The IRS And The Taxpayers' Money

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Introduction

The issue of tax refunds, identity theft and hiding money overseas is critical to the people of the United States. They value their money and would like the government to address the emerging issues that link to these trends. The paper discusses these three trends in light of IRS rules and regulations.

Sensibly, in 2017, issues concerning tax refunds have been critical. For instance, there are delays in tax refunds, new tax laws, and the introduction of tax refunds for small businesses. Unclaimed refunds come in when the government owes money that you fail to collect. Each year, the Internal Revenue Service has unclaimed refund money that accumulates to more than $1 billion. Collectively, government agencies have about $58 billion in unclaimed refunds. The largest source of these unclaimed funds is the tax refunds that occur primarily because the amount of money paid as income taxes is more than the amount of taxes owed (Internal Revenue Service, n.d.). Tax refunds mostly apply to people earning a small amount of money that doesn't reach the tax threshold. The IRS may still withhold some amounts from their salaries that are refundable if the workers file tax returns. The money can usually be refunded unless the deadline to receive it has passed.

In 2011, the IRS stated that it had up to $153.3 million dollars awaiting pickup by their rightful owners. On March 1st, 2017, the Internal Revenue Service indicated that it had about $1 billion in unclaimed funds to people who had not filed the 2013 income tax returns (Internal Revenue Service, n.d.). This money is at risk of becoming property of the U.S. Treasury if it will still be unclaimed. The tax refunds form the largest part of the unclaimed funds. The other sources of unclaimed funds are unpaid back wages, life insurance funds, and savings bonds, among others. For the reasons given above, this paper in writing seeks to discuss unclaimed funds with regard to taxation.

Trending Concerns Of Unclaimed Tax Refunds

Similarly, another critical concern that troubles taxpayers this year is the new tax refund law. The new law stipulates that tax refunds are set to take effect starting on February 15. The new law on tax refunds is based on refundable tax credits, which are Earned-Income Tax Credit and the Additional Child Tax Credit. Tax refunds can reduce a taxpayer's tax liability to zero. Subsequently, if the refundable credit is higher than the tax liability, then one is eligible for a tax refund. This implies that one gets a refund up to the amount equivalent to the tax liability, subsequently, it does not provide

for excess nonrefundable credit. Sensibly, this is a major blow to the taxpayers since their excess refundable taxes are withheld by the IRS, hence benefiting the government at the expense of the taxpayers.

To date, there exists nearly a looming delay in regard to tax refunds. The tax season ended on April 18th, nevertheless, the tax refund is a program that aims to curb poverty, yet it is not fully utilized. The filing of tax returns in 2017 began on Jan. 23, however, the refunds did not start being released by the IRS until after February 15. This is due to the new laws that require the IRS to move the date to Feb. 15. The delay aims to give more time to the agency to audit returns to curb fraud. The delays this year have lasted for several weeks and not only protect people from identity theft but also safeguard them from fraud. After the IRS had reviewed all the necessary documents, the applicants for the tax refund received them after 21 days. It is unclear if the delay will still continue until next year.

Again, sections 41 (h) and 3111 (f) have been a topic of discussion. The act provides guidance on how small enterprises should implement tax refunds as a reprieve for small businesses based in the U.S. The act states that taxation is a heavy burden on any business. Therefore, permitting small business owners to seek tax refunds is a critical move to enhance the mushrooming of small businesses, hence leading to the growth of the economy.

Unclaimed Refunds Statistics

Failing to file for income tax has deeper repercussions than getting your unclaimed funds. People cannot access their Earned Income Tax Credit, which is a significant credit for poor households. The state and federal rebates differ in the amount (Fowles, 2015). The estimates from the IRS claim that Texas is the state with the highest total potential for refunds, with about $104,000,000 failing to claim their tax refunds. The second state is California with about $93,000,000 in potential refunds. The refunds are for about 97,200 people (Erb, 2017). New York comes third with about $59,416,000 in refunds for approximately 54,700 people.

Claiming A Tax Refund

If a taxpayer is due a tax refund, they have a three-year window period following the return date to request the money owed to them by the IRS. Claiming the tax refund requires details from the W-2, 1098, 1099 or 5498 forms. After filing for the annual income tax, the money is issued a few weeks after the day the claim was filed (Lenell, 2014). The tax refund is paid in personal checks, direct deposits to the person’s bank, or U.S. Savings Bonds.

The refunds are issued through personal checks that are sent to the last recorded address. Sometimes, the checks fail to arrive because the recipient moved without changing the address. This is still another source of tax refunds (Internal Revenue Service, n.d.). The tax status is done annually,

which is a huge disadvantage to people who are new in the workplace or have been unemployed for an extended period. The IRS issues warnings that the money may still be held even after claiming it if the income tax returns are not filed.

IRS Notices

If the funds are still unclaimed, the IRS may send a notice informing the party that the IRS has not received tax returns for a particular year. They also include information on the three-year statute of limitations on the refund. This message serves as a warning, and the recipients should file their tax returns immediately. If the party receiving the notification has filed for the tax returns eight weeks before receiving the letter, then the person can file for a second tax return.

