



IRS Layoffs in Mid-Tax Season: Potential Impacts on Tax Filings and Refund Delays

In a significant shift impacting the tax landscape, the Internal Revenue Service (IRS) is projected to lay off approximately 6,700 employees right in the middle of tax season. As of the announcement, the IRS had expanded its workforce to roughly 100,000 employees after hiring initiatives initiated by the Biden administration, which aimed to enhance enforcement, particularly against wealthy taxpayers. However, the current downsizing aligns with a broader governmental restructuring initiative led by the "Department of Government Efficiency," spearheaded by deputies aligned with Elon Musk's vision for streamlined operations.

Overview of IRS Personnel Reductions - The layoffs encompass a diverse range of roles within the IRS, including revenue agents, customer service employees, independent specialists handling tax dispute appeals, and IT personnel. This move has sent ripples through Washington, with numerous reports surfacing about potential service disruptions, data security challenges, and a subsequent impact on taxpayer experiences. Especially concerning are those awaiting their tax refunds, as potential delays can affect financial planning for households nationwide.

IRS's Strategic Position - Despite these staffing changes, the IRS affirms its commitment to ensuring a successful tax filing season, in adherence to the executive orders while minimizing disruptions. Official communications from the agency suggest that efforts are underway to manage resources efficiently and uphold service standards. However, this is an evolving situation with ongoing litigation and potential policy changes looming, possibly altering the current course of operations.

Data Security Measures - For those concerned about data security amidst these changes, the IRS maintains stringent protocols to safeguard sensitive taxpayer information. These protocols are applicable to all parties with data access, regardless of their employment status with the IRS, thereby upholding the integrity and confidentiality of taxpayer information.

Managing Expectations: Refund Processing - Taxpayers concerned about potential delays in refund processing can utilize the ["Where's My Refund?"](#) tool for real-time status updates, typically available 48 hours post e-filing. Refunds from paper or amended returns may take longer to reflect in the system and can extend up to 16 weeks for processing. For amended returns, taxpayers can check the ["Where's My Amended Return?"](#) tool for updates.

Under ordinary circumstances, refund processing timelines are as follows:

- *E-filed Returns*: Up to 21 days
- *Amended or Mailed Returns*: 4 weeks or more
- *Returns Requiring Extensive Review*: Longer durations

For those early filers claiming the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) and filing online with refunds via direct deposit, most refunds are expected by March 3, provided there are no discrepancies. Legally, EITC and ACTC refunds cannot be issued before mid-February, and any issues during the processing of returns will prompt IRS communication for additional information.

To Optimize Refund Speed – Taxpayers should electronically file with automatic refund deposit.

Extension Options for Tax Filings - Taxpayers needing extra time can request an extension by the April deadline, which gives them until October 15 to file without incurring penalties. However, any taxes owed must be paid by the April deadline. Two main methods are available for securing this extension:

1. Online Payment with Extension Check Box:
 - Pay amounts due online and select the extension checkbox, negating the need for filing a separate extension form while providing the taxpayer a confirmation number for their records.
2. Mail-in Extension Request:
 - File Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) through the mail, online, or via a tax professional.
 - Estimate annual tax liability, subtract taxes already paid for the year and include a payment for the balance.
3. Business, Trust and Information Return Extensions – There are a variety of forms used to obtain an extension for these type returns. Contact this office for assistance.

Special Situations

- For U.S. Citizens Abroad: An automatic two-month extension is available for individuals residing outside the United States as of the standard tax filing deadline. If more time is still needed at the end of the two-month period, Form 4868 can be filed for an additional four-month extension to October 15.
- Disaster Situations: Additional time may be granted for those impacted by federally recognized disasters.

As this complex situation unfolds, it remains crucial for taxpayers and businesses alike to stay informed and proactive, ensuring compliance while optimizing financial outcomes amid these systemic changes.

Contact this office with questions.

Discover How Millions Track Their Tax Refunds Online Instantly!

