

Taxpayers Face Delays as Well as 'Sequester'

Mark Steber can't file his taxes. This is especially annoying for a man who is chief tax officer for Jackson Hewitt Tax Service Inc, the second-largest tax preparer in the United States.

Steber uses his own company's software and usually files early. But right now, his tax return is just sitting on his desk because some of the forms he needs from the Internal Revenue Service are not available.

The IRS has yet to release nearly 30 tax forms. The one delaying Steber's return is Form 8582, which relates to rental property income.

And the deep government spending cuts slated to go into effect on March 1, known as the "sequester," could complicate Steber's—and your—taxes even further. The cuts will likely impact a number of government agencies, including the IRS. (Click [here](#) to see related video.)

"It's the most amazing year I've seen," says Steber.

Talk to any tax preparer or tax policy expert and the word they are more likely to use is "challenging."

As a taxpayer, how much you will be affected by the delay in tax forms and the impact of the sequester on the IRS depends on your tax situation.

Early Birds Wait

If you usually file your taxes early because the government owes you a lot of money and you need it, waiting for the necessary forms could have dire consequences. Many of the forms that have not yet been issued relate to small businesses

and specialized entities such as S corporations, which pass through taxes to their owners.

Once the delayed forms are issued, they must be ingested into efile computer systems, then returns can be transmitted.

The 2012 tax filing season was delayed by eight days because of the initial sequester deadline, in early January, and the last-minute passage by Congress of the American Taxpayer Relief Act on January 1.

"The IRS gets a bum rap on this, because doing tax law changes on January 1 put it in a terrible position," says Bob Kerr, senior director of government relations for the National Association of Enrolled Agents, a trade group for tax experts certified by the IRS.

With a tax filing deadline of April 15, filers have lost 10 percent of the time they have to prepare returns, Kerr says. For one person, that may not be a big problem; but for tax preparation firms, it is causing backlogs.

Jeffrey Porter, vice chairman of the tax executive committee of the American Institute of Certified Public Accountants, wrote a letter imploring the IRS to release the delayed forms or at least provide tax preparers with more information about when they might be ready.

"The response to the letter from the IRS was thank you, they know the forms are due, and they would like to talk to us more," says Porter. But no talks have yet been scheduled.

The IRS says it will have details on the delayed forms and the impact of the sequester soon. But for now, the only official information is contained in a letter dated February 7 from Neal Wolin, at that time acting secretary of the Treasury, to Senator Barbara Mikulski, which said the effects of the sequester "would be particularly painful at the IRS."

Looming Doom

Tax experts say that even if 30-day notices of layoffs at the IRS go out on March 1, the agency should be staffed through the rest of tax season.

After that, it could become more complicated. "About 70 percent of that agency's budget is people. There's no way to trim any significant amount of spending without trimming people," Kerr says.

If the IRS has to cut customer service representatives, phone wait times could balloon. If the agency has to furlough enforcement officers, audits could slow down. If it misses deadlines on collection actions, which are time-sensitive, then it could miss out on revenue.

What is certain is that the IRS will still be able to process your tax payment, Kerr says. "I'm writing a check, and I know they'll cash it," he says.