Interim Results of the 2022 Filing Season

May 2, 2022

Report Number: 2022-40-035

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Why TIGTA Did This Audit

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.

This audit was initiated to provide selected information related to the IRS's 2022 Filing Season. 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 2022 Filing Season.

Impact on Tax Administration

During the 2022 Filing Season, the IRS also continues to have 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 2021.

Backlog inventories associated with the 2021 Filing Season are larger than those resulting from the 2020 Filing Season. More than 16.4 million individual tax returns, transactions, and Accounts Management cases remained in inventory as of the end of Calendar Year 2021.

The inability to timely process tax returns and address tax account work continues to have a significant impact on the associated taxpayers.

What TIGTA Found

During Calendar Year 2022, the IRS expects to receive 160.7 million individual income tax returns. As of March 4, 2022, the IRS received 54.7 million tax returns, of which 53.2 million (97.2 percent) were electronically filed. Refunds totaling $129.2 billion have been issued. As of March 4, 2022, 1.2 million Free File returns were received, which is a 30.3 percent decrease as of the same period last year.

However, significant staffing shortages continue to hamper the IRS's efforts to address backlog inventories and affect the IRS's ability to ensure that current year tax returns are processed timely. More than 8.4 million individual tax returns and transactions remained to be processed as of the end of Calendar Year 2021. In addition, more than 8 million cases remained in Accounts Management. This represents a 33 percent increase in the number of unprocessed tax returns and a 61 percent increase in the number of amended tax returns that remained to be processed.

As of March 15, 2022, the IRS onboarded 521 Submission Processing employees, which is 9.5 percent of its hiring goal of 5,473. The IRS also continues to experience shortfalls in hiring in the functional area responsible for providing taxpayer tax account assistance. For example, as of March 17, 2022, the IRS onboarded 3,827 Accounts Management employees, which is 76.5 percent of its hiring goal of 5,000 for the 2022 Filing Season.

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 4, 2022, taxpayers made 35.9 million total attempts to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that 7.4 million calls were answered with automation, and telephone assistors answered 2.7 million calls and provided a 19.5 percent Level of Service with a 24-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 2, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Interim Results of the 2022 Filing Season
(Audit # 202240006)

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 2022 Filing Season. This review is part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenge of *Administration of Tax Law Changes and Pandemic Relief Benefits*. As part of our Fiscal Year 2022 Annual Audit Plan, we are conducting several ongoing audits 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 it 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.

Backlogs of tax returns and other taxpayer account work remain high

The Calendar Year 2020 Coronavirus Disease 2019-related IRS closures and the continued hiring and staffing shortfalls resulted in backlogs of tax returns and other types of tax account work from the 2020 Filing Season. 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 2022 Filing Season.

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	Week Ending December 31, 2021
Paper Tax Returns Waiting to Be Processed	183,000	3,540,486	4,708,826
Error Resolution[2]	24,621	162,150	53,712
Rejects[3]	121,397	1,699,690	422,156
Unpostables[4]	193,536	1,463,615	858,712
Amended Returns[5]	110,443	1,477,911[6]	2,382,901[7]

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) for the weeks ending December 25, 2020, and December 31, 2021; and the Customer Account Services Form 1040X Consolidated Inventory Report for the weeks ending December 28, 2019, December 26, 2020, and January 1, 2022.

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

[2] Tax returns identified with an error condition are suspended from processing and sent to the Error Resolution function for correction by a tax examiner.

[3] 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.

[4] 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.

[5] Taxpayer corrections to an original tax return filing that are either being worked by Submission Processing or Accounts Management functions.

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

[7] The amended returns volume is as of January 1, 2022.

The inability to timely process tax returns and address tax account work continues to have a significant impact on the associated taxpayers.

Key tax law changes affecting the 2022 Filing Season

The primary legislation affecting the 2022 Filing Season is the *American Rescue Plan Act of 2021 (ARPA)*,[8] signed into law on March 11, 2021. The ARPA modified the Child and Dependent Care Credit (CDCC), Child Tax Credit (CTC), Earned Income Tax Credit (EITC), Premium Tax Credit (PTC), and created a third Recovery Rebate Credit (RRC). Below is a summary of the changes affecting Tax Year 2021 tax returns.

- *CDCC* – for Tax Year 2021 only, increases the percentage of applicable expenses to 50 percent and increases the dollar limit for qualifying expenses to $8,000 for one person and $16,000 for two or more qualifying persons. These changes increase the credit amount to a maximum of $4,000 for one qualifying person and $8,000 for two or more qualifying persons. In addition, the ARPA made the credit fully refundable.[9]
- *CTC* – for Tax Year 2021 only, increases the credit amount to $3,600 for children under age six and to $3,000 for children ages six to 17 years old. The legislation makes the CTC fully refundable. The legislation also directs the IRS to make periodic advance payments of up to 50 percent of an individual's estimated Tax Year 2021 CTC beginning on July 1, 2021, through December 31, 2021. Taxpayers must reconcile any advance payments received with the CTC claimed on their Tax Year 2021 tax return.
- *EITC* – allows individuals to use their Tax Year 2019 earned income to figure their Tax Year 2021 EITC if the 2019 earned income is more than the taxpayer's 2021 earned income. The ARPA also lowered the minimum age for claiming the childless EITC and eliminated the maximum age limit. In addition, individuals who have a child who meets all other qualifying child requirements except the Social Security Number (SSN) requirement can now claim the child for the purposes of the EITC, but the amount of EITC the individual can receive is limited to the self-only amount.
- *PTC* – increases the PTC for all income brackets for coverage years beginning in Tax Years 2021 and 2022. In addition, the ARPA establishes special rules for taxpayers who receive or are approved to receive unemployment compensation for as little as one week during Calendar Year 2021.
- *RRC* – creates a third RRC of up to $1,400 per eligible individual 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. Taxpayers must reconcile any advance payments received with the RRC claimed on their Tax Year 2021 tax return.

Follow-up to assess corrective actions taken to address 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:

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

[9] Taxpayers must have a principle abode in the United States for more than one-half of the tax year.

- *Error Resolution System (ERS)* - report issued December 15, 2020.[10] The IRS agreed to develop systemic error resolution processes and processes to provide taxpayers the opportunity to self-correct errors on accepted electronically filed (e-filed) returns, to develop processes and procedures to identify and correct tax examiner entries in verified fields, and to establish processes to ensure that tax returns with verified amounts are systemically reprocessed through ERS programming.
- *Alimony Deductions* – report issued August 7, 2019.[11] 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 e-filed returns with invalid alimony recipient Taxpayer Identification Numbers.
- *Casualty and Theft Loss Deductions* – report issued July 14, 2021.[12] The IRS agreed to revise the Form 4684, *Casualties and Thefts*, and review the 12,075 Tax Year 2019 returns we identified in which the Federal Emergency Management Agency number was missing or the number provided did not match the Federal Emergency Management Agency number on the taxpayer's tax account or was invalid.
- *Issuance of Estimated Tax Payment Penalty Notices* – report issued March 9, 2022.[13] The IRS agreed to resolve the 1,962 tax accounts we identified and any tax returns meeting the same condition that were filed after May 27, 2021, in which programming errors resulted in the taxpayer not being given credit for estimated tax payments in their spouse's tax account. The IRS also agreed to confirm that programming associated with the 1,962 tax accounts is updated.

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 and to provide interim results of our review to evaluate whether the IRS is timely and accurately processing Tax Year 2021 individual paper and e-filed tax returns. The results are presented as of several dates between January 31, 2022, and March 28, 2022, depending on when the information was available.

