TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

A Service-Wide Strategy Is Needed to Address Challenges Limiting Growth in Business Tax Return Electronic Filing

May 4, 2022

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HIGHLIGHTS: A Service-Wide Strategy Is Needed to Address Challenges Limiting Growth in Business Tax Return Electronic Filing

Final Audit Report issued on May 4, 2022 **Report Number 2022-40-036**

Why TIGTA Did This Audit

This audit was initiated because the IRS's continued inability to process backlogs of paper-filed tax returns contributed to management's decision to destroy an estimated 30 million paper-filed information return documents in March 2021. The IRS uses these documents to conduct post-processing compliance matches to identify taxpayers who do not accurately report their income.

TIGTA previously reported that there were actions the IRS could take to reduce paper filings and/or convert paper tax returns into an electronic format. In addition, TIGTA reported that, while the electronic filing (e-filing) of business tax returns continued to increase, the e-filing rate still lags behind that of individual tax returns. Finally, repeated efforts to modernize paper tax return processing have been unsuccessful. Our overall audit objective was to assess the effectiveness of the IRS's efforts to modernize paper tax return processing and increase e-filing.

Impact on Tax Administration

The IRS continues to receive large volumes of paper-filed tax and information returns, resulting in significant costs to process each year. In Fiscal Year 2020, the IRS expended more than $226 million to process paper-filed tax returns. E-filing provides benefits to taxpayers, including upfront validations, greater tax return accuracy, and secure and confidential submission of highly personal tax return information.

What TIGTA Found

The IRS has taken a number of actions and developed initiatives in an effort to increase e-filing. Furthermore, legislative requirements have resulted and will continue to result in increases in e-filing. The backlogs of paper tax and information returns to be processed along with the inability to ship paper tax returns and/or retrieve paper tax returns from Federal Records Centers due to the pandemic demonstrate the need for the IRS to develop a Service-wide strategy to further increase e-filing. However, the IRS does not have a Service-wide strategy that identifies, prioritizes, and provides a timeline for the addition of tax forms for e-filing nor an accurate and comprehensive list of tax forms not available to e-file.

Since 2014, the overall percentage of business tax returns e-filed increased from 41 percent to 63 percent. Employment tax returns continue to provide the most significant opportunity for growth in business e-filing. The IRS has yet to establish processes and procedures to identify and address corporate, employer, and Heavy Highway Vehicle Use Tax filers that do not comply with e-file mandates. Our analysis of tax return filings identified 15,108 filers that paper-filed 22,569 Tax Year 2018 returns that were required to be e-filed. TIGTA estimates that the processing of these returns cost the IRS $30,196 in comparison to the $3,405 to process the required e-filed tax returns.

What TIGTA Recommended

TIGTA recommended that the IRS: 1) develop a Service-wide strategy to prioritize and incorporate all forms for e-filing; 2) develop processes and procedures to identify and address potentially noncompliant corporate filers; and 3) develop processes and procedures to ensure that penalties are consistently assessed against business filers that are noncompliant with e-filing requirements.

The IRS agreed with the first recommendation to develop a Service-wide strategy to incorporate all forms for e-filing, but did not agree to the other two. IRS management stated that they did not need to develop processes and procedures to identify noncompliant corporate filers because all requirements needed to assess penalties are not known at the time of filing. The IRS also has systemic processes in place for e-filed partnership returns, which were found to be working as intended. Other types of business returns have differing criteria for e-filing requirements and exceptions to the requirements, which prevent the implementation of a standard process for all business filers. TIGTA believes that IRS management's justification for taking no action on two recommendations is insufficient. In view of the backlogs of paper tax returns, the IRS should take additional steps in an effort to continue to reduce paper return filings.

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

May 4, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – A Service-Wide Strategy Is Needed to Address Challenges Limiting Growth in Business Tax Return Electronic Filing (Audit # 202140010)

This report presents the results of our review to assess the effectiveness of the Internal Revenue Service's (IRS) efforts to modernize paper tax return processing and increase electronic filing (e-filing). The IRS provides e-filing options for the vast majority of individuals, businesses, and exempt organizations and businesses required to submit information returns. The strategic importance of e-filing derives in part from its benefits to taxpayers. This review is part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management challenge of *Modernizing IRS Operations*.

Management's complete response to the draft report is included as Appendix VI.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. 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 Internal Revenue Service (IRS) continues to receive large volumes of paper-filed tax and information returns, resulting in significant costs to process each year. For example, in Fiscal Year[1] 2020, the IRS expended more than $226 million to process the most frequently paper-filed tax returns. The cost per paper-filed return ranges from $3.04 to $15.21, whereas the cost to process the same tax return electronically ranges from less than $0.01 to $0.37. Figure 1 provides a comparison of volumes by filing method as well as the associated per-return cost to process.

Figure 1: Fiscal Year 2020 Costs to Process Key Types of Tax Returns

Tax Form Group	E-File Volume	E-File Cost Per Return	Paper Volume	Paper File Cost Per Return
Individual (Form 1040 series)	150,582,893	$0.36	9,129,113	$15.21
Form 4868[2]	9,278,561	$0.27	1,352,383	$3.04
Employment (Form 94x series)[3]	15,728,996	$0.26	12,914,164	$3.34
Tax Exempt (Forms 990, 990-EZ, *etc.*)	1,630,674	$0.31	301,022	$10.48
Fiduciary (Form 1041)[4]	5,639,017	$0.37	226,710	$14.02
Partnership (Forms 1065, 1065-B, *etc.*)	4,264,454	$0.31	196,833	$12.98
Corporate (Forms 1120, 1120-S, *etc.*)	6,290,114	$0.28	761,163	$9.81
Information Returns[5]	3,242,805,159	<$0.01[6]	9,466,337	$4.30
Total	**3,436,219,868**		**34,347,725**	

Source: The IRS's Cost Estimate Reference Fiscal Year 2020 (Document 6746) and the IRS's 2020 Data Book.

[1] 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.

[2] Form 4868, *Application for Automatic Extension of Time To File U.S. Individual Income Tax Return.*

[3] The Form 94x family is a group of forms used in the Employment Tax Program, including Forms 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*, and Form 941, *Employer's QUARTERLY Federal Tax Return*.

[4] Form 1041, *U.S. Income Tax Return for Estates and Trusts.*

[5] Information returns include Forms 1042–S, *Foreign Person's U.S. Source Income Subject to Withholding;* Forms 1098 series (including mortgage interest, student loan interest, and tuition payments); Forms 1099 series (including interest and dividend distributions); Forms 5498 series (including individual retirement arrangement and medical savings account information); Forms W–2, *Wage and Tax Statement;* Forms W–2G, *Certain Gambling Winnings;* and Schedules K–1 (partnership, S corporation, and estate or trust distributions).

[6] The cost is $0.57 per 1,000 returns.

Temporary closure of Tax Processing Centers continues to result in significant backlogs of paper tax and information returns to be processed

As we reported,[7] the IRS closed its Tax Processing Centers in March and April 2020 in response to the Coronavirus Disease 2019 (COVID-19) pandemic. Since reopening its Tax Processing Centers in June 2020, the IRS continues to have a significant backlog of paper-filed individual and business tax returns that remain unprocessed. The continued inability to process backlogs of paper-filed tax returns contributed to management's decision to destroy an estimated 30 million paper-filed information return documents in March 2021. The IRS uses these documents to conduct post-processing compliance matches such as the IRS's Automated Underreporter Program to identify taxpayers not accurately reporting their income.[8] IRS management advised us that once the tax year[9] concludes, the information returns, *e.g.*, Forms 1099-MISC, *Miscellaneous Information*, can no longer be processed due to system limitations. This is because the system used to process these information returns is taken offline for programming updates in preparation for the next filing season.

Electronic filing (e-filing) provides significant benefits to taxpayers and the IRS

E-filed tax returns are sent through a number of upfront validations that check for more than 1,000 possible errors before the IRS accepts an e-filed tax return for processing. E-filed tax returns that do not pass these validation checks are rejected back to the taxpayer or preparer for correction. In addition to the upfront validations, e-filing provides additional benefits to taxpayers that include: no need to mail paper tax returns, greater tax return accuracy, confirmation that the IRS received the tax return, and secure and confidential submission of highly personal tax return information. Finally, e-filing substantially reduces IRS processing costs.

In comparison, paper-filed tax return error rates are significantly higher because of IRS employee keypunch errors. Keypunch errors occur when information from a paper-filed tax return is not accurately entered into IRS systems. For example, during Calendar Year 2020, the paper-filed tax return error rate was almost 10 times greater than the e-filed tax return error rate.[10]

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[7] Treasury Inspector General for Tax Administration (TIGTA), Report No. 2021-46-023, *Results of the 2020 Filing Season and Effects of COVID-19 on Tax Processing Operations* (Mar. 2021), and TIGTA, Report No. 2021-46-064, *Effects of the COVID-19 Pandemic on Business Tax Return Processing Operations* (Sept. 2021).

[8] A program that compares the income reported on a tax return with third-party information returns to verify the taxpayer reported all income as required.

[9] 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.

[10] As of December 25, 2020, the error rate for individual paper-filed tax returns was 43.6 percent compared to a 4.51 percent error rate for e-filed tax returns.

