Why TIGTA Did This Audit
This audit was initiated to assess the accuracy of the IRS’s issuance of advance Recovery Rebate Credit (RRC) payments under the American Rescue Plan Act of 2021. This review is part of a series of audits to evaluate the IRS’s implementation of the various advance RRC payments and the processing of RRC claims. TIGTA is conducting a separate review of the IRS’s processing of RRC claims on Tax Year 2020 tax returns.

Impact on Taxpayers
The American Rescue Plan Act, signed into law on March 11, 2021, creates a third RRC of up to $1,400 per eligible individual for Tax Year 2021. The legislation also directs the IRS to make advance payments of the RRC as soon as possible but no later than December 31, 2021. The Act also requires the IRS to make ‘plus-up’ payments to individuals whose advance payment was initially based on a Tax Year 2019 return and who subsequently file their Tax Year 2020 return.

The IRS began issuing the advance RRC payments on March 11, 2021, the same day the American Rescue Plan Act was enacted. As of September 16, 2021, the IRS has issued more than 175 million advance RRC payments to 167.4 million individuals totaling $408 billion, more than 10 million of which were plus-up payments totaling $21 billion.

What TIGTA Found
TIGTA’s review of the 175 million advance RRC payments issued to 167.4 million individuals as of September 16, 2021, found that the IRS correctly computed the RRC amount for 166.6 million individuals (99.48 percent). However, the IRS issued more than 1.2 million payments totaling $1.9 billion to potentially ineligible individuals. These payments stem from deficiencies TIGTA previously reported based on its review of the IRS’s implementation of the Coronavirus Aid, Relief, and Economic Security Act Economic Impact Payments that the IRS did not address. These include payments to ineligible dependents and nonresidents and duplicate payments to individuals with a filing status change.

TIGTA also identified 644,705 potentially eligible individuals who had not received payments totaling $1.6 billion. These include:

- 419,822 individuals who have an ITIN that did not receive payments totaling $1.2 billion for an eligible dependent. As of September 16, 2021, 417,749 individuals have been considered for payment.
- 133,578 individuals eligible for payments totaling $195 million because of the unemployment benefit exclusion.
- 39,666 individuals who have an unresolved condition in their tax account or who had a change in filing status. As of September 16, 2021, 27,901 individuals have been considered for payment.
- 51,639 individuals incorrectly marked as being a resident of a U.S. territory who potentially qualify for $144 million in payments. The IRS informed us eligible accounts were expected to be considered on November 24, 2021.

TIGTA alerted IRS management that these taxpayers were not receiving payments. The IRS agreed with all except the 133,578 individuals and implemented programming changes to consider the other impacted individuals. TIGTA also identified 294,274 individuals who were issued an advance payment and reported to the IRS that they had not received their payment or who have not yet activated their advance RRC debit card (also referred to as EIP [Economic Impact Payments] cards).

What TIGTA Recommended
TIGTA made seven recommendations in this report which include ensuring that the individuals TIGTA identified who have not been considered for an advance payment receive a payment if eligible and notifying all individuals who do not receive an advance payment before December 31, 2021, that they are potentially eligible to claim the RRC on their Tax Year 2021 tax return.

The IRS agreed with all seven of TIGTA’s recommendations.
March 21, 2022

MEMORANDUM FOR:  COMMISSIONER OF INTERNAL REVENUE

FROM: Michael E. McKenney  
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – American Rescue Plan Act: Implementation of Advance Recovery Rebate Credit Payments (Audit # 202140725)

This report presents the results of our review to evaluate the accuracy of the Internal Revenue Service’s (IRS) issuance of American Rescue Plan Act stimulus payments to individuals. This review was part of our Fiscal Year 2021 discretionary audit work and addresses the major management and performance challenge of Implementing Tax Law Changes.

Management’s complete response to the draft report is included as Appendix III.

Copies of this report are also being sent to the IRS managers affected by the report recommendations. 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 American Rescue Plan Act of 2021 (ARPA), signed into law on March 11, 2021, creates a third Recovery Rebate Credit (RRC) of up to $1,400 per eligible individual for Tax Year 2021. The legislation also directs the IRS to make advance payments of the RRC as soon as possible but no later than December 31, 2021. While several of the eligibility requirements for the ARPA RRC are the same as for previously enacted RRCs, there are some notable differences. For example, the credit amount was increased to $1,400 for each eligible adult and $1,400 for each qualifying dependent, the income phase-out limits were significantly lowered, and the Act expanded eligibility to include all dependents regardless of age. The ARPA also allowed taxpayers with an Individual Taxpayer Identification Number (ITIN) to claim the RRC for their dependents who have a valid Social Security Number (SSN).

Another significant change is that the ARPA requires the IRS to make ‘plus-up’ payments. Plus-up payments are made to individuals whose advance payment was initially based on a Tax Year 2019 tax return and who subsequently filed their Tax Year 2020 return. The plus-up payment is the difference between the amounts individuals were eligible to receive based on the two returns. Finally, similar to the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Consolidated Appropriations Act, 2021 (CAA) payments, these payments cannot be offset to satisfy unpaid tax debt or other Federal debt, including child support.

A prior Treasury Inspector General for Tax Administration (TIGTA) review identified potentially erroneous CARES Act Economic Impact Payments (EIP) issued to ineligible individuals

In May 2021, we reported that some EIPs were sent to potentially ineligible individuals. Specifically, as of July 16, 2020, the IRS had issued more than 4.4 million EIPs totaling nearly $5.5 billion to potentially ineligible individuals. Figure 1 provides more details on these EIPs.

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1 Pub. L. No. 117-2, Title IX, Subtitle G.
2 ITINs are issued by the IRS to individuals who are required to have a Taxpayer Identification Number for tax purposes but do not have and are not eligible to obtain an SSN.
3 Pub. L. No. 116-136, Title II,Subtitle B.
American Rescue Plan Act: Implementation of Advance Recovery Rebate Credit Payments

Figure 1: Potentially Erroneous EIPs Issued as of July 16, 2020

<table>
<thead>
<tr>
<th>Payments</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deceased</td>
<td>2,174,616</td>
</tr>
<tr>
<td>Dependents</td>
<td>1,844,846</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>324,864</td>
</tr>
<tr>
<td>Duplicate U.S. Territory Payments</td>
<td>61,119</td>
</tr>
<tr>
<td>Duplicate Payments for Filing Status Changes</td>
<td>46,763</td>
</tr>
<tr>
<td>Total</td>
<td>4,452,208</td>
</tr>
</tbody>
</table>


We recommended that, prior to issuing future EIPs, the IRS ensure that processes are developed to cross-check return filings to identify and prevent payments to individuals who are not eligible based on applicable dependency requirements. The IRS disagreed with this recommendation, stating that IRS systems do not have the ability to use outside data sources to obtain the information needed to implement this recommendation. However, the IRS does capture each use of a Taxpayer Identification Number (TIN) for an applicable tax year in the Duplicate TIN database. The TINs that are used more than once are identified with a priority code. At a minimum, we believe the IRS can use the Duplicate TIN database to determine whether a TIN has already been used as a dependent on a tax return before issuing an EIP. While this effort may require additional programming to retrieve the dependent information, we strongly believe that the IRS should consider these changes for any future advance payments that may be issued as improper payments related to dependents remains an ongoing concern.