During the 2022 Filing Season, the IRS also continues to have a significant backlog of individual tax returns and other types of taxpayer account work that it was unable to process before the

[10] TIGTA, Report No. 2021-40-008, *Expansion of Self-Correction for Electronic Filers and Other Improvements Could Reduce Taxpayer Burden and Costs Associated With Tax Return Error Resolution* (Dec. 2020).

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

[12] TIGTA, Report No. 2021-40-045, *Casualty and Theft Loss Deductions Continue to Be Erroneously Processed Without a Valid Federal Emergency Management Agency Number* (July 2021).

[13] TIGTA, Report No. 2022-40-024, *Results of the 2021 Filing Season* (Mar. 2022).

end of Calendar Year 2021. Backlog inventories associated with the 2021 Filing Season are larger than those resulting from the 2020 Filing Season. The inability to timely process tax returns and address tax account work continues to have a significant impact on the associated taxpayers.

As we reported in February 2022,[14] the continued and ongoing hiring shortfalls of employees needed to fill mission-critical Submission Processing positions warrant the ongoing development of new hiring and retention initiatives and strategies. Approaches to date have not resolved the significant hiring and staffing shortfalls. For example, as of March 15, 2022, the IRS onboarded 521 Submission Processing employees, which is 9.5 percent of its hiring goal of 5,473. We estimate that the IRS is facing a total staffing deficiency in its Submission Processing function of 4,952 employees. As such, millions of tax returns are not being timely processed, refunds are not being timely issued, and taxpayers are not receiving timely assistance with their tax account issues. In a hearing before the House Ways and Means Subcommittee on Oversight held on March 17, 2022, the IRS Commissioner committed to resolving the backlog before December 2022. We will continue to monitor the IRS's progress to resolve these backlogs and plan to issue our final assessment of the 2022 Filing Season later in Calendar Year 2022.

Processing Tax Returns

The IRS began processing individual tax returns on January 24, 2022. During Calendar Year 2022, the IRS expects to receive 160.7 million individual income tax returns (13.2 million paper and 147.6 million e-filed individual income tax returns).[15] The total e-file volumes are projected to increase by 1.7 million (1.2 percent) in Calendar Year 2022. Figure 2 presents comparative statistics as of March 4, 2022.

[14] TIGTA, Report No. 2022-40-015, *Plans to Close the Austin Tax Processing Center Should Be Halted Until Hiring Challenges and Substantial Backlogs at Remaining Centers Are Addressed* (Feb. 2022).

[15] Numbers do not add due to rounding.

Figure 2: Comparative Filing Season Statistics

Cumulative Filing Season Data	2021 Actual	2022 Actual	% Change
Individual Income Tax Returns			
Total Returns Received (000s)	55,716	54,741	-1.7%
Paper Returns Received (000s)	1,794	1,525	-15.0%
E-Filed Returns Accepted (000s)	53,922	53,216	-1.3%
Practitioner-Prepared (000s)	23,926	24,201	1.2%
Home Computer (000s)	29,996	29,015	-3.3%
Free File (000s) *(in the Home Computer total)*	1,718	1,197	-30.3%
Percentage of Returns E-Filed	96.8%	97.2%	0.4%
Refunds			
Total Number Refunds Issued (000s)	36,049	37,999	5.4%
Total Dollars	$107.8 billion	$129.2 billion	19.9%
Average Refund Amount	$2,990	$3,401	13.8%
Total Number of Direct Deposits (000s)	34,498	37,049	7.4%
Total Direct Deposit Dollars	$104.7 billion	$128.2 billion	22.5%

Source: Multiple 2021 Filing Season reports. 2021 Filing Season figures are through March 5, 2021, and 2022 Filing Season figures are through March 4, 2022. Totals and percentages shown are rounded.

The statistics shown for the 2021 Filing Season began on February 12, 2021 (IRS filing season was delayed), which means there are 19 fewer days of receipts when compared to the current year numbers. Similar to last fiilng season, the IRS is also processing a significant number of prior year tax returns during the 2022 Filing Season that were received during Calendar Year 2021 that it was unable to process 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.

Backlogs of individual tax returns and other tax account work remain high

More than 8.4 million individual tax returns and transactions remained to be processed as of the end of Calendar Year 2021. As shown in Figure 1, the number of unprocessed tax returns and amended tax returns increased by nearly 1.2 million returns (33 percent) and 904,990 (61 percent) respectively. However, the number of returns remaining in the Error Resolution, Rejects, and Unpostable inventories declined by nearly 2 million cases collectively.

In our discussions with IRS management, they indicated that they plan to complete initial processing of all unprocessed paper tax returns received during Calendar Year 2021 before they begin processing current year paper tax returns. This is a change of approach from what the IRS did to address the backlogs in the 2021 Filing Season whereby the IRS processed work from Calendar Year 2020 at the same time as current year paper returns. Figure 3 provides a comparison of the IRS's reported volumes of work to be processed as of December 31, 2021, to estimates of work remaining as of March 12, 2022. The figures provided for Error Resolution, Rejects, Unpostables, and Amended Returns include tax returns received during Calendar Years 2021 and 2022, *i.e.*, Tax Year 2020 and 2021 returns, that have not completed processing.

Figure 3: Estimates of Work Remaining to Be Processed

Type of Work Remaining	Week Ending December 31, 2021	Week Ending March 12, 2022
Unopened Mail	0	508,474
Paper Tax Returns	4,708,826	4,498,057
Error Resolution	53,712	977,926
Rejects	422,156	794,979
Unpostables	858,712	695,707
Amended Returns[16]	2,382,901[17]	2,240,207

Source: The IRS's Submission Processing Weekly Inventory Tracking Report for the weeks ending December 31, 2021, and March 12, 2022; IRS-provided weekly inventory levels for the weeks ending December 31, 2021, and March 12, 2022; and the Customer Account Services Form 1040X Consolidated Inventory Report for the weeks ending January 1, 2022, and March 12, 2022.

Backlogs of other types of critical taxpayer assistance work remain

In addition to the inventories shown in Figure 3, the IRS has other functional areas continuing to work 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 2021, the IRS reported that more than 8 million cases remained in the Accounts Management inventory, with more than 7.6 million cases remaining in inventory as of March 19, 2022. These figures reflect total Accounts Management inventories and include both individual and business tax account work.

  In March 2022,[18] we reported that program and organizational changes are needed to address the continued inadequate tax account assistance provided to taxpayers. Over-aged Accounts Management inventory has been an ongoing challenge for the IRS. Unlike other types of entities, correspondence continues to be a primary method for taxpayer communication with the IRS. For example, taxpayers ***must*** mail correspondence to the IRS when addressing certain tax account issues, such as responding to an IRS notice or letter. Although the IRS requires taxpayers to use this as a primary service channel, the IRS has not taken any significant actions to address the continued lack of quality customer service it offers taxpayers corresponding with the IRS.

  The IRS agreed with 16 of the 19 recommendations. IRS management did not believe it would be feasible to obtain the increased staffing necessary to accommodate moving all Accounts Management correspondence to the Campus Support Sites.

[16] Includes Submission Processing and Accounts Management.

[17] The amended returns volume is as of January 1, 2022.

[18] TIGTA, Report No. 2022-46-027, *Program and Organizational Changes Are Needed to Address the Continued Inadequate Tax Account Assistance Provided to Taxpayers* (Mar. 2022).

