

MEMORANDUM

DATE: January 18, 2022
TO: All
FROM: Wendy J. Manson, CPA, and William J. Palazzolo, Esq.
RE: Important facts for the 2022 tax filing season for 2021 tax returns

Conclusion:

The 2022 tax filing season begins on January 24, 2022; however, existing backlogs and longstanding operational problems at the IRS, aggravated by the coronavirus pandemic, are likely to make for a frustrating income tax filing season.

Filing your returns electronically and requesting your refunds as direct deposit are two recommendations for quicker turn around time at the IRS.

In addition, the IRS will be mailing out Notice 1444-C for the third economic stimulus payment and Letter 6419 for the Advanced Child Tax Credit payments you received in 2021. Any discrepancies in reporting either of these amounts will cause your tax return to have to be reviewed manually at the IRS which will significantly delay your refund. Please make sure you include both of these items as applicable with your tax information to avoid any delays.

Important Information for Taxpayers to Know for the 2022 Tax Filing Season:

Discussion:

The 2022 tax filing season begins on January 24, 2022; however, existing backlogs and longstanding operational problems at the IRS, aggravated by the coronavirus pandemic, are likely to make for a frustrating filing season for taxpayers and tax preparers, according to the Treasury Department.

The IRS is still dealing with backups in processing returns from the past two tax filing seasons. While the tax collector typically has about one million pieces of unopened mail, including tax returns, in its backlog when starting a new filing season, it had six million unprocessed individual returns as of December 23, 2021.

In addition to the six million unprocessed individual returns sitting unopened at the IRS, more than 150 million individual income tax returns typically will be filed over the course of the next few months.

Tax returns for the 2021 calendar year are due April 18, 2022, for most individual filers, a few days after the normal April 15th deadline due to a holiday in Washington, D.C., though extensions can be requested. This year's start and end dates, announced by the IRS, are more in line with historical norms, which have been upended since 2020 because of the pandemic.

Last year, the IRS delayed the start date to February 12, 2021, to give the agency extra time to reprogram operations and tax filing systems based on tax law changes passed late in the year in 2020.

According to the Treasury Department, there have not been any discussions about delaying the deadline beyond this April, though that has happened each of the last two years.

Disruptions from the ongoing pandemic have been made worse by years of budget cuts, a shrinking workforce, and outdated technologies at the IRS. President Joe Biden and Democrats in Congress want to boost spending on the IRS to improve enforcement and other agency functions like customer service, but the Treasury Department has not received any fresh funding as of yet.

According to the Treasury Department, to improve odds of faster tax return and refund processing, taxpayers should file electronically instead of filing a paper tax return and provide direct deposit information rather than requesting paper checks for their tax refund.

E-filing is more important than ever this year. Although most taxpayers file electronically, about 10 percent of total tax returns still get sent to the IRS on paper, and a significant amount of those paper returns remain unprocessed, caught up in a mail backlog that developed early in the pandemic. For millions of taxpayers, this has caused delayed refunds and incorrect penalties and assessments by the IRS because agency employees have yet to process all the mail they have received.

The Treasury Department is insisting that taxpayers should also turn to the IRS website for self-help answers to questions rather than dialing the IRS, given the low level of service from perpetually flooded phone lines. Taxpayers should also check the accuracy of their tax returns before filing, as mistakes trigger reviews that can move slowly because of the existing backlog.

The IRS is sending taxpayers separate letters on stimulus and child tax credit payments they received to help them accurately record the information on their upcoming tax returns. The IRS is mailing Notice 1444-C to the address they have on record for the amount of the third economic stimulus payment you received in 2021 or you can access the Get My Payment application on the IRS's website to verify the amount as well. The IRS is also mailing Letter 6419 if you received the Advanced Child Tax Credit in 2021 that will indicate the amount you received in 2021.

Failure to report the actual amount received for either the stimulus payment or the advanced child tax credit will require your tax return to be reviewed by someone in the IRS manually which will significantly delay your refund. Please make sure to include these items with your tax information so your return can be prepared properly.

Extra attention is warranted this year due to economic stimulus checks the IRS previously sent out and advance Child Tax Credit payments, which more than 30 million households received monthly from July 2021 through December 2021. Taxpayers can claim an additional six months' worth of credits when they file their tax returns this year.

The IRS could get more individual income tax returns than normal this year because the stimulus and child tax credit payments may trigger tax returns from people who typically earn too little to file. However, the IRS hopes to process most refunds for electronically filed tax returns within its normal turnaround time, which is three weeks.

As the tax filing season moves along, the IRS is going to get further and further behind in processing tax returns and issuing refunds. The earlier you file, the more likely you are to see the normal three-week turnaround time so the quicker you get us all of your tax information, the better.