GAO

January 2024

2023 TAX FILING

IRS Improved Customer Service, but Could Further Improve Processing and Evaluate Expedited Hiring

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Why GAO Did This Study

During the annual tax filing season, IRS processes more than 160 million individual and business tax returns. IRS also provides telephone, correspondence, online, and in-person services to tens of millions of taxpayers. Partly as a result of the COVID-19 pandemic, IRS has faced challenges in recent years processing tax returns and refunds, meeting taxpayer service demands, and hiring employees. The Inflation Reduction Act of 2022 provided IRS tens of billions of dollars in funding to improve these and other areas.

GAO was asked to review IRS's performance during the 2023 filing season. This report assesses IRS's performance on (1) processing tax returns, (2) providing customer service to taxpayers, and (3) hiring staff to support filing season operations. GAO analyzed IRS documents and filing season performance data related to tax return processing, customer service, and hiring. GAO also visited two IRS processing facilities and held discussion groups with IRS staff.

What GAO Recommends

GAO is making four recommendations to IRS to evaluate and address causes of missing timeliness goals for tax return processing, designate a responsible party to ensure accuracy of reporting, track and evaluate efforts to improve return processing, and monitor and evaluate its use of expedited hiring authority. IRS agreed with the recommendations.

View GAO-24-106581. For more information, contact Jessica Lucas-Judy at (202) 512-6806 or lucasjudyj@gao.gov.

What GAO Found

The Internal Revenue Service (IRS) made progress in resolving prior year challenges with processing returns during the 2023 tax filing season. By April 22, 2023, IRS had processed all prior year returns and had a backlog of 6.1 million current year returns, 10.3 million fewer than at the same point in 2022. IRS also generally reduced the average number of days to process paper returns, which vary by type. However, GAO found that IRS missed its processing time goals for some returns. In addition, some IRS monitoring reports contained data errors because IRS lacked a designated official to ensure accuracy of the reports. Furthermore, although IRS introduced efforts to improve processing, the rate of errors staff made when processing returns continued to gradually increase.

Tax Documents in the IRS Kansas City, MO Processing Center, May 2023

Source: Internal Revenue Service (IRS) photo. | GAO-24-106581

IRS generally improved its customer service to taxpayers, especially telephone service, but continued to struggle in providing correspondence services. IRS customer service representatives answered 7.7 million calls during the 2023 filing season—a 65 percent increase compared to 2022—and the average time to answer a call improved from 28 to 3 minutes. However, IRS responses to taxpayer inquiries via mail continue to be delayed, with 61 percent of inquiries considered late as of the end of the filing season. Addressing GAO's 2022 recommendation to estimate time frames for resolving these delays will better set expectations for, and potentially reduce repeat inquiries from, taxpayers.

During fiscal years 2022 and 2023, IRS hired about 26,000 employees for its filing season workforce. IRS used funding from COVID-19 supplemental appropriations and the Inflation Reduction Act, along with an expedited hiring authority, to fill many of these positions. IRS has requested continued use of this authority but has not evaluated its recent expanded use. Doing so could help IRS inform efforts aimed at improving its usage of this flexibility.

United States Government Accountability Office

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Abbreviations

CSR	customer service representative
DOD	Department of Defense
FTE	full-time equivalent
EQSP	Embedded Quality for Submission Processing
ERS	Error Resolution System
IRA	Inflation Reduction Act
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
ITIN	Individual Taxpayer Identification Number
OMB	Office of Management and Budget
OPM	Office of Personnel Management
TAC	Taxpayer Assistance Center
WebSD	Web Service Delivery tool

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

January 25, 2024

The Honorable Ron Wyden
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Finance
United States Senate

The Honorable Jason Smith
Chairman
The Honorable Richard E. Neal
Ranking Member
Committee on Ways and Means
House of Representatives

During the tax filing season, the Internal Revenue Service (IRS) undertakes a complex annual effort to process individual and business tax returns both electronically and on paper, issue hundreds of billions of dollars in taxpayer refunds, and enforce tax laws. IRS also provides customer service to tens of millions of taxpayers on a range of critical issues, including providing information on unprocessed and delayed returns, assisting taxpayers whose returns IRS has suspended due to suspected identity theft, and responding to correspondence from taxpayers across a variety of issues.

In recent years, partly due to the COVID-19 pandemic, IRS has experienced ongoing operational challenges during the annual filing season.[1] These challenges included processing a backlog of prior year returns alongside incoming returns, providing customer service via phone, and addressing a backlog of taxpayer correspondence. IRS also faced challenges with human capital issues including staff attrition and difficulty hiring. We previously reported that, during the 2022 filing season, IRS's backlog of tax returns and hiring challenges led to delayed refunds and

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[1]The IRS started accepting and processing 2022 tax year returns for the 2023 filing season on January 23, 2023. The deadline for most taxpayers to file or request an extension, generally considered the end of the filing season, was April 18, 2023. In some recent years, the deadlines varied due to the COVID-19 pandemic and were as follows: April 15, 2019; July 15, 2020; May 17, 2021; and April 18, 2022.

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poor customer service.[2] With respect to customer service, we reported that IRS answered less than one out of five taxpayer calls seeking live assistance. We also reported that IRS continued to struggle balancing responses to both telephone calls and written correspondence from taxpayers.

In August 2022, Congress passed and the President signed the Inflation Reduction Act (IRA), which provided IRS tens of billions of dollars to bolster taxpayer services and IT modernization and operations, among other purposes.[3] This funding is to remain available to IRS through the end of fiscal year 2031. In April 2023, IRS published a strategic operating plan for these funds.[4]

You asked us to assess IRS's performance during the 2023 filing season. Additionally, the IRA included a provision for GAO to support oversight of the use of funds appropriated in the IRA, including ensuring the impacts of funding decisions are equitable.[5] In this report, we assess IRS's performance during the 2023 filing season to (1) process individual and business tax returns; (2) provide customer service on the telephone, online, via correspondence, and in person; and (3) support filing season operations through increased hiring.

To address our first objective, we analyzed IRS's 2023 filing season performance data on processing electronic and paper tax returns for individuals and businesses, and on issuing refunds. We used the most recent data available at the time of our review that included weekly reports on the volume of returns, among other things. We used the data to assess IRS's efforts to resolve its backlog of 2022 filing season returns while concurrently processing incoming returns in 2023.

We assessed the reliability of IRS's data on processing returns by reviewing existing information about the data and the systems that produced them, and interviewing agency officials knowledgeable about

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[2]GAO, *Tax Administration: IRS Has Opportunities to Address Longstanding Challenges,* GAO-24-107129 (Washington, D.C.: Oct. 24, 2023). GAO, *2022 Tax Filing: Backlogs and Ongoing Hiring Challenges Led to Poor Customer Service and Refund Delays,* GAO-23-105880 (Washington, D.C.: Dec. 15, 2022).

[3]Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831–1832 (2022).

[4]IRS, *Internal Revenue Service Inflation Reduction Act Strategic Operating Plan: FY2023– 2031,* Publication 3744 (April 2023).

[5]Pub. L. No. 117-169, § 70004, 136 Stat. 1818, 2087 (2022).

the data. We determined that these data were sufficiently reliable to report on IRS's performance in processing returns during the 2023 filing season. However, we did find that two reports summarizing processing data contained errors and in one of those reports the errors were extensive enough that we do not consider it to be reliable, as discussed later in this report. We assessed these findings against *Standards for Internal Control in the Federal Government* which require that agencies use and share quality data internally and externally.[6]

Additionally, we compared IRS's most recently available data on return processing performance to performance data from prior filing seasons, as appropriate. We also reviewed IRS performance for timeliness in processing returns and refunds. In addition, we interviewed IRS officials to understand, for example, causes for delays in processing returns in 2023. Further, we reviewed relevant documentation and interviewed IRS officials to understand contextual factors contributing to changes in performance, including hiring challenges and the effects of legislation. We also compared agency performance against IRS internal guidance and recommended processing timelines.

Finally, we analyzed IRS's Embedded Quality for Submission Processing (EQSP) system to review how the agency evaluates the performance of Submission Processing staff. We reviewed relevant documentation and agency statements about EQSP and analyzed a set of data from the system. We found the system to be sufficiently reliable to describe the rate of defects in this report. We assessed IRS's use of these data against *Standards for Internal Control in the Federal Government* which require that agencies remediate identified internal control deficiencies on a timely basis.

To address our second objective, we analyzed IRS's 2023 weekly filing season performance data on providing customer service (via telephone, correspondence, online, and in person). The data we used in this report were the most recent sets of data available at the time of our review. We reviewed relevant documentation and interviewed IRS officials to understand IRS's ability to answer telephone inquiries, respond to taxpayer correspondence, provide service through its website, and provide in-person services.

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[6]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

We compared data on IRS's customer service performance during the 2023 filing season to performance data from prior filing seasons, where appropriate. In addition, we interviewed IRS officials and reviewed relevant documentation for contextual factors contributing to filing season performance, such as hiring and staffing challenges. We also assessed IRS's progress in addressing selected open GAO recommendations to improve taxpayer customer service.

To address our third objective, we reviewed IRS documents and data on filing season hiring goals and actual hiring (including under direct hire authority). We compared these efforts to IRS's previous efforts during fiscal years 2021 and 2022. We interviewed officials to understand how IRS used direct hiring authority to fill critical filing season positions, and any challenges IRS faced in onboarding staff. As appropriate, we compared IRS's efforts against our prior work identifying leading practices in using human capital flexibilities across the federal government, including direct hiring.[7] We also assessed IRS's efforts against *Standards for Internal Control in the Federal Government,* including that management should use quality information to achieve the entity's objectives.[8]

To provide additional context for the above objectives, we visited IRS processing centers in Austin, Texas, and Kansas City, Missouri, in May 2023 to observe return processing and customer service representatives (CSR) answering taxpayer calls and handling correspondence. We selected the Austin and Kansas City centers because they both process individual returns and answer taxpayer telephone calls.

To obtain the perspectives of CSRs and return processing employees, we conducted six discussion groups with 51 frontline staff in Austin and Kansas City. We asked them about challenges they encountered during and preparing for the 2023 filing season and opportunities to improve service to taxpayers. We also observed and interviewed staff at two Taxpayer Assistance Centers (TAC) in Austin and Kansas City. The perspectives of staff we spoke with are not generalizable.

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[7]GAO, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces,* GAO-03-2 (Washington, D.C.: Dec. 6, 2002).

[8]GAO-14-704G.

In addition, we reviewed IRS appropriations to support the filing season, and IRS spend plans for the IRA. We also interviewed IRS officials about how IRS allocated appropriations to support filing season functions.

We conducted this performance audit from January 2023 to January 2024 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Returns Processing

Every filing season, individuals and businesses submit their tax returns to the IRS. Employees within IRS's Submission Processing function process these tax returns and supplemental documents, and issue refunds and tax notices. Paper and electronic returns are processed at submission processing centers located in Austin, Texas; Kansas City, Missouri; and Ogden, Utah.

Paper returns make up a smaller portion of IRS's returns inventory; however, paper returns require more resources to process due to the manual work involved. Each year, IRS receives and processes large volumes of paper tax returns and other taxpayer information, such as administrative files that include documents supporting adjustments to taxpayer accounts. After opening the mail, IRS sorts the various documents by type before the sorted return continues through several other processing steps (see fig. 1).

Figure 1: Sorting Tables Used for Paper Tax Returns at IRS Austin, TX Processing Center

Source: Internal Revenue Service (IRS) photo. | GAO-24-106581

Once the return is entered into IRS's system for processing, IRS checks the return for consistency and mathematical accuracy based on the information included in the return. Errors can occur on tax returns because of mistakes made by either taxpayers or IRS employees.[9] Tax law changes can cause a higher volume of return processing errors because the provisions are new to IRS, paid preparers, and taxpayers.

If the return is free of errors, the agency will post the return to the taxpayer's account. Otherwise, IRS will attempt to correct the errors by manually reviewing the return or using an automated tool.[10] If correction is

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[9]The term "errors" can refer to incorrect or missing information on returns, which necessitate the returns be reviewed by IRS staff such as through the Error Resolution System (ERS). ERS is a computer program that IRS staff use to correct errors identified during return processing. IRS has the authority to correct some types of errors; other errors require the taxpayer to provide additional information.

[10]IRS developed an automated tool (FixERS) that, according to IRS officials, allowed the agency to cut resolution time of certain errors from several months to only a few days. We previously reported that 12.9 million returns were corrected using this tool, as of late September 2022. See GAO-23-105880.

not possible, IRS will notify the taxpayer that corrected or additional information is needed to complete the return.[11]

IRS sets recommended timelines for how long certain types of paper tax returns should take to be initially reviewed and processed. These ranges vary widely. IRS policy states that some forms, such as Form 1040, be processed within 13 working days. Other forms, such as Form 940, *Employer's Annual Federal Unemployment Tax Return,* are to be processed in up to 50 days.[12]

As we have previously reported, automated processes are generally more efficient and cost effective than paper-based processes, and any delays in issuing refunds can increase costs to the federal government and burden the taxpayer.[13]

Taxpayer Service

Taxpayers can get assistance from IRS in several ways, with many of these activities performed by employees within the agency's Accounts Management function:

- **Telephone.** Throughout the year, taxpayers can speak with a customer service representative (CSR) to obtain information about their accounts. Taxpayers can also listen to recorded tax information or use automated phone services to obtain the status of their refund or account information such as a balance due.

- **Correspondence.** Taxpayers primarily use paper, or in some cases digital, correspondence to communicate with IRS.[14] Correspondence

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[11]In November 2023, IRS announced that taxpayers can now digitally respond to all correspondence, including to resolve such errors or solicit additional information, through the Document Upload Tool. IRS first introduced a prototype of this tool in 2021, but its use was limited to certain types of correspondence. Prior to this announcement, most of such correspondence was required to be conducted through paper mail. Taxpayers who prefer to use paper mail may continue to do so. IRS, "IRS achieves key Paperless Processing Initiative goal, outlines improvements for filing season 2024," FS-2023-25 (Nov. 2023).

