



February 28, 2011

IRS Now Processing All 1040s

Since February 14, the IRS has begun accepting and processing all e-file and paper tax submissions with itemized deductions on Form 1040, Schedule A and deductions for state and local sales tax, higher education tuition and fees and educator expenses.

The delay arose from legislation passed in December last year by Congress in its decision to continue with Bush-era tax cuts. As such, in December 20 last year, the IRS announced delaying the processing of certain tax returns affected by the legislation because it had to update its computer systems to reflect the changes in legislation. The legislation concerned was the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, which became law on Dec. 17.

However, the majority of taxpayers filed their tax returns as normally in January. Those who claim itemized deductions usually submit theirs later in the year.

If you have not filed your tax returns yet, you are advised by the IRS to do so as soon as possible, preferably via e-file with direct deposit. This will ensure accuracy, reduce manual errors and best of all, you get your refund

in only a matter of days not weeks or months. Furthermore, if you earn less than \$58,000 per annum, you can use a service called Free File to file your tax returns electronically for free. Free File is an online software that provides fillable e-forms available at the IRS website, www.irs.gov/freefile.

Both Free File software and Free File Fillable Forms allow taxpayers to prepare and e-file their federal returns for free.

If you are filing your 1040 forms for your business, you can start doing so from now also. But if your business is a non-1040 business affected by the recent changes in tax law, then your tax forms are not ready to be accepted by the IRS yet. You need to wait for another announcement from the IRS on when it can begin processing this category of business tax forms.

As a result of the collaboration between the IRS, the tax software companies and the tax professional community on the reprogramming process, there was minimal disruptions for taxpayers and most things went smoothly in general. Because of these efforts, many major software providers and paid tax preparers started accepting affected returns before the February 14 start date, which they held and started submitting after the IRS systems opened.