

One reason to file your 2020 tax return early

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The IRS announced it is opening the 2020 individual income tax return filing season on February 12. (This is later than in past years because of a new law that was enacted late in December.) Even if you typically don't file until much closer to the April 15 deadline (or you file for an extension), consider filing earlier this year. Why? You can potentially protect yourself from tax identity theft — and there may be other benefits, too.

How is a person's tax identity stolen?

In a tax identity theft scheme, a thief uses another individual's personal information to file a fraudulent tax return early in the filing season and claim a bogus refund.

The real taxpayer discovers the fraud when he or she files a return and is told by the IRS that the return is being rejected because one with the same Social Security number has already been filed for the tax year. While the taxpayer should ultimately be able to prove that his or her return is the legitimate one, tax identity theft can be a hassle to straighten out and significantly delay a refund.

Filing early may be your best defense: If you file first, it will be the tax return filed by a potential thief that will be rejected — not yours.

Note: You can get your individual tax return *prepared* before February 12 if you have all the required documents. It's just that processing of the return will begin after IRS systems open on that date.

When will you receive your W-2s and 1099s?

To file your tax return, you need all of your W-2s and 1099s. January 31 is the deadline for employers to issue 2020 Form W-2 to employees and, generally, for businesses to issue Form 1099s to recipients of any 2020 interest, dividend or reportable miscellaneous income payments (including those made to independent contractors).

If you haven't received a W-2 or 1099 by February 1, first contact the entity that should have issued it. If that doesn't work, you can contact the IRS for help.

How else can you benefit by filing early?

In addition to protecting yourself from tax identity theft, another benefit of early filing is that, if you're getting a refund, you'll get it faster. The IRS expects most refunds to be issued within 21 days. The time is typically shorter if you file electronically and receive a refund by direct deposit into a bank account.

Direct deposit also avoids the possibility that a refund check could be lost, stolen, returned to the IRS as undeliverable or caught in mail delays.

If you haven't received an Economic Impact Payment ("EIP"), or you didn't receive the full amount due, filing early will help you to receive the amount sooner. EIPs have been paid by the federal government to eligible individuals to help mitigate the financial effects of COVID-19. Amounts due that weren't sent to eligible taxpayers can be claimed on your 2020 return.

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