

# IRS News Release

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## 2007 Filing Season Kicks Off with New Features, Extended Tax Breaks; Tax Forms in Mail This Week

IR-2007-01, Jan. 4, 2007

WASHINGTON — The Internal Revenue Service today began a busy 2007 filing season that features telephone excise tax refunds, a new refund deposit feature and recently enacted tax breaks that may require extra attention from taxpayers.

“Taxpayers will have a number of new tax benefits and features available this year,” IRS Commissioner Mark W. Everson said. “We encourage taxpayers to take a few minutes to review these changes, particularly those involving the recently enacted tax law provisions. The IRS will do everything it can to minimize the impact on taxpayers.”

This week, the agency is sending 17 million 1040 tax packages for 2006 to taxpayers who have previously filed paper returns. The number of paper tax booklets being mailed to Americans continues to decline as more people opt for electronic filing. The IRS expects to process about 136 million individual tax returns for 2006, with more than half of those filed electronically.

Among the major changes taking place this year:

**Telephone Excise Tax Refund.** Individual taxpayers will be able to request a refund if they paid the federal excise tax on long-distance or bundled service. The government stopped collecting the federal excise tax on long-distance service in August and announced plans to provide refunds of these taxes billed after Feb. 28, 2003, and before Aug. 1, 2006. More than 146 million individual taxpayers are expected to request the refund.

To request the refunds, taxpayers have several options:

- Individual taxpayers can request the refund by using the standard amounts, which are based on the total number of exemptions claimed on the 2006 federal income tax return. Choosing the standard amount saves taxpayers the time and trouble of digging through 41 months of old phone bills. The standard amounts are \$30 for a person filing a return with one exemption, \$40 for two exemptions, \$50 for three exemptions and \$60 for four or more exemptions. For example, a married couple filing a joint return with two dependent children (for a total of four exemptions) will be eligible for the maximum standard amount of \$60. To get the standard amount,

eligible individual taxpayers will fill out an additional line on their regular 2006 1040 return. (Line 71 on Form 1040; Line 42 on Form 1040A; Line 9 on Form 1040EZ.)

- Alternatively, individual taxpayers who want to request a refund of the actual amount of tax paid should figure that amount using Form 8913 and report it on their income tax return.
- Businesses and tax-exempt organizations can also request a refund under a different procedure; more information is available at [IRS.gov](http://IRS.gov).

**New 1040EZ-T Form.** For people who don't need to file a regular tax return, the IRS has developed a special, shorter form to allow them to request the telephone refund. Copies of the Form 1040EZ-T will be available on [IRS.gov](http://IRS.gov), over the phone and at a variety of other locations. The IRS encourages people who qualify for the 1040EZ-T to file electronically through the Free File program, which will be available for free beginning later this month. More than 10 million taxpayers who aren't normally required to file a tax return may be able to use this new form. Taxpayers can either claim the standard amount on this form or attach a Form 8913 to claim actual amounts.

**Recent Tax Law Enactments.** The IRS is taking a number of steps to help taxpayers get the information they need to take advantage of tax law provisions enacted in December after IRS forms went to print.

This new legislation affects a number of areas of tax law, but the most significant effect on individual taxpayers involves the deductions for state and local sales tax, higher education tuition and fees, and educator expenses.

Taxpayers can visit [IRS.gov](http://IRS.gov) for updated information on the late legislation. The IRS will conduct a special mailing of Publication 600, which will include the state and local sales tax tables and instructions for claiming the sales tax deduction on Schedule A (Form 1040), to 6 million taxpayers who also receive the 2006 Form 1040 package this month.

For taxpayers using a paper Form 1040, they will have to follow special instructions if they are claiming any of the three deductions. The key paper 1040 Forms went to print in November, so taxpayers will have to make special notations to claim the deductions if they use these paper forms. Specific details are available on [IRS.gov](http://IRS.gov). For people using IRS e-file or Free File, tax software will be updated to include the three key tax provisions, and e-file will get the refunds to taxpayers faster than paper returns.

"As we always do, we encourage taxpayers who think they may claim these deductions to file electronically," Everson said. "They will get their refunds faster through e-file. Even more importantly, e-file will greatly reduce the chances for making an error compared to claiming the deductions on the paper 1040."

The IRS will not be able to process tax returns claiming any extender-related deductions until early February. All other returns can be filed and processed as normal. Whether claiming an extender provision or not, the IRS notes that using IRS e-file is the most accurate to file any

return and the quickest way for taxpayers to receive their refunds. Based on filings last year, only about 930,000 tax returns claimed any of the three extender provisions by Feb. 1.

**New Split Refund Option.** For the first time, taxpayers can split their refunds among up to three accounts held by up to three different U.S. financial institutions, such as banks, mutual funds, brokerage firms or credit unions. To split their direct-deposit refunds among two or three different accounts or financial institutions, taxpayers should complete the new Form 8888, Direct Deposit of Refund to More Than One Account. Taxpayers can also continue to use the direct deposit line on the Forms 1040 to electronically send their refunds to one account.

**Free File Improvements.** The free electronic filing program begins later this month featuring improvements to benefit the 93 million taxpayers — 70 percent of all taxpayers — who qualify for the program. Free File, a partnership between the IRS and the private sector Free File Alliance, is available for taxpayers who earn \$52,000 or less. This year, the program features an agreement by private sector partners to remove Refund Anticipation Loans (RALs) as well as other ancillary offerings from the program.

### **IRS.gov, E-file Helps Taxpayers.**

Given the large number of changes this year, there are several easy options for taxpayers to turn to for help. IRS.gov will have information on all the tax changes and new features this year. Key features include:

**1040 Central.** This is a one-stop online shop for people hunting key forms, looking for what's new in the tax code and answers to frequently asked questions.

**Where's My Refund?** Once taxpayers file their tax return, they can track their refund through the online tool "Where's My Refund?" at IRS.gov. Taxpayers will need some of the exact information from their tax return in order to use the tool. Access this secure Web site to find out if the IRS has processed the tax return and sent the refund.

Filing electronically will prevent problems for many taxpayers sorting through this year's changes. With IRS e-file, taxpayers can get their refunds in half the time of filing a paper tax return and receiving a refund check, even faster with direct deposit. IRS computers also quickly and automatically check for errors or other missing information, making e-filed returns more accurate and reducing the chance of getting an error letter from the IRS.

"With all the changes taking place, this is a good year for paper filers to try e-file," Everson said. "We remind taxpayers that e-filing is fast, secure and reliable."

Taxpayers consistently give high marks to e-file in satisfaction surveys. E-file ranks as one of the government's most popular programs, according to the American Customer Satisfaction Index. And in a survey of users of Free File, 97 percent said they would recommend it to others.