

Tennessee Society of CPAs

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Your Tax Return: What Could Go Wrong?

According to the Internal Revenue Service, more than 140 million tax returns were filed in 2016. Many of the people filing those returns undoubtedly had at least a little anxiety, worrying about errors they might have made or audits they might face. The good news, according to the Tennessee Society of CPAs, is that there are remedies for some of the potential problems that could keep you up at night as the tax deadline looms.

What If You Make a Mistake?

You've filed your return. What a relief! But then, to your horror, you find income or a credit that you failed to include. When you've made a mistake or omission on your taxes, you can fix the problem by filing an amended return. In some cases, no amendment may be necessary, such as when you make a math error or if you didn't send in a form related to information that is included on your return. The Internal Revenue Service will normally correct math errors and mail you a request for missing forms. If you realize that you owe more tax than you reported because of an error or omission, you should pay the extra amount as soon as possible to avoid being charged penalties or interest. If you expect a refund but now believe you qualify for a larger one because of your error or omission, the IRS advises that you wait to receive your initial refund before filing your amended return. An amended return claiming a refund must generally be filed within three years of the date you filed your original return. And here's one omission that you have some time to fix: Did you forget to make all your contributions to a tax-advantaged Individual Retirement Account last year? Don't worry. In most cases, you're eligible to make a contribution right up until tax filing day.

What If You File Your Return Late?

If you miss this year's April deadline, or you've failed to file in the past, your critical first step is to get your return in as soon as possible, even if you can't afford to pay some or all of your outstanding taxes

immediately. The sooner you file and pay what you can, to the less exposure you will have to interest and penalties. If your tax bill remains unpaid, the IRS will begin collection efforts that could result in a levy on your wages or bank account, or a federal tax lien. But you can help prevent those steps by filing your return and explaining your financial constraints to the IRS. The IRS has an installment agreement program and other programs designed to make it easier for those who can't pay their taxes immediately. If you're owed a refund, you'll miss out on it if you don't file a return, so once again it's in your interest to get your taxes done.

Consult Your Local CPA

There are some mistakes you may not even be aware of, such as missing out on deductions you could have taken. That's why it's so important to turn to your local CPA for advice on how to claim the right deductions and address all your compliance concerns. A CPA works with a wide variety of clients on their tax and other financial issues, so turn to him or her with all your financial questions. For more information on tax returns and more, visit 360finlit.org.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.