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TAX FILING

Preliminary Observations on IRS's Efforts to Address Persistent Challenges

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GAO Highlights

Highlights of [GAO-22-105802](#), a testimony before the Committee on Finance, U.S. Senate

Why GAO Did This Study

During the annual tax filing season, generally from January to mid-April, IRS processes more than 150 million individual and business tax returns and provides telephone, correspondence, online, and in-person services to tens of millions of taxpayers. To accommodate new tax legislation and provide additional relief to taxpayers, IRS extended the 2021 individual filing and payment deadline by 1 month to May 17, 2021.

GAO was asked to testify on IRS's performance during the 2021 filing season. This statement summarizes GAO's findings from prior reports and preliminary observations from ongoing work describing IRS's performance during the 2021 filing season on (1) processing individual and business income tax returns, and implications for the 2022 filing season; and (2) providing customer service to taxpayers.

GAO analyzed IRS documents and data on filing season performance, refund interest payments, hiring, and employee overtime; and interviewed cognizant officials. GAO also updated selected information from March 2021 ([GAO-21-251](#)), January 2020 ([GAO-20-55](#)), and March 2019 ([GAO-19-176](#)) reports.

View [GAO-22-105802](#). For more information, contact Jessica Lucas-Judy at (202) 512-6806 or lucasjudj@gao.gov.

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TAX FILING

Preliminary Observations on IRS's Efforts to Address Persistent Challenges

What GAO Found

IRS experienced multiple challenges during the 2021 filing season as it struggled to respond to an unprecedented workload that included delivering COVID-19 relief. IRS began the filing season with a backlog of 8 million individual and business returns from the prior year that it processed alongside incoming returns. IRS reduced the backlog of prior year returns, but as of late December 2021, had about 10.5 million returns to process from 2021. For the current filing season, IRS will need to process the remaining returns from 2021 along with incoming returns from 2022 and may need to rely on overtime to do so. IRS also expects about 21 million returns to be stopped for errors associated with recent tax law changes.

Challenges with IRS Customer Service during the 2021 Filing Season

Telephone demand skyrocketed

IRS received **195 million calls** during the 2021 filing season compared to **39 million** in 2019.

Online refund information was limited

IRS's "Where's My Refund?" online tool does not explain why a refund is delayed.

Correspondence inventory nearly tripled

At the end of the 2021 filing season, correspondence inventory was at **5.9 million** compared to **2 million** in 2019.

In person services declined

During the 2021 filing season, IRS served **374,000 taxpayers** in person compared to **752,000** in 2019.

OUTCOME

Taxpayers had difficulty reaching IRS for assistance.

Source: GAO analysis of Internal Revenue Service (IRS) data. | [GAO-22-105802](#)

In 2021 IRS answered more phone calls than in recent years, but taxpayers had a difficult time reaching IRS due to high call volumes. IRS expects customer service representatives to answer about 35 percent of incoming calls during the 2022 filing season.

To help manage high call volumes, IRS urged taxpayers to access its "Where's My Refund" online tool to get refund status information. This tool provides limited information on refund status and delays. GAO's preliminary observations indicate IRS has no plans to modernize "Where's My Refund," although this could help IRS better serve taxpayers, lower call volume, and reduce costs. In ongoing work, GAO plans to further review this issue.

IRS also struggled to respond to taxpayer correspondence. IRS's correspondence inventory grew to more than 8 million by the start of 2022. IRS expects this inventory to exceed 10 million by the end of fiscal year 2022—more than triple what it was as of the end of fiscal year 2020. This backlog will be difficult to manage as IRS balances prioritizing telephone calls from taxpayers with responding to incoming correspondence in 2022.

Finally, in-person service visits have significantly declined since 2015. IRS officials attributed the decline to the ongoing impacts of the pandemic and the option for taxpayers to use services via the phone and online.

Chairman Wyden, Ranking Member Crapo, and Members of the Committee:

I am pleased to be here today to discuss preliminary observations from our ongoing work on the tax filing season, including challenges IRS faces in processing returns and correspondence.

Every tax filing season is a large-scale, critical operation during which the IRS processes more than 150 million individual and business tax returns electronically or on paper, issues hundreds of billions of dollars in refunds, and provides customer service to tens of millions of taxpayers. IRS has experienced several challenges in recent years, including difficulty hiring workers to process returns, implementing notable tax law changes, and, most recently, managing the 2020 and 2021 filing seasons during the COVID-19 pandemic.

As a result of the CARES Act and other pandemic relief legislation, IRS and the Department of the Treasury have been given additional responsibilities.¹ For example, during the 2021 filing season, IRS was responsible for issuing a third round of economic impact payments to millions of taxpayers and establishing capabilities to issue monthly advance Child Tax Credit payments to eligible taxpayers starting in July 2021.² IRS also had to manage its typical filing season operations—such as updating its systems and procedures to incorporate tax law provisions enacted in early 2021—and processing millions of backlogged returns from the 2020 filing season along with incoming returns from 2021.³ To accommodate this and provide additional relief to taxpayers, IRS delayed the 2021 filing season by about 2 weeks to February 12, 2021, and

¹CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020). The American Rescue Plan Act of 2021 (ARPA) authorized the IRS and the Department of the Treasury to issue advance payments of the child tax credit, as amended by ARPA, and to issue direct payments known as economic impact payments, to eligible individuals to help address financial stress due to the pandemic. Pub. L. No. 117-2, §§ 9601, 9611, 135 Stat. 4, 138, 144 (2021).

²As of December 10, 2021, IRS had issued about \$410 billion to about 176 million taxpayers for the third round of economic impact payments.

³GAO, *Tax Filing: Actions Needed to Address Processing Delays and Risks to the 2021 Filing Season*, [GAO-21-251](#), (Washington, D.C.: Mar. 1, 2021). We reported that as of December 2020, IRS had more than 13 million unprocessed 2020 returns and about 4 million pieces of taxpayer correspondence that required IRS's review and response.

extended the 2021 federal individual income tax filing deadline from April 15, 2021, to May 17, 2021.