Prior Treasury Inspector General for Tax Administration (TIGTA) reports identified that repeated efforts to modernize paper tax return processing have been unsuccessful and that a Service-wide strategy was needed to increase business e-filing

- In September 2009, we reported[11] that significant resources have been expended on attempts to modernize paper tax processing. These repeated attempts have been unsuccessful as the IRS has been unable to move beyond the conceptual stage for modernizing paper processing. However, we reported that there were actions the IRS could take that would reduce paper filings and/or convert paper tax returns into an electronic format. We recommended that the Commissioner, Wage and Investment Division, pursue implementing successful processes followed by States that use scanning technology (Optical Character Recognition and Two-Dimensional Bar Codes) to convert paper-filed tax returns prepared by individuals using a tax preparation software package into an electronic format. The IRS agreed with this recommendation.
- In September 2014, we reported[12] that, while e-filing of business tax returns continued to increase, the e-filing rate still lags behind that of individual tax returns. For example, in Processing Year 2012, 81 percent of individual tax returns were e-filed compared to a 41 percent rate for business tax returns. Our analysis identified that employment tax returns provided the most significant opportunity for growth in business e-filing. For Tax Year 2012, more than 21.1 million (71 percent) employment tax returns were paper filed. Stakeholders cited a burdensome electronic signature process as a barrier. We made eight recommendations which included that the IRS develop a business tax return e-filing Service-wide strategy, develop a less burdensome electronic signature process for employment tax returns, and work with the Department of the Treasury and consider revising current requirements and/or creating new requirements for the e-filing of business tax returns. The IRS did not agree to take actions to address three of the eight recommendations.

Appendix IV summarizes recommendations made and notes IRS agreement/disagreement and actions management planned to take.

Results of Review

Since our prior reviews, the IRS has taken a number of actions in an effort to further increase e-filing. For example, the IRS:

- Developed a process to allow individual taxpayers to e-file Form 1040-X, *Amended U.S. Individual Income Tax Return*. Expansion of Form 1040-X for e-filing is a three-phase approach:
  - Phase I – In August 2020, taxpayers who e-filed a Tax Year 2019 Form 1040, *U.S. Individual Income Tax Return*, could e-file an amended return if one needed to be

[11] TIGTA, Report No. 2009-40-130, *Repeated Efforts to Modernize Paper Tax Return Processing Have Been Unsuccessful; However, Actions Can Be Taken to Increase Electronic Filing and Reduce Processing Costs* (Sept. 2009).
[12] TIGTA, Report No. 2014-40-084, *A Service-Wide Strategy Is Needed to Increase Business Tax Return Electronic Filing* (Sept. 2014).

filed. Once received, the e-filed Forms 1040-X are subjected to the same Modernized e-File (MeF) platform business rule validations[13] as an original tax return filing. However, for this phase, once an e-filed Form 1040-X is accepted, the amended tax return still needs to be manually processed by IRS employees.

- Phase II – This phase will expand processing of e-filed amended returns to include the use of systemic verification and fraud filters and add the ability for refunds associated with amended returns to be direct deposited. The IRS projected that it would begin programming the filters in August 2021 and have this phase implemented by June 2022.
- Phase III – This phase will implement programming to eliminate the need to manually process any aspect of the amended return. The IRS has requested funding for this phase as part of the Fiscal Year 2022 budget; however, the IRS does not have an implementation date for Phase III.

In addition, the IRS initiated efforts to expand the use of scanning technology to convert paper-filed tax returns into an electronic format. For example, the IRS:

- Initiated its "V-Code Pilot Initiative"[14] in March 2021. This initiative is a collaboration with a vendor and uses scanning technology to convert paper-filed tax returns prepared by an individual using a tax preparation software package into an electronic format. Once converted, the tax return is processed through the MeF platform as an e-filed tax return. As of February 12, 2022, the IRS reports that 19,867 tax returns were scanned and processed through the MeF platform.
- Initiated its "Lock Box Pilot" in Calendar Year 2021. This initiative is a partnership with financial institutions that manage IRS lockbox sites[15] whereby the financial institution scans paper tax returns received with payments. Once scanned, the returns are then sent to the IRS electronically. The IRS began initial testing during the fourth quarter of Fiscal Year 2021, with lockbox sites scanning Forms 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*. Additional phases include lockbox sites transmitting scanned data to the IRS and processing the scanned data received from the lockbox sites. These phases will be executed after the results of the initial testing are complete. As of February 12, 2022, all activity was performed in a test environment with test scenario documents. The current start date for the "Lock Box Pilot" is late July 2022.

Furthermore, legislative requirements have resulted and will continue to result in increases in e-filing. For example, the *Taxpayer First Act:*[16]

- Lowers the threshold for e-filing requirements for tax practitioners from the current 250 or more returns for Calendar Years 2021 and prior to requiring use of e-file when preparing 10 or more returns in Calendar Year 2022.

[13] MeF is a web-based platform for filing approximately 330 forms with the IRS. It serves to streamline filing processes and reduce the costs associated with a paper-based process.

[14] A V-coded return is prepared and printed using computer software but filed via paper instead of e-file.

[15] The lockbox site is a commercial bank that processes tax payments for some individual and business tax forms.

[16] Pub. L. No. 116-25, 133 Stat. 981 (July 2019).

- Requires tax-exempt organizations to e-file information returns and related forms for tax years beginning after July 1, 2019.
- Requires the IRS to develop an Internet portal by January 1, 2023, that allows taxpayers to e-file Forms 1099. This portal is required to provide taxpayers with IRS resources and guidance and allow them to prepare, file, and distribute Forms 1099 as well as create and maintain tax records.

Figure 2 provides a comparison of e-filed rates for the various types of return filings.

Figure 2: Calendar Year 2020 Tax Return Filing Volumes and Rates[17]

Type of Return	Total E-Filed	Total Paper-Filed	Total Filed	E-File Rate
Individual Tax Returns	149.5 million	10.6 million	160.1 million	93.4%
Business Tax Returns	38.4 million	22.3 million	60.6 million	63.3%
Information Returns	3.1 billion	9.5 million	3.1 billion	99.7%

Source: The IRS's 2021 Update of Publication 6186, Calendar Year Return Projections for the United States and IRS Campuses (2021-2028), IRS Submission Processing Filing Season Statistics Report for Week Ending December 26, 2020, and the IRS's 2020 Data Book.

However, the backlogs of paper tax and information returns that need to be processed along with the inability to ship paper tax returns and/or retrieve paper tax returns from Federal Records Centers during the pandemic highlight the need for the IRS to develop a Service-wide strategy to further increase e-filing. For example, the IRS reports that, as of December 31, 2021, more than 7.9 million individual and business paper-filed tax returns remain to be processed.

- In response to the pandemic, Federal Records Centers were closed beginning March 2020. As of February 2021, most Federal Records Centers reopened intermittently at a Phase 0 status, *i.e.,* minimal operations, only fulfilling emergency requests. As of December 31, 2021, the IRS reports that more than 8.9 million returns need to be shipped to a Federal Records Center.
- As of December 31, 2021, the IRS reports that there are more than 2,000 outstanding requests for paper-filed tax return–related documents needed by an IRS functional area to address a taxpayer case. The Chief Operating Officer of the National Archives and Records Administration stated that requests for tax records are one of the three largest types of backlogged requests being addressed by the National Archives and Records Administration. He estimated that it will take several years to fulfill the existing outstanding requests.

In contrast, e-filed tax returns and the continued conversion of paper tax returns to a digital format allow for immediate retrieval and reduce the need for storage as well as the backlog of paper document requests. In June 2019, the Office of Management and Budget issued M-19-21, *Transition to Electronic Records*, directing all Federal agencies to ensure that all Federal records are created, retained, and managed in electronic formats, with appropriate metadata; develop plans to close agency-operated storage facilities for paper and other analog records; and transfer those records to Federal Records Centers operated by the National

[17] All data have been rounded.

Archives and Records Administration or commercial storage facilities. The National Archives and Records Administration will no longer accept new transfers of permanent or temporary analog records to the fullest extent possible after December 31, 2022. The Treasury Inspector General for Tax Administration (TIGTA) is currently conducting a separate review[18] to assess the IRS's progress in transitioning to electronic records.

A Service-Wide Strategy Is Needed to Identify and Prioritize the Continued Addition of Tax Forms for Electronic Filing

The IRS does not have a Service-wide strategy that identifies, prioritizes, and provides a timeline for the continued addition of tax forms for e-filing. Of particular concern is the fact that the IRS does not have an accurate and comprehensive list of individual and business tax forms that are not able to be e-filed. For example, on September 16, 2020, the IRS provided us with a list identifying 365 tax forms that are not able to be e-filed. Our review identified inaccuracies with this list. There were tax forms included on the list that could be e-filed and tax forms absent from the list that could not be e-filed. When we discussed the inaccuracies of this list with IRS management, they stated they have not updated the list since Calendar Year 2018 due to other agency priorities and limited funding.

The IRS Advisory Council (IRSAC)[19] raised a similar concern in its November 2020 report. The IRSAC reported that the IRS should more clearly indicate which forms are available for e-filing, if tax filing software does not report the forms, if practitioners should be more attentive to the availability of these forms to be e-filed, or some combination thereof.

