

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## Interim Results of the 2020 Filing Season

April 7, 2020

Reference Number: 2020-45-024

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## HIGHLIGHTS: Interim Results of the 2020 Filing Season



Final Audit Report issued on April 7, 2020  
Reference Number 2020-45-024

### Why TIGTA Did This Audit

This audit was initiated to provide selected information related to the IRS's 2020 Filing Season. 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 2020 Filing Season. TIGTA plans to issue the final results of our analysis later in Calendar Year 2020.

### Impact on Taxpayers

The filing season, defined as the period from January through mid-April, is critical for the IRS because it is during this time that most individuals file their income tax return and contact the IRS if they have questions about specific laws or filing procedures. As of February 28, 2020, the IRS received approximately 59.3 million tax returns (with 95.7 percent electronically filed) and issued more than 45.5 million refunds totaling nearly \$139.6 billion.

### What TIGTA Found

Unlike any other filing season, the IRS is having to take unprecedented and drastic actions to address Coronavirus Disease 2019 (COVID-19) to protect the health and safety of its employees and the taxpaying public. This includes closing Tax Processing Centers, Taxpayer Assistance Centers, and other IRS offices nationwide. Starting Monday, March 30, 2020, the IRS directed all employees who are not currently teleworking but whose work is portable or can be adapted to work off-site to work from home (or an alternate location) including employees who are not currently on a telework agreement. In addition, the IRS unveiled a new *People First Initiative* to help taxpayers facing the challenges of COVID-19. This initiative includes a series of steps to assist taxpayers by providing relief on a variety of issues ranging from easing payment guidelines to postponing compliance actions. Information on the various actions the IRS is taking and the relief being offered can be found on the IRS website ([www.irs.gov/coronavirus](http://www.irs.gov/coronavirus)).

The actions the IRS is taking in response to this pandemic will affect its ability to provide timely customer service and tax return processing. As such, TIGTA plans to monitor and evaluate the IRS's response and implementation of actions taken and issue another interim report to provide real-time information on the 2020 Filing Season, including the challenges the IRS faces to implement the delay in tax return filing and payments to July 15, 2020, as well as likely backlogs.

During Calendar Year 2020, the IRS expects to receive approximately 155.1 million individual income tax returns (15.3 million filed via paper and 139.8 million electronically filed (e-filed)). As of February 28, 2020, the IRS received approximately 59.3 million tax returns, of which more than 56.7 million (95.7 percent) were e-filed. Refunds totaling nearly \$139.6 billion have been issued. Participation in the IRS Free File program has increased significantly this filing season. As of February 28, 2020, more than 1.5 million Free File returns were received compared to the more than 1.3 million Free File returns received last year as of March 1, 2019.

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 February 28, 2020, taxpayers made 24.5 million total attempts to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that it answered approximately 8.1 million calls with automation. IRS assistors have answered more than 4 million calls and provided a 67.9 percent Level of Service with a 10-minute Average Speed of Answer.

### What TIGTA Recommended

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



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**

**WASHINGTON, D.C. 20220**

April 7, 2020

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

**FROM:** Michael E. McKenney  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Interim Results of the 2020 Filing Season  
(Audit # 202040512)

This report presents the results of our review to evaluate whether the Internal Revenue Service (IRS) timely and accurately processed individual paper and electronically filed tax returns during the 2020 Filing Season. This review is part of our Fiscal Year 2020 Annual Audit Plan and addresses the major management and performance challenge of *Implementing Tax Law Changes*. As part of our Fiscal Year 2020 Annual Audit Plan, we are conducting several ongoing audits that are related to specific issues in this report. We will continue to provide IRS management with information on any areas of immediate concern throughout our audit process.

This report was prepared to provide information only. Therefore, we made no recommendations in the report. However, we provided IRS management officials with an advance copy of this report for review and comment prior to issuance.

Copies of this report are also being sent to the IRS managers affected by the report information. 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<sup>1</sup> 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.

Before the filing season begins, the IRS must identify the tax law and administrative changes affecting the upcoming filing season. Once identified, the IRS must revise the various tax forms, instructions, and publications. In addition, it must reprogram computer systems to ensure that tax returns are accurately processed based on changes in the tax law. Errors in the IRS's tax return processing systems may delay tax refunds, affect the accuracy of taxpayer accounts, or result in incorrect taxpayer notices. The IRS must also update its public website to provide online assistance to millions of taxpayers. Finally, the IRS must hire and train seasonal employees needed to support the 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.

### **Tax law changes affecting the 2020 Filing Season**

The following provides a synopsis of key tax provisions we are evaluating as part of our review. These provisions were selected based on our analysis of legislation with tax law changes that affect individual taxpayers filing Tax Year 2019 tax returns during the 2020 Filing Season.

#### **Further Consolidated Appropriations Act, 2020<sup>2</sup>**

Enacted December 20, 2019, this Act contains multiple pieces of legislation that extend many expired tax provisions. The key extended tax provisions we are evaluating are:

- *Section 102. Treatment of Mortgage Insurance Premiums As Qualified Residence Interest* – Qualified mortgage insurance premiums may be deductible as an itemized deduction, subject to certain limits for amounts paid or accrued after December 31, 2017.
- *Section 103. Reduction in Medical Expense Deduction Floor* – Taxpayers may deduct medical expenses as an itemized deduction to the extent that they exceed 7.5 percent of Adjusted Gross Income, down from 10 percent.
- *Section 104. Deduction of Qualified Tuition and Related Expenses* – A deduction to Adjusted Gross Income of up to \$4,000 of qualified tuition and related expenses.
- *Section 123. Nonbusiness Energy Property* – A credit of 10 percent of the cost of homeowners' energy-efficient property improvements or the cost of residential energy property purchases, subject to limits based on the type of property and a lifetime limit of \$500.

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<sup>1</sup> See Appendix III for a glossary of terms.

<sup>2</sup> Pub. L. No. 116-94.



