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Five Reasons Why You Should E-File Your Tax Return

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Don't believe the scare tactics. E-filing your tax return is fast, accurate, and secure. GETTY

Don't let [this opinion piece in the *Wall Street Journal*](#) scare you into paper filing your tax return. E-filing is still the best way to file a tax return for many reasons. Five of the most important ones are discussed below.

E-filing Is Secure

The article says that e-filing is “vulnerable to cyberattack” and mentions a malware attack at Wolters Kluwer and a data breach at TaxSlayer. According to Brad Messner, owner of [Financial Guardians, LLC](#), a firm specializing in cybersecurity for the tax and accounting industry, these attacks occurred five and ten years ago, respectively. “Technology has evolved much since then,” Messner said. “With protection services being what they are today, leveraging proper security protocols drastically reduces exposure risk as compared to five or ten years ago.”

Messner also noted “While paper may not be subject to malware, we saw the chaos of the post-Covid-19 catch up.” Paper goes through many hands starting at the post office, going through postal transportation carriers (often commercial airliners), and then to various centers at the IRS. This literal paper trail creates “easy access for the common person without technical skill sets to steal or swipe documents,” Messner stated. Indeed, the potential for physical breaches of a paper-filed return has many more access points than that for an e-filed return which goes directly from the electronic return originator, to the software vendor, to the IRS.

Instances of malware attacks or data breaches at tax software provider firms [or tax firms](#) say more about cybersecurity at the firm in question than the security of the e-filing process itself. Vendors that provide tax software to tax professionals and individuals are held to bank-level security as are tax firms who prepare returns for individuals and businesses. [All paid return preparers are required by the IRS to have a written information security policy \(or WISP\).](#) Many, however, do not. The lack of a proper security plan is not a problem with the e-filing system, it is a problem within some firms in the tax and accounting industry.

Typically, it is also the individuals who use DIY software that are the weak link in the e-filing security chain, not the software.

Individuals often use the same passwords across multiple websites, don't use multi-factor authentication when it's available, fail to protect their home wifi, don't encrypt the devices they use to access sensitive information, *etc.* E-filing with the IRS is perfectly secure (as is online banking and other online business) as long as the individual is taking reasonable and recommended security precautions.

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E-filed Returns Are Accurate

Data entry for paper-filed returns is entered by hand even when the return was prepared electronically, printed, and mailed to the IRS. In contrast, data from e-filed returns is transferred directly into IRS computers. Should an SSN or EIN be entered incorrectly, the e-filed return is rejected and the error can be quickly reviewed and fixed by the tax professional or the taxpayer. Further, data from paper-filed returns is stored in the same IRS database as the data from e-filed returns, so once those returns hit the IRS database they all have the same risk level.

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Robert Barr who became known at the IRS as the “Godfather of Electronic Filing” is a Former IRS Assistant Commissioner for Electronic Tax Administration and current Vice President of Business Engineering at [CGI Federal](#). Barr said in an interview “There is more rigor around e-filing across the ecosystem than in paper filing: better accuracy, privacy, and fraud protection.”

E-filing Protects The Taxpayer

The WSJ article references a few highly publicized court cases where a tax professional failed to e-file a taxpayer’s returns or failed to follow up on a rejected return and one where a taxpayer’s e-filed Tax Court petition was rejected as not timely, causing the taxpayer’s case to be dismissed. These situations were not e-filing failures—they were human failures.

E-filing through a tax professional or using DIY software does not guarantee that a return has been accepted for processing by the IRS. Proof of filing comes as an electronic acknowledgement. Tax professionals and individual e-filers are expected to track and correct (or “perfect”) rejected e-filed returns. Indeed, tax professionals have a grace period of five days to perfect a rejected return.

In the Haynes case cited in the Op Ed, the outcome of which still is not final, a penalty was upheld because a rejected return was not perfected promptly and resulted in penalties for the taxpayer. The taxpayer is attempting to get the penalties abated for the reasonable

cause of reliance on a tax professional. Ultimately, however, it is the taxpayer's responsibility to ensure that their tax returns are filed.

Reliance on a tax professional to ensure that returns are filed has rarely been seen as reasonable cause for penalty abatement. Nevertheless, the failure of a paid tax professional to ensure returns are properly filed is not unique to e-filing. The same result would be realized had the tax professional provided paper copies to the taxpayer to file and the taxpayer forgotten to mail them (it happens) or had the tax professional had a staffing issue, a medical issue, or some other emergency and completed paper returns didn't get mailed (this also happens).

E-filing acknowledgements work the same way for DIY software used by individuals. Simply clicking the e-file button doesn't ensure that the return has been accepted. Most tax-filing software reminds taxpayers to log into the software after they have e-filed to ensure the return was accepted. Taxpayers sometimes forget this critical step. Again, that is not a problem with the e-filing system, it is a problem with taxpayers not understanding the full e-filing process.

