

Hi, my name is Suzanne Reusch. In this brief section, I will be speaking to you about payment, methods and refund options.

Both the IRS and New York State is a pay-as-you-go system. Taxpayers pay the tax as they earn it, and this is considered a withholding tax credit. If there is not enough withholding, they may consider either have a new withholding form submitted to their employer or they may need to make estimated tax payments.

How does an individual increase their withholding tax? Well, they can prepare a new W-4 form to their employer and change the amount of withholding exemptions.

If you are preparing someone's tax return in which they are a self-employed, more than likely you will be required to pay estimated taxes. As I mentioned, it is a pay-as-you-go system. So as the income is earned, payments are due to both the IRS and New York State. The IRS has a form in which you can prepare, form 1040ES, which is a worksheet. It will help you determine how much your client must pay each quarter. As you can see the due dates for this current year, April 15, June 16, September 15 and January 15.

Okay, how do you know your client should be paying estimated taxes? When you prepare the personal income tax return and your client owes more than a thousand dollars, a penalty form will automatically pop up within your software. So why is this penalty form popping up? If your client owes more than a thousand dollars and if 90 percent of the tax is not paid, the software is going to look for you to calculate a penalty. How can that penalty be avoided? Your client has to pay either 90 percent of the current year, or a hundred percent of the prior year, or a hundred and ten percent of the prior year if the income is over a hundred fifty thousand dollars. So maybe they don't have 90 percent of

the current year paid in and they owe more than a thousand dollars. What you want to do is get a copy of the last year's income tax return, how much was paid in last year?

How does an individual pay the IRS? Well, most importantly, you want to make sure you get that return timely filed. The due date is April 15. File that income tax return on time. You want to file on time because you're going to avoid a late filing penalty, which the penalty, five percent for the first five months, a half a percent for each month after, it stops at 47 at a half percent. The five percent for the first month is composed of four and a half percent, failure to file, and five and half percent for failure to pay. So it's very important that you file that tax return timely. If an individual wants to pay the IRS, how do they pay? Well, they can pay by direct pay from an individual's bank account; they can pay by debit or credit card -- but please note that the credit card companies do charge a small fee -- or they can pay by electronic federal tax payment system. Now how does this work? They go online to the IRS to create an account. The only -- what you need to be aware of here is that the IRS will mail a letter with a pin. They have to wait to receive a letter in the mail to actually pay on the electronic federal tax payment system, or the IRS certainly will accept a check or money order. Make sure that the check or money order, the client indicates what the payment is for.

If an individual cannot pay in full, well, they may want to consider an offer and compromise with the IRS. The IRS is going to consider an individual's ability to pay, their income, their expenses and what type of equity they may have. If you go to the IRS website, your client can answer a series of questions which will help them determine a reasonable amount, a minimal amount that the IRS would accept in an offer and compromise. The IRS also has installment payment agreements. Individuals that are not able to pay immediately, well, they may want to apply for an installment payment agreement.

They can apply online. They can go to the IRS website, again, [www.irs.gov](http://www.irs.gov), and if they owe less than 50,000 dollars, which is the tax penalty and interest, they can actually set up their installment payment agreement on the IRS website.

A lot of ways to pay on an installment payment agreement -- direct debit from the bank account, payroll deductions from an employer, payment check or money order, again through the electronic federal tax payment system, payment by credit card and more online payment agreements. You'll find a lot of information in the IRS Tax Topic 202 which you can download from the IRS website.

Many times your client may be receiving a refund from the IRS, possibly paying New York State tax, and they may not want to change the amount of their federal withholdings, but they can actually submit a form to New York State, the IT2104. They can submit this form to their employer and just request the amount of New York State withholding. They can actually write a dollar amount that they want withheld each pay period. So New York State does also have a withholding tax form, the IT2104. Many times the individual will not want to change the amount of federal withholding but need to change the New York withholding, this is the form to use, the IT2104.

New York State also has estimated tax payments. Now, the IRS, if they owe more than a thousand dollars, they should be filing estimated taxes. New York State says if you owe more than \$300 either increase that withholding or file estimated taxes. Payment due dates are the same: April 15, June 16, September 15, and January 15. Please note, it's generally June 15 of each year, but because June 15 was on a weekend we make it the next available business day, which was Monday, June 16.

Okay, you're preparing somebody's New York State income tax return. If 90 percent of the tax is not paid and they owe more than \$300, a penalty form will populate automatically within your software. Do they owe penalty for not having enough estimated tax? Perhaps they do. If they don't have 90 percent of the current year paid in, there will be penalty, but again there is a safe harbor; look at last year's tax return. Did they pay at least a hundred percent of the tax in the current year that they paid last year or a hundred ten percent if the income is over \$150,000? There are special rules to apply farmers, fishermen and household employees.

