

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Implementation of Select Provisions of the Working Families Tax Cuts Act

October 15, 2026

Report Number: 2027-300-001

HIGHLIGHTS: Implementation of Select Provisions of the Working Families Tax Cuts Act

Final Audit Report issued on October 15, 2026

Report Number 2027-300-001

Why TIGTA Did This Audit

The Working Families Tax Cuts Act (WFTC), commonly referred to as the One Big Beautiful Bill Act, created four new individual tax deductions related to qualified tips, qualified overtime compensation, qualified passenger vehicle loan interest, and senior deductions. Because the legislation was enacted shortly before Filing Season 2026, the IRS had limited time to develop taxpayer guidance, update tax forms and information reporting, and implement submission processing and compliance controls.

We initiated this review to evaluate the IRS's guidance and compliance plans for select provisions of the WFTC, including controls intended to identify potentially erroneous or improper deduction claims.

Impact on Tax Administration

For Tax Year 2025, the IRS relied primarily on front-end submission processing controls to validate WFTC deduction claims. Without effective tax return processing controls and post-processing compliance strategies, improper claims may not be identified or corrected in a timely manner, increasing the risk of noncompliance and inconsistent treatment of taxpayers.

What TIGTA Found

In general, the IRS successfully implemented the four WFTC provisions reviewed. However, we identified limitations in the IRS's guidance, processing controls, and compliance strategy.

We initially determined that the guidance for the Overtime Deduction did not sufficiently explain the Fair Labor Standards Act (FLSA) exemption rules, increasing the risk that taxpayers may incorrectly determine eligibility for the deduction. In response to an alert we issued to Chief Counsel, the IRS issued more helpful guidance in the form of Frequently Asked Questions that explained the FLSA exemptions, including information we suggested for federal employees about checking eligibility for the Overtime Deduction. The guidance did not initially address certain occupations that were ineligible for the Overtime Deduction. However, in August 2026, the IRS updated its guidance to provide examples of employee categories generally exempt from the FLSA overtime requirements.

Additionally, we identified significant limitations in controls related to the Car Loan Interest Deduction. Our analysis of electronically filed (e-filed) Tax Year 2025 tax returns identified:

- 20,135 accepted returns with [REDACTED] representing \$39.4 million in deductions.
- 45,589 accepted returns with [REDACTED] representing \$86.5 million in deductions.
- 407,637 accepted returns with [REDACTED] representing \$851 million in deductions.

Generally, the IRS uses tax return processing business rules to reject e-filed tax returns that do not meet required conditions prior to acceptance. However, the IRS did not timely implement a business rule to reject returns with [REDACTED] citing concerns about potential legal implications associated with rejecting an otherwise valid return. In total, these returns represented approximately \$976.8 million in questionable deduction claims and an estimated tax effect of approximately \$122.4 million.

We also found that as of August 2026, the IRS had not established a defined post-processing compliance strategy, increasing the risk that potentially improper claims may not be timely identified and addressed.

What TIGTA Recommended

We made four recommendations to the IRS. The IRS addressed one recommendation in August 2026 by enhancing Overtime Deduction guidance related to FLSA exemptions. The IRS agreed with the recommendation to develop a post-processing compliance plan to address potentially improper claims. However, the IRS disagreed with two recommendations.



**TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION**

**U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024**

October 15, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Implementation of Select Provisions of the Working Families Tax Cuts Act (Audit No.: 2026300011)

This report presents the results of our review to evaluate the guidance and compliance plans for select provisions of the Working Families Tax Cuts Act.¹ This review is part of our Fiscal Year 2026 Program Plan and addresses the major management and performance challenge of *Implementing Tax Law Changes*.

Management's complete response to the draft report is included as Appendix III. If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

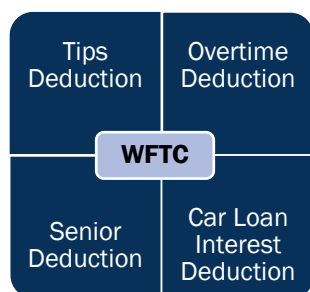
¹ Pub. L. No. 119-21, 139 Stat. 72 (2025). This bill is also commonly referred to as the One Big Beautiful Bill Act.

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Background

The Working Families Tax Cuts Act of 2025 (WFTC), enacted new tax provisions designed to provide financial relief to taxpayers, including four significant provisions designed to reduce taxes for middle-income taxpayers.¹ Specifically, these provisions provide tax relief to working families, seniors with fixed incomes, and domestic consumers. Our review focused on the Internal Revenue Service's (IRS) implementation of the following provisions:



Section 70201 – a deduction for qualified tip income (hereafter referred to as Tips Deduction).

Section 70202 – a deduction for qualified overtime compensation (hereafter referred to as Overtime Deduction).

Section 70103 – a deduction for seniors (hereafter referred to as Senior Deduction).

Section 70203 – a deduction for qualified passenger vehicle loan interest paid on an applicable passenger vehicle (hereafter referred to as Car Loan Interest Deduction).

These provisions reduce taxable income for eligible individuals by allowing deductions for qualified earnings and expenses. Figure 1 summarizes the maximum deduction amounts, limits to adjusted gross income (AGI), and some highlighted qualifiers for the four provisions. It highlights different treatments by filing status, with lower AGI phase-out thresholds for Single, Head-of-Household (HOH) and Qualifying Surviving Spouse (QSS) filers and higher limits for Married Filing Jointly (MFJ).² Generally, your filing status is based on your marital status on the last day of the year.

Figure 1: Select WFTC Provision Deduction Amounts, AGI Phase-Out Threshold and Other Qualifiers

Deduction	Maximum Deduction Amount	AGI Limits	Highlighted Qualifiers
Tips	\$25,000 (regardless of filing status)	\$150,000 Single/HOH/QSS \$300,000 MFJ	Qualified tips in certain occupations. MFS is not eligible.
Overtime	\$12,500 Single/HOH/QSS \$25,000 MFJ	\$150,000 Single/HOH/QSS \$300,000 MFJ	Qualified overtime must be required by the Fair Labor Standards Act. MFS is not eligible.
Senior	\$6,000 per qualifying individual (\$12,000 if both spouses qualify)	\$75,000 Single/HOH/QSS \$150,000 MFJ	Age 65 or older. MFS is not eligible.
Car Loan Interest	\$10,000 (regardless of filing status)	\$100,000 Single/HOH/QSS/MFS \$200,000 MFJ	Interest on loans to buy United States assembled vehicle.