In my statement today, I will draw on data and preliminary results from our ongoing work to discuss IRS's performance on (1) processing tax returns during the 2021 filing season, and implications for the 2022 filing season; and (2) providing customer service to taxpayers. Our ongoing work also updates selected information from three prior reports, published in March 2021, January 2020, and March 2019.⁴

For the ongoing work on which this statement is based, we analyzed IRS's 2021 weekly filing season performance data on processing electronic and paper tax returns for individuals and businesses and issuing refunds. We also analyzed individual and business tax return data from IRS's Compliance Data Warehouse from October 1, 2014 through September 30, 2021 to identify refund interest payments by fiscal year and other characteristics of the returns, such as whether the returns were amended. In addition, we analyzed IRS's 2021 weekly filing season performance data on providing customer service (via telephone, online, correspondence, and in person), and the results of IRS's online survey about user satisfaction with its "Where's My Refund" application (January 2018 to October 2021). We also analyzed IRS data on correspondence inventory to report on IRS's performance responding to paper or digital taxpayer communications and amended returns within prescribed time frames. We reviewed data reports on the volume of in-person services IRS provided during 2021. Additionally, we analyzed IRS's data on hiring during 2021 and its use of overtime. We compared IRS's 2021 filing season performance data on returns processing and customer service to performance data from prior filing seasons, as appropriate, and average performance data from prior filing seasons. We also reviewed relevant documentation and interviewed IRS officials.

The data we reviewed were the most recent available at the time of our work. We assessed the reliability of the data by reviewing existing information and interviewing agency officials. Where appropriate, we performed electronic testing and compared our results with other sources.

⁴[GAO-21-251](#); GAO, *2019 Tax Filing: IRS Successfully Implemented Tax Law Changes but Needs to Improve Service for Taxpayers with Limited-English Proficiency*, [GAO-20-55](#) (Washington, D.C.: Jan. 15, 2020); and *Internal Revenue Service: Strategic Human Capital Management is Needed to Address Serious Risks to IRS's Mission*, [GAO-19-176](#) (Washington, D.C.: Mar. 26, 2019). We plan to issue our upcoming report on the filing season in early spring 2022.

We determined that these data were sufficiently reliable to address our reporting objectives. We provided a draft of this statement to IRS officials for technical review and incorporated their technical comments as appropriate.

We conducted the work on which this statement is based 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 audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.⁵

IRS Had Challenges Processing Tax Returns during the 2021 Filing Season, Resulting in Delays and Increased Costs

IRS Began the 2021 Filing Season with a Large Backlog of Returns

IRS's ability to process returns was hindered, in part, by a backlog of millions of unprocessed returns from the prior year. The majority of these returns were paper, which take longer to process. As we reported in March 2021, the COVID-19 pandemic created challenges for IRS during the 2020 filing season because IRS had to close return processing centers and manage the filing season with reduced staff, particularly for in-person work.⁶ As of the end of December 2020, IRS had about 13.1 million unprocessed 2020 filing season returns.⁷ By mid-February 2021, as the 2021 filing season began, IRS had reduced the backlog to about 8 million.

IRS had to process the remaining backlogged returns and incoming 2021 returns simultaneously. In March 2021, IRS officials said this was a

⁵We have been conducting our ongoing audit work since February 2021.

⁶[GAO-21-251](#).

⁷Unprocessed returns include those filed on paper or electronically that IRS received but had not fully processed, and returns suspended due to errors, such as math errors, or potential fraud.

challenging task. For example, the returns from 2020 had to be handled as prior year returns, and required manual, time-consuming coding and editing of return information in IRS's systems. In our ongoing work, IRS officials also said they had to train additional returns processing staff on processing prior year returns. Meanwhile, IRS had to continually adjust staffing and prioritize workloads at processing centers to manage returns from both years.⁸ As a result, from February to August 2021, IRS required returns processing staff to work 10 hours of overtime per week to help address the dual inventory of returns and correct returns suspended due to errors, as discussed later in this testimony.

IRS gradually reduced the backlog to about 1.2 million by the end of the 2021 filing season in mid-May, as we reported in July 2021.⁹ IRS reported that as of early June 2021, it had entered all of the individual returns it received in 2020 into its processing systems. In our ongoing work we found that in mid-December 2021, IRS completed entering all remaining business returns from 2020 into its systems for processing.¹⁰

Our preliminary observations indicate IRS will have a return backlog again this filing season. As of the end of 2021, IRS had about 10.5 million 2021 returns that had not been fully processed due to the additional workload of processing the 2020 backlog, along with other issues discussed in this testimony such as the high volume of returns with errors and staffing challenges. IRS may need to again rely on overtime to process the backlog along with new incoming returns from 2022.

⁸IRS used a first-in, first-out method to prioritize 2020 returns, meaning prior year returns received first were processed first. Since 2020 and 2021 returns were processed simultaneously, 2020 returns were not necessarily prioritized over 2021 returns due to the fact they were received first. Rather, IRS developed strategies to ensure both year returns could be processed in the order in which they were received. IRS officials also stated that in April and May 2021, they shipped backlogged 2020 returns between processing centers to better match workloads at each center with available resources.

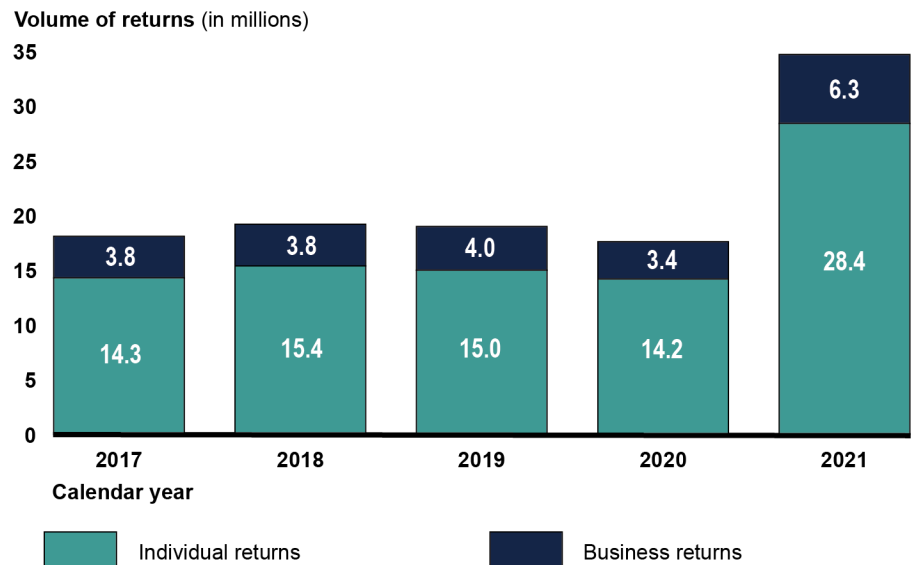
⁹GAO, *COVID-19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*, [GAO-21-551](#) (Washington, D.C.: July 19, 2021).

¹⁰Once returns are entered into IRS's processing systems, the returns may still not be fully processed and refunds provided to the taxpayer if the return was stopped for various reasons. These reasons include a miscalculated tax credit, incorrect Social Security number or Employer Identification Number, or suspected fraud.