[12]A working day is a Monday through Friday that is not a holiday. See Internal Revenue Manual (IRM) § 3.30.123.4.1(1). Form 940 is used by employers to report annual Federal Unemployment Tax Act tax.

[13]GAO, *Tax Filing: Actions Needed to Address Processing Delays and Risks to the 2021 Filing Season,* GAO-21-251 (Washington, D.C.: Mar. 1, 2021).

[14]IRS implemented e-filing for amended returns in August 2020, and, according to IRS officials, currently accepts amended returns for 2020, 2021, and 2022 electronically. IRS staff need to manually review the return and adjust the taxpayer's account. In 2023, IRS announced that beginning in filing season 2024, taxpayers will be able to digitally submit all correspondence, non-tax forms, and responses to notices.

includes responses to IRS requests for information to help process a return or verify a taxpayer's identity. It can also include collection notice disputes, among other issues. In addition to answering telephone calls, CSRs in IRS's Accounts Management division are also required to respond to taxpayer correspondence, which can cover a wide range of topics. These include complex account adjustments such as amended returns and duplicate return filings, and refund and account inquiries. IRS's policy is to generally respond to correspondence within 30 days of receipt. IRS considers correspondence that is older than 45 days to be overage.

- **Online.** Taxpayers can use IRS's online services to, for example, check their refund status, get a tax transcript, make payments or check on the status of a payment, and apply for plans to pay taxes due in scheduled payments (installment agreements).

- **In person.** After making an appointment with IRS, taxpayers can receive face-to-face assistance at TACs across the country. TAC staff provide taxpayers with help in a variety of ways, 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 assisting taxpayers with account adjustments.

IRS's Budget and the Inflation Reduction Act

In December 2022, Congress appropriated approximately $12.3 billion to IRS for fiscal year 2023, allocated across three accounts:

- $5.4 billion for Enforcement, such as determining and collecting owed taxes, providing legal and litigation support, and enforcing certain criminal statutes.

- $4.1 billion for Operations Support, such as rent, facilities services, printing, postage, security, information systems, and telecommunications support.

- $2.8 billion for Taxpayer Services, such as processing tax returns and related documents (performed by IRS's Submission Processing function) as well as assistance to taxpayers filing returns and paying taxes due (performed by IRS's Accounts Management function).[15]

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[15]Consolidated Appropriations Act, 2023. Pub. L. No. 117-328, 136 Stat.4459, 4655-58 (2022). The Taxpayer Services appropriation also funds prefiling assistance and education, and taxpayer advocacy services. For fiscal year 2023, Congress did not appropriate funds for a fourth account (Business Systems Modernization) that had received $275 million in fiscal year 2022.

During fiscal years 2020 and 2021, Congress provided IRS approximately $3.1 billion in COVID-19 supplemental funding in addition to its regular annual appropriations, and $1.5 billion of this amount was available for IRS to spend through fiscal year 2023.[16] These additional funds were intended to help IRS issue economic impact payments and advance Child Tax Credit payments to eligible taxpayers, as well as to support extended filing season operations and modernize IRS systems. Many of the COVID-19 related tax credits expired prior to the start of the 2023 filing season.

In August 2022, Congress passed, and the President signed the Inflation Reduction Act (IRA) which provided IRS with supplemental funding to remain available through the end of fiscal year 2031.[17] The funding included nearly $3.2 billion for Taxpayer Services, nearly $4.8 billion for Business Systems Modernization, more than $25.3 billion for Operations Support, and approximately $45.6 billion for Enforcement.[18]

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[16]The IRS received supplemental funding to respond to the COVID-19 pandemic as follows: $765.7 million through the CARES Act and the Families First Coronavirus Response Act, $509 million through the Consolidated Appropriations Act of FY 2021, and $1,861.7 million through the American Rescue Plan Act. Of the $1,861.7 million in the American Rescue Plan Act, $397.2 million was available to spend through fiscal year 2022 and $1,464.5 million was available through fiscal year 2023.

[17]Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-32 (2022). The IRA provided IRS with nearly $80 billion. In June 2023, the Fiscal Responsibility Act of 2023 rescinded about $1.4 billion of amounts appropriated for the IRS by the IRA. See Pub. L. No. 118-5, div. B, tit. II, § 251, 137 Stat. 10, 30-31 (2023).

[18]The IRA also provided IRS with $0.5 billion to carry out provisions in the act related to renewable energy tax credits, among other things. See Pub. L. No. 117-169, § 13802, 136 Stat. 1818, 2013 (2022).

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IRS Improved Return Processing Rates and Reduced Its Backlog, but Fell Short of Some of Its Goals

IRS Improved Tax Return Processing Rates and the Ratio of Electronically Filed Returns Increased

IRS improved its rate of processing individual and business returns in 2023 compared to prior years. By the end of the 2023 filing season, IRS processed approximately 99 percent of all returns it received that filing season. This is higher than any of the 4 previous years. See figure 2 for a comparison of the number of returns received and IRS's rate of processing such returns from 2019 through 2023.

Figure 2: Individual and Business Tax Returns Received and Percentage Processed, Filing Seasons 2019-2023

Returns (in millions)   **Percent processed**

Filing season

— Percent of all returns processed

▢ Business returns received

▇ Individual returns received
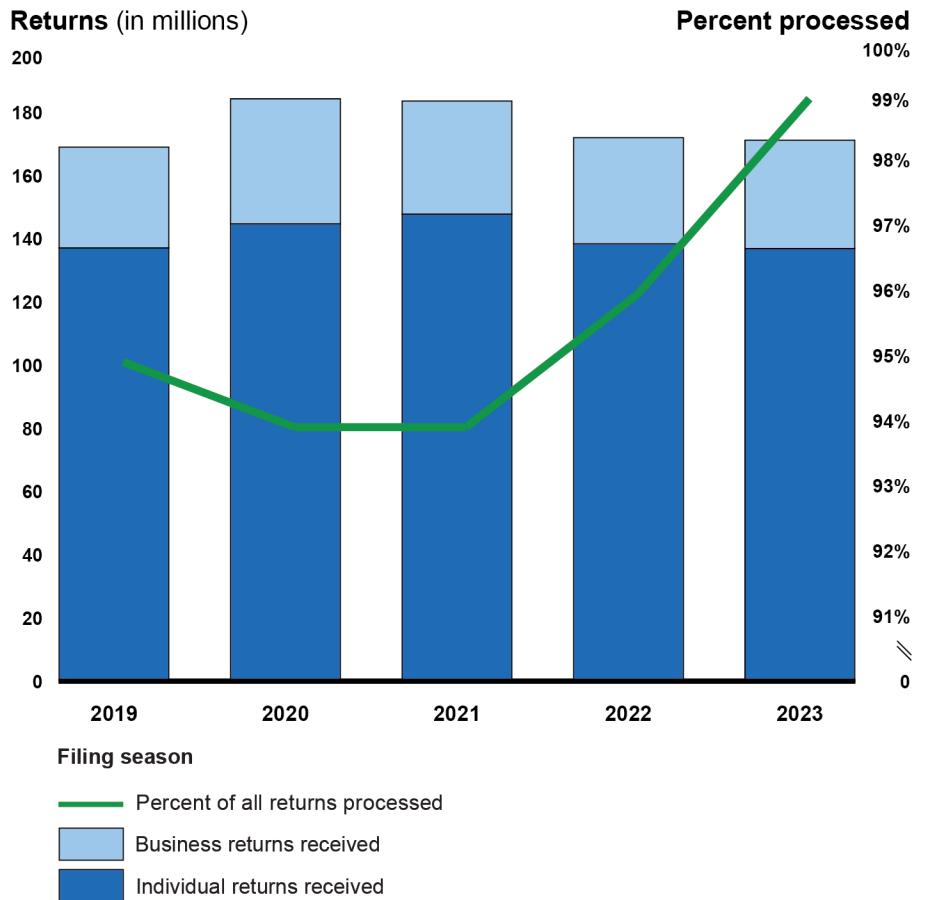
Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

Notes: Values may not sum to totals due to rounding. Filing season end dates were April 15, 2019; July 15, 2020; May 17, 2021; April 18, 2022; and April 18, 2023. IRS officials said that the increase in tax returns received during the 2020, 2021, and 2022 filing seasons may be attributed to the federal government's response to the COVID-19 pandemic, such as stimulus payments to individuals who would not otherwise have filed a return. Individuals who had not filed tax returns for 2018, 2019, or 2020, and were not in IRS systems, filed returns to prove their entity and dependent information so that Economic Impact Payments could be paid to them.

During the 2023 filing season, IRS received fewer tax returns than any of the years since the start of the COVID-19 pandemic. IRS received approximately 1 million fewer individual and business tax returns through April 22, 2023, than at the same point in 2022.

In addition to receiving fewer returns, IRS issued fewer refunds than the previous year. IRS issued refunds to approximately 3 percent fewer individual taxpayers as of April 22, 2023, compared to the previous year. The total dollar amount of all individual refunds was approximately 11 percent less than in 2022 and the average dollar value of each refund was almost 9 percent lower than in 2022.[19] IRS attributed the decline in number and amount of refunds, in part, to the end of credits and stimulus payments to individuals and businesses as part of the federal government's response to the COVID-19 pandemic.

While the overall number of returns has risen since 2019, the percent of returns filed on paper has declined during the same period. By the end of the 2023 filing season, paper returns accounted for less than 4 percent of individual and less than 21 percent of business returns. IRS has encouraged increased digitization of tax returns, such as by initiating a process to scan paper returns. IRS plans a pilot program to allow some taxpayers to digitally submit returns directly to the agency. These initiatives, among other activities, contributed to a decrease in paper returns from the 2019 filing season, when paper returns accounted for 8 percent of individual and more than 32 percent of business returns. See figure 3 for a depiction of the percentage of individual and business returns filed on paper each filing season from 2019 through 2023.

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[19]As we previously reported, IRS does not track or report business refund data to management as part of its weekly filing season reporting. In 2021, we recommended that IRS take such action, but IRS disagreed with our recommendation and has not taken action to implement it. We continue to believe that without such data IRS does not know how well it is processing business returns with refunds or the extent to which it will have to pay refund interest. See GAO-21-251.

Figure 3: Percentage of Individual and Business Tax Returns Filed on Paper, Filing Seasons 2019-2023

Percent of returns

Filing season

Business returns
Individual returns
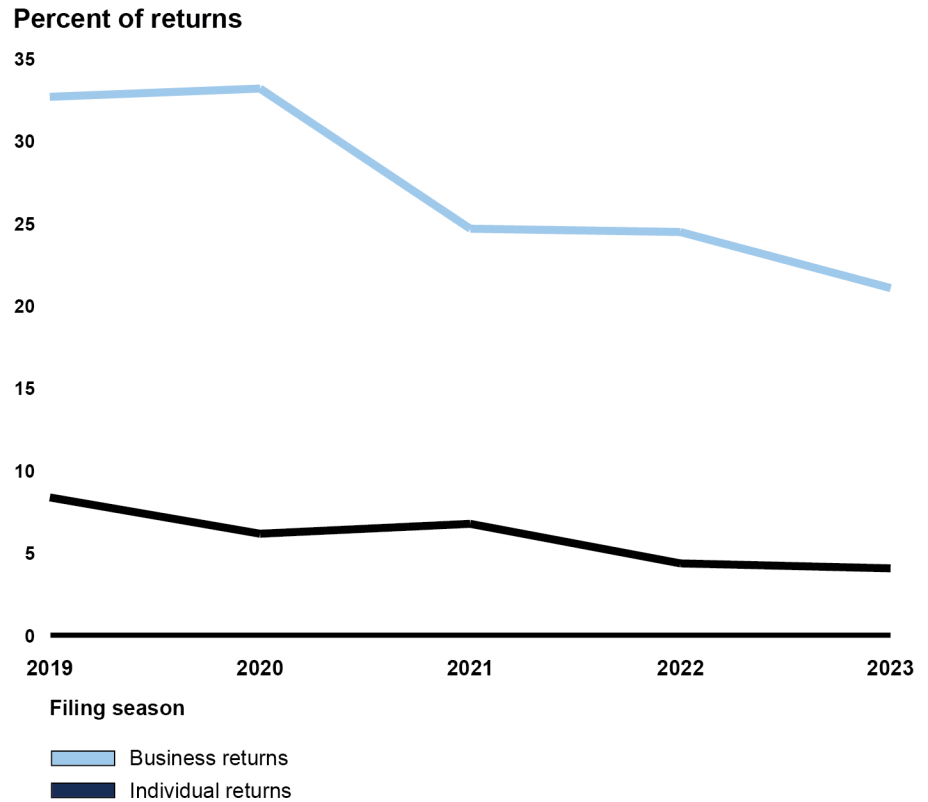
Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: Filing season end dates were April 15, 2019; July 15, 2020; May 17, 2021; April 18, 2022; and April 18, 2023.

IRS Generally Improved Its Processing Time for Paper Returns but Did Not Always Meet Timeliness Goals

IRS has significantly reduced the number of days (cycle time) needed to process paper returns received during the 2023 filing season compared to 2022. Compared to electronically-filed returns—which IRS officials told us generally take less than a day to process if they do not have any errors—paper returns can take several days to process.[20] Paper tax returns are moved through the processing pipeline, as IRS refers to it, in several stages. This begins at opening the mail and ends when the return is

[20]If an electronic or paper return is found to include errors or has other problems, the process can take longer. Processing of the return is suspended until the error can be corrected. During the 2023 filing season, approximately 4.5 percent of electronic individual returns and 2.5 percent of electronic business returns were suspended, compared to 45 percent and 22 percent of paper individual and business returns, respectively.

posted to the taxpayer's account. Figure 4 shows one stop in the pipeline where the return is reviewed and prepared.

