

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Administration of the Individual Taxpayer Identification Number Program

December 19, 2023

Report Number: 2024-400-012

HIGHLIGHTS: Administration of the Individual Taxpayer Identification Number Program

Final Audit Report issued on December 19, 2023

Report Number 2024-400-012

Why TIGTA Did This Audit

This audit was initiated because the Protecting Americans From Tax Hikes Act of 2015 requires TIGTA to conduct an audit of the Individual Taxpayer Identification Number (ITIN) Program every two years.

The overall objective of this audit was to evaluate the overall efficiency and effectiveness of the ITIN Program, including the processes to ensure that only individuals with a tax need are assigned an ITIN.

Impact on Tax Administration

An ITIN is a tax processing number issued by the IRS for certain resident and nonresident aliens, their spouses, and their dependents. ITINs are only available to individuals who are required to have a Taxpayer Identification Number for tax purposes but who do not have, and are not eligible to obtain, a Social Security Number from the Social Security Administration. An ITIN is valid only for Federal tax purposes.

As of December 31, 2022, the IRS had issued 26 million ITINs since the program's inception. As of this same time frame, there were more than 5.8 million active ITINs, and the IRS reported that almost 487,000 new ITINs were issued during Calendar Year 2022.

What TIGTA Found

Since 2018, TIGTA has repeatedly raised concerns related to the use of Certifying Acceptance Agents (CAA), including that the IRS has not effectively ensured that compliance reviews were completed on those CAAs that presented the highest risk to the ITIN Program. Yet, the IRS has seen a sharp decline in compliance reviews in recent years. In September 2020, TIGTA reported that for Fiscal Years 2016 through 2019, the IRS completed an average of over 300 reviews per fiscal year. In Fiscal Year 2022, the IRS completed only 25 compliance reviews of domestic-based CAAs and did not complete any compliance reviews during Fiscal Year 2023.

In addition, the ITIN application process could provide better customer service to ITIN applicants, and the ITIN Program could be modernized. One example of modernization relates to verifying documents submitted by ITIN applicants. A completed external study showed that using third-party identification and verification equipment could reduce document verification time from 20 minutes to two seconds.

Finally, retroactive tax credit claims continue to be erroneously paid or disallowed. TIGTA identified 5,534 tax returns for which the IRS paid almost \$10.9 million in erroneous retroactive refundable and nonrefundable tax credits to individuals whose Taxpayer Identification Number was not issued on or prior to the return due date. TIGTA also identified 2,519 tax returns with refundable and nonrefundable credit claims totaling approximately \$4.7 million that were incorrectly disallowed when the Taxpayer Identification Numbers were timely issued.

What TIGTA Recommended

TIGTA made eight recommendations for improvements to the ITIN Program, including identifying additional resources to assist with ensuring that on-site compliance reviews of all high-risk CAAs are completed and that the IRS focus on ITIN modernization efforts by developing an online Form W-7, *Application for IRS Individual Taxpayer Identification Number*, as well as evaluating the feasibility of developing a tool for taxpayers to check the status of their application. TIGTA also recommended that the IRS review the 5,534 tax returns for which the IRS incorrectly paid retroactive credit claims and the 2,519 tax returns for which the IRS incorrectly denied retroactive credit claims and ensure that erroneous funds are recovered and that taxpayers receive the benefits to which they are entitled.

IRS management agreed with all but one of the recommendations. IRS management did not agree to develop an electronic or online Form W-7 application stating that they must physically handle original documentation submitted with the Form W-7 to establish the identity of the ITIN applicant.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

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

December 19, 2023

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

A handwritten signature in black ink, appearing to read "M. Weir", is positioned above the typed name.

FROM: Matthew A. Weir
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Administration of the Individual Taxpayer
Identification Number Program (Audit # 202340002)

This report presents the results of our review to evaluate the overall efficiency and effectiveness of the Individual Taxpayer Identification Number (ITIN) Program, including the processes to ensure that only individuals with a tax need are assigned an ITIN. This audit was initiated because the Protecting Americans From Tax Hikes Act of 2015 requires TIGTA to conduct an audit of the ITIN Program every two years. This review is part of our Fiscal Year 2024 Annual Audit Plan and addresses the major management and performance challenge of *Tax Fraud and Improper Payments*.

Management's complete response to the draft audit report is included as Appendix III. If you have any questions, please contact me or Diana M. Tengesdal, Assistant Inspector General for Audit (Returns Processing and Account Services).

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Background

The Protecting Americans From Tax Hikes Act of 2015 requires the Treasury Inspector General for Tax Administration (TIGTA) to conduct an audit of the Individual Taxpayer Identification Number (ITIN) Program not later than two years after enactment (December 18, 2015) and every two years thereafter.¹ The Act also requires that TIGTA report the results of this audit to the Senate Committee on Finance and the House Committee on Ways and Means.

History and purpose of ITINs

In Calendar Year (CY) 1996, the U.S. Department of the Treasury issued regulations that introduced the ITIN and required foreign persons to use an ITIN as their unique identification number on Federal tax returns. The regulations were intended to address the concern by the Internal Revenue Service (IRS) and the U.S. Department of the Treasury that, without a unique number, taxpayers could not be identified efficiently, and tax returns could not be processed effectively.

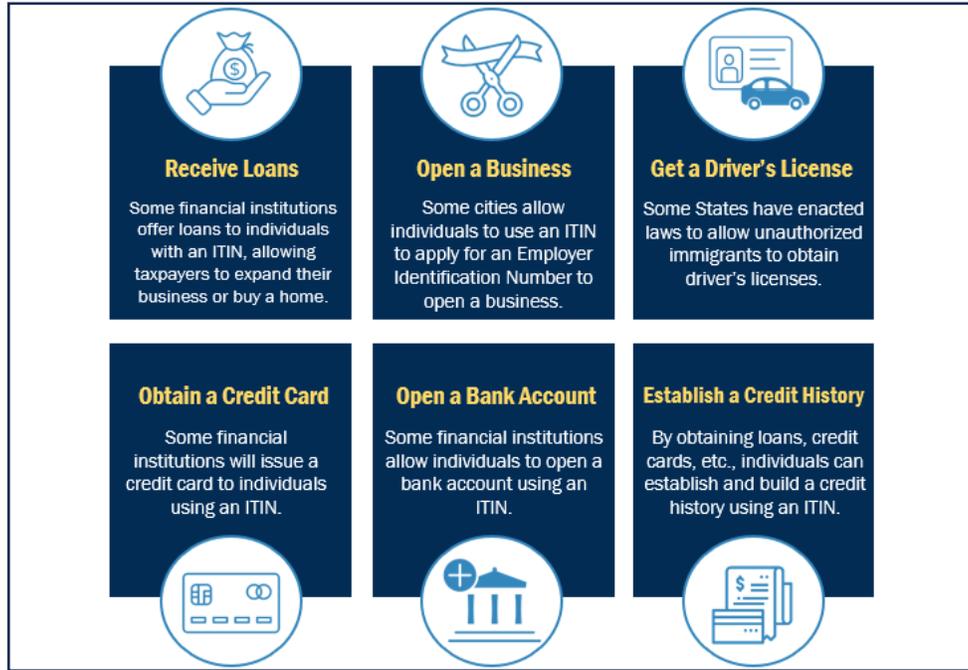
An ITIN is a tax processing number issued by the IRS for certain resident and nonresident aliens, their spouses, and their dependents. ITINs are only available to individuals who are required to have a Taxpayer Identification Number (TIN) for tax purposes but who do not have, and are not eligible to obtain, a Social Security Number (SSN) from the Social Security Administration. An ITIN is valid only for Federal tax purposes.

