TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Results of the 2021 Filing Season

March 9, 2022

Report Number: 2022-40-024

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HIGHLIGHTS: Results of the 2021 Filing Season

Final Audit Report issued on March 9, 2022 | **Report Number 2022-40-024**

Why TIGTA Did This Audit

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

Impact on Tax Administration

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

The IRS began accepting and processing individual tax returns on February 12, 2021, about two weeks later than the start of the 2020 Filing Season. As of August 20, 2021, the IRS had received 160.2 million individual income tax returns (with 90.5 percent electronically filed) and issued more than 121.8 million refunds totaling approximately $332.6 billion.

What TIGTA Found

Inventory backlogs from the 2020 Filing Season continued to affect the IRS's ability to provide timely service to taxpayers in the 2021 Filing Season. These backlogs will likely continue into the 2022 Filing Season unless the IRS takes unprecedented steps to address them. In addition, the closure of the Tax Processing Center in Fresno, California, further increased backlogs at the Tax Processing Centers in Kansas City, Missouri, and Ogden, Utah.

The IRS continues to face challenges in hiring sufficient staff. For example, as of May 18, 2021, the IRS had a hiring shortfall of 814 individuals it estimates are needed to meet demand in the Kansas City and Ogden Tax Processing Centers. The IRS achieved just under 67 percent of the hiring goal for Submission Processing.

The IRS implemented processes to allow taxpayers to elect to use prior year earned income when claiming the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC). TIGTA found that the IRS correctly allowed credits for 2.2 million EITC claims totaling more than $7.6 billion. However, TIGTA identified 13,130 taxpayers who received more than $20.5 million less in EITCs and 900 taxpayers who received $485,415 more in EITCs than they were entitled to receive. TIGTA also identified 8,335 taxpayers who received $8.3 million less in ACTCs and 1,257 taxpayers who received $1.5 million more in ACTCs than they were entitled to receive.

In addition, as of October 14, 2021, the IRS has issued more than 13.5 million recovery payments totaling $6.3 billion for taxpayers who claimed unemployment compensation. TIGTA's review of 8.3 million of the 13.5 million recovery payments determined that the payments were accurate.

The IRS continues to offer self-assistance options that taxpayers can access at any time, including its IRS2Go app, YouTube videos, and interactive self-help tools on IRS.gov. In addition, the IRS offers Instagram, Twitter, and Facebook. As of May 28, 2021, taxpayers made 185 million total attempts to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that it answered 25.6 million calls with automation. IRS assistors have answered more than 11.4 million calls and provided a 15.5 percent Level of Service with a 19-minute Average Speed of Answer.

What TIGTA Recommended

TIGTA made 10 recommendations to take actions to correct returns TIGTA identified as potentially erroneous, to ensure that applicable computer programming changes are requested and implemented, and to evaluate the need for the current Identity Protection Personal Identification Number process in Submission Processing.

The IRS agreed with all 10 of TIGTA recommendations.

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

March 9, 2022

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Results of the 2021 Filing Season (Audit # 202140003)

This report presents the results of our review to evaluate whether the Internal Revenue Service timely and accurately processed individual paper and electronically filed tax returns during the 2021 Filing Season, including backlogged tax returns received during Calendar Year 2020. This review is part of our Fiscal Year 2022 Annual Audit Plan and addresses the major management and performance challenge of *Administration of Tax Law Changes and Pandemic Relief Benefits*.

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

Copies of this report are also being sent to the Internal Revenue Service 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 annual tax return filing season[1] is a critical time for the Internal Revenue Service (IRS) because this is when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures. One of the continuing challenges the IRS faces each year in processing tax returns is the implementation of new tax law changes as well as changes resulting from expired tax provisions. In addition, for the 2021 Filing Season, the IRS continued to address a significant backlog of individual tax returns and other types of taxpayer account work that it was unable to process before the end of Calendar Year 2020. Similar to its efforts to address backlogs in the 2020 Filing Season, the work was performed at the same time the IRS processed current year tax returns and implemented additional stimulus relief enacted in the *American Rescue Plan Act of 2021* (ARPA),[2] enacted on March 11, 2021.

There are continuing backlogs of tax returns and other types of account work

As taxpayers were attempting to file their annual tax returns during Processing Year 2020, the IRS closed its Tax Processing Centers, Taxpayer Assistance Centers (TAC), and other offices nationwide in response to the pandemic. The IRS began to reopen its Tax Processing Centers from June 1, 2020, to June 29, 2020. As of December 25, 2020, the IRS estimated that it had more than 11.7 million paper-filed individual and business tax returns[3] that still needed to be processed. The backlog of returns, correspondence, and other types of work resulting from the pandemic has and will continue to have a significant impact on the associated taxpayers. Figure 1 provides a comparison of individual tax return inventory levels in various stages of processing that the IRS normally carries into the subsequent year filing season compared to inventory levels carried into the 2021 Filing Season.

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

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

[3] These include Tax Year 2019 return filings as well as prior year tax return filings, *i.e.*, Tax Years 2018 and 2017, which taxpayers filed late.

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

Type of Tax Return	Week Ending December 28, 2019	Week Ending December 25, 2020	Percentage Change
Paper Tax Returns Waiting to Be Processed	183,000	3,540,486	1,835%
Error Resolution[4]	24,621	162,150	559%
Rejects[5]	121,397	1,699,690	1,300%
Unpostables[6]	193,536	1,463,615	656%
Amended Returns[7]	110,443	1,477,911[8]	1,238%

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

Tax law changes affecting the 2021 Filing Season

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

- *Coronavirus Aid, Relief, and Economic Security Act*,[9] signed into law on March 27, 2020, created a refundable tax credit of up to $1,200 per eligible individual to be applied against the individual's Tax Year 2020 income tax liability. In addition, eligible individuals can receive up to $500 for each child in their family who is under 17 years old. The Act authorizes the IRS to make an advance payment of the Recovery Rebate Credit (RRC) to eligible individuals. This advance payment is referred to as the Economic Impact Payment (EIP). Advance payments were required to be made before December 31, 2020. The IRS reports issuing 168.2 million EIPs totaling $280 billion as of December 31, 2020.
- *Consolidated Appropriations Act, 2021*,[10] signed into law on December 27, 2020, created a temporary rule that allows taxpayers to use their Tax Year 2019 earned income to figure the Tax Year 2020 Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC).

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

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

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

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

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

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

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

In addition, the law created an additional RRC of up to $600 for each eligible individual and $600 for each eligible child. Similar to the *Coronavirus Aid, Relief, and Economic Security Act*, the *Consolidated Appropriations Act, 2021*, authorized the IRS to make advance payments of the new RRC. These payments were to be issued no later than January 15, 2021. The IRS reports issuing 147 million advance payments of the new RRC totaling $142 billion as of December 29, 2020.

Eligible individuals who either did not receive a first and second EIP or received less than the full amounts and are eligible to claim the Tax Year 2020 RRC must file a Tax Year 2020 tax return. In addtion to our completed review of the IRS's issuance of the EIP, we have an ongoing review of the processing of the related RRC claims on Tax Year 2020 tax returns.[11]

- *ARPA*, signed into law on March 11, 2021, provides that individuals with modified adjusted gross income less than $150,000 on their Tax Year 2020 tax return can reduce the amount of taxable unemployment compensation by up to $10,200. In addition, it also eliminates the need to pay back excess Advance Premium Tax Credit received during Tax Year 2020. We are conducting a separate review of the changes to the Advance Premium Tax Credit.[12] The legislation also made the following changes for Tax Year 2021.
  - Child and Dependent Care Credit – temporarily increases the credit amount to a maximum of $4,000 for one qualifying person and $8,000 for two or more qualifying persons and makes the Child and Dependent Care Credit fully refundable.
  - CTC – temporarily makes the CTC fully refundable and increases the credit amount to $3,600 for children under age six and to $3,000 for children ages six to 17 years old. The legislation also directs the IRS to make periodic advance payments of up to 50 percent of an individual's Tax Year 2021 CTC beginning on July 1, 2021. As of September 25, 2021, the IRS reports it has issued 106.8 million advance CTC payments totaling $45.5 billion.
  - RRC – creates a third RRC of up to $1,400 per eligible individual to be applied towards the individual's income tax liability for Tax Year 2021. The legislation also directs the IRS to make advance payments of the RRC as soon as possible but not later than December 31, 2021. As of September 16, 2021, the IRS has issued more than 175 million advance RRC payments to 167 million individuals totaling more than $408 billion, more than 10 million of which were plus-up payments totaling more than $21 billion.

This report presents the results of our continued assessment of the 2021 Filing Season to determine whether the IRS is timely and accurately processing Tax Year 2020 individual paper and electronically filed (e-filed) tax returns. Our review also includes an assessment of the IRS's efforts to address backlogs of work in its various Submission Processing functions.

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[11] TIGTA, Report No. 2021-46-034, *Implementation of Economic Impact Payments* (May 2021), and TIGTA, Audit No. 202140621, *Economic Impact Payment Tax Filing Reconciliation for Individuals.*

[12] TIGTA, Audit No. 202140726, *Expansion of Premium Tax Credit Eligibility Rules Under the American Rescue Plan Act of 2021*.

The results are presented as of several dates between January and November 2021 depending on when the information was available. We are conducting separate reviews of the ARPA changes related to the Child and Dependent Care Credit, the CTC, and the advance RRC payments.[13]

Results of Review

The 2021 Filing Season began later than normal, on February 12, 2021. According to IRS management, the later start was needed to allow time for the IRS to update its processing systems. The programming required to update these systems was delayed as the IRS focused its efforts on issuing the second EIP as a result of the *Consolidated Appropriations Act, 2021*. On March 17, 2021, the Department of the Treasury extended the deadline for filing a Tax Year 2020 individual Federal income tax return from April 15 to May 17, 2021. Individual taxpayers could also postpone the payment of their Tax Year 2020 tax without penalties and interest to May 17, 2021. This postponement applied to individual taxpayers, including individuals who pay self-employment tax.

Inventory backlogs from the 2020 Filing Season continued to affect the IRS's ability to provide timely service to taxpayers in the 2021 Filing Season and will likely continue into the 2022 Filing Season. IRS reports show that backlog inventories associated with the 2021 Filing Season are now larger than those resulting from the 2020 Filing Season. For example, as of October 23, 2021, the IRS reported having more than 4.6 million paper tax returns still waiting to be processed and more than 5.1 million cases in other key tax processing functions that still need to be addressed. As of this same time last year, the IRS reported having more than 3.5 million paper tax returns waiting to be processed and more than 4.7 million cases in other key tax processing functions that still needed to be addressed. The inability to timely process tax returns and address tax account work will continue to have a significant impact on the associated taxpayers.[14]

Contributing to the IRS's difficulty in addressing the backlogs is the continued significant shortfall in its ability to hire the personnel needed for its Submission Processing functions.[15] For example, as of May 18, 2021, after the extended filing deadline, the IRS had a hiring shortfall of 814 individuals estimated as being needed to meet demand in its Tax Processing Centers in Kansas City, Missouri, and Ogden, Utah (the two sites where the majority of individual and business returns are processed). The closure of the Tax Processing Center in Fresno, California, increased backlogs further as the IRS was required to redirect and transfer work to its Kansas City and Ogden Tax Processing Centers, further increasing backlogs at those locations.[16]

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

[14] TIGTA Report No. 2021-40-038, *Interim Results of the 2021 Filing Season* (May 2021).