### Taxpayer First Act<sup>3</sup>

Enacted on July 1, 2019, this Act requires the IRS to propose an organizational redesign with the goals of improving efficiency, modernizing systems and business processes, and finding ways to better serve taxpayers. Generally, the legislation aims to expand and strengthen taxpayer rights and to reform the IRS into a more taxpayer-friendly agency by requiring it to develop a comprehensive customer service strategy, modernize its technology, and enhance its cybersecurity. Appendix II has a list of the various ongoing and planned Treasury Inspector General for Tax Administration (TIGTA) audits focusing on the IRS's implementation of this legislation. The key provisions of the Taxpayer First Act that we are evaluating in this review are:

- *Section 1406. Customer Service Information* – Requires the IRS to provide information about common tax scams, how to report tax scams, and tips on how to protect against identity theft and tax scams over the telephone while taxpayers are on hold with an IRS call center.
- *Section 2303. Payment of Taxes by Debit and Credit Cards* – Enables the IRS to directly accept credit and debit card payments for income taxes due provided that the fee is paid by the taxpayer.<sup>4</sup>

### Budget Bipartisan Act of 2018<sup>5</sup>

Enacted February 9, 2018, this Act primarily contains tax law provisions that had expired as of December 31, 2016, but were retroactively extended through December 31, 2017. The key provision that will affect individual taxpayers for Tax Year 2019 is the IRS development of Form 1040-SR, *U.S. Tax Return for Seniors*, for use by taxpayers age 65 or older to file their individual income tax return. The law requires the form to be as similar as practicable to Form 1040EZ, *Income Tax Return for Single and Joint Filers With No Dependents*,<sup>6</sup> except that it should be available only to individuals age 65 or older and include the ability to report income from Social Security benefits, pensions and annuities, interest and dividends, and capital gains and losses.

### Tax Cuts and Jobs Act of 2017<sup>7</sup>

Enacted December 22, 2017, this Act contains 119 tax provisions administered by the IRS that affect both domestic and international taxes and was the first major tax reform legislation in more than 30 years. The provisions that affect individual taxpayers include the repeal of the personal exemption, increase in the standard deduction, modification of itemized deductions, increase in the Child Tax Credit, and creation of a new Other Dependent Credit. While the majority of the changes enacted in the Tax Cuts and Jobs Act are effective beginning in Tax Year 2018, some are effective beginning in later tax years. Two of the more notable changes that affect individual taxpayers beginning in Tax Year 2019 are the repeal of the deduction for alimony payments for any divorce or separation executed after December 31, 2018, and the

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<sup>3</sup> Pub. L. No. 116-25, 133 Stat. 981.

<sup>4</sup> Prior to this legislation, taxpayers were able to pay their taxes using a debit/credit card; however, the payment had to go through various third-party partners.

<sup>5</sup> Pub. L. No. 115-123, 132 Stat. 64.

<sup>6</sup> Form 1040EZ was replaced by the redesigned Form 1040, *U.S. Individual Income Tax Return*, beginning in Tax Year 2018.

<sup>7</sup> Pub. L. No. 115-97, 131 Stat. 2054.



## Interim Results of the 2020 Filing Season

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elimination of the Shared Responsibility Payment for individuals who did not maintain minimum essential health care insurance coverage for themselves and their dependents.

### **Protecting Americans From Tax Hikes Act of 2015 (PATH Act)<sup>8</sup>**

Enacted on December 18, 2015, this Act contains a number of provisions referred to as program integrity provisions intended to reduce fraudulent and improper Earned Income Tax Credit (EITC), Child Tax Credit, Additional Child Tax Credit (ACTC), and American Opportunity Tax Credit (AOTC) payments. The majority of the program integrity provisions were effective January 1, 2016. For the 2020 Filing Season, the IRS will continue its efforts to ensure that refundable tax credit claims comply with these integrity provisions. We will perform limited testing to determine the number of information returns filed and how the IRS continues to use these third-party documents to verify reported income on tax returns with a claim for a refund and the EITC or ACTC at the time the tax return was processed.

### **The Patient Protection and Affordable Care Act (Affordable Care Act)<sup>9</sup>**

Enacted on March 23, 2010, this Act provides incentives and tax breaks to individuals and small businesses to offset health care expenses. It also imposes penalties, administered through the tax code, for individuals and businesses that do not obtain health care coverage for themselves or their employees. Taxpayers who purchase insurance through an Exchange are required to file a tax return and attach Form 8962, *Premium Tax Credit (PTC)*, to claim the Premium Tax Credit and reconcile any Advance Premium Tax Credit payments that were made to an insurer on their behalf. The Affordable Care Act also required individuals to report on their compliance with maintaining minimum essential health insurance coverage. Individuals who did not meet this reporting requirement were required to make a Shared Responsibility Payment. The Tax Cuts and Jobs Act modified the Affordable Care Act Shared Responsibility Payment by changing the penalty amount to \$0 for months beginning after December 31, 2018. We will perform limited testing to ensure that the IRS's processes and procedures have been updated for this change and will present statistics related to the Premium Tax Credit in our final 2020 Filing Season report scheduled to be issued later this calendar year.

### **Prior TIGTA recommendations**

We plan to follow up on findings previously reported by TIGTA and assess actions taken by the IRS to address prior recommendations. In January 2020,<sup>10</sup> we made the following recommendations:

- *Estimated Tax Penalty Relief*— The IRS should ensure that any remaining penalty assessments qualifying for the 80 percent waiver are identified and abated. This includes those penalties that have already been assessed as well as those that may be assessed on Tax Year 2018 returns filed throughout Processing Year 2019. The IRS agreed with this recommendation and indicated that the affected accounts are being reviewed and corrected as needed. IRS management also stated that they plan to perform data analysis on all Tax Year 2018 returns filed by the extended return due date of October 15, 2019, to identify taxpayers who qualified for the waiver and did not claim it.

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<sup>8</sup> Consolidated Appropriations Act, 2016, Pub. L. No. 114-113, 129 Stat. 2242 (2015).

<sup>9</sup> Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the U.S. Code), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

<sup>10</sup> TIGTA, Ref. No. 2020-44-007, *Results of the 2019 Filing Season* (Jan. 2020).



## Interim Results of the 2020 Filing Season

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After identification of the accounts, management indicated that they will perform a systemic abatement of the penalty assessments.

