



Highlights of [GAO-07-695](#), a report to the Committee on Finance, U.S. Senate

## TAX ADMINISTRATION

# Telephone Excise Tax Refund Requests Are Fewer than Projected and Have Had Minimal Impact on IRS Services

### Why GAO Did This Study

The Internal Revenue Service (IRS) is implementing three tax system changes during the 2007 filing season that potentially could impact compliance by taxpayers as well as IRS's service to taxpayers. These changes are (1) the telephone excise tax refund (TETR), which can be requested by all individuals and entities that paid the excise tax regardless of whether they have an obligation to file a tax return, (2) the option to deposit refunds into up to three accounts, hereafter referred to as the split refund option, and (3) the extension of some tax provisions that had expired, hereafter referred to as the extender provisions. Because the 2007 filing season may be complicated by these changes, the Committee asked GAO to determine the effects of these changes on compliance and taxpayer service including (1) the number of individuals or entities affected by these changes, (2) how the changes were expected to affect compliance and the results of compliance activities to date, and (3) the impact of the changes on returns processing and taxpayer service. GAO analyzed IRS documents and data from IRS databases and interviewed IRS officials.

### What GAO Recommends

GAO is making no recommendations in this report. IRS provided technical comments and we incorporated them as appropriate.

[www.gao.gov/cgi-bin/getrpt?GAO-07-695](http://www.gao.gov/cgi-bin/getrpt?GAO-07-695).

To view the full product, including the scope and methodology, click on the link above. For more information, contact James White at (202) 512-9110 or [whitej@gao.gov](mailto:whitej@gao.gov).

### What GAO Found

IRS has received fewer TETR requests and fewer taxpayers have used the split refund option than expected. IRS projected up to 181 million individuals and entities would request TETR and about 3.8 million individuals would use the split refund option. As of March 24, 2007, about two-thirds of the individual taxpayers who had filed their tax returns requested TETR and IRS had received 2 percent of the projected 10 to 30 million TETR requests from individuals without a tax filing obligation. As of March 3, 2007, about 48,000 individuals had used the split refund option. Currently, there are no data on the number of taxpayers using the extender provisions; however, IRS expects about the same number of claims as last year.

Of the three tax system changes, only TETR creates new compliance concerns for IRS and through March 25, 2007, IRS has selected over 9,900 individual and over 550 business TETR requests for audit. Four of the individual audits are completed and the individuals agreed to accept the standard amount (\$30-\$60) instead of the amount they originally requested. The split refund option does not create compliance concerns since it relates to where refunds are deposited rather than to compliance with tax provisions. The extender provisions could be used by taxpayers to prepare previous years' tax returns and IRS does not anticipate new compliance issues related to 2006 returns.

Early data show that the impact of the tax system changes on returns processing and taxpayer service has been minimal. IRS projected significant increases in returns processing, telephone assistance, and walk-in sites' workloads from TETR, but they have not materialized. For example, as of March 3, 2007, IRS had only received about 4.8 percent of the 6.8 million TETR calls expected. IRS's planned returns processing volume from the split refund option has not materialized and IRS did not anticipate significant workload from the extender provisions.

**Telephone Excise Tax Refund Data for Individual Returns**

Eligible TETR filers		Projected number of filers	Total number of filers	Number of TETR requests	Percentage <sup>a</sup>
Individuals	Tax return filers	135 million	69.1 million	47.3 million	68.5 percent of actual filers
	No tax filing obligation	10-30 million	334,054	332,963	1.7 percent of projected filers <sup>b</sup>

Source: GAO analysis of IRS data.

<sup>a</sup>Week ending January 20, 2007, through week ending March 24, 2007.

<sup>b</sup>Based on 20 million projected filers-midpoint of estimated range.