[15] These employees are responsible for sorting mail, transcribing paper tax returns, resolving errors on tax returns, and providing tax account assistance to taxpayers.

[16] We have a separate review and will report on our continued assessment of the IRS's efforts to consolidate its Tax Processing Centers and the impact this has on the remaining Tax Processing Centers.

Finally, although the Tax Processing Centers are currently open and more than 86 percent of the Tax Processing Center employees are working in the buildings, the IRS was not always able to operate at full capacity due to social distancing requirements. These requirements include limiting close contact with other employees and maintaining a physical distance of at least six feet in an effort to reduce the spread of the Coronavirus Disease 2019 (COVID-19) pandemic. While much of the IRS's workforce was allowed to telework during the pandemic, the work performed at the IRS's Tax Processing Centers is not conducive to a remote telework environment. This work includes the receiving, sorting, and distributing of mail and the processing of paper tax returns, which requires manually inputting information from the tax return into IRS systems, correcting errors, and corresponding with the taxpayer, if needed.

Tax Return Processing

During Calendar Year 2021, the IRS expected to receive more than 160.9 million individual income tax returns (14.4 million filed via paper and nearly 146.6 million e-filed). As noted previously, the IRS began accepting and processing individual tax returns on February 12, 2021, approximately two weeks later than the start of the 2020 Filing Season. As of August 20, 2021, the IRS had received 160.2 million individual income tax returns. Figure 2 presents comparative statistics as of August 20, 2021.

Figure 2: Comparative Filing Season Statistics

Cumulative Filing Season Data	2020 Actual	2021 Actual	Percentage Change
Individual Income Tax Returns			
Total Returns Received (000s)	148,895	160,206	7.6%
Paper Returns Received (000s)	10,803	15,228	41.0%
E-Filed Returns Accepted (000s)	138,092	144,978	5.0%
Practitioner-Prepared (000s)	75,096	78,963	5.1%
Home Computer (000s)	62,996	66,015	4.8%
Percentage of Returns E-Filed	92.7%	90.5%	- 2.4%
Refunds			
Total Number Refunds Issued (000s)	119,735	121,811	1.7%
Total Dollars	$292.1 billion	$332.6 billion	13.9%
Average Dollars	$2,440	$2,731	11.9%
Total Number of Direct Deposits (000s)	99,037	107,419	8.5%
Total Direct Deposit Dollars	$251.8 billion	$301.5 billion	19.7%

Source: Multiple 2021 Filing Season reports. 2020 Filing Season figures are through August 21, 2020, and 2021 Filing Season figures are through August 20, 2021. Totals and percentages shown are rounded.

The figures presented in Figure 2 for Tax Year 2020 do not include the more than 7.1 million returns filed by individuals who did not have a filing obligation but filed to request their EIP. These returns were removed to enable a more accurate comparison of tax returns being filed to report tax. In addition, the percentage change for paper tax returns filed is likely overstated as many Tax Year 2019 tax returns were not input to the tax processing system prior to the end of

Calendar Year 2020. The processing of these Tax Year 2019 tax returns was delayed due to the closure of the Tax Processing Centers.

Significant backlogs of unprocessed tax returns will continue unless management takes unprecedented steps to address them

As shown below, the backlog of returns and other types of tax account work is significantly higher in most categories this filing season when compared to last filing season. Figure 3 provides a comparison of the IRS's reported volumes of work to be processed as of August 20, 2021, to estimates of work remaining as of August 21, 2020, along with the percentage change.

Figure 3: Estimates of Work Remaining to Be Processed[17]

Type of Work Remaining	2020 Filing Season as of August 21, 2020	2021 Filing Season as of August 20, 2021	Percentage Change
Paper Tax Returns[18]	3,575,747	5,833,218	63.1%
Error Resolution	555,341	2,129,786	283.5%
Rejects	1,709,545	1,119,002	- 34.5%
Unpostables	1,075,544	977,051	- 9.2%
Amended Returns[19]	932,584	2,847,571	205.3%

Source: IRS-provided weekly inventory levels as of August 21, 2020, and August 20, 2021, and the Customer Account Services Form 1040X Consolidated Inventory Report for the weeks ending August 22, 2020, and August 21, 2021.

During the course of our review, we analyzed backlog inventories to identify and recommend potential steps the IRS could take to address error inventories holistically rather than on a return-by-return basis as is its process. For example, on May 12, 2021, we issued an e-mail alert to the IRS regarding our concerns with the current inventory of tax returns within its Error Resolution function for an error code related to the RRC. This error code identifies tax returns that have discrepancies between what the taxpayer claimed they had received for the RRC and what IRS records showed. As of May 27, 2021, the Error Resolution System (ERS) had received more than 11.2 million tax returns with this error code. Tax examiners reviewed and closed more than 5.6 million of these tax returns. Our analysis of the resolved tax returns found that tax examiners accepted the amount reflected on the taxpayer's tax account referred to as the "IRS's computer amount" for 5,529,583 (98.6 percent) of the 5,606,919 returns. For the remaining 77,336 (1.4 percent) returns, tax examiners calculated and entered a different amount for the credit. As of May 27, 2021, there were more than 5.3 million returns for this error still in the inventory pending manual resolution.

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[17] Figures only include work related to individual taxpayers. We have another review specifically focusing on addressing the backlogs of individual and business tax returns and other tax account work as part of TIGTA, Audit No. 202140632, *Assessment of the IRS's Efforts to Address the Backlog of Tax Processing Operations*.

[18] These figures do not include additional tax returns that could be in the Batching function. As of August 20, 2021, there were 694,543 items in batching; however, this inventory could be individual or business tax returns as well as correspondence, and the individual components are not able to be identified.

[19] Includes Submission Processing and Accounts Management.

Based on our analysis, we recommended that the IRS consider process changes to resolve the remaining 5.3 million returns with this error code. The IRS should correct taxpayer errors in claiming the RRC; however, having a tax examiner manually review these tax returns consumes limited resources and delays the processing of these tax returns, resulting in considerable delays for those taxpayers due a tax refund. In response to our recommendation, IRS management indicated they will focus efforts and funding on a preventative approach to eliminate errors before returns hit the ERS. This will be achieved by developing interfaces to educate taxpayers and correct errors at the time of filing, programming to eliminate future fallout, and creating systems that would readily allow a more efficient and flexible processing of its ERS inventories. As of September 2, 2021, there were still 512,132 returns with this error in the inventory pending manual resolution. However, this scenario will likely continue as a reconciliation of ARPA advanced payments associated with the RRC is required when taxpayers file their Tax Year 2021 tax return.

Throughout the course of other ongoing reviews,[20] we have surfaced similar concerns with the Premium Tax Credit as well as concerns with the reconciliation process during the 2022 Filing Season for the RRC and the advance CTC. As a result, on August 18, 2021, IRS management indicated that they plan to make the following changes for the 2022 Filing Season:

- Reject electronic returns that claim the Premium Tax Credit but do not have Form 8962, *Premium Tax Credit (PTC)*, attached to support the claim.
- Create programming to systemically address certain error conditions related to the CTC and the Child and Dependent Care Credit.
- Create programming to analyze return records after applicable error codes are set and systemically suspend them to enable an automated closure. The five error codes relate to the EITC with and without Schedule EIC, *Earned Income Credit*; the refundable CTC; the RRC; and the refundable Child and Dependent Care Credit.

Backlogs of other types of critical taxpayer assistance work remain

In addition to the inventories shown in Figure 3 that are directly related to the processing of a tax return, the IRS has other functional areas continuing to work through backlogs. For example:

- The Accounts Management function is responsible for assisting taxpayers with questions about the tax laws, their tax account, and the status of their refunds as well as making adjustments to tax accounts when necessary. At the end of Calendar Year 2020, the IRS reported more than 4 million cases remained in the Accounts Management inventory. As of August 7, 2021, the Accounts Management inventory had grown to nearly 6.6 million cases.[21]
- The Income Verification Express Services function assists the lending industry and plays a critical role in providing income verification for mortgage loan applications. At the end

[20] TIGTA, Audit No. 202140726, *Expansion of Premium Tax Credit Eligibility Rules Under the American Rescue Plan Act of 2021*; TIGTA, Audit No. 202140727, *Implementation of Child Tax Credit Advanced Periodic Payments*; TIGTA, Audit No. 202140728, *Implementation of the Expanded Child and Dependent Care Eligibility Requirements*; and TIGTA, Audit No. 202140725, *Issuance of American Rescue Plan Act Stimulus Payments.*

[21] These figures reflect total Accounts Management inventories and include both individual and business work (including amended tax returns).

of Calendar Year 2020, the IRS reported that 116,197 cases remained in this function's inventory. As of August 7, 2021, the inventory had grown to 285,903 requests.

- The Return and Income Verification Services function processes requests for tax return and account information transcripts, verification of nonfiling, and requests for wage and income information. At the end of Calendar Year 2020, the IRS reported 389,988 cases remained in this function's inventory. As of August 6, 2021, the inventory had grown to 631,654 requests.

As mentioned previously, we are conducting a separate review to assess the IRS's efforts to address backlogs of its tax processing operations due to the COVID-19 pandemic. In addition, we have another review assessing the IRS's efforts to address the Accounts Management inventory backlog and reduce consistent overage inventories.[22]

Staffing challenges continue

We remain concerned with the IRS's continued challenges in hiring sufficient staff needed to work through the backlog inventories. The IRS has unique hiring challenges in comparison to other Federal agencies because of the need for a seasonal workforce to meet the demands of the filing season. This seasonal work does not provide permanent employment or desirable schedules and shifts. During our walkthroughs at the Tax Processing Centers, on-site management expressed frustration and concern with the ability to fill needed positions. As of August 17, 2021, the IRS completed its hiring efforts for Fiscal Year 2021 and achieved just under 67 percent of its hiring goal for Submission Processing. Figure 4 provides a summary of the hiring shortage status as of August 17, 2021, and the state of the workforce as of August 28, 2021.

Figure 4: Submission Processing Workforce and Hiring Status

Hiring		State of Workforce	
New Hires Needed[23]	5,473	Workforce Total	10,109
New Hires Onboarded	3,660	Working	9,350
Percentage of Hiring Goal Met	66.9%	Percentage Working	92.5%
Not Hired	1,813	Not Working	759
		Staffing Deficiencies (Not Working and Not Hired)	2,572

Source: TIGTA analysis of Submission Processing hiring metrics as of August 17, 2021, and staffing metrics as of August 28, 2021.