ITINs are issued regardless of immigration status because individuals who are in the United States both legally and not legally may have U.S. Federal tax filing and payment requirements under the Internal Revenue Code. Only individuals who have a valid Federal tax filing requirement, who are filing a tax return to claim a refund, who are being claimed for an allowable tax benefit (such as a spouse or a dependent), or who are claiming reduced withholding under an applicable income tax treaty are eligible to receive an ITIN. As of December 31, 2022, the IRS had issued 26 million ITINs since the program's inception. As of this same time frame, there were more than 5.8 million active ITINs, and the IRS reported that almost 487,000 new ITINs were issued during CY 2022.

Contrary to its intended use for Federal tax purposes, an ITIN has become widely accepted by third parties outside of the IRS for use as a valid identification number for many nontax purposes. Figure 1 provides a summary of the nontax benefits for which an ITIN is accepted.

¹ Consolidated Appropriations Act, 2016; Pub. L. No. 114-113, 129 Stat. 2242 (2015). See Appendix IV for a glossary of terms.

Figure 1: Nontax Benefits of Obtaining an ITIN



Source: TIGTA's summary of research.

Submitting applications

The IRS receives both new and renewal applications. To obtain or renew an ITIN, an individual, their spouse, or their qualifying dependent(s) must complete Form W-7, *Application for IRS Individual Taxpayer Identification Number*, provide documentation that establishes identity and connection to a foreign country, and attach a U.S. Federal income tax return unless they are eligible for one of the five exceptions. Figure 2 provides the five acceptable reporting requirement exceptions.

Figure 2: Reporting Requirement Exceptions

Exception	Description
Third-Party Withholding on Passive Income or Tax Treaty Benefits	This exception may apply if the applicant is the recipient of certain types of passive income that is subject to third-party withholding or covered by tax treaty benefits.
Other Income	This exception may apply if the applicant is or is not claiming the benefits of a U.S. income tax treaty with a foreign country and receives any of the following: <ul style="list-style-type: none"> • Wages, salary, compensation, or honoraria payments. • Scholarships, fellowships, and grants. • Gambling income. In addition, this exception may apply if the applicant receives taxable scholarship, fellowship, or grant income, but is not claiming the benefits of an income tax treaty.
Third-Party Reporting of Mortgage Interest	This exception may apply if the applicant has a home mortgage loan on U.S. real property that is subject to third-party reporting of mortgage interest.

Administration of the Individual Taxpayer Identification Number Program

Exception	Description
Third-Party Withholding on Disposition by Foreign Person of a U.S. Real Property Interest	This exception may apply if the applicant is a party to the disposition of a U.S. real property interest by a foreign person that is generally subject to withholding by the transferee or buyer.
Treasury Decision 9363	This exception may apply if the applicant is a non-U.S. representative of a foreign corporation who needs to obtain an ITIN for meeting their electronic filing (e-filing) requirement.

Source: Internal Revenue Manual 3.21.263.5.2, Filing Tax Return versus Exception Criteria.

ITINs must be renewed when they have not been used on a tax return for three consecutive tax years, or the ITIN was issued prior to CY 2013. For tax years after December 31, 2017, spouses and dependents are not eligible to apply or renew an ITIN unless they are claimed for an allowable tax benefit, or they file their own tax return.² Spouses and dependents must be listed on an attached U.S. Federal tax return, and the tax return must include the schedule or form that applies to the allowable tax benefit.

Applicants mail the application and supporting documents to the Tax Processing Center in Austin, Texas, or provide it to an IRS assistor at a Taxpayer Assistance Center.³ There are more than 300 Taxpayer Assistance Center offices in the United States that can authenticate identifying documents. Taxpayers may also use the services of a Certifying Acceptance Agent (CAA) to authenticate their identifying documents, as subsequently explained.

Supporting document requirements

Supporting documents are required to prove the applicant's identity and foreign status. For individuals who are age 18 or over and not students, at least one document must show the applicant's photograph.

Applicants are required to submit one of three documentation types:

- Original documents – documents that are not changed from their initial issuance *i.e.*, not a copy or a replica.
- Certified copies – documents that the original issuing agency provides and certifies as an exact copy of the original and that contain an official stamp or ink seal from the issuing agency or an embassy or consulate. For example, a foreign issuing agency could provide a certified copy of the applicant's passport. Faxes and photocopies are not acceptable supporting documents.
- Notarized copies – documents that are notarized are only accepted in a few instances, such as those in which military spouses and military dependents without an SSN need an ITIN.

Figure 3 provides the types of acceptable documentation that can be used to prove foreign status and identity of the ITIN applicant.

² An allowable tax benefit includes a spouse filing a joint tax return, head of household, American Opportunity Tax Credit, Premium Tax Credit, Child and Dependent Care Credit, or the Credit for Other Dependents.

³ An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face-to-face.

Figure 3: Acceptable Documentation to Prove Foreign Status and Identity

Acceptable Supporting Documentation	Supports Foreign Status	Supports Identity
Passport (the only stand-alone document)	✓	✓
U.S. Citizenship and Immigration Services photo	✓	✓
Visa issued by the U.S. Department of State	✓	✓
U.S. driver's license	✗	✓
U.S. military identification card	✗	✓
Foreign driver's license	✗	✓
Foreign military identification card	✓	✓
National identification card	✓	✓
U.S. State identification card	✗	✓
Foreign voter's registration card	✓	✓
Civil birth certificate (proves foreign status only if the birth certificate is foreign)	✓	✓
Medical records for dependents under age 6 (proves foreign status only if the medical records are foreign)	✓	✓
School records for dependents under age 18 (proves foreign status only if the school records are foreign)	✓	✓

Source: Internal Revenue Manual 3.21.263.5.6, ITIN Documentation Requirements.

Use of Acceptance Agents and CAAs

Both Acceptance Agents and CAAs can assist individuals in filling out Form W-7 and mailing it to the IRS. A CAA is also authorized to authenticate original identifying documents. However, a CAA is only authorized to certify passports and birth certificates for dependent applications. All other documents for dependents must be original or certified copies (certified by the issuing agency) and must be mailed to the IRS. Individuals who use a CAA generally do not need to send their identifying documents to the IRS along with their application. As of December 31, 2022, there were more than 900 active Acceptance Agents and more than 8,300 active CAAs.