- *Business Rule Programming* – The IRS should correct business rules related to the increased standard deduction, tax returns with a blank or zero amount on the Other Adjustments Statement, tax returns with claims for the Child Tax Credit or ACTC when the child claimed has an Adoption Taxpayer Identification Number or Individual Taxpayer Identification Number, or tax returns with claims for the ACTC that exceed the statutory limit of \$1,400 per child. The IRS agreed with this recommendation and has submitted programming changes to address this issue.
- *Casualty and Theft Loss Claims* – The IRS should create a business rule to reject tax returns when a casualty and theft loss deduction is included on Schedule A, *Itemized Deductions*, and Form 4684, *Casualties and Thefts*, but does not include the required Federal Emergency Management Agency disaster declaration number. The IRS partially agreed with this recommendation to the extent that it will reduce the volume of returns processed with missing disaster declaration numbers. IRS management does not think rejection of these returns is the appropriate treatment and stated that the absence of a disaster declaration number on a return claiming a casualty loss does not make an otherwise eligible loss ineligible. IRS management also stated that the determination of eligibility for the deduction is a question that can only be answered through an examination, a process that must be conducted under deficiency procedures. With input from its compliance functions, IRS management plans to develop processes to identify returns missing the disaster declaration numbers and route them to the Error Resolution function for treatment.
- *Compliance Efforts Related to Moving Expenses, Casualty and Theft Losses, and Employee Business Expenses* – The IRS should evaluate the need to implement processes at filing that will identify tax returns that have a deduction for moving expenses but do not appear to qualify for the deduction, such as adding a required Employer Identification Number (EIN) field or a checkbox for the taxpayer to attest that he or she is a member of the military. The IRS agreed with this recommendation and plans to coordinate with its compliance functions to determine if processes can be implemented at the point of filing that will supplement existing compliance selection processes to identify questionable or nonqualifying moving expense deductions. The IRS includes tax returns claiming the casualty and theft loss in its compliance program. The IRS also agreed to consider including tax returns claiming employee business expenses.

We will continue to evaluate the IRS's implementation of these recommendations and provide results in our final 2020 Filing Season report later this calendar year. In addition, in September 2017, a TIGTA audit<sup>11</sup> recommended that the IRS identify and communicate with grantees preparing high percentages of tax returns over the Volunteer Income Tax Assistance Program income level to ensure that funds are expended in compliance with Congressional intent. We will analyze the number of tax returns filed by each site receiving Volunteer Income Tax Assistance Program grants to ensure compliance with the provision.

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<sup>11</sup> TIGTA, Ref. No. 2017-40-088, *Improvements Are Needed to Ensure That the Volunteer Income Tax Assistance Grant Program Extends Tax Return Preparation to Underserved Populations* (Sept. 2017).



### Results of Review

This interim report presents the results of our review to evaluate whether the IRS timely and accurately processed individual paper and electronically filed (e-filed) tax returns. The results are being presented as of several dates between January 23, 2020, and March 30, 2020, depending on when the information was available. We plan to issue our final assessment of the 2020 Filing Season later in Calendar Year 2020.

Unlike any other filing season, the IRS is having to take unprecedented and drastic actions to address Coronavirus Disease 2019 (COVID-19), to protect the health and safety of its employees and the taxpaying public. These actions include closing Taxpayer Assistance Centers (TAC), Tax Processing Centers, and offices nationwide. Nonetheless, e-filing remains in place. Specifically, e-filed returns with no error or review conditions identified will continue to be processed. In addition, in response to Office of Personnel Management guidance, starting Monday, March 30, 2020, the IRS is directing all employees, including employees who are currently not teleworking but whose work is portable or can be adapted to work off-site to evacuate the work site and work from home (or an alternate location) – including employees who are not currently on a telework agreement. Finally, on March 25, 2020, the IRS unveiled a new *People First Initiative* to help people facing the challenges of COVID-19. The IRS announced a sweeping series of steps to assist taxpayers by providing relief on a variety of issues ranging from easing payment guidelines to postponing compliance actions. Information on the various actions the IRS is taking and the relief being offered can be found on the IRS website at [www.irs.gov/coronavirus](http://www.irs.gov/coronavirus).

The actions the IRS is taking in response to this pandemic will affect its ability to provide timely customer service and tax return processing. As such, we plan to monitor and evaluate the IRS's response and implementation of actions taken and will issue another interim report to provide real-time information on the continued progression of the 2020 Filing Season, including the challenges the IRS faces to implement the delay in tax return filing and payments to July 15, 2020, as well as likely backlogs.

### Processing Tax Returns

In preparation for the 2020 Filing Season, the IRS updated its processes and procedures to address legislative requirements, including the implementation of tax extender legislation enacted in late December 2019. Similar to last filing season, the IRS once again made extensive revisions to Form 1040, *U.S. Individual Income Tax Return*, and its related schedules. For example, three of the six Form 1040 schedules that were new for Tax Year 2018 are now obsolete. The information from the discontinued schedules is now included on other existing schedules or on the revised Form 1040 for Tax Year 2019. In addition, as required by legislation, the IRS developed the Form 1040-SR for use by taxpayers age 65 or older to file their individual income tax return. Similar to redesigns of the Form 1040 and related schedules, the development of the Form 1040-SR required the IRS to update tax forms, instructions, and publications.

During Calendar Year 2020, the IRS expects to receive approximately 155.1 million individual income tax returns (15.3 million filed via paper and 139.8 million e-filed). Participation in the IRS Free File program has increased significantly this filing season. As of February 28, 2020, more than 1.5 million Free File returns were received compared to the more than 1.3 million



## Interim Results of the 2020 Filing Season

Free File returns received last year as of March 1, 2019. The IRS began accepting and processing individual tax returns on January 27, 2020, as planned. Figure 1 presents comparative statistics as of February 28, 2020.

**Figure 1: Comparative Filing Season Statistics  
(as of February 28, 2020)**

Cumulative Filing Season Data	2019 Actual	2020 Actual	% Change
<b>Individual Income Tax Returns</b>			
<b>Total Returns Received (000s)</b>	59,223	59,305	0.1%
<b>Paper Returns Received (000s)</b>	2,729	2,569	-5.9%
<b>E-Filed Returns Received (000s)</b>	56,494	56,736	0.4%
Practitioner-Prepared (000s)	27,017	26,410	-2.2%
Home Computer (000s)	29,477	30,326	2.9%
Free File (000s) <i>(in the Home Computer total)</i>	1,251	1,531	22.4%
Fillable Forms (000s) <i>(in the Home Computer total)</i>	93	81	-12.9%
<b>Percentage of Returns E-Filed</b>	95.4%	95.7%	0.3%
<b>Refunds</b>			
<b>Total Number Issued (000s)</b>	46,416	45,552	-1.9%
<b>Total Dollars (in millions)</b>	\$142,395	\$139,593	-2.0%
<b>Average Dollars</b>	\$3,068	\$3,064	-0.1%
<b>Total Number of Direct Deposits (000s)</b>	43,241	42,636	-1.4%
<b>Total Direct Deposit Dollars (in millions)</b>	\$136,601	\$134,202	-1.8%

*Source: Multiple 2020 Filing Season reports. Totals and percentages shown are rounded. 2019 Filing Season figures are through March 1, 2019, and 2020 Filing Season figures are through February 28, 2020.*

### **Actions taken to address the impact of the Coronavirus on the 2020 Filing Season**

In addition to the continuing challenges the IRS faces each year, this year the IRS is having to develop plans to address the impact of COVID-19 on the health and safety of its employees as well as its effect on tax administration. Key actions taken to date include:

- March 4, 2020, the IRS Commissioner sent an e-mail directly to all IRS employees communicating that the IRS is taking steps to keep them safe and informed. The IRS formed a working group to coordinate with Service-wide leaders to identify possible effects on the workforce, direct employees to the latest information on COVID-19, and provide guidance on human resource flexibilities and authorities. The Commissioner directed employees to the Centers for Disease Control and Prevention website for guidance and to an internal IRS web page on COVID-19.
- March 13, 2020, the Commissioner instructed the senior leadership team to immediately implement provisions in response to the President's declaration of a national emergency because of the coronavirus. These provisions include maximizing telework flexibility for eligible employees Service-wide, expanding leave flexibility, reducing in-person contacts for all front-line employees with face-to-face interaction with taxpayers, implementing



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travel restrictions, and providing access to hygiene products to protect the health of employees and taxpayers entering facilities. The IRS also rolled out a web page on its website ([www.irs.gov/coronavirus](http://www.irs.gov/coronavirus)) entitled *Coronavirus Tax Relief* to provide information to help taxpayers, businesses, and others affected by the coronavirus.

- March 18, 2020, the IRS issued Notice 2020-17, *Relief for Taxpayers Affected by Ongoing Coronavirus Disease 2019 Pandemic*, extending the deadline to pay Federal income tax from April 15 to July 15. Income tax payments for individual returns with a due date of April 15, 2020, are being automatically extended until July 15, 2020, for up to \$1 million of their Tax Year 2019 tax due. This payment relief applies to all individual returns, including self-employed individuals, and all entities other than C-Corporations, such as trusts or estates.
- March 20, 2020, the Secretary of the Treasury announced that the deadline for filing a Tax Year 2019 tax return is also being extended until July 15, 2020. The IRS issued Notice 2020-18, *Relief for Taxpayers Affected by Ongoing Coronavirus Disease 2019 Pandemic*, extending the deadline for filing a Tax Year 2019 income tax return until July 15, 2020. The IRS will automatically provide this relief to taxpayers. Taxpayers do not need to file any additional forms or call the IRS to qualify for this relief.

Finally, for any location not currently closed, the IRS is reducing staffing by approximately 50 percent to enhance social distancing for those that perform mission-critical work at the Tax Processing Centers. We will continue to monitor and evaluate the IRS's response and implementation of actions taken at the direction of the Department of the Treasury.

### **Evaluation of Key Tax Law Provisions That Affect the 2020 Filing Season and Revisions to Form 1040, U.S. Individual Income Tax Return**

We selected for in-depth testing 81 business rules<sup>12</sup> created or modified by the IRS and 112 business rules that were required to be deleted or disabled. As of March 15, 2020, we confirmed that the IRS correctly deleted or disabled the 112 business rules. In addition, as of March 30, 2020, our testing identified no concerns with 74 of the 81 business rules that were created or modified. Specifically, these rules were correctly programmed to identify e-filed tax returns for rejection that met the business rule criteria.

For one of the 81 business rules, we found that programming errors allowed taxpayers to claim the ACTC when the dependent used to claim the credit has an Individual Taxpayer Identification Number. As of February 27, 2020, we identified 36 tax returns with \$61,248 in ACTC claims that should have been rejected but were not. We found that the IRS paid ACTCs totaling \$34,594 for 20 of the 36 tax returns. The IRS denied the ACTC claims for the remaining 16 tax returns during processing. On February 28, 2020, the IRS agreed that the programming for this rule is not functioning as intended and had already submitted a programming request with a requested implementation date of February 23, 2020. We will continue to monitor claims involving the ACTC for the remainder of the filing season and to evaluate the remaining six rules.

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<sup>12</sup> Business rules are 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.



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As of December 18, 2019, the IRS modified one error resolution code<sup>13</sup> to only apply to previous tax year filings and deleted four error codes. We plan to report on these error codes later in the calendar year. In addition, the IRS created a new error code related to the Qualified Business Income Deduction, which we will be evaluating in a separate review.<sup>14</sup> Finally, legislation for tax extenders was signed into law on December 20, 2019. The IRS was able to update the Modernized e-File program to accept e-filed tax returns that include tax extender claims. However, due to the late passage, the IRS was unable to update error resolution programming prior to the start of the filing season. As a result, the IRS suspended 98,479 tax returns through February 15, 2020. These tax returns needed to be suspended from processing to provide the IRS an opportunity to correct the ERS programming rather than manually computing each tax return.

The IRS updated its programming on February 4, 2020. Once updated, Error Resolution program staff located at each tax processing center had to manually reactivate their inventory of suspended tax returns. This means they had to enter the unique identifier from each tax return into the computer to move the tax returns from the suspense inventory to the workable inventory. Once a return is reactivated, the return is sent back through processing to determine if the tax return still contains any additional unrelated error condition(s). This is a labor-intensive process that takes away from the IRS's limited Error Resolution function resources. We have a separate ongoing review that is looking at the efficiencies of the Error Resolution System, and we plan to issue our report later this calendar year.<sup>15</sup>

### **Evaluation of the Integrity Provisions Included in the Protecting Americans From Tax Hikes Act of 2015**

We are continuing to evaluate IRS processes to implement the integrity provisions of the PATH Act. The following presents our results to date:

- *Receipt of Income and Withholding Statements* – The PATH Act required the IRS to hold refunds for taxpayers claiming the EITC and the ACTC until February 15. In addition, it moved the filing date for Forms W-2, *Wage and Tax Statement*, and Forms 1099-MISC, *Miscellaneous Income*, to January 31. This provision was enacted to enable the IRS to validate the income used to support EITC and ACTC claims before refunds are issued. The IRS reports that, as of February 14, 2020, it received:
  - 235.8 million Tax Year 2019 Forms W-2 filed by 4.8 million employers, which is a 5 percent increase compared to the 225 million Forms W-2 filed as of February 11, 2019.
  - 6.4 million Tax Year 2019 Forms 1099-MISC, with nonemployee compensation reported, filed by 485,886 payers, which is a 550 percent increase compared to the 0.9 million Forms 1099-MISC filed as of February 15, 2019.

<sup>13</sup> Error resolution codes validate the accuracy of paper and e-filed tax returns during processing. When a tax return is identified with an error condition, the IRS suspends the tax return from processing and sends the tax return to a tax examiner to correct the error. Once corrected, the IRS continues to process the tax return.

<sup>14</sup> TIGTA, Audit No. 202040008, *Taxpayer Compliance With Requirements for the Qualified Business Income Deduction*.