The staff reflected in Figure 4 are those employees responsible for successfully carrying out the 2021 Filing Season, *i.e.*, data transcribers, mail and file clerks, and tax examiners. The IRS has several initiatives underway to help address its hiring shortage. However, to date, these approaches and strategies are not successfully mitigating the IRS's significant hiring shortfalls. These shortfalls continue to result in millions of tax returns not being timely processed, refunds

[22] TIGTA, Audit No. 202140630, *Efforts to Prioritize Accounts Management Inventory and Reduce Consistent Over-aged Inventories.*

[23] IRS Fiscal Year 2021 hiring projections.

not being timely issued, and taxpayers not timely receiving assistance with their tax account issues.

One of the contingency strategies the IRS has relied on to address end-state hiring deficiencies is the transferring of tax returns between Tax Processing Centers. This strategy continued again in the 2021 Filing Season, with both the Kansas City and Ogden Tax Processing Centers transferring work in an effort to reduce backlogs. For example, in Calendar Year 2021, as of August 11, 2021, these sites transferred approximately 1.7 million individual tax returns and approximately 276,000 other types of work, such as transcript requests, to the Austin Tax Processing Center. As we have reported previously, the transfer of work between centers will no longer be a viable option when only two end-state sites remain.[24] On June 14, 2021, the IRS stated that it would postpone making a final decision on closing the Austin Tax Processing Center until early in Calendar Year 2022.

Tax Year 2020 Recovery Rebate Credit

Legislation authorized the IRS to make advance payments of the RRC using information reported on an individual's Tax Year 2018 or Tax Year 2019 tax return. Eligible individuals who either did not receive a first and second EIP or received less than the full amounts are eligible to claim the additional funds on their Tax Year 2020 tax return. The IRS developed a worksheet and associated instructions for taxpayers to use to determine if they qualified for the RRC along with the amount to claim on their tax return.

As of May 27, 2021, the IRS had received 26.3 million returns with the RRCs claimed totaling $39.3 billion. However, more than 11.2 million (42.6 percent) were sent to the IRS's Error Resolution function as a result of a discrepancy identified during processing between the amount of advance payments (EIPs) reported by the taxpayer on their tax return and what the IRS recorded on the taxpayer's tax account. The tax accounts of taxpayers issued advance payments are noted as to the amount received. When a return claiming the RRC is filed, the IRS matches the amount claimed to the amounts reflected on the associated taxpayer's tax account to verify whether an additional amount is due to the taxpayer.

Once a return with a discrepancy is received in the Error Resolution function, a tax examiner verifies the total EIP received by the taxpayer and manually computes the taxpayer's allowable RRC. If the individual is not entitled to an RRC, the tax examiner will deny the credit and send a letter to the taxpayer explaining why the credit was denied. If the tax examiner determines the taxpayer is entitled to more or less RRC than was claimed, the tax examiner will adjust the credit amount and send a letter to the taxpayer explaining the reason for the adjustment. The taxpayer's entire refund is held, including any additional RRC amount due, until a tax examiner reviews the return. As of September 2, 2021, the IRS still had 512,132 returns with an RRC discrepancy to address with these taxpayers' refunds continuing to be held.[25]

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

[25] We have a separate review assessing the processing of RRC claims during the 2021 Filing Season, including ensuring that taxpayers are properly reconciling advanced EIPs received during Calendar Year 2020 (TIGTA, Audit No. 202140621, *Economic Impact Payment Tax Filing Reconciliation for Individuals).*

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

The *Consolidated Appropriations Act, 2021*, provided a temporary rule to allow taxpayers to use their Tax Year 2019 earned income to figure their Tax Year 2020 EITC and Additional Child Tax Credit (ACTC). Form 1040, *U.S. Individual Income Tax Return*, instructions tell taxpayers that they can elect to use their Tax Year 2019 earned income (if it is more than their Tax Year 2020 earned income) to figure the Tax Year 2020 EITC and ACTC. If they make the election, the taxpayer is instructed to enter "PYEI" (for Prior Year Earned Income) and the amount of the Tax Year 2019 earned income on the dotted line next to Line 27 (for the EITC) or Line 28 (for the ACTC) of their Form 1040 or 1040-SR, *U.S. Tax Return for Seniors*. The election to use the prior year income amount to figure the amount of the credit could benefit individuals who were unemployed during Calendar Year 2020 due to the pandemic.

The IRS developed two Error Resolution Codes to identify tax returns for review when the taxpayer's and the IRS's amounts for either the ACTC or the EITC differ. Tax returns for which the taxpayer makes the election to use Tax Year 2019 earned income are identified for Error Resolution function review because the IRS's programming relies on the current year income figure to calculate the credits and the taxpayer used the prior year income figure to calculate the credits. As of May 27, 2021, the IRS had received nearly 26 million e-filed returns claiming an EITC or ACTC. Of the nearly 26 million e-filed returns, more than 3.6 million (13.9 percent) had an election to calculate the EITC or the ACTC using the PYEI. These returns claimed EITCs totaling more than $8 billion and ACTCs totaling more than $5.1 billion.

We reviewed tax returns for which the taxpayer indicated they wanted to use Tax Year 2019 earned income to calculate their EITC. Of the 2,395,332 tax returns filed as of May 27, 2021, we were able to recalculate the EITC on 2,259,124 tax returns and identified:

- 2,245,094 EITCs claimed (of more than $7.6 billion) that were allowed correctly.
- 14,030 EITCs claimed (of approximately $38.9 million) that were not allowed by the tax examiner. These include:
    - 13,130 EITCs for which the taxpayer did not receive more than $20.5 million than they should have received.
    - 900 EITCs for which the taxpayer received $485,415 more than they should have received.

We also reviewed tax returns for which the taxpayer indicated they wanted to use Tax Year 2019 earned income to calculate their ACTC. Of the 2,677,653 tax returns filed as of May 27, 2021, we were able to recalculate the ACTC on 1,978,609 tax returns and identified:

- 1,969,017 ACTCs claimed totaling more than $3.7 billion that were correctly processed.
- 9,592 ACTCs claimed totaling $20.4 million that were incorrectly processed by tax examiners. These include:
    - 8,335 ACTCs for which the taxpayer received $8.3 million less than they claimed.
    - 1,257 ACTCs for which the taxpayer received $1.5 million more than they claimed.

Incorrect entries by tax examiners in ERS-verified fields

In a previous audit report[26] issued in December 2020, we reported that the IRS used 25 verified fields to correct errors on tax returns for Processing Year 2019. Our review of two of the 25 verified fields identified 20,544 taxpayers who received incorrect CTC and ACTC payments totaling more than $17 million because a tax examiner entered an incorrect amount in the CTC or ACTC ERS-verified field. These include 8,397 tax returns for which taxpayers received $8 million more in the CTC or the ACTC than they were entitled to receive and 12,147 tax returns for which taxpayers received $9.1 million less in the CTC or the ACTC than they were entitled to receive.

We recommended that the IRS develop processes and procedures to identify and correct tax examiner entries in verified fields that exceed statutory limits, including a process to ensure that tax returns with verified amounts are systemically reprocessed through ERS programming before being released for processing. IRS management agreed with this recommendation and indicated that they planned to request programming changes to add controls to verified fields but cautioned that programming is subject to information technology resources and other competing priorities. This programming has not been completed as of the end of Calendar Year 2021.

On October 25, 2021, we alerted IRS management of 191 tax returns for which Error Resolution function tax examiners incorrectly entered the amount of PYEI into a verified field that overrides the IRS's computed amount for the ACTC. For these 191 cases, we believe the taxpayer correctly calculated the ACTCs totaling approximately $350,000; however, the amount originally allowed by the examiners totaled more than $3.5 million. As of December 9, 2021, IRS had corrected six cases with ACTCs totaling $142,671 and had identified two additional cases for correction with ACTCs totaling $104,627.

Management's Response to Alert: IRS management agreed to the recommendations made in the alert issued on October 25, 2021. IRS management indicated that, to address our concerns, they submitted programming requests to create a new field for the ACTC prior year earned income amount and to create programming to use this new field when calculating the credit. This was done to prevent returns from falling out to Error Resolution for manual computation and avoid examiner errors.

The Commissioner, Wage and Investment Division, should:

Recommendation 1: As previously agreed, develop and implement processes and procedures to identify and correct tax examiner entries in verified fields that exceed statutory limits, including a process to ensure that tax returns with verified amounts are systemically reprocessed through ERS programming before being released for processing.

> **Management's Response:** The IRS agreed with this recommendation and has implemented programming changes for the 2022 Filing Season.

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

Recommendation 2: Review and correct the remaining 183 out of 191 cases we identified and recover the ACTC amounts that were issued in error.

Management's Response: The IRS agreed with this recommendation and plans to review the remaining 183 cases and take appropriate corrective actions.

Recommendation 3: Review and correct the 14,030 tax returns for which the tax examiner did not allow the use of the Tax Year 2019 earned income to calculate the EITC amount.

Management's Response: The IRS agreed with this recommendation and plans to review the 14,030 tax returns and take appropriate corrective actions.

Recommendation 4: Review and correct the 9,592 tax returns for which the tax examiner did not allow the use of the Tax Year 2019 earned income to calculate the ACTC amount.

Management's Response: The IRS agreed with this recommendation and plans to review the 9,592 tax returns and take appropriate corrective actions.

Recommendation 5: Reinforce guidance for Error Resolution tax examiners to ensure that they are aware to allow the use of PYEI during the 2022 Filing Season, when applicable.

Management's Response: The IRS agreed with this recommendation and has implemented programming changes to expand the record layouts adding PYEI fields for the 2022 Filing Season. Tax returns that qualify for the PYEI will not fall out for Error Resolution tax examiner review.

The Deputy Commissioner (Services and Enforcement) should:

Recommendation 6: Prioritize and fully fund the development of processes and procedures to identify and correct tax examiner entries in verified fields that exceed statutory limits, including a process to ensure that tax returns with verified amounts are systemically reprocessed through ERS programming before being released for processing.

Management's Response: The IRS agreed with this recommendation and has implemented programming changes for the 2022 Filing Season.

Reduction in Taxable Unemployment Compensation for Tax Year 2020

The ARPA, enacted on March 11, 2021, provides that individuals with modified adjusted gross income of less than $150,000 can reduce the amount of taxable unemployment compensation by up to $10,200. If the taxpayer and their spouse both have unemployment income, they could exclude up to $20,400 of the unemployment compensation. Because this provision was enacted on March 11, 2021, the IRS had already received tax returns from many of the taxpayers to whom this provision would apply. Our analysis of returns processed as of March 4, 2021, identified approximately 7.3 million tax returns that had modified adjusted gross income of less than $150,000 and would likely qualify for the exclusion. These 7.3 million returns reported more than $87 billion in unemployment income.

The IRS issued guidance on March 31, 2021, informing taxpayers who already filed their return that they did not need to file an amended tax return unless their reduction in income would result in the taxpayer being eligible to claim a credit not claimed on their original return previously. For all other filers, the IRS would proactively identify their tax returns, adjust their income by reducing their previously reported unemployment income, and issue any resulting refund. The first refunds were issued in May 2021 and will continue with the final adjustments and refunds being issued at least through the end of Calendar Year 2021.