Figure 4: Tax Documents in the Processing Pipeline at the IRS Kansas City, MO Processing Center, May 2023

Source: Internal Revenue Service (IRS) photo. | GAO-24-106581

On average, IRS reduced the number of days needed to process a paper return.[21] For Form 1040 paper returns (when averaged across all processing centers), the time to process declined from 51 days in 2022 to 8 days in 2023.[22] According to policies in the Internal Revenue Manual (IRM), the agency's goal is to process these returns in 13 days or less.[23]

On average during the 2023 filing season, IRS reduced the cycle time for processing Form 1120 returns, used by domestic corporations, in the Ogden and Kansas City processing centers to 14 days and 20 days,

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[21]The IRS processing centers at Kansas City and Ogden process returns from both businesses and individuals. The processing center at Austin processes only individual returns.

[22]Form 1040 is used by U.S. taxpayers to file an annual income tax return.

[23]See IRM § 3.30.123.6. The IRM is the source of instructions to IRS staff, and includes policies, delegated authorities, procedures, instructions, and guidelines related to the operation of the IRS.

respectively.[24] By contrast, in 2022 and 2021, the Kansas City and Ogden processing centers both took 76 days to process these returns. Agency policy recommends that these returns be processed within 30 days.[25]

However, IRS did not always meet recommended time frames per IRS policy to process certain returns and forms during the 2023 filing season. IRS officials said that Submission Processing centers could not always meet processing timeliness goals due to competing work priorities and high volumes of returns that include taxpayer errors. However, fewer individual and business returns combined were subject to such errors in the 2023 filing season than the year before. Cycle time processing delays occurred in certain areas, as described below.

- **Processing centers.** IRS processing of Form 1040 returns in Austin and Kansas City missed the cycle time goals by 15 and 38 percent, respectively. As of April 22, 2023, these processing delays affected as many as 2.5 million paper returns in Austin and 2.1 million paper returns in Kansas City.

- **Certain forms.** Some less common tax returns were processed with even longer cycle time delays. Form 1040(SP) Spanish language returns took more than 60 percent longer to process than the agency recommends at the Kansas City and Austin processing centers.[26] Form 1040-SR(SP) Spanish language returns for seniors took double the allotted cycle time to process at the Austin processing center.[27] IRS officials said that the volume they received of these types of returns is very small and that one or two delayed returns may have caused the cycle times to miss policy-stipulated goals. Form 1040(SP)

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[24]Form 1120 is used by domestic corporations to report their income, gains, losses, deductions, and credits; and to figure their income tax liability.

[25]See IRM § 3.30.123.7.

[26]Form 1040(SP) is a Spanish language version of Form 1040.

[27]Form 1040-SR is available as an optional alternative to using Form 1040 for taxpayers who are age 65 or older. Form 1040-SR uses the same schedules and instructions as Form 1040 does. 1040-SR(SP) is a Spanish language version of Form 1040-SR.

returns received totaled 1,426 and Form 1040-SR(SP) returns received totaled 81 as of April 21, 2023.[28]

- **Business returns.** In addition, IRS did not meet its target cycle times for processing some business returns. The Kansas City processing center cycle times missed IRS goals for five different types of business returns, while the Ogden processing center missed goals for three types of business returns.[29] For example, the Kansas City center cycle times for processing Form 940 returns was 75 days, compared to the agency goal of 50 days.[30] The Kansas City processing of Form 940 returns has not substantially improved from the previous 2 years, when it processed these returns in 76 days. These cycle time delays potentially affected millions of taxpayers as in total, IRS received approximately 2.7 million of these types of returns.

By missing its cycle time goals in processing returns, IRS risks further delays in processing taxpayer refunds where applicable. As a result, IRS may incur interest payments in addition to the interest that is paid each fiscal year due to circumstances outside the IRS's control. For example, according to IRS data from the Office of the Chief Financial Officer, IRS paid about $3.5 billion in tax refund interest payments in fiscal year 2022. While the 2023 filing season reduction in cycle times may decrease the refund interest owed, the increase in federal interest rates, as well as the

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[28]In 2020, we recommended that IRS take steps to improve service to taxpayers with limited English proficiency. Three of these recommendations remain unaddressed and two are partially addressed. As part of IRS's response to our recommendations, the agency developed the Spanish-translated Form 1040(SP). 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).

[29]The business returns over cycle processing time in Kansas City were Form 940 Integrated Submission and Remittance Processing (ISRP); Form 941; Form 943; Form 944, Form 1041 QFT. The business returns over cycle processing time in Ogden were Form 941; Form 944; and Form 720.

[30]Form 940 is used by employers to report annual Federal Unemployment Tax Act tax.

late refund payments due to cycle time processing, may still result in IRS paying billions of dollars to taxpayers.[31]

IRS Resolved More Backlogged Returns Needing Manual Processing Compared to 2022, but Monitoring Reports Contained Errors

IRS significantly improved the number of paper and electronic tax returns that were backlogged and awaiting completion due to slow processing time. IRS reduced its backlog of returns that had not finished processing from almost 16.4 million as of April 22, 2022, to about 6.1 million returns as of the same date during the 2023 filing season. As of April 22, 2023, of the unprocessed returns, only about 1.7 million had not yet been entered into IRS's processing systems, compared to more than 11.3 million unprocessed for the same reason as of the same date in 2022.

While IRS's volumes and rates for processing returns generally improved compared to the 2021 and 2022 filing seasons, the agency inconsistently tracked and reported the backlog data. Two reports the agency used to communicate backlog data to management and outside agencies contained errors. These reports were the "Unopened Mail and Backlog Inventory" and the "Submission Processing Weekly Inventory Report." The errors included non-reporting of certain data, reporting data for the wrong filing season year, not updating data on a week-to-week basis, and data entry issues. IRS officials provided corrected data or corrected the errors in both reports after we notified them, but these officials said the uncorrected information had previously been shared with management and the National Taxpayer Advocate.[32]

Standards for Internal Control in the Federal Government require that agencies use and communicate quality information both internally and externally to support the internal control system and achieve their

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[31]We previously reported that while a portion of the interest required to be paid each fiscal year is due to circumstances outside the IRS's control, the agency's delays in issuing refunds can increase costs to IRS. In April 2022, we reported that IRS paid nearly $14 billion in refund interest from fiscal years 2015 to 2021. We recommended that IRS determine why it pays interest to taxpayers, report this information to the public and Congress, and take steps to reduce interest payments within IRS's control. IRS agreed to look for ways to reduce refund interest payments related to the return backlog, but disagreed with tracking and reporting why it pays interest. As of November 2023, these recommendations have not been implemented. GAO, *Tax Filing: 2021 Performance Underscores Need for IRS to Address Persistent Challenges,* GAO-22-104938 (Washington, D.C.: Apr. 11, 2022).

[32]Agency officials said there is a formal review process to determine which reports are necessary before the beginning of each filing season. Through this process, agency officials decided to stop using the Unopened Mail and Backlog Inventory after the end of the 2023 filing season. Despite this decision, they continued to share that report with other officials and agencies.

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objectives.[33] The IRM states that the originating office of a report is responsible for assuring the accuracy and completeness of data they produce.[34]

Agency officials said that there is no formal check or sign off process before Submission Processing data reports are issued on a weekly basis or shared with external organizations. IRS officials said that the reports are compiled by several different staff, but that no single official is responsible for ensuring that the reported data are accurate or match other data sources.[35] This lack of oversight, or single point of responsibility, may have contributed to IRS sharing inaccurate data with agency and external stakeholders.

Incomplete or erroneous reporting of backlogged returns may provide management with an incorrect understanding of agency processing results and needs. Consequentially, there may be a misallocation of agency resources as management determines what actions to take to resolve current or future backlogged returns. Additionally, incomplete or erroneous reporting may limit the agency's ability to communicate accurate information with internal and external parties such as the Treasury Inspector General for Tax Administration, the Taxpayer Advocate Service, and Congress. Finally, the lack of a responsible party to oversee and ensure the accuracy of IRS reports makes it more likely that erroneous data will be shared again in the future.

IRS Has Not Resolved Its Most Common Processing Errors Made by Staff or Assessed the Effectiveness of Its Efforts to Reduce These Errors

IRS has a process to monitor and address ongoing problems that they may identify during return processing. Submission Processing uses the Embedded Quality for Submission Processing (EQSP) System to track and evaluate the quality of staff individually and in aggregate. Reviewers analyze the accuracy of staff work on a weekly basis in randomly selected tax returns, and accompanying documents, such as among those returns shown in figure 5 below. The reviewers use EQSP to count the number of mistakes in staff work in several areas of the processing pipeline. These mistakes are recorded as "defects" in the EQSP system, which is then

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[33]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014), Principles 13, 14, 15.

[34]IRM § 3.30.124.1.1.(3).

[35]Federal internal control standards recommend that agency management designate responsible parties to perform control activities, and that management design transaction control activities such as authorizations or approvals. GAO-14-704G, Principle 10.

used to determine the frequency, rate, and most common types of defects.

Figure 5: Tax Documents in the Processing Pipeline of the IRS Kansas City, MO Processing Center, May 2023

Source: Internal Revenue Service (IRS) photo. | GAO-24-106581

Data from EQSP show a gradual increase in the rate of defects occurring from calendar year 2020 through 2023. In 2023, EQSP data show that 15.5 percent of documents reviewed included defects compared to 12.6 percent in 2020. At the same time, Submission Processing has subjected fewer documents to EQSP review in 2023 than in the 3 previous years.[36] IRS officials described one type of review which is captured in EQSP and targets staff in training, referred to as a "learning curve review," that showed a reduction in processing defects from 2022 to 2023.[37] Despite improvement for one year, the defect rate among these learning curve

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[36]EQSP data for 2023 is partial and includes only information from January through August 5. The partial nature of the data may account for the lower number of EQSP reviews, but the increase in the rate of defective documents began prior to 2023.

[37]Learning curve reviews are meant to capture how new staff, or staff learning new subject matter, respond to training and give employees an opportunity to receive feedback and adjust their performance before they are subject to performance evaluation. While these reviews are conducted and stored in EQSP, they are treated differently from other quality review processes by IRS management. When an SP employee is determined to have met the learning curve necessary to perform a particular process, the employee is evaluated by other review tools.

review subjects was higher than those of all Submission Processing staff on average. While defect rates regarding some processes fell, the overall defect rate across Submission Processing has gradually increased. While it is possible that the defect rate may have been affected in part due to the large number of new staff hired by IRS since 2022, as discussed later in this report, the defect rate began to rise prior to the increase in hiring.[38] See figure 6 for a depiction of the number of EQSP reviews and rate of defects.

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[38]As discussed later in this report, IRS began increasing its hiring using an expedited hiring process in February 2022, whereas the increase in defects began in 2021. However, the earliest defect data IRS has available is for 2020.

Figure 6: Frequency and Rate of Processing Defects Reported in IRS's Embedded Quality for Submission Processing Reviews, 2020-2023
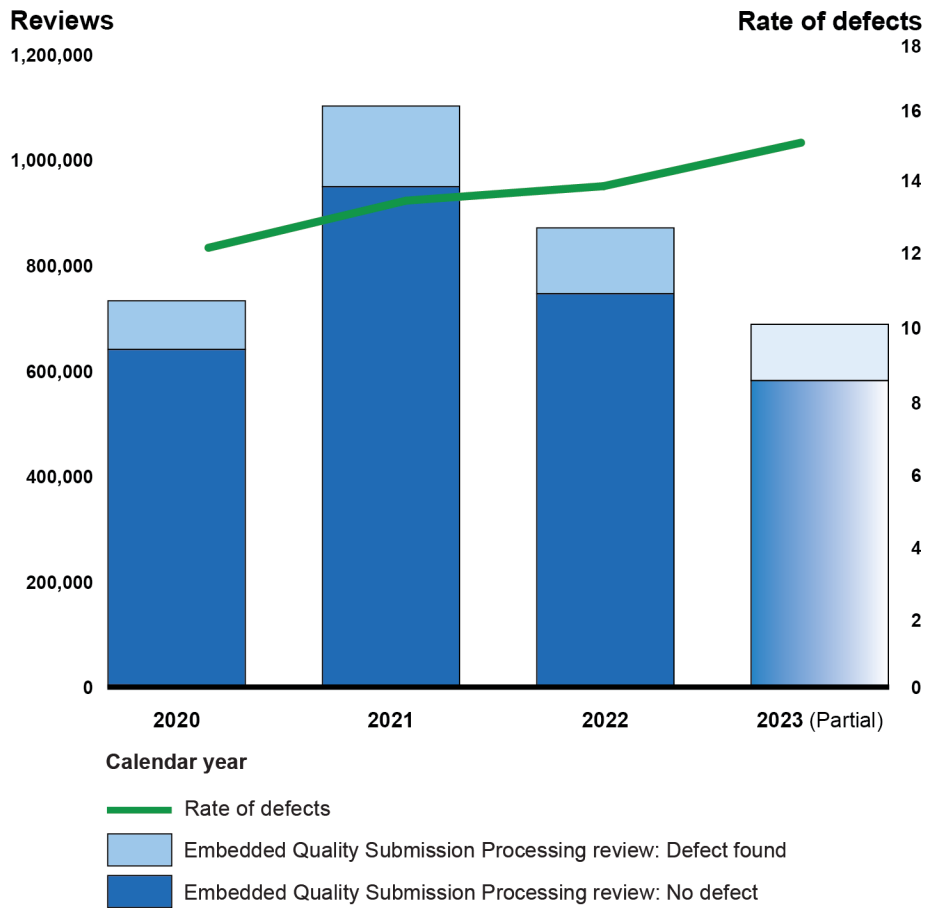
Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: IRS describes mistakes made by Submission Processing staff as "defects."

The most common types of defects were found in the processes for (1) preparing paper returns for data entry, (2) data entry, and (3) reviewing Individual Taxpayer Identification Number (ITIN) applications. In each of these processes, IRS quality reviewers identified defects by Submission Processing staff in more than 10,000 documents. The Austin processing center had the highest rate of defects in each of these procedures, although it is the only center to process ITIN applications.

