



December 2022

2022 TAX FILING

Backlogs and Ongoing Hiring Challenges Led to Poor Customer Service and Refund Delays

GAO Highlights

Highlights of [GAO-23-105880](#), a report to congressional committees

Why GAO Did This Study

During the annual tax filing season, IRS processes more than 150 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 significant return processing backlogs and a decline in customer service since 2020.

GAO was asked to review IRS's performance during the 2022 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 customer service, inventory processing, and hiring. GAO also interviewed cognizant IRS officials.

What GAO Recommends

GAO has previously made 13 recommendations to IRS and the Department of the Treasury, as well as three recommendations to Congress, that could improve returns processing and customer service performance. IRS has taken steps to implement some of its recommendations, but they remain unimplemented. Additionally, one recommendation to Treasury and three recommendations to Congress remain unimplemented. In its letter, IRS summarized actions taken to reduce the current and projected inventory. IRS also stated that the long-term funding provided by the Inflation Reduction Act of 2022 will help improve processing and service during the 2023 filing season.

View [GAO-23-105880](#). For more information, contact Jessica Lucas-Judy at (202) 512-6806 or lucasjudj@gao.gov.

December 2022

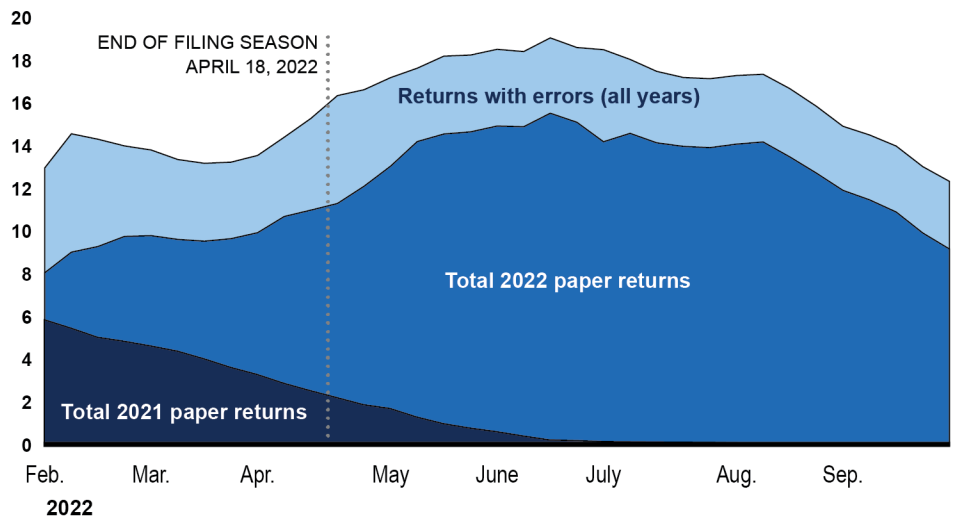
2022 TAX FILING

Backlogs and Ongoing Hiring Challenges Led to Poor Customer Service and Refund Delays

What GAO Found

In its third filing season since the COVID-19 pandemic began, the Internal Revenue Service (IRS) prioritized processing its backlog of tax returns but its current inventory of unprocessed returns remains high. At the end of 2021, IRS had a backlog of about 10.5 million paper returns and returns stopped for errors. As shown in the figure, IRS addressed its backlog of 2021 paper returns. However, as of late September 2022, IRS had about 12.4 million returns to process, resulting in refund delays for millions of taxpayers. GAO previously recommended that IRS improve paper processing by digitizing more paper returns and addressing barriers to e-filing.

Total IRS Returns Inventory in Process, February to September 2022
Volume of returns (in millions)



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

From January to September 2022, IRS reduced its prior year backlog of taxpayer correspondence from about 5 million to about 400,000. IRS used a combination of strategies to work through this inventory, including reassigning staff from answering phones to processing correspondence. However, partly as a result, IRS answered less than one in five calls during the filing season. Addressing GAO's prior recommendation to modernize its online "Where's My Refund" application will help IRS better serve taxpayers and reduce the burden of additional calls and letters on IRS staff.

As of September 2022, IRS met its hiring goals for fiscal year 2022 through a combination of direct and traditional hiring. IRS's direct hire authority allows it to make on-the-spot job offers to applicants. However, this authority did not start until a month after the filing season began. As a result, about 95 percent of direct hires did not start working until after the 2022 filing season ended. IRS officials said their recent hiring efforts will help prepare IRS for a strong 2023 filing season.

Contents

Letter		1
	Background	6
	IRS Prioritized Processing Its Backlog of 2021 Returns but Its Overall Inventory of Returns Remains High	11
	Taxpayers Continued to Struggle to Get Help from IRS during the 2022 Filing Season	18
	IRS Met Hiring Goals but Delays Affected Filing Season	32
	Agency Comments	39
Appendix I	Internal Revenue Service Appropriations	41
Appendix II	Internal Revenue Service's Performance during the 2022 Tax Filing Season	43
Appendix III	Comments from the Internal Revenue Service	48
Appendix IV	GAO Contact and Acknowledgments	52
Tables		
	Table 1: IRS Correspondence Inventory by Category, Late January to September 2022	27
	Table 2: IRS Correspondence Inventory by Year of Receipt, Late January to September 2022	28
	Table 3: IRS Direct and Traditional Hiring for Tax Examiners and Clerks, Fiscal Year 2022	34
	Table 4: Tax Returns Received and Processed by IRS from 2019 through 2022 by the End of the Filing Season	44
Figures		
	Figure 1: IRS Supplemental Spending by Budget Activity (in Millions), March 2020 to July 2022	9
	Figure 2: Backlog of Paper Returns That Needed to Be Entered into IRS Processing Systems, February to September 2022	12

Figure 3: IRS's Total Inventory of Returns in Process, February to September 2022	13
Figure 4: IRS Telephone Call Volume, Filing Seasons 2016 to 2022	20
Figure 5: IRS Telephone Level of Service and Taxpayer Wait Times, Filing Seasons 2012 to 2022	22
Figure 6: IRS Correspondence Inventory and Overage Rates (Late Responses), as of the End of the Filing Season, 2019 to 2022	26
Figure 7: IRS Traditional Hiring and Direct Hiring Timeline Goals	33
Figure 8: IRS's Average Time to Hire by Authority for Tax Examiners and Clerks, March to July 2022	37
Figure 9: IRS Appropriations for Fiscal Years 2002 to 2022	42

Abbreviations

ARPA	American Rescue Plan Act of 2021
CSR	customer service representative
e-file	electronic filing
IRA	Inflation Reduction Act of 2022
IRS	Internal Revenue Service
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PIN	personal identification number
RRC	Recovery Rebate Credit
TAC	Taxpayer Assistance Center
Treasury	Department of the Treasury

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



December 15, 2022

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

The Honorable Richard E. Neal
Chair
The Honorable Kevin Brady
Republican Leader
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 more than 150 million 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 suspended due to suspected identity theft, and processing adjustments to taxpayers' accounts, including amended returns.

Similar to the past two filing seasons, IRS experienced ongoing operational challenges during the 2022 filing season. These challenges included processing a backlog of prior year returns alongside incoming returns, providing telephone customer service, addressing a backlog of taxpayer correspondence, and managing human capital issues, such as insufficient hiring.

In April 2022, we reported that during the 2021 filing season, IRS's unprecedented workload led to delayed refunds and low levels of customer service.¹ For example, IRS began the 2021 filing season with a backlog of about 8 million returns from the prior year that it processed

¹GAO, *Tax Filing: 2021 Performance Underscores Need for IRS to Address Persistent Challenges*, [GAO-22-104938](#) (Washington, D.C.: Apr. 11, 2022).

alongside incoming 2021 returns, which created additional workload for IRS staff. Additionally, IRS suspended and reviewed 35 million returns with errors that were primarily due to new or modified tax credits, causing taxpayers to experience long delays in receiving refunds.²

With respect to customer service, we reported that taxpayer demand for telephone assistance during the 2021 filing season was about five times greater compared to demand during the 2019 filing season, and customer service representatives (CSR) were able to answer about 6 percent of incoming taxpayer calls.³ Finally, by the end of 2021, IRS's correspondence inventory had grown to about 8 million, about four times greater than its typical inventory. As a result, IRS began the 2022 filing season with a backlog of millions of unprocessed returns and pieces of taxpayer correspondence.

High-quality customer service is important to help taxpayers fulfill their tax obligations accurately and in a timely manner. Accordingly, enhancing service is a key element in IRS's strategy for reducing the average gross tax gap—the difference between the amount that taxpayers owe and the amount they actually pay voluntarily and on time. In October 2022, IRS estimated the average gross tax gap was \$496 billion each year from 2014 to 2016. Of that amount, IRS estimated \$428 billion each year will never be collected through late payments or enforcement activities—this amount is the net tax gap. We previously found that more could be done to reduce the net tax gap and help taxpayers voluntarily comply with tax requirements.⁴ Over the years, we have made numerous

²For example, in April 2022 we reported that during the 2021 filing season, about 60 percent of the errors on individual returns that IRS suspended for review were associated with recent tax law changes to provide relief to taxpayers due to COVID-19. These credits included the Recovery Rebate Credit and changes to existing refundable credits including the Earned Income Tax Credit and the Child Tax Credit. [GAO-22-104938](#).

³We compared IRS's performance in providing customer service during the 2021 filing season to the 2019 filing season because during the 2020 filing season, IRS offices were closed and customer service operations were suspended for several weeks due to the COVID-19 pandemic. The 2021 filing season started on February 12, 2021, and ended on May 17, 2021.

⁴See GAO, *The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future*, [GAO-20-403SP](#) (Washington, D.C.: Mar. 12, 2020); *Tax Gap: IRS Needs Specific Goals and Strategies for Improving Compliance*, [GAO-18-39](#) (Washington, D.C.: Oct. 31, 2017); and *Tax Compliance: Better Compliance Data and Long-term Goals Would Support a More Strategic IRS Approach to Reducing the Tax Gap*, [GAO-05-753](#) (Washington, D.C.: July 18, 2005).

recommendations to IRS and to Congress to both improve IRS customer service and address the tax gap. IRS has implemented several of these recommendations, but other recommendations remain unaddressed. For example, in June 2022, we sent a letter to the Commissioner of IRS asking for the agency's continued attention to 25 priority recommendations from our previous reports, including eight related to improving taxpayer services.⁵ If implemented, we believe these recommendations could significantly improve the taxpayer experience.

You asked us to assess IRS's performance during the 2022 filing season. In this report, we assess IRS's 2022 filing season performance on (1) processing tax returns, (2) providing customer service to taxpayers, and (3) hiring staff to support filing season operations.

To address our first objective, we analyzed IRS's 2022 weekly filing season performance data on processing electronic and paper tax returns for individuals and businesses, and issuing refunds. The data we used in this report were the most recent sets of data available at the time of our review. The data included, for example, weekly reports on the volume of unprocessed returns. We used these weekly reports to assess IRS's efforts to resolve its backlog of 2021 filing season returns while concurrently processing 2022 returns. 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 by interviewing agency officials knowledgeable about the data. We determined that these data were sufficiently reliable to report on IRS's performance in processing returns during the 2022 filing season.

Additionally, we compared IRS's most recently available data on return processing performance to data from prior filing seasons, as appropriate. We also interviewed IRS officials to understand, for example, causes for delays in processing returns in 2022. Further, we reviewed relevant documentation and interviewed officials from IRS's Submissions Processing division to understand contextual factors contributing to changes in performance and IRS's response to these issues. These factors included hiring and staffing challenges and the effects of

⁵See GAO, *Priority Open Recommendations: Internal Revenue Service*, [GAO-22-105632](#) (Washington, D.C.: June 6, 2022). Priority recommendations are those that we believe warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operations, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress towards addressing a high-risk or duplication, fragmentation, or overlap issue.

legislation that included new tax credits, such as the Recovery Rebate Credit. We also assessed IRS's progress in addressing our selected open recommendations related to processing returns and issuing refunds.

To address our second objective, we analyzed IRS's 2022 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 officials from IRS's Accounts Management and Field Assistance divisions to understand IRS's ability to answer telephone inquiries, respond to taxpayer correspondence, provide service through its website, and provide in-person services. We compared data on IRS's customer service performance during the 2022 filing season to performance data from prior filing seasons, where appropriate, and to average performance data from previous filing seasons. In addition, we interviewed IRS officials and reviewed relevant documentation to understand contextual factors contributing to filing season performance, such as hiring and staffing challenges, and IRS's response to these challenges. We also assessed IRS's progress in addressing our selected open recommendations to improve taxpayer customer service.

We assessed the reliability of these data by reviewing existing information about the data and the systems that produced them, and interviewing agency officials knowledgeable about the data. Any data limitations are noted, as applicable, within the report. We determined that these data were sufficiently reliable for reporting on IRS's performance in providing customer service to taxpayers during the 2022 filing season. To account for a change in how IRS calculated telephone level of service during the period from 2014 to 2022, we tested level of service data by year, removing data from customer service lines that are no longer included in IRS's level of service calculation. We found that removing performance data from the additional service lines did not have a substantive effect on the overall level of service trend.