Results of Review

The IRS began issuing the advance RRC payments on March 11, 2021, the same day the ARPA was enacted. As of September 16, 2021, the IRS has issued more than 175 million advance RRC payments to 167.4 million individuals totaling $408 billion. More than 10 million of the 175 million payments were plus-up payments totaling $21 billion. Our review of these payments found that the IRS correctly computed the advance RRC amount for more than 166.6 million individuals (99.48 percent). However, as with prior issued RRCs, the IRS issued more than 1.2 million payments totaling $1.9 billion to potentially ineligible individuals. These erroneous payments stem from deficiencies we previously reported based on our review of the IRS’s issuance of the CARES Act EIP that the IRS did not address. These include payments to ineligible dependents, nonresidents, and individuals who had a filing status change since Tax Year 2019.

We also identified 644,705 eligible individuals who had not received their advance payment as of September 16, 2021. These individuals are entitled to advance RRC payments totaling $1.6 billion. These include individuals who have an ITIN who did not receive a payment for their eligible dependents with a valid SSN and individuals who were eligible based on the IRS’s adjustment of their unemployment income exclusion from taxable income.
Unaddressed Deficiencies Continue to Result in the Issuance of Erroneous Advance Payments

In May 2021, we reported that IRS processes did not prevent nearly 2.3 million potentially erroneous CARES Act EIPs totaling approximately $2 billion. These erroneous payments were made to ineligible dependents, nonresidents, individuals residing in the U.S. territories, and individuals who had a filing status change. We made recommendations during our prior review to address these conditions. However, as we noted previously, IRS management disagreed with our recommendations. Figure 2 summarizes the recommendations we made that the IRS disagreed with.

Figure 2: Prior Unagreed Recommendations and Alerts Made by TIGTA

<table>
<thead>
<tr>
<th>Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation #2:</strong> The Commissioner, Wage and Investment Division, should ensure that, prior to issuing future EIPs, processes are developed to cross-check return filings to identify and prevent payments to individuals who are not eligible based on applicable dependency requirements.</td>
</tr>
<tr>
<td><strong>E-Mail Alert:</strong> The IRS should conduct additional analysis of individuals with Citizenship Code B to prevent erroneous future advance payments.</td>
</tr>
</tbody>
</table>

Source: TIGTA’s May 2021 report on EIPs.

This current review of ARPA advance RRC payments issued as of September 16, 2021, identified more than 1.2 million potentially erroneous advance payments totaling $1.9 billion. Figure 3 provides more details on these advance payments.

Figure 3: Potentially Erroneous ARPA Advance RRC Payments Issued as of September 16, 2021

<table>
<thead>
<tr>
<th>Payments</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependents</td>
<td>544,323</td>
</tr>
<tr>
<td>Nonresidents</td>
<td>342,173</td>
</tr>
<tr>
<td>Individuals With Filing Status Change</td>
<td>191,768</td>
</tr>
<tr>
<td>Programming Error</td>
<td>60,824</td>
</tr>
<tr>
<td>Duplicate U.S. Territory Payments</td>
<td>56,380</td>
</tr>
<tr>
<td>Deceased Individuals</td>
<td>9,592</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,205,060</td>
</tr>
</tbody>
</table>

Source: TIGTA analysis of payments issued as of September 16, 2021.

Similar to the CARES Act and CAA payments, the IRS generally does not have the authority to recover ARPA advance RRC payments that were issued in error.

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6 Includes scenarios where issued payments were not recorded when a taxpayer has an invalid TIN or when a newly issued TIN does not have a corresponding IRS Master File account.
Payments were erroneously issued to individuals who were claimed as dependents

Our analysis of advance RRC payments issued as of September 16, 2021, identified 544,323 potentially erroneous payments totaling $856 million associated with ineligible dependents. These include:

- 364,312 payments totaling $602 million issued to individuals who filed their own return and were also claimed as a dependent on someone else’s tax return. IRS instructions direct taxpayers to check a box on their tax return to notify the IRS that they can be claimed as someone else’s dependent. The IRS programming relied on this checkbox to identify individuals who were not eligible for an advance payment. Although these individuals were claimed as a dependent on someone else’s tax return, they did not check the dependent box on their tax return as required, resulting in an advance payment being erroneously sent.

- 126,652 payments totaling $177 million for qualifying dependents claimed on more than one tax return. These payments involved 118,446 unique dependent TINs. The number of times a particular child’s TIN was used on a tax return ranged from two tax returns to 22 tax returns.

- 53,359 payments totaling more than $76 million issued to Social Security Administration (SSA) retirement (hereafter just called SSA), Railroad Retirement Board (RRB), SSA Supplemental Security Income (SSI), and Department of Veteran Affairs (VA) beneficiaries who were claimed as a dependent on a Tax Year 2020 tax return that was filed before the advance payment was issued. IRS management is still researching these accounts to determine why they were not identified as dependents.

The ARPA states that, to be eligible for the advance payment, an individual cannot be claimed as a dependent on someone else’s Federal income tax return. In May 2021, we reported that these same conditions resulted in the issuance of 745,386 potentially erroneous CARES Act EIPs totaling $851 million. As detailed above, the IRS took no actions to address this deficiency.

Payments were erroneously issued to nonresidents and individuals in a U.S. territory

Our analysis of advance RRC payments issued as of September 16, 2021, identified 342,173 payments totaling $579 million that were issued to individuals whose SSN indicates they are a legal alien authorized to work in the United States. However, each of these individuals had no Federal Insurance Contributions Act (FICA) tax withheld from their wages in Calendar Years 2019 or 2020, which indicates they are likely not considered a U.S. resident. Certain nonresident aliens are exempt from FICA taxes based on their VISA type, such as nonresident alien students and professors temporarily present in the United States. The ARPA states that an individual must be a U.S. citizen or resident alien to be eligible for the advance payment. The IRS website provides the following information regarding this eligibility requirement:

_Do I qualify for the third payment if I’m a resident alien? (added March 26, 2021)_

A person who’s a qualifying resident alien with a valid SSN is eligible for the payment only if he or she is a qualifying resident alien in 2021 and may not be claimed as a dependent of another taxpayer. A nonresident alien in 2021 isn’t eligible for the payment. An alien who received a payment but isn’t a qualifying resident alien for 2021 should return the payment to the IRS by following the instructions as described in Returning the Economic Impact Payment.
As of September 16, 2021, 1,185 individuals returned nearly $2 million in payments erroneously issued.