IRS Suspended Millions of Returns with Errors Related to Pandemic Relief, Leading to Processing and Refund Delays

From January to November 2021, our preliminary observations indicate IRS suspended about 35 million individual and business returns in its Error Resolution System (ERS). As shown in figure 1, IRS suspended about 86 percent (16 million) more returns in ERS in 2021 compared to the average volume of returns with errors from 2017 to 2019, which were more typical filing seasons.¹¹ These returns were suspended because they contained errors that prevented IRS’s systems from processing the returns automatically, such as math errors or discrepancies in income amounts reported on the taxpayer’s return that did not match IRS records. To reconcile the errors, IRS staff review the suspended returns, which can take substantially longer than automated processing and can delay refunds.

Figure 1: Total Volume of Returns IRS Suspended in Its Error Resolution System, 2017 through November 2021



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-22-105802

Note: IRS’s Error Resolution System (ERS) is a computer program that identifies problems with tax returns that must be reviewed and corrected before IRS can continue processing the return. IRS has the authority to correct some types of errors; other errors require the taxpayer to provide additional information. Data represent the total volume of returns IRS suspended in ERS during each calendar year. Data from 2021 are current as of November 27, 2021. The volume for 2021 may include returns from the 2021, 2020, or an earlier filing season because, according to officials, IRS cannot differentiate between current and prior year returns in ERS.

¹¹For comparison, we calculated the average volume of returns in ERS from 2017 to 2019. We excluded 2020 from this calculation because it was an atypical filing season, due to the impacts of the COVID-19 pandemic.

In March 2021, IRS officials said that they anticipated an increase in errors during the 2021 filing season due to the Recovery Rebate Credit and other tax law changes, but the volume of errors was much higher than expected.¹² The need to manually review and correct errors led to refund delays of up to several months for millions of taxpayers.¹³

In December 2021, as part of our ongoing work, IRS provided documentation indicating that during the 2022 filing season it expects about 21 million returns to be stopped for errors associated with recent tax law changes.¹⁴ Officials said that they plan to adjust their systems for the 2022 filing season to automate selected ERS processing functions and identify returns that could be processed more quickly. According to IRS documentation, this adjustment will help to streamline the workflow and allow IRS to process returns with errors more efficiently.

Nearly \$14 Billion Dollars Has Been Paid in Refund Interest Since 2015

In March 2021, we reported that IRS paid a total of \$3.03 billion in interest on refunds to individual and business taxpayers in fiscal year 2020.¹⁵ This was about a 50 percent increase compared to the \$2.06 billion in refund interest that IRS paid in fiscal year 2019. IRS officials told us that the increase in refund interest during fiscal year 2020 was due to circumstances out of IRS's control as a result of the COVID-19 pandemic. These circumstances included the extended 2020 filing and payment deadline of July 15, 2020, and the requirement for IRS to pay more refund

¹²Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, § 272, 134 Stat. 1182, 1965-76 (2020) and American Rescue Plan Act of 2021, Pub. L. No. 117-2, § 9601, 135 Stat. 4, 138 (2021). The Recovery Rebate Credit was new for the 2021 filing season and required taxpayers to report the total amount they received for two economic impact payments during 2020. To the extent the amount taxpayers received was less than the credit amount for which they were eligible, taxpayers could claim a credit for that amount. If the credit the taxpayer claimed exceeded the amount in IRS's records, IRS suspended the return for manual review.

¹³Beginning in late July 2021, IRS's website stated that individual returns suspended due to RRC and refundable credit errors were taking longer than the normal 21 days to process, and that taxpayers should expect their return to be delayed for up to 120 days.

¹⁴IRS projected that about 17 million returns filed during the 2022 filing season will be stopped for processing due to changes in the Child Tax Credit, and about 3.6 million returns will be stopped due to the new Refundable Child and Dependent Care Credit. IRS's projections also indicate that if a return is stopped for errors, the taxpayer may need to wait 3 to 6 months before receiving their refund. IRS's planned improvements to ERS processing is intended to shorten this timeframe for some taxpayers.

¹⁵[GAO-21-251](#).

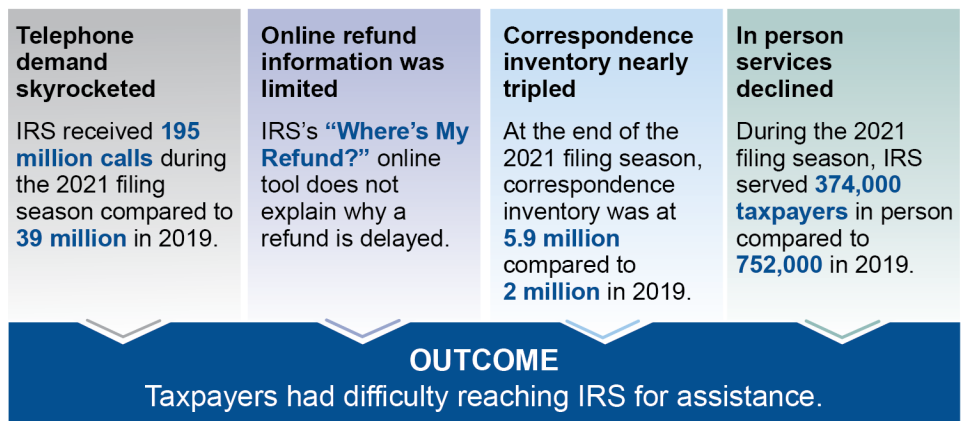
interest to individuals than initially expected due to the federal disaster declaration.

Our preliminary findings indicate that total interest payments on refunds increased further in fiscal year 2021. According to our ongoing analysis, IRS paid a total of \$3.27 billion in interest on refunds in fiscal year 2021, about an 8 percent increase over refund interest paid in fiscal year 2020. From fiscal years 2015 to 2021, IRS has paid a total of about \$13.85 billion in interest on refunds. We are analyzing data on refund interest payments and further exploring factors that may have contributed to increases.

Taxpayers Struggled to Get Help from IRS during the 2021 Filing Season

Our ongoing review shows that taxpayers experienced challenges obtaining assistance from IRS during the 2021 filing season compared to the 2019 filing season (see fig. 2).¹⁶

Figure 2: Challenges with IRS Customer Service during the 2021 Filing Season



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-22-105802

¹⁶We compared IRS's performance in providing customer service during the 2021 filing season to the 2019 filing season because during the 2020 filing season, IRS offices were closed and customer service operations were suspended for several weeks due to the COVID-19 pandemic.

