

E-filing touted as fast, accurate IRS, state promote method as way to get your refund quicker

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To Terri Wichman, it's fast, easy money.

Filing her income tax return electronically means the Greendale resident and her husband, Glenn, get their tax refunds — usually about \$3,000 between federal and state returns — deposited in their bank account within a couple of weeks, as opposed to a couple of months with paper returns.

"I don't know why anyone would ever want to wait for a refund of their own money for six, eight weeks," Wichman said. "That makes no sense to me. And I think Wisconsinites are just, you know, we want our money."

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For more information on electronic tax filing, go to www.jsonline.com/business.

Tax collectors are counting on more Wisconsinites wanting their money quicker this tax season. Both the state Department of Revenue

and the Internal Revenue Service are promoting electronic tax filing to get rapid refunds and more accurate returns.

Wisconsin already is near the crest of the wave. Last tax season, nearly 2 million Wisconsin residents filed electronic returns, 67.1% of all individual filers in the state, according to the IRS. That beat the U.S. rate of 57.6% and every other state except Iowa (70.2%) and Minnesota (69.6%).

"We got on it much earlier than some other states," explained state Secretary of Revenue Roger Ervin.

Wisconsin began allowing taxpayers to file their returns by computer 15 years ago and has been trying to entice electronic filers ever since. Last week, at www.revenue.wi.gov, the state opened up interactive fill-in forms to help individuals file taxes electronically at no charge. Next month, the revenue department rolls out a new online service letting businesses file returns, make payments and check on their state tax accounts year-round.

"Revenue has been kind of cutting-edge since the beginning," Ervin said. "You know, we were the first state with an income tax, 1911, and we've had a lot of firsts along the way."

Not only does Wisconsin have a running start on electronic filing, it also has prepared its professional tax preparers for it. Since 2002, Wisconsin has been requiring many tax firms to file electronically. Preparers who filed 100 or more individual

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returns last year are supposed to file electronically in 2009.

That can make a big difference in overall e-filing rates, said David Williams, director of electronic tax administration for the IRS.

"Look, Wisconsin has a reputation as being somewhat progressive and frankly advanced," Williams said. "And so I suspect you probably have a sophisticated taxpayer base."

It's a no-brainer

While Wisconsin taxpayers don't have a monopoly on wanting their money, some tax professionals cite a heightened sense of frugality raising the rate of electronic filing, too.

"Up here, I think people see the efficiencies that are being gained and the accuracy that's gained, and they really just see it as a no-brainer," said Pat Shanahan, a certified public accountant in Cedarburg who previously practiced in Florida.

Not only do electronic filers receive tax refunds quicker — a matter of days instead of weeks — but error rates are around 1%, compared with 20% with paper returns, according to the IRS.

Increased efficiencies also amount to cost savings. The IRS says it spends 35 cents to process each electronic return, compared with \$2.87 per paper filing.

Tax agencies are counting on technology upgrades and marketing to raise the rate of electronic filers.

The IRS is doing research aimed at developing strategies for getting more taxpayers to file electronically. One deterrent — extra fees for e-filing — may be less of a concern, Williams said, because many companies that charged \$10 to \$15 per return last year are dropping the fees in 2009.

Privacy concerns

Ervin, who expects Wisconsin's rate to rise as high as 75% this year, also identified unfamiliarity and security concerns as hang-ups.

"The clients that don't want to electronically file typically are just afraid of having their information transmitted over the Internet," said Jessica B. Gatzke, tax supervisor at Scribner Cohen and Co., in Milwaukee.

Reports this month by the Government Accountability Office and the U.S. Treasury Department's Inspector General for Tax Administration called attention to perceived security weaknesses in aspects of the IRS' computer system. Williams noted that the agency has been making progress on addressing auditors' concerns, which he said had no direct bearing on the safety of electronic filing.

"It is very safe. It is very secure," Williams said of the e-filing system. "And we work annually with the software



companies that do the e-filing with us to ensure that the data is protected. I can't emphasize enough the importance that taxpayers understand that e-filing is a safe way to get your taxes done and into the IRS."

Tax professionals also express confidence in the safety of electronic filing.

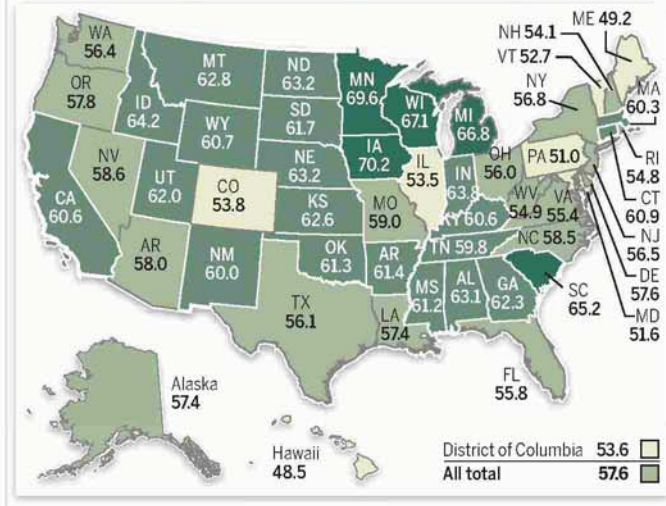
"It's nothing to be feared. It's a very safe way. The IRS Web sites are secure." said Cindy Hockenberry, research coordinator at the National Association of Tax Professionals, a 19,400-member group based in Appleton. "There's just really no fear. And plus, you get your refund so much faster."

A nation of e-filers

Wisconsin ranks third among all states for electronic filing of individual tax returns.

Percentage of total returns filed

48.5%–53.9% 54.0%–59.4% 59.5%–64.9% 65.0%–70.2%



Source: Internal Revenue Service **BOB VEIERSTHALER**/rveierstahler@journalsentinel.com