The specific types of defects have remained generally consistent across the past 3 years, suggesting that Submission Processing management is

not necessarily addressing its most common processing issues. At least 60 percent, and as high as 80 percent, of the top 10 defects in each of the reviewed processes were the same in each year. For example, in preparing paper returns for data entry, eight of the top 10 defects were repeated each year from 2021 to 2023. Defects included not properly dating and not correctly coding received returns, or not initiating or incorrectly initiating correspondence with the taxpayer.

Standards for Internal Control in the Federal Government require that agencies remediate identified internal control deficiencies on a timely basis.[39] In addition, IRS's policy says that the EQSP system data provides the basis for recommending and initiating corrective actions, determining if corrective action was effective, and identifying training needs of staff.[40]

IRS officials said there is no systematic process used nationally to track or implement improvement initiatives to improve the quality of work throughout Submission Processing. Instead, officials said, most improvement initiatives are conducted and implemented by the individual processing centers. The agency provided examples of improvement initiatives conducted at the processing centers in Austin, Kansas City, and Ogden. For example, officials said the Kansas City processing center was able to triple the accuracy rate of a particular process following a computer assisted review method. Despite this example, the overall rate of defects at the Kansas City processing center rose from 2021 to 2023. While individual examples of such activity may occur, Submission Processing lacks coordinated implementation across all processes and processing centers. By not analyzing improvement initiatives nationally or coordinating across processing centers, IRS misses an opportunity to share best practices in reducing defects.

During our site visits to IRS processing facilities, we held four discussion groups during which IRS staff also described to us issues that they had encountered during the filing season which were resulting in errors or

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[39]GAO-14-704G, Principle 17.

[40]IRM § 3.30.30.1.

processing problems.[41] While these discussions are not generalizable to all Submission Processing staff, they do provide context for what some IRS staff have experienced.

- In four of four discussion groups that included Submission Processing staff, participants said training was insufficient for the needs of the filing season. For example, some participants said they are not trained to understand how their work affects the rest of the pipeline, which results in delays or problems when returns need to be passed from one unit to the next.

- In four of four discussion groups that included Submission Processing staff, participants said that some training they had received contradicted guidance in the IRM, which is IRS's primary, official policy and source of instructions for its staff. For example, participants said that sometimes the lags between updates to processing procedures and to the IRM to reflect tax law changes cause confusion for participants. Further, participants in two discussion groups stated that the IRM itself was confusing, such as contradicting job-aids and other training tools, resulting in staff needing additional guidance from co-workers or management. For example, participants said that agency guidance instructs them to enter all letters of a taxpayer's name into their digital records, even if the number of letters exceeded the character limits for that system. Participants said the character limit automatically identifies names with too many letters as an error and the return is forwarded to the Error Resolution System for correction. However, the participants said the IRM does not give staff the authority to shorten names to meet a system's character count requirements. As a result, taxpayers with longer names who submit paper returns may experience delays in processing their returns and any associated refunds. IRS officials later provided us guidance documents which show how name changes are recorded, but the participants statements demonstrate that some Submission Processing staff are confused about their authorizations.

- In three of four discussion groups that included Submission Processing staff, participants said that some staff inadvertently made errors. In one example, participants said that they were taught incorrect information and did not find out until they used the incorrect

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[41]We conducted a total of six discussion groups with 51 IRS frontline staff in Austin and Kansas City. Of these, four discussion groups, including 26 frontline staff in Austin and Kansas City, included Submission Processing staff. During these discussions, not all participants responded to all questions. The counts in this section refer to the number of groups in which a topic or concern was cited by at least one participant in that group.

method while working. Additionally, participants felt that the tax return processing pipeline itself had certain errors built into the process due to IRM procedures not aligning between processing units. Other participants said that errors were caused by what they described as insufficient training in combination with the pressure to process high quantities of returns, and included such mistakes as staff mis-transcribing information into a computer system.

The persistence and recent increase in defects made by staff and other problems described by IRS staff, suggest that the agency has opportunities to use the EQSP data to identify and correct common filing season processing defects. By not yet addressing such issues, the agency risks allowing defects to continue. Defects slow the processing of returns and can contribute to delays in processing refunds and necessitate paying refund interest to taxpayers. Additionally, defects resulting from staff confusion frustrate other processing staff and may contribute to staff dissatisfaction with their work and employee turnover.

Taxpayer Service Generally Improved but IRS Continued to Struggle Balancing Telephone and Correspondence Services

Assisted Phone Calls Increased by 65 Percent, but Overall Phone Volume Decreased

During the 2023 filing season, IRS telephone service generally improved.[42] IRS CSRs answered 7.7 million calls during the period between January 1, 2023 and April 22, 2023. This is a 65 percent increase from the same period in 2022 when CSRs answered 4.6 million calls.

While telephone service improved during the 2023 filing season, callers also made substantially fewer calls to IRS, with only 25.9 million calls received in 2023 compared to 63.7 million in 2022 (see table 1). This

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[42]In addition to our review, the Treasury Inspector General for Tax Administration also recently reported that IRS's telephone customer service saw improvements during the 2023 filing season. See: Treasury Inspector General for Tax Administration, *Final Results of the 2023 Filing Season*, 2024-400-006 (Washington, D.C.: Nov. 9, 2023).

represents a nearly 60 percent decrease in call volume. Call volumes also remained lower than they were pre-pandemic. A sizeable reduction in call volume came from fewer instances where a caller attempted the call but abandoned it, received a busy signal, or IRS disconnected the call. During the 2023 filing season, there were roughly 10 million such calls, compared to 43 million and 160 million in filing seasons 2022 and 2021, respectively.

Table 1: Telephone Call Volume Answered by Customer Service Representative (CSR) or Automated Line, Filing Seasons 2017-2023

Number of calls in millions

	2017	2018	2019	2020	2021	2022	2023
Received	41.1	40.0	39.3	61.1	195.1	63.7	25.9
Answered							
CSR	9.9	10.4	8.1	9.7	11.0	4.6	7.7
Automated line	18.0	17.1	17.0	25.4	24.3	15.9	8.4
Total answered	**27.9**	**27.5**	**25.1**	**35.1**	**35.3**	**20.5**	**16.1**
Percent answered	68	69	64	57	18	32	62

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: Answered calls are the cumulative number of calls answered by an automated line or a customer service representative. Telephone call data for the filing season are cumulative from January 1 of each year to April 22, 2017; April 21, 2018; April 20, 2019; July 15, 2020; May 17, 2021; April 23, 2022; and April 22, 2023, respectively. Numbers may not sum to totals due to rounding. Data from 2019 do not include all calls answered by a customer service representative, those that received a busy signal, or calls disconnected because IRS was not answering calls due to a 5-week lapse in appropriations, which ended in January 2019. For 2020, live telephone assistance was unavailable between late March and late April due to IRS closing all processing and customer service sites during the COVID-19 pandemic.

IRS officials told us they believe that call volumes were lower this filing season for two reasons:

- Improved service levels reduced the need for callers to call back multiple times to connect to a CSR; and

- IRS encouraged taxpayers to use online tools to receive answers to their questions, such as the "Where's My Refund" tool.

For those taxpayers who reached a CSR, the average time to answer improved from 28 minutes in filing season 2022 to 3 minutes in filing season 2023.[43] This improvement is more in line with callers' experiences

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[43]Wait time presented is for the 2023 filing season between January 1, 2023, and April 22, 2023.

in the three filing seasons before the pandemic when wait times averaged slightly under 7 minutes.
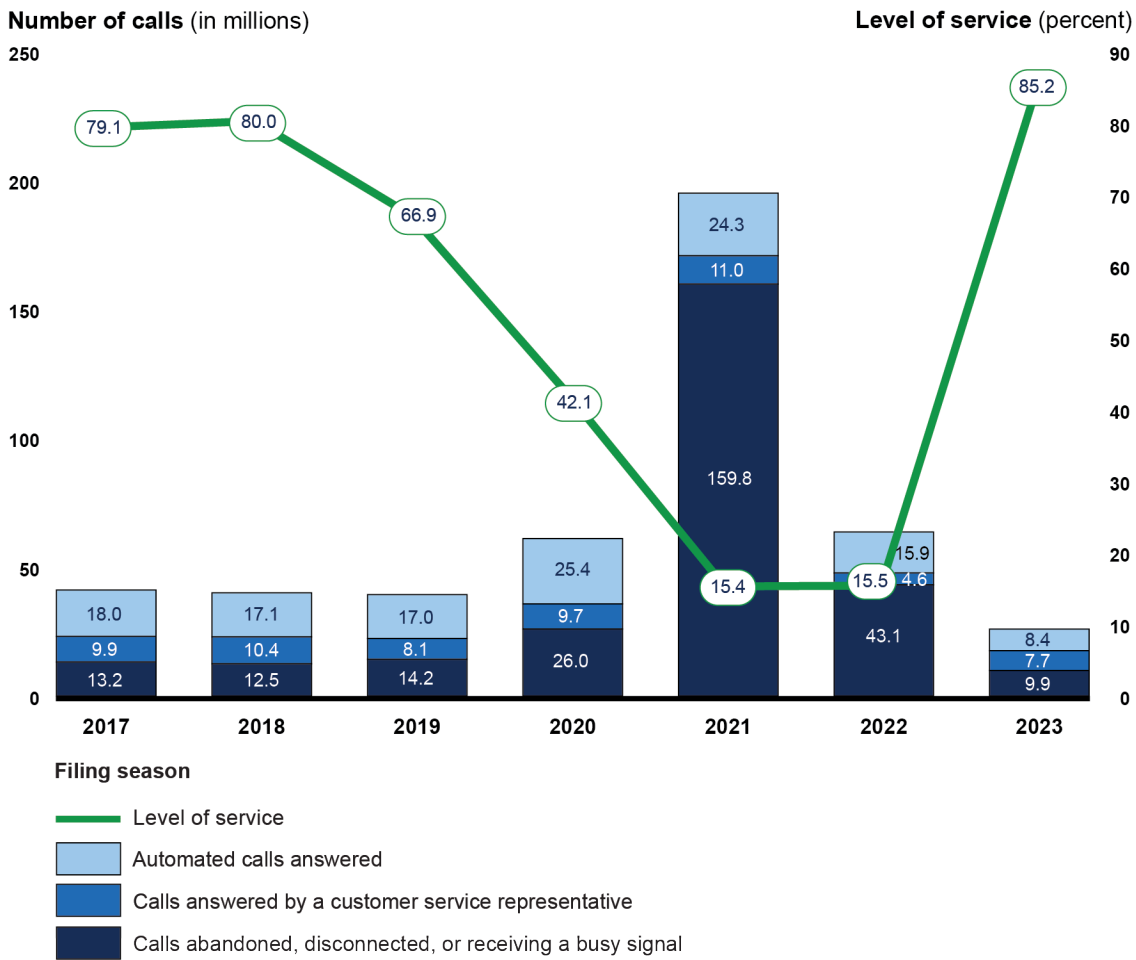
Each year, IRS sets a goal to answer a certain percentage of phone calls from taxpayers seeking live assistance, which it refers to as the "level of service."[44] For the 2023 filing season, the Treasury Department set a goal of an 85 percent level of service for IRS. From January 1, 2023, through April 22, 2023, IRS achieved an 85 percent level of service.[45] By contrast, during the 2022 filing season, IRS only achieved a 15.5 percent level of service (see fig. 7).

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[44]IRS's "level of service" calculation generally divides the number of taxpayers who reach a CSR by the number of calls the IRS system routes to them. Calls routed for automated assistance and callers who hang up before they are placed in a queue are excluded from IRS's calculation for "level of service." Level of service presented is for the 2023 filing season between January 1, 2023, and April 22, 2023.

[45]IRS has reported an 87 percent level of service in its press releases. The dates used in the press releases were from the official start of filing season, January 23, 2023, through April 22, 2023. The 85 percent level of service in our report follows IRS planning periods. For filing season 2023, the planning period dates were from January 1, 2023, through April 22, 2023.

Figure 7: IRS Telephone Call Volume and Level of Service, Filing Seasons 2017-2023

Number of calls (in millions)   **Level of service** (percent)

Filing season

— Level of service

▢ Automated calls answered

▢ Calls answered by a customer service representative

▢ Calls abandoned, disconnected, or receiving a busy signal

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: Telephone call data for the filing season are cumulative from January 1 of each year to April 22, 2017; April 21, 2018; April 20, 2019; July 15, 2020; May 17, 2021; April 23, 2022; and April 22, 2023, respectively. IRS's "level of service" calculation generally divides the number of taxpayers who reach a CSR by the number of calls the IRS system routes to them. Calls routed for automated assistance and callers who hang up before they are placed in a queue are excluded from IRS's calculation for "level of service." Data from 2019 do not include all calls answered by a customer service representative, those that received a busy signal, or calls disconnected because IRS was not answering calls due to a 5-week lapse in appropriations, which ended in January 2019. For 2020, live telephone assistance was unavailable between late March and late April due to IRS closing all processing and customer service sites during the COVID-19 pandemic. IRS reopened live telephone assistance for identity theft-related issues on April 27, 2020, and began opening additional phone lines on May 11, 2020. All customer service telephone lines began reopening during the 2021 and 2022 filing seasons. IRS began its callback service in 2019, where taxpayers calling about certain services or topics can opt to receive a call back from IRS rather than wait on hold. According to IRS, all "callbacks" are included in phone volume figures from 2019 forward.

While service improved compared to 2022, some phone lines, such as the line for the Taxpayer Protection Program, still had low levels of service (47 percent).[46] However, in general, the wait time and level of service improved for phone lines answered by CSRs in the Accounts Management organization (see table 2).