After completing mandatory Acceptance Agent training on IRS.gov, potential Acceptance Agents and CAAs submit Form 13551, *Application to Participate in the IRS Acceptance Agent Program*. To be valid, the mandatory training certificate must be dated within 120 days of the

date the application was signed. In addition, CAAs are required to complete formal forensic document training to obtain the necessary skills to determine the authenticity of identification documents. Acceptance Agents and CAAs must also satisfy submission requirements to remain in the program. Submitting less than five Form W-7 applications during a calendar year will result in suspension from the program. Once removed from the program for inactivity, the Acceptance Agents and CAAs must remain out of the program for one year before they can reapply.

Processing ITIN applications

Form W-7 applications, supporting documents, and correspondence are mailed to the Austin Tax Processing Center where they are batched and transshipped twice per day to the ITIN Program, which is located in a separate office complex. Upon receipt of Form W-7 applications, specialized tax examiners in the ITIN Program review the applications with tax returns to look for questionable patterns and trends on both documents. The specialized ITIN examiner will also look for questionable identification documents, such as driver's licenses or passports.

After the initial review, the applications are assigned to tax examiners who review the applications and supporting documentation. The tax examiners also transcribe the application information into the ITIN Real-Time System (RTS), which systemically assigns a temporary status *e.g.*, assigned, rejected, suspended, to the application. The status will be updated as either:

- **Assigned:** The IRS mails systemic notice Computer Paragraph (CP) 565A/CP 565A-SP, *Original Assignment Notice*, with the original assigned ITIN to the applicant. If an application for renewal is accepted, the IRS mails systemic notice CP 565B/CP 565B-SP, *Reissue Assignment Notice Reissue Renewal Notice*, advising the applicant of their renewal.
- **Rejected:** The IRS mails systemic notice CP 567/CP567-SP, *Reject Notice*, or manual notice CP 574/CP 574-SP, *Hard Reject Notice*, informing the individual that the ITIN application was rejected. The notice informs the taxpayer of the reason for the rejection and that they must file another application if they would like to reapply for an ITIN.
- **Suspended:** The IRS mails systemic notice CP 566/CP 566-SP, *Suspense Notice*, informing the applicant that their ITIN application is suspended for a procedural issue or because the application has questionable information. Applicants are given 45 days to respond while the IRS maintains the applications and documents. If there is no response, the RTS will systemically reject the ITIN.

Figure 4 provides an overview of the total applications, by disposition, received during CY 2022.

Figure 4: Total Form W-7 Applications by Disposition for CY 2022

Form W-7 Disposition	New	Renewal	Totals
Assigned	486,600	165,700	652,300
Rejected	133,900	84,700	218,600
Suspended	15,000	4,600	19,600
Awaiting Input	72,900	25,100	98,000
Total Applications	708,400	280,100	988,500

Source: IRS ITIN Comparative Report provided by ITIN Program management.

Once an ITIN application has been processed, the IRS reviews the accuracy of processing of the ITIN application and performs additional checks to ensure that original supporting documents are returned to the correct applicant. During a systemic three-day hold period, the following reviews are completed:

- Quality reviewers randomly sample applications completed by each tax examiner and review the application to determine whether the tax examiner followed established procedures.
- Clerks review the letter that is sent to the applicant when returning original documents. This is to ensure that the name, address, and identifying information on the original documents match the information on the corresponding Form W-7 application. This Personally Identifiable Information review is to help ensure that the original documents are being returned to the correct applicant.

Once the reviews are completed, the applicant’s identification documents are mailed back to the applicant using regular, non-certified mail service.

Misplaced or undeliverable documents

Original documents or certified copies of documents that are returned to the IRS as undeliverable, or those that are found to have become separated from their respective Form W-7 application are routed to a designated ITIN loose documents team. The ITIN loose documents team researches the RTS and IRS records to locate a better address to return the document. If a better address cannot be found, the document is recorded in the Loose Documents Database and stored in a locked file cabinet.

Thirty days after the ITIN loose documents team’s initial review, they will perform additional research to identify a better address to return the document to the applicant. If after six months, the team is still unable to locate an address to return the document, the IRS will return original passports to the embassy of the issuing country. Other documents, such as marriage certificates, residency letters, and birth certificates, are destroyed. In CY 2022, the IRS returned approximately 7,000 passports to the issuing country’s embassies and destroyed more than 11,000 documents.

This audit presents the result of our evaluation of the overall efficiency and effectiveness of the ITIN Program, including the processes to ensure that only individuals with a tax need are assigned an ITIN. We also followed up on prior recommendations from our January 2022

report.⁴ Specifically, these recommendations include implementing processes to periodically review retroactive tax credit claims erroneously paid out or disallowed and ensuring that previously identified erroneous retroactive tax credit claims were corrected. We also reviewed programming updates for ITIN renewals and the IRS's actions to implement compliance treatments for CAAs based on risk level.

Results of Review

Management's Inaction Has Resulted in Insufficient Oversight of Certifying Acceptance Agents and Increases the Risk of Potential Fraud

Compliance reviews are one of the key controls the IRS has for ensuring that CAAs comply with the rules, procedures, and applicable laws related to the submission of Form W-7 applications and related tax returns. These reviews can be conducted on-site or by correspondence. For a correspondence review, the IRS sends a letter to the CAA requesting that they send copies of requested documentation for review. Whereas, for an on-site compliance review, the IRS will visit the CAA's office to review ITIN applications and related documents, scrutinize advertising materials, observe office space for client interactions, ensure that taxpayer records and information are properly secured, *etc.*

Since 2018, TIGTA has repeatedly raised concerns relating to the use of CAAs, including that the IRS has not effectively ensured compliance reviews were completed on those CAAs that presented the highest risk to the ITIN Program. Yet, there has been a sharp decline in compliance reviews in recent years. In September 2020, we reported that for Fiscal Years (FY) 2016 through 2019, there were 1,319 compliance reviews completed, an average of over 300 reviews per fiscal year.⁵

In January 2022, we reported that the IRS's CAA compliance review selection process does not ensure that the highest risk CAAs are reviewed.⁶ We also raised concerns that the IRS was not providing adequate oversight of foreign CAAs. To address these concerns, we recommended that the IRS implement varying degrees of compliance treatment for CAAs based on risk and ensure that limited resources are used to conduct in-person compliance reviews for the highest risk CAAs. In addition, we noted that the use of alternative treatment streams would allow the IRS to maintain a minimum level of oversight during times when the IRS is unable to perform on-site reviews, such as FYs 2020 and 2021, during the Coronavirus Disease 2019 Pandemic. Finally, we recommended that the IRS include foreign CAAs in its compliance reviews.

IRS management disagreed with these recommendations; however, they noted that they would incorporate more foreign CAAs in future compliance reviews. In FY 2022, the IRS conducted compliance reviews of 16 foreign CAAs. As it relates to alternative treatment streams,

⁴ TIGTA, Report No. 2022-40-013, *Administration of the Individual Taxpayer Identification Number Program* (Jan. 2022).

