# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

# Interim Results of the 2021 Filing Season

May 6, 2021

Report Number: 2021-40-038

**Final Audit Report issued on May 6, 2021** **Report Number 2021-40-038**

## Why TIGTA Did This Audit

This audit was initiated to provide selected information related to the IRS's 2021 Filing Season, including information related to the impact of the Coronavirus Disease 2019 (COVID-19). The overall objective of this review was to evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2021 Filing Season, including backlogged tax returns received during Calendar Year 2020.

## Impact on Taxpayers

The annual tax return filing season is a critical time for the IRS because this is when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures.

As of March 5, 2021, the IRS received approximately 55.7 million tax returns (with 96.8 percent electronically filed) and issued more than 36 million refunds totaling approximately $107.8 billion.

## What TIGTA Found

More than 8.3 million individual tax returns and transactions remained to be processed as of the end of Calendar Year 2020. This represents more than a 1,200 percent increase in the paper-filed returns carryover inventory to the 2021 Filing Season when compared to a normal processing year's filing season carryover inventory.

The IRS continues to face challenges in hiring sufficient staff. As of March 5, 2021, the IRS had 4,434 Submission Processing function positions that remain unfilled or for which employees are not working for various reasons. In addition, continued closures related to COVID-19 and limited service from the Federal Records Center impact tax record storage and retrieval. As of March 1, 2021, IRS management stated that they have more than 31,000 boxes (approximately 4.7 million documents) that need to be refiled or retired to a Federal Records Center location. As of March 1, 2021, the IRS estimated there were approximately 70,000 tax return requests that need to be fulfilled.

During Calendar Year 2021, the IRS expects to receive approximately 160.9 million individual income tax returns (14.4 million filed via paper and 146.6 million electronically filed). As of March 5, 2021, the IRS received approximately 55.7 million tax returns, of which more than 53.9 million (96.8 percent) were electronically filed. Refunds totaling approximately $107.8 billion have been issued. As of March 5, 2021, more than 1.7 million Free File returns were received, which is a 0.2 percent increase as of the same period last year.

On March 31, 2021, the IRS announced that it will take steps in the spring and summer to systemically provide individuals who have already filed their Tax Year 2020 return with the unemployment relief included in the *American Rescue Plan Act of 2021*. As of March 4, 2021, State and local agencies had reported unemployment benefits totaling over $104 billion for 8.9 million individuals.

The IRS continues to offer self-assistance options that taxpayers can access at any time, including its IRS2Go app, YouTube videos, and interactive self-help tools on IRS.gov. In addition, the IRS offers Instagram, Twitter, and Facebook. As of March 5, 2021, taxpayers made nearly 46.3 million total attempts to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that it answered approximately 7.6 million calls with automation. IRS assistors have answered more than 4.4 million calls and provided a 27.3 percent Level of Service with an 18-minute Average Speed of Answer.

## What TIGTA Recommended

This report was prepared to provide interim information only. Therefore, no recommendations were made in this report.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**

**WASHINGTON, D.C. 20220**

May 6, 2021

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

**FROM:** Michael E. McKenney
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Interim Results of the 2021 Filing Season (Audit # 202140002)

This report presents the results of our review to evaluate whether the Internal Revenue Service (IRS) timely and accurately processed individual paper and electronically filed tax returns during the 2021 Filing Season, including backlogged tax returns received during Calendar Year 2020. This review is part of our Fiscal Year 2021 Annual Audit Plan and addresses the major management and performance challenge of *Implementing Tax Law Changes.* As part of our Fiscal Year 2020 Annual Audit Plan, we are conducting several ongoing audits that are related to specific issues in this report. We will continue to provide IRS management with information on any areas of immediate concern throughout our audit process.

This report was prepared to provide information only. Therefore, we made no recommendations in the report. However, we provided IRS management officials with an advance copy of this report for review and comment prior to issuance.

Copies of this report are also being sent to the IRS managers affected by the report information. If you have any questions, please contact me or Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services).

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# Background

The annual tax return filing season[1] is a critical time for the Internal Revenue Service (IRS) because this is when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures. One of the continuing challenges the IRS faces each year in processing tax returns is the implementation of new tax law changes as well as changes resulting from expired tax provisions. For the 2021 Filing Season, the IRS also must continue to address a significant backlog of individual tax returns and other types of taxpayer account work that it was unable to process before the end of Calendar Year 2020 due to its response to the Coronavirus Disease 2019 (COVID-19) pandemic. This backlog is being worked at the same time the IRS is processing current year tax returns and implementing additional stimulus relief enacted in the *American Rescue Plan Act of 2021*,[2] enacted on March 11, 2021.

## Closure of Tax Processing Centers during Calendar Year 2020 resulted in a significant backlog of tax returns to be processed

As we previously reported, the IRS took unprecedented and drastic actions in response to the COVID-19 pandemic to protect the health and safety of its employees and the taxpaying public.[3] This included closing its Tax Processing Centers, Taxpayer Assistance Centers (TAC), and other offices nationwide as taxpayers were attempting to file their annual tax returns.[4] As of December 25, 2020, the IRS estimated that it had more than 11.7 million paper-filed individual and business tax returns[5] that still needed to be processed. The backlog of returns, correspondence, and other types of work resulting from the pandemic has and will continue to have a significant impact on the associated taxpayers. Figure 1 provides a comparison of individual tax return inventory levels in various stages of processing that the IRS normally carries into the subsequent year filing season compared to inventory levels carried into the 2021 Filing Season.

[1] See Appendix II for a glossary of terms.

[2] Pub. L. No. 117-2.

[3] Treasury Inspector General for Tax Administration, Report No. 2021-46-023, *Results of the 2020 Filing Season and Effects of COVID-19 on Tax Processing Operations* (Mar. 2021).

[4] All IRS TACs were closed as of March 23, 2020, and all Tax Processing Centers were closed as of April 6, 2020.

[5] These include Tax Year 2019 return filings as well as prior year tax return filings (*i.e.*, Tax Years 2018 and 2017) that were filed late by taxpayers.

**Figure 1: Comparison of Individual Return Inventory Carried Over to the Next Filing Season**

| Type of Tax Return | Week Ending December 28, 2019 | Week Ending December 25, 2020 | Percentage Change |
|---|---|---|---|
| Paper Tax Returns Waiting to Be Processed | 183,000 | 3,540,486 | 1,835% |
| Error Resolution[6] | 24,621 | 162,150 | 559% |
| Rejects[7] | 121,397 | 1,699,690 | 1,300% |
| Unpostables[8] | 193,536 | 1,463,615 | 656% |
| Amended Returns[9] | 110,443 | 1,477,911[10] | 1,238% |

*Source: IRS Filing Season Statistics for the week ending December 28, 2019, IRS inventory numbers provided to the Treasury Inspector General for Tax Administration (TIGTA) weekly for the week ending December 25, 2020, and the Customer Account Services Form 1040X Consolidated Inventory Report for the weeks ending December 28, 2019, and December 26, 2020.*

## The Department of the Treasury extended the income tax filing due date to May 17, 2021

On March 17, 2021, the IRS announced that the deadline for filing a Tax Year 2020 individual Federal income tax return would be automatically extended from April 15 to May 17, 2021. Individual taxpayers can also postpone the payment of their Tax Year 2020 tax to May 17, 2021, without penalties and interest regardless of the amount owed. This postponement applies to individual taxpayers, including individuals who pay self-employment tax. Individual taxpayers will automatically avoid interest and penalties on the taxes paid by May 17, 2021. Penalties, interest, and additions to tax will begin to accrue on any remaining unpaid balances as of May 17, 2021. However, this relief does not extend the deadline for making Tax Year 2021 estimated tax payments that are due on April 15, 2021.

## Tax law changes affecting the 2021 Filing Season

The extensive actions the IRS must undertake to implement tax legislation are particularly challenging when tax law changes are numerous or enacted close to or after the start of the annual filing season. Legislation affecting the 2021 Filing Season includes:

- *Coronavirus Aid, Relief, and Economic Security Act,*[11] signed into law on March 27, 2020, created a refundable tax credit of up to $1,200 per eligible individual to be applied

[6] Tax returns identified with an error condition are suspended from processing and sent to a tax examiner for correction.

[7] Tax returns that cannot be processed, usually due to missing or incomplete information. Tax examiners correspond with the taxpayer to clarify an entry on a return. When the taxpayer responds, the tax examiner will resolve the issue and the return will continue processing.

[8] Transactions that will not post to the taxpayer's account because they failed validity checks. The unpostable condition must be resolved in order to complete processing of the transaction.

[9] Corrected tax returns filed that are either being worked by Submission Processing or Accounts Management functions.

[10] The amended returns volume is as of December 26, 2020.

[11] Pub. L. No. 116-136, 134 Stat. 281.

against the individual's Tax Year 2020 income tax liability. In addition, eligible individuals can receive up to $500 for each child in their family who is under 17 years old. The Act authorizes the IRS to make an advance payment of the Recovery Rebate Credit (RRC) to eligible individuals. This advance payment is referred to as the Economic Impact Payment (EIP). Advance payments were required to be made before December 31, 2020. The IRS reports issuing 168.2 million EIPs totaling $280 billion as of December 31, 2020.

- *Consolidated Appropriations Act, 2021*,[12] signed into law on December 27, 2020, created a temporary rule that allows taxpayers to use their Tax Year 2019 earned income to figure the Tax Year 2020 Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). In addition, the law created an additional RRC of up to $600 for each eligible individual and $600 for each eligible child. Similar to the *Coronavirus Aid, Relief, and Economic Security Act*, the *Consolidated Appropriations Act* authorized the IRS to make advance payments of the new RRC. These payments were to be issued no later than January 15, 2021. The IRS reports issuing 147 million advance payments of the new RRC totaling $142 billion as of December 29, 2020.