¹ Pub. L. No. 119-21, 139 Stat. 72 (2025). This bill is also commonly referred to as the One Big Beautiful Bill Act.

² See Appendix III for a glossary of terms.

Source: Summary of Public Law 119-21, Section 70201 (tips), 70202 (overtime), 70103 (seniors), and 70203 (car loan interest).

Eligible taxpayers can claim the four deductions for Tax Years (TY) 2025 through 2028. They may claim the deduction on their Form 1040, *U.S. Individual Income Tax Return* on Schedule 1-A (Form 1040), *Additional Deductions*. Schedule 1-A was developed by the IRS to allow taxpayers to claim these deductions. Each deduction phases out after reaching certain AGI thresholds.

According to the Joint Committee on Taxation, the Overtime Deduction is estimated as the most significant of the 4 provisions with an estimated \$89.6 billion in lost tax revenue over 4 years. This is compared to the estimated lost revenue of \$31.7 billion for the Tips Deduction and \$30.6 billion for the Car Loan Interest Deduction.³

The IRS offered transition relief for certain reporting requirements for TY 2025

The deductions for tips, overtime and car loan interest each include the requirement to provide taxpayers with statements showing amounts earned/paid during the calendar year.⁴ However, these reporting requirements were not fully in place for TY 2025. This was because of the limited time available for the IRS, employers, payors, and lenders to make changes to relevant information returns (e.g., Form W-2, *Wage and Tax Statement*; Form 1099-NEC, *Nonemployee Compensation*; and Form 1099-MISC, *Miscellaneous Information*) and reporting systems. Therefore, the Department of the Treasury and the IRS provided transitional penalty relief for TY 2025 related to certain information reporting requirements.⁵

Starting in TY 2026, employers (and other payors) are required to separately report cash tips as well as qualified overtime compensation on tax forms such as Form W-2, Form 1099-MISC, Form 1099-NEC, and Form 1099-K, *Payment Card and Third Party Network Transactions*. The IRS has updated TY 2026 tax forms to include the WFTC provisions. These changes should help mitigate some validation limitations and support compliance efforts in future filing seasons.

Unique Features of Provisions

Tips Deduction

The Tips Deduction allows eligible employees and self-employed individuals to deduct qualified tip income under this provision. Qualified tips generally include cash tips received in an occupation, which customarily and regularly receives tips, including voluntary cash or charged tips received through tip sharing. Also, qualified tips must be:

- 1) Paid voluntarily by customers.

³ Joint Committee on Taxation, JCS-1-26, *General Explanation of the Tax Provisions of Public Law 119-21*, Appendix p. 2 (May 28, 2026). The Senior Deduction is treated as a personal exemption and the estimated lost revenue is not reported separately.

⁴ Internal Revenue Code Sections 224(a), 225(a), and 6050AA(a).

⁵ IRS Notice 2025-62, 2025-48 I.R.B. 740. and IRS Notice 2025-57, 2025-45 I.R.B. 692.

- 2) Earned in an occupation the IRS designates as “customarily and regularly receiving tips” as of December 31, 2024.⁶
- 3) Properly reported on Form W-2, Form 1099-MISC, Form 1099-NEC, Form 1099-K, or reported directly by the taxpayer on Form 4137, *Social Security and Medicare Tax On Unreported Tip Income*.

Employers and other payors must file information returns with the IRS (or the Social Security Administration) and furnish statements to taxpayers showing certain cash tips received and the occupation of the tip recipient. Employees and self-employed individuals engaged in a Specified Service Trade or Business under Internal Revenue Code (I.R.C.) Section (§) 199A (e.g., lawyers, doctors, accountants, etc.) do not qualify for the Tips Deduction.⁷

Overtime Deduction

Qualified overtime compensation is paid to an individual subject to Section 7 of the Fair Labor Standards Act (FLSA) (29 USC § 207) that exceeds the regular rate at which the individual is employed. For example, if an individual’s regular rate of pay is \$20 per hour and the individual received \$30 per hour for overtime work, only the additional \$10 per hour is qualified overtime compensation. For overtime to be qualified, it must, among other requirements, be paid to an individual who is both covered by the FLSA and not exempt from the FLSA’s overtime requirement (i.e., an FLSA overtime-eligible employee).

Senior deduction

The Senior Deduction is in addition to the existing additional standard deduction for seniors under current existing law.

Car Loan Interest Deduction

The Car Loan Interest Deduction allows individuals to deduct interest paid on loans used to purchase eligible new vehicles with final assembly occurring within the United States. The loan must be taken out to purchase a vehicle for personal use and meet other eligibility criteria.⁸

In general, to qualify for the deduction, the interest must be paid on a loan that is:

- Incurred after December 31, 2024.
- Used to purchase a vehicle for personal use (i.e., not predominantly for business or commercial use) that meets certain requirements, including that the original use of the vehicle commences with the taxpayer (used vehicles do not qualify).
- Originated by the taxpayer.
- Secured by a first lien on the purchased vehicle.

⁶ I.R.C. § 224. In addition, the IRS performed an occupation analysis through December 31, 2024, to determine occupations eligible for the tips deduction.

⁷ Although the tips deduction is generally unavailable for tips received in a Specified Service Trade or Business under Section 199A, IRS Notice 2025-69 provides transitional relief for TY 2025.

⁸ I.R.C. §§163(h)(4)(B)(i), (C)(i).

Taxpayers must include the Vehicle Identification Number (VIN) of the vehicle on the tax return for any year when the deduction is claimed.⁹ Starting in TY 2026, lenders or other recipients of interest on a specified passenger vehicle loan must file Form 1098-VLI, *Vehicle Loan Interest Statement*, with the IRS and furnish statements to taxpayers showing the total amount of interest received during the taxable year. However, as previously stated, the IRS provided transitional relief for TY 2025 for interest recipients subject to the new reporting requirements. This transitional relief did not eliminate the statutory requirement for taxpayers claiming the Car Loan Interest Deduction to include the vehicle's VIN on the tax return.

General Limitations of Return Processing Rules to Address Noncompliance

The IRS develops business processing rules for new tax law changes to facilitate accurate return processing and promote consistency in how returns are transmitted and validated through the Modernized e-File (MeF) system. MeF processing controls require that electronically filed (e-file) returns follow a prescribed structured framework or "schema." Third parties that provide e-file services must follow the schema to ensure that the IRS will accept their tax returns. The IRS also develops tax return processing business rules (hereafter referred to as business rules) that are used to validate information included on the tax return prior to its acceptance. For example, a business rule can validate income limits for tax credits and deductions and the need to attach a specific form/schedule if certain conditions are present. The IRS will reject e-filed tax returns from processing when the tax return does not meet the business rule.

