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For Immediate Release
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Grassley Urges IRS to Fix Unreasonable Electronic Filing Deadline for Family Farmers

WASHINGTON – Sen. Chuck Grassley is urging the Internal Revenue Service (IRS) to fix a computer problem that leaves many family farmers unable to file an electronic tax form until its due date.

“Farmers who are trying to file their tax returns should get reasonable treatment from the IRS,” Grassley said. “Through no fault of their own, family farmers face an unreasonable deadline for filing one of their tax forms. The IRS needs to set a fair deadline and make it clear so farmers can meet their tax obligations.”

Grassley is ranking member of the Committee on Finance, with jurisdiction over tax policy. He said several Iowa accountants for family farmers raised the problem to his attention, and he immediately started working to fix it.

Many sole proprietor farmers are required to file tax returns by March 1 each year if they owe income tax, Grassley said. Many of those filers will attach a Form 4136, Credit for Federal Tax Paid on Fuels, to their return. Grassley said the IRS will not be able to electronically process the completed form until March 3, which is essentially the day the returns are due since March 1 falls on a Saturday.

That leaves taxpayers with an unreasonably tight deadline to file electronically. Forcing them to file paper forms would cause delays and deprive them of the benefits of electronic filing, such as accurate processing, Grassley said. Filing electronically without the Form 4136 would require farmers to overpay their taxes, then have to seek a refund later. “Taxpayers shouldn’t have to overpay for the convenience of electronic filing,” Grassley said.

Grassley said the IRS’ processing of tax reforms is delayed this filing season because of Congress’ late-year Alternative Minimum Tax (AMT) relief and because the *Tax Technical Corrections Act of 2007* added two lines to Form 4136, which the IRS apparently needed ample time to incorporate.

Grassley urged the IRS to delay the deadline for electronically filing Form 4136 without

penalty to March 15.

“All citizens who want to pay what they owe on time should be given a reasonable chance to do so without incurring penalties in terms of fines or additional time spent jumping over bureaucratic hurdles,” Grassley wrote in his letter to the IRS.

The text of his letter follows here.

February 19, 2008

Ms. Linda E. Stiff
Acting Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Ms. Stiff:

I am writing to you regarding an issue that is a concern for an increasing number of my constituents. Many Sole Proprietor Farmers are required to file tax returns by March 1 each year if they owe income tax. Many of these same filers will attach a Form 4136, Credit for Federal Tax Paid on Fuels, to their return. From talking to several constituents, the Office of the Taxpayer Advocate, and the Government Accountability Office, the IRS will not be able to process this form electronically until March 3, which is essentially the day these returns are due since March 1 falls on a Saturday.

If filers and preparers are not able to file electronically in this one-day window, they risk incurring a penalty. I am concerned that the IRS has not issued sufficient guidance for tax filers and preparers to cope with this problem. One Iowa preparer described the three choices he was given when his office contacted the IRS by telephone for assistance with this issue:

1. Do not electronically file the tax return; instead file a paper return by March 1 that the IRS would not process until March 4.
2. File an extension for the March 1 deadline.
3. File the return electronically without the Form 4136, and amend the return later.

I am not satisfied with the first option because I do not think the IRS should be encouraging paper filing with all of the benefits that are gained through IRS e-file, such as more accurate processing, proof of receipt, and reduced chance of making mistakes. For most preparers, it is simply not possible for them to file all of their farming clients' returns in a single day. If the preparers are unable to electronically submit the return on March 3, 2008, they would need to secure an original signature and file by paper, losing out on benefits through no fault of their own.

I do not believe that the second option is technically feasible because while Internal Revenue Code (IRC) section 6654 does specify that there is a waiver of penalties in certain cases, those cases relate

to casualty, disaster, or other unusual circumstances to the extent the Secretary of the Treasury determines the penalties would be against equity and good conscience. Unless the IRS determines that these circumstances apply to this specific situation and provides written guidance, I believe it is against good conscience to hold this option out to filers.

Finally, the third option is reprehensible because it basically tells farmers to pay tax they do not owe in order to avoid estimated tax penalties and then, later on, to take the trouble of filing an amended return to have money refunded that should never have been paid in the first place.

I am sure the IRS shares my goal of making it as easy as possible for filers who want to pay what they owe to file their completed tax returns on time and without penalty. Given that March 3 is less than two weeks away, please tell me how you will quickly advise tax filers to deal with this problem and why the IRS did not give form 4136 higher priority in its computer programming. I am aware that the AMT legislation put the IRS behind in its programming, but it is very troubling that a form that is so prevalently used in the farming community would not be electronically available until the filing deadline date. In an effort to save the IRS the cost of processing these returns by paper because of fear that they will not be accepted electronically and in order to provide all taxpayers with the benefits of electronic filing, I encourage the IRS to find this situation to be fitting of an unusual circumstance as described in IRC section 6654(e)(3) and to issue a news release providing taxpayers until March 15, 2008, to electronically file without penalty.

All citizens who want to pay what they owe on time should be given a reasonable chance to do so without incurring penalties in terms of fines or additional time spent jumping over bureaucratic hurdles.

Thank you for your attention to this matter.

Sincerely,

Charles E. Grassley
Ranking Member

Cc: Ms. Nina E. Olson
National Taxpayer Advocate
Taxpayer Advocate Service