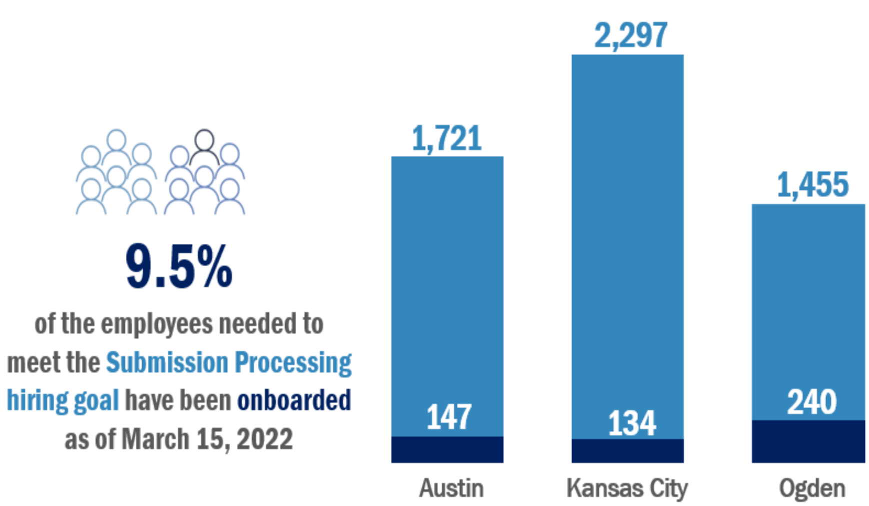
- The **Return and Income Verification Services (RAIVS) function** is responsible for processing requests for wage and income information, tax return and account information transcripts, and verification of nonfiling. At the end of Calendar Year 2021, the IRS reported 857,938 cases remained in this function's inventory.

  On January 11, 2022, we alerted management of our concern about the disproportionate allocation of resources in the RAIVS function. Specifically, during discussions with local management in the Kansas City Tax Processing Center RAIVS function, we learned that Kansas City has approximately 70 full-time employees and over 751,000 unprocessed transcript requests, whereas Ogden Tax Processing Center management stated that they have 183 full-time employees and over 145,000 unprocessed transcript requests. We recommended that the IRS evaluate alternatives to address the increasing volume of RAIVS inventory at the Kansas City Tax Processing Center. In response to our alert, on January 28, 2022, IRS management indicated that they developed an action plan to move work to the other campuses to allow Kansas City to focus on reducing RAIVS inventory. However, as of March 24, 2022, no actions have been taken to balance out RAIVS inventory. For example, as of March 11, 2022, Kansas City has 887,236 requests compared to 75,528 requests in Ogden.

Significant hiring challenges continue

Significant staffing shortages continue to hamper the IRS's efforts to address backlog inventories and ensure that current year tax returns are processed timely. As of March 15, 2022, the IRS onboarded 521 Submission Processing employees, which is 9.5 percent of its hiring goal of 5,473. We estimate that the IRS is facing a total staffing deficiency in its Submission Processing function of 4,952 employees. Figure 4 shows the progress of hiring at each of the Tax Processing Centers.

Figure 4: Hiring Progress as of March 15, 2022



Source: TIGTA analysis of IRS Hiring Statistics as of March 15, 2022.

The IRS is also experiencing shortfalls in hiring in functional areas responsible for assisting taxpayers during the 2022 Filing Season. As of March 17, 2022, the IRS onboarded 3,827 Accounts Management employees, which is 76.5 percent of its hiring goal of 5,000. The Accounts Management function is also the functional area responsible for answering toll-free telephone calls in addition to working taxpayer correspondence. We estimate that the IRS is facing a total staffing deficiency in its Accounts Management function of 1,173 employees. As of March 14, 2022, 38 of the IRS's 358 Taxpayer Assistance Centers (TAC) which offer face-to-face assistance to taxpayers were unstaffed. IRS management explained there are a number of challenges that impede their hiring efforts. Figure 5 provides a synopsis of the top hiring challenges.

Figure 5: Top Staffing Concerns

Top staffing concerns

Seasonal workforce. *A seasonal workforce does not provide permanent employment or desirable schedules and shifts.*

Competitive pay. *The Submission Processing function has several low-grade clerical positions, such as mail clerks in its Receipt and Control Operations. These employees can find similar entry-level positions in private industry for higher pay.*

Overlapping applications. *Applicants often apply to multiple job openings, reducing the true number of candidates available to fill vacancies.*

Applicants fallout. *Applicants fallout through the process because of their failure to respond or failure to pass a pre-screen suitability for tax compliance and background fingerprinting. Additionally, there are often candidates who do not show up for work after they have been hired.*

On-boarding time. *The length of time it takes to onboard a new employee may be contributing to lower on-boarding numbers.*

Source: TIGTA-generated figure based on IRS concerns.

On March 10, 2022, the IRS announced it wanted to hire for more than 5,000 positions in its processing centers located in Kansas City, Missouri; Austin, Texas; and Ogden, Utah. These positions fall under the IRS's recently obtained direct-hire authority.[19] The IRS anticipates that this authority should significantly reduce the time associated with hiring employees. After receiving this hiring authority, the IRS scheduled three virtual hiring events during March 2022, as well as in-person events at each of the three processing sites. The in-person hiring events are for two days at each location and are open to the public. IRS management noted that for the first in-person hiring event in Kansas City, Missouri, they had 464 people attend this event, and they made 408 tentative job offers. The IRS is continuing to hold virtual hiring events and has received 595 resumes from these events.

Several initiatives are underway to help address backlogs and reduce taxpayer burden

The Executive Order on Protecting the Federal Workforce (EO 14003) issued on January 22, 2021, directed the Office of Personnel Management to promote a $15 per hour minimum pay rate for Federal employees. On January 21, 2022, the Office of Personnel Management issued guidance on how agencies should adjust pay rates for affected employees. The $15 minimum hourly rate policy is effective beginning on the first day of the applicable pay period on or after

[19] A direct-hire authority is an appointing (hiring) authority that the Office of Personnel Management can give to Federal agencies to fill vacancies when a critical hiring need or severe shortage of candidates exists.

January 30, 2022. In response, the IRS took the necessary actions to increase the salaries of impacted employees to meet the requirements of the Executive Order.

In addition, on March 10, 2022, the IRS announced its plans to address the ongoing backlog of tax returns and other tax account work during the Calendar Year 2022. These initiatives, referred to as the *Get Healthy Plan*, are intended to return the IRS to healthy inventory levels by the end of Calendar Year 2022. Figure 6 provides an overview of the *Get Healthy Plan* initiatives.

Figure 6: Overview of the *Get Healthy Plan* Initiatives

IRS Get Healthy Plan Initiatives

Hiring and detailing thousands of employees to tackle the backlog

- Using recently obtained direct-hire authority to hire 5,000 new employees at its Tax Processing Centers.
- Continuing the use of overtime for employees working original and amended tax returns (mandatory overtime for approximately 6,000 employees and voluntary overtime for approximately 10,000 employees).
- Detailing approximately 1,500 employees from other IRS functions to work tax return and tax account inventory.
- Contracting with a temporary hiring agency to help with original return processing, including mailroom operations, transcription, and input of paper tax returns into IRS systems.

Communicating directly with taxpayers to help reduce tax return errors and related processing delays

- Sending taxpayers a letter showing the amount they received in advance RRC and CTC payments for use in filing their tax return.
- Creating new and expanding existing online self-service portals for taxpayers.
- Increasing the availability of in-person support at TACS through extra hours (including weekends).
- Awarding $41 million of support to over 330 volunteer tax assistance organizations across the country that provide free Federal tax return preparation to the underserved.
- Expanding customer callback to 70 percent of IRS toll-free telephone lines.
- Deploying 2,000 contractors to respond to taxpayer questions about the advance RRC and CTC payments.

Developing and deploying updated technology to automate functions

- Implementing a new automated tool to correct tax return errors.
- Suspending dozens of common notices to reduce taxpayer burden and prevent inventory increases.
- Implementing new automated support technology such as voice and chat bots in English and Spanish to quickly answer taxpayer queries.