<sup>15</sup> TIGTA, Audit No. 201940007, *Accuracy of Error Resolution System Processing*.



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- *Processes Ensure That an Educational Institution EIN Is Provided When an AOTC Is Claimed* – The PATH Act modified the AOTC to require individuals claiming the credit to provide the EIN of the educational institution attended. In December 2018,<sup>16</sup> we reported that we identified 234,053 tax returns filed without an educational institution EIN. These taxpayers received approximately \$209 million in refundable AOTCs. In response, the IRS established processes to identify, at the time tax returns are filed, all AOTC claims for which the required EIN is not provided.

In January 2020,<sup>17</sup> we reported that the IRS created a new business rule to reject all e-filed tax returns with an AOTC claim when no educational institution EIN was provided. However, our prior review found that the new business rule rejected e-filed returns only when AOTC claims involved only the refundable portion of the AOTC. Our analysis of e-filed tax returns processed as of May 2, 2019, identified 938 AOTC claims with approximately \$709,000 in nonrefundable AOTCs and approximately \$608,500 in refundable AOTCs, totaling \$1.3 million, for which an institution EIN was not provided that were not rejected. We recommended that the IRS update the business rule. The IRS agreed and submitted programming to address the issue. As of March 16, 2020, our initial results show that IRS controls to ensure a valid educational institution EIN is present are working as intended.

### Detecting and Preventing Tax Refund Fraud

As of February 29, 2020, the IRS reported that it identified 30,038 tax returns with approximately \$135.6 million claimed in fraudulent refunds and prevented the issuance of \$133.5 million (98.5 percent) of those refunds. This represents a 751 percent increase over the number of tax returns identified during the same period last filing season. As we previously reported, beginning in Processing Year 2019, the IRS's Return Review Program suspended all tax returns identified as potentially fraudulent to provide additional time for the IRS to receive third-party income documents (*e.g.*, Forms W-2) to verify the income and withholding reported on the tax returns. Returns for which third-party documents are received but the income and withholding do not match are sent for further review. Tax returns for which no third-party income document(s) are received by June 15 are sent to the IRS's Integrity and Verification Operations for screening and verification. Figure 2 shows the number of fraudulent tax returns identified by the IRS for Processing Years 2019 through 2020 as well as the refund amounts that were stopped.

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<sup>16</sup> TIGTA, Ref. No. 2019-40-013, *Results of the 2018 Filing Season* (Dec. 2018).

<sup>17</sup> TIGTA, Ref. No. 2020-44-007, *Results of the 2019 Filing Season* (Jan. 2020).



## Interim Results of the 2020 Filing Season

**Figure 2: Fraudulent Tax Returns and Refunds Identified and Stopped in Processing Years 2019 and 2020 (as of February 29, 2020)**

Processing Year	Number of Fraudulent Refund Returns Identified	Number of Fraudulent Refund Returns Stopped	Amount of Fraudulent Refunds Identified	Amount of Fraudulent Refunds Stopped
2019	3,529	2,895	\$15,771,452	\$12,166,421
2020	30,038	29,634	\$135,569,131	\$133,522,995

Source: IRS fraudulent tax return statistics for Processing Years 2019 and 2020, as of February 29, 2020.

### 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 January 23, 2020, the IRS has locked taxpayer accounts of 42.9 million deceased individuals. This compares to 40.1 million accounts locked as of February 21, 2019. 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 February 29, 2020, it had rejected approximately 15,000 fraudulent e-filed tax returns, and as of February 27, 2020, it had stopped 736 paper tax returns from posting to the Master File.

### Detection of tax returns involving identity theft

For the 2020 Filing Season, the IRS is using 196 filters to identify potential identity theft tax returns and prevent the issuance of fraudulent tax refunds. In comparison, for the 2019 Filing Season, the IRS used 193 filters. 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 February 27, 2020, the IRS reported that it identified 560,000 tax returns with refunds totaling approximately \$2.1 billion for additional review as a result of the identity theft filters. As of February 27, 2020, the IRS had confirmed 1,968 fraudulent tax returns and prevented the issuance of \$8.1 million in fraudulent tax refunds. Figure 3 shows the number of identity theft tax returns the IRS identified and confirmed as fraudulent in Processing Years 2019 through 2020, as of February 27, 2020.



**Figure 3: Identity Theft Tax Returns Confirmed Fraudulent in Processing Years 2019<sup>18</sup> and 2020 (as of February 27, 2020)**

Processing Year	Number of Identity Theft Returns
2019	3,471
2020	1,968

Source: IRS fraudulent tax return statistics for Processing Year 2019 (as of February 28, 2019) and Processing Year 2020 (as of February 27, 2020).

We are conducting a separate review assessing the IRS’s Service-wide revenue protection strategy for individual tax returns and plan to issue our report later this calendar year.<sup>19</sup>

**Sensitive document waste containers located at Tax Processing Centers are not being adequately secured, and sensitive taxpayer data are readily accessible to non-IRS employees**

Based on a referral we received in January 2020 from our Office of Investigations regarding a potential theft of taxpayer data from unsecured sensitive document waste containers, we conducted overnight checks at the Austin, Fresno, Kansas City, and Ogden Tax Processing Centers in February 2020. Our inspection identified 185 sensitive document waste containers with 56 (30 percent) that were unlocked; 34 of these were unattended. We also identified two containers that, although locked, were so full that a person could pull material from the slot without having to open the container. Finally, we identified taxpayer data on employees’ desks, in common areas accessible to anyone (e.g., printer areas), and in recycling bins next to employees’ desks.

When we brought our concerns to IRS management’s attention, they agreed that sensitive document waste containers should be secured and that Personally Identifiable Information should be secured in unrestricted areas as well as in common or high-traffic areas of restricted space, such as near printers, copiers, or other unattended work areas. Management noted that our concerns were shared with responsible functional areas for action to ensure that the unsecured bins are now locked. In addition, management is identifying individuals who have keys to access sensitive document waste containers to reinforce the responsibilities associated with having custody of the keys and communicate expectations that opened containers be resecured by the end of the workday. Finally, management is working with Tax Processing Site coordinators to convey expectations for visual inspections of the work areas and increased employee awareness of their responsibilities to protect Personally Identifiable Information.

<sup>18</sup> On March 27, 2020, IRS management indicated that the number of confirmed fraudulent identity theft tax returns for Processing Year 2019 (provided to TIGTA on March 12, 2019) was incorrect. This table reflects the corrected number.

<sup>19</sup> TIGTA, Audit No. 201940003, *Revenue Protection Strategy for Individual Tax Returns*.



