

Money Talks January 2022

By: David Helscher

Each January, there are two certainties: cold weather and income taxes. This year is no exception, unlike many other things during this extraordinary period. The IRS announced that the filing of 2021 tax returns can begin January 24, 2022. This will be the first day they will accept electronic filings which is two weeks earlier than last year. The IRS's free filing program opened on January 14, which allows taxpayers to file through the agency's partners to be transmitted starting January 24.

The IRS is strongly encouraging all taxpayers to file as soon as possible and to file electronically, to help ensure the return and refund do not face processing delays. The IRS closed last year's tax season with an unprecedented 35 million unprocessed returns. This was due to budget cuts and staff shortages amid the Covid pandemic. These have not been entirely remedied, so the IRS is pushing filing electronically, to minimize errors and for faster refunds.

Typically, the filing deadline for individual income tax returns is April 15. This year, the deadline for filing is April 18. This date was chosen to accommodate Emancipation Day on April 16, a holiday recognized in Washington, D.C. where the IRS headquarters is located. During the past two tax seasons, the IRS ended up extending the deadline into May to give taxpayers more time to file. But the agency has stated it has no plans to grant such extensions this year. Should you need to extend your filing deadline, you will need to apply for such extension and make payment of your estimated final tax liability prior to April 18. With this extension, taxpayers will have until October 17 to file.

The IRS states it continues to reduce the inventory of prior year individual tax returns. As of December 3, 2021, they have processed nearly 169 million tax returns. All paper and electronic individual 2020 refund returns received prior to April 2021 have been processed if the return had no errors or did not require further review. Generally, you do not need to wait for your 2020 return to be fully processed to file your 2021 return.

To help with tax preparation, the IRS is encouraging individuals to use their online resources. Last filing season, they estimated their phone system received more than 145 million calls between January 1 and May 17, four times more calls than in an average year. They are estimating more than 160 million individual tax returns for 2021 to be filed.

Last year, the average tax refund was more than \$2,800. The IRS is anticipating that most taxpayers will receive their refund within 21 days of when they electronically file and choose direct deposit, assuming there are no issues with the return. To avoid delays, they are strongly urging making use of online resources and avoid filing paper returns. They are also strongly suggesting taxpayers pay extra attention if they received Economic Impact Payments (American Rescue Plan stimulus payments) during 2021 or an advance Child Tax Credit last year.

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.