

# Uncle Sam offers alternate methods to pay, file taxes

WASHINGTON (AP) — For millions of last-minute taxpayers who suddenly realize they owe money to Uncle Sam, it's time to whip out the credit cards and make an installment payment deal with the IRS.

Accountants say there are ways to avoid such an unpleasant surprise next year, and even people who get refunds should consider changes to avoid giving the government use of their money for this year.

This year's income tax filing deadline is midnight Monday, except for those in New England and New York, where it's a day later because a major filing center located in Andover,

Mass., will be closed because of the local Patriot's Day holiday.

As of last week, the Internal Revenue Service had received about 70 million of the 127 million individual returns expected this year — meaning millions of people, as usual, are waiting until the last possible minute.

Charging tax bills via credit is becoming an increasingly popular choice. As of March 31, about 16,700 people had charged payments averaging \$1,362 this year by calling a toll-free number — 1-800-2PAYTAX — and putting their taxes on their MasterCard, American Express or Discover cards. Visa isn't taking part in the program.

Last year, more than 53,000 federal tax payments were made with credit cards.

"What we're doing is adding an option for people to pay their taxes and manage their resources on their own terms," said Bruce Zanca, senior vice president at Official Payments Corp., a publicly traded company contracted by the IRS to run the service.

IRS officials hasten to add that they don't collect or keep credit card numbers and do not collect any fees for use of credit cards. An average fee of 2.5 percent is charged by Official Payments, which keeps part of it.

Another payment option is an installment agreement with the IRS, which now will approve virtually any arrangement as long as the amount owed is less than \$25,000 and the bill can be paid within five years.

There is a one-time \$43 fee for an installment deal, and the IRS charges a late payment penalty that drops to a quarter-percent per month as long as the tax return itself was filed on time. This year's IRS installment interest rate is 9 percent, which might be higher than a taxpayer could get by taking out a loan to pay off the tax bill.

The IRS has a calculator on its Internet Website that helps taxpayers figure out their monthly payment amount, and

they can print out an installment agreement form to file with the agency.

After the tax return is filed, financial advisers say it's smart to see if changes would improve the picture next year. That includes people who get big refunds, who are essentially giving the government the use of their money interest-free for several months each year — money that could be invested, put in a savings account, or used for a purchase.

Taxpayers should examine and adjust the amount of taxes that are withheld from their paychecks if either their refund or payment was too large.

"Keep your withholding down to a legal minimum," say advisers at H&R Block, the nation's biggest tax preparation firm. "The point is for you to get the use and enjoyment of your money when you earn it, rather than making an unintentional interest-free loan to the government."

From the RIA Group consulting firm, here are some other tips on reducing taxes next year:

- If a balance was owed on the 1040 form, consider increasing tax withholding and making estimated tax payments to avoid an underpayment penalty. Most people can avoid that penalty by ensuring that withholding or estimated payments equal the lesser of 90 percent of the 2000 tax bill or 100 percent of the 1999 tax bill.

- For a married couple filing jointly with adjusted gross income over \$150,000, estimated tax payments equal to the lesser of 108.6 percent of the 1999 tax or 90 percent of the 2000 tax must be made.

- Married couples who have a child in 2000 can count on a \$2,800 dependency exemption, a \$500 credit if gross income isn't above \$110,000 and possibly a child care credit of \$480 or more.

- Taxpayers can get a home equity loan for major purchases, projects or other needs. Interest on up to \$100,000 of home equity debt is generally tax deductible, but interest on regular bank loans or credit cards isn't.

## Owing Uncle Sam

If you owe money to the IRS but cannot be bothered to send a check or money order, or are short on cash, you have options.

### E-file your return by computer or phone.

You may authorize the Department of the Treasury to electronically withdraw the balance due directly from your checking or savings account.

### Charge by credit card.

Anyone may call 1-888-2PAY-TAX or file online to charge the balance due to a MasterCard, American Express, or Discover card.

### Pay using an installment plan.

The IRS offers a streamlined approval process, as long as the balance due is less than \$25,000 and can be paid within five years.

Source: Internal Revenue Service

## March

are expected to participate in a parade in Washington, D.C., and look at the cities where rallies are held on Mother's day or the previous day.



## Expert says

### settlers poison

RALEIGH, N.C. (AP) — It could be a macabre sequel to the Pocahontas story, a play says many of the settlers in Jamestown may have been poisoned with arsenic — possibly by John Smith himself, Dr. Frank Hancock says in writings by Smith and other settlers in Jamestown. A medical expert says so many colonists died 10 years after the first English settlement in Jamestown, established in 1607. His conclusion: Many colonists may have been

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