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THE TAX LAWYER

Jan. 12 2011 — 8:51 am

E-Filing And IRS Website

I've been extolling the virtues of the [IRS website](#) and urging taxpayers to take advantage of all it offers. Yesterday I listed [five good reasons](#) to use it. Here is another reason that is huge but may be more controversial.

E-Filing of Returns. Taxpayers and return preparers alike have embraced electronic filing. I've always been [reluctant](#) to do so and I'll come back to that controversial point in a moment. The IRS offers "[Free File](#)."

Under this program, if you made \$58,000 or less, you qualify for free tax software that is offered through a private-public partnership with manufacturers. If you made more than this amount or are comfortable preparing your own tax return, there's [Free File Fillable Forms](#), which are simply the electronic versions of IRS paper forms.

How prevalent is e-filing? The IRS states that last year, 70 percent of taxpayers, a whopping [99 million people](#), filed electronically. IRS e-file is approaching 1 billion returns processed safely and securely.

If you owe taxes, you have payment options to file immediately and pay by the tax deadline. In addition, if you combine e-filing with direct deposit to your bank, you may receive your refund in as little as 10 days. More information about e-file is available [here](#).

I've been criticized over the past few years for not embracing e-filing across the board. I've long said that e-filing will soon be mandatory for every taxpayer. We're almost to that point, and whether I'm leery or not

is now irrelevant. After all, starting January 1, 2011, a [new law](#) requires many paid tax return preparers to electronically file federal income tax returns prepared and filed for individuals, trusts and estates.

Preparers who anticipate filing **100 or more** Forms 1040, 1040A, 1040EZ and 1041 during the year must use IRS e-file. The requirement also applies to firms, which must aggregate the number of returns prepared by firm members. As a practical matter, these new rules means that if you have an accountant or other paid preparer who prepares your return, it's almost certain that your return will have to be e-filed. There is a procedure for getting a [waiver](#), but this requires a good reason.

This year for the first time many tax returns that I would have preferred to see filed the old fashioned way will have to be e-filed. Most preparers file more than 100 returns. The standards get even broader starting **January 1, 2012**, when preparers who anticipate filing **11 or more** Forms 1040, 1040A, 1040EZ and 1041 during the year will also have to e-file. See [Many Tax Return Preparers Must Use IRS E-File Beginning In 2011](#).

Some companies too are already required to e-file. Certain large and mid-size corporations are required to electronically file their Forms 1120 and 1120-S, while others may do so voluntarily. Thus, soon all individual tax returns and probably all business returns will be the subject of mandatory e-filing.

Why have I been reluctant to embrace e-filing up to now? I've seen more mistakes with e-filed returns than paper filed ones. Perhaps that experience is unusual, but there it is. E-filing is still relatively new, and I've seen returns filed that—it later develops—weren't ready. Elections can be made on filing a return that, because the return is filed, cannot be undone on an amended return. We have all hit "send" on something that we wished we hadn't. It is harder and takes more volition to sign something, photocopy it, put it in an envelope and mail it. See [Ten Ways To Audit Proof Your Return](#).

Furthermore—and here I confess to being old fashioned—I've always thought that the IRS would have more ready access to (and be able to more thoroughly mine) the information in tax returns through the e-

filing system. Many practitioners have said I'm wrong and that the same data must be entered into the IRS system off a paper return. In fact, they tell me that the paper return compounds the possibility of errors by the IRS in entering information from the return. Honestly, I wasn't convinced.

However, the issue seems moot this filing season, since e-filing is in so many instances now mandatory.

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