For TY 2025, the IRS took a phased approach to implementing controls for the new deductions because certain information needed to validate eligibility would not be available during return processing. IRS officials from the Taxpayer Experience Office explained that their initial approach was generally to accept returns for processing and address certain potential compliance issues through post-processing compliance actions. The IRS planned to expand its validation controls beginning in TY 2026 as additional information became available through revised information reporting.

The IRS's authority to make corrections to tax returns during processing is limited. It needs to consider the effects of related legal principles on whether a taxpayer has timely filed a return and when the assessment and refund period of limitations begin for that tax period. Under the *Beard* test, a court generally treats a document as a valid return when the following criteria are met:

- There must be sufficient data to calculate tax liability.
- The document must purport to be a tax return.
- There must be an honest and reasonable attempt to satisfy the requirements of the tax law.
- The taxpayer must execute the return under penalties of perjury.¹⁰

After a return is accepted for processing, the IRS can generally only make corrections to a tax return using:

⁹ I.R.C. § 163(h)(4)(B)(iii).

¹⁰ *Beard v. Commissioner*, 82 T.C. 766, *aff'd*, 793 F.2d 139 (6th Cir. 1986).

- Math error authority - a narrow authority defined in I.R.C. § 6213 for the IRS to make corrections where there is a math error or missing information, such as a Tax Identification Number or a required schedule.
- Post-processing compliance actions (*i.e.*, examinations).

These legal limitations highlight the importance of effective processing controls, including schema validations and business rules, to ensure that required data elements are present and accurate before returns are accepted for processing.

Results of Review

In general, the IRS successfully implemented the four WFTC provisions that were the subject of our review by developing submission processing rules intended to allow tax returns claiming the deductions to be effectively processed. The IRS's accomplishments were significant in light of the compressed time frames after the enactment of WFTC in 2025. While preparing for the 2026 Filing Season, there was a lapse in appropriations between October 1, 2025, and November 12, 2025, that impacted staffing and resources. Although we identified some gaps in the IRS's ability to identify erroneous deductions, these were generally due to the IRS's phased implementation approach as well as the limited time that the IRS had to change forms. In addition, there were changes to reporting requirements from third parties starting in the 2026 Filing Season. We reviewed these related business rules for tax return processing and identified opportunities to strengthen certain controls for future filing seasons. For example, the Car Loan Interest Deduction provision requires the VIN to be on the tax return. However, [REDACTED] as IRS officials raised concerns about the potential legal implications of rejecting an otherwise valid return based on the *Beard* test.

The IRS also generally developed guidance intended to help taxpayers understand and comply with the new provisions; however, we identified an instance where initial guidance could have helped taxpayers better understand their obligations for complying with the law and discourage erroneous deductions. We also evaluated the IRS's post-filing season compliance plans and were concerned by the lack of a defined approach for identifying and addressing clearly erroneous deductions. For example, the IRS should have a post-filing season compliance effort for the 407,637 erroneous Car Loan Interest Deductions [REDACTED]

Guidance for the Overtime Deduction Was Limited

We identified gaps in the Overtime Deduction guidance that could have more effectively clarified which taxpayers were entitled to take the deduction. We reviewed the TY 2025 draft guidance for the Overtime Deduction in November 2025 and initially determined that it lacked sufficient information for taxpayers to accurately determine their eligibility. While the guidance explained how to calculate the deduction, it did not explain which taxpayers are ineligible for the deduction due to being exempt from the FLSA's overtime requirement. According to IRS management this was not in the guidance because the IRS does not have jurisdiction over the

FLSA. However, the IRS has broad jurisdiction under the I.R.C. to examine tax returns, verify reported information, and enforce compliance.

Taxpayers are only eligible to claim the Overtime Deduction if they satisfy distinct requirements, such as:

1. The employee must be covered by the FLSA.
2. The employee must not be exempt from the FLSA's overtime provisions.

The FLSA exempts certain workers in various occupations from its overtime pay rules, and these taxpayers are not eligible for the Overtime Deduction.¹¹ Figure 2 provides examples of professions generally exempt from the FLSA that are not eligible for the Overtime Deduction.

Figure 2: Listing of Examples of Generally FLSA Exempt Occupations

Occupation	Examples of FLSA Exempt Occupations
Executive Employees	Managers, supervisors, and directors who oversee operations, have hiring/firing authority (e.g., store managers, department heads).
Administrative Employees	Employees performing office or non-manual work related to management or general business operation, such as human resources specialists, financial analysts, or administrative assistants with discretionary decision-making.
Computer Employees	Software engineers, computer programmers, or system analysts who meet the salary and duties test for computer employee exemptions.
Outside Sales Employees	Outside sales employees are those whose primary duty is making sales or obtaining orders or contracts and who are customarily and regularly engaged away from the employer's place of business (e.g., pharmaceutical sales representatives or real estate agents making sales calls).
Motor Carrier Employees	Drivers, helpers, loaders, and mechanics who are employed by motor carriers.
Professional Employees	Learned professionals and creative professionals, such as teachers.

Source: Analysis of the Department of Labor Fact Sheet #17A: Exemption for Executive, Administrative, Professional, Computer & Outside Sales Employees, Fact Sheet #19: The Motor Carrier Exemption under the Fair Labor Standards Act and Fact Sheet #17D: Exemption for Professional Employees Under the FLSA.

The draft Overtime Deduction guidance did not attempt to identify or provide examples of these exempt categories of employees, limiting taxpayers' ability to determine eligibility. Because the draft IRS guidance did not sufficiently explain certain specific occupations that are generally exempt from the FLSA overtime requirements, we were concerned that taxpayers may incorrectly determine their eligibility for the Overtime Deduction.

In November 2025, we notified IRS Chief Counsel of our concerns and made four recommendations for immediate action. These included:

¹¹ 29 United States Code §§ 207 and 213.

- Highlight in the overtime guidance FLSA exemption information and provide examples of FLSA exempt occupations that may cause the taxpayer to not qualify for the Overtime Deduction.
- Provide specific information in the overtime guidance regarding FLSA exemptions as they relate to federal employees, including how federal employees can determine whether they are FLSA exempt.
- Use the Frequently Asked Questions (FAQ) format to mitigate the complexity of the FLSA exemption issue.
- Provide specific information to IRS employees regarding the Overtime Deduction and FLSA exemptions that may cause IRS employees to be ineligible for the Overtime Deduction, using the overtime guidance or other communication tools such as emails or intranet messaging.

