

IRS



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IRS CHANGES FILING REQUIREMENTS FOR SCHEDULE B, AGENCY REDUCES BURDEN FOR MORE THAN 15 MILLION TAXPAYERS

WASHINGTON – The Internal Revenue Service and Treasury Department announced today an increase in the threshold for filing a separate schedule for interest or dividend income. The change means more than 15 million taxpayers will have one less schedule to file with their tax return.

For 2002 tax returns, most taxpayers will no longer have to file a separate schedule if they have interest or dividend income of \$1,500 or less. Form 1040 filers use Schedule B, *Interest and Ordinary Dividends*, to list the names of those who paid them along with the amount; Form 1040A filers use Schedule 1. The new IRS standard replaces the existing reporting threshold of \$400.

Without the shift, more than 40 million taxpayers would have to file Schedule B or Schedule 1 next year, according to IRS estimates. The \$400 figure has been in place since 1974.

“For millions of Americans, this change means one less piece of paper to file at tax time,” said IRS Commissioner Charles O. Rossotti. “This reflects our ongoing effort to make it easier for people to file and pay taxes.”

“While much tax simplification and burden reduction requires Congress to change the law, there are a number of administrative measures the IRS and Treasury can take to reduce complexity and to reduce the paperwork burden on American taxpayers,” said Pam Olson, Acting Treasury Assistant Secretary for Tax Policy. “This is one of those measures. We will continue our efforts to reduce the burden on taxpayers and simplify the tax code.”

This change will also enable another 800,000 taxpayers to use the shorter Form 1040EZ or use TeleFile to file their tax returns by telephone by increasing the maximum amount of interest income they can report to \$1,500.

As in past years, certain taxpayers with bank or other financial accounts in a foreign country (and certain taxpayers involved in foreign trust transactions) must continue to file Schedule B regardless of the amount of interest or dividends they receive.

Taxpayers with ordinary dividends and taxable interest that each do not exceed the \$1,500 threshold will report only these totals on their Form 1040.

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Rep. Doug Ose of California, the Chairman of the House Government Reform Subcommittee on Energy Policy, Natural Resources, and Regulatory Affairs, which has principal oversight over paperwork reduction, praised this initiative.

"I applaud Commissioner Rossotti's initiative, which will result in a 20 million hours burden reduction for individual taxpayers," he said. "The paperwork burden on Americans is enormous. This reduction in tax reporting complexity is a significant step in the right direction."

Raising the filing threshold figure for interest and dividend income for individual taxpayers is the second paperwork reduction reform announced by the IRS this year. In April, IRS officials decided to raise the gross receipts and asset limits for filing Schedules L, M-1, and M-2 on certain corporate tax returns. This change, which goes into effect for tax year 2002, is estimated to reduce the filing burden on 2.6 million small businesses.

"We've moved ahead with cutting unnecessary filing requirements as quickly as sound tax administration allows," said Michael R. Chesman, director of the Office of Taxpayer Burden Reduction in the Small Business/Self-Employed Division of the IRS. "This is precisely the kind of change we wanted to initiate when this office was formed less than a year ago."

Increasing the filing threshold will not affect the IRS' efforts to ensure that individuals comply with tax law. The agency routinely receives third-party information returns from the thousands of banks and financial institutions that pay interest and dividends. The IRS then matches these figures to the interest and dividend income reported by taxpayers.

Under law, the threshold amount for filling out a Schedule B for Form 1040 or Schedule 1 for Form 1040A is set at the IRS commissioner's discretion.

"We applaud IRS and Treasury for taking steps to simplify the income tax reporting requirements for taxpayers," said Judith A. Akin, the president of the National Association of Enrolled Agents. "We hope to see continued efforts toward tax simplification."

The Association represents approximately 10,000 tax professionals who are registered with the IRS and can represent taxpayers before the agency.