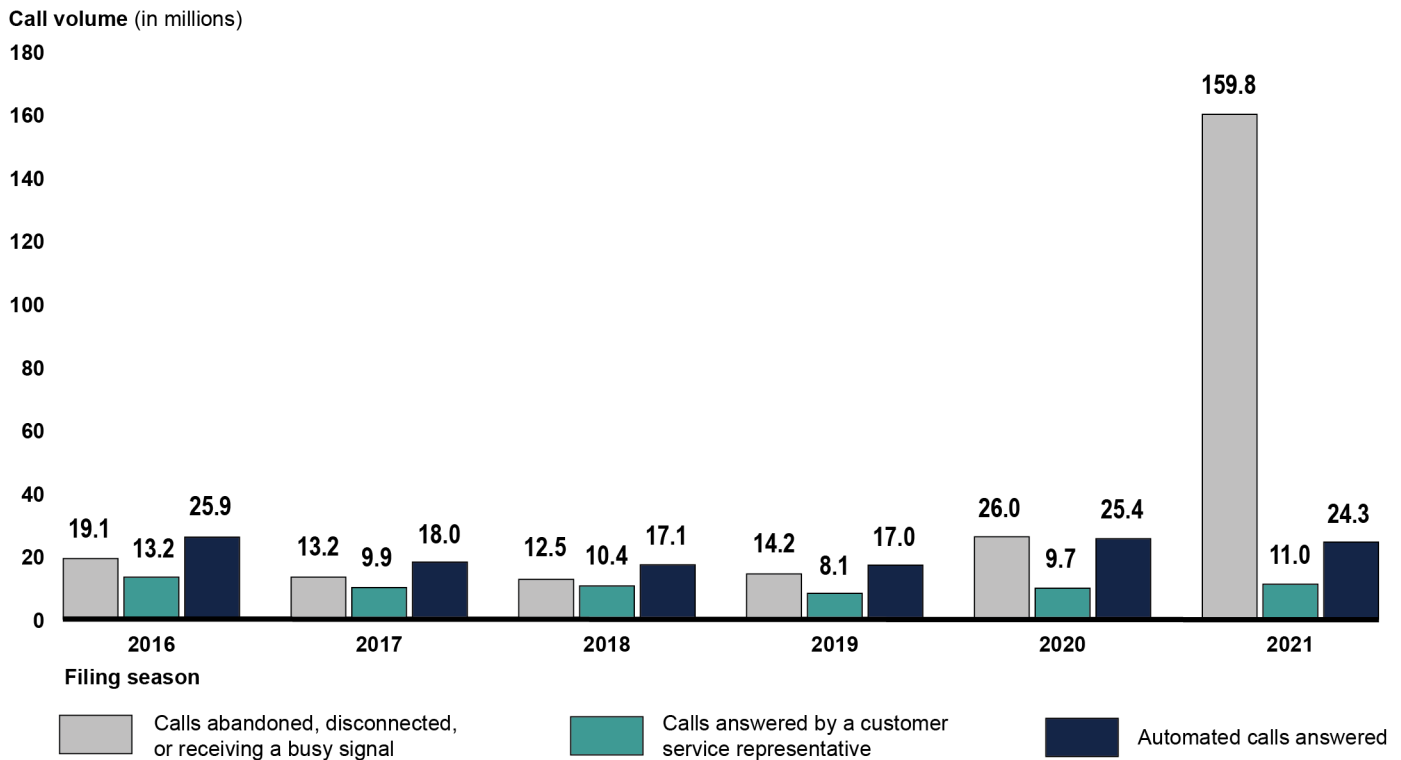
Taxpayers Had Difficulty Reaching IRS Customer Service Representatives on the Telephone

IRS answered more calls during the 2021 filing season than in the last four filing seasons, but our preliminary findings indicate an unprecedented increase in taxpayer inquiries by telephone resulted in a low level of taxpayer customer service overall. As shown in figure 3, customer service representatives (CSR) answered about 36 percent (2.9 million) more calls during the 2021 filing season than the 2019 filing season. However, from January 1 to the end of the filing season on May 17, 2021, IRS received about 195 million calls from taxpayers seeking assistance, compared to about 39 million calls during the same period in 2019, which is about a 400 percent increase.¹⁷ Further, each filing season includes calls that ultimately do not get through to a CSR. During the 2021 filing season, about 159.8 million incoming calls did not reach IRS:

- IRS disconnected 102.9 million calls (53 percent) due to lack of CSR availability,
- taxpayers abandoned 52.5 million calls (27 percent), and
- taxpayers received a busy signal on 4.4 million calls (2 percent).

¹⁷We calculated the total number of taxpayer calls as those (1) answered by a CSR; (2) that used IRS's automated tools such as automated account information; and (3) that the taxpayer abandoned, received a busy signal, or IRS disconnected.

Figure 3: IRS Telephone Call Volume, Filing Seasons 2016 through 2021



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-22-105802

Note: Telephone call data for the filing season are cumulative from January 1 of each year to April 23, 2016; April 22, 2017; April 21, 2018; April 20, 2019; July 15, 2020; and May 17, 2021, respectively. Numbers may not sum to totals due to rounding. Data from 2019 do not include calls answered by a CSR, those that received a busy signal, or were disconnected because IRS was not answering calls due to a 5-week lapse in appropriations. For 2020, live telephone assistance was completely unavailable between late March and late April due to IRS closing all processing and customer service sites during the COVID-19 pandemic. IRS re-opened live telephone assistance for identity theft-related issues on April 27, 2020, and IRS began opening additional phone lines on May 11, 2020. All customer service telephone lines were open during the 2021 filing season.

Additionally, figure 3 shows that taxpayers’ use of automated call assistance increased by about 43 percent (7.3 million calls) compared to 2019. Using IRS’s automated call services, taxpayers can listen to recorded information to help answer a tax law question or access automated account information such as a balance due.

IRS officials attributed the volume of calls in 2021 to the impacts of the COVID-19 pandemic, including taxpayer questions about economic impact payments and delayed refunds. In July 2021, we recommended that IRS update relevant pages of its website to help explain the nature

and extent of refund delays to taxpayers and to help reduce the volume of incoming taxpayer calls.¹⁸ Taxpayers also had questions about new provisions in ARPA, which, among other things, changed how much taxpayers were required to pay in taxes on unemployment income earned in 2020 and established monthly advanced Child Tax Credit payments for eligible taxpayers starting in July 2021.¹⁹

Although CSRs answered more calls overall during the 2021 filing season than in the last four filing seasons, officials stated that they still did not have enough staff to meet the demand for live taxpayer assistance. IRS customer service officials said that they hired about 3,800 customer service staff by the end of the filing season. However, officials explained that new CSRs have about 14 weeks of training before they can work with taxpayers on the phone, meaning that these newly hired staff were unable to answer calls during IRS's busiest season. In addition, IRS officials said that the ongoing effects of the COVID-19 pandemic contributed to periods of reduced staffing and unexpected attrition, which also affected IRS's ability to meet taxpayers' needs for live telephone assistance.