As of October 14, 2021, the IRS has issued more than 13.5 million recovery payments totaling $6.3 billion for taxpayers who claimed unemployment compensation. We were able to analyze 8.3 million of the 13.5 million recovery payments and determined they were accurate.

The IRS also adjusted various credit amounts such as the ACTC, the EITC, the Premium Tax Credit, the American Opportunity Tax Credit, and the RRC that could change due to the income adjustment. For example, the IRS adjusted the EITC for taxpayers who claimed the credit on their tax return and may now be eligible for an increase in the EITC amount because the exclusion changed their income level (which may result in a larger refund). Initial IRS guidance indicated that taxpayers who did not originally claim the EITC will need to file an amended return if the exclusion changed their income and resulted in them becoming eligible to claim the EITC. The exception to this is taxpayers who qualify for the self-only EITC after the income level was changed by the exclusion. The IRS calculated the amount of self-only EITC that the taxpayer was qualified to receive and included it with the unemployment adjustment.

However, an ongoing TIGTA review[27] recommended that the IRS issue a systemic notification to the taxpayers who had not initially claimed an applicable credit to ensure that they are not burdened by having to file an amended return to receive their full recovery. IRS management agreed with TIGTA's recommendation to systemically alert taxpayers when they are eligible for the ACTC or the EITC as a result of this adjustment to unemployment income and indicated this will ensure that taxpayers are not burdened by having to file an amended tax return to receive the full amount they are entitled to receive. IRS management indicated these notices could go out in either late November or December 2021.

Analysis identified taxpayers erroneously reducing unemployment income

On May 11, 2021, we alerted IRS management that taxpayers were excluding unemployment income when they did not meet modified adjusted gross income thresholds. Our analysis of more than 17.5 million tax returns claiming unemployment income as of April 22, 2021, identified 604,139 tax returns with modified adjusted gross income of more than $150,000. We identified that 4,838 (0.8 percent) of the 604,139 tax returns showed the taxpayer reduced their unemployment income but did not qualify as their modified adjusted gross income was more than $150,000. IRS management indicated that the errors identified are the inevitable result of late legislation. Tax laws changed after the filing season began, and programming in place could not confirm taxpayers' compliance with the changes. There is no connection between unemployment compensation reported in the return and other income. The line for other income holds various types of income, which the programming cannot distinguish.

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[27] TIGTA, Audit No. 202140726, *Expansion of Premium Tax Credit Eligibility Rules Under the American Rescue Plan Act.*

Recommendation 7 (E-Mail Alert): On May 11, 2021, we alerted the Director, Submission Processing, Wage and Investment Division, that taxpayers were excluding unemployment income when they did not meet modified adjusted gross income thresholds. We recommended that IRS management review and correct the 4,838 tax returns we identified, as well as any tax returns meeting the same condition that were filed after April 22, 2021, whereby taxpayers with modified adjusted gross income of more than $150,000 erroneously excluded their unemployment income.

> **Management's Response to Alert:** IRS management agreed with this recommendation and stated they would consider selecting this type of case for examination in Fiscal Year 2022. IRS management subsequently informed us that the Compliance function evaluated returns claiming the unemployment compensation exclusion filed through September 2021 and identified 1,249 returns (less than 0.2 percent) that exceed the thresholds for compliance treatment.

Additional individuals are eligible for an advance ARPA RRC payment because of the unemployment income adjustment

Individuals who received an unemployment income adjustment on their Tax Year 2020 returns could also potentially qualify for the advance ARPA RRC payment. Our analysis of IRS-provided data for 6.5 million individuals with an unemployment income adjustment as of September 16, 2021, identified 133,578 individuals who potentially now qualify for $195 million in advance ARPA RRC payments.

These individuals were initially ineligible for an advance ARPA RRC payment because their gross income was too high. However, they became eligible when the IRS excluded unemployment compensation benefits from their income. IRS management stated that the ARPA does not authorize them to redetermine an individual's eligibility for an advance payment. As such, individuals who are newly eligible for the advance ARPA payment because of the unemployment compensation adjustment will need to file a Tax Year 2021 return and claim the RRC, if eligible.

We are continuing to evaluate the IRS's actions to address these individuals in a separate audit of the IRS's implementation of the advance ARPA RRC payments.[28] We plan to issue the results of that audit in Calendar Year 2022.

A Programming Error Resulted in Erroneous Estimated Tax Payment Notices Being Issued to Some Taxpayers

On June 25, 2021, we received a referral from the U.S. Government Accountability Office regarding the processing of tax returns involving tax accounts with estimated tax payments. In response, we reviewed the IRS's systemic process to identify and confirm the reporting of estimated tax payments on a tax return when a married filing jointly tax return reports an estimated tax payment amount that is more than what was posted in the taxpayer's associated tax account.

Specifically, we analyzed Tax Year 2020 returns that reported estimated tax payments for which the same taxpayers filed as married filing jointly for Tax Years 2019 and 2020, but the order of

[28] TIGTA, Audit No. 202140725, *Issuance of American Rescue Plan Act Stimulus Payments.*

the Taxpayer Identification Numbers was switched from the Tax Year 2019 return to the Tax Year 2020 return. For example, the taxpayer listed as the primary taxpayer for Tax Year 2019 was listed as the secondary taxpayer for Tax Year 2020. In addition, the primary taxpayer's tax module shows that a notice was sent to the taxpayer (this notice is referred to as a Computer Paragraph 23 notice). The notice informs the taxpayer that the IRS reduced the amount of estimated tax payments reported on the tax return to the amount posted to the taxpayer's tax account, resulting in a balance due.

Based on this criteria, we identified that 1,962 Tax Year 2020 tax returns filed as of May 27, 2021, had estimated tax credits or payments available in the spouse's account. IRS management agreed that these returns were processed in error and indicated that EIP programming caused the credits to not be identified or transferred as expected. One of the programming errors caused 1,399 of the 1,962 returns to bypass the process to look for estimated payments on the spouse accounts. The second issue affecting the remaining 563 returns was caused by the EIP program placing a freeze on the tax accounts where the estimated tax payments were posted. As a result, the estimated tax payments could not be systemically transferred to the spouse's tax account, thereby incorrectly showing a discrepancy between the amounts reported versus posted to the tax accounts.

On August 20, 2021, IRS management indicated they would correct the programming to ensure that the spouse accounts containing credit balances would be identified during the 2022 Filing Season. On September 8, 2021, IRS management indicated they could not remove the freeze automatically but are working to obtain a list of the impacted tax accounts and will consider manually moving the payments rather than waiting for the taxpayers to contact the IRS.

The Commissioner, Wage and Investment Division, should:

Recommendation 8: Ensure that the 1,962 tax accounts that had estimated tax payments available in the spouse's account are resolved (as well as any tax returns meeting the same condition that were filed after May 27, 2021).

> **Management's Response:** The IRS agreed with this recommendation. IRS management pulled an updated list for manual payment transfers and has completed the transfers as of December 7, 2021.

Recommendation 9: Confirm that the programming issues associated with the 1,962 tax accounts are updated to prevent this from happening for future EIPs.

> **Management's Response:** The IRS agreed with this recommendation and has completed the necessary programming updates in August 2021 to correct the estimated tax payment issue identified in the report.

Evaluation of Key New and Modified E-File Business Rules

We selected 11 business rules created or modified by the IRS for the 2021 Filing Season as a result of recent legislation for in-depth testing. Figure 5 is a brief description of the business rules we selected for review.

Figure 5: Business Rules Reviewed

Business Rule	Description
F1040-454	[redacted]
F8995A-004-01	[redacted]
S2-F1040-146-01	[redacted]
S3-F1040-002	[redacted]
S3-F1040-138-01	[redacted]
S3-F1040-139-01	[redacted]
S3-F1040-286-01	[redacted]
SA-F1040-026	[redacted]
SA-F8995A-003-01	[redacted]
SH-F1040-012-02	[redacted]
SSE-F1040-005-09	[redacted]

Source: IRS business rule list.

Our testing identified e-filed tax returns were accurately rejected for nine of the 11 business rules. We were unable to test the two remaining business rules (SA-F1040-026 and SA-F8995A-003-01) because no e-filed returns had been rejected for these conditions as of September 14, 2021. We also reviewed e-filed accepted tax returns for all 11 business rules and identified no concerns with the functionality of these business rules when accepting e-filed returns. We also ensured that 226 business rules that were deleted or disabled did not reject Tax Year 2020 tax returns in error.

While we did not identify any problems with returns rejecting when they should not, we alerted IRS management on March 9, 2021, of a business rule that provides information to the taxpayer that does not adequately explain the reason for the rejection (business rule S2-F1040-146-01, which relates to the Household Employment tax claimed on the Schedule 2). Our review showed that the rule is working as intended; however, we were concerned that the information returned to the transmitter and taxpayer may cause confusion. IRS management agreed and updated the information returned to the transmitter. We confirmed that the information provided to the taxpayer for this business rule was updated.

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

In our interim report issued on May 6, 2021, we reported concerns with two additional business rules based on reports of taxpayers having their tax returns rejected unnecessarily and the extremely high volume related to these business rules. These two rules relate to the prior year adjusted gross income that taxpayers enter to authenticate their identity when e-filing a tax return. When the amount the taxpayers enter for their prior year adjusted gross income does not match the amount that is in IRS tax records, the e-filed tax return is rejected back to the taxpayer.

Our review of nearly 7.9 million tax return submissions that were rejected as of May 27, 2021, due to the business rule related to the primary taxpayer found that some tax returns erroneously rejected when the taxpayer had provided the correct amount. This occurred because the IRS did not update its records with the prior year adjusted gross income when the tax return processing was not completed prior to December 10, 2020. This issue was exacerbated due to the backlog of tax returns being processed in Tax Year 2020 as less returns were processed as of that date than in a "normal" year.

If the IRS updated this information for tax returns filed closer to the actual start of the 2021 Filing Season, some of the returns we identified would not have been rejected needlessly. For example, if the IRS updated the information as of one week prior to the start of the 2021 Filing Season, an additional 254,863 taxpayers[29] would not have had their tax return rejected. If the IRS would program its system to do a real-time check of the information, an additonal 156,730 taxpayers[30] would not have had their tax return rejected. If actions are not taken by management to address this concern, it will likely impact filers in the 2022 Filing Season because the IRS still has more than 10 million tax returns in its processing backlog as of August 20, 2021.

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

[29] The 254,863 taxpayers had 513,800 tax return submissions rejected.

[30] The 156,730 taxpayers had 281,798 tax return submissions rejected.

When asked why the IRS cannot update the e-file database closer to the start of the filing season, IRS management stated that updating this file is time consuming and could take up to two weeks to accomplish. Because they do not know when, or if, legislation will pass requiring the use of these resources, they do not want to jeopardize the preparation for the upcoming filing season by updating this information closer to the start of the filing season. They reiterated that software developers are aware of the potential of prior year electronic returns not being processed by the end of Calendar Year 2021 and will provide taxpayers the workaround as communicated by the IRS.