Source: TIGTA analysis of the IRS's Get Healthy Plan.

We are performing separate reviews assessing IRS efforts to address the backlogs as well as its shortfall in hiring.[20]

[20] TIGTA, Audit No. 202140632, *Continued Assessment of the IRS's Efforts to Address the Backlog of Its Tax Processing Operations*; TIGTA, Audit No. 202210615, *Pandemic Hiring Practices*; TIGTA, Audit No. 202240621, *Continued Assessment of the IRS's Efforts to Address the Backlog During Filing Season 2022*; and TIGTA, Audit No. 202240622, *Continued Assessment of the IRS's Efforts to Address the Backlog of Over-Aged Accounts Management Inventory During Filing Season 2022*.

Implementation of American Rescue Plan Act Legislative Changes to Individual Tax Credits

As discussed previously, the ARPA modified the CDCC, the CTC, the EITC, and the PTC and created a third RRC.[21] The following provides results of testing to date on the accuracy of e-file business rules and error resolution codes.

Child and Dependent Care Credit

As of March 3, 2022, the IRS processed more than 2.2 million tax returns claiming the refundable CDCC totaling more than $5.2 billion and 138,161 tax returns claiming the nonrefundable CDCC totaling more than $250 million.[22] The IRS developed two business rules,[23] modified four existing business rules, and developed one new error resolution code to address changes associated with the CDCC. We are still in the process of testing the business rules and the newly developed error resolution code. Figure 7 provides a description of the business rules and error resolution code we are evaluating.

[21] We are conducting separate reviews of the IRS's implementation of each of these tax credits. See Appendix III for a list of the applicable TIGTA audits. The final result of our assessments of these business rules and error resolution codes will be included in the respective audit reports we plan to issue later in Calendar Year 2022.

[22] There are 128 returns that appear in both populations in which taxpayers claimed the refundable and nonrefundable CDCC.

[23] One of the two business rules was disabled prior to the 2022 Filing Season.

Figure 7: CDCC Business Rules and Error Resolution Code

Business Rule	Description
F2441-002-04	[redacted]
F2441-011-02	[redacted]
F2441-023	[redacted]
F2441-526	[redacted]
F2441-001-01	[redacted]
F2441-024	[redacted]
Error Resolution Code	**Description**
363	Generates when all of the following exist: a) the taxpayer's and the computer's amount for Refundable Child and Dependent Care Credit [redacted]; b) the tax period is 202112 or greater; and c) a math error is [redacted]

Source: IRS business rule list and the Internal Revenue Manual section 3.12.3.30.

On February 17, 2022, we alerted IRS management of our concerns regarding CDCC business rules not accurately rejecting 267 tax returns when the return involved a refundable CDCC claim. In our alert, we recommended the IRS update the business rule programming to identify and evaluate returns for both refundable and nonrefundable CDCC claims. We also recommended the IRS revise the reject condition explanation that is sent to taxpayers and providers to reflect the updated line numbers and naming conventions to reflect the Tax Year 2021 Form 2441.

On March 3, 2022, IRS management responded to our alert and agreed that the programming for these business rules did not include refundable CDCC claims. IRS management partially agreed that the language sent to taxpayers needs to be revised. IRS management stated that due to information technology standards, line numbers are removed when a business rule is updated. IRS management stated that they have submitted a computer programming change request to revise the business rule criteria and to update the explanation provided to taxpayers and providers. However, IRS management did not agree that 187 of the 267 tax returns we identified met the reject condition, and as such, these tax returns should not have rejected. We are continuing to evaluate IRS management's response regarding the 267 tax returns.

Child Tax Credit

As of March 2, 2022, the IRS has processed more than 14.9 million tax returns claiming $82.7 billion in the CTC, of which $33.7 billion was paid in advance. We have a separate review that will ensure that taxpayers are properly reconciling the advance CTC payments received during Calendar Year 2021.[24] In response to the ARPA, the IRS developed 12 business rules, modified eight existing rules, and developed one new error resolution code. As of January 31, 2022, our testing of these business rules showed they are working as intended. We will report on our testing of the error resolution code later in Calendar Year 2022. Figure 8 provides a description of the business rules and error resolution code we are evaluating.

Figure 8: CTC Business Rules and Error Resolution Code Reviewed

Business Rule	Description
F1040-066-08	[redacted]
IND-098-02	[redacted]
IND-153-02	[redacted]
IND-154-03	[redacted]
IND-168-02	[redacted]
IND-454	[redacted]
IND-455	[redacted]
IND-459	[redacted]
IND-460	[redacted]
IND-461	[redacted]
IND-116-02	[redacted]
IND-241-01	[redacted]

[24] TIGTA, Audit No. 202240712, *American Rescue Plan Advanced Child Tax Credit Tax Filing Reconciliation for Individuals*.

Business Rule	Description
IND-462	[redacted]
S8812-F1040-005	[redacted]
S8812-F1040-006	[redacted]
S8812-F1040-007	[redacted]
S8812-F1040-008	[redacted]
S8812-F1040-009	[redacted]
S8812-F1040-010	[redacted]
S8812-F1040-011	[redacted]
Error Resolution Code	**Description**
345	Identifies discrepancies between the amount of refundable CTC claimed on a Tax Year 2021 tax return and the eligible amount computed by the IRS.

Source: IRS business rule list and the Internal Revenue Manual section 3.12.3.30.2.

The ARPA also required the IRS to provide taxpayers with a written notice, no later than January 31, 2022, to help taxpayers reconcile advanced CTC payments and receive any additional Tax Year 2021 CTC. As such, the IRS developed Letter 6419, *2021 Total Advance Child Tax Credit (AdvCTC) Payments*. The letter includes the:

- Total amount of advance CTC payments issued during Calendar Year 2021.
- Number of qualifying children used to calculate the advance payments.

Earned Income Tax Credit

As of March 3, 2022, the IRS has processed 4.7 million tax returns claiming Childless EITC, *i.e.*, claim does not involve dependents, totaling more than $4 billion. The IRS added one business rule, modified one business rule, and developed two new error resolution codes to address changes associated with the EITC. We are still in the process of testing the modified business rules and the newly developed error resolution codes. Figure 9 provides a description of the business rules and error resolution codes we are evaluating.

Figure 9: EITC Business Rules and Error Resolution Codes

Business Rule	Description
F1040-459	[redacted]
F1040-460	[redacted]
Error Resolution Code	**Description**
339	Generates when Total Payments is not equal to Total Payments Computer and all of the following exist: a) the tax period is 202112 or later; b) Section 43 is present; c) EIC Amount differs from EIC Amount Computer; and d) a math error is present in Balance Due/Overpayment.
340	Generates when Total Payments is not equal to Total Payments Computer and all of the following exist: a) the tax period is 202112 or later; b) Section 43 is not present; c) EIC Amount differs from EIC Amount Computer; and d) a math error is present in Balance Due/Overpayment.

Source: IRS business rule list and the Internal Revenue Manual section 3.12.3.28.

Premium Tax Credit

As of March 3, 2022, the IRS has processed more than 1.6 million Tax Year 2021 tax returns claiming the PTC totaling more than $10.2 billion. In response to the ARPA, the IRS developed one new business rule and modified 12 error resolution codes associated with changes to the PTC. The IRS created an additional business rule in an effort to reduce correspondence and processing delays for PTC claims. As of March 3, 2022, our testing of these business rules showed they are working as intended. We are still in the process of testing the modified existing error resolution codes. Figure 10 provides a description of the business rules and error resolution codes we are evaluating.