⁵ TIGTA, Report No. 2020-40-064, *Processes Do Not Ensure That Individual Taxpayer Identification Numbers Are Issued Only to Qualifying Individuals With a Tax Administration Need* (Sept. 2020).

⁶ TIGTA, Report No. 2022-40-013, *Administration of the Individual Taxpayer Identification Number Program* (Jan. 2022).

management maintained its position stating that all CAAs are subject to compliance reviews and that resources for on-site compliance reviews are prioritized to those CAAs that pose the greatest risk to the program *e.g.*, CAAs on probation, high-risk CAAs. Yet, the IRS completed only 25 compliance reviews of domestic-based CAAs during FY 2022, all via correspondence, and did not complete any compliance reviews during FY 2023. This is despite its own data showing that there were 154 CAAs considered as high-risk during FY 2022 and 47 active CAAs that were either on probation or suspended, as of December 31, 2022. IRS management indicated that none of the 25 compliance reviews involved the 154 high-risk CAAs and that the 47 CAAs that were on probation would not be subject to a compliance review but would receive a follow-up review of a different type. According to the IRS, there were more than 8,300 active CAAs. Our analysis of the more than 1 million ITIN applications submitted between October 1, 2021, and September 30, 2022, found that approximately 334,000 (33 percent) of the applications were submitted by 5,387 CAAs. This further supports the need for IRS management to provide effective oversight and ensure that CAAs are complying with rules and performing at an acceptable level.

Forensic training is not reviewed to ensure that it is adequate and provides consistent guidance

CAAs are required to complete formal forensic document training. In addition, employees in the ITIN Program and Taxpayer Assistance Center employees receive forensic training. This training must provide CAAs and IRS employees with the skills to effectively recognize fraudulent documents. However, the ITIN Policy Section does not review the various forensic trainings offered to CAAs by outside vendors to ensure that they are adequate. This is concerning given that the IRS relied on more than 5,300 CAAs to identify fraudulent Forms W-7 and identification documents for one third of the Forms W-7 submitted. Further, the IRS does not compare the vendor-provided training with the training provided to IRS employees to ensure that both provide consistent instructions for identifying fraudulent documents.

Although IRS.gov indicates that the IRS reviewed the course materials for the two vendors that were selected in CY 2013 to ensure that these vendors met the training requirements, ITIN Policy Section management indicated that no one from their function has completed the vendor training. As such, it is unclear what specific requirements these vendors met. In addition, we question how the IRS could publicly assert that the training meets its requirements when no one has recently completed the course to evaluate its contents.

According to ITIN Policy Section management, the approval of third-party vendor forensic training is based on criteria that was established more than 10 years ago. For example, the criteria included skills to effectively recognize fraudulent documents, such as passports, driver's licenses, birth certificates, visas, national identification cards, military and U.S. State identification cards, the length of the training, *etc.* The ITIN Policy Section has not revisited each vendors' training content since they were initially reviewed and are unaware of any changes that may have been incorporated.

The Commissioner, Wage and Investment Division, should:

Recommendation 1: In addition to using available ITIN Policy Section resources, coordinate with the other IRS business operating divisions to identify additional resources to assist with ensuring that on-site compliance reviews of all high-risk CAAs are completed.

Management's Response: IRS management agreed with the recommendation and will coordinate with other IRS business operating divisions to identify additional resources to assist with ensuring that on-site compliance reviews of all high-risk CAAs are completed.

Recommendation 2: Require the ITIN Policy Section to periodically review both vendor and IRS provided forensic training to ensure that the training instructions are adequate and consistent.

Management's Response: IRS management agreed with the recommendation and will periodically conduct reviews on both vendor and IRS provided-forensic training to ensure that the training instruction is adequate and consistent.

Opportunities Exist to Modernize Application Processing and Improve Customer Service

Similar to most activities at the Tax Processing Centers, the ITIN Program is largely a paper-driven function. In March 2022, the Taxpayer Advocate issued a Taxpayer Advocate Directive directing the IRS to take immediate steps to implement scanning technology for individual tax returns.⁷ This was in direct response to address the delays in processing paper-filed tax returns due to the IRS's "archaic" data intake processes. IRS management agreed and due to additional funding provided by the Inflation Reduction Act of 2022 is now moving ahead to transform the IRS's tax return processing systems and improve customer service for taxpayers.⁸ One piece that is missing from this much needed overhaul is a similar transformation and modernization of the ITIN Program. We acknowledge that the electronic filing of the application to become a CAA will contribute to modernizing the ITIN Program; however, this modernization effort does not address the receipt and/or processing of the Form W-7 applications.

ITIN applicants submit a paper-filed Form W-7, along with their supporting documents, to the Austin Tax Processing Center where it is opened, batched, and transshipped to the ITIN Program for review and manual entry by an IRS employee into the RTS. Thus, the process becomes susceptible to human errors, such as keystroke errors. For example, of the approximately 20,600 errors found by the ITIN quality review function in CY 2022, more than 3,800 (19 percent) were attributed to keystroke errors. These errors can result in the potential disclosure of Personally Identifiable Information, undeliverable mail, or incorrect final status results. In addition, the manual entry of data slows down the process.

In June 2020, ITIN management was approached with an unsolicited study completed to address two major pain points in the processing of ITIN applications: the manual verification of documents and the manual entry of data. Additionally, the study was to develop an ongoing solution to help with the inventory of ITIN applications by allowing electronic submission of Forms W-7. The external government contractor presented the results of its study and offered the IRS a short-term and long-term approach to improve the time frames of the ITIN application process.⁹ The long-term solution would automate the data capture of both the Form W-7 and

⁷ Taxpayer Advocate Directive 2022-1: *Implement Scanning Technology to Machine Read Paper Tax Returns and Address the Paper Return Backlog*, issued March 29, 2022.

⁸ Pub. L. No. 117-169, 136 Stat. 1818.

⁹ *Automating IRS ITIN Application Processing* (2020).

supporting documentation for direct entry into the RTS by allowing an applicant to scan their identification documents with a telephone or other device. This would be a welcomed improvement, for both the IRS and ITIN applicants, because the inventory of ITIN applications has been steadily rising since the Coronavirus Disease 2019 Pandemic. Figure 5 shows the ending Form W-7 applications and renewals inventory levels from December 28, 2019, through December 31, 2022.

Figure 5: Total Form W-7 Applications and Renewals CYs 2019 Through 2022

Type of Document	CY 2019	CY 2020	CY 2021	CY 2022
Form W-7 Applications	532,041	487,593	720,655	772,485
Form W-7 Renewals	837,559	648,667	743,515	280,146

Source: IRS ITIN Production report for the weeks ending December 28, 2019, December 26, 2020, December 25, 2021, and December 31, 2022.

