

PIT - Payments on Account When the Payments Are Less than Payments in Full

- 1. I don't have enough money to make the full payment for the amount of taxes due with my PA personal income tax return. Does the PA Department of Revenue have a form similar to the federal 9465, Installment Agreement Request, where I can request to make installment payments for the amount of taxes due on my PA-40 return?**

No. The PA Department of Revenue does not have a form that can be filed for establishing an installment or deferred payment plan for payment of taxes due on a return when the return is filed. The department may only establish a deferred payment plan for paying taxes after the taxpayer has been billed, assessed for the taxes and the appeal period for the assessment period has lapsed.

Although no formal plan can be established until the taxpayer's appeal period has lapsed, taxpayers should not wait until that point to make payments on their tax liability as interest accrues on the tax due through that time period (six to eight months). Taxpayers can always file their returns (returns should always be filed timely), pay what they can at the time of filing and then pay down the amount over the course of time by sending payments to the department as they are able. If a taxpayer is not able to pay the full amount due with their return, a late payment penalty and interest on the unpaid tax amount will also be added to the return.

- 2. What are the consequences or what is the penalty if I don't make the full payment of taxes due with my return if I file my return without a full payment?**

A late payment penalty of 5% of the unpaid tax liability will be added to the amount due for the tax year. In addition, interest on any unpaid tax will accrue as long as there is an outstanding tax liability for the tax year.

- 3. What are the consequences or what is the penalty if I don't have the money to make the full payment of taxes due with my return and don't file my return until I have the full amount of money to make the full payment?**

A late filing penalty of 5% per month or part of a month (up to 25%) will be added to any return filed after the original due date (or extended due date) if additional tax is due with that return. In addition, interest on any unpaid tax will accrue as long as there is tax outstanding for the tax year.

NOTE: It is better to file a return without full payment than to not file a return if full payment of the tax due cannot be made with the return. The minimum penalty in either case is 5%. However, a late filing penalty can be as much as 25% of the unpaid taxes. It is better to file and incur the late payment penalty than to not file and possibly incur a 25% penalty.

4. How do I make payments on my unpaid taxes if I don't have a deferred payment plan?

You should make payments whenever you are able to make them to decrease the amount of interest that accrues on your unpaid tax liability. Payments should be made by making the check or money order payable to the "PA Department of Revenue". You should also write the tax year, PA form number (PA-40 for individual returns) and your Social Security number on the check or money order and mail it to the following address:

PA Department of Revenue
PO Box 280431
Harrisburg, PA 17128-0431

Alternatively, the department will also send taxpayers an initial bill about 30 days after the original due date of the return for any tax return not including full payment of the taxes due. That bill will also include a coupon to make payment of the taxes due on the return. Taxpayers may wish to photocopy the coupon portion of the bill if they will be making multiple payments on their tax liability. By using the coupon, payments are more likely to be posted to the correct taxpayer's account. The bill will also include an envelope for sending in the payment to the department. Taxpayers should write this address down for sending in additional payments with the photocopied coupons.

Taxpayers should keep a record of all payments made against their outstanding liability for taxes, interest and penalty as well as the balance for each. A log of the date the payment was made, check number and amount of payment should be kept in the event of a discrepancy between the taxpayer and the department record of payments.

5. How are my payments applied by the department to unpaid tax liabilities?

The department applies payments made by taxpayers in the following sequence: tax, interest, penalties and legal fees. By applying payments in this manner, the amount of interest that accrues on an outstanding tax liability is minimized if a taxpayer makes regular payments on the outstanding tax liability. In addition, interest only accrues on outstanding tax liabilities. There is no compounding of interest and no interest accrues on penalties. Once a taxpayer pays the tax amount due, interest will stop accruing. Full payment of the penalties and interest can then begin, but the balance due will not increase once full payment of the tax liability is completed (unless payments stop and a lien and lien (legal) fee are added to the balance due).

6. How can I obtain the balance due on my unpaid taxes for a tax year?

Taxpayers can contact the department's Taxpayer Service and Information Center at 717-787-8201 to find out the balance due on their account at any time to avoid overpayment or to make a final payment in the exact amount due.