To address our third objective, we reviewed IRS documents and data on filing season hiring goals for fiscal year 2022, actual hiring of staff using both traditional and direct hire authority, and time to hire staff. We analyzed available IRS data from fiscal year 2022 on the time to hire tax examiners and clerks. We selected these positions because (1) they were identified as critical positions for the filing season and authorized by the Office of Personnel Management (OPM) for direct hiring; and (2) IRS also hired staff in these positions through traditional hiring during the same

period. We determined that the data were sufficiently reliable for our purposes. We also interviewed officials to understand how direct hiring authority affected IRS's ability to fill critical filing season positions, and any challenges IRS faced in hiring new staff.

To provide additional context for the above objectives, we reviewed the most recently available information on IRS's obligations and expenditures of COVID-19 supplemental appropriations from fiscal years 2020 and 2021 to support the filing season. We reviewed laws, regulations, and guidance related to COVID-19 relief (for example, the Families First Coronavirus Response Act and CARES Act (2020) and the American Rescue Plan Act of 2021 (ARPA) (2021)) and related IRS spend plans.⁶ We also interviewed IRS officials knowledgeable about how IRS allocated supplemental appropriations from fiscal years 2020 and 2021 to support filing season functions. We monitored the status of supplemental funding provided to IRS in the Inflation Reduction Act (IRA), which was enacted in August 2022.⁷ However, we did not review IRS's preliminary plans on its use of IRA funds because IRS was developing them at the time of our review.

We conducted this performance audit from February 2022 to December 2022 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.

⁶IRS received a \$765.7 million supplemental appropriation in fiscal year 2020 from the Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020) and CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020). In fiscal year 2021, IRS also received a \$1.862 billion supplemental appropriation from the ARPA, Pub. L. No. 117-2, 135 Stat. 4 (2021).

⁷Pub. L. No. 117-169, 136 Stat. 1818.

Background

Returns Processing

Before and throughout the 2022 filing season, IRS encouraged taxpayers to electronically file (e-file) their returns and choose direct deposit if they expected a refund. As of the end of the 2022 filing season, about 96 percent of individual returns and about 76 percent of business returns that IRS had received were e-filed. 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.

Once individuals and businesses submit their tax returns to IRS, the agency begins to process the returns to determine the accuracy of information and, in turn, the amount the taxpayer owes the government or is entitled to in a refund. During returns processing, IRS checks for errors and quickly corrects returns that it can. IRS notifies the taxpayer if there are errors it cannot correct, such as a missing form. Errors can occur on tax returns because of mistakes made by both taxpayers and IRS and, in general, these returns must be manually reviewed by IRS staff.

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 IRS and burden the taxpayer.⁸ In addition, tax law changes can cause a higher volume of return processing errors because the provisions are new to IRS, paid preparers, and taxpayers.

Taxpayer Service Options

Taxpayers can get assistance from IRS in several ways:

- **Telephone.** Throughout the year, taxpayers can speak with a 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. During the COVID-19 pandemic, IRS urged taxpayers to use automated phone services and options available online to resolve taxpayer account issues due to the high demand for live customer service.

⁸GAO, *Tax Filing: Actions Needed to Address Processing Delays and Risks to the 2021 Filing Season*, [GAO-21-251](#) (Washington, D.C.: Mar. 1, 2021).

-
- **Correspondence.** Taxpayers primarily use paper, or in limited cases digital, correspondence to communicate with IRS.⁹ Correspondence 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 Taxpayer Assistance Centers (TAC) across the country.¹⁰ IRS Field Assistance staff provide taxpayers with help on a variety of topics, 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 and economic impact payments (also called stimulus checks).

IRS's Budget and Supplemental Appropriations

IRS's annual budget supports taxpayer services, enforcement, operations, and business system modernization.¹¹ IRS's appropriation for fiscal year 2022 was \$12.594 billion. See appendix I for additional

⁹IRS implemented e-filing for amended returns in August 2020, and currently accepts amended returns for 2019, 2020, and 2021 electronically if the taxpayer also e-filed the original return. IRS staff need to manually review the return and adjust the taxpayer's account.

¹⁰IRS's 360 TACs are located across the United States and in Puerto Rico. IRS officials told us that in summer 2022, IRS opened two new TACs in Puerto Rico and plans to open two more centers there by the end of the year. As of August 2022, IRS officials said that 43 TACs remain closed due to staffing issues.

¹¹We have ongoing work reviewing IRS's budget and staffing trends, including how IRS plans, prioritizes, and allocates budget resources across the agency.

information on IRS's annual appropriations from fiscal years 2002 through 2022.

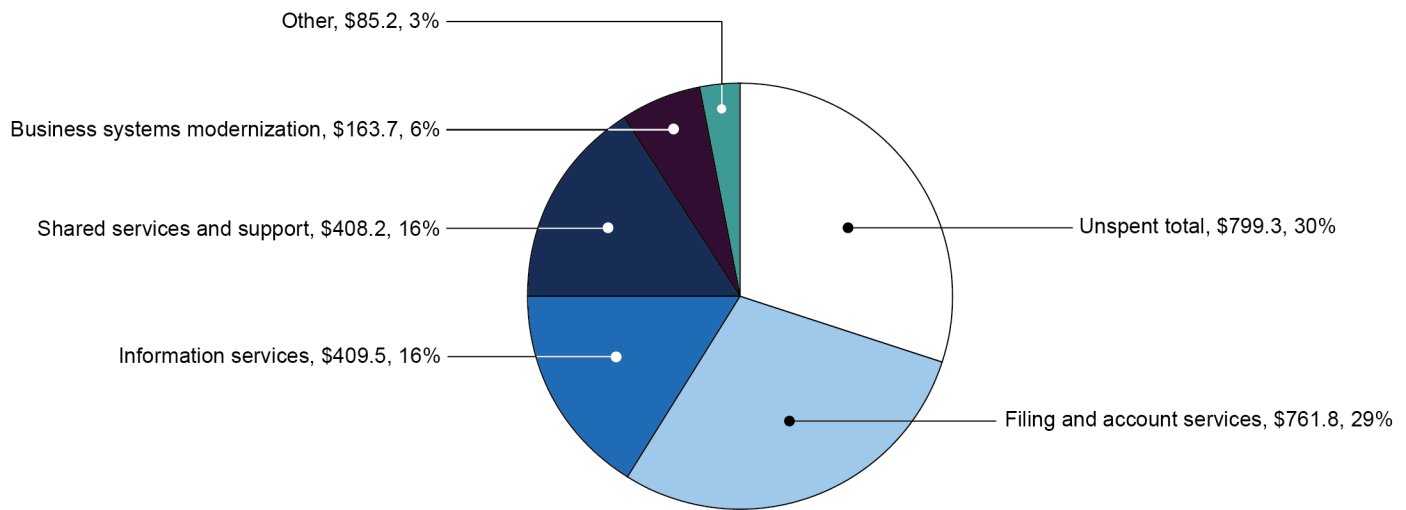
During fiscal years 2020 and 2021, IRS received COVID-19 supplemental funding from Congress in addition to its annual appropriations. Specifically, in fiscal year 2020, IRS received an additional \$765.7 million to issue economic impact payments and support extended filing season operations, among other things. In fiscal year 2021, IRS received an additional \$1.862 billion to issue a third round of economic impact payments to millions of taxpayers and establish capabilities to issue monthly advance Child Tax Credit payments to eligible taxpayers starting in July 2021, among other things.¹²

IRS documentation shows that as of early July 2022, IRS has spent about \$1.828 billion out of \$2.628 billion (70 percent) of the total supplemental funding it received in fiscal years 2020 and 2021 (see figure 1).¹³

¹²GAO, *Stimulus Checks: Direct Payments to Individuals during the COVID-19 Pandemic*, [GAO-22-106044](#) (Washington, D.C.: June 26, 2022).

¹³IRS's data on spending include obligations, expenditures, and disbursements through July 4, 2022. As of early December 2022, IRS's supplemental spending data for the entirety of fiscal year 2022 were not available because officials from the Department of the Treasury (Treasury) were reviewing the data. Funds appropriated to administer the advance Child Tax Credit payments through ARPA expired on September 30, 2022. ARPA funds to modernize IRS systems, provide for taxpayer assistance, and administer the Economic Impact Payments will expire on September 30, 2023. Funds appropriated to IRS from the CARES Act expired on September 30, 2021. Families First Coronavirus Response Act funds expired on September 30, 2022.

Figure 1: IRS Supplemental Spending by Budget Activity (in Millions), March 2020 to July 2022



Source: GAO analysis Internal Revenue Service (IRS) data. | GAO-23-105880

Note: The “other” category reflects spending in the following categories: exam and collection (\$62.2 million); pre-filing taxpayer assistance and education (\$12.9 million); infrastructure (\$9.6 million); investigations (\$0.3 million); and regulatory (\$0.2 million).

As shown in figure 1, IRS spent a combined 61 percent of its supplemental funding on the following service categories:

- **Filing and account services (about \$761.8 million, or 29 percent).** This included support for returns processing and customer service functions. IRS documents show that nearly 80 percent of the supplemental funds for filing and account services were used to pay staff performing COVID-19-related work.¹⁴
- **Information services (about \$409.5 million, or 16 percent).** IRS officials said the supplemental funds were used, for example, to improve existing information services and support new efforts, including expanding IRS’s network capacity and resiliency to support telework for 90,000 employees.
- **Shared services and support (about \$408.2 million or 16 percent).** This primarily included printing and postage.

¹⁴IRS officials stated that supplemental funds applied to staff salaries and benefits were based on staff charges to codes that IRS created to identify and track COVID-19-related work.

All other categories accounted for about 9 percent of spending, and included prefilling taxpayer assistance and education, business systems modernization, exam and collection, regulatory spending, investigations, and infrastructure. IRS has also used some supplemental funds to help address the backlog of paper returns.

As of July 2022, IRS had not obligated the remaining \$799.3 million (30 percent) of its COVID-19 supplemental appropriations from fiscal years 2020 and 2021. In August 2022, IRS officials said they plan to obligate all remaining funds before the expiration dates, in accordance with IRS's spend plan.

In August 2022, IRS officials said they are developing preliminary spend plans for multiyear supplemental funding appropriated through the IRA, which was enacted in August 2022.¹⁵ The IRA provided IRS with additional funding of \$79.4 billion, to remain available through the end of fiscal year 2031, to be spent as follows

- \$45.6 billion for tax enforcement,
- \$25.3 billion for operations support,
- \$3.2 billion for taxpayer services, and
- \$4.8 billion for Business Systems Modernization.¹⁶

IRS Human Capital

As we have reported previously, IRS has faced challenges hiring new staff, particularly to process returns.¹⁷ Attrition has further contributed to this challenge. As of the end of fiscal year 2021, IRS reported that the attrition rate for returns processing staff was 17 percent, which was more than twice the agency's overall attrition rate of 7.6 percent. For every 10 newly hired returns processing staff, IRS needed about four additional staff to offset attrition.

¹⁵Pub. L. No. 117-169, 136 Stat. 1818. IRS officials stated that they consider the \$79.4 billion from the IRA as supplemental funding for fiscal year 2022. However, unlike prior year supplemental funding, officials stated that IRA funds will be apportioned annually to support efforts identified in IRS's spend plans.

¹⁶The IRA also provided IRS with \$0.5 billion to carry out provisions in the act related to renewable energy tax credits, among other things.

¹⁷[GAO-22-104938](#). We reported that in fiscal year 2021, Submissions Processing hired 3,662 returns processing staff out of about 5,500 planned (67 percent of its goal).

In late February 2022, OPM gave IRS direct hiring authority to recruit and appoint qualified applicants to positions that IRS determined to be critical to support the filing season. Direct hiring authority helps IRS hire staff more quickly because it allows IRS to make on-the-spot job offers to qualified applicants and bypass certain steps of the traditional hiring process. Under this authority, IRS is authorized to hire up to 10,000 staff through December 31, 2023.¹⁸

IRS Prioritized Processing Its Backlog of 2021 Returns but Its Overall Inventory of Returns Remains High

IRS Reduced Its Backlog of Returns from 2021 and Improved Handling of Some Returns

At the end of 2021, IRS had a backlog of about 10.5 million returns that had not been fully processed.¹⁹ IRS's backlog was a combination of paper returns it received during 2021 and returns stopped for errors or other issues, which take longer to process because they require manual work such as scanning or review by an IRS employee.

