

## TAX NOTES TODAY®

### IRS Braces For Late Tax Bill As Form Drafters Push Deadlines.

**For the folks who produce IRS tax forms and publications, the prospect that it might be December before a budget package is passed and signed into law could lead to more than a few migraines.**

**Date:** Oct. 10, 1995

#### ===== HIGHLIGHT =====

Few things cause more headaches at the IRS than a late tax bill from Congress. And for the folks who produce IRS tax forms and publications, a late tax bill can mean migraines.

Last-second additions. Expiring provisions. Compromises negotiated in the House-Senate conference. The possibility of a presidential veto. The rapidly developing components of tax legislation keep the IRS's legislative affairs liaisons hopping and those who draft the forms and publications guessing. It is not unheard of for tax legislation with retroactive provisions to be debated into December, obliterating deadlines for those who produce essential documents that are needed by millions only a few weeks later. The availability of the forms and publications in electronic form, coupled with other key changes in IRS policy, can dictate the tone of the upcoming filing season.

A Ways and Means Committee spokesman said last week that the bills approved by the House taxwriters will likely go to the floor within a couple of weeks, and that there is some optimism that the House will pass them by mid-November, just before the country's authority to borrow money expires. "This is something everyone seems very focused on right now," the spokesman said. But the Senate still has to move on its version of tax provisions, and President Clinton has threatened a veto of the omnibus budget reconciliation bill, which will include the tax bills.

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#### ===== FULL TEXT =====

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### **The Drill's Been Seen Before**

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"This is something we've seen a lot of in the past," said IRS spokesman Wilson Fadely. The IRS's primary strategy for dealing with late legislation is to put a notice on those forms and publications which could be affected, stating that at the time the documents were published, Congress was considering changing the law. Once the law is passed, the documents are updated accordingly. Updates are sent to practitioners a couple of times during a filing season.

"Our approach is to put cautionary language in the forms and pubs," Fadely said. Taxpayers are also urged to obtain Publication 553 -- "Highlights of 1995 Tax Changes" -- which comes out later in the filing season.

Forms typically are updated more quickly than publications. This year, the IRS estimates that about a dozen forms could be affected by measures in the budget act, such as anticipated changes in the earned income tax credit and renewal of expiring or expired provisions. Fadely said the Service "doesn't have a handle" on how many IRS publications may be delayed and revised due to tax law changes.

### **Technology**

For some practitioners, the headaches suffered by the IRS are contagious. Practitioners who use computer software to get their forms and publications often seek a fast turnover of returns to get their clients a quick refund, but are frustrated if they can't get to work in January. Those in the lucrative refund anticipation loan (RAL) business -- which was built on the quick turnover of electronic filing -- also depend on computer software makers, who depend on the IRS's ability to produce up-to-date forms and publications as quickly as possible.

Nonetheless, the technology is a blessing. For the first time, Fadely said, the IRS will attempt to release the electronic versions of its forms and publications before the paper versions are available. The IRS also produces its own CD-ROM of publications and forms as well as making hundreds of forms available via the Internet on the World Wide Web. (Tax Analysts makes available a complete library of IRS publications.) The IRS's Web page was inundated last year with computer users seeking to download key forms.

Other practitioners, however, assert that getting the forms and publications ready on time is but one worry for the IRS when it comes to sweeping changes in a tax bill. Steven [Bankler](#), a San Antonio-based certified public accountant, said last week that his clients were still trying to unravel the confusion caused by erroneous demands by the IRS for the balance of deferred

payments under OBRA '93. OBRA '93, which was signed by President Clinton on August 10, 1993, contained retroactive tax increases that are the subject of the deferred payments and the continuing cause of headaches for taxpayers and the IRS.

"For the IRS, a late tax bill could be at any time of the year," **Bankler** said.

### **Another Bumpy Filing Season?**

Indeed, the IRS has its hands full during any filing season, regardless of whether there is a late tax bill. The coming one promises to be an even greater challenge, however, with the Service for the first time preparing to accept more than a million tax returns via the Internet, and the entire electronic filing program still beleaguered after several unsettling changes in 1995.

Past filing seasons have been rocked not only by delayed forms, but also by last-minute decisions by the IRS. The Service was criticized as the 1995 filing season began for not publicizing widely enough its plans to scrutinize every secondary social security number on every electronically filed return -- a tactic that caused millions of returns to be rejected if the numbers did not match records maintained by the Social Security Administration.

Practitioners also blasted a Treasury decision late in the year to abolish the direct deposit indicator (DDI), a signal that notified transmitters of electronic returns that the return had been accepted into the system. The DDI was regarded as a key element of the RAL industry's success, guaranteeing lenders that the claimed tax refund would be available to repay the loan. But the DDI also was blamed for rampant fraud because refunds were promised before information on returns could be verified.

This year, the IRS also plans to begin experimenting with alternative signatures and other initiatives designed to boost electronic filing of information and tax returns. Those initiatives, combined with Internet filing and the effects of late-breaking congressional action, lay the groundwork for another turbulent filing season, practitioners say.

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### **Tax Analysts Information**

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