The external study also presented a longer term vision for the ITIN Program, which would build on the process automation and add the component to identity proof and validate government-issued documents electronically. This would completely transform the end-to-end processing of an ITIN application and significantly reduce processing time frames. Moreover, tax examiners would no longer need to rely on outdated equipment, such as a black light or jeweler’s loupe, while referring to instructions on how to validate various foreign and domestic identification documents.

According to the study, using third-party identification and verification equipment may reduce document verification time from 20 minutes to two seconds. The following illustrates the potential cost savings this automated verification process would generate for the IRS:

The IRS received 988,576 Forms W-7 applications during CY 2022. Because every ITIN applicant needs to submit at least one identity document, we estimate that the IRS could have saved nearly 329,000 hours, or nearly \$6.5 million.¹⁰

Moreover, the contractor’s study concluded that automation of the Form W-7 application would result in saving two minutes of processing time per application. We estimate this could have saved the IRS an additional 33,000 hours. The ITIN Program could then redirect this time towards reducing its inventory.

Since receiving the results from this external study, ITIN management has been engaging in dialogue with various stakeholders to identify a path forward. Management noted that the IRS’s current efforts have been directed towards expanding the use of the document upload tool to allow CAAs to electronically submit their applications. IRS management gave this modernization project priority because electronic submission of Form W-7 would be more complex due to the challenges posed by the identification documents that must be provided by the applicant. The process would require a third-party management service to complete forensic work on the submitted documents, which could be challenging if submitted electronically. However, they

¹⁰ Calculation of the nearly 329,000 hours: 20 minutes (1,200 seconds) – 2 seconds = 1,198 seconds; 1,198 seconds multiplied by 988,576 Form W-7 applications = 1,184,314,048 seconds saved; 1,184,314,048 seconds/60 (seconds per minute) = 19,738,567 minutes; 19,738,567 minutes/60 (minutes per hour) = 328,976 hours. Calculation of the nearly \$6.5 million: 328,976 hours multiplied by the average tax examiner hourly rate of \$19.72 per hour = \$6,487,407.

plan to start work on technology enhancements to automate the Form W-7 application process next.

ITIN applicants should have access to a tool that allows them to check the status of their application

In October 2023, we reported that the IRS was planning enhancements for several of its online tools, such as *Where's My Refund?* and *Where's My Amended Return?*¹¹ These enhancements are part of the IRS's Strategic Operating Plan objectives to dramatically improve services to taxpayers and help them meet their obligations. Yet, the IRS does not have a similar tool in place whereby ITIN applicants can check the status of their application or inquire about whether their original documents have been returned. Providing taxpayers the ability to inquire as to the status of their application could decrease uncertainty as to the location of important original documents and apprise them of when their tax returns may be processed (which occurs after the Form W-7 is processed). Although applicants can call the IRS's customer service line to inquire about the application status, having a tool could make it more convenient for the applicant.

While we are encouraged that the IRS is making progress to modernize the ITIN Program, the IRS needs to turn its focus to the ability to electronically accept the Form W-7 applications and then provide applicants with the ability to check the status of their application. This would bring the ITIN Program in alignment with the IRS's vision of transforming tax return processing.

With the availability of funding from the Inflation Reduction Act, along with the IRS's commitment to transform itself into a world class customer service operation where taxpayers can engage with the IRS in a fully digital manner if they choose, we believe the IRS has the perfect opportunity to accomplish the transformation of this very important program. IRS management needs to revisit this effort and include specific projects focused on modernizing the ITIN Program in its project plans supporting the Strategic Operating Plan.

The Commissioner, Wage and Investment Division, should:

Recommendation 3: Develop an electronic or online Form W-7 application that would allow for immediate control of the application and supporting materials and reduce data entry and transcription errors during processing of paper applications.

Management's Response: IRS management disagreed with the recommendation stating that the Form W-7 requires the applicant to establish identity. This requires the applicant to provide original documents to support the entries on the Form W-7. The supporting original documents, such as passports, driver's licenses, and birth certificates are issued by a variety of domestic and foreign entities. The original documents issued by these different entities and governments incorporate a wide range of unique physical and electronic security features. The tax examiners who process the Form W-7 must physically handle the documents and verify these features when authenticating original supporting documents.

¹¹ TIGTA, Report No. 2024-400-006, *Final Results of the 2023 Filing Season* (Oct. 2023).

Office of Audit Comment: Our recommendation reinforced information that was provided to us during our review where IRS management indicated they plan to start work on technology enhancements to automate the Form W-7 application process after expanding the use of the document upload tool.

Recommendation 4: Complete a study to determine the feasibility of developing a tool for ITIN applicants, similar to *Where's My Refund?*, to check the status of their application.

Management's Response: IRS management agreed with the recommendation and will investigate the demand and feasibility of an online tool to service ITIN applicants.

Recommendation 5: Determine if projects to modernize the ITIN Program should be added to the Inflation Reduction Act Project Status Dashboard. If ITIN modernization efforts are added to the dashboard, ensure that target milestone completion dates are identified.

Management's Response: IRS management agreed with the recommendation and will determine if projects to modernize the ITIN Program should be added to the Inflation Reduction Act Project Status Dashboard and, if so, ensure that target milestone completion dates are identified for any ITIN projects added to the Dashboard.

System update resulted in tools used by ITIN tax examiners to become inoperable

The IRS maintains a database to keep track of original identification documents and copies certified by the issuing agency that have either been returned to the IRS as undeliverable or that became separated during processing. This database will record the ultimate disposition of these documents, *i.e.*, documents returned to the applicant or the issuing embassy or destroyed. On February 24, 2023, the IRS performed an agency-wide system update to Microsoft 365. This update resulted in ITIN tax examiners no longer being able to add new documents or make updates to existing documents recorded in the Loose Documents Database. Instead, the tax examiners created a workaround and are using a spreadsheet to record incoming loose documents and track the return and destruction of these documents. Thus, resulting in the IRS maintaining two different inventory tracking systems for loose documents.

In addition, the system update disabled the address tool that tax examiners use when returning original documents to applicants. This tool automatically populated the applicant's name and address on Form 14433, *Return of Original Documents*. However, tax examiners must now manually transcribe the name and address on Forms 14433, thus increasing the risk for input errors.

Recommendation 6 (E-Mail Alert): On May 26, 2023, we notified the Director, Technical Integration, and the Director, Submission Processing, Wage and Investment Division, of our concern that tax examiners could no longer use the address tool and make updates to the Loose Documents Database. We recommended that the IRS diagnose the underlying issue(s) that has caused inoperability of the tools used with the RTS and triggered the database to also become inoperable.

Management's Response: IRS management agreed with the recommendation and on June 8, 2023, they identified the root causes that rendered the tools used with the RTS inoperable, subsequently affecting the database as well. With the assistance of a Microsoft support team, they determined that the upgrades to Microsoft Office 64-bit

from Microsoft Office 32-bit and the update from Microsoft Internet Explorer to Microsoft Edge software resulted in incompatibilities with the existing IRS tools.