**Individuals with addresses in a U.S. territory received an advance payment**

Our review of advance RRC payments issued as of September 16, 2021, identified 56,380 payments totaling $109 million that were issued to individuals who used a U.S. territory address on their tax return. The use of a U.S. territory address increases the risk of a duplicate erroneous payment by the territory. The IRS has previously established processes to identify IRS advance payments made to individuals with a U.S. territory address and to share such data with the territories to identify duplicate erroneous payments.

Similar to the first and second EIPs, the U.S. territories were required to establish new implementation plans with the Department of the Treasury for the issuance of the advance RRC payment. The Department of the Treasury approved the plans for American Samoa, the Northern Mariana Islands, Guam, and the U.S. Virgin Islands on April 9, 2021. The plan for Puerto Rico was approved on April 12, 2021.

According to the IRS, these plans require the U.S. territories to send the Department of the Treasury and the IRS accounting reports of all advance payments that have been issued on a quarterly basis. The first reporting was due to the IRS in April 2021. The IRS uses these reports to identify potential duplicate payments. Information regarding potential duplicate payments will then be shared with the territories for their local compliance work. IRS management stated they have received all relevant reports from the territories. However, as of the issuance of this report, the IRS has provided TIGTA with the required ARPA advance RRC payment reports for just one territory, the U.S. Virgin Islands.

**Recommendation 1:** The Commissioner, Large Business and International Division, should coordinate with the territories to share information that will enable the territories to recover duplicate payments that the territories have issued, to the extent permitted under the relevant territory’s domestic law.

**Management’s Response:** The IRS agreed with this recommendation and has implemented a plan to coordinate with the territories to share information that will enable the territories to recover duplicate payments that the territories have issued, to the extent permitted under the relevant territory’s domestic law.

**Duplicate advance payments were issued to individuals whose filing status or partner changed between Tax Year 2019 and Tax Year 2020**

Our analysis of advance RRC payments issued as of September 16, 2021, identified 191,768 individuals who received duplicate advance RRC payments totaling $271 million because of a change in their filing status or filing partner. These include:

- 137,244 individuals with plus-up payments totaling $159 million who were issued for dependents but had already received the maximum qualified advance RRC payment for those dependents. These individuals claimed the same dependent on a jointly filed Tax Year 2019 tax return and on a nonjoint Tax Year 2020 tax return (e.g., Married Filing Separately). When we alerted IRS management to this condition, they disagreed that these are erroneous payments. IRS management stated that, under the ARPA, the
plus-up payment is based upon the Tax Year 2020 return, reduced by the amount already paid to the individual. Under this application, changes from one tax year to the next in dependent eligibility, adjusted gross income limitations, or filing status can cause an additional payment as prescribed by the ARPA. We disagree with this argument as the individuals we identified clearly received duplicate payments for the same dependents.

- 36,567 individuals with plus-up payments totaling $50 million who filed a joint Tax Year 2019 tax return and subsequently filed a joint Tax Year 2020 tax return with a different spouse. When we alerted IRS management to this condition, they disagreed that these payments are erroneous. Similar to the item above, IRS management stated that these payments were calculated as prescribed by the ARPA.

- 17,957 individuals with advance RRC payments totaling $62 million who filed as Married Filing Jointly in Tax Year 2019 and subsequently filed as Single (i.e., with a filing status of Single, Head of Household, Qualifying Widow(er), or Married Filing Separately) in Tax Year 2020 as the primary taxpayer on a tax return. The IRS implemented programming in response to our review of the implementation of the CARES Act EIPs to prevent these payments from being issued. However, because the IRS processed payments based on Tax Years 2019 and 2020 returns at the same time, the programming was unable to mark the account for the Tax Year 2019 return to show a payment was issued before the Tax Year 2020 payment was issued.

Erroneous advance payments were issued because of programming errors

Our analysis of advance RRC payments issued as of September 16, 2021, identified 60,824 potentially erroneous payments totaling $109 million that resulted from various IRS computer programming errors. These include:

- 44,903 payments totaling $64 million issued for a deceased dependent. The ARPA states that individuals with a date of death prior to January 1, 2021, are not eligible for an advance RRC payment. We alerted the IRS to this programming error in April 2021. IRS management agreed that these payments were issued erroneously. However, IRS management did not provide their corrective action to address future erroneous payments. We identified 406 additional payments for a deceased dependent that were issued after we alerted IRS management.

- 8,972 duplicate payments totaling $30 million issued for a spouse whose previously issued advance payment was not successfully recorded on their tax accounts, resulting in a subsequent erroneous payment when the taxpayer was considered for a plus-up payment. We alerted the IRS to this programming error in April 2021. IRS management agreed these payments were erroneous. However, IRS management did not provide their corrective action to address future erroneous payments. We identified 2,498 additional payments that were issued after our alert.

- 6,949 payments totaling $15 million issued for dependents that have an ITIN. The ARPA states a dependent must have a valid, issued SSN to be eligible for an advance payment. We alerted the IRS to this programming error in April 2021. IRS management agreed these payments were erroneous. However, IRS management did not provide their
corrective action to address future erroneous payments. We identified 5,496 additional payments that were issued after our alert.

Erroneous advance payments were issued to deceased individuals

The ARPA states that individuals with a date of death prior to January 1, 2021, are not eligible for an advance RRC payment. Our analysis of advance payments as of September 16, 2021, found 26,468 advance payments were issued to an individual deceased prior to January 1, 2021. As of September 16, 2021, 7,623 of these payments have been rejected by the bank or returned undeliverable to the IRS. The remaining 18,845 outstanding payments total $28 million. Our review of these payments found:

- 9,592 payments totaling $14 million were issued to an individual for whom the IRS had a date of death before payment was issued. Of these, 9,279 payments were issued to a beneficiary and 313 payments were issued based on a tax return.
- 9,253 payments totaling $15 million for which the IRS was informed of the individual’s date of death after the payment was issued. Of these, 6,315 payments were issued to a beneficiary and 2,938 payments were issued based on a tax return.

IRS management informed us that the 9,279 payments for which the IRS had a date of death before payment issuance were issued because the beneficiaries’ date of death information was not verified before payment issuance. The IRS also stated the 313 payments issued based on a tax return were due to timing issue whereby the individual’s account was not updated with the date of death information before payment issuance.

Recommendation 2: If Congress enacts additional stimulus payments, the Commissioner, Wage and Investment Division, should consider additional programming changes to prevent ineligible individuals from receiving advance payments, including individuals claimed as dependents or dependents claimed on multiple returns, nonresident individuals, individuals who had a filing status or filing partner change, deceased individuals, and individuals affected by the mentioned related programming errors.

Management’s Response: The IRS agreed with this recommendation. IRS management stated that they will consider lessons learned from the 2020 and 2021 legislation to prevent payments to or on behalf of ineligible individuals to the greatest extent possible, should additional stimulus payments be enacted by Congress in future legislation.