Delivery Of The Refund

The best way to ensure that the refunds are delivered in a timely manner is by selecting the personal bank deposit method. Bank deposits remove the possibility of misplaced or lost checks. The best way to apply for tax refunds is electronically as the IRS will acknowledge receiving the document electronically. Form 8822 should be used when a person is changing the address to avoid lost checks. The IRS has a toll-free number that can be used to check on the status of the check and to confirm the change of address (Dean, 2016).

Organizations Helping In Collection Of The Refunds

There are organizations that are dedicated to ensuring that the $1 billion reaches the over 20 million people to whom it is owed. Some of the organizations help people fill out their tax return forms and follow up on the status of the refunds. They help with all types of tax returns, including the American Opportunity Credit, the Earned Income Tax Credit, the Residential Energy Credit, and the Child Tax Credit. Some of these organizations are accounting firms (Jackson Hewitt Tax Service Inc., 2015).

Identity Theft

This type of theft burdens its sufferers and is also very challenging for organizations and other governmental institutes, including the IRS. The IRS fights such identity thefts, specifically tax-related ones. It has established a strategy where care is a must, and it involves prevention, recognition and victim assistance. IRS is working for the betterment of this case, and IRS considers it a priority and is giving major importance to it (IRS, 2015). Such a ‘Tax-related identity theft’ takes place only when a person makes use of the Social Security number to register a tax return. Such a tax return claims a deceitful refund.

In the year 2017, the IRS, along with the states and the tax industry, espoused to declare new barriers for fighting this theft. Many such measures won't be visible to the common people, but they are very important to fight these criminal groups (IRS, 2017). If one tries to log in for personal information, one must find new standards. Some other states are far advanced in implementing these changes. To find details, one must visit his state revenue agency's website. One can imagine how bad such an act is, especially for the sufferers (IRS, 2017).

Hiding Money Overseas

Those tax filers within the United States try to cheat on their taxes, which are to be paid. They cheat by investing in off-shore companies or others who innocently get trapped in a scammer that promotes an offshore tax scheme. Such innocent people also, meanwhile, forget to report such fraud schemes. Therefore, they are expected to be fined heavily, as reported by the IRS (Sahadi, 2015).

The IRS reports that it had involved many offshore schemes in audits and tracked criminal charges in the recent past, which resulted in fines of billions of dollars and restitutions. IRS Commissioner John Koskinen says it is so bad if one tries to hide money in offshore companies, according to him the Taxpayers when they come forward are served well.

To make people aware in this regard, the agency launched a program in 2009 named an Offshore Voluntary Disclosure Program. The program was based on the idea that taxpayers who had many offshore accounts may notice the reduced penalties, and to avoid criminal suits, they may also change their minds. It has been seen in the last many years that there are many individuals who are escaping U.S. taxes by storing their money in offshore companies by hiding income in offshore banks, brokerage financial records or contender entities. Later, they access their accounts using debit cards, credit cards or using wire transfers. In comparison, there are others who employ foreign trusts, employee-hire schemes, special allowances or indemnification plans to carry out the same act (Sahadi, 2015).

The IRS makes use of the knowledge gathered from its inquiries to track taxpayers with secret accounts; its aim is to find their supporters too, for instance, the bankers sitting outside helping them to hide their money overseas. The IRS is assisted by the Department of Justice in this regard. There can be genuine reasons behind offshore assets, but they must be reported. Those U.S. taxpayers who do not report but rather keep secret accounts are criminals according to the law; they are liable to prosecution and heavy fines. Since 2009, many have come forward to report voluntarily, to get benefits from the U.S. tax system and to resolve the blame (IRS, 2016).

By the start of 2012, the IRS re-launched the Offshore Voluntary Disclosure Program (OVDP) as dedicated taxpayers and tax practitioners showed great interest. This program was not limited to a fixed period and would remain open indefinitely.

Third-Party Reporting

Under the Foreign Account Tax Compliance Act (FATCA) and intergovernmental agreements (IGAs) between the U.S. and other partners, automatic third-party reporting began, making sure that more offshore accounts would be reported to the IRS. Along with FATCA and IGAs, the Department of Justice's Swiss Bank Program also aids in reaching non-prosecution contracts made with Swiss financial institutions that were the facilitators in the past (IRS, 2016).

Conclusion

The IRS may hand in more than $500 million annually from uncollected taxpayers' money. This money comes from both credits offered to people earning a low income and those paying more income tax than required. Other factors could also affect the presence of the refund. The refunding process is very easy, but still, most people fail to claim the money. Every citizen should file their income tax annually to avoid giving the government interest-free loans. The cities with the highest owed amount are Texas, New York and California. People should keep their information up to date when dealing with the IRS to avoid losing their refunds to the government. Identity theft also burdens its sufferers and is very challenging for organizations and other governmental institutes, including the IRS. The IRS fights such identity thefts, specifically tax-related ones. The problem of hiding money overseas is also increasing. Taxpayers cheat by investing in off-shore companies or others who innocently get trapped in a scammer that promotes an offshore tax scheme.

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