Retroactive Tax Credit Claims Continue to Be Erroneously Paid or Disallowed

An individual must have a TIN that is issued on or before the due date of the tax return (including extensions) to be eligible to claim certain tax credits such as the Child Tax Credit, the Additional Child Tax Credit (ACTC), the American Opportunity Tax Credit (AOTC), and the Earned Income Tax Credit (EITC). Our analysis of Tax Years 2019 and 2020 tax returns processed during Processing Year 2022 identified that credits continue to be erroneously issued and incorrectly disallowed. This analysis was not restricted to those claims involving ITINs and could also involve claims using SSNs and/or Adoption Taxpayer Identification Numbers. For example, we identified:

- 5,534 tax returns for which the IRS paid almost \$10.9 million in erroneous retroactive refundable and nonrefundable tax credits to individuals whose TIN was not issued on or prior to the tax return due date. Of the 5,534 tax returns, 5,129 claimed erroneous refundable credits of \$8.1 million and 2,157 tax returns claimed erroneous nonrefundable tax credits of \$2.8 million. Tax returns can have both refundable and nonrefundable tax credits.
- 2,519 tax returns with refundable and nonrefundable credit claims totaling approximately \$4.7 million that were incorrectly disallowed when the individuals' TINs were timely issued.

We previously reported and the IRS agreed that 581 tax returns with refundable and nonrefundable credit claims totaling almost \$1.1 million were incorrectly disallowed when the taxpayers' TINs were timely issued.¹² IRS management agreed with this recommendation and planned to review and correct the 581 tax returns that were denied benefits from retroactive claims when warranted. The IRS adjusted 425 of the 581 tax returns. For the remaining 156 cases, the IRS determined that the credits did not need adjusting due to several reasons including missing required schedules, being international tax returns, or they determined the credit was correctly computed.

In addition, we previously recommended and the IRS agreed to perform a periodic review of these types of cases; however, management noted that their review would be limited and subject to available resources. When we asked IRS management about these periodic reviews, they stated that there have been no reviews completed. However, while periodic reviews have not been implemented, IRS management will revisit and discuss this to develop targeted reviews in the future.

The Commissioner, Wage and Investment Division, should:

Recommendation 7: Review the 5,534 tax returns we identified for which the IRS incorrectly paid retroactive credit claims and take the steps needed to recover the erroneously issued funds.

¹² TIGTA, Report No. 2022-40-013, *Administration of the Individual Taxpayer Identification Number Program* (Jan. 2022). The information in our previous report indicated 719 tax returns; however, this was 581 tax returns involving 719 credits. A tax return can have a claim for more than one credit.

Management's Response: IRS management agreed with the recommendation and will review and correct, as appropriate, the 5,534 tax returns that may have been incorrectly allowed benefits from retroactive claims.

Recommendation 8: Review the 2,519 tax returns we identified for which the IRS incorrectly denied retroactive credit claims and take the steps needed to ensure that these taxpayers receive the benefits to which they are entitled.

Management's Response: IRS management agreed with the recommendation and will review and correct, as appropriate, the 2,519 tax returns that may have been erroneously denied benefits from retroactive claims.

Programming Delays Resulted in Some Taxpayers' Individual Taxpayer Identification Numbers Being Renewed Without a Continued Tax Need

Effective January 1, 2022, all Form W-7 renewal applications must include a U.S. Federal tax return unless the applicant meets an exception to the requirement. The IRS implemented this new expanded requirement in response to concerns raised in our prior report(s). Although the requirement became effective January 1, 2022, the IRS did not update the computer programming in the RTS until April 24, 2022.

Our review of 666 renewal applications that were assigned or suspended between January 1, 2022, and April 23, 2022, identified that the IRS renewed 140 (21 percent) of the 666 requested ITINs in error. When we shared the results of our review with management, they agreed that all 140 ITINs were renewed in error. However, management later stated that 10 applicants subsequently filed a tax return or submitted additional information that verified the ITINs were being used for the purposes for which they were intended. As such, 130 ITINs were renewed without the required tax returns. IRS management took appropriate corrective action and deactivated these ITINs.

We also reviewed renewal applications approved beginning April 24, 2022, and determined that they were being processed correctly. As a result, we will not be making any further recommendations.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate the overall efficiency and effectiveness of the ITIN Program, including the processes to ensure that only individuals with a tax need are assigned an ITIN. To accomplish our objective, we:

- Assessed the IRS's modernization efforts associated with the ITIN Program, including management's efforts to provide employees the updated systems, tools, or other technological advancements to efficiently and effectively meet the needs of taxpayers.
- Assessed the ITIN Program's current processes to ensure that original identification documents are tracked and safeguarded.
- Determined whether the IRS is effectively evaluating CAAs' compliance and the extent that their compliance efforts reduced the risk that CAAs submit fraudulent or rejected applications.
- Determined whether programming delays in CY 2022 resulted in ITINs being renewed without a tax return.
- Determined if retroactive claims for the EITC, the ACTC, the Child Tax Credit, and/or the AOTC continue to be paid in error or are incorrectly denied. This analysis was not restricted to claims involving ITINs that were not issued on or before the due date of the tax return.

Performance of This Review

This review was performed at the IRS Wage and Investment Division's ITIN Program in Austin, Texas, and with information obtained from the ITIN Policy Section in Atlanta, Georgia, during the period February through September 2023. 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 Diana M. Tengesdal, Assistant Inspector General for Audit (Returns Processing and Account Services); Deann L. Baiza, Director; Sharla J. Robinson, Acting Director; Curtis J. Kirschner, Audit Manager; Tracy M. Hernandez, Acting Audit Manager; Linda M. Valentine, Lead Auditor; James P. Bailey Jr., Auditor; Nathan J. Cabello, Auditor; and Kevin B. Nielsen, Information Technology Specialist (Data Analytics) – Applied Research and Technology Data.

Data Validation Methodology

During this review, we relied on RTS data obtained from TIGTA's Data Center Warehouse that contains all Forms W-7 and the RTS extract provided by the IRS of all CAA data present on the RTS. We also relied on data obtained from TIGTA's Data Center Warehouse National Account

Profile to verify the ITIN status, and the Individual Master File and the Individual Return Transaction File to quantify credits claimed on the tax returns. Before relying on the data, we ensured that each file contained the specific data elements we requested. In addition, we selected random samples of each extract and verified that the data in the extracts were the same as the data captured in the IRS's Integrated Data Retrieval System and the RTS. Based on the results of our testing, 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: controls to ensure that ITINs were not being renewed without a tax return, controls to ensure that CAAs comply with program requirements, controls to ensure that refundable credits were not issued when the ITIN was not issued before the due date of the tax return (including extensions), and controls to ensure that the loose documents are returned to the applicants. We evaluated these controls by interviewing IRS management and analyzing data in the Loose Document Database. We also analyzed data in the RTS, the Individual Master File, the National Account Profile, and the Individual Return Transaction File located on TIGTA's Data Center Warehouse.