Some Eligible Individuals Still Have Not Received an Advance Recovery Rebate Credit Payment

Our review of processed tax returns identified 644,705 eligible individuals who have not received their advance RRC payments totaling $1.6 billion. For each of the bulleted items below, we provided the IRS with the TINs associated with these eligible individuals that have yet to receive their payment. These include:

- 419,822 individuals who have an ITIN and did not receive advance payments totaling $1.2 billion for an eligible dependent as of April 1, 2021. The ARPA allows individuals who have an ITIN to receive a payment for their dependents who have a valid SSN. We notified IRS management of our concerns during our review. IRS management stated
that programming errors prevented these individuals from being considered for an advance dependent payment. The IRS implemented programming changes on April 22, 2021, and as of September 16, 2021, 417,749 (99.5 percent) individuals have been considered for an advance RRC payment.

- 133,578 individuals who are eligible for advance payments totaling $195 million resulting from the IRS adjusting these individuals associated Tax Year 2020 return to exclude reported unemployment benefit income as of September 16, 2021. The ARPA excluded the first $10,200 in unemployment compensation benefits from taxable income in Tax Year 2020. To lessen the burden on impacted taxpayers who may have already filed their Tax Year 2020 tax return, the IRS proactively adjusted qualified individuals’ tax returns.

  We alerted the IRS to these individuals and recommended that the IRS issue advance payments to these individuals. IRS management disagreed with our recommendation. IRS management stated that, once a taxpayer has been evaluated for an advance payment based on a Tax Year 2019 or Tax Year 2020 return, the ARPA does not provide for reconsiderations of that taxpayer using the same tax period. These taxpayers will need to claim the 2021 RRC on their Tax Year 2021 returns.

- 25,525 individuals with a processed tax return as of March 25, 2021, who have not been considered for an advance payment because they have an unresolved condition in their tax account (e.g., a pending transaction). These individuals are entitled to $85 million in advance RRCs. The IRS will consider these individuals for an advance RRC payment once these conditions have been resolved. Our analysis of payments issued as of September 16, 2021, found that 22,727 (89 percent) of the 25,525 individuals have been considered for an advance payment.

- 14,141 individuals who, as of May 6, 2021, were bypassed for a payment because they were a spouse on a Married Filing Jointly Tax Year 2019 return and the primary taxpayer subsequently filed a Tax Year 2020 return as Single. We estimated that these individuals are entitled to $20 million in advance RRCs. We alerted IRS management of these individuals on May 6, 2021. IRS management informed us that they submitted a programming change request to consider these individuals in June 2021. As of September 16, 2021, 5,174 (37 percent) of the 14,141 taxpayers filed their own Tax Year 2020 return and have been considered for an advance RRC payment.

- 51,639 individuals whose tax account was incorrectly marked as being a resident of a U.S. territory and potentially qualify for $144 million in advance payments. The IRS informed us eligible accounts are expected to be considered on November 24, 2021. The IRS has issued guidance for IRS employees who answer the telephone instructing them to verify with the individual that the individual did not live in a territory during Calendar Year 2020. If the taxpayer confirms they did not live in a U.S. territory, the IRS will remove the account indicator and consider the individual for an advance RRC payment.

In addition, we identified 294,274 individuals who were issued an advance payment whose access to their stimulus funds was delayed or who still do not have access to their stimulus funds. These include:

- 104,904 individuals who have initiated a trace on their advance RRC payment as of May 27, 2021. Taxpayers can request a payment trace to locate their ARPA payment if the Get My Payment tool shows a payment has been issued and the taxpayer has not
received it within certain time frames. As of May 27, 2021, the IRS has researched and reissued the payments for 57,980 taxpayers. IRS guidelines state that these traces should be resolved “as soon as possible,” but there is not an established time frame goal for resolution. Internal guidelines also do not require tax examiners to document when a trace is completed. As such, we are unable to determine whether the traces initiated by the remaining 46,924 taxpayers have been resolved or are still being worked by the IRS.

- 189,370 individuals who have not activated their advance RRC debit card as of September 5, 2021.

**Recommendation 3 (E-mail Alert):** We notified IRS management during our review that individuals who have an ITIN were not receiving an advance payment for their eligible dependents. We recommended the IRS review the returns we identified and revise programming as needed to ensure that these individuals receive payment for their qualified dependents.

**Management’s Response to Alert:** IRS management agreed with our recommendation and implemented programming changes on April 22, 2021, to ensure that ITIN taxpayers with eligible dependents are considered for an advance payment.

**Recommendation 4 (E-mail Alert):** We notified IRS management on May 6, 2021, of our concerns that individuals were being bypassed for an advance payment because they were a spouse on a Married Filing Jointly Tax Year 2019 return, and the primary taxpayer subsequently filed a Tax Year 2020 return as Single.

**Management’s Response to Alert:** IRS management agreed with our recommendation and informed us that they submitted a programming change request to consider these individuals in June 2021.

**Recommendation 5 (E-mail Alert):** Ensure that the 51,639 taxpayers we identified with an incorrect territory marker have their territory markers reversed and are considered for the advance RRC payment.

**Management’s Response to Alert:** IRS management agreed with our recommendation and informed us that they submitted a programming change request to remove the territory markers from affected accounts and consider these individuals for the EIP in November 2021.

The Commissioner, Wage and Investment Division, should:

**Recommendation 6:** Notify all individual taxpayers who will not receive an advance RRC before December 31, 2021, that they are potentially eligible to claim the RRC on their Tax Year 2021 tax return. These notifications should include the 133,578 individuals we identified who are potentially eligible based on the unemployment compensation adjustment, the 2,798 individuals who have unresolved conditions in their tax account, the 2,073 ITIN filers who did not receive advance payments for an eligible dependent, and the remaining individuals who were bypassed for a payment because of a filing status change and have not yet been considered for a payment.
Management’s Response: The IRS agreed with this recommendation and has conducted both traditional and social media outreach to engage those who are potentially eligible to claim the RRC on their Tax Year 2021 tax return. IRS management stated that additional outreach will continue through the filing season through the Get Ready campaign and additional filing season campaigns as well as through tax partners including Volunteer Income Tax Assistance partners, congressional liaisons, oversight organizations, and other Federal, State and local government communications channels.

**Recommendation 7:** Work with the Department of the Treasury’s Bureau of the Fiscal Service to send a letter to individuals who have not activated their advance RRC debit card prior to the start of the 2022 Filing Season to provide instructions on how to activate the card or report it as lost or stolen.

Management’s Response: The IRS agreed with this recommendation. The Bureau of the Fiscal Service sent letters to individuals who received the third EIP via debit card in September and October 2021, asking them to activate the card and advising them on how they could obtain a replacement if it could not be located. Another round of targeted mailings was sent the week of February 7, 2022, to cardholders who had activated the debit card containing either the second or third EIP, but not both, or had not activated either card.
Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this audit was to evaluate the accuracy of the IRS’s issuance of the ARPA stimulus payments to individuals. To accomplish our objective, we:

- Assessed the IRS’s outreach and assistance to individuals regarding the advanced RRC payments.
- Ensured that the advance RRC payments computed by the IRS were accurate.
- Determined whether all eligible taxpayers received an advance RRC payment prior to December 31, 2021. We also quantified the number of eligible individuals who did not receive an advance RRC payment and the amount that was not issued.
- Determined whether the IRS took sufficient actions to prevent ineligible individuals from receiving an advance RRC payment.

