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New W-2 Filing Deadline and Delayed Refunds

With the close of 2016 quickly approaching, now is a good time to start thinking ahead to year-end tax filing. Under the direction of the PATH Act, the IRS will be able to easier detect and prevent refund fraud. This will be done by accelerating the W-2 filing deadline for employers to January 31. The new law will also require the IRS to hold refunds involving two refundable tax credits until at least February 15.

New January 31 Deadline for Employers

Employers are now required to file copies of Form W-2 with the Social Security Administration by January 31. This new January 31 filing deadline also applies to certain Forms 1099-MISC reporting non-employee compensation. Previously, employers have had until the end of February or March to file these forms. There are also changes in requesting an extension to file Form W-2. Only one 30 day extension is available now and this extension is not automatic. Form 8809 must be completed by January 31 to request an extension.

The new deadlines will help the IRS improve its efforts to find errors on returns filed by taxpayers. Having these forms earlier will make it easier for the IRS to verify the legitimacy of tax returns and properly issue refunds to taxpayers eligible to receive them. In many cases, this will allow the IRS to release tax refunds more quickly than in the past.

Delay of Some Refunds until at least February 15

Some taxpayers will get their refunds later than they have in the past. The new law requires the IRS to hold the refund for any tax return claiming either the Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC) until February 15. By law, the IRS must hold the entire refund, not just the portion related to the EITC or ACTC.

Taxpayers should still file their tax returns as normal. The IRS also urges all taxpayers not to count on getting a refund by a certain date. According to the IRS, they issue more than 90% of refunds in less than 21 days, but some returns are held for further review.

As we start year-end tax planning, it is important that taxpayers are aware of both of these items. There this a penalty for late filed W-2s, starting at \$50 per form. Ensuring employers are aware of the new January 31 deadline is important so they can avoid penalties. Many individual taxpayers who file early in the season are those with the EITC and/or the ACTC and are used to getting their refunds prior to February 15. If we don't communicate this with them in advance, they may be unaware of the changes and could be upset as many of them do rely on these refunds.



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