### 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 (SSA). These data files are used to identify for additional screening tax returns filed using a prisoner Social Security Number. As of February 29, 2020, the IRS reported that it identified for screening 17,877 potentially fraudulent tax returns filed by prisoners.<sup>20</sup> This represents an 11.7 percent decrease over the number of tax returns identified during the same period last filing season. Figure 4 shows the number of prisoner tax returns identified for screening in Processing Years 2018 through 2020.

**Figure 4: Prisoner Tax Returns Identified for Screening in Processing Years 2018 Through 2020 (as of February 29, 2020)**

Processing Year	Number of Prisoner Tax Returns Identified for Screening
2018	13,964
2019	20,236 <sup>21</sup>
2020	17,877

Source: IRS fraudulent tax return statistics for Processing Year 2018 (as of February 28, 2018), Processing Year 2019 (as of February 23, 2019), and Processing Year 2020 (as of February 29, 2020).

### 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 sites, and Tax Counseling for the Elderly sites. 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 notable self-assistance option is the IRS’s public Internet site, IRS.gov. The IRS reported 291.9 million visits to IRS.gov this filing season as of February 28, 2020. In comparison, the IRS reported 272.6 million visits to IRS.gov for the 2019 Filing Season as of March 1, 2019. The IRS website provides a number of online tools to assist taxpayers. Figure 5 provides examples of these online tools along with the number of times the tool was used as of March 1, 2020.

<sup>20</sup> Tax returns filed using a prisoner’s name and Social Security Number.

<sup>21</sup> On March 15, 2019, the IRS was notified that there was an issue with the underlying data used to identify prisoner fraud that caused an increase in the number of tax returns selected. On April 23, 2019, the IRS corrected the prisoner file data; however, the number of prisoner tax returns had already been identified for screening.



## Interim Results of the 2020 Filing Season

**Figure 5: Examples of Online Tool Uses for the 2020 Filing Season (as of March 1, 2020)**

Tool	Description	Number of Uses
<i>Interactive Tax Assistant</i>	A tax law resource that takes taxpayers through a series of questions and provides them with responses to basic tax law questions.	0.5 million
<i>Tax Withholding Estimator</i>	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, <i>Employee's Withholding Certificate</i> , that employees can fill out and provide to their employers.	2.0 million
<i>Where's My Refund?</i>	Allows taxpayers to check the status of their refunds using the most up-to-date information available to the IRS.	258.5 million

Source: IRS management information reports for the *Interactive Tax Assistant* as of March 1, 2020; *Tax Withholding Estimator* completions as of February 29, 2020; and *Where's My Refund?* tool as of February 28, 2020.

### Social media platforms

The IRS also offers taxpayers the ability to obtain information and interact with the IRS using their mobile devices. For example, the IRS offers IRS2Go and uses various forms of social media, including YouTube, Twitter, Facebook, and Instagram. Figure 6 shows the total number of followers for each of these platforms along with the cumulative number of YouTube videos viewed as of March 1, 2020.

**Figure 6: Number of Followers on Social Media Platforms (as of March 1, 2020)**

Social Media Platforms	Number of Followers
<i>YouTube (Views)</i>	17.3 million
<i>IRS2Go</i>	7.1 million
<i>Twitter</i>	206,839
<i>Facebook</i>	140,548
<i>Instagram</i>	14,348

Source: IRS management information reports.

### Toll-free telephone level of assistance

As of February 28, 2020, taxpayers made approximately 24.5 million total attempts and 16.7 million net attempts<sup>22</sup> to contact the IRS by calling the various customer service toll-free telephone assistance lines. The IRS reports that approximately 8.1 million calls were answered with automation, and telephone assistants answered more than 4 million calls and provided a 67.9 percent Level of Service with a 10-minute Average Speed of Answer. The IRS forecasts a

<sup>22</sup> Total call attempts represent calls received during open and after hours. Total net call attempts represent calls received during open hours.



## Interim Results of the 2020 Filing Season

65 percent Level of Service for the 2020 Filing Season. Figure 7 shows a comparison of IRS toll-free telephone statistics as of February 28, 2020, for Filing Seasons 2019 and 2020.

**Figure 7: Toll-Free Telephone Services  
Statistics for Filing Seasons 2019 and 2020  
(as of February 28, 2020)**

Statistic	Filing Season	
	2019	2020
Assistor Calls Answered	3,052,000	4,051,000
Level of Service	55.6%	67.9%
Average Speed of Answer (Minutes)	13	10

*Source: IRS management information reports (as of March 1, 2019, for the 2019 Filing Season and as of February 28, 2020, for the 2020 Filing Season).*

In June 2019,<sup>23</sup> we reported that the IRS's telephone performance measures do not reflect overall call demand or performance for IRS telephone assistance. Specifically, the IRS's Level of Service did not account for total taxpayer demand. We recommended that the IRS update telephone assistance performance measures to include calculating and externally reporting on the Level of Access.<sup>24</sup> The IRS agreed with this recommendation and planned to evaluate the performance measures using Level of Access as supplemental information reported with its traditional Level of Service measure. We asked IRS management about the status of their corrective action to this recommendation. Management indicated they performed an analysis of the telephone performance measures and concluded that the Level of Access measure provided no additional benefit for the IRS or the public. The recommendation was closed in February 2020. We disagree and will continue to compute and provide the Level of Access in our filing season reports to provide external stakeholders, including Congress, a measurement that reflects overall call demand and taxpayer experience. We computed the Level of Access, which reflects the total of all callers seeking assistance that ultimately receive assistance from the IRS as of February 28, 2020, to be 59.4 percent compared to the 67.9 percent Level of Service the IRS computed for this same period.

On March 13, 2020, the Commissioner instructed the senior leadership team to immediately implement provisions in response to the President's declaration of a national emergency because of the coronavirus. These provisions include maximizing telework flexibility for eligible employees Service-wide. As part of these efforts, the IRS is testing options for telephone assistors to telework. We will continue to evaluate the IRS's efforts going forward.

<sup>23</sup> TIGTA, Ref. No. 2019-40-041, *Telephone Performance Measures Do Not Provide an Accurate Assessment of Service to Taxpayers* (June 2019).

<sup>24</sup> The Level of Access is computed by taking the sum of Assistor Calls Answered (4,051,000) and Automated Calls Answered (8,121,000) divided by Total Dialed Number Attempts Open Hours (20,504,762).