As of November 2021, IRS officials stated that they expect CSRs to answer about 35 percent of incoming calls during the 2022 filing season. This figure is based on current projections for the volume of incoming calls and staffing levels. IRS officials described additional services to help manage high call volumes during the 2022 filing season, including implementing an online chat function on IRS's website and expanding its telephone call-back feature. However, limited information online about refund delays as well as delayed processing and responses to correspondence typically increase telephone calls to IRS as taxpayers seek information. Throughout the 2022 filing season, we will continue to

¹⁸GAO, *COVID-19: Continued Attention Needed to Enhance Federal Preparedness, Response, Service Delivery, and Program Integrity*, [GAO-21-551](#) (Washington, D.C.: July 19, 2021). IRS took action to address our recommendation before we issued our final report by updating relevant pages of its website in June 2021.

¹⁹ARPA, which was enacted about a month after the start of the 2021 filing season, excluded up to \$10,200 per person in 2020 unemployment compensation from taxable income calculations. The exclusion applied to individuals and married couples whose modified adjusted gross income was less than \$150,000. IRS performed manual adjustments on relevant returns that were filed prior to ARPA's enactment. Pub. L. No. 117-2, § 9042, 135 Stat. 4, 122 (2021).

monitor IRS's efforts to provide the level of telephone customer service that taxpayers and Congress expect.

Most Taxpayers Do Not Find IRS's "Where's My Refund" Application Helpful and IRS Does Not Have Plans to Modernize It

Throughout the filing season, IRS consistently directed taxpayers to use IRS's online application "Where's My Refund" to get the most up-to-date information about the status of their return and refund.²⁰ However, our ongoing review indicates "Where's My Refund" provides limited information to taxpayers and taxpayers' satisfaction with the application has declined. IRS recognizes that "Where's My Refund" has limitations, but it does not have plans to modernize or replace the existing application. According to IRS officials, this is due to limited information technology resources funding to address the technical limitations of the application's supporting infrastructure.

According to IRS, "Where's My Refund" is IRS's most frequently used online service. In our ongoing review, we identified the following issues with the "Where's My Refund" application:

Limited refund status information is available online. After taxpayers verify their identity, "Where's My Refund" displays one of three statuses: (1) return received, (2) refund approved, or (3) refund sent. In the "return received" phase, taxpayers may also see a general message that IRS is processing their return. For returns where the refund has been sent, "Where's My Refund" may also display information on the refund amount and any corrections IRS made to the return during processing.²¹ However, our ongoing review found that "Where's My Refund" does not provide taxpayers with additional status information between the "return received" and "refund approved" phases, which can take several weeks during a typical filing season. For example, the application does not alert

²⁰IRS communicated this information on IRS.gov, during on-hold messages on its toll-free phone line for taxpayers, and in print materials. Taxpayers can access "Where's My Refund" at <https://www.irs.gov/refunds>, or through IRS2Go, IRS's mobile phone application. Taxpayers are required to provide information to verify their identity before accessing their return and refund status information in "Where's My Refund."

²¹This may include corrections to the refund amount, which IRS can make using its math error authority.

taxpayers if processing has been suspended due to an error or other reason, which could delay refunds.²²

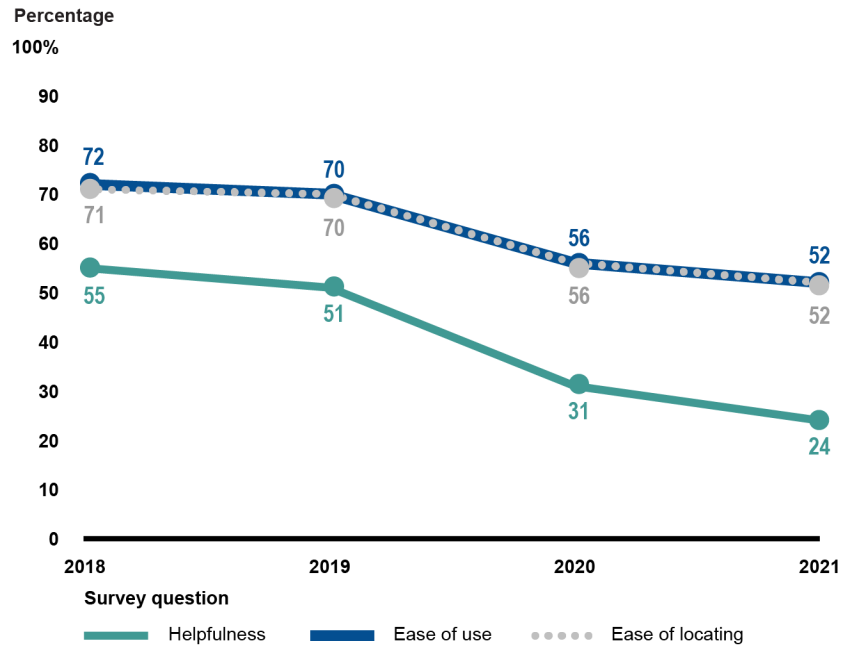
As previously discussed, millions of taxpayer returns were stopped for manual review during the 2021 filing season that prevented IRS's systems from processing the returns automatically. In July 2021, IRS began posting regular updates on its "IRS Operations Status" webpage, informing taxpayers that some returns may take up to 120 days or longer to process due to the need for IRS staff to manually review returns containing errors. This was a positive step in communicating general information to taxpayers on IRS's processing delays. However, because taxpayers could not get detailed status information from "Where's My Refund," they continued to call IRS for live assistance or in some cases filed a second return, which created additional work for IRS staff.

User satisfaction has declined. All taxpayers who access "Where's My Refund" have the option of answering three user experience survey questions, including a question on how helpful the application's information is regarding the status of their refund.²³ As shown in figure 4, results from IRS's survey from January 2018 to October 2021 show that user satisfaction with "Where's My Refund" has declined in all three areas—helpfulness of information, ease of use, and ease of locating the application. In 2018, about 55 percent of taxpayers who responded to the survey were satisfied with the helpfulness of the information provided in the application; that measure declined to about 24 percent satisfaction in 2021.

²²In its annual report to Congress, the National Taxpayer Advocate cited similar limitations with IRS's "Where's My Refund" application and the impact of the lack of useful refund status information on taxpayers and IRS. The National Taxpayer Advocate preliminarily recommended that IRS improve "Where's My Refund," IRS2Go (IRS's mobile application), or online accounts by providing taxpayers specific information about the cause of their refund delay and an estimated date when the IRS might issue their refund. In response, IRS stated that they plan to perform research to help inform potential updates to "Where's My Refund." National Taxpayer Advocate, *Annual Report to Congress 2021*, (Washington, D.C.: Dec. 31, 2021).

