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## April 2022 Individual Due Dates

### April 18 - Individual Tax Returns Due

Although April 15 is on a Friday in 2022, and individual income tax returns would normally be due that day, because the Washington, D.C. Emancipation Day holiday is observed on Friday, April 15, the due date is pushed to Monday, April 18.

File a 2021 income tax return (Form 1040 or 1040-SR) and pay any tax due. If you want an automatic six-month extension of time to file the return, please call this office.

### April 18 - Estimated Tax Payment Due (Individuals)

It's time to make your first quarter estimated tax installment payment for the 2022 tax year.

### April 18 - Last Day to Make Contributions

Last day to make contributions to Traditional and Roth IRAs for tax year 2021.

### April 18 - Taxpayers with Foreign Financial Interests

A U.S. citizen or resident, or a person doing business in the United States, who has a financial interest in or signature or other authority over any foreign financial accounts (bank, securities or other types of financial accounts), in a foreign country, is required to file Form FinCEN 114. The form must be filed electronically; paper forms are not allowed. The form must be filed with the Treasury Department (not the IRS) no later than April 18, 2022 for 2021. An extension of time to file of up to 6 months is automatically allowed. This filing requirement applies only if the aggregate value of these financial accounts exceeds \$10,000 at any time during 2021. Contact our office for additional information and assistance filing the form.

### April 18 - C-Corporations

The first installment of 2022 estimated tax of a calendar year corporation is due.

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## The 2022 IRS Interest Rate Hike Will Go Live April 1st

If you are required to pay quarterly estimated income tax, an **upcoming change** in interest rates being imposed by the IRS may have a direct impact on you. Effective April 1st, 2022, corporations and self-employed filers who submit quarterly estimated taxes will see a hike in the interest rates that the agency charges for both overpayments and underpayments.

The new rates will be:

- 4% for underpayments;
- 6% for large corporate underpayments
- 4% for overpayments (3% in the case of a corporation)
- 1.5% for the portion of a corporate overpayment exceeding \$10,000

Though these changes will not affect you if you calculate your liability correctly and pay on time each quarter, those taxpayers who have an outstanding balance or who are otherwise out of compliance with their tax obligation need to remember that the longer they take to address the situation, the more their obligation will grow as their liabilities accrue interest at a rate of 3%.

If you have questions on how the new rates will affect you, feel free to contact us today.

## Can't Pay Your Taxes? Here Are Some Payment Options

Although most (74% in 2020) American taxpayers receive a refund each year when they file their income tax returns, there are those who for one reason or another end up owing. Of those who owe Uncle Sam many don't have the means to pay what they owe by the return due date (usually in April).

Generally, tax due occurs when a wage earner has under-withheld on his or her payroll or a self-employed individual failed to make adequate estimated tax payments during the year. This can be a huge problem for those who are unable to pay their liability.

It is generally in your best interest to make other arrangements to obtain the funds for paying your 2021 taxes rather than be subjected to the government's penalties and interest for payments made after April 18, 2022. Here are a few options to consider.

- **Family Loan** – Obtaining a loan from a relative or friend may be the best bet because this type of loan is generally the least costly in terms of interest.
- **Home Equity Loans and HELOCs** - Use the equity in your home—that is, the difference between your home's value and your mortgage balance—as collateral. As the loans are secured against the equity value of your home, home equity loans offer extremely competitive interest rates—usually close to those of first mortgages. Compared with unsecured borrowing sources, such as credit cards, you'll be paying less in financing fees for the same loan amount. Unfortunately, obtaining these loans takes time, so if you anticipate that you'll need funds from such a loan to pay your taxes that are due in April, you should get the application process started right away.
- **Credit Card** – Another option is to **pay by credit card** with one of the service providers that work with the IRS. However, since the IRS will not pay a credit card discount fee (the fee charged by the credit card company), you will have to pay the fees due and pay the higher credit card interest rates.
- **Short-Term Payment Plan** – If you can fully pay the tax owed within 180 days and owe less than \$100,000 including tax, penalties, and interest, you can apply for a short-term payment plan online at the IRS website. You won't be charged a set-up fee but will still have to pay penalties and interest until the balance owed is fully paid. Setup fees will be charged if you apply for a payment plan by phone, mail, or in-person instead of online.
- **IRS Installment Agreement** – If you owe the IRS \$50,000 or less, you may qualify for a **streamlined installment agreement** where you can make monthly payments for up to six years. You will still be subject to the late payment penalty, but it will be reduced by half. Interest will also be charged at the current rate. There is a user fee to set up the payment plan. However, the IRS generally waives the fee for low-income taxpayers who agree to make electronic debit payments. In making the agreement, a taxpayer agrees to keep all future years' tax obligations current. If the taxpayer does not make payments on time or has an outstanding past due amount in a future year, they will be

in default of their agreement and the IRS has the option of taking enforcement actions to collect the entire amount owed. Taxpayers seeking installment agreements exceeding \$50,000 will need to validate their financial condition and need for an installment agreement by providing the IRS with a Collection Information Statement (financial statements). Taxpayers may also pay down their balance due to \$50,000 or less to take advantage of the streamlined option.

- **Tap a Retirement Account** – This is possibly the worst option for obtaining funds to pay your taxes because you are jeopardizing your retirement lifestyle and the distributions are generally taxable at your highest bracket, which adds more taxes to your existing problem. In addition, if you are under age 59½, the withdrawal is also subject to a 10% early withdrawal penalty that compounds the problem even further.

**Filing Extensions** – Don't mistake the ability to apply for an extension of time to file your tax return as also being an extension to pay any tax liability. It is not and does not grant you an extension of time to pay. The penalties and interest on the amount due will continue to apply as of the original due date of the return.

**Enforced Collections** - If the taxes cannot be paid timely, and the IRS is not notified why the taxes cannot be paid, the law requires that enforcement action be taken, which could include the following:

- Issuing a **Notice of Levy** on salary and other income, bank accounts or property (IRS can legally seize property to satisfy the tax debt)
- Assessing a **Trust Fund Recovery Penalty** for certain unpaid employment taxes.
- Issuing a Summons to the taxpayer or third parties to secure information to prepare unfiled tax returns or determine the taxpayer's ability to pay.

**Note:** To collect delinquent tax debts, certain federal payments (vendor, OPM, SSA, federal salary, and federal employee travel) disbursed by the Department of the Treasury, Bureau of Fiscal Service (BFS)) may be subject to a levy through the **Federal Payment Levy Program** (FPLP).

If you have questions about the payment options or an offer-in-compromise, please call this office for assistance. Don't just ignore your tax liability because that is the worst thing you can do.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

Scott Jensen  
Kramer & Jensen, LLC

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Kramer & Jensen, LLC  
[sjensen@kramerjensen.com](mailto:sjensen@kramerjensen.com)

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