## Interim Results of the 2020 Filing Season

### TAC assistance

Each year, millions of taxpayers seek assistance from one of the IRS's 358 walk-in offices, called TACs. Similar to prior filing seasons, the IRS reports having more TACs than are actually opened. For example, the IRS reports having 358 TACs for the 2020 Filing Season, yet 40 of these TACs are not open because they have not been staffed as of February 20, 2020. An additional seven TACs have no permanent technical staff assigned to the TAC. However, the IRS is able to keep these locations open by providing a circuit rider. A circuit rider is an employee who travels from another office to cover the unstaffed TAC.

The IRS hired 102 seasonal employees of the 130 positions approved for Fiscal Year 2020 to assist at TAC locations. As of March 20, 2020, 78 of the 102 have started with the IRS. IRS management informed us that they have been unable to attract qualified candidates for some of the remaining positions, but they continue to market the openings in these hard-to-fill locations. Before the filing season, the IRS had estimated that the number of taxpayers the IRS assists at its TACs would continue to decrease this fiscal year. The IRS planned to assist approximately 2.3 million taxpayers at its TACs in Fiscal Year 2020, an approximately 4.2 percent decrease from Fiscal Year 2019. Figure 8 shows the number of contacts by product line at the TACs for Fiscal Years 2019 and 2020.

**Figure 8: TAC Contacts for Fiscal Years 2019 and 2020 (in millions)**

Contacts/Product Lines	Fiscal Year	
	2019	2020 Projections
Tax Account Contacts	1.55	1.51
Form Contacts	0.07	0.08
Other Contacts	0.73	0.65
Tax Law Contacts	0.02	0.02
<b>Totals</b>	<b>2.36</b>	<b>2.26</b>

*Source: IRS management information reports. Numbers shown are rounded, and totals may not calculate due to rounding.*

Service at all TACs is currently suspended due to COVID-19. When TACs are operating, the IRS uses appointment service. As in prior years, the IRS attempts to resolve the taxpayer's question or provide the taxpayer with information on alternative services when they call to schedule an appointment. The IRS reports that, as of February 29, 2020,<sup>25</sup> IRS employees answered 887,173 calls to schedule an appointment. Of these, 475,592 necessitated the taxpayer schedule an appointment and visit a TAC; the remaining 411,581 taxpayers were assisted without having to visit a TAC. The IRS noted that taxpayers who travel to a TAC without an appointment are assisted if there is availability. As of February 29, 2020, the IRS reported that it provided assistance to 73,007 taxpayers who did not have an appointment.

<sup>25</sup> For Fiscal Year 2020 – October 1, 2019, through February 29, 2020.



## Interim Results of the 2020 Filing Season

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 when a TAC is not 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. For the 2020 Filing Season, as of February 29, 2020, the IRS offers Virtual Service Delivery at 34 community partner sites. The IRS reports that, as of February 29, 2020,<sup>26</sup> a total of 122 taxpayers have used the service.
- *Co-Located Sites With the SSA* – 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*, 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 2020 Filing Season, the IRS has placed employees in six SSA locations. The IRS reports that, as of February 29, 2020,<sup>27</sup> 635 taxpayers have used the service.

In May 2019,<sup>28</sup> we reported that SSA officials identified 35 additional locations where they could potentially share an office with the IRS in Fiscal Year 2019. Our review concluded that further expansion of SSA co-located sites provides the most economical option for the IRS. For example, it cost the IRS only \$26,984 to rent space at the five SSA co-located sites in Fiscal Year 2018. We also reported that the SSA’s website has a list of 1,354 field offices that the IRS could evaluate for further expansion of the co-located sites with the SSA. No actions have been taken to expand this initiative to date.

In response to the Coronavirus outbreak, on March 19, 2020, the IRS ceased providing walk-in and in-person appointments at the TACs. Walk-in services with the Taxpayer Advocate Service have also ended, although phone operations continue.

### Assistance at Volunteer Program sites

The Volunteer Program plays an important role in the IRS’s efforts to improve taxpayer service and facilitate participation in the tax system. It provides no-cost Federal tax return preparation and e-filing to underserved taxpayer segments, including low-income, elderly, disabled, rural, limited-English-proficient, and Native American taxpayers. Volunteer Program sites prepared nearly 1.4 million tax returns as of March 1, 2020, at 9,693 Volunteer Program sites that were open as of March 3, 2020. Figure 9 shows the number of tax returns prepared by volunteers from Fiscal Years 2019 through 2020 as of February 25, 2020.

<sup>26</sup> For Fiscal Year 2020 – October 1, 2019, through February 29, 2020.

<sup>27</sup> For Fiscal Year 2020 – October 1, 2019, through February 29, 2020.

<sup>28</sup> TIGTA, Ref. No. 2019-40-029, *The Internal Revenue Service Did Not Follow Congressional Directives Before Closing Taxpayer Assistance Centers; a Data-Driven Model Should Be Used to Optimize Locations* (May 2019).



## Interim Results of the 2020 Filing Season

**Figure 9: Volunteer Program Statistics  
for Fiscal Years 2019 and 2020  
(as of March 3, 2020)**

	Fiscal Year 2019	Fiscal Year 2020	Percentage Change
Tax Returns	1,391,443	1,364,784	-1.9%
Sites	9,597	9,693	1.0%

*Source: IRS management reports containing Fiscal Years 2019 and 2020 information. Percentages are rounded.*

As of April 1, 2020, the IRS website states that due to COVID-19, a number of Volunteer Income Tax Assistance sites and all Tax Counseling for the Elderly sites are closed for an undetermined period of time.

### Accounts Management function over-aged inventory

As of February 29, 2020, the IRS reports more than 1.3 million cases in its over-aged inventory. In comparison, for the 2019 Filing Season, the IRS reported nearly 1 million cases in over-aged inventory as of March 2, 2019, which is an increase of 35.8 percent.<sup>29</sup> Accounts Management function inventory includes, but is not limited to, amended tax returns, responses to taxpayer notices, and identity theft cases and is generally considered over-aged when it has been in inventory for more than a designated number of calendar days. Staff responsible for working taxpayer correspondence are divided between working taxpayer correspondence and staffing the customer service telephone lines.

We asked IRS management, on March 9, 2020, why the over-aged inventory continues to be high even though the previous backlog due to the shutdown in Calendar Year 2019 has been resolved. IRS management indicated that the increased inventory and the over-aged inventory is attributable to many factors but is primarily a consequence of the 35-day shutdown in January 2019, a reduced Fiscal Year 2020 budget, and the requirement to staff the toll-free lines. The IRS analyzed the separate inventory categories and identified the ones that most significantly contributed to the overall increase. The IRS developed a plan to address the over-aged cases that includes allowing overtime and the hiring of additional tax examiners. We will continue to monitor the inventory levels and provide an update in our final report for the 2020 Filing Season later this calendar year.

