

Income tax-law changes could delay refunds

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If you're one of the nearly 2 million taxpayers in Ohio who files your income tax return early to get your money fast, it's likely your refund will be delayed next year.

In fact, tens of millions of taxpayers nationwide could see a delay in being able to file or get their return processed because

Congress hasn't finalized tax law changes.

Those affected include middle-income filers or the wealthy, or those who file for credits such as child or dependent care, education expenses or home energy expenses.

Lower-income filers who don't use any of those credits probably could file early without problem.

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By the numbers

5.5 million	136 million	\$2,889
Number of individual tax returns in Ohio.	Number of tax return filers nationwide.	Average refund of early filers in 2007.
Of those, 4.4 million get refunds.	Eighty percent get refunds.	That's slightly higher than the overall average of \$2,681.

SOURCE: Internal Revenue Service

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From the day those changes are finalized by Congress and President Bush, it will be 10 weeks before the Internal Revenue Service can have forms ready and be able to accept electronically filed returns from taxpayers affected by the revisions or who use the credits in limbo.

"The programming changes necessary will be substantial," said IRS spokesman Chris Kerns.

A 10-week timeframe puts us into mid-February if Washington wraps up the issues by Monday, which is highly unlikely. The IRS normally starts processing returns in mid-January. About one-third of taxpayers historically file in the first month. The average refund for early filers this year was \$2,889.

Delays could clog the system throughout the tax season as tens of millions of people who couldn't file early start sending returns in late February or early March.

"Boy, this is annoying," said Cynthia Hatfield, a Beachwood certified public accountant.

CPAs like Hatfield can't even do year-end ballpark estimates for clients because the changes that could be enacted vary so widely. "Our hands are tied. We don't even know what the taxes

will be."

The culprit is the ever-looming Alternative Minimum Tax — the archaic pain-in-the-1040 that lawmakers haven't yet revised. That tier of much-higher tax brackets, started in 1969, was aimed at preventing about 200 rich Americans from using tax loopholes.

The tax brackets never have been permanently realigned so last year 4 million filers paid AMT. That number could jump to 23 million households this year — or 17 percent of filers — if Congress and Bush don't approve another Band-Aid that allows commonly used credits.

The waiting game is also causing headaches for tax software companies.

While the companies can make changes to their online programs in a matter of days, the IRS is

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still going to be a month behind, said Stephanie Behrends, spokeswoman for TaxAct, one of the leading software companies.

Behrends wonders what will happen if someone using one of the new forms or tax brackets tries to file electronically in January before the IRS is ready.

"They will have to provide us with instructions about what will happen once someone hits 'submit,'" she said. "There are just so many unknowns at this point."

The tax season could be messier than many realize, Behrends said. If millions of early filers can't get their returns processed until late February or early

March, that's going to cause a bottleneck when combined with the 20 million people who normally file between late February and early March.

"That backlog could start impacting the whole process," she said.

Then there's the question of what will happen to all of the forms and instruction booklets the IRS sent to the printer a couple of weeks ago.

Hatfield, the Beachwood CPA, said maybe people will have to write in the margins. When some

tax law changes were made last year after the forms were sent to the printer, "the IRS didn't even have the right lines on the forms. We had to jimmy the return."

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