  Eligible individuals who either did not receive a first and second EIP or received less than the full amounts and are eligible to claim the Tax Year 2020 RRC must file a Tax Year 2020 tax return. We are conducting separate reviews of the IRS's issuance of the EIP and processing of the related RRC claims on Tax Year 2020 tax returns.[13]

- *American Rescue Plan Act of 2021*,[14] signed into law on March 11, 2021, provides that individuals with adjusted gross income less than $150,000 on their Tax Year 2020 tax return can reduce the amount of taxable unemployment compensation by up to $10,200 and eliminates the need to pay back excess Advance Premium Tax Credit[15] received during Tax Year 2020.

  The legislation also made the following changes for Tax Year 2021.

  - Child and Dependent Care Credit – temporarily increases the amount and makes the Child and Dependent Care Credit fully refundable.
  - CTC – temporarily makes the CTC fully refundable and increases the credit amount to $3,600 for children under age 6 and to $3,000 for children ages 6 to 17 years old. The legislation also directs the IRS to make periodic advance payments of up to 50 percent of an individual's Tax Year 2021 CTC beginning on July 1, 2021.
  - RRC – creates a third RRC of up to $1,400 per eligible individual to be applied toward the individual's income tax liability for Tax Year 2021. The legislation also directs the IRS to make advance payments of the RRC as soon as possible but not later than December 31, 2021. As of April 1, 2021, the IRS reports issuing approximately 130 million advance payments totaling approximately $335 billion for the third round of the RRC.

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[12] Pub. L. No. 116-260.

[13] TIGTA, Audit No. 202040632, *Implementation of Economic Impact Payments*, and TIGTA, Audit No. 202140621, *Economic Impact Payment Tax Filing Reconciliation for Individuals*.

[14] Pub. L. No. 117-2.

[15] We are planning a separate review of the changes to the Advance Premium Tax Credit (TIGTA, Audit No. 202140726, *Expansion of Premium Tax Credit Eligibility Rules Under the American Rescue Plan Act of 2021).*

We are conducting separate reviews of the *American Rescue Plan Act of 2021* changes related to the Child and Dependent Care Credit, the CTC, and the advance RRC payments.[16]

### Prior TIGTA recommendations

We plan to follow up on the following findings previously reported by TIGTA and assess actions taken by the IRS to address our prior recommendations:

- *CTC and Additional Child Tax Credit (ACTC) Claims With an Invalid Taxpayer Identification Number* – In January 2020,[17] we recommended that the IRS update its programming to reject tax returns with claims for the CTC or the ACTC when the child claimed has an Adoption Taxpayer Identification Number or Individual Taxpayer Identification Number. The IRS agreed with this recommendation and submitted programming changes to address this issue. We will ensure that the programming change is working as intended.
- *Qualified Business Income Deduction* – We will review the recommendations from our report issued on January 13, 2021,[18] and will quantify, through May 17, 2021, the number of tax returns that received a Qualified Business Income deduction without a necessary supporting schedule or other indication that the taxpayer was entitled to the deduction.
- *Alimony Deduction* – We will follow up on recommendations made in our report issued August 7, 2019,[19] for which the IRS agreed to monitor and revise its alimony selection filters as needed and to verify the alimony recipient Taxpayer Identification Number was issued by the Social Security Administration or the IRS. The IRS also agreed to modify programming to send tax returns that contain an invalid recipient Taxpayer Identification Number to the Error Resolution function and will reiterate the criteria for penalty assessment with Error Resolution function employees. According to the IRS, the programming request will include requirements to systemically assess the penalty on electronically filed (e-filed) returns with invalid alimony recipient Taxpayer Identification Numbers.

# Results of Review

This report presents the results of our continued assessment of the IRS's efforts to address backlogs of work in its various Submission Processing functions from the 2020 Filing Season as well as provides interim results of our review to evaluate whether the IRS is timely and accurately processing Tax Year 2020 individual paper and e-filed tax returns. The results are presented as of several dates between January 19, 2021, and March 30, 2021, depending on when the

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[16] TIGTA, Audit No. 202140727, *Implementation of Child Tax Credit Advanced Periodic Payments;* TIGTA, Audit No. 202140728, *Assessment of Implementation of Expanded Child and Dependent Care Credit Eligibility Requirements*; and TIGTA, Audit No. 202140725, *Issuance of American Rescue Plan Act Stimulus Payments*.

[17] TIGTA, Ref. No. 2020-44-007, *Results of the 2019 Filing Season* (Jan. 2020).

[18] TIGTA, Report No. 2021-40-009, *Millions of Dollars in Potentially Erroneous Qualified Business Income Deductions Are Not Being Verified* (Jan. 2021).

[19] TIGTA, Ref. No. 2019-40-048, *Additional Actions Are Needed to Reduce Alimony Reporting Discrepancies on Income Tax Returns* (Aug. 2019).

information was available. We plan to issue our final assessment of the 2021 Filing Season later in Calendar Year 2021.

The 2021 Filing Season began later than normal, on February 12, 2021. According to IRS management, the later start allowed the time needed for the IRS to update its processing systems. The programming required to update these systems was delayed as the IRS focused its efforts on issuing the second EIP as a result of the *Consolidated Appropriations Act*. The IRS continues to take steps to protect the health and safety of its employees working in its Tax Processing Centers. While much of the IRS's workforce continues to telework, the work performed at the IRS's Tax Processing Centers is not conducive to a remote telework environment. This work includes the receiving, sorting, and distributing of mail and the processing of paper tax returns, which requires manually inputting information from the tax return into IRS systems, correcting errors, and corresponding with the taxpayer, if needed.

Although the Tax Processing Centers are currently open, the IRS was not always able to operate at full capacity due to social distancing requirements. These requirements include limiting close contact with other employees and maintaining a physical distance of at least six feet in an effort to reduce the spread of COVID-19.

## Processing Tax Returns

During Calendar Year 2021, the IRS expects to receive more than 160.9 million individual income tax returns (14.4 million filed via paper and nearly 146.6 million e-filed). The IRS began accepting and processing individual tax returns on February 12, 2021, approximately two weeks later than the prior filing season. Figure 2 presents comparative statistics as of March 5, 2021.

**Figure 2: Comparative Filing Season Statistics**

| Cumulative Filing Season Data | 2020 Actual | 2021 Actual | % Change |
|---|---|---|---|
| **Individual Income Tax Returns** | | | |
| Total Returns Received (000s) | 67,998 | 55,716 | -18.1% |
| Paper Returns Received (000s) | 3,192 | 1,794 | -43.8% |
| E-Filed Returns Accepted (000s) | 64,806 | 53,922 | -16.8% |
| Practitioner-Prepared (000s) | 31,430 | 23,926 | -23.9% |
| Home Computer (000s) | 33,376 | 29,996 | -10.1% |
| Free File (000s) *(in the Home Computer total)* | 1,715 | 1,718 | 0.2% |
| Percentage of Returns E-Filed | 95.3% | 96.8% | 1.6% |
| **Refunds** | | | |
| Total Number Refunds Issued (000s) | 52,721 | 36,049 | -31.6% |
| Total Dollars | $158.8 billion | $107.8 billion | -32.1% |
| Average Dollars | $3,012 | $2,990 | -0.7% |
| Total Number of Direct Deposits (000s) | 46,870 | 34,498 | -26.4% |
| Total Direct Deposit Dollars | $146.7 billion | $104.7 billion | -28.6% |

*Source: Multiple 2021 Filing Season reports. Totals and percentages shown are rounded. 2020 Filing Season figures are through March 6, 2020, and 2021 Filing Season figures are through March 5, 2021.*

The decrease in the number of tax returns is in part attributable to the delay in starting the filing season, which impacts the ability to compare the 2020 Filing Season performance to the 2021 Filing Season. For example, the statistics for the 2020 Filing Season include 16 additional days of receipts when compared to the current year numbers. The IRS is also processing a significant number of tax returns during the 2021 Filing Season that were received during Calendar Year 2020 but were unable to be processed by the end of the year. We will continue to monitor the filing season statistics and evaluate whether tax returns are being processed timely and accurately.

## Millions of individual tax returns and other tax account work received during Calendar Year 2020 remain in inventories to be worked during the 2021 Filing Season

Since reopening its Tax Processing Centers, the IRS has been faced with the continued challenge of working through significant backlogs of work in many of its Submission Processing functional areas along with the need to plan for the 2021 Filing Season. More than 8.3 million individual tax returns and transactions remained to be processed as of the end of Calendar Year 2020. This represents more than a 1,200 percent increase in paper returns to be processed in the IRS's carryover inventory to the 2021 Filing Season when compared to a normal processing year's filing season carryover inventory.

As discussed later in this report, the IRS continues to be faced with significant challenges in hiring staff as well as in managing its workload as the number of employees reporting for work fluctuates from day to day as a result of the ongoing pandemic. In our discussions with IRS management, they indicated that the backlog work from Calendar Year 2020 is being balanced with the tax returns currently being filed for Tax Year 2020. For example, some tax examiners are assigned solely to work returns received in Calendar Year 2020 while others only process current year returns. IRS management is also continually monitoring tax return processing and sharing resources among the various Submission Processing functions as needed to ensure that tax returns continue to be processed as quickly as possible. Figure 3 provides a comparison of the IRS's reported volumes of work to be processed as of December 25, 2020, to estimates of work remaining as of March 20, 2021. The figures provided for Error Resolution, Rejects, Unpostables, and Amended Returns include tax returns received during Calendar Years 2020 and 2021 that have not completed processing.