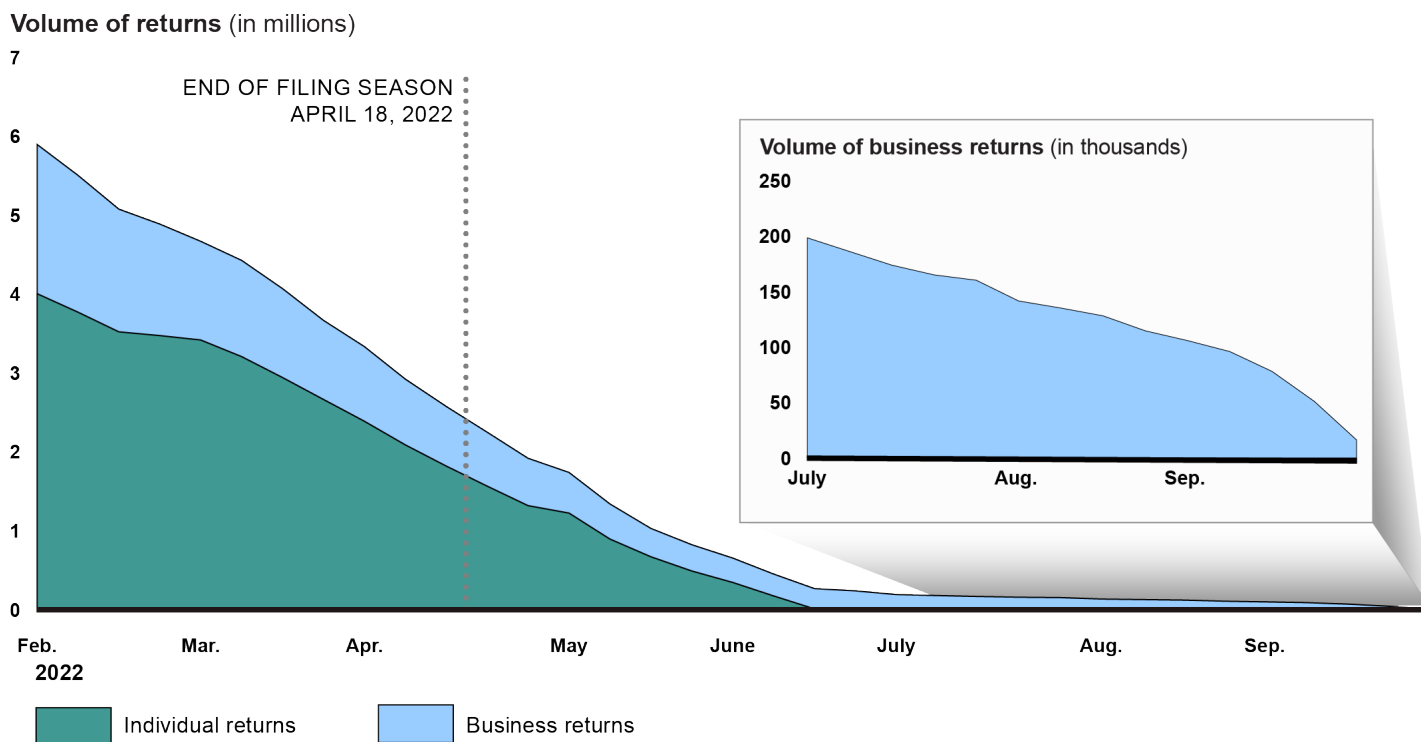
Throughout 2022, IRS gradually reduced its backlog of prior year returns. In April 2022, IRS officials told us that they prioritized processing the backlog of paper returns from 2021 over incoming 2022 returns. This included, for example, IRS staff entering information into IRS systems. It also included performing manual, time-consuming coding and editing of

¹⁸Additionally, in March 2022, Congress provided Treasury direct hiring authority in the Consolidated Appropriations Act, 2022, to help IRS address the backlog. Pub. L. No. 117-103, div. E, tit. I, § 111, 136 Stat. 49, 247 (2022).

¹⁹Unprocessed returns as of December 31, 2021, included about 7.9 million individual and business paper returns that IRS received in 2021 and 2.6 million returns suspended for review due to errors, such as math errors, an incorrect Social Security number, or potential fraud. Returns suspended due to errors may be from the 2021, 2020, or an earlier year because, according to officials, IRS cannot differentiate between current and prior year returns stopped due to errors in its systems.

return information. IRS’s progress with this effort from February to September 2022 is shown in figure 2.

Figure 2: Backlog of Paper Returns That Needed to Be Entered into IRS Processing Systems, February to September 2022



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

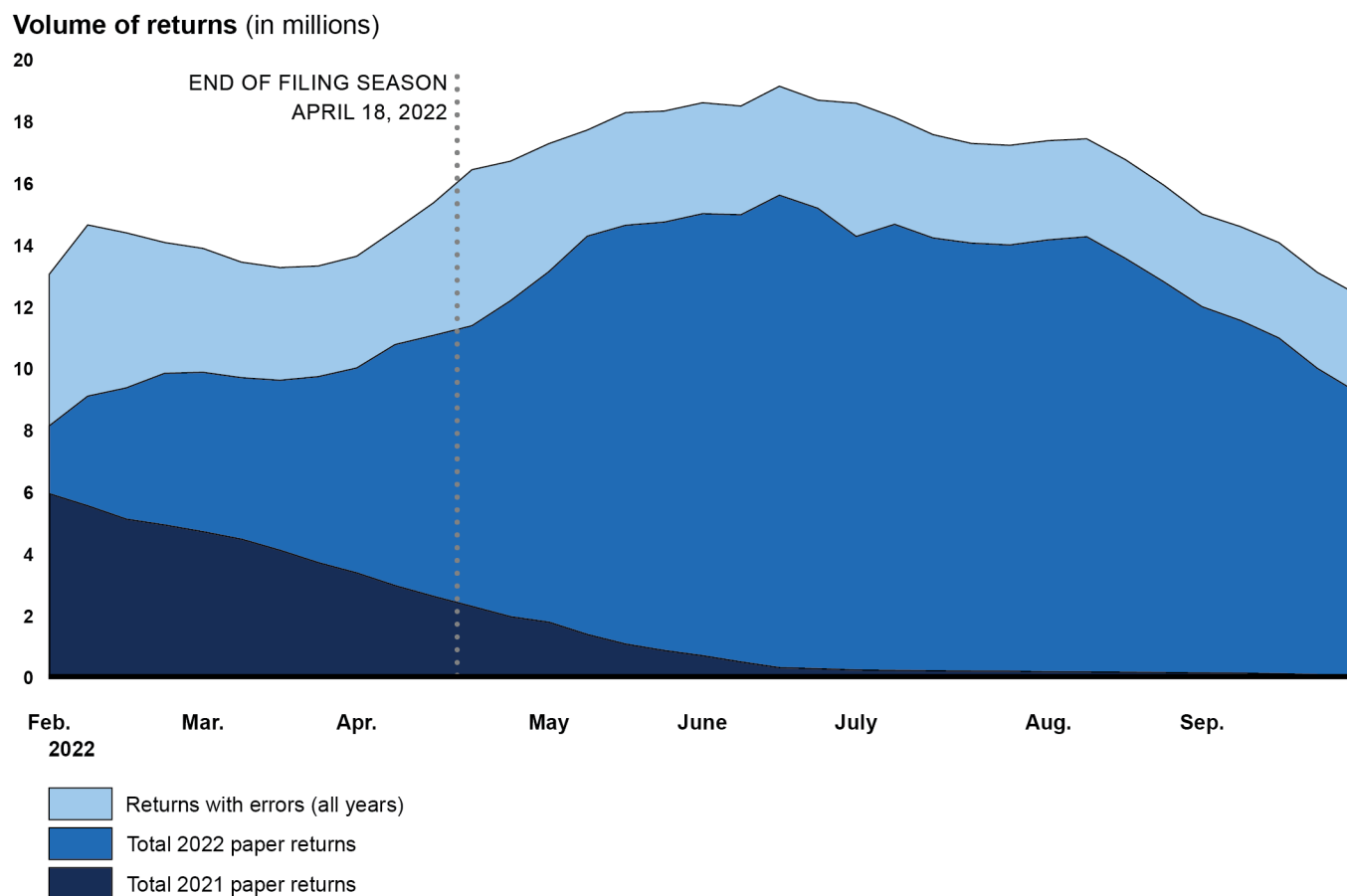
Note: Returns that have been entered into IRS’s processing systems may not be fully processed and refunds provided to the taxpayer if the return was stopped due to, for example, an error or potential fraud.

IRS entered all individual backlog returns from 2021 into its systems for processing as of late June 2022. As of the end of September 2022, about 16,000 business returns from 2021 had not yet been entered into IRS’s systems for processing. IRS completed entering all business returns from 2021 into its systems in mid-October 2022.

IRS staff also had to process incoming returns from the 2022 filing season and address current and prior year returns stopped due to errors. As of mid-June 2022, IRS’s total inventory peaked with about 19.1 million returns in process. Of those, about 15.3 million (80 percent) were paper

returns that IRS received in 2022, and about 3.5 million (18 percent) were paper and e-filed returns with errors that IRS suspended for review either in 2022 or prior years. Figure 3 shows the total volume of returns in IRS’s processing inventory from February to September 2022. As of the end of September 2022, IRS had about 12.4 million total returns in process—an increase of about 1.9 million compared to the 10.5 million returns in its inventory at the same time last year. This has resulted in refund delays for millions of taxpayers.

Figure 3: IRS’s Total Inventory of Returns in Process, February to September 2022



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

Note: Data show total individual and business returns in IRS inventory for processing from February 5, 2022, to September 30, 2022. This includes paper returns that IRS received in 2022 and 2021 and returns with errors from 2022, 2021, and other prior years that IRS suspended for various reasons. According to IRS officials, IRS’s processing systems cannot differentiate between current and prior year returns with errors.

Throughout the 2022 filing season, IRS used a combination of strategies to enter backlogged returns into its systems and process them, and to address returns suspended due to errors. For example, IRS officials said returns processing staff worked up to 10 hours of mandatory overtime every other week from January to June 2022. After that, staff could choose to work voluntary overtime. IRS officials said they also shipped paper returns between processing centers to help balance workloads with available staff and resources.

Additionally, in April 2022, IRS temporarily reassigned about 700 employees from its Small Business/Self Employed division to help reduce the backlog and process returns with errors. IRS officials said these staff will continue working through the end of 2022 to help address the remaining inventory prior to the start of the 2023 filing season.

IRS also relied on an automated tool to help address returns stopped for certain errors during the 2022 filing season. We previously reported that from January to November 2021, IRS suspended about 35 million individual and business returns primarily due to errors associated with the Recovery Rebate Credit (RRC) and changes to existing refundable credits, including the Earned Income Tax Credit and the Child Tax Credit.²⁰ For the 2022 filing season, IRS created and implemented an automated tool to help resolve errors associated with the RRC and other refundable credits.²¹ This tool enabled IRS to automatically correct selected errors rather than requiring IRS staff to manually review the return, which in 2021 contributed to long refund delays for taxpayers. According to IRS officials, the RRC error was the most commonly occurring error on individual returns during the 2022 filing season. However, officials said the automated tool enabled IRS to resolve these errors within a few days, compared to several months, which was the case during 2021.²² As a result, IRS was able to continue processing returns stopped due to these errors during 2022 and issue a refund to the taxpayer, if applicable.

²⁰[GAO-22-104938](#). In 2021, IRS suspended about 86 percent (16 million) more returns due to errors compared to the average volume of returns with errors from 2017 to 2019, which were more typical filing seasons.

²¹IRS's automated tool is currently able to correct returns with errors associated with the RRC, Child Tax Credit, Earned Income Tax Credit, and the Child and Dependent Care Credit.

²²[GAO-22-104938](#).

IRS documentation shows that as of late September 2022, the automated tool addressed about 12.9 million returns stopped for review due to these errors. In August 2022, IRS officials said they were evaluating options to use the tool to resolve other error codes during the 2023 filing season. The RRC and temporary expansions to other refundable credits have expired, so IRS officials expect fewer individual returns will be stopped for errors during the 2023 filing season.

See appendix II for additional details on returns processing during the 2022 filing season.

IRS and Congress Can Address Prior Recommendations to Improve Returns Processing

We have made numerous recommendations to IRS that could improve return processing performance and that IRS has not yet implemented. For example:

Digitize information from paper returns. To control costs, IRS transcribes a limited amount of information provided by paper filers into its computer databases. This practice limits the amount of information readily available for enforcement and other tax administration activities that rely on digitized information. In July 2018, we recommended that IRS implement the most cost-effective method to digitize information provided by taxpayers who file returns on paper.²³ IRS agreed with our recommendation and, in May 2022, IRS reported some progress on its efforts related to amended returns. In November 2022, IRS provided updated information on its efforts to address this recommendation, which we are in the process of reviewing. To fully implement this recommendation, IRS must fully digitize paper tax returns at intake. For example, an optical character recognition system could facilitate enforcement efforts, expedite contacts for faster resolution, reduce handling costs, and increase compliance revenue.²⁴

Improve e-filing. In March 2021, we reported that taxpayers were not making full use of IRS's electronic options for filing business-related

²³GAO, *Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement*, [GAO-18-544](#) (Washington, D.C.: July 24, 2018).

²⁴In late March 2022, the National Taxpayer Advocate issued a directive to IRS's Deputy Commissioners of Services and Enforcement and Operations Support to implement scanning technology to machine read paper-filed tax returns by the start of the 2023 filing season, if feasible. In its July 2022 response to the directive, IRS stated that it is testing several pilot programs and plans to accelerate its efforts, as appropriate. However, IRS did not agree to meet the National Taxpayer Advocate's timelines outlined in the directive.

returns.²⁵ During the 2020 filing season, IRS provided an e-file option for 25 of its 43 business-related tax forms. However, many businesses continued using paper forms even when e-file was an option. We recommended that IRS determine what actions it could take to address the barriers to e-filing, and implement those actions, as feasible. As of March 2022, IRS reported it had identified barriers to e-filing but had not yet taken action to address them due to competing priorities.²⁶

Addressing barriers to e-filing business returns could help IRS reduce the volume of more costly paper-based work and improve services to business filers.