²³Taxpayers using the "Where's My Refund" application must elect to take the survey; therefore, the survey results are not generalizable to all taxpayers who used the application from January 2018 to October 2021. The survey asks taxpayers to rate their satisfaction with: 1) the ease of locating the application on IRS.gov; 2) the ease of using the application; and 3) the helpfulness of the information received through the application. Responses were on a 6-point scale, ranging from "totally dissatisfied" to "satisfied." According to IRS officials, the survey questions have not been modified since 2006.

Figure 4: Percentage of Users Satisfied with IRS’s “Where’s My Refund” Application, January 2018 to October 2021



Sources: GAO analysis of Internal Revenue Service (IRS) data. | GAO-22-105802

Note: The total number of responses for all three questions was: 654,814 (2018); 669,361 (2019); 1,619,701 (2020); and 2,469,115 (through October 19, 2021). The survey questions ask respondents to rate their satisfaction with: 1) the ease of locating the “Where’s My Refund” application on IRS.gov; 2) the ease of using “Where’s My Refund”; and 3) the helpfulness of the information received through “Where’s My Refund.” The data represent survey respondents who said that they were either “satisfied” or “somewhat satisfied” in response to the questions above. Taxpayer responses of “no answer” were not included in this analysis.

In November 2021, IRS officials stated that due to the limited information in the survey results, they do not use it in a meaningful way. For example, the survey does not allow taxpayers to provide specific feedback on the reasons for their dissatisfaction with “Where’s My Refund,” so that IRS could identify improvements. IRS officials attributed the more recent overall decline in user satisfaction with “Where’s My Refund” to pandemic-related processing delays and taxpayers’ frustration with being unable to reach IRS for additional information on the status of their return or refund during the 2021 filing season.

However, the “Where’s My Refund” survey results show that in the 2 years prior to the start of the pandemic, only about half of taxpayers reported being satisfied with the helpfulness of the information provided in the application. These data may indicate the application had not been

meeting user needs and expectations since before the pandemic—despite being one of IRS’s most commonly used applications.

IRS does not have plans to modernize “Where’s My Refund.” In October 2021, as part of our ongoing review, IRS officials said that “Where’s My Refund” has limitations due to its age and described some of the technical challenges associated with updating it. First, they said that the application is nearly 20 years old and the last time IRS made improvements that related to taxpayer experience—that is, changes that the taxpayer could see—was in 2013. Second, IRS officials said the current “Where’s My Refund” application is not capable of accessing the data sources that provide more detailed return processing status information, and modifying the existing application to include this information would be cost prohibitive. Finally, IRS officials raised concerns about balancing taxpayers’ need for additional refund status information in “Where’s My Refund,” and the risk of providing details that could be useful to fraudsters.

Further, IRS does not have plans to modernize “Where’s My Refund.” According to IRS officials, this is due to a lack of information technology resources and funding, and the technical limitations described above. IRS officials said that they planned to make some simple changes to the application in January 2022, prior to the start of the filing season. These include adding general, static messages on the “Where’s My Refund” status page so that taxpayers are aware of possible circumstances where their refund may be delayed, similar to the information IRS currently provides on processing delays on its website.

In addition, for taxpayers whose returns have taken more than 21 days to process, IRS plans to include a link to its “Frequently Asked Questions” webpage in “Where’s My Refund” so that taxpayers can read about general IRS processing delays. According to IRS officials, only such simple improvements are possible given the current technical limitations of the application. IRS also identified high-level efforts related to “Where’s My Refund” in its January 2021 *Taxpayer First Act Report to Congress*. For example, the report states that IRS intends to make the same information from “Where’s My Refund” available in the taxpayer’s online account and the IRS2Go mobile application, as well as send notifications about return status changes to the taxpayer’s mobile device. However, these efforts do not change the extent or detail of return information currently provided through the “Where’s My Refund” application. As noted above, the lack of detailed information in the application has led

taxpayers to call IRS for live assistance, or in some cases file a second return, which creates additional work for IRS staff.

We recognize that IRS has significant long-term efforts underway to modernize and upgrade its IT infrastructure and components. Further, we understand that modernizing “Where’s My Refund” will take planning and resources given the application’s current technical limitations. In February 2022, IRS said its long-term goal is to give taxpayers access to more information through IRS modernization efforts.

As part of our ongoing work we are continuing to explore challenges with modernizing “Where’s My Refund.”

IRS’s Inventory of Taxpayer Correspondence Has Increased Due to Competing Demands for Customer Service

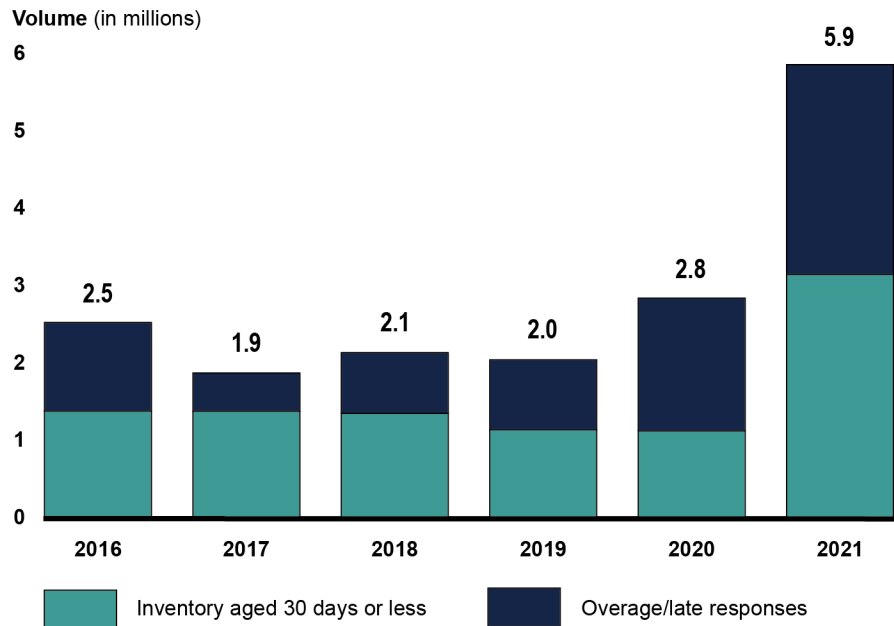
Throughout the 2021 filing season, IRS’s inventory of individual and business-related taxpayer correspondence continued to increase.²⁴ This was due to increased demand for live telephone assistance and because the rate of incoming correspondence outpaced how many existing correspondence cases CSRs could address. As discussed below, many CSRs are responsible for both telephone and correspondence duties. Due to the high demand for live phone assistance during the 2021 filing season, IRS prioritized answering calls over responding to taxpayer correspondence.