Table 2: Level of Service and Wait Time for Highest Volume IRS Accounts Management Phone Lines, Filing Seasons 2022-2023

Phone Line	2022		2023	
	Level of service (percent)	Wait time (minutes)	Level of service (percent)	Wait time (minutes)
Refund hotline	6	39	96	1
Individual income tax services	14	26	91	2
Taxpayer assistance center appointments	14	20	72	5
Business & specialty tax services	26	30	83	6
Refund call back	9	46	95	1
Wage & Investment individual master file customer response	8	31	93	1
Wage & Investment identity theft	20	41	73	6
Practitioner priority service	22	24	89	3
Transcript	26	32	99	1
Business master file customer response	11	61	83	8

Source: GAO review of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: The listed phone lines had the 10 highest volume of calls among phone lines in Accounts Management during the 2023 filing season. IRS's "level of service" calculation generally divides the number of taxpayers who reach a CSR by the number of calls the IRS system routes to them. Calls routed for automated assistance and callers who hang up before they are placed in a queue are excluded from IRS's calculation for "level of service." Level of service is for the period January 1, 2023, through April 22, 2023, and January 1, 2022 through April 22, 2022, respectively.

During the 2023 filing season, IRS expanded the availability of its "callback feature," where taxpayers calling about certain services or topics can opt to receive a call back from IRS rather than wait on hold. This feature was expanded to 43 telephone applications this filing season, up from 31 in filing season 2022.[47] Roughly 2.2 million callbacks were offered, and roughly 1.4 million callbacks were accepted during filing season 2023, saving taxpayers about 549,000 hours of waiting while on

[46]The Taxpayer Protection Program is used to identify and prevent the processing of identity theft tax returns and assists taxpayers whose identities are used to file these returns.

[47]The time it takes for IRS to call a taxpayer back is not included in IRS's calculation of average speed of answer to speak to a CSR.

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the phone. In filing season 2022, there were roughly 4.2 million callbacks offered, and roughly 2.4 million were accepted, saving callers about 1.3 million hours of hold time.

IRS officials shared that they believe fewer callbacks were offered this filing season because IRS provided an overall higher level of phone service and shorter wait times during the 2023 filing season, reducing the need for callback service. Additionally, lower call volumes overall may have contributed to the decline in callbacks offered.

Despite these improvements, there has been a slight decline in customer accuracy reported during the filing season for Accounts Management phone applications. IRS regularly reports on customer accuracy, which is the estimated percentage of correct answers or resolutions provided in taxpayers' telephone calls for account assistance. During the 2023 filing season, IRS's evaluation of telephone customer accuracy was 88.71 percent, which is lower than during the 2022 filing season when this figure was 91.41 percent.[48] While this does not represent a significant decline in customer accuracy, it does reinforce some feedback we heard from IRS employees. In some of our discussions with IRS staff, we heard concerns voiced about the quality of training for CSRs, situations where staff made errors, and challenges stemming from training conducted virtually since the pandemic.[49]

IRS Delays in Responding to Taxpayer Correspondence Continued in 2023

IRS continues to face challenges responding to correspondence from taxpayers.[50] During the 2022 filing season, we reported that IRS focused on reducing its correspondence inventory.[51] IRS's inventory of taxpayer correspondence was about 7.4 million at the end of filing season 2023. This is slightly higher than at the equivalent date in 2022 when IRS's inventory was 7.3 million. During the filing season, most correspondence

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[48]See IRS Joint Operations Center, *Weighted Customer Accuracy Jan-April 2022 Planning Period Customer Accuracy Rate;* and IRS Joint Operations Center, *Weighted Customer Accuracy Jan-April 2023 Planning Period Customer Accuracy Rate.*

[49]GAO is conducting ongoing work reviewing the effects of telework in the federal government.

[50]We define taxpayer correspondence as written communication from individual and business taxpayers as well as work internally generated by IRS employees, such as requests for account research. Inventory reflects all paper and digital correspondence from taxpayers that IRS received but had not yet provided a response.

[51]GAO, *2022 Tax Filing: Backlogs and Ongoing Hiring Challenges Led to Poor Customer Service and Refund Delays,* GAO-23-105880 *(Washington, D.C.: Dec. 15, 2022).*

was handled on paper, which is stored on-site at IRS's processing centers (see fig. 8).

Figure 8: IRS Business Correspondence at IRS Kansas City, MO Processing Center, May 2023
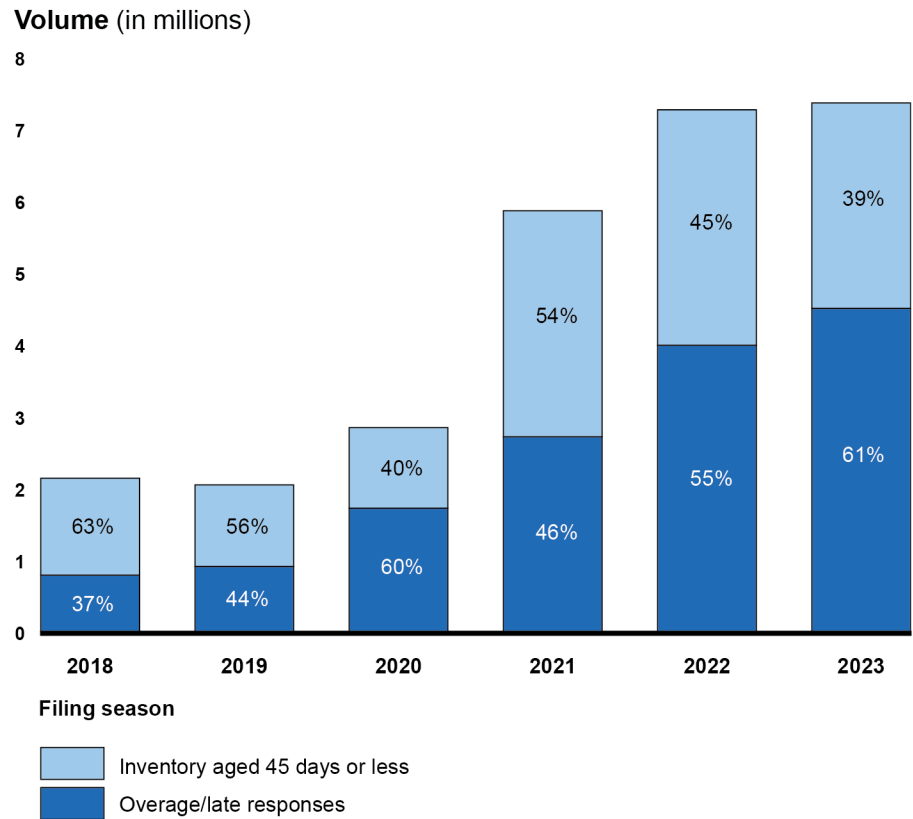

Source: Internal Revenue Service (IRS) photo. | GAO-24-106581

IRS's policy is to generally respond to correspondence within 30 days of receipt. Responses that take longer than 45 days are considered late, or what IRS calls overage. At the end of the 2023 filing season, about 61 percent of IRS's correspondence inventory was overaged compared to 2022 when about 55 percent of inventory was overaged.[52] This represents an increase of about 500,000 in overaged correspondence inventory (see fig. 9).

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[52]Correspondence delays can range across types of correspondence. For example, at the end of the 2023 filing season, there were 461,220 identity theft cases, with 86 percent being overage.

Figure 9: IRS Correspondence Inventory and Overage Rates (Late Responses), as of the End of the Filing Season, 2018-2023

Volume (in millions)

Filing season	Inventory aged 45 days or less	Overage/late responses
2018	63%	37%
2019	56%	44%
2020	40%	60%
2021	54%	46%
2022	45%	55%
2023	39%	61%

Legend:
- Inventory aged 45 days or less
- Overage/late responses

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: IRS's policy is to generally respond to correspondence within 30 days of receipt, but it may take longer than that 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 in the figure: April 21, 2018; April 20, 2019; July 18, 2020; May 22, 2021; April 23, 2022; April 22, 2023, respectively. Inventory reflects all paper and digital correspondence IRS received but had not yet provided a response. 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.

As a result of correspondence backlogs, millions of taxpayers continued to wait for IRS to process correspondence, including amended returns, and to review documentation related to resolving identity theft issues, both of which may result in a refund to the taxpayer. Further, IRS is generally required to pay interest on refunds paid later than 45 days after the filing deadline. This includes refunds associated with correspondence,

such as amended returns. Therefore, the longer IRS takes to process an amended return with a refund, the more interest it pays.

Correspondence volumes remained significantly higher this filing season compared to filing seasons before the pandemic. At the end of the 2023 filing season, correspondence inventories averaged 7.4 million compared to about 2 million in 2018 and 2019. This is a nearly 260 percent increase.

IRS told us they believe correspondence volumes increased during and after the pandemic for a variety of reasons. During the pandemic, a partial 9-month-long agency shutdown, which included the closing of Federal Records Centers, contributed to the buildup of inventory. Additionally, IRS believes that CARES Act programs resulted in increased amended return claims and taxpayer inquiries via paper.[53]

IRS's different customer service options are interdependent, often sharing the same staff. As we have previously reported, IRS has struggled to balance competing demands to maintain quality telephone service levels and respond timely to written correspondence because many CSRs have both telephone and correspondence duties.[54] In prior years, IRS's ability to respond to correspondence in a timely manner was dependent on the volume and length of telephone calls answered by CSRs.

According to IRS, during the 2023 filing season, CSRs spent 35 percent of their time working on correspondence and 65 percent of their time working on telephone service. This represents a significant change from the 2022 filing season when 58 percent of CSRs' hours were spent on correspondence and 42 percent of their time on telephone service. While this change to increase the time CSRs spent on phone service may have helped IRS to improve its telephone level of service, it may have contributed to delays in correspondence processing.

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[53]Pub. L. No. 116-136, 134 Stat. 281 (2020).

[54]See GAO-22-104938; GAO-21-251; GAO-20-55; and GAO, *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).

IRS Can Address Prior Recommendations to Improve Correspondence Customer Service

We have made prior recommendations to IRS that could improve correspondence customer service and that IRS has not yet implemented. For example:

- **Performance measures for taxpayer services.** In September 2020, we recommended that IRS identify agency-wide and division performance goals that align with IRS's strategic service goals and objectives for an improved taxpayer experience. We also recommended IRS identify performance measures with targets for improving the taxpayer experience that link with the related performance goals.[55] At the time, IRS generally agreed with the recommendations. IRS has not yet clearly stated performance goals for desired improvements in the taxpayer experience or specified their related measures with targets. Without such performance information, it will be challenging for IRS and stakeholders to assess progress made toward an improved taxpayer experience.

- **Correspondence timeliness.** In April 2022, we recommended that IRS estimate time frames for resolving IRS's correspondence backlog, monitor and update these estimates periodically, and communicate this information to taxpayers and stakeholders.[56] IRS agreed with this recommendation and has begun taking steps to implement it. While IRS has made progress on addressing its correspondence backlog, taxpayers would still benefit from IRS clearly communicating estimated timeframes for resolving correspondence. Without clear, timely information on IRS's processing timeframes for addressing taxpayer correspondence, taxpayers will continue to call, write, or visit IRS in person to try to obtain this information, and IRS will continue to struggle to meet demands for taxpayer customer service. Further, with the implementation of IRS's paperless correspondence initiatives discussed later in this report, IRS has the opportunity to enhance its communication regarding timeframes for correspondence responses.

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[55]GAO, *Taxpayer Service: IRS Could Improve the Taxpayer Experience by Using Better Service Performance Measures*, GAO-20-656 (Washington, D.C.: Sept. 23, 2020). We reported that the measures IRS used to assess taxpayer experience with IRS's telephone level of service only included a measure for "efficiency/speed" out of seven measures recommended by the Office of Management and Budget (OMB) for such services. The other measures recommended by OMB are satisfaction, confidence/trust, effectiveness/quality, ease/simplicity, equity/transparency, and employee helpfulness.

[56]GAO-22-104938.

IRS Opened New Taxpayer Assistance Centers and Improved Staffing

The number of taxpayers served in person at Taxpayer Assistance Centers (TAC) from the beginning of the 2023 filing season through October 27, 2023, increased compared to the same time period in 2022. TACs recorded roughly 1.4 million face-to-face contacts during this period, compared to roughly 1.2 million during the same period in 2022. This represents a nearly 18 percent increase in contacts compared to the same time in 2022.

Despite this increase, the number of face-to-face contacts at TACs has declined significantly over the years. As shown in figure 10 below, during calendar year 2017, TACs recorded more than twice as many contacts as in 2022.

