



Tax Tips You Can Use Mar 2006
Electronic Filing Your Return
By Kathleen Crawford, EA

An appropriate subject for this time of year is electronic filing. Electronic filing has been in place for more than a decade but many people have only heard about it recently. Electronic filing is a safer, surer way to file your taxes than the old paper method and is getting cheaper by the year.

To understand how e-filing works it is best to compare it with the old method. In the past, a taxpayer would get the 'government' copies of their tax return, probably with envelopes to mail them to the appropriate state and federal addresses. Some people would mail their returns by certified mail, but most trusted the Post Office to get the return to the government. Once in the government office, the return would be opened and processed. All of our tax returns end up as an electronic file, so each paper return would be entered into a computer by a key punch operator. I have seen the key punch room at the Oregon Department of Revenue in Salem, with people side by side, with Walkmans on their ears, clicking away.

With electronic filing, your tax preparer enters all of the tax information into the tax software. There is additional information from W-2's and 1099's that must also be entered. Once this is done, the taxpayer must approve the tax return and sign an approval-to-file form. The tax preparer creates a transfer file that is sent to the IRS and state agencies. This electronic file becomes the official record. The transfer file is transmitted through secure software links so it is safe and the IRS and state agencies send acknowledgements back to the preparer to finalize that the return has been received. The only thing the taxpayer has to do is sign the form, sit back and let the computer do the work. It is simple and secure and the acknowledgements prove that the return has been received.

In earlier days, many tax preparers charged extra for the extra entry required to create the transfer file for electronic filing. In addition, most tax preparers are charged a fee for transmission of electronic returns. The IRS has worked to eliminate many of the fees because their goal is to have all returns e-filed. In the last couple of years e-filing has become more standard and just this year I have heard of tax preparers who charge extra for mailed, paper returns, with no charge for e-filing.

Many people have already filed their 2005 tax returns. If you have not, you should consider "e-filing" as the best option for getting your return to the IRS and the Oregon Department of Revenue.

The fine print is that this article is for information only. Please call Kathy or a tax professional for questions about your individual tax situation. The Jacksonville Tax Lady can be reached at 541-899-7926 or at 610 North Fifth Street.