Figure 10: PTC Business Rules and Error Resolution Codes Reviewed

Business Rule	Description
F8962-070	[redacted]
F8962-330	[redacted]
Error Resolution Code	**Description**
189	Generates when the annual or sum of monthly premium amounts, the annual or sum of monthly premium of the Second Lowest Cost Silver Plan, or the Advance PTC (APTC) is greater than or equal to $25,000.
190	Generates when the Form 8962 is missing and the Marketplace indicates APTC payments were made or the taxpayer has an entry for APTC Repayment or Reconciled PTC.
191	Generates when the Household Income Percentage is less than 100 percent of the Federal Poverty Level (FPL), Form 8962, Line 25 is blank, and the Marketplace indicates no APTC payments were made for anyone listed on the return.
195	Generates when the Form 8962 is present but no one is enrolled in the Marketplace.
196	Generates when the taxpayer used the annual calculation but should have used the monthly calculation or when the taxpayer reported fewer months than the Marketplace.
197	Generates when the taxpayer's annual or monthly premium amount does not equal the Marketplace amount.
198	Generates when the taxpayer's annual or monthly Premium Second Lowest Cost Silver Plan amount does not equal the Marketplace amount.
199	Generates when the taxpayer's annual or monthly APTC amount does not equal the Marketplace amount.
270	Generates when the Form 8962 is missing, the APTC repayment is present on Form 1040, and the Marketplace indicates coverage but no APTC was received.
271	Generates when monthly contribution for healthcare does not equal the amount calculated by the IRS.
276	Generates when the taxpayer's APTC Repayment amount differs from the amount calculated by the IRS.
750	[redacted]

Source: IRS business rule list and the Internal Revenue Manual sections 3.12.3.20, 3.12.3.26 and 3.12.3.32.7.

In addition, the IRS also modified the Form 8962 to add a checkbox for taxpayers to attest that they received or were approved to receive unemployment compensation. Of the more than 1.7 million Tax Year 2021 returns processed with a Form 8962 attached as of March 3, 2022, 351,849 (19.6 percent) tax returns had the box checked on the Form 8962 stating the taxpayer received or was approved to receive unemployment compensation.

Recovery Rebate Credit

As of March 3, 2022, the IRS has processed more than 7.1 million tax returns claiming the RRC totaling more than $13.4 billion. The IRS did not have to develop or modify existing business rules to address the RRC as they were already in use for Tax Year 2020 RRC claims. We evaluated these six business rules during our previous audit of the RRC and found them to be operating as intended. In response to the ARPA, the IRS developed one new error resolution code to calculate the allowable RRC amount used to verify RRC claims. We are still evaluating this new error resolution code.

The automated Error Resolution correction tool was developed in response to prior TIGTA recommendations[25]

The IRS implemented an automated Error Resolution correction tool in an effort to shorten the time needed to resolve certain taxpayer errors that could delay their refund, as well as to reduce the risk of IRS employee error. The IRS refers to this tool as the FixERS tool. This tool systemically replaces the steps an IRS Error Resolution employee would take to resolve the identified tax return errors. The IRS is using the FixERS tool to address common taxpayer errors when claiming the CTC, the EITC, the CDCC, and the RRC. IRS management stated that they chose these errors because they expected tax returns with these errors to be the most impactful on taxpayers during the 2022 Filing Season.

The IRS reports that 5.6 million tax returns with these CDCC, CTC, EITC, and RRC errors have been identified for the FixERS tool as of March 8, 2022. According to IRS management, returns worked using the FixERS tool are generally resolved within three days of the error being identified. In addition, IRS management stated that the tool is able to resolve approximately 250,000 tax returns a day. Of these, 5.2 million (93 percent) returns have been resolved. Figure 11 provides a description of the errors being resolved using the FixERS tool.

[25] TIGTA, Report No. 2022-40-024, *Results of the 2021 Filing Season* (Mar. 2022) and TIGTA, Audit No. 202240702, Reconciliation of the American Rescue Plan Act Recovery Rebate Credit During the 2022 Filing Season.

Figure 11: Tax Return Errors Resolved Using the FixERS Tool

Error Resolution Code	Topic of Error Resolution Code	Description
339	EITC With Schedule EIC	Generates when Total Payments is not equal to Total Payments Computer and all of the following exist: a) the tax period is 202112 or later; b) EIC schedule is present; c) EIC Amount differs from EIC Amount Computer; and d) a math error is present in Balance Due/Overpayment.
340	EITC Without Schedule EIC	Generates when Total Payments is not equal to Total Payments Computer and all of the following exist: a) the tax period is 202112 or later; b) EIC schedule is not present; c) EIC Amount differs from EIC Amount Computer; and d) a math error is present in Balance Due/Overpayment.
345	Refundable CTC	Generates when all of the following exist: a) the tax period is 202112 or later; b) the taxpayer's and computer's amounts for Additional Child Tax Credit are different by [redacted]; c) Total Payments is not equal to Total Payments Computer; and d) a math error is present.
350	RRC	Generates when all of the following exist: a) the tax period is 202112 or later; b) the taxpayer's and computer's amounts for the RRC are different; c) Total Payments is not equal to Total Payments Computer; and d) a math error is present.
363	Refundable CDCC	Generates when all of the following exist: a) the taxpayer's and the computer's amount for Refundable CDCC are different by [redacted]; b) the tax period is 202112 or greater; and c) a math error is present.

Source: Internal Revenue Manual sections 3.12.3.28 and 3.12.3.30, revised November 23, 2021.

Some limitations currently exist with the FixERS tool

While the FixERS tool has enabled the IRS to considerably reduce the time frame to resolve tax return errors, the use of the tool is currently limited to only e-filed tax returns. Paper tax returns with the same type of errors must still be worked manually. In addition, any tax returns that have errors in addition to the five errors identified in Figure 11 must also continue to be worked manually. Using available IRS reports, we estimate there are 1.7 million returns in the Error Resolution inventory as of March 4, 2022, that still require manual resolution.

Evaluation of New Business Rules That Affect the 2022 Filing Season

In addition to the previoulsy discussed ARPA testing we are performing, we also selected an additional 36 business rules for in-depth testing. We selected these rules because they were new or modified for the 2022 Filing Season. Figure 12 is a brief description of the business rules we selected to review.

Figure 12: Business Rules Reviewed

Business Rule	Description
F1040-454-01	[redacted]
S1-F1040-253	[redacted]
S2-F1040-001	[redacted]
S2-F1040-002	[redacted]
S2-F1040-006	[redacted]
S2-F1040-007	[redacted]
S2-F1040-008	[redacted]
S2-F1040-009	[redacted]
S2-F1040-010	[redacted]
S2-F1040-011	[redacted]
S2-F1040-251	[redacted]
S2-F1040-287	[redacted]
S2-F1040-303	[redacted]
S3-F1040-008-01	[redacted]
S3-F1040-011	[redacted]
S3-F1040-013	[redacted]

Business Rule	Description
S3-F1040-016	[redacted]
S3-F1040-017	[redacted]
S3-F1040-019	[redacted]
S3-F1040-020	[redacted]
SA-F1040-025-01	[redacted]
SA-F1040-027	[redacted]
F3468-015 through F3468-023	[redacted]
F8379-021	[redacted]
F8379-022	[redacted]
F8379-023	[redacted]
F8379-024	[redacted]
IND-391	[redacted]

Source: IRS business rule list.

As of March 25, 2022, our testing identified no concerns with the tax returns that were rejected associated with 25 of the 36 business rules reviewed. The remaining 11 business rules have not caused the rejection of any tax returns as of this date, and as such, we have been unable to determine whether these rules are working correctly. We have also reviewed accepted tax returns associated with 34 of the 36 business rules and have not found any tax returns that were erroneously accepted. In addition, we ensured that the 125 business rules that were deleted or disabled did not reject Tax Year 2021 tax returns in error.

