**Installment Agreement Costs/Fees and the Online Payment Agreement Application Drop-In Article**

**Title:** Learn About Installment Agreement Costs and Fees to Keep Your Tax Debt to a Minimum

**Text:**

If you have an overdue tax bill, an IRS installment agreement may be an option. An installment agreement is a payment plan that allows you to pay over time. However, these payment plans are not free. Paying your taxes late means penalties, interest and fees. Understanding these penalties, interest and fees will help you keep your overdue tax bill to a minimum.

The first thing to know is that the penalties and interest continue to grow until you pay off your tax debt. They can quickly grow to be much more than the one-time set-up fees the IRS charges, the IRS calls these user fees.

The biggest penalty is for filing a balance due return late. There is another penalty for paying late. And on top of that, there’s interest. All these costs get bigger the longer you delay.

So file on time even if you owe. Pay as much as you can before your return is due. And if you still owe, set up an IRS payment plan as soon as possible and pay off the balance as fast as you can.

If you can afford a payment plan of 120-days or less, that’s your best option. You’ll keep your penalty and interest costs down and there’s no fee to set up your plan. Most individual taxpayers can set up a short-term payment plan using the IRS’s [Online Payment Agreement](https://www.irs.gov/individuals/online-payment-agreement-application) application.

If you need to make monthly payments for longer than 120-days, that’s another option but you will pay a set-up fee. The amount of the fee depends on how you set up your plan and how you make your payments.

Your lowest fee option is to use the [Online Payment Agreement](https://www.irs.gov/individuals/online-payment-agreement-application) application and make your payments by direct debit from your bank account. The fee for that is only $31.

If you can’t use the online application and pay by direct debit, or don’t want to, there are other ways to set up a payment plan but they come with higher fees.

You can mail in IRS Form 9465, [Installment Agreement Request](https://www.irs.gov/pub/irs-pdf/f9465.pdf), and make your payments by mailing a monthly check or money order. That’s the highest fee option at $225.

If you mail in the installment agreement request but elect to make your payments by direct debit, the fee drops to $107. If you use the online application but elect to make your payments by check or money order, the fee is $149. If you meet the government’s low-income standards, the fee for setting up an IRS payment plan is capped at $43.

To learn about all the options to pay your taxes visit [IRS.gov/payments](https://www.irs.gov/payments) or call the IRS at 1-800-829-1040. You can also talk to the IRS representative about setting up a payment plan.

To learn more about IRS payment plans and see the fees schedule, visit the [Payment Plans-Installment Agreements](https://www.irs.gov/individuals/payment-plans-installment-agreements) page on the IRS website.