

GAO Highlights

Highlights of [GAO-22-104938](#), a report to congressional committees

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 legislation and provide additional relief to taxpayers, IRS postponed the 2021 individual filing and payment deadline by 1 month to May 17, 2021.

GAO was asked to review IRS's performance during the 2021 filing season. This report assesses IRS's performance during the 2021 filing season on (1) processing individual and business income tax returns and (2) providing customer service to taxpayers.

GAO analyzed IRS documents and data on filing season performance, refund interest payments, hiring, and employee overtime. GAO also interviewed cognizant officials.

What GAO Recommends

GAO is making six recommendations, including that IRS assess reasons for tax return errors and refund interest payments and take action to reduce them; modernize its "Where's My Refund" application; address its backlog of correspondence; and assess its in-person service model. IRS agreed with four recommendations and disagreed with two. IRS said its process for analyzing errors is robust and that the amount of interest paid is not a meaningful business measure. GAO believes that these recommendations remain warranted.

View [GAO-22-104938](#). For more information, contact Jessica Lucas-Judy (202) 512-6806 or lucasjudyj@gao.gov.

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TAX FILING

2021 Performance Underscores Need for IRS to Address Persistent Challenges

What GAO Found

The Internal Revenue Service (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. Further, IRS suspended and reviewed 35 million returns with errors primarily due to new or modified tax credits. As a result, millions of taxpayers experienced long delays in receiving refunds. GAO found that some categories of errors occur each year; however, IRS does not assess the underlying causes of taxpayer errors on returns. Doing so could help reduce future errors, refund delays, and strains on IRS resources.

IRS has paid nearly \$14 billion in refund interest in the last 7 fiscal years, with \$3.3 billion paid in fiscal year 2021. Using IRS data, GAO identified some characteristics of refund interest payments, such as amended returns. However, IRS does not identify, monitor, and mitigate issues contributing to refund interest payments. Accordingly, IRS is missing an opportunity to reduce costs.

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-22-104938

IRS answered more phone calls than in prior years, but taxpayers had a difficult time reaching IRS due to high call volumes. IRS urged taxpayers to access its "Where's My Refund" online tool to get refund status information; yet this tool provides limited information on refund status and delays. IRS does not have plans to modernize "Where's My Refund," although this could help IRS better serve taxpayers, lower call volume, and reduce costs. IRS's correspondence inventory was 5.9 million by the end of the filing season, and grew to more than 8 million by the start of 2022. IRS does not have a plan or estimates for reducing this backlog; doing so could help reduce demands on IRS. Finally, in-person service has significantly declined since 2015 and IRS has not fully considered alternatives for its current in-person service model. IRS's plans to improve the taxpayer experience—such as by expanding virtual services—may further contribute to the decline in in-person visits.