How do you pay New York State taxes? There are a number of ways to pay. The easiest way is direct debit from a checking or savings account. We accept debit cards as well, or an individual can pay by check or money order. If an individual elects to pay by check or money order, again make sure the return is timely filed, and you will print for them in your software a form IT 201V. Let your client know that when they're paying New York State, they need to submit the payment with the IT 201V, and then we will match it up to the tax return that was timely filed.

Of course, an individual, we would want them to pay all of their taxes on time but to avoid additional penalties and interest.

New York State also has an installment payment agreement, and we also have an offer and compromise. Just a few years ago, undue economic hardship clause was added to the offer and compromise program, and we look at someone who may qualify in undue economic hardship. If they cannot pay for their basic living expenses, in New York State, before we do grant a offer, we're going to look at their history, we're going to make sure that the individual is up-to-date with all of their tax filings, installment payment agreement. When they receive the bill, they can either go online and request an installment payment agreement, or

they can call New York State Tax. Okay, the installment payment agreement, again prior history, what's their financial condition, and are they up-to-date in their filing requirement? Very important, you may get a client in which you're preparing the 2014 income tax return, brand new client, and he wants an installment agreement with New York State Tax. Please let him know, he has to be up-to-date in all of his prior filings.

To request an installment payment agreement, log onto the online tax center, or they can actually call our tax collection office at 518-457-5434.

Okay, that's it for New York State payments. Now I'm going to talk about refunds, and the many options that are available through both the IRS and New York State Tax.

Okay, if an individual has an overpayment, which we call a refund, they can have it applied to the following tax year, they can request a direct deposit, they can receive the refund as their check, or they can actually purchase series I savings bonds through the IRS.

The quickest way for an individual to receive their refund is direct deposit. We certainly recommend you tell your clients that direct deposit eliminates the possibility of the checks being lost or stolen. If an individual wants money deposited into more than one account with the Internal Revenue Service refund, that is available, but you will have to complete another form for them. You will have to complete the form 8888, and this will allocate their refunds into multiple accounts, including the purchase of savings bonds.

Many times when you prepare your client's tax return and they have a refund coming, they may call you because they're not getting the dollar amount that

was on their income tax return. The IRS will notify them if they owe state income taxes, child support and certain other federal tax debts such as a student loan. So if an individual wanted their money into multiple accounts and prepare form 8888 and they owe a debt, the IRS will first take the amount that is deposited in the first account listed on the form and then the second, and so on.

Okay, New York State. Of course, New York State has direct deposit, the easiest and fastest way for an individual to receive a refund. We also have a New York State refund debit card. Handled like any other debit card, it's secure, convenient and very cost-effective. An individual can receive the New York State debit card in the mail. There is a video on our website which gives you more information on the debit card, but they receive the debit card in the mail. There's a 16 digit number on the debit card. They activate the debit card and they pick a secure pin. Married filing joint? Each taxpayer, husband and wife, do receive the debit card, and the debit card would be for the amount of their refund. So if a refund was worth \$500, they each would receive a debit card, and a debit card is used up until the \$500 is used. It's a non-reloadable card. And then, of course, there is the paper check. An individual has an option to receive a paper check. It takes a long time for the paper check to be processed.

The debit card? There are many misconceptions out there. The only thing you need to do, as a tax professional, is check the debit card box. We recently heard that there will be a limit on the amount that they can withdraw from the debit card each day at ATMs, which is \$1,000 limit that they can withdraw. But if you go to our website, you can actually download the application form 440 and get all the information you need on the New York State debit card. We certainly recommend the debit card for those of your clients that do not have bank accounts. When they receive a debit card, it's used like any other debit card. They go to a grocery store, if the grocery store allows cash back, they will get

that cash back as well, whatever the grocery store, or pharmacy, wherever their shopping, allows. When they receive the debit card, they have one year to activate the card, and then it has to be used up within 18 months. The card is non-reloadable. Once the refund is used up, the debit card is done.

The New York State Tax also has a refund offset program. You prepare your client's tax return, they have a refund coming, and they're not getting that refund that they think they should be entitled to because maybe their refund is taken to pay past due child support, a debt to the IRS, a default on a student loan. New York State Tax does certainly send a notice to your client explaining where the refund was applied.

For those of you who are facilitating a refund anticipation loan and refund anticipation check, you need to register on the New York State, the New York return preparer, and you need to register. There is no exclusion from registering when you are facilitating a refund anticipation check or refund anticipation loan. How do you register? You go -- you create an individual account on our online tax center and register under return preparer, register that you are facilitating a refund anticipation loan. No fees involved, but we do need for you to register.

Tax professionals should be aware of our tax practitioner hotline, the 518-457-5451. That number is available for you. When you call that number your calls move up to the queue, and your calls are handled very promptly. Please visit our website, and please review on our website the social media that is available. We have Facebook. We have Twitter. We have a lot of online demos. For those of you who are tax professionals that need to create an online account or your client needs to create an online account, please visit our demos. Thank you very much.