

IRS**News Release****Media Relations Office****Washington, D.C.****Tel. 202.622.4000****For Release: 2/14/02****Release No: IR-2002-19****MORE THAN 1 MILLION ERRORS ON NEW TAX FORM LINE;
IRS URGES CAUTION TO AVOID REFUND DELAYS**

WASHINGTON – The Internal Revenue Service said that errors related to a new line on the basic income tax forms may delay refunds by a week or more for taxpayers filing incorrect returns. The IRS has already found more than 1 million returns with these Rate Reduction Credit errors.

This credit is on line 47 of Form 1040, line 30 of Form 1040A, and line 7 of Form 1040EZ. The credit is for those who did not get the maximum benefit through last summer's Advance Payments, and whose 2001 income or tax amounts qualify them for an additional amount.

Taxpayers who received the limit for their filing status should leave this credit line blank. The maximum amounts are:

- \$300 for a single person or a married person filing separately;
- \$500 for a head of household;
- \$600 for a married couple filing jointly or a qualifying widow(er).

The main errors taxpayers make on the Rate Reduction Credit line are:

- entering the Advance Payment amount, when the line should be blank because the taxpayer has already received the maximum benefit;
- entering a credit amount, when the line should be blank because the taxpayer is a dependent;
- leaving the line blank, when the taxpayer actually qualifies for the credit; or
- figuring the credit amount incorrectly.

If you could be claimed as a dependent in both 2000 and 2001, you don't qualify for the Advance Payment or the Rate Reduction Credit. Instead, you get the benefit of a lower tax rate by completing the "Tax Computation Worksheet for Certain Dependents" in the tax instructions. If you could be claimed as a dependent in 2000 but not in 2001, complete the Rate Reduction Credit Worksheet to find your credit amount.

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Even if you are not putting anything on the credit line, your tax preparer – or the tax preparation software you use – may ask for your Advance Payment information to be sure this line is handled correctly. Some taxpayers mistakenly want to report this payment amount as a “taxable refund” on line 10 or as “other income” on line 21 of Form 1040. It is not taxable and you should not put it anywhere on the tax form. You would only use it in the worksheet for figuring the Rate Reduction Credit.

The IRS sent taxpayers a notice last year informing them of the Advance Payment amount they would receive and the date to expect the check. If you don't remember the amount or misplaced the notice, you can call the IRS TeleTax system at 1-800-829-4477 and get the amount.

If you received less than your 2001 filing status maximum amount as an Advance Payment, you may be entitled to claim the credit now. This is because the Advance Payments were based on your 2000 tax information, but your income or tax may have been higher in 2001. If you leave the line blank when you should be claiming the credit, the IRS should correct your error, but this correction may delay your refund.

If you made an error related to this credit, you should not file an amended return until after the IRS processes your original return. The IRS is checking all returns to see that the Rate Reduction Credit line is handled properly and should notify you of any change it makes. The IRS is rejecting e-filed returns that show the Advance Payment amount on this line or that show a dependent claiming the credit, so that the taxpayer or return preparer may quickly fix the problem and transmit a corrected return.

For help in completing the Rate Reduction Credit line:

- visit the IRS Web site at *ww.irs.gov*;
- call IRS TeleTax (toll-free) at 1-800-829-4477, press “3” to listen to recorded tax topics and choose topic 609; or
- call the toll-free tax help line, 1-800-829-1040.

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