**Figure 3: Estimates of Work Remaining to Be Processed**

| Type of Work Remaining | Week Ending December 25, 2020 | Week Ending March 20, 2021 |
|---|---|---|
| Unopened Mail Volumes | 17,508[20] | 1,102,781 |
| Paper Tax Returns Waiting to Be Processed:[21] | | |
| Received in Calendar Year 2020 | 3,540,486 | 2,144,347 |
| Received in Calendar Year 2021 | N/A | 2,485,197 |
| Error Resolution | 162,150 | 7,453,148 |
| Rejects | 1,699,690 | 1,346,126 |
| Unpostables | 1,463,615 | 1,820,603 |
| Amended Returns | 1,477,911[22] | 1,805,472 |

*Source: The IRS's Submission Processing Weekly Inventory Tracking Report for the weeks ending December 19, 2020, and March 20, 2021; IRS-provided weekly inventory levels for the weeks ending December 25, 2020, and March 20, 2021; and the Customer Account Services Form 1040X Consolidated Inventory Report for the weeks ending December 28, 2019, and December 26, 2020.*

## Backlogs of other types of critical taxpayer assistance work remain

In addition to the inventories shown in Figure 3 that are directly related to an actual tax return, the IRS has other functions that also are working through backlogs resulting from the closure of its Tax Processing Centers in Calendar Year 2020. For example:

- The Accounts Management function is responsible for assisting taxpayers with questions about the tax laws, their tax account, and the status of their refunds as well as making adjustments to tax accounts when necessary. At the end of Calendar Year 2020, the IRS reported that more than 4 million cases remained in the Accounts Management inventory, with more than 5.1 million cases remaining in inventory as of March 20, 2021. These figures reflect total Accounts Management inventories and include both individual and business work. The inventory remaining dates back to April 13, 2020.
- The Income Verification Express Services function assists the lending industry and plays a critical role in providing income verification for mortgage loan applications. At the end of Calendar Year 2020, the IRS reported that 116,197 cases remained in this function's inventory, with 219,717 requests for information remaining as of March 20, 2021. These requests are current and only date back to March 17, 2021.
- The Return and Income Verification Services function processes requests for tax return and account information transcripts, verification of nonfiling, and requests for wage and income information. At the end of Calendar Year 2020, the IRS reported 389,988 cases

[20] This figure is as of December 19, 2020.

[21] These figures do not include additional tax returns that could be in the Batching function. As of March 20, 2021, there were more than 2.1 million items in batching; however, this inventory could be individual or business tax returns as well as correspondence, and the individual components are not able to be identified.

[22] The amended returns volume is as of December 26, 2020.

remained in this function's inventory. As of March 20, 2021, the inventory was 413,271. These requests date back to May 11, 2020.

## Lack of functioning printers and copiers contribute to the inability to reduce backlogs

Audit teams continue to perform on-site walkthroughs at the Ogden, Utah, and Kansas City, Missouri, Tax Processing Centers to meet with staff to discuss challenges they are facing as it relates to addressing the ongoing backlogs of inventory. A major concern that surfaced during these walkthroughs was the lack of working printers and copiers. IRS management estimated that, as of March 30, 2021, 69 (42 percent) of 164 devices used by the Submission Processing functions are unusable and others are broken but still functioning.

IRS employees stated that the only reason they could not use many of these devices is because they are out of ink or because the waste catridge container is full. The contract for supplies and service of the printers ended in September 2020. However, due to COVID-19, these printers remain in the Tax Processing Centers, and the IRS is continuing to use them. The employees we spoke with stated that the IRS entered into a new contract in October 2020 to obtain new printers from a different provider. However, they indicated that the new contractor may not have been coming into the sites to replace the old printers due to COVID-19 concerns.

The lack of working printers and copiers affects many different areas of the IRS but has an especially significant effect on the Return and Income Verification Services functions. For example, in Kansas City, Missouri, this function normally has 10 printers and copiers available to use. As of March 22, 2021, only three of the 10 devices were working. These devices are needed to make copies of tax returns to fulfill requests for tax documents from taxpayers and other institutions. The employees we spoke with were concerned that they would have a work stoppage if these remaining devices became unfunctional. This issue has been an ongoing challenge since March 2020.

When we discussed this issue with IRS management on March 30, 2021, they indicated that they are working with the IRS Information Technology organization to resolve the issue, and that organization has started replacing the devices.

## Staffing challenges continue

We remain concerned about the IRS's continued challenges in hiring sufficient staff needed to work backlog inventory and process Tax Year 2020 tax returns at the same time. The inability of the IRS to hire sufficient staff could further affect taxpayers awaiting refunds and additional RRCs claimed on Tax Year 2020 returns. Figure 4 provides a summary of the hiring shortages as of early March 2021.

**Figure 4: Submission Processing Workforce and Hiring Status**

| Hiring | | State of Workforce | |
|---|---|---|---|
| New Hires Needed [23] | 5,473 | Workforce Total | 11,220 |
| New Hires Onboarded | 2,021 | Working | 10,238 |
| Percentage of Hiring Goal Met | 37% | Percentage Working | 91% |
| Remaining to Be Hired | 3,452 | Not Working | 982 |
| In Process [24] | 1,620 | Staffing Deficiencies (Not Working and Remaining to Be Hired) | 4,434 |

*Source: TIGTA analysis of Submission Processing hiring metrics as of March 9, 2021, and staffing metrics as of March 5, 2021.*

The staff reflected in Figure 4 are those employees responsible for successfully carrying out the 2021 Filing Season (*i.e.*, data transcribers, mail and file clerks, and tax examiners). The IRS has unique hiring challenges in comparison to other Federal agencies because of the need for a seasonal workforce to meet the demands of filing season. This seasonal work does not provide permanent employment or desirable schedules and shifts. In addition, the average hiring timeline goal is 80 days. Filing season hiring average time for first quarter Fiscal Year 2021 was 88 days. While the IRS is close to the targeted hiring time frames set for the Federal Government, the amount of time to onboard a seasonal employee presents particular challenges for the IRS to quickly bring staff onboard for the filing season.

During our walkthroughs, local management has expressed frustration and concern with the ability to fill needed positions. Furthermore, once a person is hired, additional training needs to be completed before these new hires are able to assist with resolving current and backlogged inventories. It is also difficult to find working copiers (as noted previously) to be able to prepare training packages for the new hires. Many of these new hires are not provided a computer, and hard copies of the training material are the main training resource available.

In March 2020,[25] we reported, as part of our continued assessment of the IRS's consolidation and closure of Tax Processing Centers, that the IRS needs a strategic approach to address current and future staffing challenges as consolidation efforts continue. As of June 13, 2019, the Submission Processing function had hired 4,099 (50 percent) of the 8,208 employees planned as the 2019 Filing Season hiring goal. IRS management stated that, to compensate for being unable to fully hire the necessary Submission Processing function personnel, it relied on various mitigation strategies to ensure timely processing of tax returns and refunds. These strategies included transferring tax returns to other processing centers, rotating employees from other departments, and allowing overtime for employees.

We further reported that management has not adequately addressed the increasing risk related to their inability to recruit and retain sufficient Submission Processing personnel needed to handle the increased workload being transferred to the remaining Tax Processing Centers. With the IRS's continued inability to meet its hiring goals, a long-term strategy is needed that details

[23] IRS Fiscal Year 2021 hiring projections.

[24] In-process candidates are those with a tentative job offer, not all of whom will be successfully onboarded.

[25] TIGTA, Ref. No. 2020-40-019, *A Strategy Is Needed to Address Hiring Shortages As Efforts Continue to Close Tax Processing Centers* (Mar. 2020).

actions to be taken to address this concern. One of the IRS's key mitigation strategies to address hiring shortages was to transfer returns to other Tax Processing Centers, one of which was the Fresno, California, Tax Processing Center (which the IRS will close as of September 2021). The last remaining Tax Processing Center the IRS plans to close is in Austin, Texas, with a planned closure in 2024. As such, this key mitigation step will no longer be available. We have a separate review[26] assessing IRS efforts to consolidate and close Tax Processing Centers, which will also include evaluating whether the IRS is reassessing its planned closure of the Austin location.

## Continued Closures and Limited Service From the Federal Records Center Impact Tax Record Storage and Retrieval

The IRS uses the Federal Records Center to store tax returns after they have been processed. According to IRS management, continued closures at Federal Records Center locations limit how many tax returns the Tax Processing Centers can send to retention (also referred to as retirement). As such, Tax Processing Centers are having to find space to store documents that are waiting to be retired, which in turn reduces the space it has available to store current tax returns being processed.

Similar to the IRS, the Federal Records Center took steps to ensure the safety and well-being of employees and shut down operations in March 2020. While several of the facilities reopened in summer 2020, surging COVID-19 metrics resulted in a second series of closures. The Federal Records Center has stated that its intent is to reopen sites as local metrics improve. As of March 1, 2021, IRS management stated that they have more than 31,000 boxes (approximately 4.7 million documents) that need to be refiled or retired to a Federal Records Center location. Until the Federal Records Center locations are fully reopened and accepting documents, the IRS must find temporary storage for these documents.

In addition, IRS management noted that the Federal Records Center locations are not servicing all requests to retrieve tax returns stored in its facilities. The inability to obtain tax records stored at Federal Records Center locations will continue to impact those IRS functions that need these tax records to timely work their assigned inventory. For example, Submission Processing functions need these tax records to fulfil requests for copies of tax returns received from taxpayers and financial institutions and to facilitate IRS research and analysis. As of March 1, 2021, IRS management estimated there were approximately 70,000 tax return requests that need to be fulfilled.

