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NYSSCPA

certified | public accountants

530 fifth avenue, new york, ny 10036-5101
www.nysscpa.org

July 17, 2003

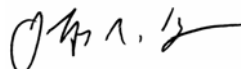
United States Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Senators:

The New York State Society of Certified Public Accountants (NYSSCPA), the oldest state accounting association, represents approximately 30,000 CPAs that support efforts to encourage practitioners and the public to embrace electronic filing. Included in H.R. 1528, the Taxpayer Protection and IRS Accountability Act of 2002, is a provision that extends the tax filing deadline for individuals who file electronically from April 15 to April 30.

The NYSSCPA's Tax Oversight Committee established a Task Force on E-Filing in October 2002 to work with the IRS on ways to promote electronic filing to CPAs. The Task Force has drafted the attached comments, which explain that extending the filing deadline will not encourage additional use of electronic filing by CPAs and could be counterproductive to existing efforts to encourage electronic filing by this group. Members of the task force would be pleased to meet with you for additional discussion about the comments. Please contact Maryann M. Winters, chair of the task force, at 315-471-0465 or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303 if such discussions would be helpful.

Sincerely,



Jeffrey R. Hoops
President

Attachment

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**NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC
ACCOUNTANTS**

**COMMENTS ON PROPOSAL TO EXTEND TAX FILING
DEADLINE TO APRIL 30 FOR INDIVIDUALS WHO FILE
ELECTRONICALLY**

JULY 17, 2003

Principal Drafters

**Maryann M. Winters, CPA
Stephen R. Buschel, CPA
Henry A. Garris, CPA
Alexander Kleyman, CPA
Fred L. Slater, CPA**

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Fred L. Slater

NYSSCPA Staff

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NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**COMMENTS ON PROPOSAL TO EXTEND TAX FILING DEADLINE TO
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July 17, 2003

General Comments

The NYSSCPA supports efforts to encourage the use of electronic filing. H.R. 1528, The Taxpayer Protection and IRS Accountability Act of 2002, includes a provision to extend the tax filing deadline for individuals who file electronically to April 30th from April 15th. The NYSSCPA urges Congress to consider the unintended effects of this provision, which would be counterproductive to efforts to advance electronic filing.

The NYSSCPA Tax Executive Committee established a task force to promote e-filing among NYSSCPA membership. We are firmly committed to assisting our members in adopting e-filing. It has been difficult to convince them that e-filing is in their best interest because they object to the increased complexity imposed upon their practices by two different filing methods, electronic and paper. Our members differ from the mass filers in that many of them have small practices where they process fewer but in many cases more complicated returns than filed by the mass filers. An extended deadline will not accomplish its intended purpose because it will confuse taxpayers and CPA tax preparers will reject it.

Electronic filing provides great advantages for both the taxpayer and the government. We support and will continue to encourage our membership to embrace electronic filing where possible, but for the reasons stated below, advancing the electronic filing due date to April 30th from April 15th could cause more harm than good.

Specific Comments

The provisions in H.R. 1528 to change the due date for electronically filed returns to April 30 should be dropped for the following reasons:

Uniformity in Federal and State Filings

Unless all the states agree to change their April 15 deadlines to coincide with the federal changes, taxpayers and practitioners will not gain any advantage because most state filings use information from the federal return. The federal return must be prepared before the state return can be filed.

E-filed Returns Rejected Between April 15 and April 30

There are occasions when e-filed returns are rejected through no fault of the taxpayer or the CPA. These are situations that can not be anticipated, such as electronic rejection because another taxpayer has, in error, previously filed a return using the taxpayer's social security number or the number of one of her or his dependents. How can such a taxpayer be protected in order to be considered "timely filed" if a paper extension is not filed on April 15th? Any perceived advantage of the extended due date for electronic filers evaporates in such cases.

Estimated Taxes Based Upon the Safe-Harbor Provisions

Any taxpayer who currently pays estimated taxes based upon covering their prior year's tax will be unable to take advantage of the extended due date because they will not know the amount of the prior year's tax to cover. A large portion of returns filed by CPAs, as well as a significant number filed by the general public, take advantage of this provision, thereby eliminating another "incentive" for these individuals to file electronically. Extending the due date for the first quarter estimated tax payment must be part of any consideration of extending the filing due date.

Taxpayer Confusion

For nearly 50 years April 15th has been the due date for income tax returns. If the federal tax system were to introduce a new date for filing electronic returns it would undoubtedly receive much media fan fare. Many unsuspecting taxpayers, in anticipation of filing electronically, would take it for granted that they could automatically extend their filing without taking into account problems that might arise such as rejection of the electronic file, earlier deadlines for state filing, and the inability of many states to accommodate the same level of complexity in electronic filing as the federal government. The resulting taxpayer confusion will result in procrastination, frustration, penalties, and ultimately the incidence of non compliance will increase.

Illusion of Delayed Payment Incentive

The rationale that an April 30 deadline will give taxpayers an incentive to file electronically because they can delay payment of taxes for an additional two weeks, gaining thereby the time value of their money for that time period, is faulty. The difference between an immediate charge of an electronic payment against a taxpayer's account on April 30 and the slower processing of a check mailed on April 15 will likely give the taxpayer the use of his or her money or "float" for less than a week. The time value of money benefit for that period will be negligible for most taxpayers. Further, information from the IRS Statistics of Income Division indicates that approximately 82% of the individual income tax returns filed for 2002 had a refund due. Taxpayers expecting refunds tend to file early rather than late. The supposed time value of money incentive would apply to less than one fifth of all taxpayers.