The IRS initially disagreed with our recommendations, and on November 21, 2025, issued guidance for individuals who received tips or overtime during TY 2025. Contrary to our recommendation, this guidance was issued without examples of certain FLSA occupations specifically exempt from the FLSA's overtime requirement.¹²

However, on January 23, 2026, three days before the start of the 2026 Filing Season, the IRS issued FAQs about the Overtime Deduction. The FAQs also included some additional information about how taxpayers could determine whether they are covered by, and not exempt from, the FLSA. Specific exempt occupations were not provided, but links were provided to the Department of Labor's website where taxpayers could search to determine whether they are exempt from the FLSA.

As previously stated, the Overtime Deduction is estimated to have the largest revenue effect of the four provisions. For the Tips Deduction, the IRS provided a comprehensive list of eligible occupations.¹³ A similar list or clear examples of professions or employee categories that are generally exempt from the FLSA's overtime requirements is needed for the Overtime Deduction so that taxpayers can correctly determine their eligibility for the Overtime Deduction.

Recommendation 1: The IRS Chief Counsel, should consider enhancing the Overtime Deduction guidance by providing examples of occupations or employee categories that are generally exempt from FLSA overtime requirements (including references to applicable Department of Labor guidance).

Management's Response: IRS management stated that it addressed this recommendation in August 2026, by updating its FAQs about the Overtime Deduction, and therefore disagreed.

Office of Audit Comment: We acknowledge that the IRS updated its guidance and consider the actions taken as an agreement to this recommendation. Specifically, in August 2026, the IRS updated its FAQs to provide examples of

¹² IRS Notice 2025-69, 2025-50 I.R.B. 1. Specific exempt occupations were not listed. Instead, links were provided to the DOL and Office of Personnel Management websites to enable taxpayers to determine whether they are exempt from the FLSA overtime requirements.

¹³ Occupations That Customarily and Regularly Received Tips; Definition of Qualified Tips, 91 Fed. Reg. 15,100 (April 13, 2026).

employee categories generally exempt from FLSA overtime requirements and refer to applicable Department of Labor guidance. The updated FAQs also provide additional information to assist federal employees in determining their eligibility for the Overtime Deduction. We reviewed the updated guidance and determined that these actions sufficiently address the concerns previously communicated to the IRS and meet the intent of our recommendation.

Additional Business Rules Could Have Ensured That Only Allowable Deductions Were Claimed

The IRS successfully developed 28 business rules that helped ensure tax return accuracy for the four provisions. While the business rules were generally operating as intended, we identified opportunities for the IRS to strengthen its tax return processing controls for future filing seasons. We reviewed the IRS's 28 draft business rules and associated error code logic for the select WFTC provisions. We found that these controls are limited in scope and do not function as substantive eligibility checks.

Specifically, the rules are limited to:

- Ensuring that e-filed returns contain required fields and conform to the IRS's electronic filing format (schema).
- Limiting deductions based on modified adjusted gross income and other statutory income threshold validations.
- Validating basic filing attributes for accuracy (*e.g.*, filing status, age, Social Security Number, and mathematical accuracy).

The MeF business rules and related error codes operate as system and consistency validation checks, ensuring that basic taxpayer attributes align with allowable claims. When validation conditions are not met, the MeF system may reject the return or generate associated error conditions for downstream IRS processing. Depending on the condition identified, the IRS may subsequently allow the return as filed, systemically adjust the return, or issue a taxpayer notice. However, these business rules and related error codes do not validate substantive eligibility for the underlying deductions.

Our testing identified a limitation in an earlier MeF schema version of a business rule intended to validate that the Total Additional Deductions Amount did not trigger when Schedule 1-A, was missing, allowing returns to be accepted despite incomplete supporting information.¹⁴ Although this issue was corrected in a later software version, it demonstrates that business rules may not always enforce the intended data conditions. Additionally, the IRS does not currently have business rules to validate some information, such as [REDACTED]

Lack of VIN-based controls for validating the Car Loan Interest Deduction

Our analysis identified that the IRS does not have effective VIN-based controls to validate eligibility for the Car Loan Interest Deduction at the time returns are processed. Prior reviews

¹⁴ MeF schema versions are different updates to the IRS electronic filing system. Multiple versions may be used during the year, depending on when the updates take effect.

have identified similar challenges with IRS controls used to validate VINs for vehicle-related tax provisions. For example, we previously reported that the IRS did not have adequate controls to identify and prevent erroneous Qualified Plug-In Electric Drive Motor Vehicle Credit claims involving VINs.¹⁵

Business rules within the MeF system are intended to reject returns that do not meet required data and structural conditions before acceptance. However, once a return is accepted for processing, the IRS generally must rely on math error authority or post-processing compliance actions to address issues on a tax return.

The Car Loan Interest Deduction provision requires taxpayers claiming the deduction to include a VIN on the return.¹⁶ We discussed with Taxpayer Services Division management whether they have the authority to reject an e-filed tax return with [REDACTED]. We also discussed whether they could employ math error procedures to propose removal of the Car Loan Interest Deduction when [REDACTED]. Officials stated that it had concerns about rejecting tax returns due to [REDACTED] because of the requirements of the *Beard* test. However, the IRS also agreed that it has historically rejected tax returns due to missing information for some tax provisions. In addition, the IRS agreed that the risk of running afoul of *Beard* is that a court may later determine that a rejected e-filed tax return was a legally filed tax return for purposes of the three-year assessment statute.¹⁷ If the three-year assessment statute expires, it would prevent the IRS from assessing the additional tax.¹⁸ We believe the benefits to tax administration from rejecting a return, which has missing information that the law requires, such as [REDACTED] outweighs the risk that a court might later decide that the assessment statute of limitations has lapsed.

Missing required information may, in certain circumstances, be addressed using math error authority. However, IRS officials from the Taxpayer Services Division and Office of Chief Counsel, stated that legal limitations under I.R.C. § 6213 restrict the use of math error authority for situations involving [REDACTED] for purposes of determining eligibility for this deduction.¹⁹ In contrast, the Inflation Reduction Act provided the IRS with math error authority to correct or disallow clean vehicle tax credits during return processing when a required VIN was missing or did not match the IRS's records of reporting qualifying vehicles.²⁰ Absent a revision to the WFTC allowing for math error authority, the IRS will have limited options to address erroneous deductions, including conducting costly examinations to disallow these claims or developing effective business rules to prevent them during return processing.

