

Money Talks January 2023

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Ready or not, it is tax season again. The IRS has announced that tax filing will open on January 23, 2023. They are estimating that more than 168 million individual tax returns will be filed this year. Most taxpayers will file before the April 18 tax deadline. If the individual desires to extend, the extended filing date will be October 16, 2023.

IRS is recommending that taxpayers will have more accurate returns if they file electronically and select direct deposit for refunds. The direct deposit is normally through a bank account, a mobile app, or a prepaid debit card. Several commercial tax preparation software companies will be ready to launch the Free File program on January 23. Taxpayers with \$73,000 or less in 2022 income will qualify to use free commercial software on IRS.gov. All taxpayers can use the IRS Free File Fillable forms.

IRS service levels were affected by the pandemic for the prior three years. The IRS has hired over 5,000 new telephone staff and made changes to improve the filing season. The Acting Commissioner has stated the nation's tax system is benefited by multi-year funding in the Inflation Reduction Act. Taxpayers are expected to see service improvements this tax season.

The IRS is recommending several steps for a smooth filing season. First, they are recommending the gathering of all 2022 tax records. This should include social security numbers and individual taxpayer identification numbers. Additional forms to be collected are IRS Forms 1099 from banks or other financial institutions that pay interest, unemployment compensation, and dividends. If you are receiving pension payments, IRA distributions, or other retirement plan distributions, you should collect IRS Form 1099-R. If an individual is not self-employed, IRS Forms W-2 from any employers will be required. IRS reminds individuals that nearly all income is taxable, including unemployment income, interest, digital asset sales, gig economy or other income.

Phone volumes are expected to remain at very high levels. Taxpayers are encouraged to find answers to their questions on IRS.gov. This site may provide faster access to information, answers to questions and access to a variety of free resources available to taxpayers. IRS is also encouraging taxpayers to create an IRS Online Account. It allows access to personal tax information, payments and adjusted gross income from prior tax years. The Interactive Tax Assistant (ITA) on IRS.gov also may answer many of your questions. If you have life event changes or are potentially eligible for credits, the ITA could be helpful.

The IRS has a goal to transfer refunds within 21 days if the taxpayer files electronically and chooses direct deposit. Taxpayers can check the status of their refund using "Where's My Refund" on IRS.gov. Refunds may be delayed until mid-February for individual taxpayers who claim the Earned Income Tax Credit or the Additional Child Tax Credit. Congress requires the IRS to delay tax refunds for these returns until additional review of them is complete.

Each taxpayer should seek independent advice from a tax professional based on his or her individual circumstances. To the extent this material concerns tax matters, it is not intended or written to be used by a taxpayer for purposes of avoiding penalties that may be imposed by law.