Identify, monitor, and mitigate issues contributing to refund interest payments. In April 2022, we reported that IRS paid nearly \$14 billion in refund interest from fiscal years 2015 to 2021, with \$3.3 billion paid in fiscal year 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.²⁷ 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.

In October 2022, IRS officials said they assigned additional staff to help process backlogged returns and correspondence and that these efforts should help minimize refund interest payments. According to IRS data from the Office of the Chief Financial Officer, IRS has paid about \$3.5

²⁵[GAO-21-251](#).

²⁶To address the greatest barrier it identified to increasing e-filing rates for employment returns, IRS Wage and Investment submitted a fiscal year 2021 funding proposal for implementing an online signature personal identification number (PIN) application. This would enable taxpayers to file employment returns with a real-time digital PIN rather than using the current process, which takes at least 45 days to issue a PIN. However, IRS did not approve this funding proposal. According to IRS officials, this was due to competing IRS priorities, including legislative changes requiring technology prioritization and additional complexities due to the pandemic. In January 2022, IRS officials stated that until IRS addresses the lack of an online signature PIN, it will be difficult for the agency to overcome additional related barriers to increasing e-filing of business-related returns.

²⁷[GAO-22-104938](#).

billion in refund interest during fiscal year 2022, more than what it paid in fiscal year 2021.²⁸

We support IRS's efforts to fully address its pandemic-related backlog and process returns and correspondence in a timely manner. However, as we reported previously, this alone will likely not reverse the annual growth of refund interest payments. As we noted in our April 2022 report, refund interest payments have gradually increased since fiscal year 2015, several years prior to the start of the pandemic.²⁹ Further, as we reported in April 2022, and IRS confirmed in its response to that report, refund interest payments can be due to both retroactive legislative benefits and delays in IRS processing times. Without addressing our recommendation to identify, monitor, and report on the primary reasons for refund interest payments and associated dollar amounts, IRS lacks reasonable assurance that any steps it takes to fully address its pandemic-related backlog directly affect any reduction in refund interest payments.

Identity theft. In January 2020, we recommended that IRS identify and implement methods to address delays in resolving business identity theft cases due to IRS's use of correspondence to authenticate a taxpayer's identity.³⁰ This could involve using different methods for taxpayer authentication based on the risk level of the return. We also recommended that IRS establish customer service-oriented performance goals for resolving business identity theft cases. In October 2021, IRS set a new 120-day average time frame standard for processing individual and business identity theft cases.³¹ However, IRS's latest guidance states that its case resolution time averages 350 days due to challenges created by

²⁸Data are from October 1, 2021, through September 30, 2022. Refund interest information for fiscal year 2022 is from IRS's Redesigned Revenue Accounting Control System financial data system. See [GAO-22-104938](#) for our prior findings and recommendations related to refund interest for fiscal years 2015 through 2021. Under the Internal Revenue Code, the rate of interest IRS pays to individuals and businesses is determined on a quarterly basis. For example, the interest rate on late individual refunds was 3 percent as of January 1, 2022, 4 percent as of April 1, 2022, 5 percent as of July 1, 2022, and 6 percent as of October 1, 2022.

²⁹[GAO-22-104938](#).

³⁰GAO, *Identity Theft: IRS Needs to Better Assess the Risks of Refund Fraud on Business-Related Returns*, [GAO-20-174](#) (Washington, D.C.: Jan. 30, 2020).

³¹The Taxpayer First Act required IRS, in collaboration with the National Taxpayer Advocate, to set standards for the management of identity theft cases, which may include an average time for a taxpayer to wait to have their identity theft victim assistance case resolved. Pub. L. No. 116-25, § 2008, 133 Stat. 981, 1006–1007 (2019).

the COVID-19 pandemic and an increase in its identity theft inventories. As a result, IRS officials stated that they would not be able to achieve the 120-day resolution time frame until October 2024.

We have also made recommendations to Congress that could help IRS process returns more efficiently.

- **Broaden math error authority.** Broadening IRS’s authority to correct simple tax return errors could facilitate correct tax payments and help IRS avoid costly, burdensome audits. Congress has expanded IRS’s math error authority several times under certain circumstances but not as broadly as we recommended in February 2010.³² We maintain that a broader authorization of math error authority with appropriate controls that would enable IRS to correct obvious noncompliance would be less intrusive and burdensome to taxpayers than audits and would potentially help taxpayers who under-claim tax benefits to which they are entitled.
- **Establish professional requirements for paid preparers.** Multiple bills have been introduced in Congress to establish professional requirements for paid tax preparers, as we recommended in April 2014 and November 2022.³³ As of October 2022, no action has been taken on these bills. Establishing professional requirements for paid tax preparers may increase the accuracy of tax returns they prepare and potentially reduce the tax gap.

Taxpayers Continued to Struggle to Get Help from IRS during the 2022 Filing Season

We found that taxpayers had difficulty getting assistance from IRS during the 2022 filing season, marking another year in which taxpayers faced such difficulties. Customer service representatives (CSR) answered less than one out of five taxpayer calls seeking live assistance. IRS made steady progress in reducing a subset of its backlog of taxpayer correspondence, but about 5.5 million pieces of correspondence remain unresolved as of late September 2022.

³²GAO, *Recovery Act: IRS Quickly Implemented Tax Provisions, but Reporting and Enforcement Improvements Are Needed*, [GAO-10-349](#) (Washington, D.C.: Feb. 10, 2010).

³³GAO, *Paid Tax Return Preparers: IRS Efforts to Oversee Refundable Credits Helps Protect Taxpayers but Additional Actions and Authority Are Needed*, [GAO-23-105217](#) (Washington, D.C.: Nov. 30, 2022); and *Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors*, [GAO-14-467T](#) (Washington, D.C.: Apr. 8, 2014).

As we have reported in prior years, IRS has struggled to balance competing demands for maintaining quality customer service levels via telephone and timely written correspondence because many CSRs are responsible for both telephone and correspondence duties.³⁴ In prior years, IRS's ability to respond to correspondence in a timely manner depended on the volume and length of telephone calls answered by CSRs. However, before the start of the 2022 filing season, Members of Congress urged IRS to prioritize the backlogs of returns and correspondence from 2020 and 2021.³⁵ As a result, IRS shifted more resources to resolving correspondence instead of providing adequate phone service.

IRS Answered Less than One Out of Five Calls from Taxpayers during the 2022 Filing Season

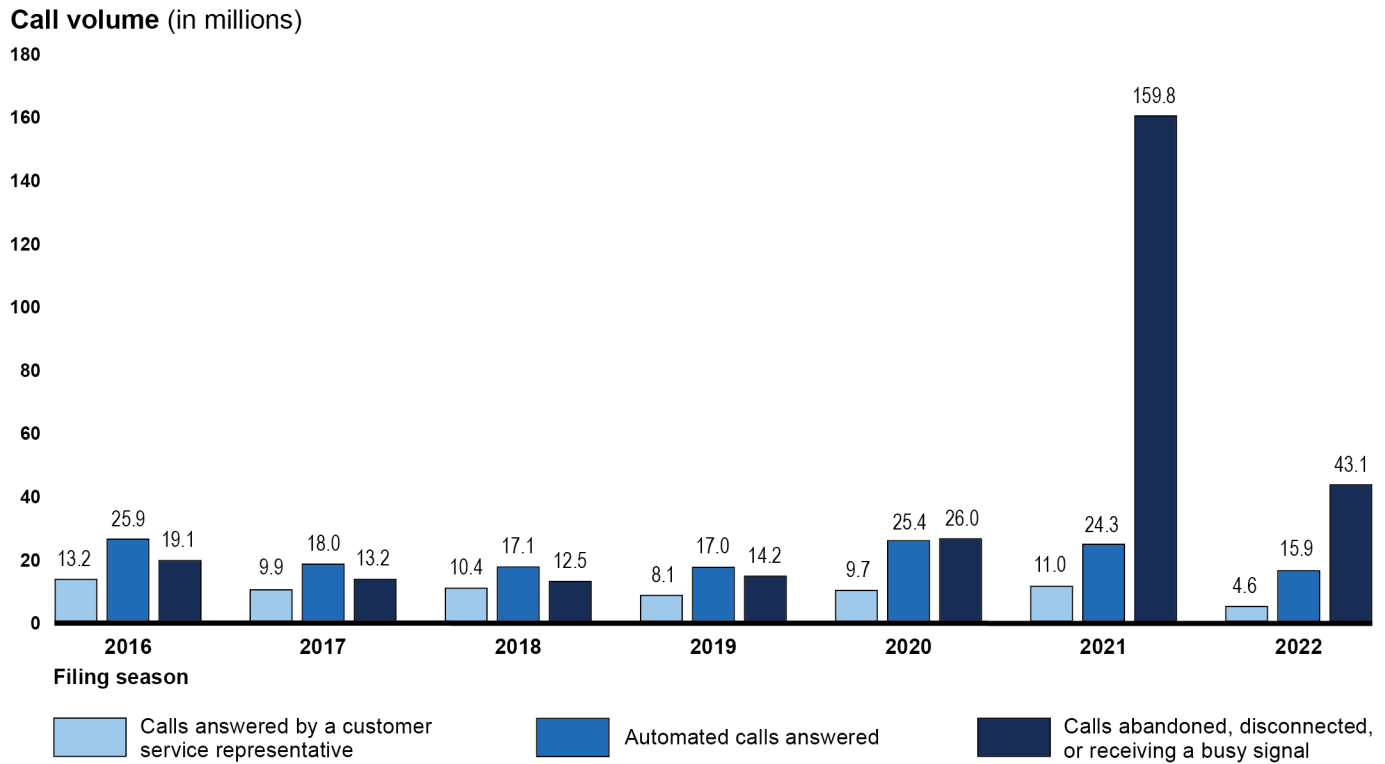
IRS received approximately 64 million calls during the 2022 filing season.³⁶ This is a significant decline from the unprecedented 195 million calls IRS received during the 2021 filing season. However, even with fewer taxpayers calling IRS for assistance, CSRs answered less than one out of five calls during the 2022 filing season (see figure 4).

³⁴See [GAO-22-104938](#); [GAO-21-251](#); *2019 Tax Filing: IRS Successfully Implemented Tax Law Changes but Needs to Improve Service for Taxpayers with Limited-English Proficiency*, [GAO-20-55](#) (Washington, D.C.: Jan. 15, 2020); and *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).

³⁵For example, in December 2021, Members of Congress sent a letter to the Commissioner of IRS expressing concern over the backlog of unprocessed returns from 2020 and 2021, and the burden on families and small businesses due to processing delays. The 99 members of Congress who signed this letter wrote that IRS must take urgent action to address the backlog prior to the start of the 2022 filing season.

³⁶We calculated the total number of taxpayer calls as those (1) answered by a CSR; (2) that used IRS's automated tools such as automated account information; and (3) where either the taxpayer attempted the call but abandoned it, received a busy signal, or IRS disconnected.

Figure 4: IRS Telephone Call Volume, Filing Seasons 2016 to 2022



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

Note: Telephone call data for the filing season are cumulative from January 1 of each year to April 23, 2016; April 22, 2017; April 21, 2018; April 20, 2019; July 15, 2020; May 17, 2021; and April 23, 2022, 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 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 were open during the 2021 and 2022 filing seasons.

During the 2022 filing season, CSRs answered fewer calls than during the prior year, even though call demand was lower. Specifically, CSRs answered about 58 percent (6.3 million) fewer calls during the 2022 filing season compared to the 2021 filing season, despite a 67 percent (131.3 million) decrease in call demand. Further, about 43.1 million incoming calls did not reach IRS—26.2 million calls that IRS disconnected due to lack of CSR availability, 16.6 million calls that the taxpayer abandoned, and nearly 310,000 calls that received a busy signal.

Additionally, figure 4 shows that, during the 2022 filing season, taxpayers' use of automated call assistance was at its lowest level compared to the prior six filing seasons.³⁷ In September 2022, IRS officials said that automated calls may have decreased because of a temporary change IRS made in mailing some notices. In February 2022, IRS stopped mailing unfiled tax return and balance due notices to taxpayers, which direct taxpayers to call IRS and use automated phone assistance.

Each year, IRS establishes a goal to answer a certain percentage of phone calls from taxpayers seeking live assistance, which it refers to as the "level of service."³⁸ For fiscal year 2022, IRS initially set a goal for CSRs to answer 30 percent of taxpayer calls—its lowest goal in a decade—citing the unprecedented levels of correspondence inventory. However, IRS officials told us that in February 2022, they determined they would not be able to meet the 30 percent level of service goal. This was because they had reassigned many CSRs to process the correspondence backlog and did not have enough CSRs to answer phones. As a result of IRS's reassignment of CSRs, in February 2022, the Department of the Treasury (Treasury) authorized IRS to meet a 19 percent level of service through the end of September 2022.