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

Taxpayer A filed a Tax Year 2019 return on April 15, 2020, reporting $100,000 in adjusted gross income. The return was identified for error processing and, because of the COVID-19 backlog, was not processed until January 2021. In December 2020, the IRS updated the e-file database to capture the adjusted gross income from processed Tax Year 2019 tax returns for use in authenticating e-filed Tax Year 2020 returns prior to accepting the return for processing. Because Taxpayer A's return was not processed until January 2021, the IRS e-file database shows a missing value for Taxpayer A's Tax Year 2019 adjusted gross income.

Taxpayer A attempts to e-file their Tax Year 2020 tax return on February 15, 2021. As part of the e-file return signature process, Taxpayer A enters their Tax Year 2019 adjusted gross income ($100,000) as required. The IRS matches the Tax Year 2019 adjusted gross income figure provided by Taxpayer A to the Tax Year 2019 adjusted gross income recorded in the e-file database. Because the e-file database shows a missing value as the taxpayer's Tax Year 2019 adjusted gross income, Taxpayer A's Tax Year 2020 return is rejected. Taxpayer A can change the adjusted gross income to $0 for Tax Year 2019 and e-file their Tax Year 2020 tax return again. If the tax return continues to be rejected and Taxpayer A is unable to correct the error, Taxpayer A must now file a paper tax return.

Detecting and Preventing Tax Refund Fraud

As of May 29, 2021, the IRS reported that it identified 156,465 tax returns with more than $928.4 million claimed in fraudulent refunds and prevented the issuance of $908.9 million (97.9 percent) of those refunds. This represents a 1 percent increase in the amount of fraudulent refunds stopped during the same period last filing season. Figure 6 shows the number of fraudulent tax returns the IRS identified for Processing Years 2020 and 2021 as well as the refund amounts that were stopped.

Figure 6: Fraudulent Tax Returns and Refunds Identified and Stopped in Processing Years 2020 and 2021 (as of May 29, 2021)

Processing Year	Number of Fraudulent Refund Returns Identified	Number of Fraudulent Refund Returns Stopped	Amount of Fraudulent Refunds Identified	Amount of Fraudulent Refunds Stopped
2020	166,496	164,755	$926,777,889	$899,026,725
2021	156,465	152,887	$928,429,370	$908,912,798

Source: IRS fraudulent tax return statistics for Processing Years 2020 and 2021, as of May 29, 2021.

Prevention of fraudulent tax returns from entering the tax processing system

The IRS continues to increase the number of fraudulent tax returns detected and stopped from entering the tax processing system, *i.e.*, rejecting e-filed tax returns and preventing paper tax returns from posting. For example, as of July 29, 2021, the IRS has locked taxpayer accounts of 46.5 million deceased individuals. This compares to 43.8 million accounts locked as of September 24, 2020. When tax accounts are locked, e-filed tax returns are rejected and paper tax returns are prevented from posting to the Master File. According to the IRS, as of May 19, 2021, it had stopped 6,291 fraudulent e-filed tax returns and 499 paper tax returns from posting to the Master File.

Detection of tax returns involving identity theft

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

As of June 3, 2021, the IRS reported that it identified 3.5 million tax returns with refunds totaling approximately $11.7 billion for additional review as a result of the identity theft filters. As of that same date, the IRS had confirmed 39,578 tax returns as fraudulent and prevented the issuance of $249.8 million in fraudulent refunds related to identity theft. Figure 7 shows the number of identity theft tax returns the IRS identified and confirmed as fraudulent in Processing Years 2020 and 2021, as of June 3, 2021.

Figure 7: Identity Theft Tax Returns Confirmed Fraudulent in Processing Years 2020 and 2021

Processing Year	Confirmed Identity Theft Returns
2020	16,237
2021	39,578

Source: IRS fraudulent tax return statistics for Processing Year 2020 (as of June 4, 2020) and Processing Year 2021 (as of June 3, 2021).

Identity theft protection

The IRS automatically issues an Identity Protection Personal Identification Number (IP PIN) to confirmed identity theft victims if the case is resolved prior to the start of the next filing season. In response to a provision in the *Taxpayer First Act*,[31] starting in Calendar Year 2021, taxpayers nationwide can request an IP PIN directly from the IRS if they are concerned that their personal information has been stolen and want to protect their identity when filing a Federal tax return. The IP PIN is a six-digit number assigned to eligible taxpayers[32] to help prevent someone else from filing a fraudulent Federal income tax return using a taxpayer's Social Security Number. The IP PIN is known only to the taxpayer and the IRS and acts as an authentication number to validate the correct owner of the Social Security Number or Individual Taxpayer Identification Number listed on that tax return. This helps the IRS verify the taxpayer's identity when they file their tax return. Taxpayers can request an IP PIN or retrieve their existing IP PIN online by using the "Get an IP PIN" tool through IRS.gov. The IRS reports issuing 518,106 IP PINs using this tool as of May 31, 2021.[33]

The IRS has implemented processes to identify tax returns for which it has issued an IP PIN and the PIN is not provided or the number provided does not match IRS records.[34] IRS management stated that tax returns with this condition were being worked in the Submission Processing Unpostable function as a potential "identity theft" return. We met with Submission Processing personnel in Kansas City to observe how cases are worked to resolve the unpostable condition. The Unpostables tax examiner attempts to verify items on the tax return to the taxpayer's prior year return information to determine if the current return was filed by the legitimate taxpayer. If the taxpayer is authenticated, the condition is resolved and the tax return is allowed to post as a "good" return. Otherwise, the case goes to the Submission Processing Identity Theft function for further research. This special unit uses additional tools to attempt to identify the tax return filer. If the taxpayer is found to be the legitimate taxpayer, the tax return is allowed to post as a "good" return. If not, the tax return is closed as an identity theft return. The IRS reports that, as of August 17, 2021, the Submission Processing Unpostable function closed a total of 458,367 cases with 434,832 (94.9 percent) closed as "good" and 23,535 (5.1 percent) cases closed as an identity theft case.

This unpostable process in Submission Processing does not replace the identity theft screening. All tax returns are screened for identity theft using the identity theft filters prior to posting to the Master File. Tax returns that are not selected for identity theft review are considered a lower risk for identity theft. The IRS has additional processing controls for e-filed returns, such as the e-File business rules, that will reject electronic tax returns that either fail to include an IP PIN when required or include an incorrect IP PIN. The tax returns that are closed as "good" from Submission Processing are further evaluated by the Return Review Program processing,

[31] Pub. L. No. 116-25, 133 Stat. 981.

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

[33] This includes 196,345 new IP PINs and 321,761 existing IP PINs.

[34] This condition is referred to as an Unpostable Code 147 Reason Code 0.

including systemic verification to determine if the returns should go through non–identity theft verification streams.

We issued an e-mail alert to the IRS on July 27, 2021, questioning whether the IP PIN unpostable process should continue given the sizable backlog of returns in the Unpostable Unit as well as the fact that expanded identity theft and non–identity theft fraud processes have been implemented since this process was put in place. We recommended that the IRS evaluate the IP PIN unpostable process and determine whether it is an effective use of resources now that the IRS has implemented more robust systemic identity theft and non–identity theft fraud filters. On August 26, 2021, IRS management agreed that the IP PIN unpostable process currently being used in Submission Processing should be evaluated; however, they did not indicate when this would be accomplished.

Recommendation 10: The Commissioner, Wage and Investment Division, should establish a timeline to evaluate the IP PIN unpostable process and determine if it is an effective use of resources.

> **Management's Response:** The IRS agreed with this recommendation and plans to complete a review of the IP PIN unpostable process to determine its effectiveness.

Screening of prisoner tax returns

To combat refund fraud associated with tax returns filed using prisoner Social Security Numbers, the IRS compiles a list of prisoners (the Prisoner File) received from the Federal Bureau of Prisons and State Departments of Corrections as well as Prisoner Update Processing System data from the Social Security Administration. These data files are used to identify for additional screening tax returns filed using a prisoner Social Security Number. As of May 29, 2021, the IRS reported that it identified for screening 421,009 potentially fraudulent tax returns filed by prisoners.[35] This represents an increase of 978.5 percent over the number of tax returns identified during the same period of the 2020 Filing Season. This increase is attributable to prisoners filing tax returns to claim an EIP. Figure 8 shows the number of prisoner tax returns identified for screening in Processing Years 2020 and 2021.

Figure 8: Prisoner Tax Returns Identified for Screening in Processing Years 2020 and 2021

Processing Year	Number of Prisoner Tax Returns Identified for Screening
2020	39,035
2021	421,009

Source: IRS fraudulent tax return statistics for Processing Year 2020 (as of May 30, 2020) and Processing Year 2021 (as of May 29, 2021).

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

Providing Customer Service

The IRS provides assistance to millions of taxpayers via its website (IRS.gov), telephone, and social media platforms as well as face-to-face assistance at its TACs, Volunteer Income Tax Assistance (VITA) sites, and Tax Counseling for the Elderly (TCE) sites. Between March 20, 2020, and April 6, 2020, the IRS closed its offices nationwide, resulting in most customer service assistance options for taxpayers being unavailable. While the majority of these customer service assistance options are now available to taxpayers, the previous closures are a contributing factor to increased demand on the IRS and could negatively affect the IRS's ability to provide adequate customer service.

Online assistance

The IRS provides easy-to-use self-assistance options that enable taxpayers to access the information they need 24 hours a day, seven days a week. The most noteworthy self-assistance option is the IRS's public Internet site, IRS.gov. The IRS reported 1.4 billion visits to IRS.gov this filing season as of May 28, 2021. In comparison, the IRS reported more than 1.2 billion visits to IRS.gov for the 2020 Filing Season as of May 29, 2020, which is an increase of 14 percent.[36] The IRS website provides a number of online tools to assist taxpayers. Figure 9 provides examples of these online tools along with the number of times the tool was used as of May 29, 2021.

Figure 9: Examples of Online Tool Uses for Processing Years 2020 and 2021 (as of Week Ending May 29, 2021)

Tool	Description	Number of Uses in Processing Year 2020	Number of Uses in Processing Year 2021
Interactive Tax Assistant	A tax law resource that takes taxpayers through a series of questions and provides them with responses to basic tax law questions.	1.9 million	1.5 million
Tax Withholding Estimator	Designed to help workers target the refund they want by having the right amount of income tax taken out of their pay. It incorporates the changes from the redesigned Form W-4, *Employee's Withholding Certificate*, which employees can fill out and provide to their employers.	3.4 million	2.6 million
Where's My Refund?	Allows taxpayers to check the status of their refunds using the most up-to-date information available to the IRS.	431.4 million	498.9 million

Source: IRS management information reports. The Tax Withholding Estimator is as of May 31, 2021.

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

[36] This calculation relies on the full numbers of 1,401,265,000 visits as of May 28, 2021, and 1,229,022,000 visits as of May 29, 2020.

submit bank information for taxpayer accounts that are missing that information. From January 1, 2021, through May 28, 2021, the IRS reported 68.1 million visits to this web page and 625.1 million uses of the *Get My Payment* tool.

