Tax and Tip

How to finally face up to unpaid IRS debt—and stop living in fear

April 1, 2008 By Nicole Joseph

For one HIV-positive New Yorker (who prefers not to be named), April, with its tax deadline, is the cruelest month. After being diagnosed with HIV in 1989, and consistently finding himself in the hospital, he went on disability. He worked a number of temporary jobs that year, which paid cash, with no taxes deducted. When it came time to submit his 1989 taxes, he was confused about his filing status—he'd worked full-time part of the year and under the table for the rest of it.

Overwhelmed by the various forms required—and by having to fork over $3,000—he did what many Americans do: nothing. "I just panicked and didn't file," he says. "I kept telling myself I'd call my ASO or an accountant for financial advice. But with my health the way it was, I thought I'd be dead by the time the IRS caught up with me." And each year he survived, fearing that the IRS would become aware of him if he filed, he kept on hiding.

Years later, the IRS did catch up with him—as it always does. Threatening letters said that, with interest and penalties, he now owed $17,000. Having regained his health and feeling "legitimately back in [my] life," he decided to face his financial past, which he'd always psychologically linked to his medical past. He's now on a monthly repayment plan and is no longer forced to live with the constant fear that his bank account or new job's wages will be seized. "I wish I'd done it earlier," he says.

IRS spokesperson Robert Marvin says, "It is not unusual for non-filers to have had a traumatic event [e.g., illness, divorce]." And remember: the IRS is staffed by human beings—who understand that life can take nasty turns. Some expert tips for dealing with them:

Be Proactive. "It's important for people to come forward voluntarily," says Marvin. And the sooner the better: "If additional tax is owed, they will have to pay it plus probably some interest and penalty." Prior year forms are available on IRS.gov, as is information on how to file a tax return for a previous year.

You can also call the IRS at 800.829.1040; your hold time will be shorter in the evening, especially on a Friday.

Seek Assistance. If your annual income was $40,000 or less, your local IRS Taxpayer Assistance

Center may be able to help you prepare your prior year return, says Marvin. To locate the nearest IRS office, visit irs.gov/localcontacts/index.html.

Plan Ahead. “A lot of tax planning with people on social security disability [involves] trying to monitor part-time work throughout the year,” says Beth Jones, a New York financial consultant who has many HIV-positive clients. She recommends estimating taxes on any income from part-time work; try setting aside all or some of the amount. Organizing and planning ahead can make next year’s season less, well…taxing.

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