

Why File a Tax Return?

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Hank from Plano, Texas asks:

Hi,

If I'm reading Publication 17 correctly, I can pay in all the taxes that I owe and then there is no late filing penalty if the tax return is submitted late (after the extension date). Right?

If so, then this seems to be saying that if there is no tax due there will NEVER be a late filing penalty. So why submit the return at all?

Hank

My response:

Whoa!

First, I would never say that there would "never be a penalty". If additional tax is assessed by the IRS, a late filing penalty will be assessed.

Second, there are many reasons why you should file a return, including:

1. You are legally required to file a return (assuming you meet the minimum guidelines). § 7203 "Willful failure to file return, supply information, or pay tax" states that there are civil and criminal penalties for failing to file a tax return.
2. The statute of limitations starts when the tax return is filed or the filing date which ever is later. If you never file the IRS has forever to catch up with you.
3. If you are using any of the available techniques to minimize your tax liability (itemized deductions, credits, etc.). The IRS does not know which ones you may want to use nor which ones you qualify for.
4. If the return is not timely filed then any elections that must be made by that date will not be "timely" and therefore may be denied.
5. If you are due a refund.
6. You have investment sales that were reported to the IRS on Form 1099-B. The IRS does not know your cost basis or your expenses.
7. If you paid in taxes through withholding the IRS will receive a copy of your W-2 income and may compute your tax due based on income alone.

Gina L. Gwozdz is a CPA who has chosen to specialize in taxes. Visit her website at <http://GLGcpa.com> to view more Tax Tip Articles.