### Increased inventories are resulting in difficulties storing and moving work from function to function

At the height of the COVID-19 shutdown, IRS mail was stored in tractor trailers until there was room in the Tax Processing Centers to store the unopened mail prior to extracting the contents, batching the work, and enabling the work to proceed through the various processing stages. While the Kansas City, Missouri, Tax Processing Center no longer needs trailers to store active work, the site has been using the trailers for storage of documents that need to be sent to the Federal Records Center. According to the IRS, three trailers were being used to store these

[26] TIGTA, Audit No. 202140017, *Continued Consolidation of the Tax Processing Centers*.

documents as of March 26, 2021, and four more trailers were expected by March 31, 2021, to load the remaining documents that are being stored.

However, the Ogden, Utah, Tax Processing Center is still experiencing space problems requiring the storage of current work on trailers. During our walkthrough of the Ogden Tax Processing Center, the employees discussed how tax returns are moved from the Centers to the trailers and back and forth as needed. For example, the mail is received and housed in a trailer until it is ready to be extracted and batched for processing. Once batched, the work again is housed in the trailers until the Editing function works through enough inventory to make space for additional tax returns. This causes extra work because the dock employee must coordinate with someone from Facilities to move the trailers to the open dock door in order to be able to load and unload them. Facilities is only able to move a few trailers at a time and moves trailers up to three times a day. According to the IRS, a total of 12 trailers are being used to store work in Ogden, Utah, as of March 29, 2021.

## Tax Year 2020 Recovery Rebate Credit

As mentioned earlier, the *Coronavirus Aid, Relief, and Economic Security Act* created the RRC of up to $1,200 per eligible adult and $500 for each qualifying child to be applied against the individual's income tax liability for Tax Year 2020. The *Consolidated Appropriations Act, 2021*, created an additional RRC of up to $600 for each eligible individual and $600 for each eligible child. These Acts authorized the IRS to make advance payments of the credits using information reported on an individual's Tax Year 2018 or Tax Year 2019 tax return. Eligible individuals must reconcile any advance payments when claiming the RRC on their Tax Year 2020 return. Individuals must reduce the RRC they claim on their return by the amount already received as an EIP. The IRS refers to this process as reconciling the EIPs.

Taxpayers use a worksheet included in the Form 1040, *U.S. Individual Income Tax Return*, instructions to reconcile their EIPs and determine the RRC they can claim on their tax return. Individuals who received less in EIPs than they are entitled to receive can claim the additional RRC on their tax return. Those who received more in EIPs than they are entitled to receive do not have to repay the excess credit. The RRC will be included in the taxpayer's refund but is no longer used to offset Federal tax owed. Unlike the EIPs, the RRC can be offset by the Bureau of the Fiscal Services to pay other unpaid Federal debt such as child support. As shown in Figure 5, the RRC is claimed on Line 30 of Form 1040.

**Figure 5: Form 1040, Line 30, Recovery Rebate Credit**

| | | | |
|---|---|---|---|
| 27 | Earned income credit (EIC) . . . . . . . . . . . . . . . . . | 27 | |
| 28 | Additional child tax credit. Attach Schedule 8812 . . . . . . . | 28 | |
| 29 | American opportunity credit from Form 8863, line 8 . . . . . . . | 29 | |
| 30 | Recovery rebate credit. See instructions . . . . . . . . . . | 30 | |
| 31 | Amount from Schedule 3, line 13 . . . . . . . . . . . . . | 31 | |
| 32 | Add lines 27 through 31. These are your **total other payments and refundable credits** . . . ▶ | | |

*Source: Form 1040 from IRS.gov.*

As of March 18, 2021, the IRS has received 18.7 million e-filed returns with the RRCs claimed totaling $27.9 billion. A total of 6.4 million (34.2 percent) were sent to the Error Resolution function as a result of a discrepancy between the amounts of advance payments (EIPs) reported by the taxpayer on their tax return to what the IRS recorded on the taxpayer's tax account. Once a return with a discrepancy is received in the Error Resolution function, a tax examiner verifies the total EIP received by the taxpayer and manually computes the taxpayer's allowable RRC. If the individual is not entitled to an RRC, the tax examiner will deny the credit and send a letter to the taxpayer explaining why the credit was denied. If the tax examiner determines the taxpayer is entitled to more or less RRC than was claimed, the tax examiner will adjust the credit amount and send a letter to the taxpayer explaining the reason for the adjustment. We have a separate review assessing the processing of RRC claims during the 2021 Filing Season, including ensuring that taxpayers are properly reconciling advanced EIPs received during Calendar Year 2020.

## Evaluation of Changes to the Earned Income Tax Credit and the Additional Child Tax Credit

Recent legislation provided a temporary rule that allows taxpayers to use their Tax Year 2019 earned income to figure the Tax Year 2020 EITC and the ACTC. Both credits are refundable and thus could result in a refund even if a taxpayer did not owe any tax or have any tax withheld. The election to use the prior year income amount to figure the amount of the credit could benefit individuals who were unemployed last year due to the pandemic. For example, the EITC is for certain people who work. If a taxapayer's income was lower in Tax Year 2020, then using the higher Tax Year 2019 income could provide an increased credit amount than would result from using their Tax Year 2020 income.

The Form 1040 instructions tell taxpayers that they can elect to use their Tax Year 2019 earned income (if it is more than their Tax Year 2020 earned income) to figure the Tax Year 2020 EITC and ACTC if it results in a higher credit amount. If they make the election, the taxpayer is instructed to enter "PYEI" (for Prior Year Earned Income) and the amount of the Tax Year 2019 earned income on the dotted line next to Line 27 (for the EITC) or Line 28 (for the ACTC) of their Form 1040 or 1040-SR, *U.S. Tax Return for Seniors*.

The IRS has two Error Resolution Codes to identify tax returns for review when the taxpayer and the IRS's amounts for either the ACTC or the EITC differ. If a taxpayer makes the election to use Tax Year 2019 earned income to figure the tax credits, then these tax returns would be identified for Error Resolution function review because the IRS's computed amount will not match the taxpayer's due to the programming reliance on current year income to figure credit amounts.

As of March 31, 2021, the IRS has received more than 19 million e-filed returns claiming an EITC and/or ACTC. Of the 19 million e-filed returns, more than 2.8 million had an election to calculate the EITC and/or the ACTC using prior year earned income. These returns claimed the EITCs totaling more than $6.6 billion and the ACTCs totaling nearly $4.4 billion. All of these tax returns would have been sent to the Error Resolution function as a result of a discrepancy between the credit amounts being reported by the taxpayer versus what the IRS recorded on their tax account. We are analyzing the IRS processes to handle this situation and will provide an assessment in our final report later this calendar year.

## Reduction in Taxable Unemployment Compensation for Tax Year 2020

The *American Rescue Plan Act of 2021* provides that individuals with adjusted gross income of less than $150,000 can reduce the amount of taxable unemployment compensation by up to $10,200. If the taxpayer and their spouse both have unemployment income, they could exclude up to $20,400 of the unemployment compensation. The IRS has issued guidance to taxpayers explaining how they should report this reduction in unemployment income on their Form 1040, Schedule 1, *Additional Income and Adjustments to Income*.

However, the law containing this provision was enacted after the IRS received tax returns from many of the taxpayers to whom this provision would retroactively apply. Our analysis of tax returns processed as of March 4, 2021, shows that the IRS had received over 7.4 million tax returns reporting unemployment compensation. Of the 7.4 million tax returns, nearly 7.3 million (98.6 percent) had modified adjusted gross income of less than $150,000 and would likely qualify for the exclusion. These 7.3 million returns reported over $87 billion in unemployment income. The IRS has issued guidance to taxpayers and tax preparers advising them not to file an amended tax return.

Additional guidance was issued by the IRS on March 31, 2021, stating that taxpayers do not need to file an amended tax return unless the reduction in income would enable the taxpayer to be eligible for a credit not already claimed on the tax return. The IRS will recalculate taxes on unemployment benefits. Specifically, the IRS will take steps in the spring and summer to make the appropriate change to applicable returns, which may result in a refund. The first refunds are expected to be made in May 2020 and will continue into the summer. In addition, the IRS will also adjust returns for those taxpayers who claimed the EITC and, because the exclusion changed the income level, may now be eligible for an increase in the EITC amount (which may result in a larger refund). However, taxpayers would have to file an amended return if they did not originally claim the EITC or other credits but now are eligible because the exclusion changed their income.

We will continue to monitor and evaluate IRS efforts to assist these taxpayers, including ensuring that all eligible taxpayers are identified and the accuracy of the IRS's recalculation of tax and other credits. We will report on these efforts in our final report later this calendar year.

## Evaluation of New Business Rules That Affect the 2021 Filing Season

We selected 11 business rules created or modified by the IRS as a result of recent legislation for in-depth testing. These rules were selected because they were new (or modified) for the 2021 Filing Season. Figure 6 is a brief description of the business rules we selected to review.