Figure 10: In-person Visits to IRS Taxpayer Assistance Centers, Calendar Years 2017-2023

Visits (in millions)

Calendar year		
■ Taxpayer Assistance Center in-person visits		
▨ Taxpayer Assistance Center in-person visits (Partial)		
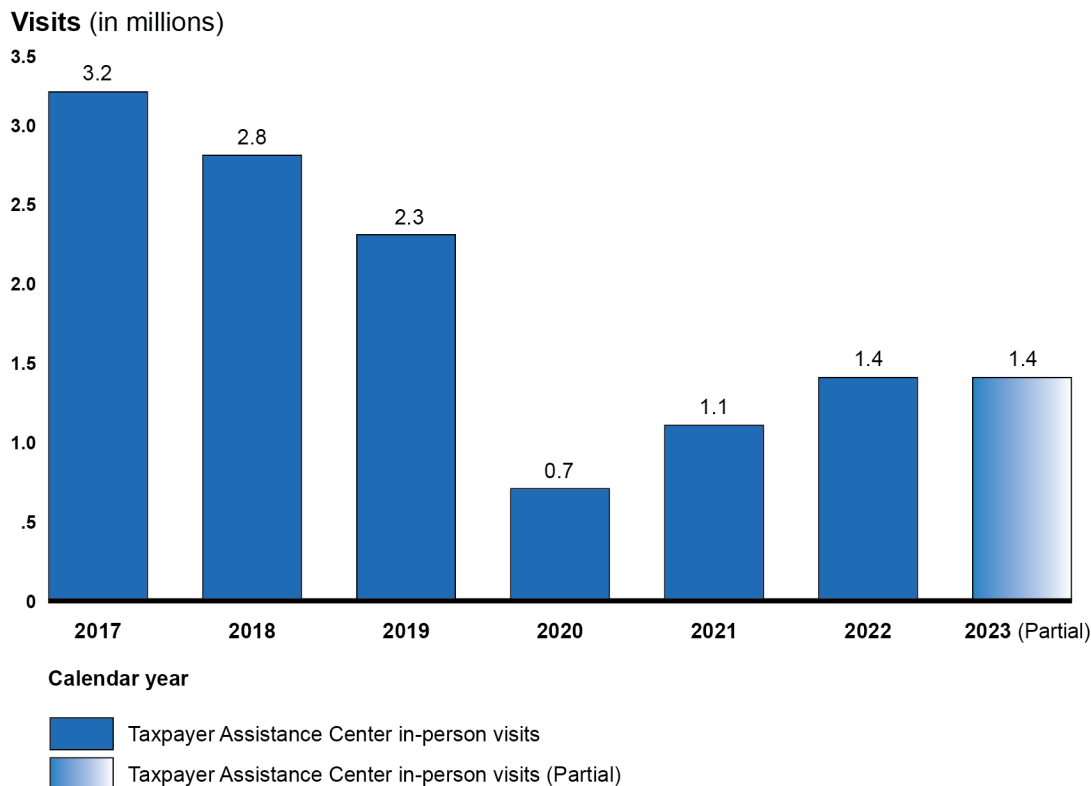
Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: Data is partial year for 2023, covering January 1, 2023, through October 27, 2023. Numbers are rounded.

In 2016, IRS began requiring taxpayers to call for an appointment at a TAC. The appointment system eliminated the need for taxpayers to wait in line at a TAC and offered an alternative option to address their questions on the phone.

Service provided by TACs generally improved during the 2023 filing season in the following ways:

- **New TACs opened.** Starting in fiscal year 2022, IRS opened five new TACs—one in Mississippi and four in Puerto Rico. Prior to this, IRS officials said they had not opened a new TAC since at least 2018.

- **Fewer TACs remained closed.** At the beginning of the filing season, 24 out of 362 TACs were closed. IRS officials said that most of these closures were due to understaffing. By early April 2023, 92 percent of all TACs were open. By contrast, only 88 percent of TACs were open at the end of the 2022 filing season.

- **Saturday service was introduced.** Starting in February 2023, more than 100 TACs began offering service one Saturday every month with no appointments required. IRS officials told us that they will begin planning for filing season 2024 Saturday service in late 2023. As part of this planning process, IRS officials told us that they will look at the feasibility of expanding Saturday service.

- **TAC staffing improved.** At the end of the 2023 filing season, TACs had 1,402 permanent employees in pay status, out of an authorized 2,081 employee capacity for fiscal year 2023. This is an increase from the 2022 filing season, when TACs had 1,056 employees in pay status, out of an authorized 1,731 employee capacity for fiscal year 2022. However, not all these employees were evenly distributed among TAC locations. According to IRS officials, at the end of the 2023 filing season, this resulted in only 37 percent of TACs that were fully staffed.

In April 2022, we recommended that the Commissioner of Internal Revenue and appropriate IRS stakeholders develop and communicate a plan for providing in-person taxpayer services relative to IRS's plans for expanded virtual customer service options, and costs and benefits.[57] While IRS agreed with this recommendation and provided data to support its plans to expand in-person service offerings at new TACs, IRS has not

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[57]GAO-22-104938.

fully communicated how it will weigh the costs and benefits to ensure that it is meeting taxpayer needs in person.

Use of Some Online Services Declined, but IRS Increased the Number of Digital Options Available

IRS expanded its digital options for taxpayers and tax professionals during the 2023 filing season. IRS increased the ability for taxpayers to respond to correspondence online, enhanced online accounts, and provided more virtual meeting options for TACs.[58]

Although IRS offered more online options this filing season, fewer taxpayers visited IRS.gov or used the "Where's My Refund" tool. IRS officials told us that fewer users could be attributable to fewer taxpayers needing assistance. As we reported above, the return processing rate improved for the 2023 filing season, resulting in fewer delays in refunds that would cause taxpayers to use the tools listed below (see table 3). While IRS.gov and the "Where's My Refund" tool saw less use this filing season, IRS's Interactive Tax Assistant tool, which provides information on certain tax law topics by taking taxpayers through a series of questions, did see an increase in use during the 2023 filing season.

Table 3: Selected IRS Digital Tool Usage, Filing Seasons 2022-2023

Number of visits in millions

Webpage/Tool	2022	2023	Percent change
IRS.gov	609.1	488.1	-19.9
"Where's My Refund"	334.4	230.2	-31.2
Interactive Tax Assistant	1.0	1.1	9.4

Source: GAO review of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: Data for IRS.gov and "Where's My Refund" reflect number of visits to each website/tool from January 24, 2022, to April 21, 2022, and January 23, 2023, to April 21, 2023, respectively. Data for the Interactive Tax Assistant reflect completions from January 1, 2022, to April 23, 2022, and January 1, 2023, to April 22, 2023, respectively. "Where's My Refund" provides taxpayers with information on the expected refund date. The Interactive Tax Assistant provides information on certain tax law topics by taking taxpayers through a series of questions. Interactive Tax Assistant usage measures filing season completions, where a user received an answer to their question. Numbers are rounded.

[58]In 2019, we recommended that IRS set a target to reduce taxpayer burden through the development of new online services. Since then, IRS has released its IRA Strategic Operating Plan which contains an objective to improve services to taxpayers—including online services—with a goal of decreasing filing burdens for taxpayers. However, without targets for reducing taxpayer burden, IRS cannot determine the success of new online services in helping drive progress toward this goal. See, GAO, *Tax Administration: Taxpayer Input Could Strengthen IRS's Online Services*, GAO-20-71 (Washington, D.C.: Dec. 19, 2019).

To provide virtual appointment options for those visiting a TAC, IRS piloted the Web Service Delivery tool (WebSD) in 2020. During filing season 2023, IRS expanded its use of WebSD, resulting in 3,869 visits.[59]

During the 2023 filing season, IRS increased taxpayers' ability to respond to correspondence online, such as for document verification, the Earned Income Tax Credit (EITC), and Health Insurance Tax Credits. Taxpayers were able to send documents electronically using the Document Upload Tool, which allows taxpayers to digitally submit documents that would have otherwise been mailed to IRS.

In November 2023, IRS announced that taxpayers can now submit and respond to all correspondence and notices digitally.[60] IRS estimates that up to 125 million paper documents per year can now be submitted digitally. As a result, IRS estimates that more than 94 percent of individual taxpayers in filing season 2024 will no longer need to send mail to the IRS.

IRS announced in July 2023 the following improvements to online accounts serving taxpayers and professionals:

- **Individual Account.** IRS announced plans to deploy enhanced capabilities for individual taxpayers' online accounts, including secure messaging, live chat, and a virtual assistant. Taxpayers would also be able to save and verify their bank accounts. IRS made the virtual assistant and live chat available to taxpayers in May 2023. IRS officials told us they launched the features to save bank account information in June 2023, and verify bank account information in August 2023.

- **Tax Professional Account.** In 2023, IRS expanded capabilities for tax professionals' online accounts, including the ability to view and withdraw from their active authorizations online in real time and view what their clients owe.[61] IRS plans to introduce a two-way messaging feature for these accounts in fiscal year 2024. These additional tools for tax professionals' accounts could enable individual taxpayers,

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[59]WebSD's second phase was launched during March 2022, towards the end of the 2022 filing season. During March and April 2022, WebSD had 594 visits.

[60]Internal Revenue Service, "IRS achieves key Paperless Processing Initiative goal, outlines improvements for filing season 2024," IRS FS-2023-25, (Nov. 2023).

[61]Active authorizations may include a request for a power of attorney or tax information authorization.

working alongside tax professionals, to conduct business more easily with the IRS.

- **Business Online Account.** In 2023, IRS launched business online accounts for business taxpayers. Sole proprietors with an Employer Identification Number can view their business profile and order a tax compliance report, which details compliance with tax obligations and provides applicable supporting details.[62]

More Funding and Faster Hiring Helped IRS in the 2023 Filing Season, but IRS Has Not Evaluated Expedited Hiring

IRS Used COVID-19 Supplemental Appropriations and Inflation Reduction Act Funding to Hire Additional Filing Season Employees

IRS officials told us that the agency had its highest level of employee resources available during the 2023 filing season compared to other recent filing seasons. According to IRS data, total budgetary resources available for Taxpayer Services (primarily filing season operations) were $3.9 billion in fiscal year 2023, which is about $0.6 billion more than fiscal year 2022 and over $1 billion more than fiscal year 2020.[63] In terms of staffing levels, IRS funded about 37,000 full-time equivalent (FTE) Taxpayer Services positions in fiscal year 2023, which was about 6,000 more FTEs than fiscal year 2022 and 10,000 FTEs more than fiscal year 2021 (see fig. 11).[64]
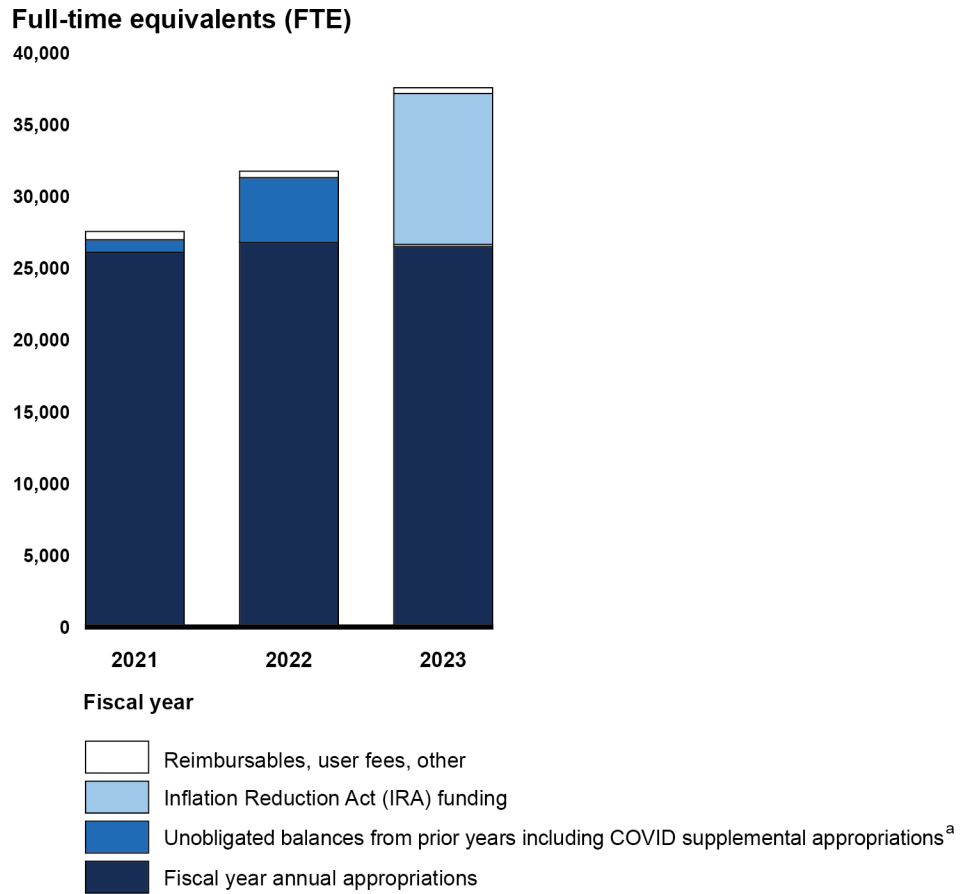
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[62]GAO, *Sole Proprietor Compliance: Treasury and IRS Have Opportunities to Reduce the Tax Gap,* GAO-24-105281 (Washington, D.C.: Oct. 19, 2023).

[63]Taxpayer Services activities and programs include printing forms and publications, processing tax returns and related documents, offering filing and account services, providing taxpayer assistance, and providing taxpayer advocacy services.

[64]An FTE represents the total number of hours worked based on IRS payroll data divided by the number of compensable hours applicable to each fiscal year. We previously reported that many fiscal year 2022 hires did not start working until after the 2022 filing season ended in April. See GAO-23-105880.

Figure 11: Sources of Funding for IRS Taxpayer Services Full-Time Equivalent (FTE) Positions, Fiscal Years 2021-2023

Full-time equivalents (FTE)

Reimbursables, user fees, other
Inflation Reduction Act (IRA) funding
Unobligated balances from prior years including COVID supplemental appropriations[a]
Fiscal year annual appropriations

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

[a]Most of the unobligated balances from prior years came from COVID-19 supplemental appropriations.

IRS officials told us that funding from the Inflation Reduction Act (IRA) and remaining COVID-19 supplemental appropriations helped IRS to plan for consistent staffing levels during the 2023 filing season. During fiscal year 2023, IRS used $889 million in IRA funds to support about 10,500 FTEs in Taxpayer Services.[65] During fiscal year 2022, IRS funded about 4,500 FTEs in Taxpayer Services with $429 million of unobligated

[65]IRS received approximately $3.2 billion for Taxpayer Services in the IRA which was available to spend through fiscal year 2031. Pub. L. No. 117-169, § 10301(1)(A)(i), 136 Stat. 1818, 1831 (2022).

balances from prior years, most of which were supplemental appropriations from the 2021 American Rescue Plan Act.[66] IRS also used some smaller sources of funding from user fees and reimbursable collections to fund about 400 FTEs in Taxpayer Services in fiscal years 2022 and 2023.