Finally, to further assist taxpayers with EIP-related issues, the IRS continued to provide a dedicated toll-free assistance line and a dedicated e-mail to receive congressional inquiries. Since establishing this dedicated line, the IRS reports that, as of May 29, 2021, the EIP telephone line received more than 64.9 million calls. All incoming calls initially receive an automated informational message. Of the total calls received, more than 32.3 million (49.8 percent) were abandoned by the taxpayer before moving into the contractor assistor's queue, either because the caller's issue was satisfied by the information provided in the automated messages or because the taxpayer grew frustrated and hung up. The remaining nearly 32.6 million calls (50.2 percent) were added to the contractor's queue.

IRS management stated that, since establishing this dedicated e-mail box, the IRS had received 149,597 inquiries. Of these, 112,541 required account research, and the IRS closed an estimated 103,775 (92 percent) of those requiring research as of May 29, 2021.

Social media platforms

The IRS also offers taxpayers the ability to obtain information from the IRS using their mobile devices. For example, the IRS offers IRS2Go and uses various forms of social media, including Twitter, Facebook, and Instagram, to share the latest information on tax changes, scam alerts, initiatives, and products and services. In addition, the IRS provides short, informative YouTube videos in English, Spanish, and American Sign Language. Figure 10 shows the total number of followers for each of these platforms as of May 25, 2021, along with IRS2Go active users and the cumulative number of YouTube videos viewed.

Figure 10: Number of YouTube Views, IRS2Go Users, and Followers on Social Media Platforms (as of May 25, 2021)

Platform	Number
YouTube (Views)	23.4 million
IRS2Go (Active Users)	14.6 million
Facebook	586,968
Twitter	391,251
Instagram	78,878

Source: IRS management information reports. The IRS2GO users is as of May 31, 2021.

Toll-free telephone level of assistance

As of May 28, 2021, taxpayers made 185 million total attempts and 154.6 million net attempts[37] to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that 25.6 million calls were answered with automation, and telephone assistors

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

answered more than 11.4 million calls and provided a 15.5 percent Level of Service with a 19-minute Average Speed of Answer. Figure 11 shows a comparison, as of May 28, 2021, for Calendar Years 2020 and 2021.

Figure 11: Toll-Free Performance Statistics for Calendar Years 2020 and 2021

Statistic	Calendar Year 2020	Calendar Year 2021
Total Call Attempts	74,136,618	185,042,189
Total Attempts After Hours	29,853,954	13,143,476
Assistor Calls Answered	6,640,000	11,406,000
Automated Calls Answered	20,109,000	25,637,000
Level of Service	59.9%	15.5%
Average Speed of Answer (Minutes)	12	19
TIGTA's Level of Access[38]	60.4%	21.5%

Source: IRS management information reports (as of May 29, 2020, for Calendar Year 2020 and as of May 28, 2021, for Calendar Year 2021). TIGTA's calculation for Level of Access.

The IRS allowed toll-free employees to telework during Fiscal Year 2021. In addition, IRS management increased their Fiscal Year 2021 hiring goal for the Accounts Management function from 3,579 new employees to 5,000 new employees – 4,000 of whom would be trained to answer toll-free telephone calls. The IRS cited that the additional employees were needed to meet the IRS's Level of Service goals and reduce the time taxpayers wait to speak to an assistor. However, as of November 23, 2020, the IRS reduced its planned hiring to approximately 3,100 new employees to answer the toll-free calls. IRS management stated that the decrease in planned hiring was due to a lack of anticipated applicants and delays in fingerprinting and processing applicants. As of January 20, 2021, the IRS had hired 2,935 new employees to answer toll-free calls and did not anticipate hiring any additional employees to answer toll-free telephone calls.

TAC assistance

Each year, millions of taxpayers seek assistance from one of the IRS's 358 walk-in offices, called TACs. In response to the pandemic, the IRS closed all of its TAC offices nationwide. The IRS planned to assist 1.5 million taxpayers at its TACs in Fiscal Year 2021, about a 41.1 percent increase from Fiscal Year 2020. As of October 12, 2021, the IRS reports 325 (90.8 percent) of the 358 TACs are open. One of the remaining 33 TACs is closed, and 32 are closed because they are not adequately staffed.

Similar to prior filing seasons, the IRS continues to use its appointment service for all TACs. As a further service to taxpayers, the IRS will attempt to resolve taxpayers' questions or provide taxpayers with information on alternative services when they call to schedule an appointment.

[38] The Level of Access is computed by taking the sum of Assistor Calls Answered and Automated Calls Answered divided by the Total Dialed Number Attempts Open Hours, *i.e.*, Total Call Attempts less Total Attempts After Hours.

The IRS reports that, as of May 28, 2021, IRS employees answered more than 1 million calls to schedule an appointment. Of these, 448,100 calls necessitated that the taxpayer schedule an appointment and visit a TAC; the remaining 604,091 taxpayers were assisted without having to visit a TAC. The IRS noted that at this time taxpayers are assisted at the TACs without an appointment if they have a hardship, at the manager's discretion. As of May 28, 2021, the IRS reported that it provided assistance to 2,443 taxpayers who visited a TAC without an appointment.

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

- *Virtual Service Delivery* – This initiative is an effort to expand face-to-face services to taxpayers if no TAC is located in their geographic area. Taxpayers must make an appointment. Virtual Service Delivery integrates video and audio technology to allow taxpayers to see and hear an IRS assistor located at a remote TAC, giving taxpayers "virtual face-to-face interactions" with assistors. The IRS normally offers Virtual Service Delivery at 30 community partner sites;[39] however, due to the pandemic, for the start of the 2021 Filing Season, only one site was open as of February 28, 2021.[40] The IRS reports that seven sites had reopened at different times as of May 28, 2021,[41] and 80 taxpayers used the service.
- *Co-Located Sites With the Social Security Administration* – This initiative was implemented to comply with Section 3 of Office of Management and Budget Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*,[42] which requires agencies to move aggressively to dispose of excess properties held by the Federal Government and make more efficient use of the Government's real estate assets. For the 2021 Filing Season, the Social Security Administration did not reopen the six co-located locations, so the IRS was unable to provide assistance. Therefore, the IRS reports that, as of May 28, 2021,[43] no one has used the service.

Continued expansion of virtual service options is needed to better provide taxpayers access to face-to-face assistance

In April 2021, we reported on IRS management's testing of a virtual service option referred to as Web Service Delivery (WebSD).[44] WebSD allows taxpayers to receive face-to-face assistance from an IRS assistor from the convenience of their home or other location of their choosing. Similar to other face-to-face service options, taxpayers must schedule an appointment. When an appointment is made, the taxpayer receives a confirmation e-mail from the IRS that provides their appointment details and a unique link to access this service. The taxpayer uses this link to initiate their appointment on the scheduled date and time from their personal device. WebSD enables the IRS to provide virtual face-to-face assistance to taxpayers from anywhere, including

[39] As of September 10, 2021, the IRS reports the number of sites providing this service is down to 25.

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

[41] For Fiscal Year 2021 – October 1, 2020, through May 28, 2021.

[42] November 25, 2016.

[43] For Fiscal Year 2021 – October 1, 2020, through May 28, 2021.

[44] TIGTA, Report No. 2021-46-029, *Assessment of the Effects of the Coronavirus Pandemic on Customer Service Operations* (Apr. 2021).

an employee's home, if necessary. For the 2021 Filing Season, the pilot expanded from eight to 16 assistors.[45] As of May 28, 2021,[46] the IRS reports that it has assisted 1,669 taxpayers using this service.

In our April 2021 report, we recommended that the IRS ensure that the WebSD pilot provides a sufficient assessment of taxpayers' demand for virtual face-to-face services and adequately tests available technology for providing virtual assistance to be consistent with the underlying premise of the Taxpayer Experience Strategy. IRS management agreed with this recommendation. IRS management stated that WebSD is a limited pilot testing of services normally available in the TACs and as such cannot provide a full assessment of taxpayers' demand for virtual face-to-face services throughout the IRS. During the pilot, the IRS used WebEx and Zoom video conferencing technologies to test virtual appointments with taxpayers across the United States. The IRS scheduled more than 1,800 virtual appointments and completed 80 percent; the remaining 20 percent were no shows. Customer satisfaction surveys were conducted with taxpayers, with 82 percent being favorable. Positive reviews focused on the flexibility and ease of meeting afforded by virtual conferencing. The pilot concluded on May 31, 2021, and the IRS plans to determine how virtual appointments can be incorporated into business models in the future, which may include remote outreach events. On November 8, 2021, IRS management indicated the results had been shared with the Taxpayer Experience Office, and they are implementing final testing to incorporate a more rigorous identification process that will meet standards to allow expansion of services provided to taxpayers through this channel. They are tentatively targeting a rollout date of mid-March 2022.

Assistance at Volunteer Program sites

The IRS's VITA program offers free basic tax help to people who generally make $57,000 or less, persons with disabilities, and limited–English-speaking taxpayers who need assistance in preparing their own tax returns. In addition to VITA, the TCE program provides free tax help, particularly for individuals age 60 or older. Many taxpayers depend upon the services offered via the IRS's Volunteer Program[47] to meet their filing requirements and to obtain refunds they may be entitled to receive. Volunteer Program sites prepared 1,936,051 tax returns as of June 27, 2021. The number of tax returns prepared in Fiscal Year 2021 is much lower when compared to the nearly 2.4 million returns prepared as of June 28, 2020. This decrease results from the fact that many of the volunteer sites were not operating at full capacity and others remain closed.

Similar to the 2020 Filing Season, the IRS Commissioner approved using Low Income Taxpayer Clinics to provide free tax preparation services during the 2021 Filing Season. The IRS explained that Low Income Taxpayer Clinics are not prohibited from providing free tax return preparation services; however, it has been a longstanding policy that these locations only prepare current year returns in limited circumstances. A total of 16 clinics prepared 238 returns as of June 30, 2021.

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

[46] For Fiscal Year 2021 – October 1, 2020, through May 28, 2021.

[47] The Volunteer Program includes VITA and the TCE.

Finally, on October 7, 2020, we alerted management of our concern as to the reduced participation in the VITA program. On April 22, 2021, we recommended that the IRS consider providing tax return preparation services during the 2021 Filing Season, by appointment only, in the TACs that are located in areas where access to VITA and TCE assistance is limited.[48] IRS management disagreed with this recommendation, stating that employees have not received training in tax preparation. In addition, management believes providing tax return preparation service would severely limit the IRS's ability to provide other face-to-face services that taxpayers need. IRS management stated that, when the IRS considered offering return preparation services in the TACs in the past, data showed that most taxpayers sought tax return preparation assistance from other sources, with the majority self-preparing or using a paid preparer to prepare their return. With the availability of the Free File Inc. program and other commercial tax preparation software, there is less reliance on the IRS to provide this service. Management also believes that focusing its resources on account-related issues allows its employees in the TACs to work more efficiently on services that are not provided outside of the IRS, including taxpayer authentication related to identity theft and the new legislative requirement to assist taxpayers with obtaining an IP PIN.

