



Treasury Inspector General for Tax Administration Office of Audit

RESULTS OF THE 2015 FILING SEASON

Issued on August 31, 2015

Highlights

Highlights of Report Number: 2015-40-080 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 laws or filing procedures. As of May 8, 2015, the IRS received more than 137.3 million tax returns (with over 87 percent electronically filed) and issued more than 100.3 million refunds totaling almost \$271 billion.

WHY TIGTA DID THE AUDIT

The objective of this review was to evaluate whether the IRS timely and accurately processed individual paper and electronically filed tax returns during the 2015 Filing Season.

WHAT TIGTA FOUND

Prior to the start of this filing season, the IRS was challenged by the late enactment of tax provisions that were set to expire. To reduce the impact on the filing season, the IRS monitored the status of the extender legislation and took steps prior to its enactment to prepare for the extension of these provisions. These efforts enabled the IRS to begin accepting and processing individual tax returns on January 20, 2015, as scheduled.

TIGTA's review of eight key extended tax provisions found errors in IRS processes that resulted in the incorrect disallowance of approximately \$54,000 in educator expense deductions and \$1.5 million in residential energy credits. This resulted from incorrect educator expense procedures used by tax examiners and a computer programming error as well as tax examiners not following procedures when working residential energy credit claim.

The IRS continues to expand its efforts to detect tax refund fraud. As of May 2, 2015, the IRS reported that it identified 163,087 tax returns with more than \$908.3 million claimed in fraudulent refunds and prevented the issuance of approximately \$787 million

(86.6 percent) in fraudulent refunds. In addition, the IRS reported that expanded use of controls to identify fraudulent refund claims before they are accepted into the processing system identified approximately 77,000 fraudulent electronically filed tax returns and approximately 16,000 fraudulent paper tax returns as of April 30, 2015.

The number of tax return preparers who do not provide the required due diligence form when filing an Earned Income Tax Credit claim continues to decline. However, the IRS's efforts to limit the number of direct deposits into a single bank account has not prevented preparers from using the split refund option to divert \$2.3 million of their clients' refunds into preparer-controlled bank accounts.

Finally, the IRS continues to offer more self-assistance options that taxpayers can access 24 hours a day, seven days a week. However, the number of taxpayers assisted through the telephone drastically declined. As of May 2, 2015, approximately 83.2 million taxpayers contacted the IRS by calling the various Customer Account Services function toll-free telephone assistance lines. IRS assistors have answered approximately 8.3 million calls and provided a 37.6 percent Level of Service with a 23.5 minute Average Speed of Answer.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division, revise computer programming to ensure that no more than three direct deposits are made to a single bank account, and that tax returns for which the IRS incorrectly denied taxpayers the educator expense deduction are reviewed to ensure that the individuals receive the tax benefits to which they are entitled.

The IRS agreed with both recommendations and stated that it has revised programming for two of the conditions identified and corrected the affected accounts with educator expense deductions.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2015reports/201540080fr.pdf>.

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