I just filed for a federal extension but cannot pay any of my tax liability – what happens now?

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The good news is that as long as your federal extension is approved, you will avoid the costly late filing penalty. However, since you are unable to pay your tax liability, you may be charged interest on the amount you owe, which is generally charged at rate of 3%-5% per year. You will be able to calculate any interest owed when you file your final tax return.

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