On June 29, 2021, the IRS provided us with an updated list of tax forms that cannot be e-filed. This list detailed 92 individual and business tax return forms and 235 supplemental reporting forms that are not available to be e-filed. Taxpayers who require the use of one of these forms must file them on paper. The continued expansion of e-filing capabilities will assist the IRS in reducing paper-filed individual and business tax returns and information returns. As previously reported,[20] much of the work performed at the IRS's Tax Processing Centers is not conducive to a telework environment. When the IRS closed its Tax Processing Centers, taxpayers still had the ability to e-file their tax returns. E-filed returns with no identified error(s) or review condition(s) continued to be processed to completion, with any associated refund being issued. However, unlike e-filed tax returns, no actions could be taken to process paper-filed tax returns while the Tax Processing Centers were closed. As such, these taxpayer refunds are delayed.

The *MeF Sequencing Plan* to prioritize the continued expansion of forms available for e-filing replaced by an ineffective decentralized process

Prior to Calendar Year 2018, the IRS used its *MeF Sequencing Plan* to prioritize the continued expansion of forms available to be e-filed. The *MeF Sequencing Plan* used multiple criteria to

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[18] TIGTA, Audit No. 202210013, *Transition to Electronic Records.*

[19] Publication 5316, *IRSAC Public Report* (Nov. 2020). The IRSAC's purpose is to serve as an advisory body to the Commissioner of the IRS. The IRSAC provides an organized public forum between IRS officials and representatives of the public for discussing tax administration issues.

[20] TIGTA, Report No. 2021-46-023, *Results of the 2020 Filing Season and Effects of COVID-19 on Tax Processing Operations* (Mar. 2021).

help the IRS prioritize forms to be developed to enable e-filing. For example, the scored factors such as the prior year volume, complexity of the form, whether the form was legislatively driven, and overall business value were used to prioritize the form selection.

However, the IRS stopped using the *MeF Sequencing Plan* during Calendar Year 2018 after the *Tax Cuts and Jobs Act of 2017*[21] was enacted. The *Tax Cuts and Jobs Act* contained 119 tax provisions administered by the IRS that affect both domestic and international taxes and was the first major tax reform legislation in more than 30 years. According to IRS management, use of the *MeF Sequencing Plan* was discontinued to allow the business operating divisions the opportunity to identify and prioritize the forms they wanted added to the MeF platform that would help them effectively address the legislative changes. As such, the IRS replaced the *MeF Sequencing Plan* with a process by which each of the various business operating divisions submit a Form 14405, *Request for Submission Processing Services*, to the Submission Processing function requesting forms to be added for e-filing for the subsequent filing season.

Once received, the Submission Processing function and the business operating divisions meet to determine priorities based on the Forms 14405 requests received and work with the Information Technology organization to determine which requests can be accommodated based on legislation that must be implemented as well as other IRS priorities. The Submission Processing function reported that no Forms 14405 were received for Filing Season 2021 and three Forms 14405 were received for Filing Season 2022. The three requested forms[22] for Filing Season 2022 have been approved for addition to the MeF platform.

The Digitalization strategy does not include continued expansion of forms for e-filing

According to IRS Submission Processing function management, the Enterprise Digitalization and Case Management Office (EDCMO) has a project to prioritize and incorporate all forms for e-filing. However, in our discussions with representatives from the EDCMO, we found that there is no such project. In fact, IRS management officials in the EDCMO are not clear as to which office is responsible for ensuring that the remaining tax forms are identified and prioritized for conversion into an electronic format.

The IRS created the EDCMO in July 2020 to help it become a fully digital tax administration system. This includes creating an environment in which IRS data are available and usable in a format that enables data-driven decision-making at all levels of the organization. These efforts will support improvements to taxpayer service, enhance the fairness of IRS compliance efforts, and reduce teleworking challenges that emerged in the COVID-19 pandemic. The EDCMO identified five pilot projects to test concepts that could inform future large-scale digitalization solutions for processing paper tax returns. None of these pilot projects address the continued expansion of forms available for e-filing. Figure 3 describes the pilot projects.

[21] Pub. L. No. 115-97, 131 Stat. 2054.

[22] Form 5471 (SCH Q), *CFC Income by CFC Income Groups;* Form 5471 (SCH R), *Distributions From a Foreign Corporation;* and Form 8992 (SCH B), *Calculation of Global Intangible Low-Taxed Income (GILTI) for Members of a U.S. Consolidated Group Who Are U.S. Shareholders of a CFC.*

Figure 3: Key Pilot Projects to Increase E-File and Reduce Paper Tax Return Processing

Pilot Project	Business Challenge
Create an e-filing service channel for Form 706, *United States Estate (and Generation-Skipping Transfer) Tax Return* and Form 709, *United States Gift (and Generation-Skipping Transfer) Tax Return*	No legislative requirement or available mechanism for e-filing these forms. This is a paper-intensive work stream that requires significant storage at the Federal Records Centers.
Explore barcode capability to digitize Forms 706 and Forms 709	Significant time is spent manually retrieving, copying, and sending paper Forms 706 and 709.
Explore scanning options to digitize Forms 706 and related Forms 709	This is a paper-intensive work stream that requires significant storage at the Federal Records Centers.
Scan and e-file tax payment documents received by lockbox financial institutions	Lockbox vendors process payment vouchers and associated remittances submitted by taxpayers or practitioners. Taxpayers often include returns with their payments to the lockbox vendors. Lockbox vendors sort, bundle, and ship the paper documents to the IRS for processing.
Explore e-filing options for Form 8886, *Reportable Transaction Disclosure Statement*	No legislative requirement for e-filing, and many taxpayers intentionally file on paper. Data retrieval and use are a significant challenge.

Source: Digitization Strategy created by the EDCMO dated July 2020.

***The IRSAC recommends all forms be made available for e-filing*.** The IRSAC noted that the volume of tax returns is clearly a factor when determining what forms to add for e-filing, but other factors should be considered as well. Examples include the impact on taxpayers, effect on tax administration, and usefulness of data. Businesses pay substantial amounts of tax, and the ability to collect electronic data from these businesses would greatly facilitate data analytics. An expansion of e-filing would allow the IRS to focus its limited resources where it would have the most impact on taxpayer compliance. The IRSAC recommended that all forms be made e-file capable. In response to the November 2020 report, the IRS added 11 tax forms that the IRSAC listed as the top priorities to the e-file platform.

In its November 2021 report,[23] the IRSAC once again recommended that the IRS design and implement an efficient process to identify, assess, scope, and prioritize e-filing opportunities on a continuing basis. In addition, the IRSAC advised the IRS to reset IRS e-filing targets, prioritize e-filing initiatives, create a transparent roadmap, and obtain dedicated multiyear funding for this purpose. Furthermore, the IRSAC recommended that the IRS set a long-term goal of achieving e-file capability for all IRS tax forms and returns.

Recommendation 1: The Deputy Commissioner for Services and Enforcement should develop a Service-wide strategy to incorporate all forms for e-filing. This strategy should include processes and procedures to compile an accurate and comprehensive list of forms not available

[23] Publication 5316, *IRSAC Public Report*, November 2021.

for e-filing along with prioritization and specific timelines for the continued addition of forms for e-filing.

> **Management's Response:** The IRS agreed with this recommendation and plans to reevaluate e-filing options and coordinate across the organization to understand stakeholders' digital needs and the challenges in meeting these needs and to develop a clearer and more comprehensive view of ongoing digitalization efforts. IRS management also plans to develop a strategy to incorporate individual and business tax forms that may be filed through the existing e-filing platform.

More Effort Is Needed to Increase Growth in Electronic Filing of Employment Tax Returns

Since our last review in Fiscal Year 2014, the overall percentage of business tax returns e-filed increased from 41 percent to 63 percent. However, employment tax returns continue to lag and provide the most significant opportunity for growth in business e-filing. Figure 4 provides a comparison of overall business tax return e-filing for Calendar Year 2020 and a separate breakout for employment tax returns. Employment tax returns comprise the second largest population of tax returns filed after individual tax returns.

Figure 4: Calendar Year 2020 Tax Return Filing Volumes and Rates[24]

Type of Return	Total E-Filed Returns	Total Paper-Filed Returns	Total Filed	E-File Rate
Business Tax Returns	38.4 million	22.3 million	60.6 million	63%
Employment Tax Returns	16.0 million	16.8 million	32.8 million	49%

Source: IRS Submission Processing Filing Season Statistics Report for Week Ending December 26, 2020.

IRS management did not take sufficient actions to address recommendations included in our prior review

Although TIGTA and the Electronic Tax Administration Advisory Committee (ETAAC)[25] continue to bring to the IRS's attention that employment tax returns provide the most significant opportunity for growth in business tax return e-filing, the IRS has taken little action to increase e-filing for this population. For example, in Calendar Year 2012, the e-filing rate of employment tax returns was 27.7 percent, whereas in Calendar Year 2020 it was 49 percent. This was below the IRS's 2017 goal of 50 percent e-filing rate for employment tax returns. Contributing to the continued lack of growth in the e-filing of employment tax returns is that IRS management did not take sufficient actions to address recommendations in our prior review. For example, IRS management did not:

- ***Develop a business tax return e-filing Service-wide strategy***. In September 2014, we reported that the IRS received approval to centralize the development of a business e-file strategy in its Wage and Investment Division. In its response to our prior report,

[24] All data have been rounded.
[25] Appendix III provides a summary of the recommendations made by stakeholders to increase e-filing.