Detecting and Preventing Tax Refund Fraud

As of February 26, 2022, the IRS reported that it identified 76,814 tax returns with approximately $817.4 million claimed in fraudulent refunds and prevented the issuance of $807.9 million (98.8 percent) of those refunds. This represents a significant increase in the amount of fraudulent refunds stopped when compared to the same period last filing season.[26] IRS management stated that the increase was due to the number of returns carried over from the prior year, as well as the fact that this year's filing season started earlier than last year, resulting in having more time to identify fraudulent refunds. Figure 13 shows the number of fraudulent tax returns the IRS identified for Processing Years 2021 and 2022 as well as the refund amounts that were stopped.

Figure 13: Fraudulent Tax Returns and Refunds Identified and Stopped in Processing Years 2021 and 2022 (as of February 26, 2022)

Processing Year	Number of Fraudulent Refund Returns Identified	Number of Fraudulent Refund Returns Stopped	Amount of Fraudulent Refunds Identified	Amount of Fraudulent Refunds Stopped
2021	2,325	1,153	$15,960,050	$12,635,306
2022	76,814	74,711	$817,400,771	$807,903,066

Source: IRS fraudulent tax return statistics for Processing Years 2021 and 2022 as of February 26, 2022.

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 December 31, 2021, the IRS has locked taxpayer accounts of nearly 49.1 million deceased individuals. This compares to 45.6 million accounts locked as of January 28, 2021. 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, 2022, it had rejected 127,582 fraudulent e-filed tax returns and had stopped 3,525 paper tax returns from posting to the Master File.

Detection of tax returns involving identity theft

For the 2022 Filing Season, the IRS is using 168 filters to identify potential identity theft tax returns and prevent the issuance of fraudulent refunds. In comparison, the IRS used 155 filters for the 2021 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 to prevent the issuance of a fraudulent refund.

[26] The 2021 Filing Season began on February 12, 2021, which means there are 19 fewer days to stop fraudulent refunds when compared to the current year numbers.

As of March 3, 2022, the IRS reported that it identified nearly 1.2 million tax returns with refunds totaling approximately $6.5 billion for additional review as a result of the identity theft filters. As of that same date, the IRS had confirmed 9,626 tax returns as fraudulent and prevented the issuance of $54.5 million in fraudulent refunds. Figure 14 shows the number of identity theft tax returns the IRS identified and confirmed as fraudulent in Processing Years 2021 and 2022 as of March 3, 2022.

Figure 14: Identity Theft Tax Returns Confirmed Fraudulent in Processing Years 2021 and 2022

Processing Year	Confirmed Identity Theft Returns
2021	2,499
2022	9,626

Source: IRS fraudulent tax return statistics for Processing Year 2021 (as of March 4, 2021) and Processing Year 2022 (as of March 3, 2022).

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. Taxpayers nationwide can also 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 SSN. 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 SSN 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. The IRS reports that it issued 447,417 IP PINs to taxpayers who used this tool as of March 4, 2022.

Screening of prisoner tax returns

To combat refund fraud associated with tax returns filed using prisoner SSNs, 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 SSN. As of February 26, 2022, the IRS reported that it identified for screening 33,536 potentially fraudulent tax returns filed by prisoners.[28] This represents a decrease of 35.6 percent over the number of tax returns identified during the same period of the 2021 Filing Season. Figure 15 shows the number of prisoner tax returns identified for screening in Processing Years 2021 and 2022.

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

[28] Tax returns filed using a prisoner's name and SSN.

Figure 15: Prisoner Tax Returns Identified for Screening in Processing Years 2021 and 2022

Processing Year	Number of Prisoner Tax Returns Identified for Screening
2021	52,114
2022	33,536

Source: IRS fraudulent tax return statistics for Processing Year 2021 (as of February 27, 2021) and Processing Year 2022 (as of February 26, 2022).

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.

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 notable self-assistance option is the IRS's public Internet site, IRS.gov. The IRS reported 357.4 million visits to IRS.gov for the 2022 Filing Season as of March 4, 2022. In comparison, the IRS reported 555.7 million visits to IRS.gov for the 2021 Filing Season as of March 5, 2021, which is a decrease of 35.7 percent. The IRS website provides a number of online tools to assist taxpayers. Figure 16 provides examples of these online tools along with the number of times the tool was used as of March 4, 2022.

Figure 16: Examples of Online Tool Uses for Processing Years 2021 and 2022 (as of Week Ending March 4, 2022)

Tool	Description	Number of Uses in Processing Year 2021	Number of Uses in Processing Year 2022
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	0.5 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.	173.5 million	214.8 million

Source: IRS management information reports.

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 17 shows the total number of followers for each of these platforms as of March 5, 2022, along with the IRS2Go active users and cumulative number of YouTube videos viewed as of the same date.

Figure 17: Number of Followers on Social Media Platforms (as of March 5, 2022)

Social Media Platforms	Number of Followers
YouTube (Views)	26.1 million
IRS2Go (Active Users)	6.7 million
Facebook	629,868
Twitter	439,040
Instagram	92,749

Source: IRS management information reports.

Toll-free telephone level of assistance

As of March 4, 2022, taxpayers made nearly 35.9 million total attempts and 27.4 million net attempts[29] to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that 7.4 million calls were answered with automation, and telephone assistors answered nearly 2.7 million calls and provided a 19.5 percent Level of Service with a 24-minute Average Speed of Answer. Figure 18 shows a comparison for Calendar Years 2021 and 2022, as of March 4, 2022.

Figure 18: Toll-Free Performance Statistics for Calendar Years 2021 and 2022

	Filing Season	
Statistic	2021	2022
Assistor Calls Answered	4,444,000	2,688,000
Level of Service	27.3%	19.5%
Average Speed of Answer (Minutes)	18	24
Level of Access[30]	29.6%	31.2%

Source: IRS management information reports (as of March 5, 2021, for Calendar Year 2021 and as of March 4, 2022, for Calendar Year 2022).

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

[30] 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.

TACs

The IRS plans to assist 2.7 million taxpayers at its TACs in Fiscal Year 2022, which is an increase of 153 percent from Fiscal Year 2021. Figure 19 shows the number of contacts by product line at the TACs for Fiscal Years 2021 and 2022.

Figure 19: TAC Contacts for Fiscal Years 2021 and 2022 (*in millions*)

	Fiscal Year	
Contacts/Product Lines	2021	2022 Projections
Tax Account Contacts	0.52	1.82
Form Contacts	0.04	0.09
Other Contacts	0.51	0.80
Tax Law Contacts	0.01	0.02
Totals	1.08	2.73

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

Insufficient staffing continues to result in the TACs not being opened to provide taxpayer assistance. As of March 28, 2022, the IRS reports that 43 of the 358 TACs were closed due to a lack of staffing. The IRS faces many of the same hiring challenges for its TAC sites as Submission Processing and Accounts Management. IRS management stated that they have been attempting to hire personnel for the unstaffed TACs and have been able to hire individuals for nine unstaffed TACs from October 2021 to March 2022. IRS management indicated that they are using social media and developing flyers to increase awareness of their hiring needs. IRS management cautioned that the operating status of the TACs can vary day-to-day due to illness, staff leaving, and/or staff taking other positions within the IRS. For example, 180 of the 358 TACs operated by the IRS are staffed with one or two IRS employees.