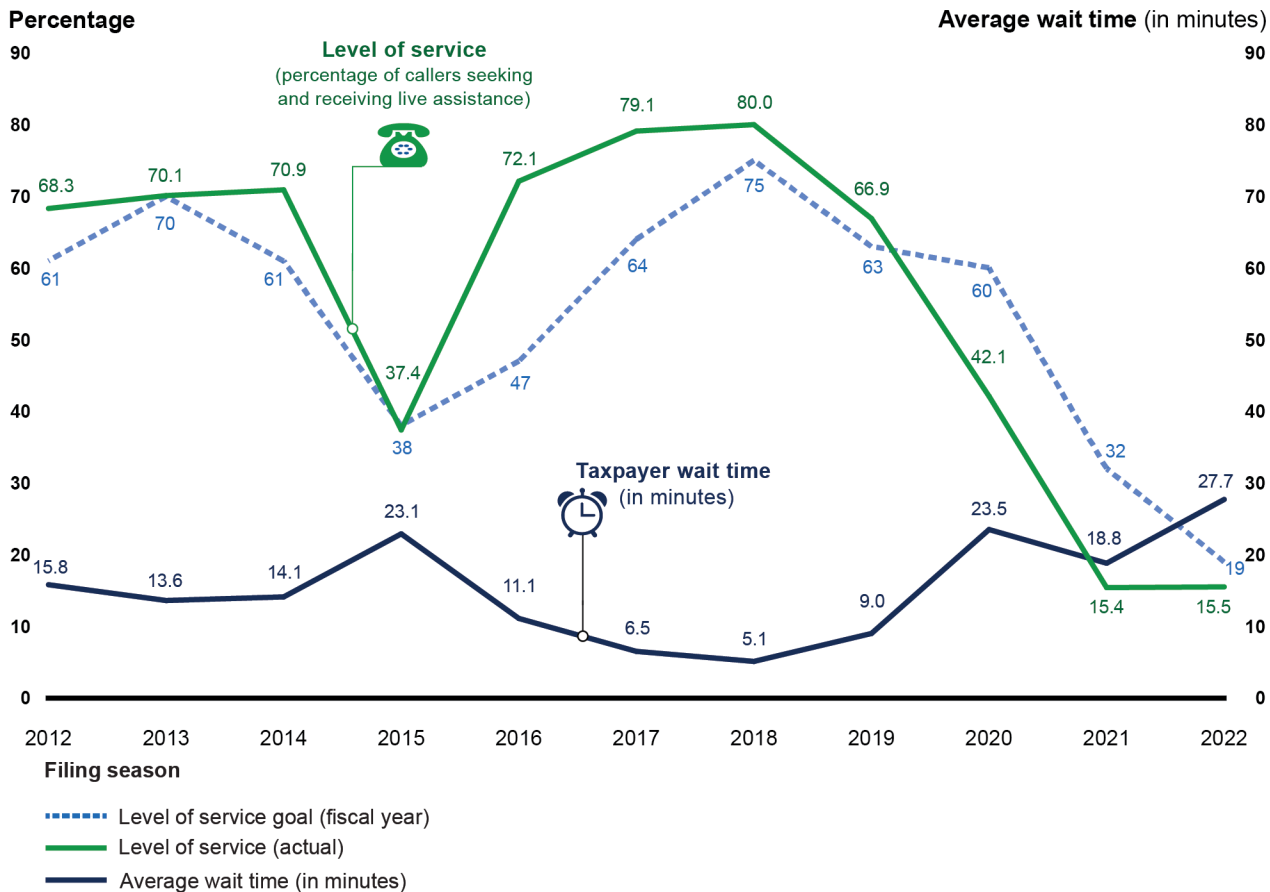
Ultimately, CSRs answered about 16 percent of taxpayer calls during the 2022 filing season (see figure 5). On some phone lines, the level of service was significantly lower than the overall average. For example, on IRS's Taxpayer Protection Program toll-free line—which a taxpayer calls to authenticate their identity if IRS has suspended their tax return for suspected identity theft—CSRs answered less than 4 percent of calls.³⁹

³⁷Using IRS's automated call services, taxpayers can listen to recorded information to help answer a tax law question or access automated information such as a balance due.

³⁸IRS'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."

³⁹When IRS suspends a taxpayer's return for review due to suspected identity theft, it sends the taxpayer a letter directing them to authenticate their identity via phone, online, or in person at a Taxpayer Assistance Center.

Figure 5: IRS Telephone Level of Service and Taxpayer Wait Times, Filing Seasons 2012 to 2022



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

Notes: Telephone level of service (actual) and average wait time data for the filing season are cumulative from January 1 of each year to April 21, 2012; April 20, 2013; April 19, 2014; April 25, 2015; April 23, 2016; April 22, 2017; April 21, 2018; April 20, 2019; July 15, 2020; May 17, 2021; and April 23, 2022. To account for a change in how IRS calculated level of service from 2014 to 2022, we tested level of service data by year, removing data from lines that were excluded from IRS's level of service calculation. We found that removing data from these lines did not have a substantive effect on the overall level of service trend. During the 2020 filing season, IRS's telephone level of service varied significantly, in part, because from late March to late April 2020, IRS closed all processing and customer service sites due to the COVID-19 pandemic (GAO-21-251). Additionally, the level of service goal for fiscal year 2022 is shown at the level at which IRS was authorized to deliver—19 percent—and not its initial fiscal year 2022 goal of 30 percent.

Taxpayers who did reach a CSR waited about 28 minutes on average during the 2022 filing season—about three times longer than taxpayers waited during the 2019 filing season, a more typical year. Additionally, during the 2022 filing season, some phone lines had significantly higher wait times than the average. For example, taxpayers waited about 47

minutes on average for assistance on the Taxpayer Protection Program line. Taxpayers with limited-English proficiency calling for assistance in their language waited about 48 minutes, on average.

IRS officials described automation efforts to help manage call volumes. For example, during 2022, IRS expanded its “customer callback” option, where taxpayers calling certain phone lines can opt to receive an automated call back from IRS rather than wait on hold.⁴⁰ According to IRS data, from January to mid-July 2022, IRS offered about 4.7 million taxpayers a callback, and about half of taxpayers elected to use this option (about 2.6 million).⁴¹ IRS officials told us they have received positive feedback about the callback option and tax industry representatives and practitioners said that that it was an improvement to waiting on hold. Additionally, in June 2022, IRS expanded voice bot features on some telephone services, including the option for taxpayers to verify their identity to set up or modify a payment plan.⁴²

Nevertheless, as shown in figure 5, IRS’s level of service has consistently decreased since 2018, when CSRs answered about 80 percent of taxpayer calls.⁴³ Since 2018, IRS has also lowered its level of service goal, based on expected call volume and the number of CSRs available

⁴⁰According to IRS officials, as of 2022, IRS has implemented the callback feature on 31 of its toll-free phone applications, including the highest volume application for individual taxpayers and the tax practitioner applications. Officials noted that each of IRS’s phone lines can include multiple phone applications. The time it takes for IRS to call a taxpayer back is not included in IRS’s calculation of average wait time to speak to a CSR.

⁴¹IRS data include taxpayer calls to selected Accounts Management phone applications. From January to mid-July 2022, IRS data show that, of the taxpayers who elected to use the callback option, about 82 percent (about 2.2 million) of return calls successfully reconnected the taxpayer to a CSR.

⁴²“Voice bots” refer to an automated telephone system technology that interacts with callers’ voices.

⁴³In December 2012, we recommended that IRS develop a strategy that defines appropriate levels of telephone and correspondence service and wait times. In March 2021, we reported that IRS conducted a benchmarking study in January 2017 that compared its telephone service, measures, and goals to comparable agencies and companies. Based on this study, IRS concluded that its ideal telephone level of service is between 70 and 80 percent. This optimizes a balance between telephone and correspondence service, including wait time and CSR availability. See *GAO, 2012 Tax Filing: IRS Faces Challenges Providing Service to Taxpayers and Could Collect Balances Due More Effectively*, [GAO-13-156](#) (Washington, D.C.: Dec. 18, 2012).

to answer them.⁴⁴ We previously reported that IRS has experienced a series of unprecedented challenges since 2019 that have adversely affected its filing season performance. These challenges have been exacerbated by difficulty hiring sufficient staff in time for the filing season and large fluctuations in call volume year-over-year.

IRS officials attributed the 2022 filing season's low level of service and longer wait times to the significantly reduced number of CSRs available to answer telephones. In February 2022, IRS reassigned about 65 percent (9,600) of CSRs to process the correspondence backlog, which left about 35 percent (5,300) of CSRs to answer telephones during IRS's busiest time. IRS officials stated that they expect to maintain this ratio of customer service staffing through the end of 2022.

In addition, IRS officials said they had a difficult time hiring CSRs in late 2021 in preparation for the 2022 filing season. Accounts Management usually hires new CSRs throughout the year, in part, because CSRs must be trained for about 10 to 15 weeks before they can work with taxpayers on the phone. According to officials, Accounts Management does not generally have difficulty meeting its annual hiring goal. However, as of October 2021, officials said they had hired 125 new CSRs out of about 4,300 needed for the 2022 filing season. IRS officials said that, as of May 2022, Accounts Management had met its fiscal year 2022 goal. However, many new CSRs were not trained in time to answer phones during the filing season.

In September 2022, the Secretary of the Treasury announced that the Inflation Reduction Act of 2022 (IRA) would enable IRS to hire 5,000 CSRs during 2023 to serve more taxpayers and reduce wait times.⁴⁵ Additionally, the Secretary announced that Treasury is committing IRS to an 85 percent level of service for the 2023 filing season, the highest in the last decade.

⁴⁴For example, we reported that during the 2019 filing season, IRS revised its filing season level of service goal from 80 percent to 65 percent, in part, because of challenges related to a lapse in appropriations that prevented CSRs from answering phones during the peak week of the filing season.

⁴⁵Department of the Treasury, *Remarks by Secretary of the Treasury Janet L. Yellen at the IRS Facility in New Carrollton, Maryland*, (Sept. 15, 2022).

IRS's Inventory of Prior Year Correspondence Declined but Millions of Taxpayers Await a Response

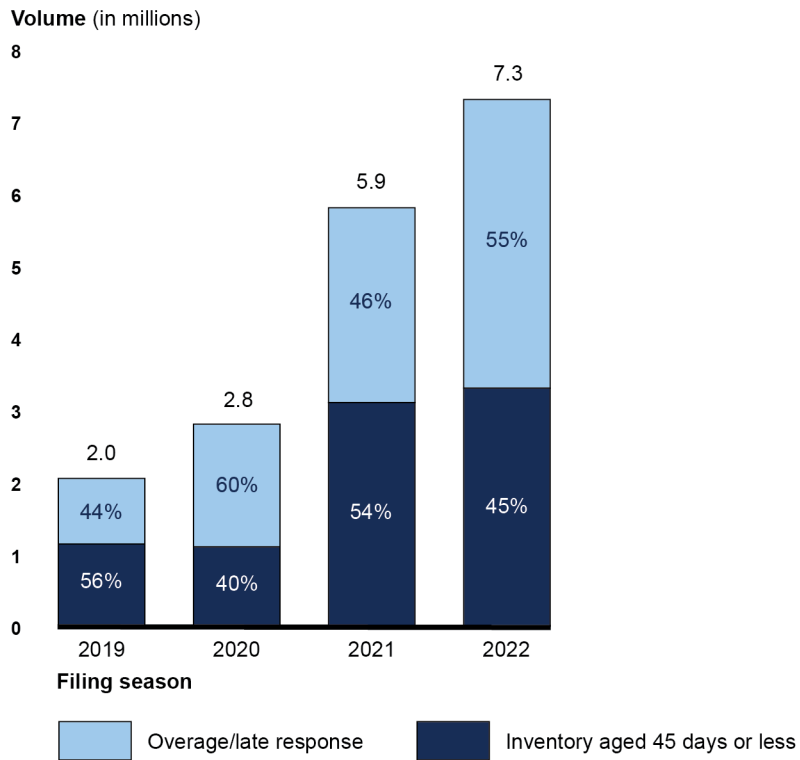
At the beginning of the 2022 filing season in late January, IRS's inventory of individual and business-related taxpayer correspondence was approximately 8.1 million—about three times its correspondence inventory at the beginning of the 2020 filing season.⁴⁶ As we reported in April 2022, IRS's correspondence inventory grew throughout 2020 and 2021 due to increased demand for live telephone assistance and because the rate of incoming correspondence outpaced the number of existing correspondence cases that CSRs could address.⁴⁷ As a result, IRS did not provide timely responses to millions of taxpayers.

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. As of the end of the 2022 filing season, about 55 percent of IRS's correspondence inventory was overage. This is an increase of about 1.4 million (24 percent) in volume compared to the end of the 2021 filing season (see figure 6).

⁴⁶We define taxpayer correspondence as written communication from individual and business taxpayers as well as work internally generated by IRS employees, such as request for account research. Inventory reflects all paper and digital correspondence from taxpayers that IRS received but had not yet provided a response.

⁴⁷[GAO-22-104938](#). We reported that for fiscal year 2021, the majority of IRS's correspondence inventory was amended and duplicate returns and carrybacks (2.2 million), refund and account inquiries (2.1 million), and general correspondence (1.8 million).