Figure 3 illustrates the standard structure of a 17-character VIN and the information associated with each character position.

¹⁵ TIGTA, Report No. 2019-30-072, *Millions of Dollars in Potentially Erroneous Qualified Plug-In Electric Drive Motor Vehicle Credits Continue to Be Claimed Using Ineligible Vehicles* (September 2019).

¹⁶ I.R.C. § 163(a)(4)(B)(iii).

¹⁷ I.R.C. § 6501 provides that generally the IRS has three years from the filing of a tax return to assess the tax due.

¹⁸ *Fowler v. Commissioner* 155 T.C. No. 7 (2020). The Court noted that the IRS has in the past rejected tax returns for numerous errors that may not cause a return to fail the *Beard* test. The Court held in *Fowler* that the assessment statute of limitations began running when the IRS rejected the e-filed tax return not when the taxpayer later submitted a paper tax return.

¹⁹ I.R.C. § 6213(g)(2)(D).

²⁰ I.R.C. § 6213(g)(2)(T)–(V).

Figure 3: Standard VIN Structure

VIN Character Positions																
First Section			Second Section					Third Section	Fourth Section							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
World Manufacturer Identifier			Vehicle Descriptor Section					Check Digit	Model Year	Plant	Sequential Production Number					

Source: Analysis from National Highway Traffic Safety Administration, *New Manufacturer's Handbook: Requirements for Manufacturers of Motor Vehicles and Motor Vehicle Equipment*, Chapter 4, Chart 1, General VIN Format.

A standard VIN consists of 17 characters divided into four sections. The first section (positions-1-3), known as the World Manufacturer Identifier, uniquely identifies the manufacturer. The second section (positions 4 through 8), known as the Vehicle Descriptor Section, is used to identify vehicle attributes. The third section (position 9) is the check digit, which is a mathematical validation character used to verify the VIN. The fourth section (positions 10 through 17) contains the model year (position 10), plant of manufacture (position 11), and sequential production number (position 12 through 17).

VINs can be used to identify potentially non-qualifying vehicles; however, IRS officials stated that the VIN alone may not definitively establish final U.S. assembly. IRS officials also stated that effective validation would require a centralized VIN database or reporting mechanism. We agree that a VIN database is needed to validate some issues with respect to the vehicle for which the Car Loan Interest Deduction may be taken; however, a VIN database is not needed to determine whether the [REDACTED]. The IRS issued final regulations on the Car Loan Interest Deduction, effective in November 2026, which includes new information reporting requirements.²¹

While a new information reporting requirement under I.R.C. § 6050AA requires VIN-related reporting beginning in TY 2026, IRS officials indicated that this reporting will not support real-time validation at the time of filing without additional systems or filters.

As a result, the IRS currently lacks both 1) fully effective business rules to enforce [REDACTED] and 2) math error authority to systematically correct these issues during return processing. This limitation increases the risk that interest paid on loans incurred to purchase non-qualifying vehicles may be used to claim improper deductions.

Our review of returns filed between January 14, 2026, and April 15, 2026, further identified:

- Returns with [REDACTED]
- Returns with [REDACTED]
- Returns with [REDACTED]

These results demonstrate that returns can pass business rule validations despite [REDACTED]. As a result, returns that meet basic threshold validations may still include unsupported or potentially ineligible claims.

²¹ Treas. Reg. § 1.6050AA-1.

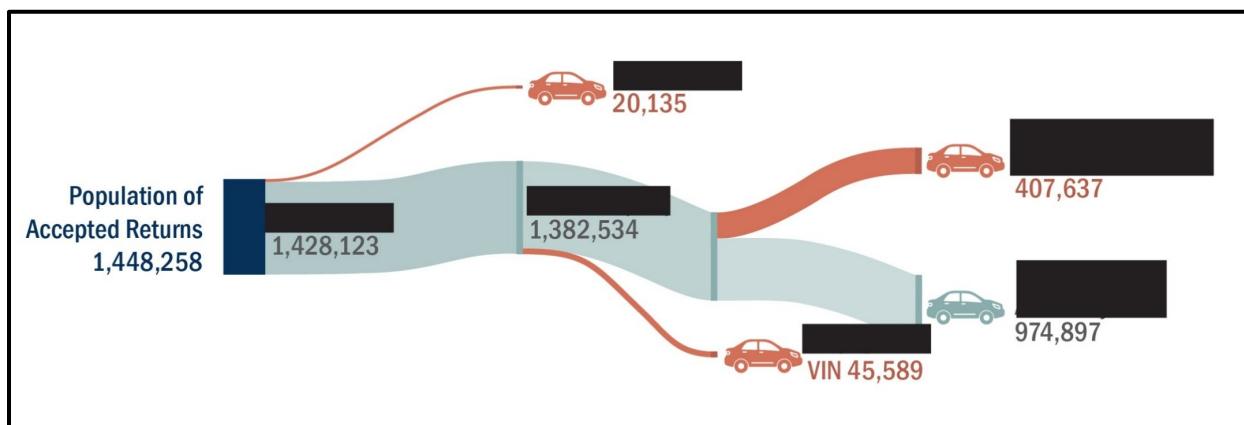
Without effective [REDACTED] at the time of filing, the IRS faces an increased risk that taxpayers may improperly claim the Car Loan Interest Deduction. Due to the absence of effective [REDACTED] we conducted an additional analysis of accepted returns to assess the extent of potential data quality and eligibility issues.

Allowed Potentially Erroneous Deductions

Consistent with these control limitations, our analysis of accepted returns identified significant data quality issues related to VIN reporting for the Car Loan Interest Deduction (see Figure 4). For example, of 1,448,258 accepted returns claiming the deduction, 20,135 (1 percent) were [REDACTED]. Among those tax returns with a [REDACTED] 45,589 (3 percent) records either failed [REDACTED] or contained [REDACTED] (31,028). However, the IRS still accepted the returns and allowed the deductions. In total, the tax returns with these data quality issues claimed deductions totaling \$125.8 million.

More importantly, even when [REDACTED] our analysis identified a substantial population of returns associated with potentially ineligible vehicles.²² Specifically, 407,637 returns (29 percent) were associated with [REDACTED] raising significant eligibility concerns that are not currently evaluated by IRS processing controls. These tax returns claimed deductions totaling \$851 million.