The "[Where's My Refund](#)" tool is accessible via the IRS website and the [IRS2Go mobile app](#). It provides personalized refund information based on the processing of your tax return. To use the tool, you need to provide your Social Security number, filing status, and the exact whole dollar amount of your expected refund. This information allows the IRS to locate your return and provide an update on its status.

• How to Use the Tool :

- Access the Tool: Visit the [IRS website](#) or download the [IRS2Go app](#) app on your mobile device.
- For amended returns, visit: [Where's My Amended Return](#).
- Enter Required Information: Input your Social Security number, filing status, and the exact refund amount from line 35a of your Form 1040.
- Check Status: The tool will display your refund status, which progresses through three stages:
 - Return Received,
 - Refund Approved, and
 - Refund Sent.
- Update Frequency: The tool is updated once every 24 hours, typically overnight, so there is no need to check more frequently than that.
- If you e-file your return, you can usually see your refund status after about 48

hours with [Where's My Refund?](#) You can get your refund information for the current year and past 2 years.

- **The Role of Your Social Security Number** - Your Social Security number is a critical piece of information when using the "Where's My Refund?" tool. It serves as a unique identifier that allows the IRS to match your inquiry with your tax return. Ensuring the accuracy of this number is vital to avoid delays or errors in accessing your refund status.
- **Expected Timelines for Refunds** - The IRS issues more than 90% of refunds in less than 21 days for e-filed returns. However, the timeline can vary based on several factors, including the method of filing and any additional reviews required.
 - Up to 21 days for an e-filed return.
 - Allow 4 weeks or more for returns sent by mail.
 - Generally, allow 8 to 12 weeks for an amended return (Form 1040-X) to be processed. However, in some cases, processing could take up to 16 weeks.
 - Longer if your return needs corrections or extra review.
- **EITC and ACTC Delays and Restrictions** - Taxpayers claiming the Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC) should be aware of specific delays and restrictions. By law, the IRS cannot issue refunds before mid-February for returns that claim these credits. This delay is designed to help the IRS prevent fraudulent claims and ensure that refunds are issued accurately.

The delay allows the IRS additional time to verify income and withholding information reported on returns claiming these credits. This verification process helps reduce errors and fraudulent claims, protecting both taxpayers and the integrity of the tax system.

- **Caution: Potential Delays Beyond 21 Days** - While the IRS processes most e-filed returns within 21 days, some returns may require additional review, leading to delays. Factors that can contribute to longer processing times include:
 - **Errors or Incomplete Information:** Mistakes on your tax return can slow down processing.
 - **Identity Verification:** If the IRS needs to verify your identity, it may take longer to process your return.
 - **Complex Returns:** Returns with multiple forms or unusual circumstances may require more time to review.
- **E-File vs. Paper Filing:**
 - ***E-File:*** Electronic filing is the fastest way to submit your tax return and receive your refund. The IRS processes e-filed returns more quickly, often within 21 days.
 - ***Paper Filing:*** Mailing a paper return can significantly delay the processing time. It may take up to six weeks for the IRS to receive and begin processing a paper return.
- **Direct Deposit Option** - You can have your refund electronically deposited at no cost into your financial account through the IRS Direct Deposit program. This is a reliable, fast and secure method of getting your refund. You'll receive your refund quicker than if IRS mails you a check, and you eliminate the possibility of the check being lost or stolen. Direct deposit can be used whether you file electronically or by paper. You even have the option of splitting the refund into up to three accounts. For more information about Direct Deposit, see [Get your refund faster: Tell IRS to direct deposit your refund to one, two, or three accounts | Internal Revenue Service](#)

The IRS "Where's My Refund?" tool is a valuable resource for taxpayers seeking to track their refund status. By understanding how to use the tool and the potential for delays, you can navigate the refund process with confidence. Remember, while most refunds are processed quickly, patience may be necessary if your return requires additional review.