Performance of This Review

This review was performed with information obtained from the Wage and Investment Division Headquarters; Accounts Management function; Customer Assistance, Relationships, and Education function; and Return Integrity and Compliance Services function in Atlanta, Georgia, and the Information Technology organization in Lanham-Seabrook, Maryland, during the period of March to November 2021. 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; Ngan B. Tang, Audit Manager; Jane G. Lee, Senior Auditor; Tracy Winfield, Auditor; Karen A. Brown, Information Technology Specialist; Shannon D. Cummings, Information Technology Specialist; and Donald J. Meyer, Information Technology Specialist.

Validity and Reliability of Data From Computer-Based Systems

During this review, we obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2019 and 2020; the Information Returns Master File for Tax Years 2019 and 2020; the Individual Master File Refund File and the National Account Profile for Processing Year 2021 that were available on TIGTA’s Data Center Warehouse. We obtained the SSA, SSI, RRB, and VA beneficiary recipient files from the IRS. We obtained data from the IRS that detailed the specific individuals who were subject to the unemployment income exclusion. We also obtained data from the IRS that detailed the individuals who filed a Tax Year 2019 return in the territories. Before relying on the data, we ensured that each file contained the specific data elements we requested. In addition, we selected data from each extract and verified that the data in the extracts were the same as the
data captured in the Integrated Data Retrieval System. We also performed analyses 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 issuance of the advance
payments. We evaluated these controls by meeting with IRS management, reviewing IRS
procedures, and reviewing IRS reports.
Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on tax administration. These benefits will be incorporated into our Semiannual Report to Congress.

Type and Value of Outcome Measure:

- Cost Savings (Funds Put to Better Use) – Potential; 52,025 payments totaling $99,345,198 that were issued to individuals who used a U.S. territory address on their tax return (see Recommendation 1).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021, and the National Account Profile for Processing Year 2021. We obtained data from the IRS that detailed the specific individuals who filed a Tax Year 2019 return in the territories.

Our computer analyses of payments that were issued as of September 16, 2021, identified 56,380 payments totaling $109,187,500 that were issued to individuals who used a U.S. territory address on their tax return.

To be conservative, we removed all payments that were included in more than one type of erroneous payment to arrive at 55,884 payments totaling $107,935,900. We then analyzed the Individual Master File as of September 16, 2021, and removed 2,987 payments totaling $7,124,902 that have been cancelled by the bank or returned to the IRS as undeliverable. We also removed 872 payments totaling $1,465,800 that were voluntarily returned by the individuals. These adjustments left 52,025 payments totaling $99,345,198 that were issued to individuals who used a U.S. territory address on their tax return.

Type and Value of Outcome Measure:

- Cost Savings (Funds Put to Better Use) – Potential; 510,589 payments totaling $765,185,583 that were issued to individuals due to dependent-related issue (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021.

Our computer analyses of payments that were issued as of September 16, 2021, identified 544,323 potentially erroneous payments totaling $855,964,071 due to dependent-related issue. These included:
American Rescue Plan Act: Implementation of Advance Recovery Rebate Credit Payments

- 364,312 payments totaling $602,449,271 for which the individual was a dependent on someone else’s return and filed their own tax return. These individuals did not check the box on their tax return indicating they can be claimed as a dependent.

- 126,652 payments due to the dependent being used on multiple returns. We initially identified 118,446 unique dependent TINs that were used as a dependent on more than one tax return, and the IRS issued a qualifying dependent payment on each of those returns. These TINs were used on 245,098 tax returns. Because one of the instances in which the same dependent is used more than once is a legitimate payment for the EIP, the difference between 245,098 less than unique list of dependent SSNs (118,446) equals the 126,652 excess dependent-related payments paid to duplicate primary taxpayers. Because eligible individuals can receive up to $1,400 for each qualifying dependent, we estimated $177,312,800 (126,652 x $1,400) for qualifying dependent claimed on more than one tax return.

- 53,359 payments totaling $76,202,000 for which SSA/SSI/RRB/VA beneficiaries received the EIP based on SSA/SSI/RRB/VA data and were also claimed as a dependent on a tax return.

To be conservative, we removed all payments that were included in more than one type of erroneous payment to arrive at 539,724 payments totaling $842,206,971. We then analyzed the Individual Master File as of September 16, 2021, and removed 28,519 payments totaling $76,074,888 that have been cancelled by the bank or returned to the IRS as undeliverable. We also removed 616 payments totaling $949,500 that were voluntarily returned by the individuals. These adjustments left 510,589 payments totaling $765,182,583 that were issued to individuals due to dependent-related issue.

**Type and Value of Outcome Measure:**

- Cost Savings (Funds Put to Better Use) – Actual; 318,376 payments totaling $530,982,534 that were issued to potential ineligible nonresidents (see Recommendation 2).

**Methodology Used to Measure the Reported Benefit:**

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Information Returns Master File for Tax Years 2019 and 2020; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021.

Our computer analyses of payments that were issued as of September 16, 2021, identified 342,173 payments totaling $578,916,772 issued to potential ineligible nonresidents. These individuals’ SSN indicates they are a legal alien authorized to work in the United States. However, these individuals had no FICA tax withheld from their wages in Calendar Years 2019 or 2020.

To be conservative, we removed all payments that were included in more than one type of erroneous payment to arrive at 337,694 payments totaling $564,288,795. We then analyzed the Individual Master File as of September 16, 2021, and removed 18,133 payments totaling $31,521,478 that have been cancelled by the bank or returned to the IRS as undeliverable. We also removed 1,185 payments totaling $1,784,783 that were voluntarily returned by the
individuals. These adjustments left 318,376 payments totaling $530,982,534 that were issued to potential ineligible nonresidents.

**Type and Value of Outcome Measure:**

- Cost Savings (Funds Put to Better Use) – Potential; 190,535 payments totaling $268,122,629 that were issued to individuals who received duplicate advance RRC payments because of a change in their filing status or filing partner (see Recommendation 2).

**Methodology Used to Measure the Reported Benefit:**

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021.