**Figure 6: Business Rules Reviewed**

| Business Rule | Description |
|---|---|
| F1040-454 | Ensures that the total adjustments to income are equal to the sum of the charitable contributions amount and the total adjustments amount. |
| F8995A-004-01 | Ensures that the correct threshold amount is entered on Form 8995-A, *Qualified Business Income Deduction*, for the filing status of the tax return. |
| S2-F1040-146-01 | Ensures that the household employment taxes amount on Schedule 2 (Form 1040), *Additional Taxes*, is equal to the sum of all Schedule H (Form 1040), *Household Employment Taxes*, amounts for the total refundable amount of Social Security, Medicare, and Federal income taxes plus any Federal unemployment taxes. |
| S3-F1040-002 | Ensures that the supporting Form 2439, *Notice to Shareholder of Undistributed Long-term Capital Gains*, is present when required. |
| S3-F1040-138-01 | Ensures that, when an amount is present for other payments amount on Schedule 3 (Form 1040), *Additional Credits and Payments*, an amount is also reported in specific fields on the Schedule 3. |
| S3-F1040-139-01 | Ensures that Form 8885, *Health Coverage Tax Credit*, is attached when an amount is claimed for the Health Coverage Tax Credit on Schedule 3. |
| S3-F1040-286-01 | Ensures that, when an amount is present for Schedule 3 (Form 1040) other credits amount, at least one of 13 forms is also present. |
| SA-F1040-026 | Ensures that, when an amount is present for medical and dental expenses reported on Schedule A (Form 1040), *Itemized Deductions*, that is not greater than 7.5 percent of the taxpayer's adjusted gross income, the total deduction for medical and dental expenses is zero. |
| SA-F8995A-003-01 | Ensures that the correct threshold amount is entered on Schedule A (Form 8995-A), *Specified Service Trades or Businesses*, for the filing status of the tax return. |
| SH-F1040-012-02 | Ensures that, when an amount is present for total household employment tax amount on Schedule H (Form 1040), that it is equal to the amount from Line 8c, Total Social Security, Medicare, and Federal income taxes after nonrefundable credit. |
| SSE-F1040-005-09 | Ensures that, when Schedule SE (Form 1040), *Self-Employment Tax*, has an amount for Social Security wages, railroad retirement compensation, or unreported tips, the line that totals these items also has an amount unless the wages and railroad retirement compensation amount is greater than or equal to $137,700 (amount of wages and earnings subject to Social Security tax). |

*Source: IRS business rule list.*

As of March 5, 2021, our testing identified no concerns with the tax returns that were rejected due to eight of the 11 business rules reviewed. The remaining three business rules related to Form 8995 and Schedule A medical and dental expenses have not caused the rejection of any tax returns. Therefore, to date, we have been unable to determine whether these rules are working correctly. We will continue to monitor the remaining three business rules and will report on their accuracy in our final report later this calendar year. We have also reviewed accepted tax returns for all 11 business rules and have not found any tax returns that were accepted when they should not have been. We also ensured that 226 business rules that were deleted or disabled did not reject Tax Year 2020 tax returns in error.

However, while we did not identify any problems with returns rejecting when they should not, we did alert the IRS to a business rule that provides information to the taxpayer that does not adequately explain the reason for the rejection. For example, the current text of the business rule indicates that the amount carried to Form 1040, Schedule 2, Line 7a must be equal to the sum of two specific lines, Lines 8c and 26, from all Schedules H filed with the taxpayer's tax return. This information is provided to the taxpayer as the reason their tax return rejected. The business rule programming provides an additional criteria that, when both Lines 8c and 26 from the Schedule H have a non-zero value, then only Line 26 is carried forward to Schedule 2, Line 7a. We alerted the IRS to this issue on March 9, 2021, and received the IRS's agreed response on March 19, 2021. The IRS will update the information provided to the taxpayer for the 2022 Filing Season.

We also identified eight Error Resolution Codes for which our testing is ongoing. We will report the results in our final report later this calendar year. Figure 7 contains a list of the Error Resolution Codes we are reviewing.

**Figure 7: Error Resolution Codes Under Review**

| Error Code | Topic of Error Code | Description |
|---|---|---|
| 079 | Alimony | Generates on Tax Year 2019 and subsequent returns when the alimony received date and/or alimony paid date is after December 31, 2018. |
| 228 | Non-Itemized Charitable Contribution Deduction | Generates when the taxpayer entry for the Non-Itemized Charitable Contributions Deduction is not equal to what the deduction is per the IRS computer amount. |
| 249 | Qualified Business Income Deduction Limitation | Generates on Tax Year 2018 and subsequent returns for which the taxpayer's Qualified Business Income Deduction amount differs from the IRS computer amount. |
| 260 | Computer Condition Code Y | Generates when Computer Condition Code Y is present. |
| 337 | EITC Math Verification With Schedule EIC, *Earned Income Credit*, Attached | Generates when the taxpayer has filed a Schedule EIC, and the taxpayer's amount for the EITC and total payment differs from the IRS computer amount. |
| 340 | ACTC | Generates when the taxpayer's amount for the ACTC and total payment differs from the IRS computer amount. |
| 528 | Non-Itemized Charitable Contribution Deduction | Generates when any of the taxpayer's allowable carryover statutory credits differs from the IRS computer amount. |
| 549 | Qualified Business Income Deduction Limitation | Generates for Tax Year 2018 or subsequent if the taxpayer's Qualified Business Income Deduction amount differs from the IRS computer amount and any of the allowable carryover statutory credits are not within tolerance of their respective IRS computer amounts. |

*Source: IRS Internal Revenue Manual 3.12.3 for Processing Year 2021.*

## E-filed Tax Year 2020 returns are being rejected due to delays in IRS processing of backlogged Tax Year 2019 returns

We reviewed two additional business rules based on reports of taxpayers having their tax returns rejected unnecessarily as well as the extremely high volume related to those business rules. These two rules relate to the prior year adjusted gross income that taxpayers enter to authenticate their identity when e-filing a tax return. When the amount the taxpayers enter for their prior year adjusted gross income does not match the amount that is in IRS records, the tax return will be rejected back to the taxpayer. We found that the IRS was rejecting tax returns when the amount provided matched IRS records.

We alerted the IRS to this issue on March 10, 2021. IRS management stated that the tax returns we identified are correctly rejecting based on the information the IRS programming is relying on as the source of the taxpayer's prior year adjusted gross income. IRS management stated that, if the Tax Year 2019 return had not posted as of December 10, 2020, the taxpayer's prior year adjusted gross income would not be updated in the e-file database, causing the Tax Year 2020 return to reject because of the missing value. IRS management explained that this process has been in place for many years and that they did not consider the impact delays in processing Tax Year 2019 returns would have on the e-file database not being up to date. The IRS published special instructions on IRS.gov regarding how taxpayers could validate their Tax Year 2020 electronic tax return if their Tax Year 2019 tax return has not yet been processed.

If a taxpayer is unable to e-file their tax return, they will have to file a paper tax return. The increased number of paper tax returns will put additional strain on the IRS and further delay the taxpayer's refund if one is due. Below is a hypothetical example of the impact on a taxpayer whose Tax Year 2019 return was not processed before December 10, 2020.

> *Taxpayer A filed a Tax Year 2019 return on April 15, 2020, reporting $100,000 in adjusted gross income. The return was identified for error processing and, because of the COVID-19 backlog, was not processed until January 2021. In December 2020, the IRS updated the e-file database to capture the adjusted gross income from processed Tax Year 2019 tax returns for use in authenticating e-filed Tax Year 2020 returns prior to accepting the return for processing. Because Taxpayer A's return was not processed until January 2021, the IRS e-file database shows a missing value for Taxpayer A's Tax Year 2019 adjusted gross income.*
>
> *Taxpayer A attempts to e-file his Tax Year 2020 tax return on February 15, 2021. As part of the e-file return signature process, Taxpayer A enters his Tax Year 2019 adjusted gross income ($100,000) as required. The IRS matches the Tax Year 2019 adjusted gross income figure provided by Taxpayer A to the Tax Year 2019 adjusted gross income recorded in the e-file database. Because the e-file database shows a missing value as the taxpayer's Tax Year 2019 adjusted gross income, Taxpayer A's Tax Year 2020 return is rejected. Taxpayer A can change the adjusted gross income to $0 for Tax year 2019, and e-file their Tax Year 2020 tax return again. If the tax return continues to be rejected and Taxpayer A is unable to correct the error, then Taxpayer A must now file a paper tax return.*

We will identify the number of taxpayers whose returns were needlessly rejected and who were thus required to file a paper tax return. We will include this information in our report later this calendar year.

## Detecting and Preventing Tax Refund Fraud

As of February 27, 2021, the IRS reported that it identified 2,325 tax returns with more than $15.9 million claimed in fraudulent refunds and prevented the issuance of $12.6 million (79 percent) of those refunds. This represents a 92.3 percent decrease over the number of tax returns identified during the same period last filing season. Figure 8 shows the number of fraudulent tax returns identified by the IRS for Processing Years 2020 and 2021 as well as the refund amounts that were stopped.

**Figure 8: Fraudulent Tax Returns and Refunds Identified and Stopped in Processing Years 2020 and 2021 (as of February 27, 2021)**

| Processing Year | Number of Fraudulent Refund Returns Identified | Number of Fraudulent Refund Returns Stopped | Amount of Fraudulent Refunds Identified | Amount of Fraudulent Refunds Stopped |
|---|---|---|---|---|
| 2020 | 30,038 | 29,634 | $135,569,131 | $133,522,995 |
| 2021 | 2,325 | 1,153 | $15,960,050 | $12,635,306 |

*Source: IRS fraudulent tax return statistics for Processing Years 2020 and 2021, as of February 27, 2021.*

## Prevention of fraudulent tax returns from entering the tax processing system

The IRS continues to increase the number of fraudulent tax returns detected and stopped from entering the tax processing system (*i.e.*, rejecting e-filed tax returns and preventing paper tax returns from posting). For example, as of January 28, 2021, the IRS has locked taxpayer accounts of 45.6 million deceased individuals. This compares to 42.9 million accounts locked as of January 23, 2020. When tax accounts are locked, e-filed tax returns are rejected and paper tax returns are prevented from posting to the Master File. According to the IRS, as of February 28, 2021, it had rejected 28,844 fraudulent e-filed tax returns, and as of February 28, 2021, it had stopped 384 paper tax returns from posting to the Master File.

