

Theme 6: Understanding the IRS Lesson 3: Methods of Filing

Both the taxpayer and the government benefit from electronic filing of tax returns. In fact, Congress has set a goal stating that 80 percent of all tax returns should be electronically filed by the year 2012. Read the information below to see how electronic filing can benefit you.



Preparation Benefits

Increased accuracy

An important benefit of electronic preparation of tax returns is the reduction of errors. The error rate for electronically prepared returns is .05 percent. This is significantly lower than the error rate for manually prepared returns, which exceeds 20 percent.

Ease of use

Tax preparation software is easy to use. Such software contains “wizards” to help with return preparation. The wizard guides the computer user through the steps of completing the tax return. It also may offer guidance on how to report income, deductions, and credits.

Prepare taxes simultaneously

Many taxpayers can prepare their federal and state returns simultaneously.



Transmission Benefits

Faster refunds

Taxpayers who file electronically receive refunds faster than those who mail their returns. If the taxpayer chooses the direct deposit option, the refund is deposited automatically into the taxpayer's checking or savings account and often arrives in less than half the time it would take to be delivered by mail.

Pay electronically

Taxpayers who file electronically can arrange to have the balance due paid by electronic funds withdrawal from their checking or savings accounts or by credit card. There is no check to write, no money order to purchase, and no voucher to mail.

File early, pay later

Taxpayers with a balance due can file their tax returns early and arrange to have the funds paid later: that is, on or before the due date of the return.

Secure

With electronic filing, taxpayer privacy and security are guaranteed. Taxpayers select their own personal identification numbers (PINs).

Electronic acknowledgment

Within 48 hours of transmission, the IRS sends an electronic acknowledgment that the return has been received and accepted for processing.

File taxes simultaneously

Many taxpayers can transmit their federal and state returns at the same time.

Paperless

Electronic filing reduces the paper used to file tax returns; it is environmentally friendly.

Avoids loss or delay

Electronic filing avoids lost or delayed returns.

Avoids trips to the post office

For most taxpayers, electronic filing is truly paperless.