

The electronic filing (e-filing) of tax returns was not always a common practice. In 2001, only 31 percent of all federal tax returns were e-filed. By 2014, approximately 84 percent of all federal tax returns were filed electronically.

Why would almost 125 million taxpayers choose to e-file?

Secure return

According to the IRS, the e-file system has never had a security breach. In fact, over one billion returns have been electronically filed since 1986 without a security incident. Other important facts about the IRS e-file system include:

- Data is not transmitted through email.
- The system has many built-in security features.
- The system employs multiple firewalls.
- The system uses state-of-the-art virus and worm detection.
- The system meets or exceeds all government security standards.
- The system is constantly tested for weaknesses.
- All Internet transmissions use SSL (Secure Sockets Layer) encrypted security measures.

The IRS has been extremely diligent in the design, development, analysis and testing of the current infrastructure and system, making e-file transmissions extremely secure. Most e-filed tax returns are transmitted over phone lines from the tax preparer to a third-party transmitter.

From there, the returns are forwarded over secure lines to the IRS. Intercepting telephone

transmissions is quite difficult and requires access to a phone company's major transmission lines. Tax return data that is submitted over telecommunication lines is converted into a digital format, making it virtually impossible to read if it were intercepted.

An e-signature and an electronic filing PIN is used to verify the identity of taxpayers who e-file. Taxpayers who use do-it-yourself software to prepare and e-file their returns must use the self-select PIN method on the return or confirm their adjusted gross income from their previous year's tax return. Taxpayers who use a paid preparer have the option of using the self-select PIN method or using the practitioner PIN method.

More accurate return

Paper returns are processed by IRS employees who key your information into the IRS system. The IRS requires taxpayers who file paper returns to follow specific instructions for attaching supporting documents to their returns. This manual process exposes your return to human error.

E-filing, on the other hand, allows you to submit your tax return to the IRS in a quick, accurate and efficient way. Your tax return will be computer processed. E-file provides proof of receipt within 48 hours of sending the return to the IRS. A proof of receipt acknowledges that you filed your taxes on time. The IRS crosschecks certain items on your tax return to their database (such as social security number, date of birth, name, W-2s and other informational returns). If an item on your tax return does not match the IRS database, the IRS

will send an error report to you (or your preparer) and request that the return be corrected and resubmitted.

Payment options and fast refund

E-filing allows you the option of paying any tax due using the Electronic Federal Tax Payment System (EFTPS). Electronic payment options are convenient and secure. E-file offers payment alternatives such as filing your tax return immediately and scheduling payment for the April tax deadline.

Because an e-filed return is computer processed, you'll receive your refund more quickly. Most e-filers receive their refunds in half the time of paper filers. In 2015, more than 82 million refunds were electronically deposited, thereby saving taxpayers a trip to the bank.

Form 8888, Allocation of Refund, gives you the ability to split and deposit your refund into more than one bank account. With the same form, you could also use your refund to purchase up to \$5,000 in U.S. Series I Savings Bonds. If you don't have a bank account, you can still request a paper check from the IRS when e-filing your tax return.

Saves time and money

E-filing is beneficial for the IRS. Processing paper returns costs the IRS \$2.87 per return versus 35¢ for e-filed returns. The taxpayer error rate with paper returns exceeds 25 percent versus less than 2.5 percent for e-filed returns. If all returns were

e-filed, the Treasury would collect billions of dollars in additional revenue. Another advantage to e-filing is that most states allow you to e-file your state tax return when you file your federal tax return.

Required for tax professionals

In November 2009, the President signed legislation that requires specified tax return preparers to electronically file certain federal income tax returns that they prepare and file for individuals, trusts and estates. As of January 1, 2012, tax professionals who prepare more than 10 individual tax returns in a year must e-file their clients' returns.

If you prefer not to e-file your tax return, your tax professional will have you complete Form 8948, Preparer Explanation for Not Filing Electronically, and keep it in their records. In addition, the preparer will have you sign the following statement:

My tax return preparer [name] has informed me that [s/he] may be required to electronically file my [tax year] individual income tax return [type of return] if [s/he] files it with the IRS on my behalf (e.g., submits it by mail to the IRS). I understand that electronic filing may provide a number of benefits to taxpayers, including an acknowledgment that the IRS received the returns, a reduced chance of errors in processing the returns, and faster refunds. I do not want to have my return electronically filed, and I choose to file my return on paper forms. I will mail or otherwise submit my paper return to the IRS myself. My preparer will not file or otherwise mail or submit my paper return to the IRS.

Dr. Friday Tax & Financial Firm Inc.
205 Powell Place, Suite 223
Brentwood, TN 37027
Direct Line: 615-367-0819
friday@drfriday.com

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National Association of Tax Professionals
PO Box 8002
Appleton, WI 54912-8002
www.natptax.com



The Benefits of E-filing Your Tax Return

