

TALKPOINTS FOR MANAGERS

Federal Employee Tax Compliance Responsibilities



Key Messages

- All federal employees should file and pay their federal, state and local income taxes accurately and on time (by April 17) whether they owe additional tax or are receiving a refund.
- Report all taxable income from all sources for yourself (and your spouse if filing a joint return), such as state tax refunds, interest, dividends, gambling, self-employed business, etc.
- Have the proper amount of tax withheld and timely pay the proper amount of tax.
- Include all required information (W-2s, schedules, SSNs, etc.) with your tax return.
- Review your return for accuracy and keep accurate records of all tax-related documents.
- Visit www.irs.gov for help and assistance.

Background

Since Congress and the public expect federal employees to demonstrate the highest degree of integrity in tax matters, we expect our employees to meet their tax compliance responsibilities without failure. Tax compliance falls into three areas:

1. **Filing Compliance** – Timely filing of all tax returns
2. **Reporting Compliance** – Full and accurate reporting of all income, expenses and deductions
3. **Payment Compliance** – Full payment of all taxes when due

Things Employees Must Do

Employee Tax Compliance means that you meet all your tax obligations in full and on time by April 17. You are held responsible for ensuring that your return is filed properly and timely, even if someone else prepares it. To be compliant you must do the following:

- Have the proper amount of tax withheld from any wages.
- File your tax return by the filing deadline (April 17,) including all required information (SSNs, signatures, schedules, etc.) and required information about all of your taxable income (including interest, dividends, etc., – including your spouse's income if you file a joint return).
- Pay timely, or make arrangements to pay, the proper amount of tax due.
- Review your return for accuracy and keep proper records.

After you file your return you must take action if you discover a tax problem, and respond to any correspondence from the IRS. You may need to prove that you filed your return timely, so keep all your tax records.

Avoid Common Mistakes

- Failure to include all income from Forms W-2, including those for part-time or seasonal work.
- Failure to include all items reported on all Forms 1099.
- Failure to include income from all sources for yourself (*and your spouse if you file a joint return*), such as state tax refunds, interest, dividends, gambling, self-employed business, debt forgiveness, etc.
- Failure to verify the accuracy of tax returns before filing them, such as math errors and omissions. An easy way to avoid these types of mistakes is to e-file your return — e-file automatically checks your math and alerts you to any missing information.
- Failure to sign the tax return and attach all required forms, schedules and documentation.
- Failure to make estimated tax payments, if necessary.

Tax compliance is the responsibility of all federal employees

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Remember

- An extension of time to file is **NOT** an extension of time to pay.
- If you owe and cannot pay, file your tax return and pay what you can by April 17 to avoid or limit penalties and interest. You should pay as much as you can by the April 17 deadline because failure-to-pay penalties and interest are due on any unpaid balance and increase the amount you owe. Contact the IRS to discuss your payment options at 1-800-829-1040. The agency may be able to provide a short-term extension to pay, an installment agreement or an offer in compromise.
- Tax compliance planning is not just a filing season issue — review and adjust income tax withholdings throughout the year and make estimated tax payments if necessary. Under-withholding and owing an estimated tax penalty can be a serious tax compliance problem.
- Outside employment or business activities could result in a requirement for estimated tax payments and/or a change to withholding.
- If you file a joint return, your spouse's activity (income, withholding, estimated tax payments) counts too.
- Withdrawals from retirement funds, 401(k) and IRAs can lead to under-withholding, estimated tax penalties and difficulty in paying your full tax liability on time.
- Keep good records throughout the year.

Discussion Q&A

Actively facilitate a discussion with your employees using these questions.

Q1. If you are to receive a refund, do you still have to file a tax return by April 17?

A1. Yes. There is no distinction between a *refund* and a *balance due* tax return. You still must file a tax return on or before the tax deadline.

Q2. Can you file for an extension?

A2. Yes, but remember this is only an extension of time to file. You must still pay your taxes on time by the April 17 deadline.

Q3. Can I electronically file my tax return for free?

A3: Almost everyone can now prepare and e-file their tax returns for free (or a nominal charge) using IRS Free File Fillable forms or commercial tax preparation software available through the Free File Alliance. To see if you qualify, visit the Free File page on IRS.gov.

Q4: Once I send my return electronically, is my obligation to file completed?

A4: No. It is very important that you receive confirmation that your return was *accepted*. This confirmation will be sent to you via email and can take up to 48 hours. If you are notified that your return was rejected, you need to take steps to correct the return, re-send it and receive confirmation that it was accepted.

Q5: What kind of options do I have if I can't pay the tax I owe?

A5: The IRS may be able to provide some relief such as a short-term extension to pay, an installment agreement or an offer in compromise. An installment agreement allows you to make payments over time rather than paying in one lump sum. Additionally, taxpayers who can't meet the filing deadline can request an extension of time to file. However, an extension of time to file is not an extension of time to pay.

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