



Treasury Inspector General for Tax Administration Office of Audit

LATE LEGISLATION DELAYED THE FILING OF TAX RETURNS AND ISSUANCE OF REFUNDS FOR THE 2013 FILING SEASON

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Highlights

Highlights of Reference Number: 2013-40-124 to the Internal Revenue Service Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The filing season, defined as the period from January 1 through mid-April, is critical for the IRS because it is during this time that most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures. The late passage of legislation increases the risk that the processing of tax returns and issuance of tax refunds will be delayed.

WHY TIGTA DID THE AUDIT

Enactment of the American Taxpayer Relief Act of 2012 on January 2, 2013, significantly reduced the time the IRS had to implement the tax changes it contained. The objective of this review was to evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2013 Filing Season.

WHAT TIGTA FOUND

As of May 4, 2013, the IRS received more than 133.6 million tax returns and issued more than 99.5 million refunds totaling more than \$264 billion. However, due to the late passage of the American Taxpayer Relief Act of 2012 and errors in tax preparation software packages, approximately 11.6 million taxpayers were unable to file their tax returns until February or March 2013, depending on the types of forms included with their tax returns.

The IRS reported that it identified 579,183 tax returns with \$3.6 billion claimed in fraudulent refunds during tax return processing and prevented the issuance of \$3.47 billion (96.4 percent) of those refunds. The IRS continues to expand its efforts to identify and prevent fraudulent tax returns from being processed.

The IRS offered a number of different options for taxpayers to seek information and assistance. The use of self-assistance options has grown significantly. These options provide taxpayers with access to the IRS

24 hours a day, seven days a week. In comparison, declining IRS resources have reduced the number of taxpayers the IRS estimates it can assist at Taxpayer Assistance Centers.

Finally, many tax return preparers still do not comply with Earned Income Tax Credit due diligence reporting requirements, questionable education credits and Qualified Plug-in Electric Drive Motor Vehicle Credits continue to be issued, and Homebuyer Credit repayments and dispositions are still being incorrectly processed.

WHAT TIGTA RECOMMENDED

TIGTA made recommendations to the Commissioner, Wage and Investment Division, to improve the identification of questionable claims for the education credits and Qualified Plug-In Electric Drive Motor Vehicle Credit and to reduce errors associated with the processing of Homebuyer Credit repayments and dispositions. In addition, TIGTA recommended that the IRS initiate programs to recover the erroneous and questionable credits TIGTA identified and to ensure that Earned Income Tax Credit due diligence penalties are assessed when appropriate.

The IRS agreed with seven of our recommendations and partially agreed with one recommendation. The IRS plans to continue to evaluate its processes to identify questionable education credit claims. It also plans to establish processes to improve the identification of questionable Qualified Plug-In Electric Drive Motor Vehicle Credit claims, reduce errors associated with the processing of Homebuyer Credit repayments and dispositions, and assess Earned Income Tax Credit due diligence penalties. In addition, the IRS plans to assess the feasibility of recovering the erroneous and questionable credits TIGTA identified.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2013reports/201340124fr.pdf>.

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