penalty when those five months have passed and the failure to file penalty is maxed out the failure to pay penalty will continue at half percent per month until you either pay or it also maxes out at 25 45 months later here's a top tip as you probably noticed the penalty for not filing your taxes is much larger than the penalty for not paying your tax so even if you think you can't afford to pay it's a good idea to file your return and

pay whatever you can to avoid the most painful penalties some of these penalties can be waived provided you satisfy certain conditions don't worry we'll cover that in a later video in this series now on top of penalties the irs charges interest as well the actual rate varies depending on the federal interest rates but it's currently around 3 percent interest is applied every day you're late and it's applied to the total of your owed tax plus any accrued penalties all this is getting pretty complicated

so let's take a look at a rough example to give you an idea of how it all works so imagine you owe 10 000 in taxes and it's ten months after the deadline and you haven't filed your return or paid the tax for the first five months you'd pay a four point five percent failure to file penalty of four hundred fifty dollars and a half percent failure to pay penalty of fifty dollars over the next five months you'd pay the half percent failure to pay penalty of 50 bucks each month and this means your

total penalties after 10 months would be 2 750 dollars and your total amount owed including penalties would be twelve thousand seven hundred fifty bucks now interest would then be applied to the total of the tax debt plus the penalties the calculations the irs uses for working out interest are complex and they vary depending on particular circumstances but that said in this example you would be likely paying at least another three hundred bucks in interest taking the total uo to over thirteen thousand dollars a thirty

percent increase on the original amount if you're thinking okay i don't owe any money on my taxes but i haven't filed for the last couple of years we have good news and bad news for you the good news is that you'll dodge the failure to file penalties the bad news is you're in danger of losing refunds owed to you if you still haven't filed your return after three years the irs withholds your refund which means you're no longer eligible to receive it we know the irs applies penalties and

interest to any taxes you owe when you fall behind but how do they calculate your debt if you haven't filed your taxes when the irs is trying to figure out how much money you owe they file something called a substitute for return they look through all the public information they have on you including bank records records of wages and any contractor payments made to you by other people and come up with a number of what you should owe the problem with this is that the irs only uses your recorded revenues to

calculate the taxes owed this makes the number that they come up with way more than what you would owe if they included your tax deductions and credits that's because tax deductions and credits lower your taxes what's worse the penalties and interest charges are then applied to the inflated owing amount essentially compounding this inflated amount that you owe if you find yourself in a situation where you owe more tax than you can afford to pay we know can seem pretty scary there are several options for

moving forward we'll cover them in detail in the third video in the series however the best place to start is to file any missing tax returns by doing so you can accomplish three things one show the irs that you actually owe much less in tax than they may have calculated in the substitute for return two stop the failure to file penalties from building up and three put yourself in a better position to negotiate with the irs about your situation if you need to get your years of tax returns sorted out bookkeeping is the

first place to start that helps you create the necessary records of your income and expenses for those missing years making it much easier to file your taxes bench retro bookkeeping service completes years of historical bookkeeping fast our dedicated team is here to help out folks in situations just like these if you're interested in receiving help from a specialized team of experts to get you caught up and ready to file your back taxes you can book a call with a member of our team using the link below what happens when even after being

warned about penalties and interest and being told how much the irs thinks you owe them you still don't pay one way or another the irs will come after you for the money you owe them check with the following video in the series for a detailed look at how the irs collections work and what you might expect to see when you owe them money