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Taxpayers cry ‘#TaxScam’ as total refunds are down by \$6 billion

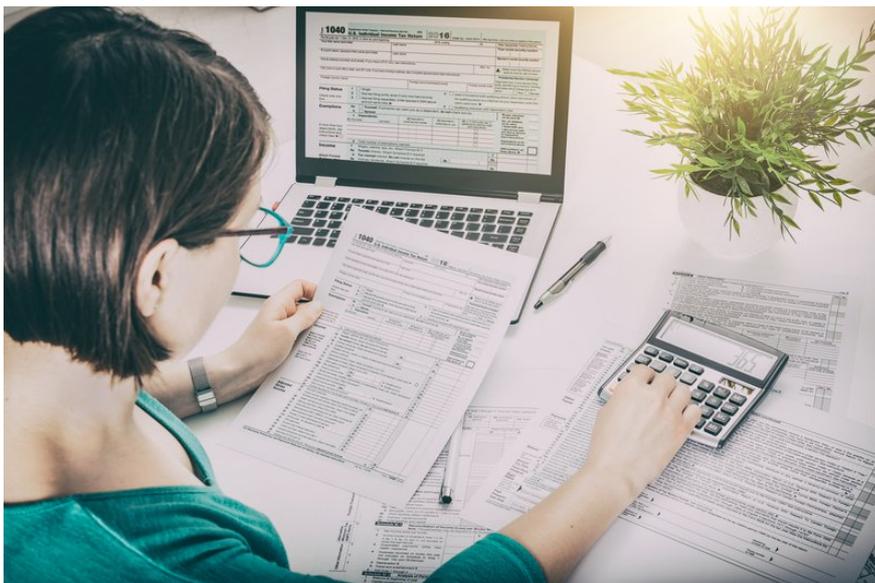


Michelle Singletary
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If I were to give this year's tax season a title it would be: Refund Mania.

Tax season 2019 has largely been about refunds -- or the lack thereof.

Statistics from the Internal Revenue Service showed that the amount of the average refund was down by 8.4 percent the first week of the filing season and 8.7 percent the second. By the third week of the filing season, the average refund amount dropped by 16.7 percent, a decrease of \$529, compared with a year earlier.



The average refund amount trended up for a few weeks but not by much. The widest spread in which the amount increased over 2018 was just \$40. By the middle of March, the average refund amount began falling again. As of March 29, the average refund was \$2,873, down \$20 from the same time last year.

Looking at the big picture, total refunds were \$206 billion as of the last week in March, down just over \$6 billion from 2018.

Source: IRS, 2019 Filing Season Statistics

However, it's important to note that a downward trend in refunds does not mean people paid more in taxes. As the result of the Tax Cuts and Jobs Act, many people saw more money in their paychecks throughout the year, although the amounts might not have been noticeable.

There was so much change this past year. The new law increased standard deductions. It also removed personal exemptions, and limited or discontinued



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certain other deductions. For instance, the total combined deduction for sales, property, and state and local taxes is now limited to \$10,000 (\$5,000 if married and filing separately).

Some people were shocked that they not only didn't get a refund but that they also owed the IRS. Many people had to pay or received less of a refund than in previous years because they didn't change their withholdings, which they needed to do to account for the major tax changes.

The tax disgruntle have been voicing their dismay on Twitter since tax season opened.

Here's the thing. To fully understand your tax situation you need to compare your 2018 return with what you filed for 2017. Don't just look at your refund. Or, even your tax bill.

"The amount of your refund or the amount you need to send with your return is not the same as the tax you pay. It never has been, and it isn't now," said Eric Smith, a spokesman for the IRS. "If you want to know how much tax you paid for 2018, look at Line 15 on your completed 1040."

Smith offered the following tax tips as tax season 2019 winds down.

-- *Check your withholdings.* "The experience of some taxpayers this year is a reminder that checking withholding, ideally every year, is a real good idea," Smith said. "If you didn't get the refund you wanted or had a balance due you couldn't handle, adjusting withholding now, while it's still fresh in your mind, can help avoid a surprise next year."

After you file, while it's still fresh in your mind, do a paycheck checkup using the IRS Withholding Calculator, he said. "Then change your withholding by giving your employer a new W-4. Likely, this will mean claiming fewer withholding allowances and possibly asking your employer to take out an extra flat dollar amount each pay period."

-- *If you can't pay what you owe don't hide from the problem.* "People in this situation are often tempted to put off filing. Many who make this choice often discover later that it was a costly mistake," Smith said. "The basic penalty is 5 percent for each month a return is late, based on the balance due. Even though it tops out at 25 percent, it still adds up fast." If the return is filed more than 60 days late, the penalty is usually increased to at least \$215.

-- *Set up a payment agreement with the IRS if you owe.* "Most people qualify, and you can usually do it online in a matter of minutes," he said. "Payment agreements are a routine piece of business for us, and in recent years, we've typically set up 2 [million] to 3 million a year."

-- *Catch up on back-year returns.* "Though most people who haven't filed for a while owe money, many are surprised to discover that the government owes them money. There's no penalty for filing a refund return, but there is a time limit, typically three years. If you wait too long, you lose it. Unfortunately, we estimate that that happens to over 1 million people every year. For most people, time is about to run out for 2015 returns."

Estimate of individuals who may be due 2015 income tax refunds

Source, IRS

This has been a tough year for a lot of taxpayers. But now is the time to start some tax planning for next year if you were surprised after filing your return.

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