## Detection of tax returns involving identity theft

For the 2021 Filing Season, the IRS is using 155 filters to identify potential identity theft tax returns and prevent the issuance of fraudulent refunds. In comparison, the IRS used 196 filters for the 2020 Filing Season. These filters incorporate criteria based on characteristics of confirmed identity theft tax returns, including amounts claimed for income and withholding, filing requirements, prisoner status, taxpayer age, and filing history. Tax returns identified by these filters are held during processing until the IRS can verify the taxpayer's identity. If the individual's identity cannot be confirmed, the IRS removes the tax return from processing in an effort to prevent the issuance of a fraudulent refund.

As of March 4, 2021, the IRS reported that it identified 858,396 tax returns with refunds totaling approximately $2.8 billion for additional review as a result of the identity theft filters. As of that same date, the IRS had confirmed 2,499 tax returns as fraudulent and prevented the issuance of $11.2 million in fraudulent refunds. Figure 9 shows the number of identity theft tax returns the IRS identified and confirmed as fraudulent in Processing Years 2020 through 2021 as of March 4, 2021.

**Figure 9: Identity Theft Tax Returns Confirmed Fraudulent in Processing Years 2020 and 2021**

| Processing Year | Confirmed Identity Theft Returns |
|---|---|
| 2020 | 1,968 |
| 2021 | 2,499 |

*Source: IRS fraudulent tax return statistics for Processing Year 2020 (as of February 27, 2020) and Processing Year 2021 (as of March 4, 2021).*

## Identity theft protection

The IRS automatically issues an Identity Protection Personal Identification Number (IP PIN) to confirmed identity theft victims if the case is resolved prior to the start of the next filing season. Starting in Calendar Year 2021, taxpayers nationwide can request an IP PIN directly from the IRS if they are concerned that their personal information has been stolen and want to protect their identity when filing a Federal tax return. The IP PIN is a six-digit number assigned to eligible taxpayers[27] to help prevent someone else from filing a fraudulent Federal income tax return using a taxpayer's Social Security Number. The IP PIN is known only to the taxpayer and the IRS and acts as an authentication number to validate the correct owner of the Social Security Number or Individual Taxpayer Identification Number listed on that tax return. This helps the IRS verify the taxpayer's identity when they file their tax return. Taxpayers can request an IP PIN or retrieve their existing IP PIN by using the "Get an IP PIN" tool through IRS.gov online. The IRS reports issuing 222,000 IP PINs using this tool as of March 6, 2021.

## Efforts to assist victims of unemployment insurance identity theft fraud

Due to the COVID-19 pandemic, there has been a substantial increase in the number of taxpayers receiving unemployment compensation. Unfortunately, the frequency at which taxpayers become victims to unemployment identity theft fraud has increased as well. The IRS has cautioned taxpayers to be on the lookout for identity theft involving unemployment benefits whereby a fraudster files fraudulent claims for unemployment compensation using stolen personal information of individuals who had not filed claims. Payments made as a result of these fraudulent claims went to the identity thieves. Recognizing the significant impact this type of fraud will have on taxpayers, the IRS developed an outreach strategy that includes:

- Issuing guidance on December 29, 2020, to States regarding unemployment identity theft and the issuance of a Form 1099-G, *Certain Government Payments*, which is used to report unemployment compensation. The guidance states that no Form 1099-G should be issued to known victims of unemployment fraud. If a Form 1099-G is erroneously issued to a victim of unemployment fraud, the State is to issue a corrected Form 1099-G to the victim and the IRS as soon as possible after the error is identified that shows $0 in benefits received.
- Issuing Notice IR-2021-24 on January 28, 2021, providing guidance to victims of unemployment identity theft. The guidance states that individuals who believe they are

[27] Anyone who has a Social Security Number or Individual Taxpayer Identification Number and is able to verify his or her identity is eligible to enroll in the IP PIN program.

a victim of unemployment identity theft and received a Form 1099-G are to contact their respective State to request a corrected Form 1099-G showing $0 in benefits received. This is consistent with the guidance issued to the States in December 2020. Taxpayers who are unable to obtain a timely corrected Form 1099-G are instructed to file an accurate tax return and not report the fraudulent unemployment income on their tax return. Taxpayers are specifically told not to file Form 14039, *Identity Theft Affidavit*, with the IRS. Form 14039 should only be filed if the taxpayer's e-filed return is rejected because their Social Security Number has already been used on another tax return.

Our analysis of Forms 1099-G that were filed as of March 4, 2021, with unemployment compensation identified that 17 different State or local agencies had filed over 9.3 million Forms 1099-G for over 8.9 million taxpayers. The total unemployment compensation on these Forms 1099-G totaled over $104 billion. While we found that approximately 1.5 million of these taxpayers had filed a tax return as of March 4, 2021, over 400,000 of the taxpayers did not include the unemployment compensation on their tax return. This could be due to the widespread fraud surrounding unemployment or due to the taxpayers not knowing that they were required to report, and pay tax on, the unemployment compensation.[28]

## Screening of prisoner tax returns

To combat refund fraud associated with tax returns filed using prisoner Social Security Numbers, the IRS compiles a list of prisoners (the Prisoner File) received from the Federal Bureau of Prisons and State Departments of Corrections as well as Prisoner Update Processing System data from the Social Security Administration. These data files are used to identify for additional screening tax returns filed using a prisoner Social Security Number. As of February 27, 2021, the IRS reported that it identified for screening 52,114 potentially fraudulent tax returns filed by prisoners.[29] This represents an increase of 191.5 percent over the number of tax returns identified during the same period of the 2020 Filing Season. Figure 10 shows the number of prisoner tax returns identified for screening in Processing Years 2020 and 2021.

**Figure 10: Prisoner Tax Returns Identified for Screening in Processing Years 2020 and 2021**

| Processing Year | Number of Prisoner Tax Returns Identified for Screening |
|---|---|
| 2020 | 17,877 |
| 2021 | 52,114 |

*Source: IRS fraudulent tax return statistics for Processing Year 2020 (as of February 29, 2020) and Processing Year 2021 (as of February 27, 2021).*

[28] *The American Rescue Plan Act of 2021*, which provides that individuals with adjusted gross income of less than $150,000 can reduce the amount of taxable unemployment compensation by up to $10,200, was enacted on March 11, 2021. The returns in this analysis were filed before that date.

[29] Tax returns filed using a prisoner's name and Social Security Number.

We have a separate ongoing review to evaluate the effectiveness of IRS processes to identify and reduce prisoner fraud and plan on issuing our final report in April 2021.[30]

## Providing Customer Service

The IRS provides assistance to millions of taxpayers via its website (IRS.gov), telephone, and social media platforms as well as face-to-face assistance at its TACs, Volunteer Income Tax Assistance sites, and Tax Counseling for the Elderly sites. Between March 20, 2020, and April 6, 2020, the IRS closed its offices nationwide, resulting in most customer service assistance options for taxpayers being unavailable. These actions continue to negatively affect the IRS's ability to provide quality customer service.

### Online assistance

The IRS provides easy-to-use self-assistance options that enable taxpayers to access the information they need 24 hours a day, seven days a week. The most noteworthy self-assistance option is the IRS's public Internet site, IRS.gov. The IRS reported 555.7 million visits to IRS.gov this filing season as of March 5, 2021. In comparison, the IRS reported 321.4 million visits to IRS.gov for the 2020 Filing Season as of March 6, 2020, which is an increase of 72.9 percent. The IRS website provides a number of online tools to assist taxpayers. Figure 11 provides examples of these online tools along with the number of times the tool was used as of March 6, 2021.

**Figure 11: Examples of Online Tool Uses for Processing Years 2020 and 2021 (as of Week Ending March 6, 2021)**

| Tool | Description | Number of Uses 2020 | Number of Uses 2021 |
|---|---|---|---|
| *Interactive Tax Assistant* | A tax law resource that takes taxpayers through a series of questions and provides them with responses to basic tax law questions. | 0.6 million | 0.6 million |
| *Tax Withholding Estimator* | Designed to help workers target the refund they want by having the right amount of income tax taken out of their pay. It incorporates the changes from the redesigned Form W-4, *Employee's Withholding Certificate*, which employees can fill out and provide to their employers. | 2.2 million | 1.3 million |
| *Where's My Refund?* | Allows taxpayers to check the status of their refunds using the most up-to-date information available to the IRS. | 282.9 million | 173.5 million |

*Source: IRS management information reports.*

The IRS established a dedicated web page on IRS.gov (IRS.gov/coronavirus/economic-impact-payments) to assist taxpayers in obtaining information related to the IRS's issuance of the EIPs. This web page provides updated information related to the issuance of the EIP, including a continually evolving list of Frequently Asked Questions. In addition, the IRS developed an online tool (Get My Payment) that provides taxpayers with the ability to check the status of their EIP and submit bank information for taxpayer accounts that are missing that information. From

[30] TIGTA, Audit No. 202040005, *Prisoner Fraud Follow-Up*.

December 21, 2020, through March 6, 2021, the IRS reported 227.7 million visits to this web page and 142.6 million uses of the Get My Payment tool.

## Social media platforms

The IRS also offers taxpayers the ability to obtain information from the IRS using their mobile devices. For example, the IRS offers IRS2Go and uses various forms of social media, including Twitter, Facebook, and Instagram, to share the latest information on tax changes, scam alerts, initiatives, and products and services. In addition, the IRS provides short, informative YouTube videos in English, Spanish, and American Sign Language. Figure 12 shows the total number of followers for each of these platforms as of March 15, 2021, along with the IRS2Go active users and cumulative number of YouTube videos viewed as of March 5, 2021.