Our preliminary analysis indicates that IRS’s inventory of taxpayer correspondence as of the end of the 2021 filing season was nearly three times the average inventory compared to the same time period from 2016 through 2019 (see figure 5). Further, about 46 percent (2.7 million pieces) of 2021 taxpayer correspondence was overage as of the end of the 2021 filing season.²⁵

²⁴Inventory reflects all paper and digital correspondence from taxpayers that IRS received but had not yet responded to.

²⁵IRS’s policy is to generally respond to correspondence within 30 days of receipt, but it may take longer than 30 days to respond to taxpayer correspondence depending on the type and complexity of the issue. IRS generally considers correspondence that is older than 45 days to be “overage.”

Figure 5: IRS Correspondence Inventory and Overage Rates (Late Responses), as of the End of the Filing Season, 2016—2021



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-22-105802

Note: IRS's policy is to generally respond to correspondence within 30 days of receipt, but it may take longer than 30 days to respond to taxpayer correspondence depending on the type and complexity of the issue. IRS generally considers correspondence that is older than 45 days to be "overage." Data reflect individual and business-related correspondence in IRS's inventory as of the end of the filing seasons shown above: April 23, 2016; April 22, 2017; April 21, 2018; April 20, 2019; July 18, 2020; and May 22, 2021, respectively. Inventory reflects all paper and digital correspondence IRS received but had not yet responded to. Note that 2020 inventory does not reflect all taxpayer correspondence IRS received during 2020 due to IRS's mail backlog (see [GAO-21-251](#)). As a result, some correspondence received in 2020 is reflected in the 2021 inventory.

During our ongoing review, IRS officials described several reasons for the increase in the volume and types of backlogged correspondence:

- **Duplicate Returns.** As a result of delayed processing of returns filed in 2020 and 2021, some taxpayers filed a second return because they could not get information on the status of their initial return and refund, and were concerned that IRS had not received the initial return.
- **Amended Returns.** The increase in amended returns was likely due, in part, to new provisions included in pandemic relief legislation. Under provisions in the CARES Act, some taxpayers filed amended returns to claim net operating loss carrybacks in 2018, 2019, or 2020. In addition, ARPA, which was enacted a month after the filing season began, included changes to the amount of taxable unemployment

income for 2020 which prompted some taxpayers to file an amended return.

- **Refund Inquiries.** According to IRS officials, IRS received more refund and account inquiries by correspondence because taxpayers could not get through to a CSR on the phone for information on the status of their return or refund, and could not get detailed information online; therefore, taxpayers tried to reach IRS by mail.

IRS's different customer service options are interdependent, often sharing the same staff. As we have reported in prior years, IRS has struggled to balance competing demands for maintaining quality customer service levels via telephone and timely written correspondence because many CSRs are responsible for both telephone and correspondence duties.²⁶

As a result, IRS's ability to respond to correspondence in a timely manner is dependent on the volume and length of telephone calls answered by CSRs and the volume of calls that are addressed through self-service options including automated telephone lines and online tools. Further, as discussed earlier, when taxpayers cannot find the information they need using IRS's online resources such as "Where's My Refund," they will call IRS or send inquiries through the mail.

In November 2021, as part of our ongoing review, IRS officials told us they were continuing to work through the correspondence inventory, which by that time had grown to about 7.8 million with about 57 percent (4.5 million) of it overaged. IRS officials stated that they were continuing to rely on overtime, training additional staff to help work through some types of correspondence inventory such as identity theft, and were hiring additional staff, as discussed later in this testimony. Nevertheless, millions of taxpayers continue to wait for IRS to process a wide range of correspondence, including amended returns and reviewing documentation related to resolving identity theft issues, both of which may result in a refund to the taxpayer.

The extent of IRS's correspondence inventory as of January 1, 2022, was 8.2 million, a backlog that IRS will need to address during the 2022 filing season. Further, IRS's data from early January 2022 showed that IRS expects its correspondence inventory to exceed 10 million by the end of fiscal year 2022. This is more than five times IRS's inventory of correspondence as of the end of fiscal year 2019 and more than three

²⁶See [GAO-21-251](#); [GAO-20-55](#); and, *2015 Tax Filing Season: Deteriorating Taxpayer Service Underscores Need for a Comprehensive Strategy and Process Efficiencies*, [GAO-16-151](#) (Washington, D.C.: Dec. 16, 2015).

times the inventory as of the end of fiscal year 2020. This backlog will be difficult to manage as IRS balances prioritizing telephone calls from taxpayers with reducing the volume of correspondence such as amended returns from 2021 and incoming correspondence for 2022.

In-Person Taxpayer Service Volume Has Declined in Recent Years

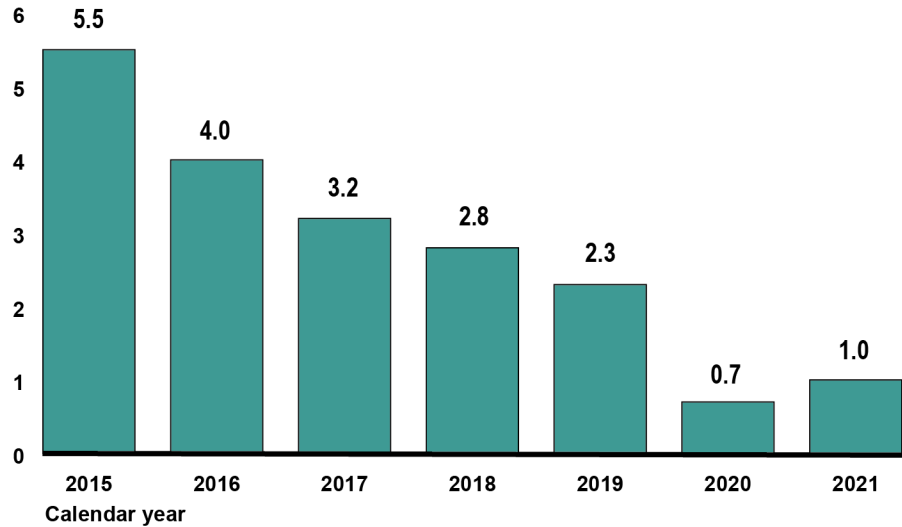
Our ongoing analysis of IRS data on the volume of taxpayers visiting a TAC shows a gradual decline in visits since 2015, even prior to the COVID-19 pandemic.²⁷ As seen in figure 6 below, during calendar year 2015, IRS served about 5.5 million taxpayers in person; this volume dropped by an average of about 800,000 taxpayer interactions annually from 2016 to 2019. From 2019 to 2020, in-person visits declined by about 70 percent (1.6 million). The total volume of taxpayers served in-person further declined to about 700,000 during 2020, and was about 1 million during 2021. In June 2021, IRS officials stated that the ongoing impacts of the COVID-19 pandemic, along with increased service options available to taxpayers via the phone and online, primarily accounted for the overall decline in in-person service volume in 2020 and 2021, compared to prior years.²⁸

²⁷IRS's 358 TACs are located across the United States and in Puerto Rico, and taxpayers are generally required to make an appointment to receive in-person assistance. IRS Field Assistance staff provide various in-person services, including authenticating taxpayers whose returns have been held for potential identity theft, assisting taxpayers applying for an Individual Taxpayer Identification Number, issuing overseas travel permits, handling cash payments from taxpayers, and providing taxpayer assistance with account adjustments and economic impact payments.