We previously reported that IRS's budget declined by about $2.9 billion (20.4 percent) from fiscal year 2010 to 2019 after adjusting for inflation.[67] Furthermore, FTEs funded with annual appropriations declined by 22,035 (23.3 percent) in that same period. In its fiscal year 2024 budget request, IRS explained that since fiscal year 2010 the agency has used supplemental funding, including user fees, and inter-appropriation transfers to support Taxpayer Services functions.[68]

IRS Heavily Relied on Direct Hire Authority to Hire Filing Season Personnel

To speed the hiring of employees for the 2023 filing season, IRS relied on an expedited hiring process referred to as direct hire authority. The Office of Personnel Management (OPM) can grant an agency direct hire authority to bypass certain typical federal hiring requirements if OPM determines that the agency is facing either a severe shortage of candidates or a critical hiring need. Congress has also provided direct hire authority to agencies for specified purposes.[69]

In general, direct hire authority enables an agency to hire a qualified applicant and bypass certain hiring requirements such as competitive rating, veterans' preference, and applicant ranking procedures. Compared to traditional hiring, direct hiring helps agencies meet immediate hiring needs by reducing the time it takes to get new staff working. However, because direct hire authority enables agencies to bypass certain federal hiring requirements, it is important to monitor its

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[66]To respond to the COVID-19 pandemic, IRS received supplemental appropriations of approximately $1.9 billion through the American Rescue Plan Act of 2021, approximately $400 million of which was available to spend through fiscal year 2022 and approximately $1.5 billion was available through fiscal year 2023. Pub. L. No. 117-2, 135 Stat. 4, 144, 150 (2021).

[67]GAO-23-105880; and GAO-21-251.

[68]IRS, *Fiscal Year 2024 Congressional Budget Justification & Annual Performance Report and Plan,* Publication 4450 (Feb. 2023).

[69]In October 2021, GAO reported on how federal agencies used several temporary hiring authorities (including direct hire authority) to hire staff to respond to the COVID-19 pandemic. GAO, *Federal Hiring: OPM Should Collect and Share COVID-19 Lessons Learned to Inform Hiring during Future Emergencies,* GAO-22-104297 (Washington, D.C.: Oct. 25, 2021).

effects on other merit-based and public policy goals, such as hiring a diverse workforce.[70]
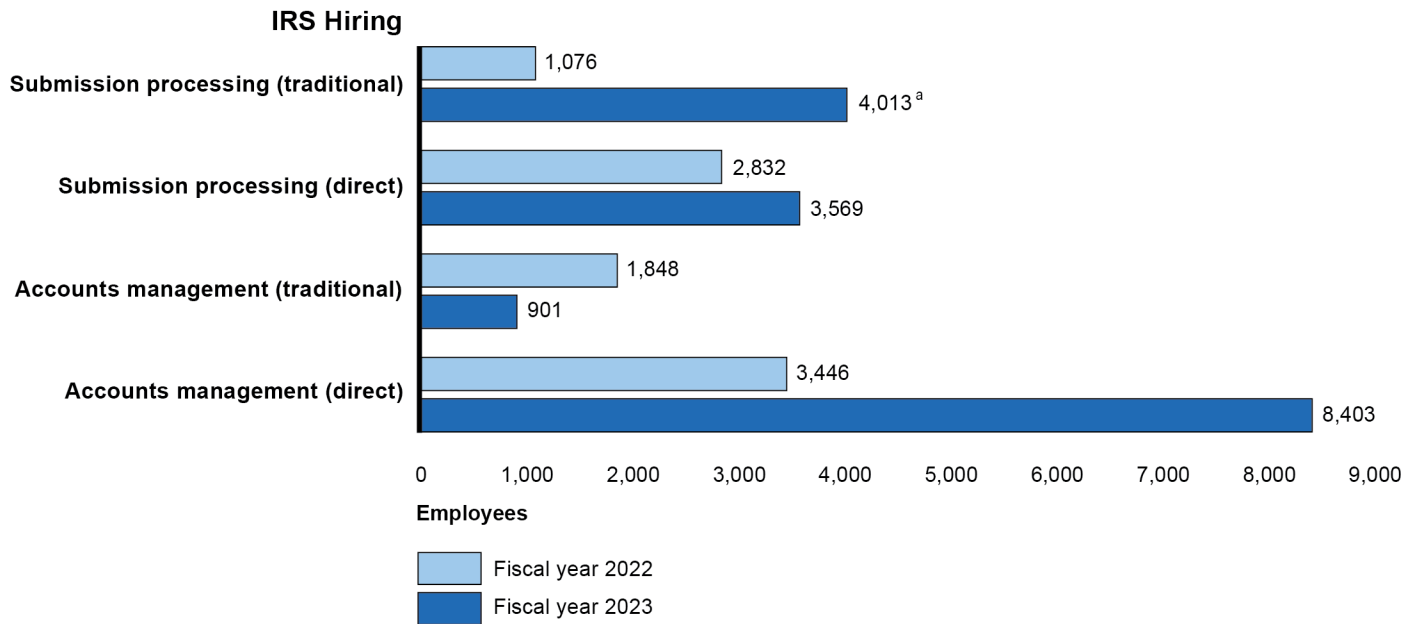
During fiscal years 2022 and 2023, IRS hired about 26,000 employees for its two primary filing season workforces—Submission Processing and Accounts Management. IRS used direct hire authority for about 68 percent of these fiscal year 2022 hires and 71 percent of the fiscal year 2023 hires (see fig. 12). For context, IRS had 84,553 employees as of September 30, 2022.[71]

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[70]Under the Civil Service Reform Act of 1978, the first merit principle requires that agencies recruit qualified individuals from appropriate sources to achieve a workforce from all segments of society. It also requires that selection and advancement should be determined solely on the basis of relative ability, knowledge, and skills after fair and open competition. Pub. L. No. 95-454, § 101, 92 Stat. 1111, 1113-14 (1978), codified at 5 U.S.C. § 2301(b).

[71]*IRS Data Book, 2022,* Publication 55-B (March 2023). Includes total personnel employed by the IRS who were in an active pay status as of the end of September 30, 2022, in fiscal year 2022.

Figure 12: IRS Direct and Traditional Hiring for Submission Processing and Accounts Management Positions, Fiscal Years 2022-2023

IRS Hiring

Category	Fiscal year 2022	Fiscal year 2023
Submission processing (traditional)	1,076	4,013 [a]
Submission processing (direct)	2,832	3,569
Accounts management (traditional)	1,848	901
Accounts management (direct)	3,446	8,403

Employees (0 – 9,000)

Legend:
- Fiscal year 2022 (light blue)
- Fiscal year 2023 (dark blue)

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

[a]IRS told us that approximately 2,730 of the fiscal year 2023 traditional hires in Submission Processing were for new clerical ladder (0303-4/5) positions to which internal employees applied and were moved. IRS officials said this is an anomaly and Submission Processing would not have similar internal hiring levels in the future.

As we previously reported, IRS has struggled to hire sufficient returns processing staff to support the influx of incoming or unexpected work, such as the millions of backlogged returns during the 2020, 2021, and 2022 filing seasons.[72] In its 2022 Annual Report to Congress, the Taxpayer Advocate Service also reported that hiring and training was one of the most serious problems facing the IRS.[73]

In late February 2022, OPM authorized IRS to use direct hire authority to help meet urgent staffing needs and address the backlog of returns and correspondence. OPM authorized IRS to hire a total of 10,000 positions through December 31, 2023. In March 2022, Congress also provided the Treasury Secretary direct hire authority in its fiscal year 2022

[72]GAO-23-105880; GAO-22-104938; and GAO-21-251.

[73]Taxpayer Advocate Service, *2022 Annual Report to Congress,* Publication 2104 (Washington, D.C.: December 2022).

appropriations to fill an unspecified number of positions to process backlogged tax returns and return information.[74] By the time these OPM and legislative authorities were provided, IRS was already about halfway through the 2022 filing season.

IRS continued to use direct hire authority to hire more clerks, examiners, and customer service representatives before the 2023 filing season began in January. As of December 31, 2022, IRS had hired and on-boarded about 9,000 employees using direct hire authority.

IRS Has Requested More Direct Hire Authority to Support Filing Season Operations

IRS officials told us that as of September 2023 the agency had used all the 10,000 direct hire positions that OPM had originally authorized in February 2022. In October 2023, Treasury requested that OPM increase this direct hire authority by another 10,000 filing season positions and extend it until December 31, 2024.[75]

For fiscal year 2023, Congress again provided the Treasury Secretary direct hire authority to fill filing season positions as it did for fiscal year 2022.[76] Upon IRS's request, Treasury delegated this authority directly to IRS. At the time of our report, this legislative direct hire authority remained valid through February 2, 2024.[77]

In memoranda to Treasury Department human capital leaders, IRS officials said that filing season positions in Accounts Management and Submission Processing continue to represent some of the most challenging positions for IRS to recruit and hire on a yearly basis. They said that these positions are predominately in lower grades and require an extensive applicant pool to ultimately achieve hiring goals. IRS officials also said that these filing season positions are in high demand across the government and private industry.

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[74]Consolidated Appropriations Act, 2022, Pub. L. No. 117-103, 136 Stat. 49, 247 (2022).

[75]In the same letter to OPM, Treasury requested direct hire authority for another 6,000 support positions across IRS.

[76]Consolidated Appropriations Act, 2023. Pub. L. No. 117-328, 136 Stat. 4459, 4658 (2022).

[77]An extension of the direct hire authority was valid through the life of the Fiscal Year 2024 Further Continuing Appropriations and Other Extensions Act, which provided continuing appropriations for the Treasury Department (including IRS) through February 2, 2024. Pub. L. No. 118-22, 137 Stat. 112 (2023).

IRS officials told us that even with direct hiring authority, they experienced more difficulty hiring for filing season positions at the agency's Kansas City processing center compared to other locations.[78] For fiscal year 2023, IRS achieved only 35 percent of its hiring goal for Submission Processing positions in Kansas City (806 employees hired with a goal of hiring 2,297). By contrast, IRS achieved 63 percent and 77 percent of its Submission Processing hiring goals for its Austin and Ogden centers (1,080 and 1,115 employees hired, with goals of hiring 1,721 and 1,455, respectively).[79]

IRS Has Not Evaluated Its Use of Direct Hire Authority

IRS officials told us that the agency had historically used direct hire authority on a much more limited scale and mostly to fill IT positions. IRS officials told us that they have been periodically reviewing lessons learned from the agency's recent use of direct hire authority. However, these officials have not prepared more formal analyses to evaluate the agency's significant use of direct hire authority in the past 2 years.

In a memorandum to Treasury officials, IRS officials cited the following advantages of direct hire authority:

- The ability to make on-the-spot offers at job events. With the applicant directly in front of an IRS hiring manager, IRS has the undivided attention of the applicant, and the applicant can provide an immediate response to the offer. IRS officials also told us that the agency can capture an applicant's fingerprints at a job event to begin the background investigation process.[80]

- Direct hire authority has reduced the time to hire from a standard 80 days to approximately 50-65 days.

- Job acceptance rates have also been higher for candidates recruited through direct hire authority than through normal processes.

In prior work reviewing agencies' use of hiring flexibilities, we identified some challenges associated with direct hire authorities. For example, one agency that used direct hire authorities to expedite hiring during the COVID-19 pandemic found that requesting modifications from OPM

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[78]In its fiscal year 2024 Budget Justification, IRS said that low wages for Submission Processing clerks have undermined the effectiveness of recruiting efforts.

[79]IRS officials also told us the agency hired 569 employees for Submission Processing positions in Memphis, TN.

[80]During fiscal years 2022 and 2023, IRS held 157 job events.

slowed down their hiring efforts.[81] In a review of Department of Defense (DOD) hiring flexibilities for its acquisition workforce, DOD officials told us that expiration dates and limits on the number of hires can make direct hire authority harder to use.[82] The Merit Systems Protection Board also identified expiration dates and other limits to using direct hire authority as challenges when it researched direct hiring in 2021.[83]

In 2016, we found that OPM was not using available data to evaluate the effectiveness of different hiring flexibilities across the federal government.[84] As a result, OPM did not know if hiring authorities were meeting agencies' needs. We recommended that OPM assess specific hiring authorities and processes.[85] In response to our recommendation, OPM reviewed use of certain hiring authorities and found that agencies were missing opportunities to implement more strategic, innovative, and targeted recruitment activities.

In May 2023, we held discussions with new and experienced employees from both Submission Processing and Accounts Management at two processing centers. Some employees expressed concerns to us that new staff from IRS's recent hiring surge had not been provided sufficient training. They expressed concerns that IRS's onboarding and training operations were not accustomed to quickly processing such large

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[81]GAO-22-104297.

[82]GAO, *Defense Acquisition Workforce: DOD Increased Use of Human Capital Flexibilities but Could Improve Monitoring,* GAO-19-509 (Washington, D.C.: Aug. 2019).

[83]U.S. Merit Systems Protection Board, *Direct-Hire Authority under 5 U.S.C. § 3304: Usage and Outcomes,* February 2021. The Merit Systems Protection Board is an independent, quasi-judicial agency with a mission to protect merit system principles and promote an effective federal workforce free of prohibited personnel practices.

[84]GAO, *Federal Hiring: OPM Needs to Improve Management and Oversight of Hiring Authorities,* GAO-16-521 (Washington, D.C.: Aug. 2, 2016).

[85]We also recommended that OPM should determine whether opportunities exist to refine, consolidate, eliminate, or expand agency-specific hiring authorities. In May 2023, we reported that this open recommendation be given high priority. GAO, *Priority Open Recommendations: Office of Personnel Management,* GAO-23-106370 (Washington, D.C.: May 16, 2023).

numbers of new employees.[86] They also expressed concerns that some new hires left the agency after only a few months.

Despite the large number of staff hired through direct hire authority and traditional hiring, IRS continues to experience higher turnover in its two primary filing season workforces than for the agency as a whole. For fiscal year 2023, the percentages of Accounts Management and Submission Processing campus employees leaving were 17 percent and 22 percent respectively, compared to 12 percent for all of IRS (see table 4). During fiscal year 2022, 17 percent of Accounts Management campus employees and 26 percent of Submission Processing campus employees left the agency.