**Figure 12: Number of Followers on Social Media Platforms (as of March 15, 2021)**

| Social Media Platforms | Number of Followers |
|---|---|
| *YouTube (Views)* | 22.6 million |
| *IRS2Go (Active Users)* | 7.4 million |
| *Facebook* | 545,325 |
| *Twitter* | 367,633 |
| *Instagram* | 70,134 |

*Source: IRS management information reports. The YouTube views and IRS2GO are as of March 5, 2021.*

## Toll-free telephone level of assistance

As of March 5, 2021, taxpayers made nearly 46.3 million total attempts and 30.8 million net attempts[31] to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that nearly 7.6 million calls were answered with automation, and telephone assistors answered more than 4.4 million calls and provided a 27.3 percent Level of Service with an 18-minute Average Speed of Answer. Figure 13 shows a comparison, as of March 5, 2021, for Calendar Years 2020 and 2021.

[31] Total call attempts represent calls received during all hours, open or not. Total net call attempts represent calls received during open hours.

**Figure 13: Toll-Free Performance Statistics for Calendar Years 2020 and 2021**

| Statistic | Filing Season 2020 | Filing Season 2021 |
|---|---|---|
| Assistor Calls Answered | 4,794,000 | 4,444,000 |
| Level of Service | 68.2% | 27.3% |
| Average Speed of Answer (Minutes) | 10 | 18 |
| Level of Access[32] | 59.1% | 28.8% |

*Source: IRS management information reports (as of March 6, 2020, for Calendar Year 2020 and as of March 5, 2021, for Calendar Year 2021).*

The IRS plans to continue to allow toll-free employees to telework during Fiscal Year 2021. In addition, IRS management increased their Fiscal Year 2021 hiring goal for the Accounts Management function from 3,579 new employees to 5,000 new employees – 4,000 of whom would be trained to answer toll-free telephone calls. These additional employees are needed in order to meet the IRS's Level of Service goals and reduce the time taxpayers wait to speak to an assistor. However, IRS management noted that they may be unable to expand the number of employees answering taxpayer calls if they cannot meet their hiring goal. As of November 23, 2020, the IRS planned to hire approximately 3,100 new employees to answer the toll-free calls. IRS management stated that the decrease in planned staffing is due to a lack of anticipated applicants and delays in fingerprinting and processing applicants. As of January 19, 2021, the IRS has hired 2,935 new employees to answer toll-free calls.

## Toll-free line and congressional inquiry e-mail created to assist taxpayers with EIP-related issues

Recognizing that the EIPs would affect a large majority of taxpayers and the challenges taxpayers faced as a result of the pandemic, the IRS created a new toll-free EIP line on May 18, 2020. The IRS does not take direct EIP calls from the public. Instead, all calls start with an automated message and, if needed, are directed to a contractor. The IRS extended the current vendor contract through May 12, 2021, and is working on procuring a new live service contract that will be effective May 13, 2021, to avoid interruption in service.

Since establishing this dedicated line, the IRS reports that, as of March 20, 2021, the EIP telephone line received nearly 47.7 million calls. All incoming calls initially receive an automated informational message. Of the total calls received, nearly 25.5 million (53.5 percent) were abandoned by the taxpayer before moving into the contractor assistor's queue, either because the caller's issue was satisfied by the information provided in the automated messages or because the taxpayer grew frustrated and hung up. The remaining nearly 22.1 million calls (46.5 percent) were added to the contractor's queue.

The pandemic also caused an unexpected increase of congressional inquiries related to the EIPs. On May 14, 2020, while some telephones and other options were shut down, the IRS set up a mailbox to receive inquiries from congressional staffers regarding the EIPs. Many of these

[32] The Level of Access is computed by taking the sum of Assistor Calls Answered and Automated Calls Answered divided by the Total Dialed Number Attempts Open Hours.

inquiries required review for accuracy, screening for appropriate taxpayer privacy release, as well as taxpayer account research, which resulted in the IRS training up to an additional 500 Accounts Management employees as well as an additional 300 employees from enforcement operations in July 2020 to help resolve these type of cases. IRS management stated that, since establishing this dedicated e-mail box, the IRS had received 139,631 inquiries. Of these, 104,876 required account research, and the IRS closed an estimated 94,630 (90 percent) of those requiring research as of February 26, 2021.

## TAC assistance

Each year, millions of taxpayers seek assistance from one of the IRS's 358 walk-in offices, called TACs. In response to the pandemic, the IRS closed all of its TAC offices nationwide. As of March 8, 2021, the IRS has yet to reopen 72 of its 358 TACs. When a TAC is closed, taxpayers may have to try to resolve their questions from the information on the IRS website or contact a tax preparer for assistance. IRS management indicated that of the 72 TACs that remain closed, 17 are unstaffed. The IRS reports that 55 of the 72 TACs are closed because of staffing issues due to COVID-19. However, the IRS is actively working to increase staffing in the TACs. For example, IRS management stated that they have had success hiring additional staffing through a special hiring programs for veterans.

Similar to prior filing seasons, the IRS continues to use its appointment service for all TACs. The IRS indicated that it initially began providing services at the TACs by appointment in an attempt to alleviate long lines that sometimes occurred at many TACs and to help ensure that taxpayers' issues are timely resolved. As a further service to taxpayers, the IRS will attempt to resolve the taxpayer's question or provide the taxpayer with information on alternative services when they call to schedule an appointment. The IRS reports that, as of February 28, 2021, IRS employees answered 484,465 calls to schedule an appointment. Of these, 181,890 calls necessitated that the taxpayer schedule an appointment and visit a TAC; the remaining 302,575 taxpayers were assisted without having to visit a TAC. The IRS noted that taxpayers who travel to a TAC without an appointment are assisted if there is availability. As of February 28, 2021, the IRS reported that it provided assistance to 909 taxpayers who visited a TAC without an appointment.

The IRS plans to assist 1.5 million taxpayers at its TACs in Fiscal Year 2021, an approximately 41.1 percent increase from Fiscal Year 2020. Figure 14 shows the number of contacts by product line at the TACs for Fiscal Years 2020 and 2021.

**Figure 14: TAC Contacts for Fiscal Years 2020 and 2021 (*in millions*)**

| Contacts/Product Lines | Fiscal Year 2020 | Fiscal Year 2021 Projections |
|---|---|---|
| Tax Account Contacts | 0.68 | 1.16 |
| Form Contacts | 0.04 | 0.03 |
| Other Contacts | 0.34 | 0.30 |
| Tax Law Contacts | 0.01 | 0.02 |
| Totals | 1.07 | 1.51 |

*Source: IRS management information reports. Numbers shown are rounded.*

In addition to the services offered via the TAC appointment line and at the TACs themselves, the IRS also offers these additional face-to-face initiatives:

- *Virtual Service Delivery* – This initiative is an effort to expand face-to-face services to taxpayers if no TAC is located in their geographic area. Taxpayers must make an appointment. Virtual Service Delivery integrates video and audio technology to allow taxpayers to see and hear an IRS assistor located at a remote TAC, giving taxpayers "virtual face-to-face interactions" with assistors. The IRS normally offers Virtual Service Delivery at 30 community partner sites; however, due to the pandemic, for the 2021 Filing Season, only one site was open as of February 28, 2021. The IRS reports that, as of that same date,[33] no taxpayers have used the service.
- *Co-Located Sites With the Social Security Administration* – This initiative was implemented to comply with Section 3 of Office of Management and Budget Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*,[34] which requires agencies to move aggressively to dispose of excess properties held by the Federal Government and make more efficient use of the Government's real estate assets. For the 2021 Filing Season, the Social Security Administration has not reopened the six co-located locations, so the IRS is not able to provide assistance. Therefore, the IRS reports that, as of February 28, 2021,[35] no one has used the service.

Finally, the IRS piloted an initiative prior to the pandemic allowing a limited number of TAC employees to provide virtual assistance to taxpayers through a web-based software, but this went on hold when the TACs closed. IRS management indicated this pilot resumed testing on October 30, 2020, with a limited number of employees. The pilot expanded during the 2021 Filing Season from eight to 16 assistors.[36] As of March 5, 2021,[37] the IRS reports that it has assisted 521 taxpayers using this service.

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[33] For Fiscal Year 2021 – October 1, 2020, through February 28, 2021.

[34] November 25, 2016.

[35] For Fiscal Year 2021 – October 1, 2020, through February 28, 2021.

[36] The pilot covers the four continental U.S. time zones (Eastern, Central, Mountain, and Pacific) and now includes the States of Hawaii and Alaska as part of its expansion in February 2021.

[37] For Fiscal Year 2021 – October 1, 2020, through March 5, 2021.

## Assistance at volunteer program sites

The Volunteer Program plays an important role in the IRS's efforts to improve taxpayer service and facilitate participation in the tax system. It provides no-cost tax return preparation and e-filing to underserved taxpayer segments, including low-income, elderly, disabled, rural, limited-English-proficient, and Native American taxpayers. As of March 7, 2021, Volunteer Program sites prepared approximately 565,000 tax returns at 7,354 Volunteer Program sites that were open as of March 8, 2021. Figure 15 shows the number of tax returns prepared by volunteers for Fiscal Years 2020 and 2021 as of March 7, 2021.

