



Treasury Inspector General for Tax Administration Office of Audit

INTERIM RESULTS OF THE 2011 FILING SEASON

Issued on March 31, 2011

Highlights

Highlights of Report Number: 2011-40-032 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

The 2011 Filing Season involves the enactment of two significant tax laws, repayment of the First-Time Homebuyer Credit and the passage of late legislation. The IRS is also continuing migrating electronic filing (*e-filing*) to the Modernized e-File system to process individual tax returns. The objective of this review was to provide selected information related to the IRS 2011 Filing Season results as of either March 4 or March 5, 2011.

WHAT TIGTA FOUND

As of March 4, 2011, the IRS received nearly 60.5 million tax returns – 53.9 million (89 percent) were *e-filed* and nearly 6.7 million (11 percent) were filed on paper. The IRS has issued nearly 52.6 million tax refunds totaling approximately \$161.3 billion.

The passage of late legislation resulted in the IRS having Electronic Return Originators hold approximately 6.5 million *e-file* tax returns to be transmitted on February 14. In addition, the IRS held approximately 100,000 paper tax returns received prior to February 14.

Our review identified that several programming errors resulted in the incorrect populating of the IRS's computer records. Programming errors are also resulting in the issuance of erroneous First-Time Homebuyer Credits and Non-Business Energy Property Credits.

In addition, the IRS has received returns from 9,859 individuals claiming over \$124 million in Adoption Credits, with 6,974 (71 percent) of the claims either having invalid, insufficient, or missing documentation to support the legitimacy of these claims. The IRS did not

act on our recommendation to seek authority to disallow claims without proper documentation. As such, each of these claims will be sent to the IRS Examination function.

Furthermore, as of March 4, 2011, the IRS had identified 335,341 tax returns with \$1.9 billion claimed in fraudulent refunds and prevented the issuance of \$1.8 billion (97 percent) of those fraudulent refunds. The IRS also selected 63,501 tax returns filed by prisoners for fraud screening, representing an 88 percent increase compared to last filing season.

Finally, during visits to 26 different Taxpayer Assistance Centers between November 2010 and February 2011, assistants answered all 35 tax law questions accurately. However, auditors waited an average of 62 minutes before they received assistance and, on five occasions, auditors who visited three different Centers were turned away or denied services and asked to return another day.

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 and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2011reports/201140032fr.pdf>.

Email Address: TIGTACommunications@tigta.treas.gov

Web Site: <http://www.tigta.gov>

Phone Number: 202-622-6500