Appendix II

Outcome Measures

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

Type and Value of Outcome Measure:

- Cost Savings (Funds Put to Better Use) – Potential; \$8,114,040 in erroneous refundable tax credits paid to 5,129 taxpayers for Tax Years 2019 and 2020 tax returns with a TIN that was not timely issued (see Recommendation 7).

Methodology Used to Measure the Reported Benefit:

We identified 2,081,031 Tax Years 2019 and 2020 tax returns that claimed a tax credit (the ACTC, the Child Tax Credit, the AOTC, and the EITC) and reviewed the TINs used as the primary taxpayer, secondary taxpayer, or dependents to claim the tax credit by analyzing the Individual Return Transaction File. We analyzed the issuance dates to determine if the TINs used to claim the tax credits were issued on or before the due date of the tax returns. If the primary or secondary taxpayer TIN is not issued by the due date of the tax return, no tax credit should be paid on the tax return.

For those tax returns for which the dependent TIN was not issued by the due date of the tax return, we computed the amount of the refundable credit associated with that dependent. We determined that 1,647 tax returns received \$3,426,401 in EITCs using TINs that were not issued by the due date of the tax returns. We determined that 3,331 tax returns received \$4,555,446 in ACTCs using TINs that were not issued by the due date of the tax returns. We determined that 151 tax returns received \$132,193 in AOTCs using TINs that were not issued by the due date of the tax returns.

Total refundable tax credits: $\$3,426,401 + \$4,555,446 + \$132,193 = \$8,114,040$.

Total tax returns: $1,647 + 3,331 + 151 = 5,129$.

Type and Value of Outcome Measure:

- Revenue Protection – Potential; \$2,752,247 received by taxpayers on 2,157 tax returns without a timely issued TIN whose Child Tax Credit was incorrectly allowed (see Recommendation 7).

Methodology Used to Measure the Reported Benefit:

We identified 2,081,031 Tax Years 2019 and 2020 tax returns that claimed a tax credit (the ACTC, the Child Tax Credit, the AOTC, and the EITC) and analyzed the TINs used as the primary taxpayer, secondary taxpayer, or dependents to claim the tax credit by analyzing the Individual Return Transaction File. We analyzed the issuance dates to determine if the TINs used to claim the tax credits were issued on or before the due date of the tax returns. If the primary or

secondary taxpayer TIN is not issued by the due date of the tax return, no tax credit should be paid on the tax return.

For those tax returns for which the dependent TIN was not issued by the due date of the tax return, we computed the amount of the tax credit associated with that dependent. We determined that 2,157 tax returns received \$2,752,247 in Child Tax Credits using TINs that were not issued by the due date of the Tax Years 2019 and 2020 tax returns.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 2,519 tax returns of taxpayers who were incorrectly disallowed \$4,703,376 in tax credits on their Tax Years 2019 and 2020 tax returns (see Recommendation 8).

Methodology Used to Measure the Reported Benefit:

We identified 2,081,031 Tax Years 2019 and 2020 tax returns that claimed a tax credit (the ACTC, the Child Tax Credit, the AOTC, and the EITC) and reviewed the TINs used as the primary taxpayer, secondary taxpayer, or dependents to claim the tax credit by analyzing the Individual Return Transaction File. We analyzed the issuance dates to determine if the TINs used as the primary taxpayer, secondary taxpayer, or dependents to claim a tax credit were issued on or before the due date of the tax return.

If all TINs were issued by the due date of the tax return, the tax credit(s) should not have been disallowed based on the TIN's issuance date. We determined that 2,519 tax returns were incorrectly disallowed \$4,703,376 in tax credits, and the IRS sent an incorrect notice based on a TIN issuance date.

For those tax returns for which the dependent TIN was issued by the due date of the tax return, we computed the amount of the credits incorrectly disallowed associated with that dependent. We determined that 115 tax returns were incorrectly disallowed \$160,833 in EITCs using TINs that were not issued by the due date of the tax returns. We determined that 1,784 tax returns were incorrectly disallowed \$2,556,092 in ACTCs using TINs that were not issued by the due date of the tax returns. We determined that 106 tax returns were incorrectly disallowed \$97,110 in AOTCs using TINs that were not issued by the due date of the tax returns. We determined that 1,171 tax returns were incorrectly disallowed \$1,889,341 in nonrefundable Child Tax Credit.

Of the 2,519 tax returns, 2,005 were incorrectly disallowed refundable credits of \$2.8 million and 1,171 tax returns were incorrectly disallowed nonrefundable tax credits of about \$1.9 million. Tax returns can have both refundable and nonrefundable tax credits.

Total refundable tax credits: $\$160,833 + \$2,556,092 + \$97,110 = \$2,814,035$.

Total tax returns: $115 + 1,784 + 106 = 2,005$.

Total nonrefundable tax credits: \$1,889,341.

Total tax returns: 1,171.

Management's Response to the Draft Report



COMMISSIONER
WAGE AND INVESTMENT DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

December 15, 2023

MEMORANDUM FOR MATTHEW A. WEIR
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM:

Kenneth C. Corbin 
Commissioner, Wage and Investment Division

Digitally signed by Kenneth C.
Corbin
Date: 2023.12.15 15:08:33 -05'00'

SUBJECT:

Draft Audit Report – Administration of the Individual Taxpayer
Identification Number Program (Audit # 202340002)

Thank you for the opportunity to review and provide comments on the subject draft report. We appreciate the assistance and additional level of review provided by the audit team during this engagement.

The IRS is responsible for the administration of the Individual Taxpayer Identification Number (ITIN) program. An ITIN is a nine-digit tax processing number issued by the IRS for certain resident and nonresident aliens, their spouses, and their dependents. The IRS requirements ensure that only those individuals with a tax need are assigned an ITIN and processes are in place that allow for continuous evaluation of that need. All individuals who apply for an ITIN are required to prove a tax administration need and information is self-identified on their Form W-7, *Application for an Individual Taxpayer Identification Number*. The tax need is further substantiated by the presence of an attached tax return. If the individual is claiming an exception to the tax return filing requirement, other documentation is required to substantiate the application.

The IRS is committed to the fair and equitable administration of tax law and providing taxpayers with access to the customer service resources that allow them to meet their tax reporting obligations. Certifying Acceptance Agents (CAA) are an important customer service tool and intermediary in the ITIN application process. They facilitate the application process by conducting required interviews with the taxpayer to determine ITIN eligibility and assist in the proper completion of Form W-7. The CAAs must complete required forensic identification document training to ensure they have the necessary skillsets to properly authenticate original or certified copies of documents from the issuing agency that are required to obtain an ITIN.

Approved CAAs are geographically disbursed as encouraged by the Protecting Americans from Tax Hikes Act. We have a shared commitment to ensure proper oversight and monitoring of all CAAs, domestic and abroad. Currently, foreign CAAs represent approximately five percent of all CAA locations in the IRS Acceptance Agent Program. All CAAs are subject to compliance reviews per the terms of their CAA Agreement with the IRS. In the past we directed our limited staffing resources based on the greater need, or approximately 95 percent of approved CAAs. We will strive to incorporate more foreign CAAs in future compliance reviews proportionate to their rate of participation and our risk criteria.