Figure 6: IRS Correspondence Inventory and Overage Rates (Late Responses), as of the End of the Filing Season, 2019 to 2022



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

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 20, 2019; July 18, 2020; May 22, 2021; and April 23, 2022, 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.

Minimizing overage correspondence is important because delayed responses may prompt taxpayers to write again, call IRS, or make an appointment for in-person service. 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.

In March 2022, IRS committed to reducing its correspondence inventory to about 1 million by the end of the calendar year to better serve taxpayers and to ensure that IRS is ready for the 2023 filing season. In August 2022, IRS officials informed us that this goal applies only to the taxpayer account adjustments portion of its correspondence inventory, rather than the entire inventory discussed below.⁴⁸ IRS officials stated that IRS prioritized account adjustments throughout the year because the adjustments have greater potential to affect taxpayers, particularly if those adjustments involve a refund.

As shown in table 1, from the beginning of the filing season in late January to September 2022, IRS reduced its total correspondence inventory by about one-third (from 8.1 million to 5.5 million). During this period, IRS made the most progress in reducing the taxpayer adjustments inventory to about 2.2 million. However, taxpayer relations correspondence increased by about 200,000 from January to September 2022. As of the end of September 2022, IRS’s total correspondence inventory was about 5.5 million.

Table 1: IRS Correspondence Inventory by Category, Late January to September 2022

	January 2022	April 2022	September 2022
Taxpayer Account Adjustments	4.9 million	3.7 million	2.2 million
Taxpayer Relations	2.6 million	2.9 million	2.8 million
Miscellaneous (e.g., identity theft)	0.6 million	0.5 million	0.5 million
Total	8.1 million	7.1 million	5.5 million

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

Note: Numbers in this table have been rounded.

In August 2022, IRS officials stated that they had not developed a goal for addressing the correspondence inventory from the taxpayer relations and miscellaneous categories. The officials noted that CSRs are working to process correspondence in these other categories as time permits, and

⁴⁸Taxpayer account adjustments include individual and business general correspondence, duplicate returns, amended returns, and net operating loss carrybacks. IRS’s two other main categories of correspondence inventory are taxpayer relations and miscellaneous. The taxpayer relations category includes correspondence related to refund inquiries, and inquiries about imminent or expired statute of limitations for returns or payments. The miscellaneous category includes taxpayer-reported identity theft cases, and issues with third-party authorizations such as power of attorney.

they will prioritize this work once IRS has met its goal of reducing the taxpayer adjustments inventory to 1 million.⁴⁹

In addition, IRS reported that during 2022 it significantly reduced the volume of backlogged correspondence from 2020 and 2021 (see table 2).

Table 2: IRS Correspondence Inventory by Year of Receipt, Late January to September 2022

	January 2022	April 2022	September 2022
2020 Correspondence	160,000	43,000	8,000
2021 Correspondence	4.8 million	2.2 million	390,000

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

Note: Numbers in this table have been rounded. Data above reflect correspondence in process in IRS’s Correspondence Imaging Inventory, as of January 29, 2022; April 29, 2022; and September 30, 2022. IRS used data on aged open cases from its Correspondence Imaging Inventory system to approximate data reported as of January 29, 2022.

Throughout 2022, IRS took several steps to reduce its correspondence inventory, including reassigning CSRs and hiring new CSRs. Additionally, in April 2022, IRS officials stated that they identified and contacted eligible current IRS staff with prior experience handling correspondence to temporarily work to address the inventory.⁵⁰ IRS reassigned about 800 staff for this purpose and according to IRS officials, staff were quickly trained because of their previous experience with processing correspondence. These staff are expected to work through the end of December 2022 to help further reduce the correspondence inventory.

See appendix II for additional information on IRS’s customer service during the 2022 filing season.

We Have Made Prior Recommendations to Improve Customer Service

We have made recommendations to IRS and Treasury that could improve customer service performance. For example:

⁴⁹IRS officials also stated that as IRS resolves the taxpayer adjustments inventory, other areas of the correspondence inventory may be resolved quickly, such as taxpayer responses to notices.

⁵⁰According to IRS officials, staff who were recruited for this effort were detailed to Accounts Management full time and, in most cases, retained their current pay level. Staff who had moved to a lower-graded position outside of Accounts Management were temporarily promoted to their former, higher-graded position for 180 days while on detail, then reverted to their lower, permanent grade.

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.⁵¹ At the time, IRS generally agreed with the recommendations. In March 2022, IRS said its strategic plan for fiscal years 2022 through 2026 would include strategic goals, objectives, and supporting measures for agency-wide and division performance goals that align with IRS’s taxpayer service goals. IRS released its Fiscal Year 2022-2026 Strategic Plan in July 2022, which included two IRS-wide taxpayer experience measures. However, IRS has not yet clearly stated performance goals for desired improvements in the taxpayer experience and specified their related measures with targets.⁵² Without such performance information, it will be challenging for IRS and stakeholders to assess progress made toward an improved taxpayer experience.

Correspondence. In April 2022, we made a recommendation that IRS estimate time frames for resolving its correspondence backlog, monitor and update these estimates periodically, and communicate this information to taxpayers and stakeholders.⁵³ IRS agreed with the recommendation and officials said IRS would continue with its efforts to manage its correspondence inventory and return it to normal levels. IRS committed to reducing its taxpayer adjustments correspondence inventory to about 1 million by the end of 2022, and assigned additional CSRs to process correspondence during the year. However, IRS has not established goals to resolve other areas of its correspondence inventory.

In October 2022, IRS stated that it continues to update its “Status of Operations” web page to provide taxpayers and other stakeholders pertinent information regarding processing time frames. However, this web page provides limited information on processing time frames. For

⁵¹GAO, *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.

⁵²[GAO-22-105632](#).

⁵³[GAO-22-104938](#).

example, before the 2022 filing season started, IRS reported on its website that it had about 2.3 million unprocessed individual amended returns in its correspondence inventory, and that its current time frame for processing amended returns can be more than 20 weeks. As of late September 2022, IRS had updated the volume of amended returns in process and that the processing time frame remained at more than 20 weeks. Further, during the same time period, IRS provided limited information on the status of processing other types of correspondence, such as responses to letters and notices. IRS needs to clearly communicate estimated time frames for resolving correspondence so taxpayers know when to reasonably expect a response or refund. Without clear, timely information on IRS's processing time frames for addressing taxpayer correspondence, taxpayers will continue to call, write, or visit IRS in person to try to obtain this information. In turn, IRS will continue to struggle to meet demands for taxpayer customer service and in processing returns.

Additionally, in December 2015, we recommended that Treasury update its performance plan to include overage rates for handling taxpayer correspondence as a part of Treasury's performance goals.⁵⁴ Treasury's fiscal year 2016 performance report included data on correspondence overage rates, but as of May 2022, Treasury had not included correspondence overage as part of its most recent performance goals. We continue to believe this recommendation is valid as such action could assist IRS in better planning for managing its inventory of correspondence in the future.

Online services. In April 2022, we recommended that IRS work with Treasury to develop and implement a modernization plan for its "Where's My Refund" application that fully addresses taxpayer needs and requirements.⁵⁵ IRS agreed with this recommendation and began addressing it. In October 2022, IRS said it had added some functionality to "Where's My Refund" to allow taxpayers to view the refund status for the last 3 tax years. IRS also stated that it is evaluating options for further improvements that may be possible through funding provided under the Inflation Reduction Act of 2022. Finally, IRS stated that it is conducting

⁵⁴[GAO-16-151](#).

⁵⁵[GAO-22-104938](#). Taxpayers can use IRS's "Where's My Refund" application to check the status of their return and refund at <https://www.irs.gov/refunds> or using IRS's mobile phone application. Taxpayers are required to provide information to verify their identity before accessing their return and refund status information in "Where's My Refund."

research to gather insights on user needs and expectations regarding obtaining refund information online. IRS expects to use this information in evaluating future enhancements to “Where’s My Refund.” To fully implement this recommendation, IRS needs a plan to address technical limitations with the current application or develop a new application to better serve taxpayers. In our April 2022 report, we stated that without clear leadership direction and a plan and timeline for modernizing “Where’s My Refund,” IRS will not be positioned to better serve taxpayers in the future. Further, it will be difficult for IRS to reduce the burden of additional workload on IRS staff and associated costs when taxpayers call or write IRS when they cannot get the information they need through “Where’s My Refund.”

In-person services. In April 2022, we recommended that IRS 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.⁵⁶ IRS agreed with the recommendation and, in October 2022, stated that it will develop and communicate a plan, while considering costs and benefits, to consider the expansion of in-person service in concert with virtual customer service options. IRS expects to complete this plan by February 2023. IRS also stated that it developed a Taxpayer Assistance Hiring and Expansion Strategy to identify underserved areas of the country and to expand the Taxpayer Assistance Center footprint. IRS plans to increase its presence in rural and underserved areas with a Community Assistance Visits program in fiscal year 2023. Developing and communicating a plan for how IRS intends to provide in-person service to taxpayers will help IRS allocate its resources among its multiple taxpayer service channels and ensure that it is meeting taxpayer needs.

⁵⁶[GAO-22-104938](#).

IRS Met Hiring Goals but Delays Affected Filing Season

Direct Hiring Authority Enabled IRS to Hire More Returns Processing Staff Compared to Traditional Hiring Alone

Early in the 2022 filing season, IRS continued to experience challenges in hiring enough staff to support critical filing season work. As we reported previously, IRS has struggled to hire sufficient returns processing staff to support the influx of incoming or unexpected work, such as millions of backlogged returns from the last two filing seasons.⁵⁷

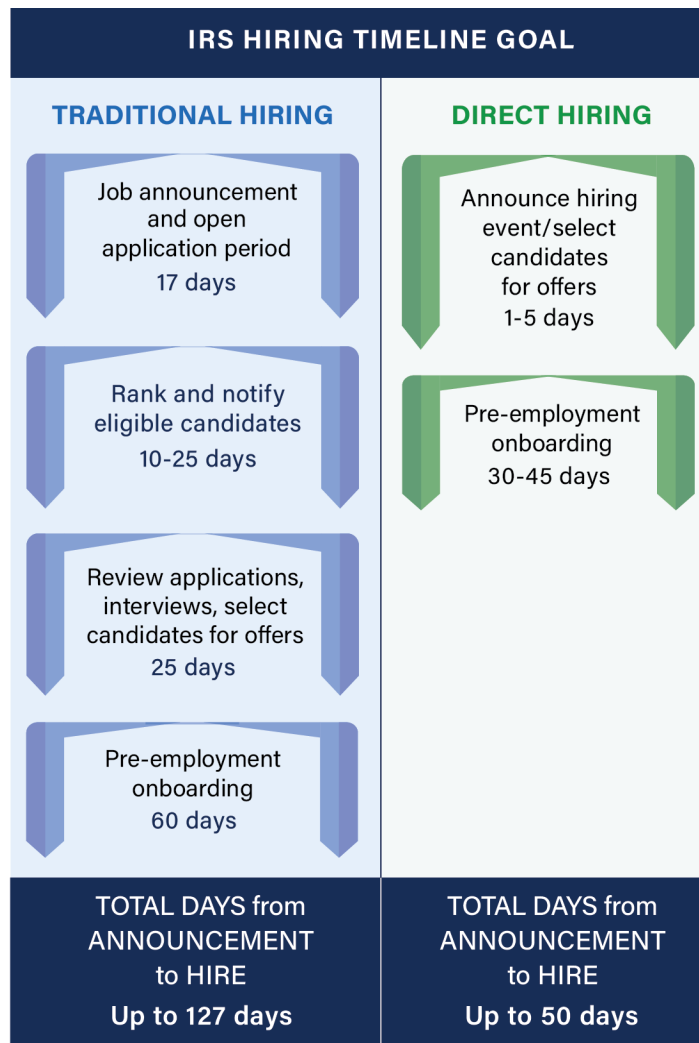
In late February 2022, the Office of Personnel Management (OPM) authorized IRS to use direct hire authority to help IRS meet urgent staffing needs and address its backlog of returns and correspondence.⁵⁸ Shortly after receiving the OPM authority, Congress also provided IRS direct hire authority in its fiscal year 2022 appropriation.⁵⁹ In general, direct hire authority enables an agency to hire a qualified applicant and bypass typical federal 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. See figure 7 below for a comparison of traditional and direct hiring timeline goals at IRS.

⁵⁷See, for example, [GAO-22-104938](#) and [GAO-21-251](#). With an ongoing backlog of work at the start of the 2022 filing season, IRS had an urgent need to hire additional staff for returns processing jobs.

⁵⁸As of February 24, 2022, OPM authorized IRS to use direct hiring authority for up to 10,000 hires in 12 occupations, which IRS identified as critical to meeting its operational needs. The direct hire authority for these positions is in effect through December 31, 2023.

⁵⁹Consolidated Appropriations Act, 2022, Pub. L. No. 117-103, 136 Stat. 49, 247 (2022). This direct hire authority was for "positions...to process backlogged tax returns and return information." Pub. L. No. 117-103, 136 Stat. at 247.