[48] TIGTA, Report No. 2021-46-029, *Assessment of the Effects of the Coronavirus Pandemic on Customer Service Operations* (Apr. 2021).

Appendix I

Detailed Objective, Scope, and Methodology

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

- Monitored online news outlets and forums to identify any preparation, filing, or processing issues that taxpayers are experiencing.
- Identified volumes of paper and e-filed tax returns received through August 20, 2021, from the IRS Weekly Filing Season reports to provide filing season statistics and compared the statistics to the same period for the 2020 Filing Season.
- Determined whether the IRS monitoring systems indicate that individual tax returns were being processed timely and accurately. We monitored key IRS indicators, including the volume of tax return receipts, statistics from the IRS Filing Season Statistics Report, and Error Resolution volumes.
- Ensured that select business rules associated with the implementation of key tax provisions worked as intended. We evaluated the accuracy of the new business rules.
- Monitored current processing year volumes of inventory and monitored for any backlogs of inventory from Calendar Year 2020 using IRS reports.
- Quantified the number of tax returns with unemployment compensation reported.
- Obtained information related to Submission Processing hiring and onboarding efforts.
- Identified results of the IRS tax refund fraud programs, including identity theft and prisoner refund fraud.
- Identified results of the IRS customer service programs, including the TAC Program, the Toll-Free Telephone Assistance Program, and the Volunteer Program.
- Identified results for the IRS's self-assistance options, including IRS.gov and the social media platforms.

Performance of This Review

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

Major contributors to the report were Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services); Deann L. Baiza, Director; Sharla J. Robinson, Audit

Manager; Sandra L. Hinton, Lead Auditor; Karen C. Fulte, Senior Auditor; Tracy M. Hernandez, Senior Auditor; Branden L. Dreher, Auditor; Hong Cao, Information Technology Specialist; Ismael Hernandez, Information Technology Specialist; Theodore Logoghetti, Information Technology Specialist; Donald Meyer, Information Technology Specialist; and Johnathan D. Elder, Information Technology Specialist (Applied Research and Technology).

Validity and Reliability of Data From Computer-Based Systems

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

Internal Controls Methodology

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

Appendix II

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; $2,925,923 erroneous ACTC claims paid on 183 tax returns as a result of ERS tax examiners incorrectly entering the amount of prior year earned income into a field that overrides the IRS's computed amount for the ACTC (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

Our analysis of the Modernized Tax Return Database identified nearly 26 million e-filed returns claiming an EITC or an ACTC. More than 3.6 million (13.9 percent) of the 26 million had an election to calculate the EITC or the ACTC using prior year earned income.

We reviewed 2,677,653 tax returns for which the taxpayer indicated they wanted to use Tax Year 2019 earned income to calculate their ACTC and matched them to the IRTF to ensure that they progressed through the processing stream. This match reduced the returns available to be reviewed to 1,978,609. These taxpayers entered "PYEI" with the amount of the Tax Year 2019 earned income next to Line 28 on the tax returns. We found 191 tax returns that were reviewed in Error Resolution for which the tax examiner incorrectly entered the amount of the prior year earned income into a verified field that overrides the IRS's computed amount for the ACTC. This resulted in the tax examiner allowing $3,529,765 in ACTCs instead of $356,904. However, six cases have had corrections totaling $142,671 post to the accounts, and two cases with ACTCs totaling $104,627 currently have their refund being held for review.[1] After removing these amounts, these taxpayers received $2,925,923 more in ACTCs than they were entitled to.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 13,130 taxpayers who did not receive EITCs totaling $20,543,050 to which they were entitled as a result of the IRS incorrectly calculating the credit amount on Tax Year 2020 earned income instead of Tax Year 2019 earned income (see Recommendation 3).

Methodology Used to Measure the Reported Benefit:

Our analysis of the Modernized Tax Return Database identified nearly 26 million e-filed returns claiming an EITC or an ACTC. More than 3.6 million (13.9 percent) of the 26 million had an election to calculate the EITC or the ACTC using prior year earned income.

[1] We were unable to determine if these cases were corrected as a result of our recommendation or other IRS processes.

We reviewed the 2,395,332 tax returns for which the taxpayer indicated they wanted to use Tax Year 2019 earned income to calculate their EITC and matched them to the IRTF to ensure that they progressed through the processing stream. This match reduced the returns available to be reviewed to 2,259,124. These taxpayers entered "PYEI" with the amount of the Tax Year 2019 earned income next to Line 27 on the tax returns and correctly calculated the EITC using the prior year earned income. However, when these tax returns were reviewed in Error Resolution, the tax examiner did not allow the use of the prior year earned income to calculate the credit on 13,130 tax returns but instead relied on the current year (Tax Year 2020) information. Due to these errors by the Error Resolution tax examiners, these taxpayers did not receive $20,543,050 in EITCs that they were entitled to.

Type and Value of Outcome Measure:

- Cost Savings (Funds Put to Better Use) – Potential; $485,415 erroneous EITC claims paid on 900 tax returns as a result of the IRS incorrectly calculating the credit amount on Tax Year 2020 earned income instead of Tax Year 2019 earned income (see Recommendation 3).

Methodology Used to Measure the Reported Benefit:

Our analysis of the Modernized Tax Return Database identified nearly 26 million e-filed returns claiming an EITC or an ACTC. More than 3.6 million (13.9 percent) of the 26 million had an election to calculate the EITC or the ACTC using prior year earned income.

We reviewed the 2,395,332 tax returns for which the taxpayer indicated they wanted to use Tax Year 2019 earned income to calculate their EITC and matched them to the IRTF to ensure that they progressed through the processing stream. This match reduced the returns available to be reviewed to 2,259,124. These taxpayers entered "PYEI" with the amount of the Tax Year 2019 earned income next to Line 27 on the tax returns and correctly calculated the EITC using the prior year earned income. However, when these tax returns were reviewed in Error Resolution, the tax examiner did not allow the use of the prior year earned income to calculate the credit on the 900 tax returns but instead relied on the current year (Tax Year 2020) information. Due to these errors by the Error Resolution tax examiners, these taxpayers received $485,415 more in EITCs than they were entitled to.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 8,335 taxpayers who did not receive ACTCs totaling $8,341,431 to which they were entitled as a result of the IRS incorrectly calculating the credit amount on Tax Year 2020 earned income instead of Tax Year 2019 earned income (see Recommendation 4).

Methodology Used to Measure the Reported Benefit:

Our analysis of the Modernized Tax Return Database identified nearly 26 million e-filed returns claiming an EITC or an ACTC. More than 3.6 million (13.9 percent) of the 26 million had an election to calculate the EITC or the ACTC using prior year earned income.

We reviewed the 2,677,653 tax returns for which the taxpayer indicated they wanted to use Tax Year 2019 earned income to calculate their ACTC and matched them to the IRTF to ensure that they progressed through the processing stream. This match reduced the returns available to be reviewed to 1,978,609. These taxpayers entered "PYEI" with the amount of the Tax Year 2019 earned income next to Line 28 on the tax returns and correctly calculated the ACTC using the prior year earned income. However, when these tax returns were reviewed in Error Resolution, the tax examiner did not allow the use of the prior year earned income to calculate the credit on 8,335 tax returns but instead relied on the current year (Tax Year 2020) information. Due to these errors by the Error Resolution tax examiners, these taxpayers did not receive $8,341,431 in ACTCs that they were entitled to.

Type and Value of Outcome Measure:

- Cost Savings (Funds Put to Better Use) – Potential; $1,523,473 erroneous ACTC claims paid on 1,257 tax returns as a result of the IRS incorrectly calculating the credit amount on Tax Year 2020 earned income instead of Tax Year 2019 earned income (see Recommendation 4).

Methodology Used to Measure the Reported Benefit:

Our analysis of the Modernized Tax Return Database identified nearly 26 million e-filed returns claiming an EITC or an ACTC. More than 3.6 million (13.9 percent) of the 26 million had an election to calculate the EITC or the ACTC using prior year earned income.

We reviewed the 2,677,653 tax returns for which the taxpayer indicated they wanted to use Tax Year 2019 earned income to calculate their ACTC and matched them to the IRTF to ensure that they progressed through the processing stream. This match reduced the returns available to be reviewed to 1,978,609. These taxpayers entered "PYEI" with the amount of the Tax Year 2019 earned income next to Line 28 on the tax returns and correctly calculated the ACTC using the prior year earned income. However, when these tax returns were reviewed in Error Resolution, the tax examiner did not allow the use of the prior year earned income to calculate the credit on 1,257 tax returns but instead relied on the current year (Tax Year 2020) information. Due to these errors by the Error Resolution tax examiners, these taxpayers received $1,523,473 more in ACTCs than they were entitled to.

Type and Value of Outcome Measure:

- Taxpayer Burden – Potential; 1,962 taxpayers whose tax returns were incorrectly processed based on programming that did not allow the systemic transfer of estimated tax payments from spousal accounts (see Recommendations 8 and 9).

Methodology Used to Measure the Reported Benefit:

Using the Individual Master File, we identified 844,614 Tax Year 2020 tax returns for which the taxpayers filed as married filing jointly for Tax Years 2019 and 2020, but the order of the Taxpayer Identification Numbers was switched from the Tax Year 2019 return to the Tax Year 2020 return. Of the 844,614 tax returns, we identified that 16,944 reported estimated tax payments, and 3,370 of the 16,944 also received a Computer Paragraph 23 notice. We identified 1,962 tax accounts for which the amount of the missing estimated tax payment was available in the spouse's account, but the systemic transfer did not occur.

Appendix III

Management's Response to the Draft Report

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
ATLANTA, GA 30308

COMMISSIONER
WAGE AND INVESTMENT DIVISION

February 18, 2022

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin Kenneth Corbin Digitally signed by Kenneth C. Corbin Date: 2022.02.18 09:53:16 -05'00'
Commissioner, Wage and Investment Division

SUBJECT: Draft Audit Report – Results of the 2021 Filing Season (Audit #202140003)

Thank you for the opportunity to review and provide comments on the subject draft report. The IRS overcame many challenges in implementing applicable provisions from tax legislations including Coronavirus Aid Relief and Economic Security Act (CARES), Consolidated Appropriations Act, 2021 and American Rescue Plan Act of 2021 (ARPA), and we appreciate TIGTA's acknowledgment for our efforts. As you acknowledge, despite the legislation signed into law on December 27, 2020, the IRS began the filing season on February 12, 2021.

