



Your Fair Lending Advocate in Delaware!

Taxes

From womb to tomb

Better know the IRS well!

REFUND ANTICIPATION LOANS

- Borrowing your own money should not be so expensive. RALs are short-term loans (about 10 days) with APR's as high as 1,700%!!!!!!! **You waited a year for your money, wait another 2 weeks!**
- **Get FREE tax preparation**
 - Call the Help Line
 - 1-800-464-4357
- **Recalculate withholding**
 - Go to www.irs.gov
- **Get Advanced Earned Income Tax**
 - A refund is no way to save.
 - You earn no interest.

Important to know

- Do not reduce your withholding.
- **Never ignore an IRS notice.**
- **Only 3 years to claim your refund.**
- **Form 4506** for your tax information.

What is a levy?

A levy is a legal seizure of your property to satisfy a tax debt—taking.

What is a lien?

A lien is a claim against property/assets used as security for the tax debt.

Tax Troubles? Call

Taxpayer Advocate Service 302-286-1654

Low Income Tax Clinic 302-654-5024 or
877-824-5219 x 102

Low Income Taxpayer Clinic List

Publication 4134

IRS Telephone Assistance

Tax information and notice inquiries for individuals 1-800-829-1040

Refund Hotline 1-800-829-1954

Forms and Publications 1-800-829-3676

TDDY 1-800-829-4059

ANSWERS TO SOME QUESTIONS YOU MAY HAVE

I have not filed my taxes in many years and nothing has happened. Why should I be concerned? The IRS is aware of all payments (wages, unemployment, contracts, interest, investments, gambling, business, etc.) made to you each calendar year through various electronic forms that are submitted. If you have an obligation to file and you fail to file your tax return, the IRS can go back in time to assess your taxes. So, quite conceivably you could get a notice in 2010 indicating that you owe taxes since 1997 along with interest and penalties. **NEVER IGNORE A NOTICE FROM THE IRS!** When the IRS decides that taxes are due and owing, they can take several actions such as:

- Garnish your wages up to half of your total paycheck per pay period
- Deduct 15% of your social security disability payments
- Levy (take from) your bank account, retirement account, pension benefits
- Place a lien on property/assets you own

Isn't it too late to file my taxes? It is never too late to file taxes. Penalties and interest may accrue on taxes you owe. But getting current with the IRS is important if you want the IRS to cooperate with you in the future. If you are owed a refund, do note that before April 15, 2010 you can file your returns for 2009 (current year), 08, 07, and 06 (the oldest return of 3 years ago). You will not get a refund that was owed to you in 2005 and earlier years after April 15, 2010. You won't be assessed penalties when a refund is due to you.

I have no money to pay taxes. What can I do? The IRS recognizes that you need a certain amount of money on which to live, in accordance with your individual circumstances. After completing an IRS form, you may be able to establish that you are not in a financial position to make any payments on your taxes. This will allow the IRS to place you in a status called "Currently Not Collectible." While penalties and interest will continue to accrue on your tax debt, this measure will afford you relief from tax burdens until such time as your financial circumstances change in a material and significant way.

What should I do if I can afford to make some payments each month? If your finances allow, you can enter into an installment agreement. Under such an agreement, you will pay your tax debt through monthly payments you can afford consistent with meeting your basic living needs.

“Of the two certainties in life, for only one you can get an extension”

File Form 4868 before April 15.

Author unknown

I recently inherited some money. How will this affect what I owe the IRS? In

most cases, the IRS will learn of monies you inherit or acquire through insurance settlements. If you owe back taxes, you may consider approaching the IRS with an “Offer in Compromise” in which you negotiate to pay off your tax debt for less than the amount owing.

What suggestions do you have for small businesses?

- **Document! Document! Document! Document!** Save every receipt (makes sense to scan them) for your business. If your car is not used solely for business, keep a daily log of the number of business miles. Make notes reflecting how you commute between your home and work site. If you use part of your home for business purposes, document how much time you spend working in your home and what portion of your home is used for business purposes. Keep receipts for all travel, meals and entertainment.
- **Employee vs. Contractor:** Employees receive a W2—employer pays a portion of the FICA and withholds taxes each pay period. Contractors are self-employed businesses and receive a 1099. Contractors have to pay their own as well as employer’s share of FICA and because taxes are not withheld, they must pay taxes on a regular basis so that they are not stuck with a huge payment at tax time. Know the rule about employee vs. contractors.

Can the IRS get to me for my spouse’s (or ex-spouse’s) tax debts? There are two special rules governing spouses:

- **Innocent spouse:** You should not be held liable for a tax bill that your spouse created and you did not know about.
- **Injured spouse:** Your refund shouldn’t have to pay your spouse’s debt.

Can I file a tax return even though I do not have a Social Security Number? Yes.

You must file your tax return along with a W-7 form, which requires proof of foreign status and identity (such as a passport). You receive an ITIN (Individual Taxpayer Identification Number) which allows you to file your returns for the current and future years. For some taxpayers who have dependents living in Canada or Mexico an ITIN for dependents allows them to be claimed on the returns.

Is there a penalty for an early withdrawal from an IRA? Withdrawing from your IRA when you are under age 59 ½ means that you pay an additional 10% tax on the amount withdrawn. Remember, payment received from the IRA are reported as income for the calendar year, increasing your taxable income for the year.

Earned Income Tax Credit

- Single/married/disabled full-time/part-time workers. If you receive long-term employer-paid disability + are under minimum retirement age. Married filing separately--no EITC.
- Taxpayer raising children file 1040 + Schedule EIC. Taxpayers not raising children can file any form AND write EIC or the dollar amount on the EIC line. There is no need for Schedule EIC.
- EITC generally does not affect your public benefits such as cash assistance, medicaid, food stamps, SSI, public or subsidized housing.
- Every name on tax form, including those born after 12/31/02 needs a SSN; ITINs are not acceptable.

Qualifying Child test

Relationship: The taxpayer’s child or step child (whether by blood or adoption), foster child, sibling or step-sibling, or a descendant of one.

Residence: Has the same principal residence as the taxpayer for more than half the tax year. Some exceptions (divorce/separation, kidnapped, born or died during the year).

Age: Must be under the age of 19 at the end of the tax year, (under 24 if a full-time student for at least five months of the year), or permanently and totally disabled at any time during the year.

Support: Did not provide more than one-half of his/her own support for the year.

Child: Must be a US citizen or national or a resident of US, Canada, or Mexico.