We appreciate your acknowledgment of our modernization efforts in accordance with the Inflation Reduction Act of 2022. We are constantly evaluating all our programs for opportunities to streamline and modernize procedures. As we continue to develop and incorporate new technologies in our operations, the processing of Forms W-7 will be included in our review of opportunities for modernization.

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 Grant, Director, Customer Account Services, Wage and Investment Division, at (470) 639-3504.

Attachment

Attachment

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1:

In addition to using available ITIN Policy Section resources, coordinate with the other IRS Business Operating Divisions to identify additional resources to assist with ensuring that on-site compliance reviews of all high-risk CAAs are completed.

CORRECTIVE ACTION

We agree. We will coordinate with other IRS Business Operating Divisions to identify additional resources to assist with ensuring that on-site compliance reviews of all high-risk CAAs are completed.

IMPLEMENTATION DATE

June 15, 2025

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Service, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

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

RECOMMENDATION 2:

Require the ITIN Policy Section to periodically review both vendor and IRS provided forensic training to ensure that the training instructions are adequate and consistent.

CORRECTIVE ACTION

We agree. We will periodically conduct review on both vendors and provide forensic training to ensure the training instruction is adequate and consistent.

IMPLEMENTATION DATE

December 15, 2024

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Service, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

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

RECOMMENDATION 3:

Develop an electronic or online Form W-7 application that would allow for immediate control of the application and supporting materials and reduce data entry and transcription errors during processing of paper applications.

CORRECTIVE ACTION

We disagree. The Form W-7, *Application for an Individual Taxpayer Identification Number* requires the applicant to establish identity. This requires the applicant to provide original documents to support the entries on the Form W-7. The supporting original documents, such as passports, driver's licenses, and birth certificates are issued by a variety of domestic and foreign entities. The original documents issued by these different entities and governments incorporate a wide range of unique physical and electronic security features. The tax examiners who process the Form W-7 must physically handle the documents and verify these features when authenticating original supporting documents.

IMPLEMENTATION DATE

N/A

RESPONSIBLE OFFICIAL

N/A

CORRECTIVE ACTION MONITORING PLAN

N/A

RECOMMENDATION 4:

Complete a study to determine the feasibility of developing a tool for ITIN applicants, similar to *Where's My Refund?*, to check the status of their application.

CORRECTIVE ACTION

We agree. We will investigate the demand and feasibility of an online tool to service ITIN applicants.

IMPLEMENTATION DATE

December 15, 2024

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Service, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

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

RECOMMENDATION 5:

Determine if projects to modernize the ITIN Program should be added to the Inflation Reduction Act Project Status Dashboard. If ITIN modernization efforts are added to the dashboard, ensure that target milestone completion dates are identified.

CORRECTIVE ACTION

We agree. We will determine if projects to modernize the ITIN program should be added to the Inflation Reduction Act Project Status Dashboard and, if so, ensure that target milestone completion dates are identified for any ITIN projects added to the Dashboard.

IMPLEMENTATION DATE

July 15, 2024

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Service, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

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

Recommendation

RECOMMENDATION 6 (Email Alert):

On May 26, 2023, we notified the Director, Technical Integration, and the Director, Submission Processing, of our concern that tax examiners could no longer use the address tool and make updates to the Loose Documents Database. We recommended that the IRS diagnose the underlying issue(s) that has caused inoperability of the tools used with the RTS and triggered the database to also become inoperable.

CORRECTIVE ACTION

We agree. On June 8, 2023, we identified the root causes that rendered the tools used with RTS inoperable, subsequently affecting the database as well. With the assistance of a Microsoft support team, we determined that the upgrades to Microsoft Office 64-bit from Microsoft Office 32-bit and the update from Microsoft Internet Explorer to Microsoft Edge software resulted in incompatibilities with the existing IRS tools.

IMPLEMENTATION DATE

Implemented

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Service, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

N/A

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 7:

Review the 5,534 tax returns we identified for which the IRS incorrectly paid retroactive credit claims and take the steps needed to recover the erroneously issued funds.

CORRECTIVE ACTION

We agree. We will review and correct, as appropriate, the 5,534 tax returns that may have been incorrectly allowed benefits from retroactive claims.

IMPLEMENTATION DATE

March 15, 2025

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Service, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

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

RECOMMENDATION 8:

Review the 2,519 tax returns we identified for which the IRS incorrectly denied retroactive credit claims and take the steps needed to ensure that these taxpayers receive the benefits to which they are entitled.

CORRECTIVE ACTION

We agree. We will review and correct, as appropriate, the 2,519 tax returns that may have been erroneously denied benefits from retroactive claims.

IMPLEMENTATION DATE

March 15, 2025

RESPONSIBLE OFFICIAL

Director, Submission Processing, Customer Account Service, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN

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

Glossary of Terms

Term	Definition
Acceptance Agent	An individual or entity authorized by the IRS to assist individuals in completing their ITIN application. Acceptance Agents are not authorized to certify the authenticity of supporting documents used to prove an applicant's identity and foreign status.
Certifying Acceptance Agent	An individual or entity authorized by the IRS to assist individuals with completing their ITIN application, including certifying the authenticity of supporting documents used to prove an applicant's identity and foreign status.
Data Center Warehouse	A TIGTA repository of IRS data.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Individual Master File	The IRS database that maintains transactions or records of individual tax accounts.
Individual Return Transaction File	A database the IRS maintains that contains information on the individual tax returns it receives.
Individual Taxpayer Identification Number	A nine-digit number assigned by the IRS to taxpayers who are required to have a TIN for Federal tax purposes but are not eligible to obtain an SSN.
Integrated Data Retrieval System	IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
National Account Profile	IRS database that is a compilation of selected entity data from various IRS Master Files that also includes data from the Social Security Administration.
Real-Time System	A web-based application used by ITIN tax examiners to process, assign, and record applicant submissions from individuals with tax consequences who do not have and are not eligible for an SSN. Tax examiners review all applications and attached documents and then input the information into the ITIN RTS.
Tax Year	A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.
Taxpayer Assistance Center	An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face-to-face.
Taxpayer Identification Number	A nine-digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, the Taxpayer Identification Number is an Employer Identification Number, an SSN, or an ITIN.

Abbreviations

ACTC	Additional Child Tax Credit
AOTC	American Opportunity Tax Credit
CAA	Certified Acceptance Agent
CP	Computer Paragraph
CY	Calendar Year
EITC	Earned Income Tax Credit
FY	Fiscal Year
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number
RTS	Real-Time System
SSN	Social Security Number
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number



**To report fraud, waste, or abuse,
contact our hotline on the web at www.tigta.gov or via e-mail at
oi.govreports@tigta.treas.gov.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

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