The total Accounts Management inventory increased from nearly 2.1 million cases as of March 2, 2019, to 2.6 million cases as of February 29, 2020. Figure 10 provides a comparison of the Accounts Management function inventory for Fiscal Years 2019 and 2020 as of February 29, 2020.

<sup>29</sup> The percentage is based on the numbers in Figure 10.



## Interim Results of the 2020 Filing Season

**Figure 10: Comparison of Accounts Management Function Inventory for Fiscal Years 2019 and 2020 (as of February 29, 2020)**

	2019	2020	Percent Change
Total Inventory	2,086,979	2,607,264	24.9%
Over-Aged Volume	995,738	1,351,951	35.8%
Percentage Over-Aged	47.7%	51.9%	8.8%

*Source: IRS Accounts Management Inventory Report – Inventory Age Reports.*



# Appendix I

## Detailed Objective, Scope, and Methodology

Our overall objective was to evaluate whether the IRS timely and accurately processed individual paper and e-filed tax returns during the 2020 Filing Season. To accomplish our objective, we:

- Monitored online news outlets and forums to identify any preparation, filing, or processing issues that taxpayers are experiencing.
- Determined whether IRS monitoring systems indicate that individual tax returns were being processed timely and accurately. Monitored key IRS indicators, including the e-file business rule reports, and volume of tax return receipts.
- Identified volumes of paper and e-filed tax returns received through February 28, 2020, from the IRS Weekly Filing Season reports and compared the statistics to the same period for the 2019 Filing Season.
- Evaluated actions taken by the IRS to address recommendations made in our January 2020 report on the 2019 Filing Season.
- Ensured that business rules associated with the implementation of key tax provisions (including the extender legislation) and the redesigned Form 1040 worked as intended. Evaluated the accuracy of the new and revised business rules.
- Identified results of the IRS tax refund fraud programs, including identity theft and prisoner refund fraud, 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.
- Monitored the Accounts Management function's over-aged inventory.

### **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 Cincinnati, Ohio; and the Information Technology organization in Lanham, Maryland, during the period November 2019 through March 2020. 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; John H. Hawkins, Senior Auditor; Tracy M. Hernandez, Senior Auditor; Robert J. Howes, Senior Auditor; Jane G. Lee, Senior Auditor; Branden L. Dreher, Auditor; Meera Dave, Information Technology Specialist;



## Interim Results of the 2020 Filing Season

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Hong Cao, Information Technology Specialist (Data Analytics); Theodore Logothetti, Information Technology Specialist (Data Analytics).

### **Validity and Reliability of Data From Computer-Based Systems**

During this review, we obtained extracts from the Modernized e-File databases for Processing Year 2020 that were transmitted directly from the IRS. 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. We also performed analysis 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 reliable.

### **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 also 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 2020 Filing Season. We evaluated these controls by monitoring IRS weekly production meetings, reviewing IRS procedures, and reviewing IRS reports.



## Appendix II

### Audit Coverage of the Taxpayer First Act

Audit Number	Audit Title
201940003	Revenue Protection Strategy for Individual Tax Returns
202040020	Continued Assessment of Electronic Filing of Business and Information Returns
201940026	Authentication of Third-Party Authorization Requests – Follow-Up
201940027	Assistance to Victims of Identity Theft – Follow-Up
202020506	Secure Access Authentication Process
202020510	Data Protection at the Information Sharing and Analysis Center
202020513	Implementation of Information Technology Streamlined Critical Pay Authority
202020514	Chief Information Officer Duties and Responsibilities
202040511	Authentication and Suitability of Income Verification Express Services Participants
202040028	IRS Efforts to Address Misdirected Direct Deposits
202040512	2020 Filing Season Individual Return Tax Processing (Interim)
202040513	2020 Filing Season Individual Return Tax Processing (Final)

Source: TIGTA analysis of audit coverage of the Taxpayer First Act.



## Appendix III

### Glossary of Terms

Term	Definition
Additional Child Tax Credit	The refundable portion of the Child Tax Credit 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.
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.
American Opportunity Tax Credit	A partially refundable Federal tax credit used to help parents and college students offset the costs of college.
Average Speed of Answer	The average number of seconds taxpayers waited in the assistor queue (on hold) before receiving services.
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.
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.
Exchange	The Exchange is where taxpayers find information about health insurance options, purchase qualified health plans, and, if eligible, obtain help paying premiums and out-of-pocket costs. It is also known as the Health Insurance Marketplace or Health Insurance Exchange.
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.
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 Taxpayer Identification Number	A number created by the IRS to provide Taxpayer Identification Numbers to individuals who do not have and are not eligible to obtain a Social Security Number.
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.



## Interim Results of the 2020 Filing Season

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.
Marketplace	The Marketplace is the place for people without health insurance to find information about health insurance options and to purchase health insurance. It is also known as the Health Insurance Marketplace or Health Insurance Exchange.
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.
Minimum Essential Coverage	Health insurance coverage that contains essential health benefits including emergency services, maternity and newborn care, and preventive and wellness services. Minimum essential coverage also includes doctor visits, hospitalization, mental health services, and prescription drugs.
Premium Tax Credit	A refundable tax credit created by the Affordable Care Act to assist eligible taxpayers with paying their health insurance premiums.
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.
Shared Responsibility Payment	Beginning with the 2015 Filing Season, if a taxpayer or anyone in the taxpayer's tax household does not have minimum essential coverage and does not qualify for a coverage exemption, the taxpayer will need to make a Shared Responsibility Payment when filing a Federal income tax return.
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 Centers	An IRS office with employees who answer questions, provide assistance, and resolve account-related issues for taxpayers face to face.
Taxpayer Identification Number	A nine-digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, the Taxpayer Identification Number is either an Employer Identification Number, a Social Security Number, or an Individual Taxpayer Identification Number.
Volunteer Program	Includes the Volunteer Income Tax Assistance Program, including the Volunteer Income Tax Assistance Grant Program, and the Tax Counseling for the Elderly 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, rural persons, those with limited English proficiency, and Native Americans.



## Appendix IV

### Abbreviations

ACTC	Additional Child Tax Credit
AOTC	American Opportunity Tax Credit
e-file(d); e-filing	Electronically File(d); Electronic Filing
EIN	Employer Identification Number
EITC	Earned Income Tax Credit
IRS	Internal Revenue Service
PATH Act	Protecting Americans From Tax Hikes Act of 2015
SSA	Social Security Administration
TAC	Taxpayer Assistance Center
TIGTA	Treasury Inspector General for Tax Administration