Similar to prior filing seasons, the IRS continues to use its appointment service for all TACs. 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, 2022, IRS employees answered 527,000 calls to schedule an appointment. Of these, 258,000 calls necessitated that the taxpayer schedule an appointment and visit a TAC. The remaining 269,000 taxpayers were assisted without having to visit a TAC. The IRS also noted that taxpayers who travel to a TAC without an appointment are assisted if there is availability. As of February 28, 2022, the IRS reported that it provided assistance to 2,900 taxpayers who visited a TAC without an appointment.

In an effort to further assist taxpayers, the IRS is also offering service at select TACs on each of four monthly Saturdays beginning February 12, 2022, and ending May 14, 2022. On these dates, the centers provide taxpayers with in-person help between 9:00 am and 4:00 pm and no appointments are required. The IRS website posts information regarding the days and hours of operation, a list of services provided as well as whether the TAC is open on one of these four Saturday dates. According to IRS management, they have served 5,217 taxpayers in the 35 TACs that were open on the first two monthly Saturday dates.

Finally, 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. For the 2022 Filing Season, there were 11 community partner sites open to provide service as of February 28, 2022. Openings for the additional 10 remaining Virtual Service Delivery sites are being determined based on partner availability. The IRS reports that, as of February 28, 2022,[31] 81 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*,[32] 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 2022 Filing Season, the Social Security Administration has not yet reopened the six locations where the IRS was co-located. Therefore, the IRS reports that, as of February 28, 2022,[33] no one has used the service.
- *Web Service Delivery* – This initiative is a virtual service option that provides taxpayers the opportunity to receive face-to-face assistance from an IRS representative over the Internet. The virtual conference is scheduled by appointment only, similar to other face-to-face service options. The Web Service Delivery pilot program expanded during the 2021 Filing Season from eight to 16 assistors and concluded on May 31, 2021. The IRS reported that as of May 28, 2021, it had assisted 1,669 taxpayers using this service. The IRS began the pilot again on March 15, 2022, using 32 assistors.[34]

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 6, 2022, Volunteer Program sites prepared nearly 810,000 tax returns at 7,948 Volunteer Program sites that were open as of March 7, 2022. Figure 20 shows the number of tax returns prepared by volunteers for Fiscal Years 2021 and 2022 as of March 6, 2022.

[31] For Fiscal Year 2022 – October 1, 2021, through February 28, 2022.

[32] November 25, 2016.

[33] For Fiscal Year 2022 – October 1, 2021, through February 28, 2022.

[34] The pilot covers the four continental U.S. time zones (Eastern, Central, Mountain, and Pacific) with eight assistors for each time zone.

Figure 20: Volunteer Program Statistics for Fiscal Years 2021 and 2022 (as of March 6, 2022)

	Fiscal Year 2021	Fiscal Year 2022	Percentage Change
Tax Returns	565,123	809,695	43.3%
Sites	7,354	7,948	8.1%

Source: IRS management reports containing Fiscal Years 2021 and 2022 information. Percentages are rounded.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to evaluate whether the IRS timely and accurately processed individual paper and e-filed tax returns during the 2022 Filing Season. 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 4, 2022, from the IRS Weekly Filing Season reports to provide filing season statistics and compared the statistics to the same period for the 2021 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 2021 using IRS reports.
- Obtained information related to Submission Processing and Accounts Management hiring and onboarding efforts.
- 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, and the Wage and Investment Division Submission Processing function offices in Covington, Kentucky, during the period November 2021 through March 2022. 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; Ashley E. Burton, Senior Auditor; Linda M. Valentine, Senior Auditor; Van A. Warmke, Senior Auditor; James Philip Bailey, Jr., Auditor; Jordan D. Bunte, Auditor; Hong Cao, Information Technology Specialist; and Theodore Logothetti, Information Technology Specialist.

Validity and Reliability of Data From Computer-Based Systems

During this review, we obtained extracts from the Modernized Tax Return Database for Processing Year 2022. 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. 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: the process for planning, organizing, directing, and controlling program operations for the 2022 Filing Season. We evaluated these controls by monitoring IRS weekly production meetings, reviewing IRS procedures, and reviewing IRS reports.

Appendix II

American Rescue Plan Act Changes to Refundable Tax Credits

The ARPA modified the CDCC, the CTC, the PTC, and the EITC and created a third RRC. Figures 1 through 5 provide a comparison of the changes to each of these credits.

Figure 1: Changes to the CDCC

	Old Provision	ARPA Provision
Maximum Qualifying Expenses	$3,000 (one qualifying person); $6,000 (two or more).	$8,000 (one qualifying person); $16,000 (two or more).
Maximum Credit	35 percent of qualifying expenses (with phase-down to 20 percent).	50 percent of qualifying expenses (two-part phase-out).
Limitation	Limited to tax liability (nonrefundable).	Refundable for taxpayers who meet principle abode requirements.[1]
Adjusted Gross Income (AGI) Phase-Out	Begins at $15,000.	Begins at $125,000; ends at $438,000.
Employer-Provided Dependent Care Benefits Exclusion	Limited to $5,000.	Limited to $10,500.[2]

Source: TIGTA's comparison of CDCC old and new provisions.

Figure 2: Changes to the CTC

	Old Provision	ARPA Provision
Maximum Credit	$2,000 per qualifying child maximum age 16.	$3,600 per qualifying child under age 6 $3,000 per qualifying child ages 6 to 17 years old.
CTC Refundable Status	$1,400.	Fully refundable for taxpayers who meet principle abode requirements.
Modified AGI Phase-Out Amount per Filing Status	$200,000 ($400,000 for married filing jointly). The allowable CTC amount is reduced by $50 for every $1,000 (or fraction thereof) in modified AGI over the threshold until there is no CTC.	$75,000 ($112,500 for head of household and $150,000 for married filing jointly or qualifying widow(er)). There are two phase-outs: 1) starts at the new thresholds above where the allowable CTC amount is reduced by $50 for every $1,000 (or fraction thereof) in modified AGI until it reaches $2,000 per qualifying child.

[1] Taxpayers must have a principle abode in the United States for more than one-half of the tax year.

[2] The maximum exclusion available is dependent on the taxpayer's filing status.

		2) starts at the prior provision's thresholds in which the allowable CTC amount is reduced by $50 for every $1,000 (or fraction thereof) in modified AGI over the threshold until there is no CTC.[3]
Payment Options	Taxpayers file a tax return and claim eligible credit.	Taxpayers who are eligible for the fully refundable CTC can receive advance payments up to one-half of the estimated CTC for Tax Year 2021 in up to six payments between July and December 2021. The remaining eligible CTC, or the entire CTC if no advance is received, will be claimed when the taxpayer files their Tax Year 2021 tax return.
Safe Harbor	Not applicable.	Applies to individuals with excess advance CTC due to changes in the number of qualifying children between Tax Year 2020 (or 2019) and Tax Year 2021. $2,000 per "excess" qualifying child is protected from repayment.
Safe Harbor Phase-Out	Not applicable.	$60,000 - $120,000 for married filing jointly or qualifying widow(er). $50,000 - $100,000 for head of household. $40,000 - $80,000 for all other taxpayers. Modified AGI equal to or below the lower threshold amount qualifies a taxpayer whose repayment is solely due to excess qualifying children for full repayment protection. Between the threshold amounts there is a phase-out. At or above the higher threshold the taxpayer qualifies for no repayment protection.

Source: TIGTA's review of the ARPA, Internal Revenue Manual section 25.23.4.21.2, and the IRS's CTC Frequently Asked Questions.