Figure 4: Results of Testing for [REDACTED] on Car Loan Interest Deduction Claims



Source: Analysis of the Modernized Tax Return Database from January 14, 2026, through April 15, 2026. B = billions and M = millions.

Figure 4 highlights the results of our analysis of accepted returns containing Car Loan Interest Deduction claims. We found that the controls do not fully evaluate all substantive eligibility requirements underlying the deduction claims.

²² We identified these vehicles based on [REDACTED]

[REDACTED] However, IRS officials stated that additional verification may be required in certain circumstances to confirm U.S. final assembly.

Without effective processing controls, including [REDACTED] and business rule checks, these conditions allow potentially ineligible claims to be processed without detection.

Alert on missing Schedule 1-A information and [REDACTED] deficiencies

In February 2026, we notified the Chief, Taxpayer Services about control deficiencies we identified related to [REDACTED]. IRS officials agreed that the business rule to identify the missing schedule was not functioning as intended and scheduled a correction. We performed subsequent testing that indicated the IRS implemented a correction. However, IRS officials disagreed with our recommendation to reject returns with [REDACTED] citing concerns related to the assessment statute of limitations and legal risks under the *Beard* test.

We identified that returns could bypass [REDACTED] allowing potentially ineligible claims to be processed. These conditions indicate that existing MeF business rules are not sufficiently enforcing required data elements as a precondition for claiming WFTC-related deductions.

We recommended that the IRS strengthen its filing season controls by ensuring that required [REDACTED] and by rejecting returns that claim the deduction [REDACTED].

We continue to believe that requiring complete Schedule 1-A information and timely implementing effective validation controls before the filing season, would strengthen tax administration and improve consistency in filing compliance. The current design allows certain returns with [REDACTED] to bypass tax return processing validations, resulting in inconsistent enforcement of required filing conditions permitting potentially ineligible claims to be accepted for processing.

The Chief, Taxpayer Services Division, should:

Recommendation 2: Ensure that the MeF system includes effective business rules to verify that required [REDACTED] before accepting e-filed returns claiming the WFTC deductions when a Car Loan Interest Deduction is claimed.

Management's Response: IRS management disagreed with this recommendation, stating that it corrected MeF programming in February 2026, to reject returns claiming [REDACTED].

Office of Audit Comment: We acknowledge that the IRS corrected its MeF programming to reject returns claiming [REDACTED]. However, this correction does not ensure that [REDACTED] when taxpayers claim the Car Loan Interest Deduction. We continue to believe that additional validation controls are needed to prevent the acceptance of returns with [REDACTED] and reduce the risk of potentially improper deductions.

Recommendation 3: Ensure that the MeF system includes effective business rules and schema validations to reject e-filed returns claiming the Car Loan Interest Deduction [REDACTED]

Management's Response: IRS management disagreed with this recommendation, stating that it released an updated MeF schema package in August 2026, that includes a [REDACTED] for the Car Loan Interest Deduction.

Office of Audit Comment: We acknowledge the IRS's reported update to the MeF schema package, which would address a portion of the concerns identified in our alert. However, [REDACTED]

[REDACTED] for the deduction. Strengthening validation controls would help reduce the risk of accepting and processing ineligible claims and reduce the need for resource-intensive post-processing compliance actions.

The IRS Has Not Developed a Post-Processing Compliance Plan

As of August 2026, the IRS had not yet developed a post-processing compliance strategy for TY 2025 returns claiming deductions for any of the four WFTC provisions. Although the IRS implemented front-end submission processing controls for Filing Season 2026, including schema validations and business rules, it had not established specific post-processing filters, examination selection strategies, or third-party data matching approaches for these new deductions. These compliance plans should consist of either field or correspondence examinations to address questionable deductions.

Post-processing compliance activities are an important component of tax administration because they allow the IRS to identify potentially improper claims after a return has been accepted. For example, with the [REDACTED] [REDACTED] the IRS should develop a workplan to assign these returns to correspondence examiners. IRS officials stated that they were still identifying appropriate actions based on filing season monitoring and characteristics of filed returns.

The absence of a defined post-processing compliance plan increases the risk that improper claims may remain undetected for extended periods and that enforcement actions may be delayed, inconsistent, or not initiated. This risk is heightened because certain compliance issues may not be identifiable through front-end validation alone. For example, a return may include a Tips Deduction that appears mathematically correct but relates to [REDACTED] [REDACTED] Similarly, a return may claim an Overtime Deduction that is properly entered on the form, but [REDACTED] [REDACTED] In addition, a taxpayer may claim the Car Loan Interest Deduction using [REDACTED]

The dollar amount associated with an improper claim on any one return may be relatively small and therefore, may not meet typical examination selection thresholds. However, when these claims occur across a large number of returns, the total revenue impact could be significant. For example, our testing of accepted returns claiming the Car Loan Interest Deduction identified

473,361 returns with potential eligibility concerns not currently addressed by IRS systemic checks. These returns claimed WFTC deductions totaling \$976.8 million.

Further, while some returns may ultimately be identified through existing case development processes, the IRS had not established a defined approach to determine whether potentially improper WFTC claims should be systematically identified, prioritized, and treated under those processes for TY 2025 returns. Without a defined compliance approach for TY 2025, these claims may not receive meaningful scrutiny, increasing the risk of undetected noncompliance, inconsistent treatment of taxpayers, and additional burden associated with resolving issues after returns have already been processed.

Recommendation 4: The Commissioner, Small Business/Self-Employed Division, should develop a post-processing compliance approach for TY 2025 and subsequent tax year returns claiming WFTC deductions that includes appropriate compliance treatments.

Management's Response: IRS management agreed with this recommendation. The IRS plans to develop a post-processing compliance approach for Tax Year 2025 and subsequent year returns claiming WFTC deductions, including appropriate compliance treatments.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to evaluate the IRS's guidance and compliance plans for select provisions of the WFTC. To accomplish our objective, we:

- Reviewed applicable IRS procedures, guidance development processes, and internal documentation related to the development and issuance of tax guidance for select WFTC provisions, including guidance associated with qualified tips, qualified overtime compensation, qualified passenger vehicle loan interest, and enhanced senior deductions.
- Interviewed IRS officials and personnel from functions including the Office of Chief Counsel, Wage and Investment Division, Small Business/Self-Employed Division, Return Integrity and Compliance Services, and MeF program offices to obtain an understanding of the IRS's processes, responsibilities, and controls for developing and implementing WFTC-related guidance and return processing controls.
- Reviewed IRS public guidance, notices, FAQs, publications, draft forms and instructions, Internal Revenue Manual sections, internal desk guides, and stakeholder concerns related to the four WFTC provisions.
- Reviewed prior TIGTA, General Accountability Office, and IRS oversight reports and related materials applicable to the audit objective.
- Evaluated IRS plans for tax return processing and post-processing compliance activities associated with the four WFTC provisions, including reviewing information related to business rules, systemic filters, compliance readiness, workload selection processes, and resource considerations intended to identify potentially erroneous or fraudulent claims.
- Obtained and analyzed TY 2025 MeF business rule listings and identified business rules associated with the four WFTC provisions. We compared the business rules to Schedule 1-A (Form 1040) requirements and TIGTA-developed potential business rule scenarios to determine whether the IRS considered appropriate validations and controls.
- Obtained and analyzed e-filed TY 2025 individual income tax return data contained in the IRS's Modernized Tax Return Database (MTRDB) for returns processed during Filing Season 2026 through April 15, 2026. We evaluated whether selected MeF business rules functioned as intended and effectively identified or prevented questionable or potentially erroneous claims associated with the four WFTC provisions. Our analysis included testing accepted and rejected return populations, validating selected records against acknowledgment and return information, and reviewing business rule criteria and related processing data.
- Discussed identified control deficiencies and business rule limitations with IRS management to confirm the issues identified, obtain management perspectives, and identify contributing factors and root causes.

Performance of This Review

This review was performed at the IRS National Headquarters in Washington, D.C., and other IRS functions supporting tax processing, compliance, and guidance development activities during the period October 2025 through May 2026. 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.

Data Validation Methodology

We performed tests to assess the reliability of data obtained from the IRS's MTRDB and related MeF processing data used during this review. We evaluated the data by: (1) performing electronic testing of required data elements and record relationships, (2) reviewing existing information about the data and systems that produced the data, (3) validating selected accepted and rejected return records against acknowledgment and return information, and (4) interviewing IRS officials knowledgeable about the data and systems. We determined that the data were sufficiently reliable for 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: processes for developing and issuing WFTC-related guidance; development and implementation of TY 2025 MeF business rules and return processing validations, and controls intended to identify potentially erroneous or fraudulent claims during return processing and post-processing compliance activities. We evaluated these controls through interviews with IRS officials, review of guidance and procedural documentation, and analysis of business rule logic and return processing data.

Appendix II

Outcome Measure

This appendix presents detailed information on the measurable impact that our recommended corrective action will have on tax administration. This benefit will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Funds Put to Better Use - Potential; \$122,397,402 in tax revenue lost associated with 473,361 e-filed TY 2025 individual income tax returns containing questionable Car Loan Interest Deduction claims associated with [REDACTED] (see Recommendation 3).

Methodology Used to Measure the Reported Benefit:

To estimate the impact associated with [REDACTED] for the Car Loan Interest Deduction provision, we analyzed e-filed TY 2025 individual income tax returns contained in the IRS's MTRDB database for returns processed from January 14, 2026, through April 15, 2026.

Using the accepted return data, we identified returns claiming a Car Loan Interest Deduction and evaluated VIN information reported on Schedule 1-A (Form 1040). We identified returns containing:

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Our analysis identified:

- 20,135 returns with [REDACTED] totaling \$39,355,925 in claimed deductions.
- 45,589 returns with [REDACTED] totaling \$86,483,055 in claimed deductions.
- 407,637 returns with [REDACTED] totaling \$850,995,834 in claimed deductions.

In total, we identified 473,361 e-filed returns with [REDACTED] issues totaling approximately \$976,834,814 in claimed Car Loan Interest Deductions.

To estimate the tax effect associated with these claims, we calculated an effective tax rate using aggregate taxable income and tax amounts associated with the identified population. We used this approach because it provides a reasonable estimate of the tax effect for the identified population without recalculating each taxpayer's individual tax liability. We then applied the resulting effective tax rate to the total amount of questionable Car Loan Interest Deduction claims to estimate the revenue effect. Specifically, we divided the aggregate Tax amount field by the aggregate Taxable Income Amount field for the affected population, resulting in an

estimated effective tax rate of approximately 12.53 percent
(i.e., $2,953,532,525 / 23,570,465,349 = 12.53$ percent).

We then applied this estimated 12.53 percent effective tax rate to the \$976,834,814 in identified questionable deduction claims to estimate the tax revenue effect
(i.e., $12.53 \text{ percent} * \$976,834,814 = \$122,397,402$).

Management's Response: IRS management disagreed with this outcome measure, stating that TIGTA's estimate assumes all identified deductions were improper and does not account for potential corrections through post-processing compliance activities.

Office of Audit Comment: Our outcome measure represents that potential tax revenue associated with questionable Car Loan Interest Deduction claims, not a determination that all identified deductions were improper. While subsequent compliance actions may resolve some of these claims, at the time of our review, the IRS had not established a post-processing compliance approach to address these potential eligibility issues.

Appendix III

Management's Response to the Draft Report



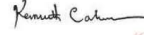
DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

October 13, 2026

MEMORANDUM FOR DIANA M. TENGESDAL

Deputy Inspector General for Audit

FROM:

Kenneth C. Corbin 
Chief, Taxpayer Services Division

D:\c:\us_gov\Government,
our=Department of the Treasury, our=Internal
Revenue Service, our=theFile,
serialNumber=417387, cnc=Kenneth C. Corbin
Date: 2026-10-13 12:34:58 -0400

SUBJECT:

Draft Audit Report – Implementation of Select Provisions of the
Working Families Tax Cuts Act (Audit No.: 2026300011)

Thank you for the opportunity to review and provide comments on the subject draft report. The Working Families Tax Cuts Act (WFTC)¹, also known as the One Big Beautiful Bill, included sizeable tax cuts under major provisions, including no tax on tips; no tax on overtime; no tax on car loan interest for American-made cars; and the new tax deduction for seniors.

We appreciate the acknowledgement from Treasury Inspector General for Tax Administration (TIGTA) that the IRS successfully implemented these four WFTC provisions despite the limited time between enactment and the start of the 2026 filing season. For the 2026 filing season, we created 26 guidance documents related to the WFTC, including notices, revenue procedures, and frequently asked questions (FAQs), updated more than 700 forms, instructions, and publications, including approximately 160 that were affected by the WFTC and other new legislation. We created a single location source for all information related to the WFTC at [IRS.gov/newsroom/working-families-tax-cuts](https://www.irs.gov/newsroom/working-families-tax-cuts) to help taxpayers navigate all of these tax changes.