The Coronavirus Disease 2019 (Covid-19) pandemic continued into 2021 filing season and although the tax processing centers were open, the IRS could not operate at full capacity. The IRS continued to maintain social distancing requirements, making employees' health and safely a top priority and much of IRS's workforce was allowed to telework. As noted in the report, as of December 2020, the IRS estimated that it had 11.7 million returns that carried over into the 2021 filing season. In response to the larger inventories, Submission Processing transferred returns to Submission Processing Centers with capacity to process these receipts earlier and used overtime, including some mandated overtime, to enhance staffing resources. To address backlog of paper inventory, and looking to the future, Submission Processing launched a pilot project for scanning selected paper individual tax returns and processing them through the platform for electronic returns. Submission Processing overcame challenges to successfully process returns carried over from 2020 and processed a significant volume of filing season 2021 receipts. By November 19, 2021, the IRS had processed a total of 15.2 million paper IMF returns and 22.7 paper BMF returns.

The Error Resolution System (ERS) in Submission Processing was impacted by many provisions of legislation, but the major impact was from the Recovery Rebate Credit (RRC) that caused errors and irregularities which sent 11 million returns to the ERS inventory for manual review. To manage the effect of such a large number of errors, Submission Processing in collaboration with Information Technology (IT) developed a tool (Integrated Data Retrieval System Keyboard Map) for automated processing of returns with a discrepancy in the RRC, and as of September 2, 2021, the number of those returns had fallen by 55 percent, to 512,132. Besides the RRC, ERS saw fallout from the temporary legislative provision that allowed taxpayers to use their tax year 2019 earned income to calculate their tax year 2020 Earned Income Tax Credit and Additional Child Tax Credit.

On March 11, 2021, the ARPA was signed into law. It included revisions to existing provisions that impacted tax year 2020 returns. Submission Processing requested programming changes for one such provision "Elimination of repayment of Excess Advance Premium Tax Credit." This change eliminated the need for ERS manual review of those returns. In addition, ARPA brought new legislation for tax year 2021 such as the Refundable Child Tax Credit and Refundable Child and Dependent Care Credit. In anticipation of errors, Submission requested programming that will enable tax returns with certain error conditions related to the Recovery Rebate Credit, Refundable Child Tax Credit and the Refundable Child Care Credit to be treated through automation rather than be reviewed by a tax examiner for filing season 2022. Returns with a discrepancy in those credits will likewise be processed with an automated Integrated Automation Technologies (IAT) tool that was developed by Submission Processing in collaboration with IT. Manual review will be reserved for those returns with conditions that require greater scrutiny. For Processing Year 2022, Submission Processing has also taken steps to reduce the manual review of Schedule 1, *Additional Income and Adjustments to Income*; Schedule 2, *Additional Taxes*; and Schedule 3, *Additional Credits and Payments* of Form 1040 and, in collaboration with Electronic Filing Services, will reject electronic returns without the required Form 8962, *Premium Tax Credit*.

The backlog of unprocessed prior year Form 1040 family returns affected the filing of electronic returns for the 2021 filing season and will also affect filing season 2022. For security purposes, a taxpayer filing a self-prepared return without a personal identification number (PIN), is required to enter their prior year adjusted gross income for a return to be accepted. Electronic Filing Services has worked with external industry partners and internal communication specialists to alert taxpayers of procedures to take when this situation occurs. Taxpayers can file electronically if they follow the published guidance located on IRS.gov, Electronic Filing PIN Request.

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

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 1
As previously agreed, develop, and implement processes and procedures to identify and correct tax examiner entries in verified fields that exceed statutory limits, including a process to ensure that tax returns with verified amounts are systemically reprocessed through ERS programming before being released for processing.

CORRECTIVE ACTION
As previously agreed, we have taken actions with programming changes that have been implemented for filing season 2022.

IMPLEMENTATION DATE
May 15, 2022

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

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

RECOMMENDATION 2
Review and correct the remaining 183 out of 191 cases we identified and recover the ACTC amounts that were issued in error.

CORRECTIVE ACTION
We will review the remaining 183 cases and take action as appropriate.

IMPLEMENTATION DATE
July 15, 2023

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

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

RECOMMENDATION 3
Review and correct the 14,030 tax returns for which the tax examiner did not allow the use of the Tax Year 2019 earned income to calculate the EITC amount.

CORRECTIVE ACTION
We will review the 14,030 tax returns and take action as appropriate.

IMPLEMENTATION DATE
July 15, 2023

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

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

RECOMMENDATION 4
Review and correct the 9,592 tax returns for which the tax examiner did not allow the use of the Tax Year 2019 earned income to calculate the ACTC amount.

CORRECTIVE ACTION
We will review the 9,592 tax returns and take action as appropriate.

IMPLEMENTATION DATE
July 15, 2023

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

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

RECOMMENDATION 5
Reinforce guidance for Error Resolution tax examiners to ensure that they are aware to allow the use of prior year earned income during the 2022 Filing Season, when applicable.

3

CORRECTIVE ACTION
We have implemented programming changes to expand the record layouts adding prior year earned income fields for filing season 2022. Tax returns that qualify for prior year earned income will not fall out for Error Resolution tax examiner review.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A.

Recommendation

The Deputy Commissioner (Services and Enforcement) should:

RECOMMENDATION 6
Prioritize and fully fund the development of processes and procedures to identify and correct tax examiner entries in verified fields that exceed statutory limits, including a process to ensure that tax returns with verified amounts are systemically reprocessed through ERS programming before being released for processing.

CORRECTIVE ACTION
As previously agreed, we have taken actions with programming changes that have been implemented for filing season 2022.

IMPLEMENTATION DATE
May 15, 2022

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

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

4

Recommendation

RECOMMENDATION 7
On May 11, 2021, we alerted the Director, Submission Processing, that taxpayers were excluding unemployment income when they did not meet modified adjusted gross income thresholds. We recommended that IRS management review and correct the 4,838 tax returns we identified, as well as any tax returns meeting the same condition that were filed after April 22, 2021, whereby taxpayers with modified adjusted gross income of more than $150,000 erroneously excluded their unemployment income.

CORRECTIVE ACTION
As noted in your report, the Service is placed in an untenable position when it is required to administer last-minute changes to the tax law; this is especially true for the unemployment compensation exclusion (UCE) for the 2020 tax year. Because of the late enactment of the UCE, the Service could not implement programming to address the issue during returns processing, depriving the Service of the ability to use its most cost-effective error resolution treatment. The Compliance function evaluated returns claiming UCE filed through September 2021 and identified 1,249 returns (less than 0.2 percent) that exceed the thresholds for compliance treatment.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
N/A

CORRECTIVE ACTION MONITORING PLAN
N/A

Recommendations

The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 8
Ensure that the 1,962 tax accounts that had estimated tax payments available in the spouse's account are resolved (as well as any tax returns meeting the same condition that were filed after May 27, 2021).

CORRECTIVE ACTION
We have pulled an updated listing for manual payment transfers. The transfers have been completed as of December 7, 2021.

IMPLEMENTATION DATE
Implemented

5

RESPONSIBLE OFFICIAL
Director, Accounts Management, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 9
Confirm that the programming issues associated with the 1,962 tax accounts are updated to prevent this from happening for future EIPs.

CORRECTIVE ACTION
We previously requested programming changes to correct the estimated tax payment issue as identified in the report. The necessary programming updates were completed in August 2021.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Accounts Management, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A.

Recommendation

RECOMMENDATION 10
The Commissioner, Wage and Investment Division, should establish a timeline to evaluate the IP PIN unpostable process and determine if it is an effective use of resources.

CORRECTIVE ACTION
We will complete a review of the IP PIN unpostable process to determine its effectiveness.

IMPLEMENTATION DATE
November 15, 2022

RESPONSIBLE OFFICIAL
Director, Accounts Management, Customer Account Services, Wage and Investment Division

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

Appendix IV

Glossary of Terms

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

Term	Definition
Free File	A free Federal tax preparation and e-filing program for eligible taxpayers developed through a partnership between the IRS and Free File Alliance LLC. The Alliance is a group of private sector tax software companies.
Individual 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.
Integrated Data Retrieval System	IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
Level of Access	A telephone performance measure recommended by TIGTA that reflects overall taxpayer call demand and IRS assistance by taking the sum of all assistor and automated calls answered divided by the total number of call attempts made during open hours.
Level of Service	The primary measure of service to taxpayers. It is the relative success rate of taxpayers who call for live assistance on the IRS's toll-free telephone lines. The IRS's measure is titled Customer Service Representative Level of Service.
Master File	The IRS database that stores various types of taxpayer account information. This database includes individual, business, and employee plans and exempt organizations data.
Modernized Tax Return Database	The official repository of all electronic returns processed through the Modernized e-File system.
Plus-up Payments	Supplemental EIPs issued by the IRS for people who received payments based on their 2019 tax returns but who were eligible for a new or larger payment based on their recently processed 2020 tax returns.
Premium Tax Credit	A refundable tax credit created by the Affordable Care Act to assist eligible taxpayers with paying their health insurance premiums.
Prisoner File	The IRS compiles a list of prisoners received from the Federal Bureau of Prisons and State Departments of Corrections as well as Prisoner Update Processing System data from the Social Security Administration.
Processing Year	The calendar year in which the tax return or document is processed by the IRS.
Return Review Program	Uses predictive analytics, models, filters, clustering, a scoring system, business rules, selection groups, and prisoner identification data to identify potentially fraudulent tax returns, including identity theft.
Social Distancing	Limiting close contact with other people who are not from your household and maintaining a physical distance of at least six feet to reduce the spread of COVID-19.
Tax Examiner	An employee located in a field office who conducts examinations through correspondence. However, the tax examiner position is also used for many other types of positions located in various IRS offices.

Term	Definition
Tax Processing Center	The location where the IRS processes paper and electronic submissions, corrects errors, and forwards data to the Computing Centers for analysis and posting to taxpayer accounts.
Tax Year	A 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due. For most individual taxpayers, the tax year is synonymous with the calendar year.
Taxpayer Assistance Center	An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face-to-face.
Taxpayer Experience Strategy	A comprehensive strategy for IRS customer service which focuses on creating a proactive, convenient, seamless, personalized, and effective interaction for taxpayers.
Taxpayer Identification Number	A nine digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, it can be an Employer Identification Number, a Social Security Number, or an Individual Taxpayer Identification Number.
Volunteer Program	Includes the VITA program (both the VITA Grant program and the TCE program). The Volunteer Program provides free tax assistance to persons with low to moderate income (generally defined as within the EITC threshold), senior citizens, persons with disabilities, persons living in rural areas, those with limited English proficiency, and Native Americans.

Appendix V

Abbreviations

ACTC	Additional Child Tax Credit
ARPA	American Rescue Plan Act of 2021
COVID-19	Coronavirus Disease 2019
CTC	Child Tax Credit
e-file(d); e-filing	Electronically File(d); Electronic Filing
EIP	Economic Impact Payment
EITC	Earned Income Tax Credit
ERS	Error Resolution System
IP PIN	Identity Protection Personal Identification Number
IRS	Internal Revenue Service
IRTF	Individual Return Transaction File
PYEI	Prior Year Earned Income
RRC	Recovery Rebate Credit
TAC	Taxpayer Assistance Center
TCE	Tax Counseling for the Elderly
TIGTA	Treasury Inspector General for Tax Administration
VITA	Volunteer Income Tax Assistance
WebSD	Web Service Delivery

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

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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.