[3] For example, if a taxpayer filing as head of household has a modified AGI of $210,000, the CTC would reduce by $50 for every $1,000 (or fraction thereof) of modified AGI between $112,500 and $200,000, but the amount of the CTC would not reduce below $2,000 per qualifying child. When the modified AGI is above $200,000, the amount of the CTC is reduced by $50 for every $1,000 until the credit is gone. In our example, the taxpayer would reduce the CTC by $500 ($210,000 - $200,000 would be 10 increments of $1,000. 10 times $50 is $500).

Figure 3: Changes to the EITC for Childless Individuals

	Old Provision	ARPA Provision
Maximum Credit	$538.	$1,502.
Maximum AGI	$15,820 ($21,710 Married filing jointly).	$21,430 ($27,830 Married filing jointly).[4]
Credit Begins to Phase-Out at Earned Income Level	$5,280.	$11,610.
Maximum Investment Income	$3,650.	$10,000.
Minimum Age to Claim the Credit	25.	19, or 24 if a student, or 18 if a former foster youth or homeless youth.
Maximum Age to Claim the Credit	65.	None.

Source: TIGTA's comparison of Child Earned Income Tax Credit old and new provisions.

Figure 4: Changes to the PTC

	Old Provision	ARPA Provision
Payment Amount	The maximum PTC is the lesser of the total premium amount or the Second Lowest Cost Silver Plan premium amount minus the individual's contribution amount. The contribution amount is dependent on the individual's household income and is not less than 2.06 percent and not more than 9.78 percent of the individual's household income. The PTC can be received in advance. Individuals must reconcile the APTC with the net allowable PTC on their annual tax return. Generally, individuals who receive excess APTC must repay the excess credit. The amount that must be repaid is dependent on the individual's household income.	Effective for Tax Years 2021 and 2022, the contribution amount is not less than 0 percent and not more than 8.5 percent. Effective for tax years beginning after December 31, 2019, anyone receiving excess APTC in Tax Year 2020 does not have to pay back the excess.
Phase-Out	Individuals with household income below 100 percent of the FPL or above 400 percent of the FPL are not eligible for the PTC.	For Tax Years 2021 and 2022, removes the household income cap of 400 percent of the FPL. Allows individuals who receive or were approved to receive unemployment during Calendar Year 2021 to be treated as an applicable taxpayer and excludes household income that exceeds 133 percent of the FPL per family size from consideration.
Eligibility	You or a family member must enroll in health insurance coverage through the Marketplace.	No change with the exception of: Modifies the definition of an applicable taxpayer to include individuals who

[4] If married, you must usually file a joint return to claim the EITC; however, there is a special rule for separated spouses.

	You and your family members must not be eligible for coverage from an employer or government plan. Household income (modified AGI) is at least 100 percent but not more than 400 percent of the FPL for your family size (with exceptions). Referred to as an applicable taxpayer. You cannot be claimed as someone else's dependent. Do not file Married Filing Separate (with exceptions for victims of domestic abuse and spousal abandonment). All your health insurance premiums were paid (by the APTC, yourself, or someone else).	received or were approved to receive unemployment income during Calendar Year 2021. For these taxpayers, modifies the definition of household income to exclude all income in excess of 133 percent of the FPL for the individual's family size for individuals who received unemployment income during Calendar Year 2021.

Source: TIGTA's review of the ARPA and the Internal Revenue Manual section 21.6.3.4.2.12.2.

Figure 5: Comparison of Major Provisions of the First, Second, and Third RRC

	Coronavirus Aid, Relief, and Economic Security Act[5] Direct Payment	Consolidated Appropriations Act, 2021[6] Direct Payment	ARPA Direct Payment
Payment Amount	$1,200 individual. $2,400 married joint filers. Additional $500 for each qualifying child.	$600 individual. $1,200 married filing joint filers. Additional $600 for each qualifying child.	$1,400 individual. $2,800 married joint filers. Additional $1,400 for each dependent, including older children and adult dependents.
Phase-Out	Total payment amount phased out by 5 percent of AGI over the following thresholds: $75,000 Single. $112,500 Head of Household and Qualifying Widower. $150,000 Married Filing Joint and Qualifying Widower.	Total payment amount phased out by 5 percent of AGI over the following thresholds: $75,000 Single. $112,500 Head of Household. $150,000 Married Filing Joint and Qualifying Widower.	Total payment phases out ratably between the following income levels: $75,000 - $80,000 Single. $112,500 - $120,000 Head of Household. $150,000 - $160,000 Married Filing Joint and Qualifying Widower.
Eligibility	Everyone except: Nonresident aliens. Dependents of other taxpayers. Estates and trusts.	Everyone except: Nonresident aliens. Dependents of other individuals. Estates and trusts. Individuals who died before January 1, 2020.	Everyone except: Nonresident aliens. Dependents of other individuals. Estates and trusts. Individuals who died before January 1, 2021.

Source: TIGTA's analysis of the various RRCs.

[5] Pub. L. No. 116-136, 134 Stat. 281 (codified as amended in scattered sections of 2, 5, 12, 15, 20, 21, 29, 42, and 45 U.S.C.) (March 2020).

[6] Pub. L. No. 116-260 (December 2020).

Appendix III

Treasury Inspector General for Tax Administration Audits of American Rescue Plan Act Tax Law Changes

Audit Number	Audit Title	Estimated Report Date
202140731	Efforts to Assist Taxpayers With the Child Tax Credit Update Portal and Non-Portal Updates	July 2022
202240702	Reconciliation of the American Rescue Plan Act Recovery Rebate Credit During the 2022 Filing Season	February 2023
202240712	American Rescue Plan Act Advanced Child Tax Credit Tax Filing Reconciliation for Individuals	November 2022
202240720	Continued Review of Premium Tax Credit Rules Under the American Rescue Plan Act	Unknown

Source: TIGTA Fiscal Year 2022 Annual Audit Plan and Discretionary Audit Coverage.

Appendix IV

Glossary of Terms

Term	Definition
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.
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.
Child and Dependent Care Credit	A tax credit for expenses that are paid for the care of a qualifying individual to enable taxpayers to work or to actively look for work.
Child Tax Credit	A tax credit for families with qualifying children.
Earned Income Tax Credit	A refundable tax credit for low-income to moderate-income workers.
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.
Error Resolution System	A real-time computer system used to identify and address paper and e-filed tax returns with an error condition.
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.
Free File	A free Federal tax return preparation and e-filing program for eligible taxpayers developed through a partnership between the IRS and Free File Inc. The Alliance is a group of private sector tax software companies.
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.

Term	Definition
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.
Premium Tax Credit	A refundable tax credit created by the Affordable Care Act[1] to assist eligible taxpayers with paying their health insurance premiums.
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 IRS processes the tax return or document.
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 Processing Center	The location where the IRS processes paper and electronic submissions, corrects errors, and forwards data to the Computing Centers for analysis and posting to taxpayer accounts.
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, an SSN, an Adoption Taxpayer Identification 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.

[1] Patient Protection and Affordable Care Act (Affordable Care Act), Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of 26 and 42 U.S.C.), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

Appendix V

Abbreviations

AGI	Adjusted Gross Income
APTC	Advance Premium Tax Credit
ARPA	American Rescue Plan Act of 2021
CDCC	Child and Dependent Care Credit
CTC	Child Tax Credit
e-file(d); e-filing	Electronically File(d); Electronic Filing
EIC	Earned Income Credit
EITC	Earned Income Tax Credit
ERS	Error Resolution System
FPL	Federal Poverty Level
IP PIN	Identity Protection Personal Identification Number
IRS	Internal Revenue Service
MSA	Medical Savings Account
PTC	Premium Tax Credit
RAIVS	Return and Income Verification Services
RRC	Recovery Rebate Credit
SSN	Social Security Number
TAC	Taxpayer Assistance Center
TIGTA	Treasury Inspector General for Tax Administration

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