IRS offers free online federal tax preparation

by G. Patrick Kelley

Decided to file your own taxes and looking for software? Or are you an expert looking for the best?

There's a lot to choose from out there. A number of experts say TurboTax is the best this year, yet there are options for the less experienced and those who want to hold down the cost.

Professional accountants don't test software for consumers, although several certified public accountants in the Canton, Ohio, area said they use TurboTax. Running and checking tax software is left to research companies such as PC World, About.com and ConsumerSearch. All three reviewers declined interviews, but offered e-mail advice and the information on their Web sites.

TAX TIME - TurboTax, TaxCut and TaxACT are three of the top-selling tax preparation programs available to the public. CNS Photo.

In a class by itself for the uninitiated and unwealthy, the best bet is the Internal Revenue Service.

What?

The IRS offers free online federal tax preparation and e-filing for filers whose adjusted gross income is less than $52,000.

If that doesn't sound like much, the IRS says 70 percent of all taxpayers - 95 million - qualify for its Free File, the free tax preparation and free electronic filing program. About 20 companies participate in the program, run by the IRS and the FreeFile Alliance, a consortium of tax preparation software companies.

The service is available only through the IRS Web site at www.irs.gov. It's in its fifth year. This year it offers more consumer-friendly features and expanded services for Spanish-speaking taxpayers, they say.

There is no charge to use the IRS service, but the company helping you may charge a fee for transmission.

ON YOUR OWN

For those of you who are a little more accustomed to doing it on your own, TurboTax from Intuit, TaxCut from H&R Block; and TaxACT from 2nd StorySoftware get the nod from PC World, About.com and ConsumerSearch.

All three reviewers declined interviews, but offered e-mail advice.

TAXACT

At about $20, TaxACT is the cheapest and maybe best for beginners.

ConsumerSearch said it's "quick and accurate, but not as sophisticated as more expensive tax software." About.com said it's the most difficult to navigate and provides less tax help and advice than the other two programs.

All three agree that if you have a simple tax return or don't require much extra help, TaxACT is a bargain.

TAXCUT

For those who have navigated electronic taxes before, ConsumerSearch calls TaxCut Premium the best budget tax software (at about $25), and other reviewers said it's close to TurboTax Premier in sophistication, but TaxCut is cheaper.

But your taxes still have to be pretty straightforward, and if you have used TaxCut in the past, reviews say there's little reason to switch, according to ConsumerSearch. One feature is that if you are audited, H&R Block will help you prepare for your audit meetings with no extra charge (provided you e-file your return).

TURBOTAX

If you really know what you're doing, reviewers say TurboTax Premier Federal (plus) State (about $65) is the best tax software for complex returns, edging out TaxCut.

This version has a more comprehensive interview process, especially for complicated topics such as multiple stock sales, business deductions, depreciation and mortgage refinancing, as well as rental income and expenses, according to ConsumerSearch.

"It's overkill for taxpayers with simple returns," according to PC World.

Reviewers also said there's better guidance and more comprehensive support for less common scenarios in TurboTax than in its competitors. TurboTax Premier includes federal software and one free download of state software.

If the extra tools for stock sales or rental property aren't necessary, TurboTax Deluxe (about $40) is less expensive.

IS YOUR RETURN COMPLICATED?

Here are some factors that may require more sophisticated software:

- Mileage deductions, particularly in multiple categories, such as medical, charitable and business (your own or one where you are an employee).

- Depreciation expense, which you can claim on Schedule C or Form 2106 or both. Depreciation is more complicated if it involves continuing to expense items purchased earlier.

- Non-cash charitable contributions exceeding $500, or a large contribution to a single group.

- Anything that might trigger the Alternative Minimum Tax.

- Asset sales or complications resulting from the ever-changing treatment of stock sales and dividends. (For example, selling shares that you purchased at several different times).

Source: PC World

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