Figure 7: IRS Traditional Hiring and Direct Hiring Timeline Goals



Source: GAO analysis of Internal Revenue Service (IRS) documentation. | GAO-23-105880

Throughout 2022, IRS relied on a combination of traditional and direct hiring to increase returns processing staffing levels and help address the backlog of prior year returns and incoming 2022 returns. For example, from March to August 2022, IRS held virtual and in-person direct hiring events where officials were able to make on-the-spot job offers to qualified candidates. According to Submissions Processing officials, direct hiring authority has helped increase the number of new hires, particularly compared to the rate of hiring prior to March 2022. IRS

officials stated that using traditional hiring from October 2021 to early March 2022, they hired 468 new returns processing staff out of a goal of 5,473 for fiscal year 2022 (about 9 percent of their goal).

To better understand IRS's efforts in using both direct and traditional hiring to support the filing season, we analyzed available data on hiring for tax examiners and clerks during fiscal year 2022. As of the end of September 2022, IRS had hired a total of 6,103 tax examiners and clerks using both direct and traditional hiring, exceeding its fiscal year 2022 goal (see table 3). This is a clear overall improvement in hiring of returns processing staff compared to rates earlier in the year. However, given that IRS's authority to use direct hiring started a month after the filing season began, about 95 percent of direct hires began working after the 2022 filing season ended in April.

Table 3: IRS Direct and Traditional Hiring for Tax Examiners and Clerks, Fiscal Year 2022

	Hiring Goal	Number of Staff by Hiring Authority	Percentage of Goal
Submissions Processing (tax examiners and clerks)	5,473	6,103 2,858 (direct) 3,245 (traditional)	112

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

Note: Data are from October 1, 2021, through September 30, 2022 and include the number of tax examiners and clerks IRS hired using both direct and traditional hiring authorities.

In August 2022, IRS officials said that their recent hiring efforts will help prepare IRS for a strong 2023 filing season. In addition to ongoing hiring of new staff, Submissions Processing officials said they intend to extend seasonal employees and temporary contractors into 2023 to help mitigate the effects of any returns backlog from 2022. Additionally, IRS officials stated that in May 2022, Accounts Management met its goal to hire about 4,300 CSRs during fiscal year 2022, and immediately began hiring for fiscal year 2023.⁶⁰ IRS officials also said that, in contrast to prior years, they do not anticipate hiring to be the primary risk to the 2023 filing season. Officials said that this is due to the effectiveness of direct hire authority, and the accelerated rate of hiring much-needed staff over the last several months. However, officials noted that attrition remains a

⁶⁰Accounts Management is using both traditional and direct hiring to support its fiscal year 2023 hiring efforts.

challenge, in particular losing experienced staff to retirement.⁶¹ Officials noted that newly-hired staff have not had enough on-the-job experience to offset this loss of institutional knowledge.

As of mid-June 2022, IRS reported that the attrition rate for returns processing staff was about 16 percent (1,750 staff) and about 12 percent (1,520 staff) for customer service staff, compared to IRS's overall attrition rate of about 7.5 percent as of June 2022. Additionally, IRS-wide data show that the agency loses about 23 percent of new recruits within 2 or 3 years. In August 2022, IRS officials stated that they are working to address attrition by improving employee opportunities for growth and development. For example, Submissions Processing opened a reskilling academy at its three processing centers to assist clerks interested in training for tax examiner positions. Accounts Management officials stated that they continually assess areas of improvement for CSR training, which lasts 10 to 15 weeks and can be daunting for new staff. These officials also stated that recent opportunities for expanded telework may increase retention rates for customer service staff.

On Average, IRS Met Its Goal to Hire Staff within 50 Days Using Direct Hiring

After IRS makes a job offer to a potential employee, the candidate must complete numerous pre-employment activities—such as fingerprinting, security checks, and a tax compliance check—before beginning work. According to IRS officials, the time to hire a new employee using traditional hiring is generally from when the IRS business unit submits a hiring request to the employee's first day of work.⁶² In contrast, the time to hire an employee using direct hiring authority is generally from the date of the hiring event to the employee's first day of work. IRS anticipated a shorter time frame for hiring candidates using direct hire authority: about 50 days total compared to about 127 days for traditional hires (see figure

⁶¹We previously reported that attrition has contributed to Submissions Processing's challenges in increasing the number of returns processing staff. As of the end of fiscal year 2021, IRS reported that the attrition rate for returns processing staff was 17 percent (about 1,630 staff). This was more than twice the agency's overall attrition rate of 7.6 percent during the fiscal year. For every 10 newly hired returns processing staff hired in fiscal year 2021, IRS needed about four staff to offset attrition. [GAO-22-104938](#).

⁶²IRS officials stated that the time to hire is calculated differently for positions on a standing register. In this case, the time to hire is from when the eligible candidate is referred to the selecting official for consideration to the employee's first day of work.

7 above).⁶³ This includes shortening or eliminating certain steps in the hiring process from about 67 days to about 5 days.

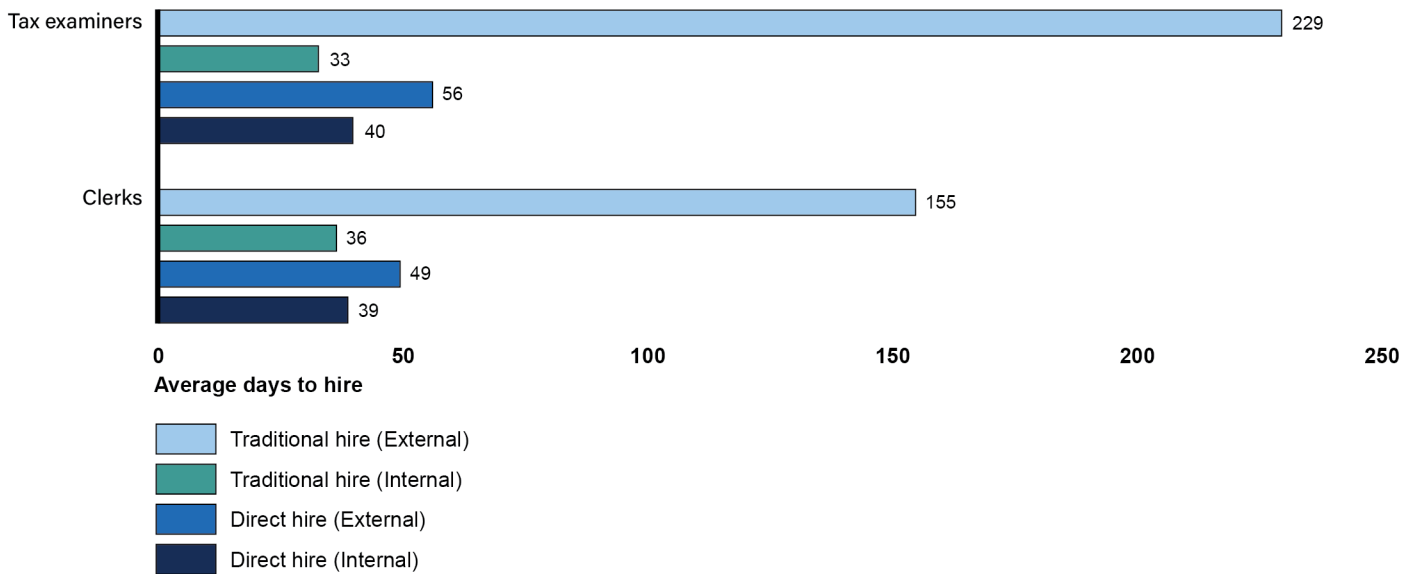
IRS data from March to July 2022 show that the total time to hire tax examiners and clerks using direct hiring authority was 50 days, on average, consistent with IRS's overall goal.⁶⁴ In contrast, IRS data show that the time to hire staff for the same two positions using traditional hiring took about three times as long, at an average of 167 days. In August 2022, IRS officials said the ability to make on-the-spot job offers to qualified applicants was the primary driver in reducing overall hiring time for direct hires, as compared to traditional hires.

As shown in figure 8, two factors affected hiring time in these two positions—the hiring authority IRS used and whether the candidate was an external or internal candidate (i.e., the candidate was already an IRS employee).

⁶³OPM has established a general time frame of about 80 days for hiring. OPM's guidance notes that agencies may need to adjust the number of days required for each step in the hiring process due to the agency's specific needs or requirements. See OPM, "Hiring Process Analysis Tool," accessed October 28, 2022, <https://www.opm.gov/policy-data-oversight/human-capital-management/hiring-reform/hiring-process-analysis-tool/>.

⁶⁴IRS officials stated that the time frame included up to 5 days to announce hiring events and make tentative offers and up to 45 days for pre-employment activities. We reviewed available IRS data on direct hiring from mid-March to July 2022.

Figure 8: IRS’s Average Time to Hire by Authority for Tax Examiners and Clerks, March to July 2022



Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

Notes: N=3,054 new hires for the positions of tax examiner (1,471) and clerk (1,583). Numbers are rounded.

IRS’s average time to hire internal direct hires for tax examiners and clerks was 39 and 40 days, respectively, and external direct hires took 49 and 56 days, respectively. Hiring for internal traditional hires was generally similar to direct hires, with an average of 33 days for tax examiners and 36 days for clerks. In contrast, external traditional hires took the longest amount of time to hire, with an average of 155 days for clerks and 229 days for tax examiners.⁶⁵

IRS officials noted that the time to hire internal candidates can be shortened because these staff are exempt from certain pre-employment procedures. These include tax compliance checks, orientation, and fingerprinting, which would have been completed when the employee initially joined IRS. IRS officials also said internal hires may be able to begin their new position more quickly, within 3 weeks of the final offer or at the start of the next pay period.

⁶⁵In October 2022, IRS officials stated that the time to hire external candidates may be longer if the position is included in a “standing register,” where positions are open to applicants indefinitely.

In August 2022, IRS officials stated that overall, direct hiring has been successful. At the same time, IRS officials acknowledged several challenges that they will need to monitor as they proceed with 2023 hiring efforts. Specifically, they noted:

- **Not all candidates complete pre-employment activities and report to work.** IRS officials stated that a number of candidates who accept IRS's final job offer fail to complete required hiring activities or report on their start date. IRS officials stated that candidates may encounter challenges with completing fingerprinting, if the fingerprinting facility has a high demand, for example. Officials said they began offering fingerprinting on site during direct hiring events to help mitigate this issue.
- **Technical issues with USA Staffing.** IRS began using USA Staffing, the federal talent acquisition system managed by OPM, in August 2021.⁶⁶ A programming error in the system led to incorrect dates being entered for batches of tentative direct hire offers. These records had to be manually corrected by IRS staff. The error caused a 3-week delay in hiring new CSRs, according to IRS staff. The officials said OPM has resolved this issue.
- **Duplicate applications.** OPM requires public notice announcements for direct hire positions. IRS said some candidates applied to the public notice announcement online and also applied to the position during an in-person direct hiring event. This resulted in duplicate applications, and according to IRS officials, created additional work for human capital staff.

⁶⁶USA Staffing supports federal agencies in recruiting, assessing, selecting, and onboarding qualified candidates.

We Have Made Prior Recommendations to Address Human Capital Challenges

In March 2019, we reported on challenges IRS faced in hiring employees for hard-to-fill positions, including lengthy hiring time frames.⁶⁷ We recommended that IRS fully implement its workforce planning initiative, which IRS had delayed due to competing IRS priorities, lack of workforce planning skills among its human capital staff, and delays in implementing necessary IT tools.⁶⁸ As of March 2021, IRS reported it had established an action plan—including an enterprise implementation strategy—along with a limited workforce planning initiative with targeted mission-critical occupations. IRS also said it had initiated the associated workforce analysis needed to implement the initiative. Our review of the action plan found IRS was scheduled to roll out the implementation strategy and have a process in place to monitor and evaluate the results by December 2021.

However, IRS reported in December 2021 that it was providing additional time to facilitate concurrence with key stakeholder organizations across IRS, among other reasons. During 2022, IRS extended the time line for implementing its workforce plan twice. In July 2022, officials reported that they intend to implement the plan by March 2024. IRS officials reported that the extension was due to a shift in priorities including addressing congressional mandates related to the COVID-19 pandemic. Full implementation of the initiative would provide a comprehensive inventory of IRS's current workforce so IRS could develop competency and staffing requirements to conduct agency-wide activities associated with identifying and addressing skills gaps.

Agency Comments

We provided a draft of this report to IRS for review and comment. In its comments, reproduced in appendix III, IRS stated that the combination of the pandemic, new tax laws, resource constraints, and other factors led to an unprecedented amount of unprocessed tax returns and correspondence during 2021 and 2022. In its letter, IRS summarized actions taken to reduce the current and projected inventory. IRS stated that the long-term funding provided by the Inflation Reduction Act of 2022 will help ensure that during the 2023 filing season, it can process returns

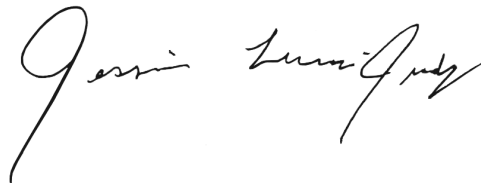
⁶⁷GAO, *Internal Revenue Service: Strategic Human Capital Management is Needed to Address Serious Risks to IRS's Mission*, [GAO-19-176](#) (Washington, D.C.: Mar. 26, 2019). For example, in fiscal year 2017, IRS identified tax examiners—a broad term for staff who may handle customer service and returns processing functions to support the filing season—as one of several mission-critical occupations at risk of skills gaps.

