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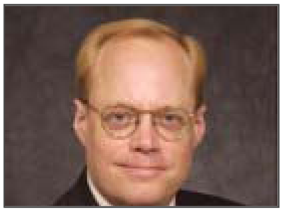

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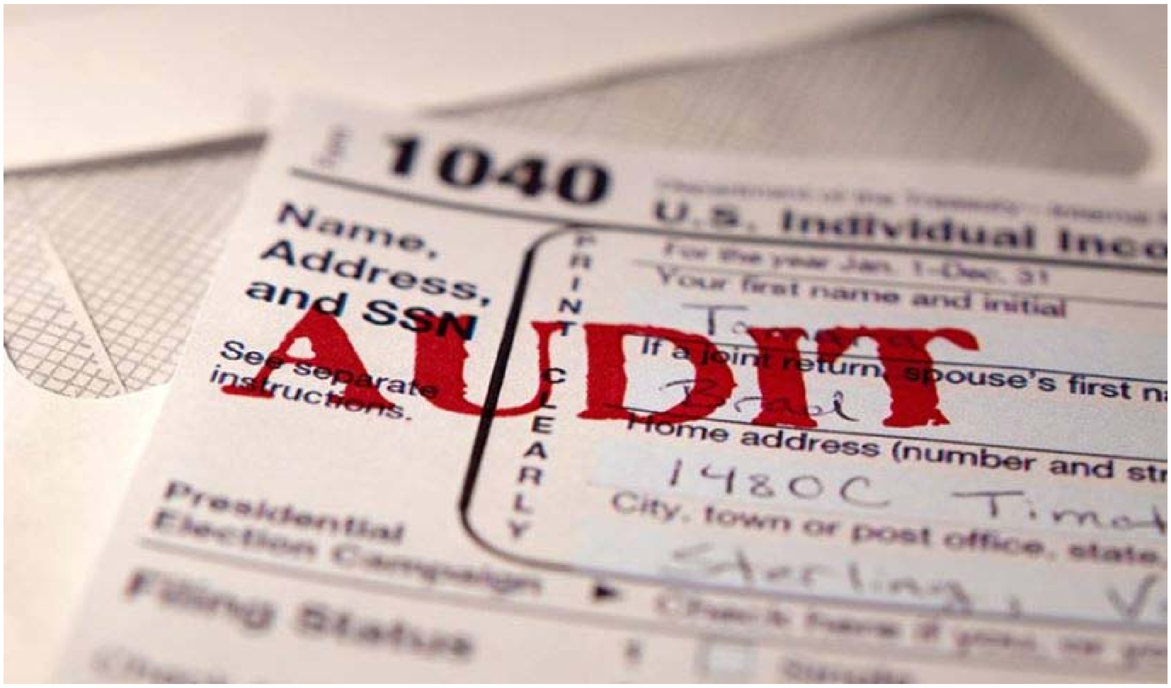
TAXES 4/08/2015

Ten IRS Rules For Amending Your Tax Return

Try to file once and file correctly! But if you need or want to amend, here are 10 things you need to know.

No. 1: Amended returns are NOT mandatory. This may surprise you, but you are not under an affirmative obligation to file an amended tax return. You must file a tax return each year with the IRS if your income is over the requisite level. In fact, you can be prosecuted for failure to file (a misdemeanor) or for filing falsely (a felony). As Wesley Snipes' misdemeanor convictions show, failing to file carries smaller penalties than filing fraudulently. But once you've filed your return, you can't be prosecuted for failing to file an amended return, even though something may happen after you file that makes it clear your original return contains mistakes. So first ask yourself whether the return you filed was accurate to your best knowledge when you filed it. If it was, you are probably safe in not filing an amendment.

No. 2: You can't cherry-pick what you correct. You don't have to file an amended return, but if you do, you must correct everything. You can't cherry-pick and make only those corrections that get you money back, but not those that increase your tax liability.



No. 3: Some errors don't merit an amended return. Math errors are not a reason to file an amended return, since the IRS will correct math errors on your return. Likewise, you usually shouldn't file an amended return if you discover you omitted a Form W-2, forgot to attach schedules, or other glitches of that sort. The IRS may process your return without them, or will request them if needed.

No. 4: Timing counts. Most people suggest you must amend within three years of your original return filing. Actually, you must file a [Form 1040X, Amended U.S. Individual Income Tax Return](), within three years from the date you filed your original return or within two years from the date you paid the tax, whichever is later.

No. 5: Only paper will do. Amended returns are prepared on Form 1040X. You must use this form whether you previously filed Form 1040, 1040A or 1040EZ. Amended returns are only filed on paper, so even if you filed your original return electronically, you'll have to amend on paper.

No. 6: You must amend each year separately. If you are amending more than one tax return, prepare a separate 1040X for each return.

No. 7: Amended returns are more likely to be audited. In general, amended returns are more likely to be examined than original returns.

No. 8: Refunds can be applied to estimated taxes. If you file an amended return asking for considerable money back, the IRS may review the situation even more carefully. As an alternative, you can apply all or part of your refund to your current year's tax.

No. 9: The statute of limitations is kind to amended returns. Normally the IRS has three years to audit a tax return. You might assume that filing an amended tax return would restart that three-year statute of limitations. Surprisingly, it doesn't. In fact, if your amended return shows an increase in tax, and you submit the amended return within 60 days before the three-year statue runs, the IRS has only 60 days after it receives the amended return to make an assessment. This narrow window can present planning opportunities. Some people amend a return right before the statute expires. Plus, note that an amended return that does not report a net increase in tax does not trigger any extension of the statue of limitations.

No. 10: Don't forget interest and penalties. If your amended return shows you owe more tax than you reported on (and paid with) your original return, you'll owe additional interest and probably penalties too. Even though you might be amending a return from two years ago, the due date for your original return and for payment has long passed. Interest is charged on any tax not paid by the due date of the original return, without regard to extensions. The IRS will compute the interest and send you a bill if you don't include it. If the IRS thinks you owe penalties it will send you a notice, which you can either pay or contest.

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