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Column: IRS Pushes Small Biz to E-File

By JOYCE M. ROSENBERG
The Associated Press
Wednesday, October 4, 2006; 2:34 PM

NEW YORK -- In just a few months, many small-to-medium sized corporations will be required to join a growing trend _ e-filing, the electronic filing of their tax returns and forms such as W-2s and 1099s. It's something that many other small businesses should consider, even if the government isn't mandating that they do it.

The Internal Revenue Service says corporations with \$10 million or more in total assets and that file 250 or more returns _ which includes the annual tax forms given employees and independent contractors _ will have to submit their forms for the 2006 tax year using the government's electronic filing system. Until 2006, only corporations with \$50 million or more in assets and 250 or more returns were required to e-file.

E-filing isn't a complicated process; many businesses are already doing it as a natural outgrowth of compiling their returns using a software program. Or, their tax professionals just take care of it. Certainly, any company with a large number of employees ought to be e-filing _ think about the time spent compiling paper returns and taking them to the post office.

And any business owner _ even a sole proprietor attaching a Schedule C to his or her 1040 _ can benefit. E-filing can help businesses avoid some of the problems that can crop up with

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paper returns and regular mail, said Jeffrey Berdahl, a certified public accountant with Berdahl & Co. in Center Valley, Pa.,

"It reduces the chances for mistakes at both ends," at the business and at the IRS, Berdahl said. "It just makes it cleaner."

E-filing _ and also online payment of taxes _ goes beyond returns. Many businesses e-file their employment tax forms and submit their payroll taxes online; again, those tasks are handled easily by the software they use to keep their books. And e-filing is available in many states, who use it not just for income tax, but for sales and other taxes as well.

For neophytes or do-it-yourselfers, the IRS Web site can be a helpful place for information about e-filing.

The agency offers an overview of e-filing at <http://www.irs.gov/efile/article/0,,id118520,00.html>. It has links to pages that explain the e-filing process and list the business returns and forms that can be e-filed. Another link on the page takes visitors to the Electronic Federal Tax Payment System, the Web site where payroll taxes, income taxes and other tax obligations can be paid.

Two other links list e-file providers and business partners, companies that businesses can use to help or even handle the filing process. These companies charge for their services, but depending on how much help a business owner is looking for, it might be worth the expense.

For example, some companies that provide payroll services will file your IRS Form 940, Employer's Federal Unemployment Tax Return and Form 941, Employer's Quarterly Federal Tax Return, and arrange for your payments to be submitted electronically as well. They can also send your W2 and 1099 forms to the IRS, and any state and local forms to those governments as well.

While convenience, accuracy and speed should be enough to motivate a business owner to switch to e-filing, some still are laggards. But accountants say they may be forced to e-file _ although the IRS hasn't announced any further changes to its e-requirements, the government is expected at some point to bring more companies into the e-filing fold.

"It's where the world is going," Berdahl said.

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