IRS management stated that they hired two analysts whose responsibilities include developing a coordinated and focused approach to business e-filing and drafting a charter to outline the purpose of this new group. A final charter authorizing the formation of the Wage and Investment Division, Customer Account Services, Submission Processing, Industry Stakeholder Engagement and Strategy, E-File Strategy team was developed in May 2014. Currently, there is one full-time employee and a second employee who is assigned to the team as a collateral assignment to their current duties.

The E-File Strategy team has a primary duty of providing input to help shape the future IRS e-file strategic direction for electronic tax administration. This involves leveraging research and analyzing and making recommendations to improve and advance business policies, processes, tools, and information technology system capabilities that enhance e-filing efficiency and productivity. The primary focus of the E-File Strategy team is to define, develop, and deliver an e-file strategy that will provide a Service-wide roadmap for enabling e-filing of all return types, with the initial emphasis on employment tax returns – Form 94x series. As such, the team delivered the Forms 94x, Form 2290, *Heavy Highway Vehicle Use Tax Return*, and Form 990, *Return of Organization Exempt from Income Tax*, *E-File Strategies for Growth* in June 2015, October 2016, and March 2017, respectively.

The *E-File Strategies for Growth* documents outlined a roadmap with a multiphase approach for advancing e-filing for these types of tax returns. Figure 5 outlines the multiphase approach for advancing e-filing for business tax returns.

Figure 5: Multiphase Approach Outlined in the e-Filing Strategic Roadmap

Phase	Focus	Actions Taken
Phase I: Increasing 94x E-File Volumes	Develop an IRS strategy to improve the e-filing rate of employment tax returns – Form 94x series.	The 94x *E-File Strategy for Growth* report was delivered in July 2015, providing options and opportunities to increase e-file growth for employment tax returns.
Phase II: IRS E-File Roadmap Assessment	Determine whether to implement, in full or part, the IRS strategy for improving the e-filing rate of the employment tax returns (Phase I) or to make a course correction by pursuing a strategy that will advance IRS e-file in other areas or form types that provides the IRS with a greater benefit.	Expanded e-file Strategic Roadmap to identify other opportunities to increase business e-file volume beyond the 94x series. These opportunities include the Form 2290, Form 990, and Modernized Paper Filing to address residual tax returns submitted on paper.
Phase III: IRS E-File Strategy Formulation	Engage internal and external stakeholders and socialize the IRS e-file strategy.	Developed a communications plan that describes how and when the IRS will engage internal and external audiences and stakeholders to help to increase e-filing rates for the Form 94x series.

Source: The IRS's 2290 E-File Strategy for Growth.

IRS management noted that the team continues to support and remain engaged with Communications and Liaison Headquarters and the Small Business/Self-Employed Division Research function efforts to promote and raise Form 94x e-file awareness as well as gain a clearer understanding of Form 94x filer behavior. The team is planning to complete a research project in spring 2022 by sending out quarterly use notices or letters promoting Form 94x e-file to employers and tax preparers that prepare employment tax returns, with the goal to get a better understanding of whether the employer or tax preparer drives the overall decision to e-file Forms 94x.

- ***Develop a less burdensome electronic signature process for employment tax returns***. We previously reported that the IRS may not see significant increases in the e-filing rate for employment tax returns unless a less burdensome electronic signature process is developed. One possible solution to provide a more streamlined electronic signature process was to issue real time e-filing signature Personal Identification Numbers (PIN) as a method to sign the return. In January 2016, the IRS developed a process to electronically accept and process Online Signature PIN applications for original employment tax returns on the MeF platform.

  To obtain a PIN, Form 94x online filers must first purchase an IRS-approved commercial software available through an Authorized IRS Online Filing Provider. Using this software, the Form 94x filer then has to apply for an IRS-issued PIN. The IRS may take up to 45 days from the date of receipt to process PIN applications. Once an application is processed, the PIN is systemically generated along with Letter 3083, *94x On-Line Signature PIN Acceptance*. The Statement of Receipt, found in Letter 3083, must be returned by the Authorized Signer by mail before the PIN is activated. The PIN is generally activated within 14 days of the Statement of Receipt being processed. We contacted a judgmental sample[26] of 12 practitioners who filed a paper Form 94x for Tax Year 2019 to inquire as to why they had not e-filed these tax returns. Our discussions found that delays in receiving a PIN that would allow an electronic signature is one of the reasons that these practitioners do not e-file employment tax returns.

  IRS management finalized the e-Signature Strategy in December 2020, which includes a Strategic Initiative to implement an e-signature solution for originally filed employment tax returns. However, IRS management stated that they lacked funding to develop a new process due to competing priorities. In addition, this remained a lower priority request as estimates showed a cost of $19 million for Budget Year 2022 with an annual $1.3 million return on investment.

  The E-file Strategy Team is actively participating in the discussions in the electronic signature integrated project team led by the Privacy, Government Liaison, and Disclosure organization. This project team includes representatives from Submission Processing, e-File Services, and the BMF Operations and Maintenance branch in support of the Service-wide e-signature strategy. The team has been working to identify the business requirements for modernizing the Form 94x Online Signature PIN process. The project team provided four potential solutions to IRS management for budget approval in spring 2022.

- ***Work with the Department of the Treasury and consider revising current requirements and/or creating new requirements for the e-filing of business tax returns***. A Federal mandate was enacted on January 1, 2012, requiring paid preparers

[26] A judgmental sample is a nonprobability sample, the results of which cannot be used to project to the population.

who file 11 or more individual returns to e-file. A similar requirement for paid preparers who file business tax returns would result in an increase of e-filed business tax returns. Our review of Tax Year 2012 business tax returns found that the IRS could increase its e-filing rate by 23.8 percent and reduce IRS paper return processing costs by more than $17 million annually if this same e-filing requirement applied to paid preparers filing business tax returns. However, Federal law prohibits the IRS from creating requirements for businesses to e-file not currently authorized by legislation. Legislation would be needed for an e-filing requirement to be implemented. Adding all business tax returns to the e-filing platform would require additional funding. According to the IRS, the benefits gained in reaching the final few percentages of e-filed tax returns may be less than the amount of money or effort invested.

In our discussions with IRS management during this review, they indicated that a long-term e-filing strategy needs to be developed that will include identifying barriers to e-filing and will improve the overall customer experience, such as potentially making improvements to the electronic signature process for all business tax return types. The IRS continues to struggle with processing a backlog of paper-filed original and amended business employment tax returns. As of December 31, 2021, the IRS had more than 2.4 million unprocessed original and amended business employment returns.

More Effort Is Needed to Develop Processes to Identify Filer Noncompliance With Electronic Filing Mandates and Assess Noncompliance Penalties

Our review identified that the IRS has yet to establish processes and procedures to identify and address corporate, employer, and Heavy Highway Vehicle Use Tax filers that do not comply with e-file mandates. Our analysis of tax return filings identified 15,108 filers that paper-filed 22,569 Tax Year 2018 returns that were required to be e-filed. We estimate that the processing of these paper-filed tax returns cost the IRS $30,196 in comparison to the $3,405 to process the required e-filed tax return. Figure 6 provides a count by return type along with the cost to process the paper-filed tax returns compared to the cost to process the returns if e-filed as required.

Figure 6: Comparison of Paper and E-File Costs for Mandated Tax Returns[27]

Type of Return	Volume	Cost per Paper-Filed Return	Total Paper-Filed Cost	Cost per E-Filed Return	Total E-Filed Cost	Potential Cost Savings
Form 94x	20,853	$1.19	$24,744	$0.15	$3,128	$21,616
Form 1120	897	$3.44	$3,086	$0.16	$144	$2,942
Form 2290	717	$2.75	$1,972	$0.16	$115	$1,857
Form 1065	102	$3.86	$394	$0.18	$18	$376
Total	22,569		$30,196		$3,405	$26,791

Source: TIGTA's analysis of Business Tax Returns, Document 6746, Cost Estimate Reference Fiscal Year 2018.

[27] Figures are rounded.

Figure 7 summarizes the current business tax returns e-filing requirements and associated penalties.