**Figure 15: Volunteer Program Statistics for Fiscal Years 2020 and 2021 (as of March 7, 2021)**

| | Fiscal Year 2020 | Fiscal Year 2021 | Percentage Change |
|---|---|---|---|
| Tax Returns | 1,684,574 | 565,123 | -66.5% |
| Sites | 9,663 | 7,354 | -23.9% |

*Source: IRS management reports containing Fiscal Years 2020 and 2021 information. Percentages are rounded.*

The number of tax returns prepared in Fiscal Year 2021 is significantly lower, a 66.5 percent decrease, when compared to Fiscal Year 2020. In Fiscal Year 2020, nearly 1.7 million returns were prepared as of March 8, 2020, compared to the approximately 565,000 in Fiscal Year 2021 as of March 7, 2021. This decrease results from the fact that many of the volunteer sites are not operating at full capacity and others remain closed.

Similar to last filing season, the IRS Commissioner approved using Low Income Tax Clinics to provide free tax preparation services during the 2021 Filing Season. The IRS explained that Low Income Tax Clinics are not prohibited from providing free tax return preparation services; however, it has been a longstanding policy that these locations only prepare current year returns in limited circumstances. We requested the number of Low Income Tax Clinics that are providing free tax preparation services. However, IRS management was unable to provide the requested information at that time. IRS management indicated that the Low Income Tax Clinics report on their activities twice a year with an interim reporting due July 30 and year-end reporting due March 30 after the close of the year.

# Appendix I

## Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate whether the IRS timely and accurately processed individual paper and e-filed tax returns during the 2021 Filing Season, including backlogged tax returns received during Calendar Year 2020. To accomplish our objective, we:

- Monitored online news outlets and forums to identify any preparation, filing, or processing issues that taxpayers are experiencing.
- Identified volumes of paper and e-filed tax returns received through March 5, 2021, from the IRS Weekly Filing Season reports to provide filing season statistics and compared the statistics to the same period for the 2020 Filing Season.
- Determined whether the IRS monitoring systems indicate that individual tax returns were being processed timely and accurately. We monitored key IRS indicators, including the volume of tax return receipts, statistics from the IRS Filing Season Statistics Report, and Error Resolution volumes.
- Ensured that select business rules associated with the implementation of key tax provisions worked as intended. We evaluated the accuracy of the new business rules.
- Monitored current processing year volumes of inventory and monitored for any backlogs of inventory from Calendar Year 2020 using IRS reports.
- Quantified the number of tax returns with unemployment compensation reported.
- Obtained information related to Submission Processing hiring and onboarding efforts from TIGTA's audit team for the consolidation audit.
- Identified results of the IRS tax refund fraud programs, including identity theft and prisoner refund fraud.
- Identified results of the IRS customer service programs, including the TAC Program, the Toll-Free Telephone Assistance Program, and the Volunteer Program.
- Identified results for the IRS's self-assistance options, including IRS.gov and the social media platforms.

### Performance of This Review

This review was performed with information obtained from the Wage and Investment Division Headquarters in Atlanta, Georgia; the Wage and Investment Division Submission Processing function offices in Cincinnati, Ohio; and the Information Technology organization in Lanham, Maryland, during the period December 2020 through March 2021. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services); Deann L. Baiza, Director; Sharla J. Robinson, Audit Manager; Sandra L. Hinton, Lead Auditor; Karen C. Fulte, Senior Auditor; Tracy M. Hernandez, Senior Auditor; Kimberly A. Holloway, Senior Auditor; Branden L. Dreher, Auditor; Hong Cao, Information Technology Specialist; Ismael Hernandez, Information Technology Specialist; Theodore Logoghetti, Information Technology Specialist; Donald Meyer, Information Technology Specialist; and Johnathan D. Elder, Information Technology Specialist (Applied Research and Technology).

## Validity and Reliability of Data From Computer-Based Systems

During this review, we obtained extracts from the Modernized Tax Return Database and the Information Returns Master File for Processing Year 2021 that were transmitted directly from the IRS. We also used data extracts from the Individual Return Transaction File that were obtained from TIGTA's Data Center Warehouse. Before relying on the data, we ensured that each file contained the specific data elements we requested. In addition, we selected judgmental samples of each extract and verified that the data in the extracts were the same as the data captured in the Employee User Portal and the Integrated Data Retrieval System databases. We also performed analysis on the Modernized Tax Return Database extracts to ensure the validity and reasonableness of our data, such as ranges of dollar values and obvious invalid values. Based on the results of our tests, we believe that the data used in our review were sufficiently reliable for the purposes of this report.

## Internal Controls Methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the process for planning, organizing, directing, and controlling program operations for the 2021 Filing Season. We evaluated these controls by monitoring IRS weekly production meetings, reviewing IRS procedures, and reviewing IRS reports.

# Appendix II

## Glossary of Terms

| Term | Definition |
|---|---|
| Additional Child Tax Credit | The refundable portion of the CTC that was designed to reduce the income tax burden for families with dependent children. It is used to adjust the individual income tax structure to reflect a family's reduced ability to pay taxes as family size increases. |
| Adjusted Gross Income | Gross income minus adjustments to income. Gross income includes wages, dividends, capital gains, business income, and retirement distributions as well as other income. Adjustments to income include such items as educator expenses, student loan interest, alimony payments, or contributions to a retirement account. |
| Adoption Taxpayer Identification Number | A temporary identification number issued by the IRS for a child in a domestic adoption when the adopting taxpayers do not have or are unable to obtain the child's Social Security Number. |
| Advance Premium Tax Credit | A tax credit that is paid in advance to a taxpayer's insurance company to help cover the cost of premiums. |
| Business Rule | Used to validate information included on e-filed tax returns for acceptance into tax return processing. The IRS will reject e-filed tax returns from processing when the tax return does not meet a business rule. |
| Calendar Year | The 12-consecutive-month period ending on December 31. |
| Child Tax Credit | A tax credit for families with dependent children that is used to reduce the individual income tax burden for families, better recognize the financial responsibilities of raising dependent children, and promote family values. |
| Data Center Warehouse | A TIGTA repository of IRS data. |
| Earned Income Tax Credit | A tax credit used to offset the impact of Social Security taxes on low-income families and to encourage them to seek employment. |
| Employee User Portal | The internal IRS portal that allows employees to access IRS data and systems, such as tax administration processing systems and financial information systems, in a secure, authenticated session. |
| Error Resolution Code | These codes validate the accuracy of tax returns during processing. When a return is identified with an error condition, the IRS suspends the return from processing and sends it to a tax examiner to correct the error. Once the error is corrected, the IRS continues to process the tax return. |
| Filing Season | The period from January through mid-April when most individual income tax returns are filed. |
| Fiscal Year | Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30. |

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|---|---|
| Free File | A free Federal tax preparation and e-filing program for eligible taxpayers developed through a partnership between the IRS and Free File Alliance LLC. The Alliance is a group of private sector tax software companies. |
| Individual Return Transaction File | A database the IRS maintains that contains information on the individual tax returns it receives. |
| Individual Taxpayer Identification Number | A nine-digit number assigned by the IRS to taxpayers who are required to have a Taxpayer Identification Number for Federal tax purposes but are not eligible to obtain a Social Security Number. |
| Information Returns Master File | An IRS database that contains third-party information return documents for taxpayers, such as Form W-2, *Wage and Tax Statement*, and Form SSA-1099, *Social Security Benefit Statement*. |
| Integrated Data Retrieval System | IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records. |
| Level of Access | A telephone performance measure recommended by TIGTA that reflects overall taxpayer call demand and IRS assistance by taking the sum of all assistor and automated calls answered divided by the total number of call attempts made during open hours. |
| Level of Service | The primary measure of service to taxpayers. It is the relative success rate of taxpayers who call for live assistance on the IRS's toll-free telephone lines. The IRS's measure is titled Customer Service Representative Level of Service. |
| Master File | The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data. |
| Modernized Tax Return Database | The official repository of all electronic returns processed through the Modernized e-File system. |
| Prisoner File | The IRS compiles a list of prisoners received from the Federal Bureau of Prisons and State Departments of Corrections as well as Prisoner Update Processing System data from the Social Security Administration. |
| Processing Year | The calendar year in which the tax return or document is processed by the IRS. |
| Refundable Tax Credit | A refundable credit is not limited to the amount of an individual's tax liability and can result in a Federal tax refund that is larger than the amount of Federal income tax withholding for that year. |
| Social Distancing | Limiting close contact with other people who are not from your household and maintaining a physical distance of at least six feet to reduce the spread of COVID-19. |
| Tax Examiner | An employee located in a field office who conducts examinations through correspondence. However, the tax examiner position is also used for many other types of positions located in various IRS offices. |
| Tax Year | A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year. |

| | |
|---|---|
| Taxpayer Assistance Center | An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face-to-face. |
| Taxpayer Identification Number | A nine digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, it can be an Employer Identification Number, a Social Security Number, or an Individual Taxpayer Identification Number. |
| Volunteer Program | Includes the Volunteer Income Tax Assistance Program (both the Volunteer Income Tax Assistance Grant Program and the Tax Counseling for the Elderly Program). The Volunteer Program provides free tax assistance to persons with low to moderate income (generally defined as within the EITC threshold), senior citizens, persons with disabilities, persons living in rural areas, those with limited English proficiency, and Native Americans. |

# Appendix III

## Abbreviations

| | |
|---|---|
| ACTC | Additional Child Tax Credit |
| COVID-19 | Coronavirus Disease 2019 |
| CTC | Child Tax Credit |
| e-file(d); e-filing | Electronically File(d); Electronic Filing |
| EIP | Economic Impact Payment |
| EITC | Earned Income Tax Credit |
| IP PIN | Identity Protection Personal Identification Number |
| IRS | Internal Revenue Service |
| RRC | Recovery Rebate Credit |
| TAC | Taxpayer Assistance Center |
| TIGTA | Treasury Inspector General for Tax Administration |

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