Our analysis of payments issued as September 16, 2021, identified 191,768 individuals who received duplicate advance RRC payments totaling $270,798,857 because of a change in their filing status or filing partner. These include:

- 137,244 individuals with plus-up payments totaling $158,891,947 that were issued for dependents that had already received the advance RRC payment for their dependent. These individuals claimed the same dependent on a jointly filed Tax Year 2019 tax return and a nonjoint Tax Year 2020 tax return.
- 36,567 individuals with plus-up payments totaling $49,525,962 who filed a joint Tax Year 2019 tax return and subsequently filed a joint Tax Year 2020 tax return with a different spouse.
- 17,957 individuals with advance RRC payments totaling $62,380,948 who filed as Married Filing Jointly in Tax Year 2019 as the secondary taxpayer on a tax return and filed as Single, i.e., used a filing status of Single, Head of Household, Qualifying Widow(er), or Married Filing Separately, in Tax Year 2020 as the primary taxpayer on a tax return. IRS implemented programming in response to our review of the implementation of the CARES Act EIPs to prevent these payments from being issued. However, because the IRS processed payments based Tax Years 2019 and 2020 returns at the same time, the programming was unable to mark the account for the Tax Year 2019 return to show a payment was issued before the Tax Year 2020 payment was issued.

To be conservative, we removed all payments that were included in more than one type of erroneous payment to arrive at 191,088 payments totaling $269,753,588. We then analyzed the Individual Master File as of September 16, 2021, and removed 276 payments totaling $936,600 that have been cancelled by the bank or returned to the IRS as undeliverable. We also removed 277 payments totaling $694,359 that were voluntarily returned by the individuals. These adjustments left 190,535 payments totaling $268,122,629 that were issued to individuals who received duplicate advance RRC payments because of a change in their filing status or filing partner.
Type and Value of Outcome Measure:

- Cost Savings (Funds Put to Better Use) – Potential; 55,852 payments totaling $92,865,991 that were issued to individuals due to programming errors (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021. We also obtained the Social Security, SSI, RRB, and VA beneficiary recipient files from the IRS.

Our computer analyses of payments that were issued as of September 16, 2021, identified 60,824 potentially erroneous payments totaling $108,824,053 due to programming errors. These included:

- 44,903 payments totaling $63,663,600 issued for a deceased dependent.
- 8,972 duplicate payments totaling $29,847,253 issued for a spouse whose previously issued advance payment was not successfully recorded on their tax accounts, resulting in subsequent erroneous payment when the taxpayer was considered for a plus-up payment.
- 6,949 payments totaling $15,313,200 issued for dependents that have an ITIN.

To be conservative, we removed all payments that were included in more than one type of erroneous payment to arrive at 56,020 payments totaling $93,141,241. We then analyzed the Individual Master File as of September 16, 2021, and removed 168 payments totaling $275,250 that were voluntarily returned by the individuals. These adjustments left 55,852 potentially erroneous payments totaling $92,865,991 due to programming errors.

Type and Value of Outcome Measure:

- Cost Savings (Funds Put to Better Use) – Potential; 6,315 payments totaling $8,800,476 that were issued to individuals who were deceased prior to January 1, 2021 (see Recommendation 2).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021.

Our computer analyses of payments that were issued as of September 16, 2021, identified 9,592 payments totaling $13,533,169 that were issued to individuals who were deceased prior to January 1, 2021. To be conservative, we removed all payments that were included in more than one type of erroneous payment to arrive at 8,317 payments totaling $11,739,849. We then analyzed the Individual Master File as of September 16, 2021, and removed 1,991 payments totaling $2,923,973 that have been cancelled by the bank or returned to the IRS as undeliverable. We also removed 11 payments totaling $15,400 that were voluntarily returned by the individuals. These adjustments left 6,315 payments totaling $8,800,476 that were issued to individuals who were deceased prior to January 1, 2021.
Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Actual; 417,749 ITIN filers with valid SSN dependents received totaling $1,171,566,995 (see Recommendation 3).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021.

Our computer analyses of payments that were issued as of April 1, 2021, identified 419,822 individuals who have an ITIN and did not receive advance payments for eligible dependents. The ARPA allows individuals who have an ITIN to receive a payment for their dependents who have a valid SSN. IRS management stated that programming errors prevented these individuals from being considered for an advance dependent payment. The IRS implemented programming changes on April 22, 2021, and as of September 16, 2021, 417,749 ITIN taxpayers who filed a Tax Year 2020 return containing valid SSN dependents have been issued advance RRC payments totaling $1,185,948,912. To be conservative, we analyzed the Individual Master File as of September 16, 2021, and removed $14,381,917 that have been cancelled by the bank or returned to the IRS as undeliverable. This adjustment left 417,749 individuals who received advance payments totaling $1,171,566,995.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Actual; 5,174 individuals who had a change in filing status received an advance payment totaling $7,987,991 (see Recommendation 4).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021. We also obtained the Social Security, SSI, RRB, and VA beneficiary recipient files from the IRS.

Our computer analyses of the SSA/SSI/RRB/VA beneficiary recipient files identified 14,141 individuals who, as of May 6, 2021, were bypassed for a payment because they were a spouse on a joint Tax Year 2019 return and the primary taxpayer subsequently filed a Tax Year 2020 return as Single. IRS management informed us that they submitted a programming change request to consider these individuals in June 2021. We analyzed the Individual Master File, and as of September 16, 2021, 5,174 individuals filed their own Tax Year 2020 return and have been issued an advance payment totaling $8,241,391. To be conservative, we removed $253,400 that have been cancelled by the bank or returned to the IRS as undeliverable. This adjustment left 5,174 individuals who received advance payments totaling $7,987,991.
Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 7,565 individuals who had a change in filing status are eligible for payments totaling $10,591,000 (see Recommendation 4).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021. We also obtained the Social Security, SSI, RRB, and VA beneficiary recipient files from the IRS.

Our computer analyses of the SSA/SSI/RRB/VA beneficiary recipient files identified 14,141 individuals who were bypassed for a payment because they were a spouse on a joint Tax Year 2019 return and the primary taxpayer subsequently filed a Tax Year 2020 return as Single. IRS management informed us that they submitted a programming change request to consider these individuals in June 2021. We analyzed the Individual Master File, and as of September 16, 2021, 5,174 individuals filed their own Tax Year 2020 return and have been considered for an advance payment. Further analysis of the remaining 8,967 individuals identified 7,565 who were still bypassed for a payment. Because each eligible individual can receive up to $1,400, we estimated that these individuals are entitled to $10,591,000 (7,565 x $1,400).

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 51,639 individuals whose tax account was incorrectly marked as being a resident of a U.S. territory and are eligible for $144,126,174 (see Recommendation 5).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021. We also obtained data from the IRS that detailed the specific individuals who filed a Tax Year 2019 return in the territories.

