

EARLY RETURNS: E-FILING AND TAX REFUNDS BOTH UP

WASHINGTON -- The Internal Revenue Service notes two trends in the early filing season numbers: more electronic returns and bigger refunds. The 13.3 million electronic returns represent an 11 percent increase over this time last year. The average refund -- \$1823 -- is 14 percent higher.

Showing especially strong growth of 186 percent were e-filings from taxpayers who did their own returns, either with purchased tax software or through companies offering online tax services.

"We're pleased with the continuing upward trend in electronic returns," said Internal Revenue Commissioner Charles O. Rossotti. "More than half of the early filers have e-filed by computer or by phone. These taxpayers appreciate the comfort of having more accurate returns and faster refunds."

The increase in the average refund may be due to new tax credits which took effect in 1998. Tax credits are a dollar-for-dollar reduction in the amount of tax. If taxpayers eligible for these credits did not lower their withholding during the year, they'll probably get a bigger refund now.

The child tax credit is up to \$400 for each dependent under the age of 17. The total credit begins to phase out for taxpayers with income over \$75,000 (\$110,000 on a joint return). While this credit normally cannot be more than the tax liability, there are exceptions for some taxpayers who have at least three qualifying children.

Two credits are based on tuition and fees paid for higher education. The Hope credit of up to \$1,500 per qualifying student is available for only the first two years of post-secondary education. The lifetime learning credit of up to \$1,000 per tax return is available for any level of higher education, but only for courses which began after June 1998. Both education credits phase out as a taxpayer's income increases from \$40,000 to \$50,000 (\$80,000 to \$100,000 for joint returns).

IRS Publication 553, "Highlights of 1998 Tax Changes," explains these and other new tax laws. It is available through the IRS Web site -- www.irs.ustreas.gov -- or by calling (toll-free) 1-800-TAX-FORM (1-800-629-3676).

(more)

As of Feb. 12, the IRS had received nearly one-fifth of the 126 million returns it expects this year -- 23.7 million. It has processed more than \$27.3 billion in refunds, compared to \$22.7 billion at this time last year. So far, three out of five taxpayers receiving refunds had them deposited directly to their bank accounts.

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1999 FILING SEASON STATISTICS

Cumulative through the week ending 2/13/98 and 2/12/99

| | <u>1998</u> | <u>1999</u> | <u>% Change</u> |
|---|------------------|------------------|-----------------|
| Individual Income Tax Returns | | | |
| Total Receipts | 24,013,000 | 23,742,000 | - 1.1 |
| Total Processed | 15,460,000 | 16,397,000 | 6.1 |
| E-filing Receipts: | | | |
| TOTAL | 12,012,000 | 13,340,000 | 11.1 |
| TeleFile (phone) | 3,271,000 | 3,051,000 | - 6.7 |
| Computer | 8,741,000 | 10,289,000 | 17.7 |
| Tax Professionals | 8,523,000 | 9,665,000 | 13.4 |
| Self-prepared | 218,000 | 624,000 | 185.8 |
| Refunds Certified by the Martinsburg Computing Center: | | | |
| Number | 14,199,000 | 14,990,000 | 5.6 |
| Amount of principal | \$22.705 billion | \$27.333 billion | 20.4 |
| Average refund | \$1599 | \$1823 | 14.0 |
| Direct Deposit Refunds: | | | |
| Number | 7,936,000 | 9,423,000 | 18.7 |
| Amount | \$16.058 billion | \$21.094 billion | 31.4 |