Figure 7: Business E-Filing Requirements and Associated Penalties

Tax Form	E-Filing Required When	Penalty That Can Be Assessed for Noncompliance
Partnerships, Forms 1065/1065-B	More than 100 partners.	For returns due in 2018: $260 per partner over 100 with a lower maximum penalty amount of $1,072,500 and an upper maximum penalty amount of $3,218,500. For returns due in 2019: $270 per partner over 100 with a lower maximum penalty amount of $1,091,500 and an upper maximum penalty amount of $3,275,500. The lower maximum penalty applies when the partnership has average gross receipts of $5 million or less in the three most recent taxable years.
Heavy Highway Vehicle Use Tax, Form 2290	Reporting 25 or more vehicles in any taxable period.	None.
Corporations, Forms 1120/1120-S/1120-F	Assets of $10 million or more and 250 returns, including information returns filed annually.	5 percent of balance due per month the tax return is not filed, not to exceed 25 percent of balance due.
Tax-Exempt Organizations, Forms 990/990-PF	Exempt organizations and private foundations must file regardless of asset size or number of returns.	$20 per day the return is not filed, not to exceed $10,000 or 5 percent of gross receipts for returns with gross receipts of $1 million or less. $100 per day the return is not filed, not to exceed $50,000 or 5 percent of gross receipts for returns with gross receipts of more than $1 million.
Employer Tax Returns, Forms 94x	Returns filed by Certified Professional Employer Organizations or reporting agents.	None.

Source: TIGTA's analysis of the Internal Revenue Manual and Treasury Regulations.

In Fiscal Year 2014, we reported[28] that the IRS has established a systemic process to identify partnerships and tax-exempt organizations that are not compliant with e-filing requirements.

[28] TIGTA, Report No. 2014-40-084, *A Service-Wide Strategy Is Needed to Increase Business Tax Return Electronic Filing* (Sept. 2014).

However, no such processes had been established to identify corporate or Heavy Highway Vehicle Use Tax filers noncompliant with e-filing requirements. We recommended that the IRS develop processes and procedures to consistently identify business filers that are not compliant with e-filing requirements and assess penalties when applicable. IRS management disagreed with both recommendations, indicating that it would require a substantial expenditure of funds to upgrade and program the automated tax return processing systems and that they planned to address noncompliance on an individual basis by the Compliance functions when appropriate.

Notwithstanding its concerns about the cost, the IRS did not perform a cost-benefit analysis to support its decision. In addition, limited actions have been taken to address potential noncompliance due to the demand on resources. The IRS reiterated during this review that creating a systemic process to identify potentially noncompliant filers would be extremely cost prohibitive. However, our analysis of potentially noncompliant corporate filers found that the IRS could have assessed more than $2.4 million in penalties for Tax Year 2018 but did not. The IRS currently has systemic processes to identify other potentially noncompliant business filers.

When we met with IRS management during this review to discuss our updated analysis of Heavy Highway Vehicle Use Tax filers, they noted that the IRS has taken steps to increase the e-filing rate for Form 2290. The IRS mailed postcards to paper filers that included information about the advantages of e-filing. According to the IRS, the Form 2290 e-file rate has risen to 75 percent at the end of Fiscal Year 2019 and 81 percent at the end of Calendar Year 2020.

The IRS is not consistent in its application of penalties for filers that are noncompliant with e-filing mandates

The IRS did not assess penalties for 930 (93 percent) of the 999 noncompliant tax returns we identified for which the IRS had penalty authority. This includes:[29]

- 897 corporate taxpayers[30] that filed a paper tax return for Tax Year 2018 were required to e-file. Treasury Regulation § 301.6011-5 requires corporations with assets of $10 million or more and 250 returns, including information returns,[31] filed annually to e-file their tax returns. If a corporate taxpayer files a paper tax return when they are required to e-file, the IRS could consider this corporation as having failed to file a tax return. As such, the IRS has the authority to assess a failure to file penalty of 5 percent of the balance due per month the tax return is not e-filed, not to exceed 25 percent of the balance due.[32] We found that the IRS did not assess penalties on the 897 noncompliant corporate filers

[29] Treasury Regulations and the Internal Revenue Code require employer tax returns filed by Certified Professional Employer Organizations or reporting agents and Heavy Highway Vehicle Tax returns reporting more than 25 vehicles to be e-filed. However, the IRS was not given penalty authority to address noncompliance with this mandate.

[30] This information is a projection based on a statistically valid sample of 139 corporate returns with assets of $10 million or more that did not e-file and had no e-file requirement waiver placed on the account from a population of 5,316. The point estimate projection is based on a two-sided 95 percent confidence interval. We are 95 percent confident that the point estimate is between 566 and 1,229 corporations and $2,461,704 and $12,308,521.

[31] For example, Forms W-2 and Forms 1099-MISC.

[32] The failure to file penalty would only apply if the IRS asserted its authority to reject a paper-filed tax return from a corporate taxpayer.

required to e-file their corporate return. The IRS could have assessed more than $2.4 million[33] in penalties on these 897 noncompliant corporate filers.

- 33 potentially noncompliant partnerships that were not assessed penalties and 35 partnerships for which the penalties were abated. Treasury Regulation § 301.6011-3 requires that partnerships with more than 100 partners e-file their tax return. For returns due in 2018, the IRS can assess a penalty of $260 for each partner over the 100-partner threshold with a maximum penalty of $1,072,500 for partnerships with gross receipts less than $5,000,000 and $3,218,500 for those with gross receipts over $5 million.

  For returns due in 2019, the IRS can assess a penalty of $270 for each partner over the 100-partner threshold, with a maximum penalty of $1,091,500 for partnerships with gross receipts less than $5,000,000 and $3,275,500 for partnerships with gross receipts over $5 million. The IRS did not assess penalties on 33 of the 102 noncompliant partnership filers. For the remaining 69 partnerships, the IRS abated almost $23 million in assessed penalties. According to the IRS, penalties were not applicable for these filers. For example, after IRS review, it abated the penalties it identified because there was an incorrect number of partners in IRS systems, and the actual number of partners did not justify a penalty. In addition, the IRS did not assess penalties for some partnerships such as those submitting a final tax return, located in a disaster zone, or granted an exemption from e-filing.

IRS management indicated that they do not take actions to assess penalties for noncompliant filers because of potential implementation issues. For example, the IRS may not yet know whether the corporate taxpayer will meet the e-filing requirement at the time the corporate tax return is filed. The IRS could assess a penalty after the end of the calendar year when the number of returns required to be filed is known. However, that would require a manual review of each paper-filed account for each tax year and be resource intensive. According to IRS management, the IRS could update its programming to identify potentially noncompliant corporate filers after the end of the calendar year; however, it is cost prohibitive. However, as stated previously, the IRS has not completed analysis to support the decision not to implement this programming.

The Deputy Commissioner for Services and Enforcement should:

Recommendation 2: Develop systemic processes to identify and address potentially noncompliant corporate filers.

Management's Response: The IRS disagreed with this recommendation. IRS management stated that, for corporate filers to be subject to penalties for failure to e-file returns when required, they must have filed 250 or more returns and have assets of $10 million or more. Not all these criteria are known or available at the time of filing.

Office of Audit Comment: Management's justification for taking no action is insufficient. The IRS could develop processes and procedures to identify these

[33] To be conservative, we reported on the minimum penalties allowed to be assessed. The maximum penalties totaled more than $12.3 million.

filers post-filing. In view of the backlogs of paper tax returns, the IRS should take additional steps in an effort to continue to reduce paper return filings.

Recommendation 3: Develop processes and procedures to ensure that penalties are consistently assessed against business filers that are noncompliant with e-filing requirements.

Management's Response: The IRS disagreed with this recommendation. IRS management stated it has systemic processes in place for e-filed partnership returns and found them to be working as intended. Other types of business returns have differing e-filing requirements and exceptions to the requirements, which prevent the implementation of a standard process for all business filers.

Office of Audit Comment: Management's explanation is inadequate. The IRS could develop specific criteria to assess penalties against filers that do not comply with e-filing requirements, similar to the process developed for partnership returns.

Actions Are Being Taken to Implement Electronic Filing Provisions Included in the Taxpayer First Act

Our review of three *Taxpayer First Act* provisions related to e-filing tax and information returns found that the IRS has taken sufficient actions for implementation. On July 1, 2019, the President signed the *Taxpayer First Act*, which aims to broadly redesign the IRS, expand and strengthen taxpayer rights, and enhance IRS cybersecurity. This Act includes the following three provisions mandating that practitioners and businesses take advantage of e-filing. Figure 8 describes these select *Taxpayer First Act* provisions and the actions the IRS has taken.

Figure 8: Select *Taxpayer First Act* Provisions

Section Number	Description	Actions Taken	Effective Date of the Section
2102	Requires the IRS to make available an Internet website or other electronic media, with a user interface and functionality similar to the Business Services Online Suite of Services provided by the Social Security Administration, that provides access to resources and guidance provided by the IRS and allows persons to (1) prepare and file Forms 1099; (2) prepare Forms 1099 for distribution to recipients other than the IRS; and (3) maintain a record of completed, filed, and distributed Forms 1099.	The IRS formed a cross-functional team to determine requirements and obtained feedback from external parties to inform the development of a portal prototype. The IRS is currently working with the Information Technology organization to incorporate received feedback into the portal.	01/01/2023

Section Number	Description	Actions Taken	Effective Date of the Section
2301	Gradually lowers the current threshold of 250 e-filed returns to 100 or more returns in Calendar Year 2021 and 10 or more returns in Calendar Year 2022. An exception is provided for tax preparers located in geographic areas with limited or no Internet access.	The IRS drafted regulations and is awaiting approval. The IRS developed a new online Information Returns Application to allow customers to log in beginning September 2021 to apply for a transmitter control code to e-file returns through Filing Information Returns Electronically Applications.	07/01/2019
3101	Extends the requirement to e-file to all tax-exempt organizations required to file statements or returns in the Form 990 series or Form 8872, *Political Organization Report of Contributions and Expenditures*. The provision also requires that the IRS make the information provided on the forms available to the public as soon as practicable in a machine-readable format.	The IRS issued a press release stating that tax-exempt organizations must e-file returns. IRS management stated that all Forms 990 are available for e-filing but plans to send letters to filers who previously filed paper forms or are still filing via paper to inform them of the new requirements. In the interim, the IRS is still accepting paper returns for the Form 990 series.	Taxable years beginning after 07/01/2019

Source: Taxpayer First Act and discussions with IRS management.