Our review of the Tax Year 2019 information provided by the U.S. territories initially identified 432,623 individuals with a territory indicator but no corresponding record in the Tax Year 2019 territory reports. Of these, we identified 51,639 individuals with a filed Tax Year 2020 return as of September 16, 2021, who are eligible for $144,126,174 in advance RRCs.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 2,073 ITIN filers with valid SSN dependents who did not receive advance payments totaling $5,258,891 (see Recommendation 6).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021.
Our computer analyses of payments that were issued as of April 1, 2021, identified 419,822 individuals who have an ITIN and did not receive advance payments for eligible dependents. The ARPA allows individuals who have an ITIN to receive a payment for their dependents who have a valid SSN. IRS management stated that programming errors prevented these individuals from being considered for an advance RRC payment. The IRS implemented programming changes on April 22, 2021, and as of September 16, 2021, 417,749 ITIN taxpayers who filed a Tax Year 2020 return containing valid SSN dependents have been considered for an advance RRC payment. The remaining 2,073 individuals did not receive advance RRC payments totaling $5,258,891.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 133,578 individuals who are eligible for payments totaling $195,263,435 because of the unemployment benefit exclusion (see Recommendation 6).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021. We obtained data from the IRS which detailed the specific individuals who were subject to unemployment income exclusion.

We used IRS-provided data of 13,580,357 individuals with unemployment benefit exclusions and found 133,578 individuals who are eligible for payments totaling $195,263,435 as of September 16, 2021. These individuals either did not receive any or only received a phase-out payment due to their adjusted gross income before the unemployment benefit exclusion. IRS management stated that, once a taxpayer has been evaluated for an advance payment based on a Tax Year 2019 or Tax Year 2020 return, the ARPA does not provide for reconsiderations of that taxpayer using the same tax period.

Type and Value of Outcome Measure:

- Taxpayer Rights and Entitlements – Potential; 2,798 individuals who have an unresolved condition in their tax account are eligible for payments totaling $6,289,882 (see Recommendation 6).

Methodology Used to Measure the Reported Benefit:

We obtained extracts from the Individual Master File for Tax Years 2019, 2020, and 2021; the Individual Return Transaction File for Processing Years 2020 and 2021; the Individual Master File Refund File for Processing Year 2021; and the National Account Profile for Processing Year 2021. Our computer analyses of individuals with a processed tax return as of March 25, 2021, identified 25,525 individuals with an unresolved condition in their tax account. The IRS will consider these individuals for an advance RRC payment once these conditions have been resolved. We analyzed the Individual Master File as of September 16, 2021, and identified 22,727 individuals who have been considered for an advance payment. The remaining 2,798 individuals who have an unresolved condition on their tax account are eligible for payments totaling $6,289,882.
Management's Response to the Draft Report

March 7, 2022

MEMORANDUM FOR MICHAEL E MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Kenneth C. Corbin
Commissioner, Wage and Investment Division


Thank you for the opportunity to review and provide comments on the subject draft report. We are pleased that your testing found that 99.48 percent of the 167.4 million payments reviewed were calculated correctly. Between October 1, 2020, and September 30, 2021, IRS employees answered Congress’ call to deliver two more rounds of Economic Impact Payments (EIPs), following on the first round distributed in 2020. Taken together, the three rounds of payments totaled more than $800 billion to hundreds of millions of deserving and needy Americans during the pandemic.

Delivering these payments was no small undertaking. It required collaboration among many IRS offices, and with our external partners. Across the agency, we quickly implemented unprecedented changes according to vastly accelerated timeframes to meet the Congressional mandate to issue payments as quickly as possible. And we did, with all three rounds of EIPs going out in record time. In fact, employees in various IRS offices collaborated to improve delivery of payments each of the three times Congress passed stimulus legislation, so that by the third round, checks started going out the very next day providing immediate help to people across the country.

In delivering the EIPs, we took a multitude of actions to reach all potential recipients and expanded our reach in successive rounds of legislation as we collaborated with community-based groups of all kinds. We were extremely concerned that many people who could benefit from the payments didn’t know about this assistance — and it was a challenge to reach them, because they didn’t have a return filing requirement. To address this challenge, we extended our reach far beyond our normal contacts to many lower-income, military, veterans, retired, senior, limited English proficient and homeless communities around the country. We asked hundreds of local and national groups,
religion, and numerous others to help us by reaching into their respective communities. Our message to these groups has been and continues to be, “Help us help others.” Reaching out to under-served communities is a major priority for the IRS.

For each of the three rounds of EIPs, the IRS rose to meet the challenge of identifying eligible individuals and issuing payments as expeditiously as possible; however, it is important to note that the tax system is primarily a collection system and not a payment program. Consequently, the automated systems at our disposal for issuing the EIPs were designed for the purpose of assessing and collecting tax. As such, not all information needed to accurately calculate every payment was available when the EIPs were determined, even if it resided in other systems at the time. Individual accounts were evaluated for EIP eligibility by the Individual Master File which, under normal conditions, is the end point of all tax return and other tax-related transaction processing. It cannot query other data sources and its inputs for the EIP were based on tax returns and transactions that had been previously processed by other systems for purposes that preceded and did not anticipate the issuance of EIPs. We acknowledge the report’s position on potentially erroneous payments associated with dependents appearing on more than one tax return in one or more tax years; however, tracking payments at the level of detail needed to prevent such duplication was systemically and administratively not possible.

This review was conducted while we were issuing EIPs from March through December 2021. We acknowledge and appreciate the contributions made by the audit team through their analyses of near real-time results. The timely sharing of their findings and observations assisted us in quickly identifying and correcting processes that were not working as intended.

Attached is a detailed response with our planned corrective actions to your recommendations. If you have any questions, please contact me, or a member of your staff may contact Kevin Morehead, Director, Operations Support, Wage and Investment Division, at 470-639-2701.

Attachment
Recommendations

RECOMMENDATION 1
The Commissioner, Large Business and International Division, should coordinate with the territories to share information that will enable the territories to recover duplicate payments that the territories have issued, to the extent permitted under the relevant territory’s domestic law.

CORRECTIVE ACTION
We have implemented a plan to coordinate with the territories to share information that will enable the territories to recover duplicate payments that the territories have issued, to the extent permitted under the relevant territory’s domestic law.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Treaty and Transfer Pricing Operations Practice Area, Large Business and International Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 2
If Congress enacts additional stimulus payments, the Commissioner, Wage and Investment Division should consider additional programming changes to prevent ineligible individuals from receiving advance payments, including individuals claimed as dependents or dependents claimed on multiple returns, nonresident individuals, individuals who had a filing status or filing partner change, deceased individuals, and individuals affected by the mentioned related programming errors.

CORRECTIVE ACTION
Should additional stimulus payments be enacted by Congress in future legislation, the IRS will consider lessons learned from the 2020 and 2021 legislation to prevent payments to or on behalf of ineligible individuals to the greatest extent possible. Since the enactment and requirements of future legislation are not certain, we cannot commit to a specific corrective action.

IMPLEMENTATION DATE
N/A

RESPONSIBLE OFFICIAL
N/A
CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 3 (E-MAIL ALERT)
We notified IRS management during our review that individuals who have an ITIN were not receiving an advance payment for their eligible dependents. We recommended the IRS review the returns we identified and revise programming as needed to ensure that these individuals receive payment for their qualified dependents.

