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## **What Happens If You Don't Pay Your Taxes?**

### **The Consequences You Need to Know**

Ignoring tax debt may seem like an easy way to put off financial stress, but the truth is that the IRS has significant power to enforce tax collection—and the longer you wait, the worse the consequences can become.

If you're struggling with tax debt or have neglected to pay your taxes, it's important to understand what happens next. In this article, we'll go over the steps the IRS can take to recover tax debt, from penalties to wage garnishments, and we'll explain how a tax relief professional like the ones at Mercy Tax Solutions can help prevent the situation from escalating further.

#### **The IRS's Approach to Unpaid Taxes**

The IRS has a clear process for recovering unpaid taxes. When you fail to file or pay your taxes, the IRS starts by sending notices and demands for payment. If you don't respond or pay, the agency has a variety of enforcement tools at its disposal. Important note - don't ignore these notices! Here's how it typically works:

## **Initial Notices and Demands for Payment**

If you don't file your taxes or pay what you owe, the IRS will send you a series of notices. These letters are sent to notify you of your outstanding debt and they will request payment. The first letter you receive will generally ask you to pay your tax liability in full or set up a payment plan. If you ignore these notices, the IRS will move forward with more serious collection actions – another reason to not ignore these notices.

## **Penalties and Interest Begin to Accumulate**

Once your taxes go unpaid, penalties and interest start to pile up. The IRS imposes a failure-to-file penalty if you fail to submit your tax return by the deadline. This penalty is typically 5% of the unpaid tax amount for each month the return is late, up to 25%.

On top of that, the failure-to-pay penalty is charged if you don't pay the amount due. This penalty is usually 0.5% of the unpaid taxes, compounded monthly, and can also add up to 25%.

In addition, the IRS charges interest on the unpaid balance, which is calculated daily and based on the federal short-term interest rate plus 3%. It's clear that these penalties and interest can add significantly to outstanding tax debt.

## **IRS Liens**

If you continue to ignore your tax debt, the IRS may file a tax lien against your property. A tax lien is a legal claim on your assets, including your home, car, and business. It is essentially the IRS's way of making sure they have the first claim to your property if you ever decide to sell or refinance.

## **Levy Actions and Seizure of Assets**

If the tax lien doesn't motivate you to resolve your debt, the IRS can escalate to a levy. A levy allows the IRS to seize your property to satisfy your tax debt. This could include garnishing your wages, seizing funds from your bank account, or taking physical assets, such as your car or home.

Wage garnishment is one of the most common methods used by the IRS to collect tax debt, and it involves the IRS taking a percentage of your income directly from your paycheck. This can make it hard to meet your everyday living expenses.

### **Potential Legal Consequences**

In extreme cases, if the IRS believes you've engaged in fraudulent activity or intentionally tried to evade paying your taxes, they may pursue criminal charges. While criminal tax evasion is rare, it is a possibility if there is significant evidence of fraud, willful misreporting, or failure to cooperate with IRS investigations.

### **Why Ignoring Tax Debt Is Risky**

The risk of ignoring your tax debt goes beyond the potential for garnishments, levies, and liens. Failing to address your unpaid taxes can also lead to significant long-term consequences, including:

- **Increased Debt:** Penalties and interest continue to accumulate, increasing your overall liability and making it harder to pay off your debt.
- **Financial Hardship:** Wage garnishments and levies can leave you without the necessary income to pay for basic living expenses like rent, groceries, or utilities.

- **Loss of Assets:** Seizing your home, car, or other assets can cause significant hardship and can be difficult to recover from financially.

The sooner you address your tax debt, the easier it is to find a solution before the IRS resorts to these more harsh collection actions.

### **How a Tax Relief Professional Can Help**

If you're facing unpaid taxes, penalties, or the threat of garnishments and levies, the tax relief professionals at Mercy Tax Solutions can help you navigate the complex tax resolution process. Here are some of the most common ways we can help:

- **Negotiation with the IRS:** We can negotiate directly with the IRS to settle your debt for less than the full amount owed through an Offer in Compromise (OIC). We can also negotiate installment agreements to make your monthly payments more manageable.
- **Penalty Abatement:** If you're facing penalties due to late filing or payments, we can try and request penalty abatement based on reasonable cause. This can help reduce or eliminate penalties that have accumulated, reducing your overall debt.
- **Stopping Garnishments and Levies:** If your wages are being garnished or your assets are at risk of being seized, we may be able to help stop these actions by working with the IRS to put a halt to levies and garnishments, and set up a more manageable payment plan.
- **Currently Not Collectible Status:** If you're in financial hardship, we may be able to apply for Currently Not Collectible (CNC) status, which temporarily halts IRS collection actions. While the debt remains, you won't face collection actions during this time, giving you a chance to improve your financial situation.

- **Audit Representation:** If the IRS is auditing your tax return, we can represent you and make sure that you understand the process and your rights. We negotiate with the IRS to minimize any additional tax liability.

### **Why You Shouldn't Wait**

Tax debt can quickly spiral out of control if left unresolved. Ignoring your tax obligations may provide temporary relief, but it only makes matters worse in the long run. The IRS has a variety of powerful tools at its disposal to collect unpaid taxes, and they won't stop until the debt is paid.

By taking action now, you can reduce the risk of severe penalties, garnishments, and asset seizures. A tax relief professional can guide you through the process, help you understand your options, and negotiate on your behalf to find a resolution that works for your situation.

If you're facing tax debt or fear the IRS may take aggressive action against you, don't wait until it's too late. Reach out to the professionals at Mercy Tax Solutions at 423-825-8104, and we will help you navigate your options and bring your tax issues to a manageable resolution.