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to assess the effectiveness of the IRS's efforts to modernize paper tax return processing and increase e-filing. To accomplish our objective, we:

- Assessed the IRS's plans to move all remaining IRS tax return forms to the MeF platform.
- Determined actions taken to encourage taxpayers using software to print and mail their returns to the IRS (V-code taxpayers) to instead submit their tax returns through e-file.
- Determined the status of pilot projects that will advance the IRS's efforts to digitalize paper tax returns.
- Assessed strategies being undertaken to increase e-filing of business tax returns.
- Evaluated the IRS's processes and procedures to ensure that taxpayers comply with legislative e-file mandates and whether the IRS is appropriately assessing penalties for noncompliance.
    - Analyzed a statistically valid sample of 139 Tax Year 2018 corporate tax returns from a total population of 5,316 taxpayers with assets greater than $10 million that did not e-file their corporate tax returns, did not have an e-file requirement waiver, and had a 250-return requirement indicator on their account. We reviewed a statistically valid sample in order to project our results. Our sample was based on a confidence level of 95 percent, an expected error rate of 10 percent, and a precision factor of ± 5 percent. Our contracted statistician assisted with developing or reviewed sampling plans or projections.
    - Identified the number of taxpayers reporting 25 or more taxable vehicles on their Heavy High Use Tax Return for Tax Year 2018 that met the requirements for e-filing but did not do so.
    - Identified the number of partnerships that met the requirements to e-file but did not and were not assessed a penalty by the IRS.
- Evaluated the IRS's progress on implementing *Taxpayer First Act* § 2102, 2301, and 3101 related to e-filing.
- Assessed the IRS's efforts to streamline the Form 94x PIN process.

Performance of This Review

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

Major contributors to the report were Russell Martin, Assistant Inspector General for Audit (Returns Processing and Account Services); Allen Gray, Director; Linna Hung, Director; Paula Johnson, Audit Manager; Ashley Burton, Lead Auditor; Mark Willoughby, Senior Auditor; Kathy Coote, Auditor; Allen Henry, Auditor; and Theodore Logothetti, Information Technology Specialist.

Validity and Reliability of Data From Computer-Based Systems

During this review, we obtained data extracts from the Individual Return Transaction File and the Business Return Transaction File that were obtained from TIGTA's Data Center Warehouse.[1] 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 Integrated Data Retrieval System[2] database. 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 converting paper-filed tax returns into an electronic format, increasing the number of tax returns e-filed, and implementing *Taxpayer First Act* sections related to e-filing. We evaluated these controls by reviewing the IRS's Internal Revenue Manual, interviewing management, and evaluating documentation related to the IRS's efforts to increase e-filing.

[1] A TIGTA repository of IRS data.

[2] IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.

Appendix II

Outcome Measure

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

Type and Value of Outcome Measure:

- Increased Revenue – Potential; $2.4 million of minimum penalties the IRS was allowed to assess but did not on 897 noncompliant corporations subject to the e-filing requirement for Tax Year 2018 (see Recommendation 3).

Methodology Used to Measure the Reported Benefit:

The IRS has mandates, established by Treasury Regulation § 301.6011-5, which require certain corporate tax returns to be e-filed. Any corporation that files at least 250 returns and has total assets of $10 million or more must e-file its tax return unless granted a waiver by the IRS. The IRS also has penalties it can assess if a business is noncompliant with the e-file mandate. The minimum penalty is 5 percent up to a maximum penalty of 25 percent of the balance due on the return.

Our analysis of Tax Year 2018 business tax returns identified a population of 5,316 corporations with total assets of $10 million or more that did not have an e-file waiver placed on the account. After identifying these 5,316 corporations, we calculated the minimum penalties as 5 percent of the balance due and maximum penalties as 25 percent of the balance due. We then took a statistically valid sample of 139 tax returns to determine whether the corporation met the 250-return requirement and projected our results. Based on our analysis of the sample, we project that 897 corporations were noncompliant with the e-filing requirement and were eligible to be assessed minimum penalties totaling $2,461,704[1] and maximum penalties totaling $12,308,521. However, the IRS did not assess these penalties.

[1] Our sample was selected using a 95 percent confidence interval, 10 percent error rate, and ± 5 percent precision factor. When projecting the results of our statistical sample, we are 95 percent confident that the point estimate is between 566 and 1,229 corporations and $2,461,704 and $12,308,521 (where the $2,461,704 and $12,308,521 represent the lower and upper range, respectively).

Appendix III

Summary of Recommendations to Increase Electronic Filing

Report Identifier	Finding	Recommendations
The ETAAC		
2012 Annual Report to Congress	The IRS can continue to make progress in years to come and secure and protect gains already made, but the gains will be smaller each year and will be more difficult to achieve. The lack of e-file growth in employment returns will become the biggest barrier to the IRS's progress towards the 80 percent e-file goal and must be addressed. The IRS must work with industry to reduce the significant number of e-file rejections. Both the Oversight Board and the ETAAC have identified the need to investigate the root cause of low e-file rates for Forms 94x.	• The IRS should form a Service-wide team comprised of an executive team leader and subject matter experts in communications and outreach to include efforts to increase awareness of the ability to e-file employment tax returns, primarily the Form 94x series, remove barriers, and make e-filing the preferred filing method. • Congress should fully fund the Modernization Program, which includes the MeF platform and the Customer Account Data Engine 2. This will allow the IRS to focus on final implementation while maintaining Legacy another year as a contingency. The IRS should take prompt action to work with industry to reduce the volume of e-file rejects.
2013 Annual Report to Congress	As the paper returns for individual return types continue to decline, with approximately 26 million remaining in the individual return category, it continues to create challenges for the IRS to achieve the 80 percent e-filing goal without engaging the other return families. The largest e-file gap remains in the employment return family, primarily Forms 940 and 941[1] (Forms 94x). Both the Oversight Board and the ETAAC have identified the need to investigate the root cause of low e-file rates for Forms 94x.	• The IRS should provide a basis to encourage the e-filing of the Form 94x series by expanding the definition of the first time penalty abatement to include the promotion of e-filing. • The IRS should work with withholding agents as well as service providers to remove barriers to facilitate e-filing as the preferred filing method by implementing e-filing of Form 1099-MISC via the IRS website or expanding awareness and access to free or cost-effective e-filing solutions.
2014 Annual Report to Congress	When e-filing their tax return, taxpayers are currently faced with managing multiple PIN options to complete an e-signature. The greatest room for e-file growth continues to be in employment tax (Form 94x series) and tax-exempt organization returns. The ETAAC continues to advise the IRS to consider a strategy to improve the e-file rate for Form 1099-MISC.	• The IRS should create one secure, IRS-issued universal PIN to serve as the identity-verification component of an e-signature. This would reduce taxpayer and tax preparer confusion, proactively combat the proliferation of identity theft, and boost e-filing rates access to all major return types. • The IRS should implement initiatives to remove barriers to e-filing for small businesses and to increase the e-filing of employment tax returns. Such efforts should include taxpayer outreach, industry engagement, and review and update of published materials on IRS.gov.

[1] Form 941, *Employer's QUARTERLY Federal Tax Return*.

Report Identifier	Finding	Recommendations
The ETAAC (continued)		
2015 Annual Report to Congress	The greatest room for e-file growth continues to be in employment tax returns (Form 94x series) and tax-exempt organization forms. Annually, the Form 94x series e-file rate has consistently seen the slowest growth out of all major return types.	• The IRS should streamline the e-file process to improve the Form 94x e-file rate. • The IRS should consider a strategy to improve the e-file rate for Form 1099-MISC. Continuing to monitor and increase the e-file rate for information returns will be critical as the IRS continues to add third-party information returns to validate items reported on taxpayer returns.
2016 Annual Report to Congress	E-filing of third-party information reports is essential for the IRS to quickly process data to identify potential fraud. Currently, the IRS requires payers with more than 250 of a specific type of information return to e-file them. A separate 250 threshold applies for amended information returns. Reducing this threshold to 20 returns would increase the IRS's ability to detect fraud and enhance compliance through earlier matching, while being sensitive to the needs of small businesses lacking the necessary resources (either human or financial) to e-file.	• The IRS should introduce a phased reduction of the threshold for mandatory e-filing for Forms 1099-MISC from 250 to 20 forms.
2017 Annual Report to Congress	A substantial percentage of individual tax returns are prepared and filed using do-it-yourself tax return software. In each of Filing Seasons 2015 and 2016, the IRS reported that more than 3.5 million e-file rejects were attributable to errors by the primary taxpayer providing prior year Adjusted Gross Income or Self-Select PIN. The IRS annually received almost 4 million amended tax returns on Form 1040-X. E-filing Form 1040-X would avoid the paper and manual processes to correct mistakes on previously filed tax returns, help achieve the 80 percent e-file rate for all major tax forms, and provide a more seamless experience for taxpayers as well as lesser burden on the IRS and State revenue agencies.	• The IRS should analyze the effectiveness of the prior year Adjusted Gross Income/Self-Select PIN taxpayer signature verification model and work collaboratively with the Security Summit to identify options to replace this model, preferably with one that could be used by both the IRS and States. • The IRS should implement the ability for taxpayers to e-file an amended return through the MeF platform.