How the Trump Administration's Tariffs Are Shaking Up SMBs—and What You Can Do About It

Tariffs aren't just numbers on a spreadsheet anymore. They're eating into your profit margins, creating supplier drama, and forcing you to rework your entire budget. If you're an SMB owner or financial manager, you're probably wondering how to navigate this new normal—especially when these U.S. trade policies keep shifting.

Let's pull back the curtain on tariffs, their direct impact on your bottom line, and the practical steps you can take right now to protect your business.

Tariffs 101: A Quick Refresher

Think of a tariff as a tax on imported goods. According to the [Tax Foundation](#), these costs often get passed on to the businesses and consumers, not necessarily absorbed by foreign exporters. The Trump administration has imposed tariffs on goods from Canada, Mexico, and China, as noted in this [White House Fact Sheet](#).

When you bring products into the U.S., customs officials collect tariffs at the border. If you're not monitoring these extra fees, they can quietly bloat your cost of goods, making your once-stable budget feel more like a moving target.

The Domino Effect on Your SMB

1. Budget & Forecasting Turbulence

- **Unpredictable Rates:** With changing tariff policies, you might need multiple budgeting scenarios to cover best-, mid-, and worst-case rates.
- **Profit Margin Pressure:** Every extra fee to import materials chips away at your bottom line, which can mean less cash flow and tighter profit margins.

2. Supply Chain Dilemmas

- **Stick with Your Current Suppliers:** Accepting tariff costs might be simpler in the short term, but it's risky if rates spike again.
- **Move to Other Countries:** Lower or no tariffs can stabilize costs, but vetting new suppliers takes time (and trust).
- **Source Domestically:** You might avoid tariffs, yet domestic production often has higher labor costs—so you'll want to weigh shipping savings against those increased expenses.

3. Impact on Tax Returns & Liability

- **Tariffs as 'Extra' Costs:** Tariffs get baked into your import invoices, so they're not a line item on your tax return. But they do affect the cost of goods sold, which in turn affects your taxable income.
- **Accounting Complexity:** Keeping clear records of tariff expenses is crucial for accurately predicting tax liabilities and ensuring you don't miss out on deductions or overstate your expenses.

Planning Ahead: A Blueprint for SMBs

1. Map Your Supply Chain

Document every supplier, the percentage of inventory each source provides, and where they ship from. This snapshot will help you see where the highest tariff risks lie.

2. Run Multiple Scenarios

Build a few "What if?" budgets. For instance:

- **Current Tariff Rates:** Your baseline budget.
- **Higher Tariff Rates:** If tensions escalate, can you still maintain profitability?

- **Lower Tariff Rates:** If negotiations ease, do you allocate that extra margin to growth?

3. Reassess Your Pricing Strategy

With higher import costs, you may need to adjust your prices to maintain margins. Communicate any increases transparently to customers—especially if you serve the B2B market.

4. Optimize Tax and Accounting Approaches

- Track tariff expenses separately to see how they affect your overall financial performance.
- Consult with tax professionals (that's us!) to ensure you're taking advantage of every deduction or tax credit that offsets additional tariff costs.

5. Stay Nimble

Tariffs aren't set in stone. Keeping a close eye on policy shifts allows you to pivot quickly, renegotiate supplier contracts, or even pursue new markets.

How We Can Help

Wading through policy updates and crunching numbers can be time-consuming—especially when you've got a business to run. We're here to take the guesswork out of tariffs and help you:

- **Plan Better Budgets:** We'll create multiple forecast models so you can be ready no matter how the tariff landscape evolves.
- **Find Supply Chain Savings:** Our team can help you weigh the costs and benefits of shifting suppliers, whether that's moving to other countries or going domestic.
- **Simplify Your Accounting:** From categorizing tariff expenses correctly to optimizing your tax strategy, we'll make sure every penny is accounted for.

Ready to steer your SMB through uncertain times? Contact us today to schedule a planning session that puts you in control of your financial future.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time.

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