CORRECTIVE ACTION
We implemented programming changes on April 22, 2021, to ensure that Individual Taxpayer Identification Number (ITIN) taxpayers with eligible dependents are considered for an advance payment.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Submission Processing, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 4 (E-MAIL ALERT)
We notified IRS management on May 6, 2021, of our concerns that individuals were being bypassed for an advance payment because they were a spouse on a Married Filing Jointly Tax Year 2019 return and the primary taxpayer subsequently filed a Tax Year 2020 return as Single.

CORRECTIVE ACTION
We submitted a programming change request to consider these individuals in June 2021.

IMPLEMENTATION DATE
Director, Submission Processing, Customer Account Services, Wage and Investment Division

RESPONSIBLE OFFICIAL
Implemented

CORRECTIVE ACTION MONITORING PLAN
N/A
RECOMMENDATION 5 (E-MAIL ALERT)
Ensure that the 51,639 taxpayers we identified with an incorrect territory marker have their territory markers reversed and are considered for the advance RRC payment.

CORRECTIVE ACTION
We acted in November 2021 to remove the territory marker from the affected accounts so they would be considered for the Economic Impact Payment (EIP).

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Return Integrity Verification Program Management, Return Integrity and Compliance Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A

Recommendations
The Commissioner, Wage and Investment Division, should:

RECOMMENDATION 6
Notify all individual taxpayers who will not receive an advance RRC before December 31, 2021, that they are potentially eligible to claim the RRC on their Tax Year 2021 tax return. These notifications should include the 133,578 individuals we identified who are potentially eligible based on the unemployment compensation adjustment, the 2,798 individuals who have unresolved conditions in their tax account, 2,073 ITIN filers that did not receive advance payments for an eligible dependent, and the remaining individuals were bypassed for a payment because of a filing status change that have not yet been considered for a payment.

CORRECTIVE ACTION
Exhaustive media outreach, both traditional and social, has been done to engage those who are potentially eligible to claim the RRC on their 2021 tax return. Additional outreach continues through the filing season, including traditional media and social media through the Get Ready campaign and additional filing season campaigns, as well as through tax partners including Volunteer Income Tax Assistance partners, congressional liaison, oversight organizations, and other federal, state and local government communications channels.

IMPLEMENTATION DATE
N/A
RESPONSIBLE OFFICIAL
N/A

CORRECTIVE ACTION MONITORING PLAN
N/A

RECOMMENDATION 7
Work with the Department of the Treasury’s Bureau of the Fiscal Service to send a letter to individuals who have not activated their advance RRC debit card prior to the start of the 2022 Filing Season to provide instructions on how to activate the card or report it as lost or stolen.

CORRECTIVE ACTION
The Bureau of the Fiscal Service sent letters to individuals who received the third EIP via debit card in September and October 2021, asking them to activate the card and advising them on how they could obtain a replacement if it could not be located. Another round of targeted mailings was sent the week of February 7, 2022, to cardholders who had activated the debit card containing either the second or third EIP, but not both, or had not activated either card.

IMPLEMENTATION DATE
Implemented

RESPONSIBLE OFFICIAL
Director, Customer Account Services, Wage and Investment Division

CORRECTIVE ACTION MONITORING PLAN
N/A
### Glossary of Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Data Center Warehouse</td>
<td>A TIGTA repository of IRS data.</td>
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<tr>
<td>Duplicate TIN Database</td>
<td>A database the IRS captures every TIN used on an individual income tax return and categorizes duplicate TIN uses.</td>
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<tr>
<td>Filing Season</td>
<td>The period from January through mid-April when most individual income tax returns are filed.</td>
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<tr>
<td>Individual Master File</td>
<td>The IRS database that maintains transactions or records of individual tax accounts.</td>
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<tr>
<td>Individual Return Transaction File</td>
<td>A database the IRS maintains that contains information on the individual tax returns it receives.</td>
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<tr>
<td>Individual Taxpayer Identification Number</td>
<td>ITINs are issued by the IRS to individuals who are required to have a Taxpayer Identification Number for tax purposes but do not have and are not eligible to obtain a Social Security Number.</td>
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<tr>
<td>Information Returns Master File</td>
<td>Creates and maintains a master file of current and prior year information returns.</td>
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<tr>
<td>Integrated Data Retrieval System</td>
<td>IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer’s account records.</td>
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<tr>
<td>National Account Profile</td>
<td>A compilation of selected entity data from various IRS Master Files and the SSA.</td>
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<tr>
<td>Processing Year</td>
<td>The calendar year in which the tax return or document is processed by the IRS.</td>
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<tr>
<td>Refund File</td>
<td>This file captures all refunds that are sent by the IRS to the Bureau of the Fiscal Service for processing. The Bureau of the Fiscal Service is responsible for generating the actual refunds based upon the information provided by the IRS. The refunds are sent by the Bureau of the Fiscal Service to the taxpayers in the form of bank account direct deposits or mailed paper checks. The file captures the name, address, and account information for the individuals receiving the refunds and are useful for identifying tax refund fraud.</td>
</tr>
<tr>
<td>Tax Year</td>
<td>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.</td>
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<tr>
<td>Taxpayer Identification Number</td>
<td>A nine-digit number assigned to taxpayers for identification purposes. Depending upon the nature of the taxpayer, the Taxpayer Identification Number is an Employer Identification Number, an SSN, or an ITIN.</td>
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### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
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<tbody>
<tr>
<td>ARPA</td>
<td>American Rescue Plan Act of 2021</td>
</tr>
<tr>
<td>CARES Act</td>
<td>Coronavirus Aid, Relief, and Economic Security Act</td>
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<tr>
<td>FICA</td>
<td>Federal Insurance Contributions Act</td>
</tr>
<tr>
<td>IRS</td>
<td>Internal Revenue Service</td>
</tr>
<tr>
<td>ITIN</td>
<td>Individual Taxpayer Identification Number</td>
</tr>
<tr>
<td>RRB</td>
<td>Railroad Retirement Board</td>
</tr>
<tr>
<td>RRC</td>
<td>Recovery Rebate Credit</td>
</tr>
<tr>
<td>SSA</td>
<td>Social Security Administration</td>
</tr>
<tr>
<td>SSI</td>
<td>Supplemental Security Income</td>
</tr>
<tr>
<td>SSN</td>
<td>Social Security Number</td>
</tr>
<tr>
<td>TIGTA</td>
<td>Treasury Inspector General for Tax Administration</td>
</tr>
<tr>
<td>TIN</td>
<td>Taxpayer Identification Number</td>
</tr>
<tr>
<td>VA</td>
<td>Department of Veteran Affairs</td>
</tr>
</tbody>
</table>
To report fraud, waste, or abuse, call our toll-free hotline at:

(800) 366-4484

By Web:
www.treasury.gov/tigta/

Or Write:
Treasury Inspector General for Tax Administration
P.O. Box 589
Ben Franklin Station
Washington, D.C. 20044-0589

Information you provide is confidential, and you may remain anonymous.