



This Month:

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- ◆ Stimulus Demystified

Stimulus Demystified

Since President Obama signed the economic-stimulus package into law February 17, there has been much confusion about the Making Work Pay tax credit.



Most taxpayers will see an adjustment to their tax withholding in 2009 and 2010 paychecks, giving them about \$45 extra per month for the remainder of 2009 (Married workers will receive an extra \$65). If you are self employed, you can adjust your quarterly estimated tax payments to reflect the credit. You will then claim the total \$400 credit (\$800 for married individuals) when filing your 2009 tax return, and if your withholding wasn't adjusted enough, you will receive the difference in a refundable credit. But not everyone qualifies for the credit. It begins to phase out for single filers with adjusted gross incomes of \$75,000 or higher, and \$150,000 for joint filers.

The stimulus also provides a one-time payment of \$250 to recipients of Social Security, Railroad Retirement and Veterans Administration benefits. Only those on the rolls in November and December 2008 and January 2009 are eligible. You'll get the money electronically or by check, depending on how you receive those benefits. Retired government employees who don't receive Social Security will also get a \$250 credit when they file their 2009 returns.

What Happens After I File?



Most taxpayers have already filed their federal tax returns but may still have questions. Here's what you need to know about refund status, recordkeeping, mistakes and what to do if you move.

Refund Information. You can go online to check the status of your 2008 refund 72 hours after IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after you mail a paper return. Be sure to have a copy of your 2008 tax return available because you will need to know the filing status, the first SSN shown on the return, and the exact whole-dollar amount of the refund. Go to IRS.gov, and click on "Where's My Refund." If the internet is not an option, call 1-800-829-4477 24 hours a day, 7 days a week for automated refund information. Keep the following in mind as you wait for your refund:

- *Paper Return Processing Time.* If you file a complete and accurate paper tax return, your refund will usually be issued within six weeks from the received date.
- *Returns Filed Electronically.* If you filed electronically, your refund will normally be issued within three weeks after the acknowledgment date.
- *Delayed Refund.* There are several reasons for delayed refunds. For things

that may delay the processing of your return, refer to Tax Topic 303 on IRS.gov.

- *Larger than Expected Refund.* If you receive a refund to which you are not entitled, or one for an amount that is more than you expected, do not cash the check until you receive a notice explaining the difference. Follow the instructions on the notice.
- *Smaller than Expected Refund.* If you receive a refund for a smaller amount than you expected, you may cash the check, and, if it is determined that you should have received more, you will later receive a check for the difference. If you did not receive a notice and you have questions about the amount of your refund, wait two weeks after receiving the refund, then call 800-829-1040.
- *Missing Refund.* The IRS will assist you in obtaining a replacement check for a refund check that is verified as lost, stolen, or unable to be delivered.



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What Records Should I Keep? Good record keeping allows you to prepare a complete and accurate income tax return. You should keep all receipts, canceled checks or other proof of payment, and any other records to support any deductions or credits you claim. Normally, tax records should be kept for three years (seven years if there is any concern the IRS could show a significant understatement of gross income on the return), but some documents — such as records relating to a home purchase or sale, stock transactions, IRAs and business or rental property — should be kept longer. You should keep copies of tax returns you have filed and the tax forms package as part of your records. They may be helpful in amending filed returns or preparing future ones.

Change of Address. If you move after you filed your return, you should send Form 8822, *Change of Address* to the Internal Revenue Service. If you are expecting a refund through the mail, you should also notify the post office serving your former address, which will ensure your check makes it to your new address.

What If I Made a Mistake? Errors may delay your refund or result in notices being sent to you. If you discover an error on your return, you can correct it by filing an amended return using Form 1040X, *Amended U.S. Individual Income Tax Return*. Here are five reasons to file an amended return:

- You did not report some income.
- You claimed deductions or credits you should not have claimed.
- You did not claim deductions or credits you could have claimed.
- You should have claimed a different filing status.
- You purchased a qualifying home in 2009 and wish to claim the Homebuyer Credit on your 2008 return without waiting until next year to claim it on your 2009 return.

What if I Receive an IRS notice? It's a moment many taxpayers dread. A letter arrives from the IRS — and it's not a refund check. Don't panic; many of these letters can be dealt with simply and painlessly. Each year, the IRS sends millions of letters and notices to taxpayers to request payment of taxes, notify them of a change to their account or request additional information. The notice you receive normally covers a very specific issue about your account or tax return, and offers specific instructions on what you are asked to do to satisfy the inquiry. If you receive a correction notice, you and your tax return preparer should review the correspondence and compare it with the information on your return.

- Agree? If you agree with the correction to your account, usually no reply is necessary unless a payment is due.
- Disagree? If you do not agree with the correction the IRS made, it is important that you respond as requested. Write to explain why you disagree. Include any documents and information you wish the IRS to consider, along with the bottom tear-off portion of the notice. Mail the information to the IRS address shown in the upper left-hand corner of the notice. Allow at least 30 days for a response.



Most correspondence can be handled without calling or visiting an IRS office. However, if you have questions, call the telephone number in the upper right-

hand corner of the notice. Have a copy of your tax return and the correspondence available when you call to help the IRS respond to your inquiry. Be sure to keep copies of any correspondence with your records.

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