



Tax Tips You Can Use July 2010

By Kathleen Crawford, EA

Most people file and pay their taxes in the first part of each year. Some people look at their tax situation and decide not to file because they cannot pay the taxes that they believe they will owe. Not filing a tax return is a mistake for four reasons, but I am surprised at the number of people who do not file tax returns for multiple years. This article will explain why taxpayers should file their tax returns each year even if they cannot pay the tax owed.

It is important to file a tax return on time because it will save money. The IRS imposes a “fail to file” penalty on late returns. In addition, it also has “fail to pay” and “fail to make estimates” penalties, but those apply to taxes. The “fail to file” applies to the return itself.

It is important to file your tax return because in most cases, the IRS knows who you are and will file a return for you if you don’t file one yourself. Anyone who has a wage job, pension or a savings-retirement-brokerage account gets a statement that is copied to the IRS. Except for self-employed people with only cash sales, the IRS knows how much money each taxpayer makes. If the IRS prepares the return, it has maximum income and no expenses beyond the standard deduction, so the maximum tax is assessed. People who have not filed, have income reported to the IRS, and have not been contacted by the IRS for their return, are probably due a refund. If you are due a refund, the IRS will not contact you. The IRS does not care if you ever file because after three years they get to keep the refund even if you do file later.

You must file your tax return to start the clock ticking. The IRS will generally only audit returns filed in the last three years. Congress only allows the IRS to collect income tax debts for ten years- although there are factors that can change this, like audits or bankruptcy. The three and ten year clocks start when you file your return or April 15, whichever is later. If you don’t file, the clock never starts.

It is also important to file even if you cannot pay the tax due. If you owe the IRS money and cannot pay all or any of what you owe, there are programs in place to help people pay over time, suspend payments or settle the debt. The next month’s article will discuss the programs available. However none of those programs are available to a taxpayer who has unfiled tax returns. It is important to file your returns so you know if and how much you actually owe and can do something about it.

The Jacksonville Tax Lady, LLC can be reached at 541-899-7926 and is located in beautiful, historic Jacksonville at 610 N. Fifth Street across from the Pony Espresso.

The fine print is that this article is for information only. Please call Tax Professional for questions about your individual tax situation. The Jacksonville Tax Lady Kathy ,or Angela can be reached at 541-899-7926 or at 610 North Fifth Street.

