



Office of Audit

**Treasury  
Inspector  
General for Tax  
Administration**



Recovery Act

## **INTERIM RESULTS OF THE 2010 FILING SEASON**

**Issued on March 31, 2010**

# **Highlights**

Highlights of Report Number: 2010-41-047 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

### **IMPACT ON TAXPAYERS**

The filing season is critical for the Internal Revenue Service (IRS) because it is the time when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures.

### **WHY TIGTA DID THE AUDIT**

This report presents selected information related to the IRS 2010 Filing Season results as of either March 5 or March 6, 2010. TIGTA has a number of ongoing audits related to the 2010 Filing Season. Individual audit reports will be issued at the completion of each audit.

One of the challenges the IRS confronts each year in processing tax returns is the implementation of new tax law changes. The 2010 Filing Season presented additional challenges for the IRS due to the enactment of two significant tax laws. In addition, the IRS is implementing the first phase of the Modernized e-File system to process individual tax returns.

### **WHAT TIGTA FOUND**

As of March 5, 2010, the IRS received nearly 61.3 million tax returns. Of those, 51.6 million were electronically filed (approximately equal to this time last year) and nearly 9.7 million were filed on paper (a decrease of almost 20 percent from this time last year). The IRS issued nearly 52 million refunds totaling approximately \$160.2 billion.

The IRS recognized the difficulty taxpayers may have in claiming new credits and/or deductions. In an attempt to reduce this difficulty, the IRS created new forms, schedules, and instructions. The IRS also developed programming to identify taxpayers who may not have claimed credits to which they were entitled at the time they filed their tax returns. In addition, expanded math error authority is enabling the IRS to stop the erroneous

claiming of credits/deductions. However, implementing new tax legislation is still presenting some challenges for the IRS, which has resulted in the following:

- Increases in error inventories resulting from taxpayers' errors.
- Delays in completing programming resulting in the inability to process tax returns with First-Time Homebuyer Credit claims until February 16, 2010.
- Payment of \$24.2 million in erroneous Making Work Pay and Government Retiree Credits and the inability to identify and prevent erroneous claims at the time tax returns are processed resulting in more than \$4.7 million in erroneous Plug-in Vehicle Credits.

Moreover, errors are hindering the success of IRS processing of individual tax returns via its Modernized e-File system.

In addition, as of March 5, 2010, the IRS had identified 119,484 tax returns with \$733,195,576 being claimed in fraudulent refunds and prevented the issuance of \$720,596,970 (98 percent) of the fraudulent refunds being claimed.

Finally, from the beginning of the 2010 Filing Season, taxpayer demand for toll-free telephone assistants has been higher than planned. The IRS states that call demand is higher because more taxpayers than planned are calling to ask account-related questions. It has received more calls from individuals who owe taxes and believes the economic downturn is part of the reason. As of March 6, 2010, the IRS provided 960,161 services on the Individual Master File Balance Due application, which is 243,983 (34 percent) more than the 716,248 services provided for the same period last year.

### **WHAT TIGTA RECOMMENDED**

This report was prepared to provide interim information only. Therefore, no recommendations were made in the report.

### **READ THE FULL REPORT**

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2010reports/201041047fr.pdf>.

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