Table 4: Separation Data for IRS Accounts Management and Submission Processing Campus Employees, Fiscal Years 2022-2023

	2022		2023	
	Number Separating	**Separation Rate (percent)**	**Number Separating**	**Separation Rate (percent)**
Accounts Management	3,863	17	4,454	17
Submission Processing	2,425	26	2,086	22
IRS-wide	11,879	14	10,836	12

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-24-106581

Note: The data only includes separations—that is, employees that left IRS. It does not include migrations such as employees who accepted another position with the same or a different business unit at IRS.

In 2002, we identified key practices that agencies should implement to use human capital flexibilities effectively.[87] One key practice is that agencies need to plan for how they will use and fund these authorities, what results they expect to achieve, and what methods they will use to evaluate actual results. Such evaluations help agencies understand the impact that different authorities have on the pool of available candidates. Additionally, federal internal control standards state that an agency's

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[86]As we reported in 2022, IRS officials said that job candidates may encounter challenges with completing fingerprinting if the fingerprint facility has high demand. They said they began offering onsite fingerprinting during hiring events to help mitigate this issue. See GAO-23-105880.

[87]GAO-03-2.

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management should obtain relevant data on a timely basis to effectively monitor activities to achieve objectives.[88]

Although IRS has made increasing use of direct hire authority to recruit and hire thousands of filing season employees, IRS has not conducted an analysis of outcomes from its expanded use. A critical step in understanding if hiring flexibilities are meeting an agency's needs is to analyze the effectiveness of specific hiring authorities. Without monitoring and evaluating its use of direct hire authority, IRS may also be missing opportunities to identify challenges and needed improvements.

Evaluating the effectiveness of direct hire authority could help IRS implement its *Inflation Reduction Act Strategic Operating Plan.* The plan describes five transformation objectives, one of which is to use the additional IRA funding to attract, retain and empower a highly skilled and diverse workforce. One initiative IRS identified for achieving this objective is to redesign IRS's hiring and onboarding with a goal of reducing the time-to-hire. According to the strategic operating plan, IRS will establish clear expectations regarding time-to-hire and maximize the benefits of direct hiring authority. The plan also describes a key project under that initiative to increase flexibility in IRS hiring processes by exploring new and expanded hiring authorities. An evaluation of IRS's recent use of direct hire authority could help inform this project.

Conclusions

IRS made significant progress in the 2023 filing season to address tax return processing delays and backlogs that arose during the three previous filing seasons resulting from the COVID-19 pandemic. Additionally, during the same period IRS took action to improve the quality of its customer service activities. Notably, IRS phone assistors answered 65 percent more calls during the 2023 filing season than during the 2022 filing season.

However, IRS still has not met all its filing season goals and has further opportunities to improve. Specifically, IRS (1) has not yet determined what specific activities are necessary to resolve processing delays for certain returns; (2) does not have formalized means nor a designated official to ensure the data it reports on its backlogged returns are accurate; and (3) has not analyzed the results or coordinated the implementation of improvement initiatives across all processing centers to reduce return processing errors made by staff which are tracked in the

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[88]GAO-14-704G, Principles 13, 16, 17.

Embedded Quality for Submission Processing (EQSP) system. Making efforts to address these areas could help ensure that IRS is collecting and sharing accurate information and addressing various reasons for processing delays.

Finally, IRS hired approximately 26,000 employees for its filing season workforce during fiscal years 2022 and 2023, with many of those employees hired through an expedited hiring process. These new staff were critical to processing tax returns and providing customer service. However, IRS continued to experience higher separation rates for these parts of its workforce compared to the agency as a whole. IRS has not yet conducted an analysis of outcomes from its recent expanded use of hiring flexibilities. Without a comprehensive review, IRS may miss opportunities to develop strategies or inform efforts aimed at transforming its hiring and onboarding processes by reducing its overall time to hire.

Recommendations for Executive Action

We are making the following four recommendations to IRS:

The Commissioner of Internal Revenue should evaluate and determine the cause of certain returns not meeting processing time goals and develop a plan for addressing these processing shortfalls. (Recommendation 1)

The Commissioner of Internal Revenue should identify a responsible party who approves and checks the accuracy of Submission Processing data reports and coordinates report dispersal to ensure that they do not contain errors. This individual and quality review process should be documented, such as in the Internal Revenue Manual. (Recommendation 2)

The Commissioner of Internal Revenue should systematically track and evaluate improvement initiatives aimed to address the most common submission processing errors. IRS should document this tracking and evaluation process in guidance, such as in the Internal Revenue Manual. (Recommendation 3)

The Commissioner of Internal Revenue should develop and implement plans to monitor and evaluate its use of direct hire authority. (Recommendation 4)
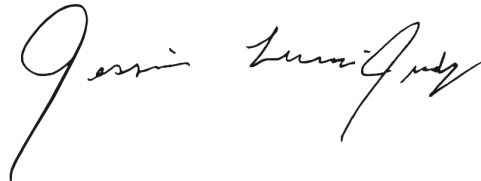
Agency Comments

We provided a draft of this report to the Commissioner of Internal Revenue for review and comment. In its comments, reproduced in appendix I, IRS agreed with our recommendations and described steps it plans to take in response to each recommendation. IRS also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov. If you or your staff have any questions about this report, 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 report. GAO staff who made key contributions to this report are listed in appendix II.

Jessica Lucas-Judy
Director, Tax Issues
Strategic Issues

Appendix I: Comments from the Internal Revenue Service

January 11, 2024

Ms. Jessica Lucas-Judy
Director, Tax Issues
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Lucas-Judy:

I have reviewed the draft report entitled, *2023 TAX FILING: IRS Improved Customer Service, but Could Further Improve Processing and Evaluate Expedited Hiring (GAO-24-106581)*, and appreciate the opportunity to provide comments.

The 2023 filing season marked significant achievements by the IRS as we continued to recover from the impact the Coronavirus pandemic had on our operations since its emergence in 2020. Ensuring a high-performing IRS is critical for our nation, as the agency collects more than four trillion dollars in revenues each year, generating about 96 percent of the funding that supports the federal government's operations – everything from roads and other infrastructure to education and the nation's military.

The funding provided by Congress in the Inflation Reduction Act of 2022 (IRA)[1] allowed us to make improvements in many areas, including our levels of service on the telephones and in person during the 2023 filing season. In tandem with the IRS's annual discretionary budget, this critical, sustained multi-year funding will allow the agency to transform its operations through improved taxpayer service, smarter enforcement, upgraded technology and better data security.

Between January 24 and September 15, 2023, the IRS received more than 152.8 million individual federal tax returns and issued more than 101 million refunds totaling more than $296 billion. Additionally, the backlog of unprocessed tax returns received prior to January 1, 2023, which was a direct result of the negative impact of the pandemic on our operations, was eliminated by April 2023.

During the 2023 filing season, following the infusion of IRA funding, the IRS was able to provide taxpayers with a substantially better experience than they had seen for many years. Notably, we answered more calls from taxpayers seeking our help than in 2022, provided more in-person assistance at our Taxpayer Assistance Centers (TACs) around

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[1] Pub. L. No. 117-169.

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the country, and offered more online services for taxpayers who prefer using this service channel.

Examples of the improvements seen in 2023 include:

- **Telephone service**. We hired more than 5,000 additional customer service representatives (CSR) for our toll-free lines. That hiring allowed us to achieve a level of service on our main taxpayer help line averaging 75 percent through October 2023, a significant increase from approximately 14 percent for the same period last year. Our CSRs answered more than 15 million calls, which is 6.5 million more than the previous year.

- **In-person assistance**. We hired more than 700 new employees for our Taxpayer Assistance Centers (TACs), with more to come. We helped more than 1.6 million people at TACs this year – an 18 percent increase over 2022. We reopened 46 of these walk-in locations since receiving the IRA funding last year and opened four new locations. Additionally, again this year we conducted special Saturday openings of certain TACs in dozens of locations across the country to assist taxpayers. We also held a special series of Community Assistance Visits in several states to give taxpayers who live in areas not close to a TAC the opportunity to meet with IRS assistors in person.

- **Electronically filed forms**. We launched an online portal, the Information Returns Intake System (IRIS) for businesses to electronically file 1099-series forms, saving time and effort for both businesses that issue these forms and the taxpayers that receive them. Though available to businesses of all sizes, the IRIS is especially helpful to small businesses that currently submit their 1099 forms on paper.

- **Easier response to IRS notices**. We gave taxpayers the option to respond to a range of IRS notices by uploading documents electronically using our Document Upload Tool. At the current stage of this ongoing effort, we estimate this tool can help serve more than 500,000 taxpayers each year who respond to these notices, which include military personnel serving in combat areas and recipients of important tax credits such as the Earned Income Tax Credit.

- **Faster refunds on amended returns.** This past filing season, for the first time, individuals who electronically filed Form 1040-X to amend their tax returns could choose direct deposit for their refund – which can save weeks over delivery of a paper refund check. This option helps a significant segment of taxpayers, as three million amended returns are filed each year.

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Work is underway on many improvements we expect to make over the next several years. At the top of our list is to greatly expand scanning of paper returns to create a "digital IRS." Along those lines, we recently announced the Paperless Processing Initiative. Our goal under this initiative is for the IRS to achieve paperless processing by the 2025 filing season, which means digitalizing all returns filed on paper as soon as the IRS receives them.

Achieving this milestone will enable digital processing of up to 76 million paper documents each year. So far this year, we have scanned more than 1 million. These products include Forms 940, 941, and 1040s. A digital IRS, rather than a paper IRS, is exactly what was intended when Congress provided new funds under the IRA. The Paperless Processing Initiative shows that we are taking the steps to make good on that promise.

Another area where we continue to make progress involves using technology to help taxpayers get answers to their questions quickly and easily. For example, we recently announced the availability of expanded chatbot technology to help people get answers to basic questions they may have when they receive notices about possibly under-reporting their taxes. Rollout of this chatbot builds on prior IRS successes using technology to help improve taxpayer service. Since January 2022, IRS voice and chatbots, both in English and Spanish, have helped more than 13 million taxpayers avoid wait times by resolving their tax issues.

Additional service improvements that taxpayers and tax professionals can expect, both in the short term and the long term, include the following:

- We are working to expand in-person help and fully staff all Taxpayer Assistance Centers nationwide by next year.

- Within the first five years of our plan, taxpayers will be able to securely file documents and respond to notices online and securely access and download their data and account history.

- We will expand Online Accounts, so taxpayers and tax professionals will have a clearer view of their tax information and easier ways to address issues with their tax return. For example, people will be able to respond to IRS issues instantly by electronic means. That way, they can avoid weeks of mailings and paper processing. For many, sending letters and documents to the IRS in the mail could be a thing of the past.

- For the first time, the IRS will help taxpayers identify potential mistakes before filing, so they can quickly fix errors that could delay their refunds, and more easily claim credits and deductions they may be eligible for.

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- We also will be updating transcripts, notices and forms to be more user-friendly
  and available in more languages based on taxpayers' needs.

- The IRS will update taxpayer status tracking tools to provide real-time updates on
  taxpayer refund and return processing, audits and other service interactions in
  the next five years.

In conclusion, these efforts highlight the IRS's dedication to enhancing efficiency,
customer service, and operational readiness, as reflected in the report. Our responses
to your specific recommendations are enclosed. If you have any questions, please
contact Karen Truss, Director, Operations Support, Wage and Investment Division, at
470-639-3459.

Sincerely,

Douglas W. Odonnell
Digitally signed by Douglas W.
Odonnell
Date: 2024.01.11 15:41:29 -05'00'

Douglas W. O'Donnell
Deputy Commissioner for
   Services and Enforcement

Enclosure

Enclosure

Recommendations for Executive Action

We are making the following four recommendations to IRS:

RECOMMENDATION 1.
The Commissioner of Internal Revenue should evaluate and determine the cause of
certain returns not meeting processing time goals and develop a plan for addressing
these processing shortfalls.

COMMENTS
We agree with the recommendation. We will evaluate and determine the cause of
returns not meeting processing goals and develop a plan for improvement.

RECOMMENDATION 2
The Commissioner of Internal Revenue should identify a responsible party who
approves and checks the accuracy of data reports and coordinates report dispersal to
ensure that they do not contain errors. This individual and quality review process should
be documented, such as in the Internal Revenue Manual.

COMMENTS
We Agree with the recommendation. We will identify a responsible party to approve and
check the accuracy of data reports and coordinate report dispersal. We will document
the responsible party and review process.

RECOMMENDATION 3
The Commissioner of Internal Revenue should systematically track and evaluate
improvement initiatives aimed to address the most common submission processing
errors. IRS should document this tracking and evaluation process in guidance, such as
in the Internal Revenue Manual.

COMMENTS
We agree with the recommendation. We will track, evaluate, and document
improvement initiatives aimed to address the most common submission processing
errors.

RECOMMENDATION 4
The Commissioner of Internal Revenue should develop and implement plans to monitor
and evaluate its use of direct hire authority.

COMMENTS
We agree with the recommendation. An evaluation is already underway. The IRS
performs a monthly analysis of direct hire authority use and further provides quarterly
reports on its usage to the Department of Treasury and Office of Personnel
Management.

Appendix II: GAO Contact and Staff Acknowledgements

GAO Contact	Jessica Lucas-Judy, (202) 512-6806 or lucasjudyj@gao.gov
Staff Acknowledgements	In addition to the contact named above, Erin Saunders Rath (Assistant Director), Mark Kehoe (Analyst-in-Charge), Crystal Bernard, Ann Czapiewski, Samuel Facas, Amalia Konstas, Kirsten B. Lauber, Benjamin Legow, Benjamin L. Moser, Michael Todd Perry, and Peter Verchinski made key contributions to this report.