

Doron F. Eghbali Business Law

Should You Put Your Taxes on Your Credit Card?

Tuesday, April 6, 2010 by [Doron F. Eghbali](#)

Despite the problems associated with credit cards, we might have thought of putting our taxes on our credit cards. In fact, the IRS and an increasing number of states allow us to do so. However, putting our taxes on credit cards might force us to pay more to Uncle Sam.

CONVENIENCE FEE AS PENALTY

We might have contemplated putting our taxes on our credit cards will help us rack up frequent flier miles or cash rewards while paying the bill at the end of the month to avoid any interest fees. However, we might not have noticed the IRS penalizes us for putting our taxes on our credit cards. The form of penalty comes as "convenience fee". Convenience fee is a hefty 1.99% - 2.35% charge. Convenient fee is instead of the charge merchants pay credit card companies whenever we use our cards.

WHY CONVENIENCE FEE COULD BE PAINFUL?

The reality is that we, as consumers, have been often ignorant of the charges merchants have to pay to credit card companies whenever we use our credit cards. However, this time is different. The IRS does not like to share its tax proceeds with credit card companies. So, the charges have to be paid by us, coming out of our pockets.

Albeit 1.99% Or even 2.35% of our charge may not be relatively a lot of money, if we are putting \$6,000 of taxes on our credit card, we have to pay an additional \$141 in convenience fees out of our pockets. Do not forget, we are assuming the credit card bill is paid in full at the end of the month to avoid 13% to 29% Annual Percentage Rate (APR).

WHAT ARE THE ALTERNATIVES TO PUTTING TAXES ON CREDIT CARDS?

- **IRS Loan:** As ironic as it appears, the IRS might be the best place to seek help for paying our taxes. As I wrote earlier, [What to Do If You Cannot Pay Your Taxes](#), there are costs associated with an IRS loan, but generally this is the best deal. (You Can Find the Previous Article at the Bottom of This Page).
- **Credit Card with a 5% APR:** Since you end up paying around 7% in costs and fees to the IRS, if you decide to use a credit card make sure such credit card will cost you at least 7% or less in costs. Nonetheless, unfortunately, finding such cards is not easy.

Doron Eghbali is a Partner at the Beverly Hills Offices of Law Advocate Group, LLP. He Primarily Practices Business, Real Estate and Entertainment Law. He Can Be Reached at: 310-651-3065. For More Information, Please, Visit: www.LawAdvocateGroup.com.