

Tax Tips You Can Use



The IRS CAN be helpful
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Most of us do not think that the IRS is helpful. Most of the time that is correct. But I would like to mention a couple instances where the IRS can be helpful to a taxpayer.

One of those instances is where a taxpayer has died. I always recommend that a final return be filed for the year of death. Even if the taxpayer dies in early January. The cost can be small, but the benefit is that the IRS is directly informed that the social security number is deceased. That way it can no longer be used. We all assume that the social security administration will tell the IRS at some point, but why not tell them directly?

Once, in my business, I filed what looked like a perfectly valid return with a w-2 and it was rejected because it was using the number of a deceased person. You can't imagine the conversation that required. But that person was not able to steal the identity of the deceased person, because the IRS had been told about the death.

The other instance where the IRS can help a taxpayer is where there is a small business. Many people have sole proprietor businesses. More and more business transactions need an identifying number. Sole proprietors must use their social security number, unless they have an EIN. Any business can apply for and receive an EIN. That number used to be an "Employer Identification Number". It is now not just for employers, but is the standard business identity number.

When you apply for the number, the key person must give their Social

Security number to the IRS so that the IRS can match up the business to a person. But the IRS does not give that relationship information out. So your business can issue 1099's, give out w-9 forms to receive 1099 forms or any of the other transactions and never give out your social security number.

With all of the identity theft in our world today, it is nice to know a couple of things that the IRS can help you do to protect your identity.

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The fine print: This article is for information only. Please see your tax professional for questions about your individual tax situation.