

File your taxes on time. That's an order!

OK, so I was kidding a bit, but not much. Notice that I didn't say that you needed to pay those taxes (maybe you can't), but you need to file them on time. The point is, in the event that later on you consider filing bankruptcy, those unpaid taxes don't have a chance of being discharged (eliminated) in your bankruptcy if you didn't file them, and the same might be true if you filed them late.

In general, back income taxes are dischargeable in bankruptcy if they meet three timing rules ([article about the three timing rules](#)).

The second rule is that your income taxes must have been filed more than two years before filing bankruptcy.

- **If the IRS files your taxes for you**, that's called a **substitute return** and doesn't count as a filing for that second timing rule noted above.
- **If you file your taxes after the IRS has file a substitute return**, the IRS position is that those back taxes can never be discharged in bankruptcy. There are varying court rulings on this issue, but do you want to have to fight the IRS over it?
- **If you filed your taxes but were late in filing** (note that it's OK to get an extension and file your taxes before the end of the extension), there are court cases that say that is not a proper filing to satisfy the second timing rule noted above. This issue is in a state of flux in the courts. Do you want to rely on a favorable and expensive court outcome if you filed your taxes late?

So, to avoid uncertainty and possible costly litigation if you later decide to file bankruptcy, file your taxes on time. That's an order!

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