²⁸[GAO-21-251](#). As we previously reported, from late March 2020 to late June 2020, IRS closed all TACs and halted in-person customer service functions due to the pandemic. IRS gradually resumed in-person services during 2020.

Figure 6: Volume of Taxpayers IRS Served In-Person at Taxpayer Assistance Centers, 2015 through 2021

Number of taxpayers visiting taxpayer assistance centers (in millions)



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-22-105802

IRS Increased Hiring and Relied on Overtime to Manage Unprecedented Workloads

To address challenges providing customer service and processing returns in the 2021 filing season, IRS increased its hiring efforts, but with mixed success. As a result, it primarily relied on overtime and shifted existing staff to higher priority areas of work, including manual review of returns stopped due to errors and answering record-high volumes of calls from taxpayers.

IRS used several approaches to increase staffing levels during the 2021 filing season. To help address immediate needs, it converted seasonal workers to permanent hires, and rehired former IRS staff with expertise in handling returns with errors. In addition, IRS human capital officials stated that they used a streamlined hiring approach to match a potential applicant with multiple positions for which they were qualified, to help reduce the number of incoming applications. Officials also sought to hire filing season staff throughout the year, including the summer and fall which are not typical hiring periods.

IRS officials reported that they exceeded their hiring goal of 5,000 customer service staff as of the end of fiscal year 2021. As of early May 2021, IRS hired 3,817 customer service staff (76 percent of their goal),

and then hired an additional 1,377 staff as of early September 2021.²⁹ Officials noted that newly hired CSRs are trained for 14 weeks before they can help taxpayers on the phone, so staff hired toward the beginning of the filing season were not trained before the filing season ended. Nevertheless, officials noted that once trained, new CSRs were assigned to phones to assist taxpayers.

However, our ongoing review indicates IRS encountered challenges in hiring enough new returns processing staff during fiscal year 2021. As of October 2021, officials reported that they had hired 3,662 returns processing staff out of about 5,500 planned (67 percent of their goal), and had not hired new staff since the end of August. Additionally, attrition has further contributed to reduced levels of returns processing staff, who perform essential filing season functions.³⁰ As of the end of fiscal year 2021, IRS reported that the attrition rate for returns processing staff was 17 percent (about 1,630 staff), which is more than twice the agency's overall attrition rate of 7.6 percent.³¹ Therefore, for every 10 newly hired returns processing staff discussed above, IRS needed about four staff to offset attrition.

As we have previously reported, IRS has consistently used overtime to meet returns processing milestones, respond to taxpayer calls and correspondence, and address increases in workload.³² For example, in January 2020—prior to the start of the COVID-19 pandemic—we reported that IRS increasingly relied on overtime to meet returns processing and customer service demands, with its use of overtime more than quadrupling from fiscal year 2014 through mid-July of fiscal year 2019.³³

²⁹IRS officials reported that of the 3,817 new hires, 2,935 (77 percent) were CSRs, who primarily provide live telephone assistance to taxpayers. The remaining positions were for tax examiners (713) and clerks (169).

³⁰Returns processing staff open and batch mail, process tax returns, and perform other on-site work at IRS campuses.

³¹The attrition rate for returns processing and customer service staff includes separations and retirements, and instances where staff moved to another organization within IRS.

³²[GAO-20-55](#).

³³[GAO-20-55](#). We measured increases in overtime in terms of full-time employee equivalents. IRS's workload increases during the 2019 filing season were due, in part, to IRS needing to implement provisions of the Tax Cuts and Jobs Act before the filing season began, and a 5-week lapse in appropriations which furloughed many IRS employees during the critical filing season preparation period.

We recommended that IRS develop and implement a strategy for the efficient use of overtime. At the time, IRS agreed with this recommendation, but stated that its existing process within the Wage and Investment division for the use and approval of overtime is sufficient, so it did not plan to take further action.³⁴

During fiscal year 2021, IRS again relied heavily on overtime to address both customer service demand and returns processing work. We recognize that overtime is a practical and necessary tool to help organizations manage short-term and unexpected surges in workload. However, it is not sustainable to rely primarily on overtime to offset complex human capital challenges such as reduced staffing levels and attrition. IRS's use of overtime may also be indicative of a larger need for IRS to establish and use a strategic workforce plan that addresses mission-critical skills gaps. In 2019, we recommended IRS establish such a plan.³⁵ IRS agreed and has made progress towards implementing a strategic workforce plan, but that effort remains delayed.

Given the recent challenges IRS has experienced during the last two filing seasons and the ongoing impacts of the COVID-19 pandemic, we believe our recommendation to develop an overtime strategy remains valid. As we noted in our prior work, consistent reliance on the use of overtime, among other things, can contribute to low morale and employee dissatisfaction, and increased errors. Further, if not well managed, overtime can be expensive, inefficient, and contribute to skills gaps.

In conclusion, ongoing challenges precipitated by the COVID-19 pandemic, coupled with new responsibilities to provide relief to Americans, adversely affected IRS's return processing and customer service during the 2021 filing season. Amid these challenges, IRS issued economic impact payments and answered more telephone calls than in prior years, as taxpayers sought unprecedented levels of assistance. Nevertheless, the new and persistent challenges that IRS faced pose risks for the 2022 filing season.

³⁴IRS allocates a certain amount of overtime for both returns processing and customer service staff each fiscal year, based in part on prior year usage and its budget. IRS operating divisions can also request increases to their overtime allocation, as needed. In addition, a 2019 agreement with the National Treasury Employee Union governs other aspects of overtime, such as ensuring fairness of offering overtime opportunities to employees.

³⁵GAO, *Internal Revenue Service: Strategic Human Capital Management is Needed to Address Serious Risks to IRS's Mission*, [GAO-19-176](#) (Washington, D.C.: Mar 26, 2019).

Chairman Wyden, Ranking Member Crapo, and Members of the Committee, this concludes my prepared statement. I look forward to answering any questions you may have.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact me at (202) 512-6806 or lucasjudyj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement.

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