The IRS disagrees with TIGTA perceived gap in the qualified overtime deduction guidance stating the IRS did not adequately explain which taxpayers are ineligible for the deduction. The IRS and the Office of Chief Counsel repeatedly informed TIGTA throughout the course of this audit, that the IRS does not have jurisdiction over the FLSA and was therefore limited in the guidance it could initially provide. In both Notice 2025-69 and the January 23, 2026, FAQs, the IRS directed taxpayers to Department of Labor (DOL) materials for more information and concrete examples. After careful

¹ Public Law 119-21, July 4, 2025

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coordination with Treasury, DOL, and the Office of Personal Management (OPM), the IRS updated the FAQs on August 6, 2026.

Our response to your specific recommendations and outcome measure is attached. If you have any questions, please contact me, or a member of your staff may contact Karen Truss, Director, Operations Support, Taxpayer Services Division, at (470) 639-3044.

Attachment

Attachment

Draft Audit Report – Implementation of Select Provisions of the Working Families Tax Cuts Act (Audit No.: 2026300011)

Recommendation

RECOMMENDATION 1

The IRS Chief Counsel, should consider enhancing the Overtime Deduction guidance by providing examples of occupations or employee categories that are generally exempt from FLSA overtime requirements (including references to applicable Department of Labor guidance).

CORRECTIVE ACTION

The IRS disagrees. Prior to the completion of this audit, on August 6, 2026, the IRS updated frequently asked questions (FAQs) about the deductions for qualified overtime compensation. The IRS made the updated FAQs available on IRS.gov in Fact Sheets (FS), FS-2026-13 and revised FS-2026-01.

IMPLEMENTATION DATE

Not Applicable (N/A)

RESPONSIBLE OFFICIAL

Associate Chief Counsel (Employee Plans, Exempt Organizations, and Employment Tax)

CORRECTIVE ACTION MONITORING PLAN

N/A

Recommendations

The Chief, Taxpayer Services Division, should:

RECOMMENDATION 2

Ensure that the MeF system includes effective business rules to verify that required [REDACTED] before accepting e-filed returns claiming the WFTC deductions when a Car Loan Interest Deduction is claimed.

CORRECTIVE ACTION

The IRS disagrees. Prior to the completion of this audit, on February 22, 2026, the IRS corrected the Modernized e-File programming to reject returns when the filer claims additional deductions on Line 13 of the Form 1040, U.S. Individual Income Tax Return, [REDACTED] is present in the return.

IMPLEMENTATION DATE

N/A

RESPONSIBLE OFFICIAL

Director, Submission Processing, Electronic Filing Services, Customer Account Services, Taxpayer Services Division

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 3

Ensure that the MeF system includes effective business rules and schema validations to reject e-filed returns claiming the Car Loan Interest Deduction

CORRECTIVE ACTION

The IRS disagrees. Prior to the completion of this audit, on August 13, 2026, the IRS released a Modernized e-File schema package for Processing Year 2026, that includes for the Car Loan Interest Deduction.

IMPLEMENTATION DATE

N/A

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Services, Taxpayer Services Division

CORRECTIVE ACTION MONITORING PLAN

N/A

Recommendation

RECOMMENDATION 4

The Commissioner, Small Business/Self-Employed Division, should develop a post-processing compliance approach for TY 2025 and subsequent tax year returns claiming WFTC deductions that includes appropriate compliance treatments.

CORRECTIVE ACTION

The IRS agrees and will develop a post-processing compliance approach for tax year 2025 and subsequent tax year returns claiming Working Families Tax Cuts Act deductions that includes appropriate compliance treatments.

IMPLEMENTATION DATE

December 21, 2026

RESPONSIBLE OFFICIAL

Director, Exam Case Selection, Small Business/Self-Employed Division

CORRECTIVE ACTION MONITORING PLAN

We will monitor this corrective action as part of our internal management control system.

Outcome Measure: Funds Put to Better Use

We disagree with the outcome measure characterizing the estimated \$122,397,402 associated with 473,361 e-filed TY 2025 individual income tax returns as tax revenue lost. The estimate assumes that all identified taxpayer deductions were erroneous and the associated tax effect represents revenue that the IRS will not collect. However,

TIGTA's analysis did not establish each taxpayer deduction was improper, nor did it account for post-processing compliance activities where the IRS works with taxpayers to correct mistakes such as unintentional taxpayer deduction errors within the voluntary compliance review process.

Appendix IV**Glossary of Terms**

Term	Definition
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.
Filing Season	The period from January 1 through mid-April when most individual income tax returns are filed.
Head-of-Household	Filing status if you are single and you paid more than half of your living expenses for yourself and a qualifying dependent.
Married Filing Jointly	Filing status if you are married or if your spouse passed away during the year.
Married Filing Separate	Filing status if you are married and do not want to file jointly or find that filing separately lowers your tax. Most couples save money by filing jointly.
Modernized Tax Return Database	The official repository of all electronic returns processed through the MeF system.
Modified Adjusted Gross Income	Modified adjusted gross income adds certain amounts to your AGI.
Qualifying Surviving Spouse	Filing status if your spouse died during the past two years and you have a dependent child.
Schema	Schemas provide basic definitions for the tax form data elements and the interrelationships among the data elements (<i>e.g.</i> , what fields are required, field length, data type, allowable field values).
Single	Filing status if you are unmarried, divorced, or legally separated.
Vehicle Identification Number	A VIN is a unique 17-character alphanumeric identifier assigned to each motor vehicle manufactured for sale in the United States under National Highway Traffic Safety Administration regulations. VINs follow a standardized format that includes a mathematically valid check digit and are used to uniquely identify vehicles.
World Manufacturer Identifier	The first three characters (positions one through 3) of a VIN that uniquely identify the vehicle manufacturer.

Appendix V

Abbreviations

AGI	Adjusted Gross Income
FAQs	Frequently Asked Questions
FLSA	Fair Labor Standards Act
HOH	Head-of-Household
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
MeF	Modernized e-File
MFJ	Married Filing Jointly
MFS	Married Filing Separately
MTRDB	Modernized Tax Return Database
QSS	Qualifying Surviving Spouse
TIGTA	Treasury Inspector General for Tax Administration
TY	Tax Year
VIN	Vehicle Identification Number
WFTC	Working Families Tax Cuts Act



**To report fraud, waste, or abuse,
contact our hotline on the web at
<https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at
TIGTACommunications@tigta.treas.gov.**

Information you provide is confidential, and you may remain anonymous.