Report Identifier	Finding	Recommendations
The ETAAC (continued)		
2018 Annual Report to Congress	E-file growth continues, but employment return e-file remains a key opportunity. E-file rates continue to increase for all other major return types. However, employment tax returns continue to be the next obvious target for the IRS's efforts to increase e-file as they currently have the lowest e-file rate of all major return types. Funding is always a constraint. For example, funding is a barrier to implementing the ability to e-file Form 1040-X through the MeF platform. The Adjusted Gross Income/PIN reject rate is the largest cause of e-file rejects and must be remedied. Security Summit stakeholders continue to support a replacement for the current model.	• The IRS should complete an evaluation of technology to authenticate returns so that action can be taken in time for the 2019 Filing Season or as soon as possible thereafter.
2019 Annual Report to Congress	The IRS estimates that individual returns have the highest e-file rate (76 percent) of major returns filed. The low growth rate of individual e-file is expected as individual return e-file matures. It is encouraging that the employment tax return segment continues to increase, albeit the overall rate of e-file for employment returns remains low. The ETAAC has repeatedly noted that the Form 94x employment tax return series has the second highest volume of tax return filings and the lowest e-file rates.	• The MeF platform could and should be modified to enable e-filing of Form 1040-X, which would have a positive effect on taxpayers over time by enabling them to file amended returns with the IRS and, through the MeF platform, with States. • The IRS should focus on improving the content and communications regarding Form 94x e-filing and streamlining policies that create unnecessary barriers to increased e-file for Form 94x series.
National Taxpayer Advocate		
2020 Annual Report to Congress	The IRS's antiquated information technology systems and infrastructure present significant obstacles to expanding e-filing and digitizing paper returns. Some forms still require paper filing, and the IRS cannot digitally accept certain documents attached to an e-filed return.	The IRS should: • Make and publish an e-file plan for the forms that taxpayers cannot e-file. • Reevaluate the MeF platform to allow for e-filing of all forms, schedules, and attachments. • Expand the use of Optical Character Recognition and two-dimensional barcoding to improve processing of paper filings and reduce processing transcription errors. • Make permanent all temporary changes to electronic or digital signature requirements the IRS implemented in response to the COVID-19 pandemic.

Report Identifier	Finding	Recommendations
Government Accountability Office		
GAO-15-164	The e-filing rate for tax-exempt organizations is significantly lower than for other taxpayers. This lower rate means there are less digitized data available for data analytics and higher labor costs for the IRS. Expanded e-filing may result in more accurate and complete data becoming available in a timelier manner, which in turn would allow the IRS to more easily identify areas of noncompliance.	• Congress should consider expanding the mandate for 501(c)(3) organizations to e-file their tax returns to cover a greater share of filed returns. Public Law No. 116-25 lowered the e-filing threshold for all returns, including 501(c)(3) organizations, to 100 returns starting in 2021 and 10 returns starting in 2022.
GAO-14-633	The Department of the Treasury requested that Congress accelerate Forms W-2 deadlines to January 31 and authority to reduce the 250-return threshold for e-filing information returns in order to conduct more prerefund matching.	• Congress should consider providing the Secretary of the Treasury with the regulatory authority to lower the threshold for e-filing Forms W-2 from 250 returns annually to between five to 10 returns, as appropriate. Public Law No. 116-25 lowers the e-filing threshold for all returns, including Forms W-2, to 100 returns in 2021 and to 10 returns in 2022 and later.
GAO-14-453	IRS examinations and automated document matching have not been effective at finding most of partnership and S corporation estimated misreported income. Not all partnership and S corporation line items from paper returns are digitized. More information available electronically might improve examination selection.	• Congress should consider expanding the mandate for partnerships and corporations to e-file their tax returns to cover a greater share of filed returns. Public Law No. 115-141 lowered the threshold of e-filing by partnerships incrementally over time, from 250 returns to 20 returns in calendar years after 2021. Public Law No. 116-25 lowered the threshold of e-filing for both partnerships and corporations from 250 returns to 10 returns in calendar years after 2021.
GAO-21-251	The IRS has not comprehensively assessed why business filers continue to file on paper when e-file options are available. Identifying barriers to e-filing business returns could help the IRS reduce the volume of more costly paper-based work and improve services to business filers.	• The IRS should conduct an assessment to comprehensively identify barriers taxpayers face to e-filing business-related returns. • After completing the barrier assessment, the IRS should determine what actions the IRS could take to address the barriers and implement those actions, as feasible.

Appendix IV

Prior TIGTA Audit Recommendations and Corrective Actions

Recommendation	Agreed/Disagreed	Planned Corrective Actions
Recommendation 1: Develop a Service-wide strategy that outlines specific efforts the IRS will initiate to advance the e-filing rate of business tax returns.	Agreed.	In February 2014, the IRS developed a Service-wide strategy for increasing the volume of e-filed returns by businesses. In addition to developing a communications outreach plan to promote e-filing for business returns during the 2015 Filing Season, the IRS planned to evaluate e-file participation rates for business returns during the 2014 Filing Season. Based on the results of its review, achievable goals were to be identified and an action plan developed to document the strategy for achieving those goals.
Recommendation 2: Continue to expand the type of business tax returns that can be e-filed through the MeF platform.	Agreed.	The IRS planned to use the MeF platform as the sole portal for e-filed returns and has a long-term strategy to expand the number of income tax forms that may be accepted. The strategy is reviewed and revised on an annual basis to adjust for legislative or other environmental changes that may affect its timeline. The IRS does not foresee the need for additional corrective action beyond the process in place.
Recommendation 3: Evaluate the feasibility of providing business filers with the option of Free Fillable Forms.	Agreed.	The IRS planned to discuss with its industry partners in the Free File Program the desire to provide business filers with a Free Fillable Forms option.
Recommendation 4: Develop a less burdensome electronic signature process for businesses e-filing employment tax returns using the MeF platform.	Agreed.	The IRS planned to develop an e-signature strategy aligned with a robust e-authentication process to identify and authenticate the return signer. A work group was formed to develop strategies, plans, and recommendations for identity proofing and authentication. The work group will coordinate activities related to e-authentication and e-signature within the IRS to implement this process.
Recommendation 5: Evaluate the feasibility of providing business taxpayers with the option of using the Electronic Federal Tax Payment System to e-file employment tax returns. This evaluation should include a cost-benefit analysis.	Disagreed.	The IRS stated that the MeF platform has been established for receiving employment tax returns electronically and yields savings for the IRS by eliminating the need to program and support multiple systems. The MeF platform provides taxpayers with the ability to remit tax payments when submitting their returns.

Recommendation	Agreed/Disagreed	Planned Corrective Actions
Recommendation 6: Develop processes and procedures to consistently identify business filers that are not compliant with e-filing requirements (both current and any new e-filing requirements) and take actions necessary to ensure future compliance.	Disagreed.	The IRS stated that the development of processes and procedures that would consistently identify business filers that are not compliant with e-filing requirements would require a substantial expenditure of funds to upgrade and program its automated return processing systems. With limited budgetary resources and other competing initiatives that have higher priority, the IRS does not intend to pursue this action.
Recommendation 7: Develop processes and procedures to consistently assess penalties when applicable against business filers that are not compliant with e-filing requirements.	Disagreed.	The IRS stated that the development of processes and procedures that would consistently assess applicable penalties against business filers that are not compliant with e-filing requirements would require a substantial expenditure of funds to upgrade and program its automated systems. Based on a relatively small number of affected taxpayers, the limited potential penalties to be assessed, and the demands of higher priorities competing for limited resources, the IRS does not agree to implement a corrective action for this recommendation. Noncompliance can be addressed on an individual basis by its Compliance functions.
Recommendation 8: Work with the Department of the Treasury Office of Tax Policy to consider a legislative proposal to revise current requirements and/or create new requirements for the e-filing of business tax returns that would increase the overall e-filing rate.	Agreed.	The IRS planned to identify and consider options for increasing the overall e-filing rate as part of the development of its business e-file strategy, including working with the Department of the Treasury Office of Tax Policy in drafting legislative proposals to promote e-filing and increase the overall e-filing rate.

Source: TIGTA, Report No. 2014-40-084.