Taxpayers should e-file but should always ensure that they retain a copy of the e-filing acknowledgement from the IRS as proof of filing. That is either obtained through DIY software or may come from their tax professional. Phyllis Jo Kubey, Enrolled Agent and former member of the IRS Advisory Council, sets up her software to notify the taxpayer by e-mail when an e-filed return has been accepted. Many other practitioners do the same.

"The hardest thing about this is that it is like proving a negative." Taxpayers often don't realize they haven't received the e-filing acknowledgement from the preparer's software and may fail to follow up with their practitioner. Nevertheless, according to Kubey "The preparer should receive an e-file rejection notification or

should be actively checking for rejected e-filed returns and following up to ensure that they are accepted.”

Does paper filing provide better protection for the taxpayer? Not necessarily. Internal Revenue Code Section 7502, commonly referred to as “the mailbox rule,” says “timely mailed is timely filed.” Nevertheless, the burden of proof is on the taxpayer to prove that the tax return was timely mailed should the filing date come into question. The only way to ensure proof of mailing is to use USPS certified mail or one of the list of approved delivery services. Many taxpayers have had their Tax Court petitions invalidated by using an unapproved delivery service and many have lost their court cases because they could not prove that their tax returns were timely filed.

Even using certified mail to prove the return was mailed does not necessarily provide proof that the return was accepted by the IRS and will be processed, it just shows that it arrived at an IRS campus for processing. When the IRS is storing paper-filed returns in a cafeteria on one of its campuses, it’s no surprise that paper is easily lost. The only way to confirm that the IRS is processing a paper-filed return is to use the IRS’ “Where’s My Refund” tool or to check the taxpayer’s account transcript. Needless to say, the fastest way to pull a transcript is using the IRS’ improved online tools for taxpayers and tax professionals. Kubey notes that she has seen many more returns and payments go astray in the postal system than she has with electronic filing or automatic debits from a bank account. She has even encountered identity theft when payments have been mailed to the IRS and has seen mailed paper refund checks stolen “which creates a big mess for the taxpayer.”

Identity Verification Through ID.me Is Secure

The IRS isn't the only government agency who uses ID.me for verification. ID.me provides identity verification for the Social Security Administration and the U.S. military as well as many other public-facing government sites.

Tax professionals use ID.me to create their IRS Taxpro Accounts. It's safe and convenient, if a little creepy. For example, I was able to use my existing ID.me credentials for TSA Precheck as well as for checking my Social Security account online. Using multi-factor authentication, which is required for ID.me users, helps ensure that bad actors who gain access to ID.me login credentials cannot access the account.

To verify identity using ID.me, it is necessary to tie an individual's name to their SSN and then their face to their name. Individuals are not required to "submit" any documents to obtain ID.me verification. Individuals can choose to provide a selfie or a photo of their government-issued photo ID or they can ask for a live verification where they upload a photo of their government-issued photo ID and hold their Social Security card up to the camera during the interview. When I did my live verification, I noticed that the photo I provided during the ID.me process was not saved to my phone's gallery—a welcome security feature that prevents uploading a backup to a cloud account that could be easily breached.

According to the IRS "As a credential service provider certified against federal standards, ID.me is required to store your information. All selfie, video, and biometric data are automatically deleted for users who verify for the IRS, except for suspicious or fraudulent activity."

Messner says "A tool like ID.me is managed by industry experts and comes with significant protections against a breach. Many individual or personal identity or password managers provide little

to no warranty against breach.” He goes on to note “In non-technical terms, it would be comparable to locking a password in a safety security box at the bank compared to telling your best friend and asking them not to share with any one. The level of warranty and protection is just vastly different.”

The IRS FAQ on registering an IRS online account also reminds taxpayers, “ID.me will not share, sell, rent or trade your personally identifiable information or sensitive information with other parties, except to verify your identity and eligibility. ID.me is subject to strict privacy and security regulations and meets NIST Special Publication 800-63-3 Digital Identity Guidelines.”

E-filing Is Fast

Even on the busiest filing day of the season electronic acknowledgements arrive within a few hours of e-filing. E-filed returns are often acknowledged within minutes. Paper filed returns sent using certified mail or an approved delivery service can take a few days to a week or more to be acknowledged. And faster processing means faster refunds.

Conclusion

As National Taxpayer Advocate Erin Collins said when introducing her [Annual Report to Congress in 2021](#) “Paper is the IRS’ kryptonite.” Paper, not e-filing is at the root of many service and processing problems at the service and is subject to all of the same issues raised in the Op Ed and many more that are unique to paper-filed documents—for example, getting lost in the mail, getting stolen in transit, or simply getting lost at an IRS service center still drowning in paper-filed returns and correspondence.

Barr stated that filing security “is about taxpayers doing due diligence with whom they select to do their returns whether paper or electronic.” Taxpayers need to exercise appropriate security precautions and due diligence whether they are doing their own paper or electronic filing or having their returns prepared and filed by a tax professional. Still Barr is a strong advocate for the speed, accuracy, and security of the IRS’ e-filing system.

No system is perfect, but when deciding whether to file your tax return electronically or on paper, e-filing is definitely the more perfect solution.

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