Appendix V

List of Prioritized Forms Provided by the Internal Revenue Service Advisory Council

When IRSAC members were asked what forms should be prioritized for digitalization, the following were suggested:

- Form SS-4, *Application for Employer Identification Number (for foreign companies)*
- Form W-7, *Application for IRS Individual Taxpayer Identification Number*
- Form 211, *Application for Award for Original Information*
- Form 56, *Notice Concerning Fiduciary Relationship*
- Form 730, *Monthly Tax Return for Wagers*
- Form 843, *Claim for Refund and Request for Abatement*
- Form 941-X, *Adjusted Employer's QUARTERLY Federal Tax Return or Claim for Refund*
- Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*
- Form 1139, *Corporation Application for Tentative Refund*
- Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*
- Form 1045, *Application for Tentative Refund*
- Form 1065X, *Amended Return or Administrative Adjustment Request (AAR)*
- Form 1120-L, *U.S. Life Insurance Company Income Tax Return*
- Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*
- Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*
- Form 1310, *Statement of Person Claiming Refund Due a Deceased Taxpayer*
- Form 2848, *Power of Attorney and Declaration of Representative*
- Form 3115, *Application for Change in Accounting Method*
- Form 3520, *Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts*
- Form 4466, *Corporation Application for Quick Refund of Overpayment of Estimated Tax*
- Form 4506, *Request for Copy of Tax Retu*rn
- Form 4563, *Exclusion of Income for Bona Fide Residents of American Samoa*
- Form 4768, *Application for Extension of Time To File a Return and/or Pay U.S. Estate (and Generation-Skipping Transfer) Taxes*
- Form 5074, *Allocation of Individual Income Tax to Guam or the Commonwealth of the Northern Mariana Islands (CNMI)*

- Form 5472, *Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business*
- Form 8038, *Information Return for Tax-Exempt Private Activity Bond Issues*
- Form 8038-G, *Information Return for Tax-Exempt Governmental Bonds*
- Form 8275, *Disclosure Statement*
- Form 8288-B, *Application for Withholding Certificate for Dispositions by Foreign Persons of U.S. Real Property Interests*
- Form 8328, *Carryforward Election of Unused Private Activity Bond Volume Cap*
- Form 8332, *Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent*
- Form 8703, *Annual Certification of a Residential Rental Project*
- Form 8802, *Application for United States Residency Certification*
- Form 8809-I, *Application for Extension of Time to File FATCA Form 8966*
- Form 8821, *Tax Information Authorization*
- Form 8822, *Change of Address*
- Form 8833, *Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)*
- Form 8854, *Initial and Annual Expatriation Statement*
- Form 8898, *Statement for Individuals Who Begin or End Bona Fide Residence in a U.S Possession*
- Form 8918, *Material Advisory Disclosure Statement*
- Form 12153, *Request for a Collection Due Process or Equivalent Hearing*
- Form 14039, *Identity Theft Affidavit*
- Form 14039-B, *Business Identity Theft Affidavit*
- Requests for Chief Counsel Advice

Appendix VI

Management's Response to the Draft Report

COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

April 14, 2022

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin Kenneth Corbin Digitally signed by Kenneth C. Corbin Date: 2022.04.14 13:18:08 -04'00'
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – A Service-Wide Strategy Is Needed to Address Challenges Limiting Growth in Business Tax Return Electronic Filing (Audit # 202140010)

Thank you for the opportunity to review and provide comments on the subject draft report. The IRS Digitalization Strategy establishes a vision for the IRS to be a digitally driven agency by 2025. To meet this challenge, the Enterprise Digitalization and Case Management Office coordinates across the IRS to understand taxpayer and employee digital needs. In addition to transforming business and technology processes, the IRS adopted and is committed to a digital culture where we are digital by default. This represents a significant change in operational practices that will enable us to successfully implement and sustain digital initiatives throughout the IRS. Through this strategy, we will continue to expand our forms modernization initiative by adapting existing forms to the digital environment and expanding the selection of forms that may be submitted and processed electronically.

Recognizing that some individuals face barriers to their ability to file electronically, we are striving to provide additional digital options by adopting and promoting the use of digital channels and online accounts. We are also working to handle paper documents more efficiently. Our goal is to modernize our legacy scanning operations through equipment upgrades and the use of world class optical character recognition capabilities. This, combined with implementing robust document storage and routing capabilities, will permit us to eliminate significant amounts of manual processing and will expeditiously deliver digitalized documents to the areas where processing actions need to be completed. We recognize there are continued opportunities for improvement. It is critically important that we receive additional multi-year funding to maintain momentum and achieve the potential outcomes desired by our strategy.

Constrained funding is the foremost obstacle we face in implementing our modernization strategies. In 2015, we developed business tax return strategies for the employment tax family of returns (forms 94x), Form 990, *Return of Organization Exempt From Income Tax,* and Form 2290, *Heavy Highway Vehicle Use Tax Return*. Each of the strategies provided a framework of opportunities to increase the business return e-file rates. The 94x e-File Strategy for Growth report identified barriers and opportunities to electronically filing employment tax returns. Research indicates that most filers of the form 94x family of returns use software to populate, print, and mail the return with virtually no effort, whereas the process to obtain a signature Personal Identification Number (PIN) can be seen as cumbersome and creates a disincentive to electronic filing. A key to increasing the volume of electronically filed employment tax returns is to improve the 94x Online PIN method for electronically signing to make the filing process easier than filing on paper. We continue to assess the feasibility of a 94x Online PIN application process; however, it and other vital projects to be completed in the modernization process must compete for limited resources with other high-priority needs, of equal or greater importance that are also critical to fulfilling the IRS mission of tax administration and top-quality service to taxpayers.

For certain business taxpayers required to file electronically, the IRS has processes in place to systemically assess penalties when the electronic filing requirement has not been met. Form 1065, *U.S. Return of Partnership Income*, contains all the information necessary to determine whether the electronic filing requirement is applicable. When a Form 1065 is filed on paper and it meets the criteria for an electronic filing requirement, the appropriate penalties are asserted. Other business tax returns are subject to criteria that cannot be ascertained at the time of filing. For these returns, a penalty determination requires the attention of limited compliance resources to evaluate the applicability of the penalty and consider exceptions to the penalty that may be present. We reviewed the 28 exception cases identified by the audit team, upon which the projection of 1,016 non-compliant corporate filers for tax year 2018 is based. We found only one case out of the 28 that would have actually received a penalty.

Our responses to your specific recommendations are enclosed. If you have any questions, please contact me, or a member of your staff may contact Dietra D. Grant, Director, Customer Account Services, at 470-639-3504.

Attachment

Attachment

Recommendation

RECOMMENDATION 1
The Deputy Commissioner for Services and Enforcement should develop a Service-wide strategy to incorporate all forms for e-filing. This strategy should include processes and procedures to compile an accurate and comprehensive list of forms not available for e-filing along with prioritization and specific timelines for the continued addition of forms for e-filing.

CORRECTIVE ACTION
The IRS Digitalization Strategy was developed in 2020 and led to the creation of the Enterprise Digitalization and Case Management Office (EDCMO). The EDCMO assists with executing the strategy's priorities of creating more digital capabilities across the IRS. As stated in the strategy, we established an ambitious plan to reduce paper volume, increase access to digital data, and prepare the IRS to manage and leverage more digital data that will enhance the taxpayer and employee experience. We will reevaluate e-filing options and coordinate across the organization to understand stakeholders' digital needs, the challenges in meeting these needs, and develop a clearer and more comprehensive view of our ongoing digitalization efforts. We will develop a strategy to incorporate individual and business tax forms that may be filed through the existing electronic filing platform.

IMPLEMENTATION DATE
March 15, 2023

RESPONSIBLE OFFICIAL
Chief, Taxpayer Experience Officer

CORRECTIVE ACTION MONITORING PLAN
We will monitor this corrective action as part of our internal management control system.

Recommendations

The Deputy Commissioner, Services and Enforcement, should:

RECOMMENDATION 2
Develop systemic processes to identify and address potentially noncompliant corporate filers.

CORRECTIVE ACTION
For corporate filers to be subject to penalties for failure to file returns electronically when required, they must have filed 250 or more returns and have assets of $10 million or more. Not all these criteria are known or available at the time of filing.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
N/A

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 3
Develop processes and procedures to ensure that penalties are consistently assessed against business filers that are noncompliant with e-filing requirements.

CORRECTIVE ACTION
The IRS has systemic processes in place for electronically filed partnership returns and our review found them to be working as intended. Other types of business returns have differing criteria for electronic filing requirements and exceptions to the requirements, which prevent the implementation of a standard process for all business filers.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
N/A

CORRECTIVE ACTION MONITORING PLAN
N/A

Appendix VII

Abbreviations

COVID-19	Coronavirus Disease 2019
EDCMO	Enterprise Digitalization and Case Management Office
E-file(d); E-filing	Electronically File(d); Electronic Filing
ETAAC	Electronic Tax Administration Advisory Committee
IRS	Internal Revenue Service
IRSAC	IRS Advisory Council
MeF	Modernized e-File
PIN	Personal Identification Number
TIGTA	Treasury Inspector General for Tax Administration

To report fraud, waste, or abuse,
call our toll-free hotline at:

(800) 366-4484

By Web:

www.treasury.gov/tigta/

Or Write:

Treasury Inspector General for Tax Administration

P.O. Box 589

Ben Franklin Station

Washington, D.C. 20044-0589

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