⁶⁸Specifically, we recommended that IRS fully implement its workforce planning initiative, including taking the following actions: (1) conducting enterprise strategy and planning, (2) conducting workforce analysis, (3) creating a workforce plan, (4) implementing the workforce plan, and (5) monitoring and evaluating the results.

and provide taxpayer service at or above pre-pandemic levels. IRS also noted that we do not acknowledge that interest rates may change throughout the fiscal year in our discussion of the billions of dollars IRS has paid in interest to taxpayers due to delayed refunds. We clarified this in our report. IRS also provided technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, the Commissioner of Internal Revenue, the Secretary of the Treasury, 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 are available on the last page of this report. Key contributors to this report are listed in appendix IV.



Jessica Lucas-Judy
Director, Tax Issues
Strategic Issues

Appendix I: Internal Revenue Service Appropriations

The Internal Revenue Service's (IRS) fiscal year 2022 budget of \$12.594 billion supports taxpayer services, enforcement, operations, and business system modernization efforts.

IRS's fiscal year 2022 appropriation increased by about \$675 million (5.7 percent) as compared to fiscal year 2021 (excluding the \$1.862 billion supplemental funding during fiscal year 2021). As shown in figure 9, from fiscal year 2010 to 2019, IRS's annual appropriations adjusted for inflation declined by about \$2.9 billion (20.4 percent). Adjusted for inflation, the fiscal year 2022 appropriation represents a \$113 million increase (1 percent) from the fiscal year 2019 appropriation and a \$2.896 billion (19.6 percent) decrease from fiscal year 2010 (in 2021 dollars).

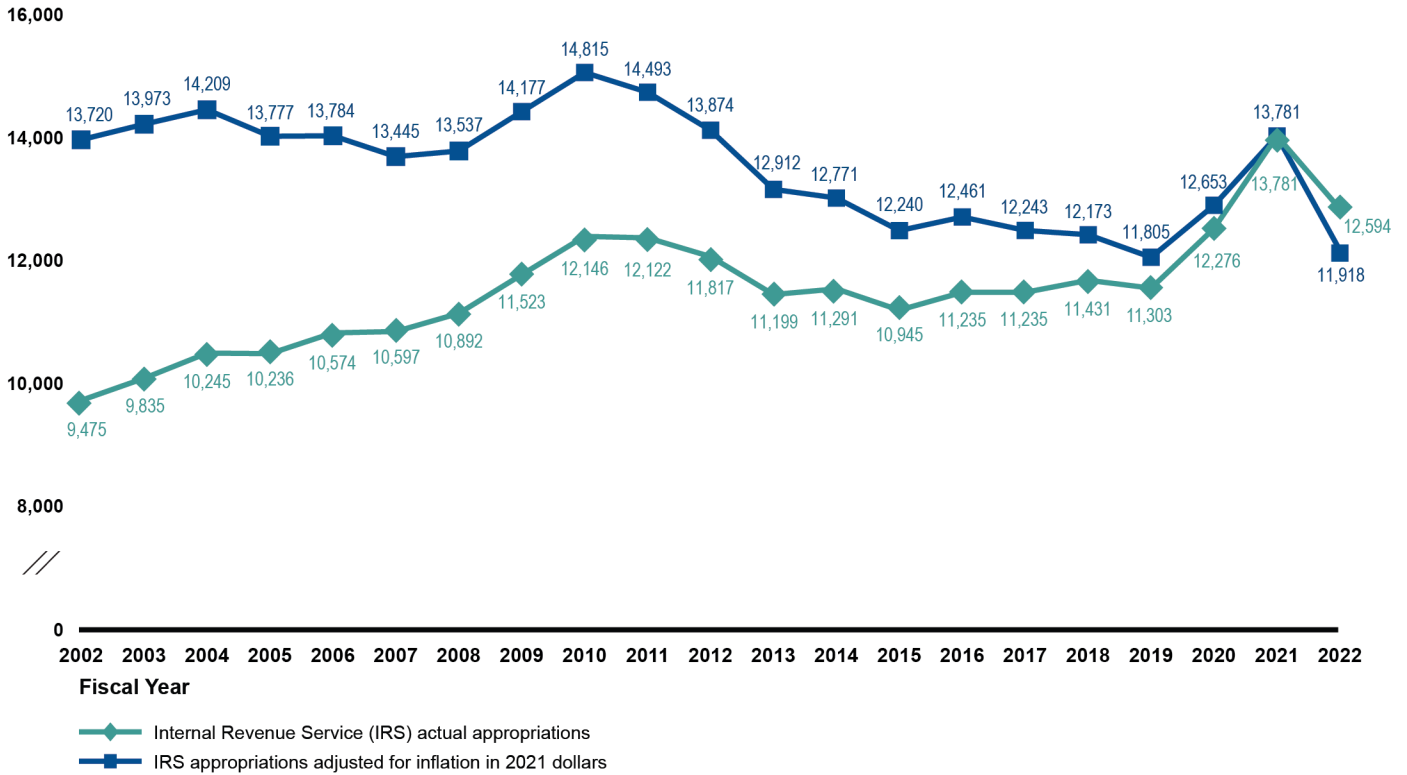
In August 2022, Congress passed and the President signed the Inflation Reduction Act of 2022 (IRA) which provided IRS an additional \$79.4 billion to remain available through the end of fiscal year 2031.¹ Supplemental funding from the IRA is not reflected in the fiscal year 2022 data in the figure below.

¹Pub. L. No. 117-169, 136 Stat. 1818.

Appendix I: Internal Revenue Service Appropriations

Figure 9: IRS Appropriations for Fiscal Years 2002 to 2022

Dollars (in millions)



Sources: GAO analysis of Congressional Research Service reports for fiscal years 2002 through 2004, Internal Revenue Service Congressional Justifications for fiscal years 2005 through 2021, and Consolidated Appropriations Act, 2022, Pub. L. No. 117-103, 136 Stat. 244 (2022) for fiscal year 2022. Fiscal year 2020 includes an additional \$765.7 million in appropriations from Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020) and CARES Act, Pub. L. No. 116-136, 134 Stat. 281 (2020). Fiscal year 2021 includes an additional \$1.862 billion in appropriations from the American Rescue Plan Act, Pub. L. No. 117-2, 135 Stat. 4 (2021). Fiscal year 2022 does not include \$79.4 billion in appropriations from the Inflation Reduction Act, Pub. L. No. 117-169 (2022). | GAO-23-105880

Note: Amounts in the figure do not include user fees or other funds transferred to IRS from other sources, such as the Department of the Treasury. Inflation adjustments were made using Bureau of Economic Analysis data for the fiscal year chain weighted gross domestic product price index.

Appendix II: Internal Revenue Service's Performance during the 2022 Tax Filing Season

Below are key performance data points on processing tax returns and providing customer service during the 2022 filing season.

Processing

Electronic Filing

- The Internal Revenue Service's (IRS) performance in processing electronically-filed (e-file) individual returns during the 2022 filing season improved compared to the 2021 filing season (see table 4).
- IRS processed about 98 percent (130.6 million out of 132.9 million) of e-filed individual returns compared to about 93 percent (129.2 million out of 138.4 million) during the 2021 filing season.
- IRS processed nearly all (25.5 million) of e-filed business returns, similar to the past three filing seasons.

Paper

- Overall, IRS's performance in processing paper returns declined compared to the 2021 filing season. IRS processed about 58 percent (3.2 million out of 5.5 million) of individual paper returns compared to 69 percent (6.5 million out of 9.4 million) during the 2021 filing season. Additionally, IRS processed about 64 percent (5.1 million out of 8.1 million) of business paper returns compared to about 108 percent (9.5 million out of 8.7 million) during the 2021 filing season.¹
- As discussed earlier in this report, and in our prior reports, processing paper returns is a persistent challenge for IRS because it requires IRS staff to perform manual, time-intensive work, including entering information from the paper return into IRS's systems for processing.²

¹IRS's 2021 filing season paper business return data included about 7.6 million returns that were received during the 2020 filing season but were not processed until the 2021 filing season due to the backlog.

²See, for example, [GAO-22-104938](#) and [GAO-21-251](#).

**Appendix II: Internal Revenue Service's
Performance during the 2022 Tax Filing
Season**

Table 4: Tax Returns Received and Processed by IRS from 2019 through 2022 by the End of the Filing Season

	2019		2020		2021		2022	
	Received	Processed	Received	Processed	Received	Processed	Received	Processed
In millions								
Individual								
Electronic	126.2	124.6 (98.8%)	136.3	134.1 (98.3%)	138.4	129.2 (93.4%)	132.9	130.6 (98.2%)
Paper	11.0	6.1 (56.0%)	8.4	4.5 (53.0%)	9.4	6.5 (69.1%)	5.5	3.2 (58.2%)
Total	137.1	130.8 (95.4%)	144.7	138.5 (95.7%)	147.8	135.8 (91.8%)	138.4	133.8 (96.6%)
Business								
Electronic	21.6	21.6 (99.8%)	26.6	26.6 (99.8%)	27	27.0 (99.8%)	25.5	25.5 (99.8%)
Paper	10.3	8.4 (81.8%)	13	7.6 (58.7%)	8.7	9.5 (108.2%) ^a	8.1	5.1 (63.5%)
Total	31.9	30 (94.0%)	39.6^b	34.2 (86.3%)	35.8	36.4 (101.9%)^a	33.6	30.6 (91.1%)

Source: GAO analysis of Internal Revenue Service (IRS) data. | GAO-23-105880

Notes: Values may not sum to totals due to rounding. Filing season end dates were April 18, 2018; April 15, 2019; July 15, 2020; May 17, 2021; and April 18, 2022.

^aDuring the 2021 filing season, the volume of paper returns processed exceeded returns received because IRS included backlogged 2020 returns in the count.

^bTotal increase for business returns is higher than the prior year because there were additional business filing deadlines included through July 15, 2020, such as quarterly employment tax returns. Given the delays in opening mail, total paper returns for businesses with a due date of July 15, 2020, may not be included in the total, likely skewing the ratio of electronically filed and paper business returns.

Customer Service

Online

Throughout 2022, taxpayers relied on IRS's website for online customer service. For example, from January to mid-October 2022:

- IRS.gov received about 919 million visits, which was about a 51 percent decrease compared to the same period in 2021. Similarly, IRS.gov received about 4.4 billion page views, a 58 percent decrease from the same period in 2021.³
- IRS's "Where's My Refund" online tool received about 432 million visits, which is about a 30 percent decline compared to the same period in 2021.

Despite declines in site visits and page views for IRS.gov during 2022 compared to 2021, total visits and page views were higher than the

³A visit is a series of actions that begins when a visitor views the first page from the server and ends when the visitor leaves the site. Visitors are not unique. Page views are the total number of web pages viewed on IRS.gov.

average for the same period from 2017 to 2019. As we reported previously, IRS.gov had a significant increase in visits in 2020 and 2021 because taxpayers were seeking information on pandemic-related tax relief and information on the status of IRS's backlog of returns and refund delays.

In-Person

- IRS data show that from January to mid-October 2022, about 1.1 million taxpayers received in-person customer service at Taxpayer Assistance Centers (TAC), about 25 percent more visits compared to the same time frame in 2021. As we previously reported, declines in in-person service during 2020 and 2021 were primarily due to IRS office closures and reduced in-person staffing, and increased service options available to taxpayers online and via phone during the COVID-19 pandemic.⁴
- IRS officials said that at the start of the 2022 filing season, 315 out of 358 TACs were open (88 percent), and 43 TACs were closed (12 percent). In summer 2022, IRS opened two new TACs in Puerto Rico, and plans to open two additional TACs in Puerto Rico before the end of the calendar year. In August 2022, IRS officials stated that of the 42 TACs that were closed, 21 did not have permanent staff, and others were temporarily closed due to, for example, staff on long-term leave.
- In September 2022, the Secretary of the Treasury committed IRS to fully restaffing all TACs by the end of 2023, and tripling the number of taxpayers served in person. IRS is projected to serve at least 2.7 million taxpayers in 2023, similar to the volume of taxpayers served during 2018.
- On several Saturdays from February to August 2022, IRS hosted Taxpayer Experience Day events at TACs across the country and in Puerto Rico. These events allowed taxpayers to get in-person help at a TAC without an appointment. IRS officials stated that they served about 18,000 taxpayers during these events.

Identity Theft

⁴GAO-22-104938. Additionally, as we reported in April 2022, IRS data showed a steady decline in the volume of taxpayers served in person from calendar years 2015 to 2019, prior to the COVID-19 pandemic. For instance, during calendar year 2015, IRS served about 5.5 million taxpayers in person; this volume dropped by an average of about 800,000 taxpayer interactions annually from 2016 to 2019. The volume of taxpayers served in person further declined to less than 1 million during calendar year 2020 and about 1 million in 2021.

As of the end of August 2022, IRS had suspended about 6.3 million individual returns with \$38 billion in refunds for suspected identity theft refund fraud. IRS has been unable to resolve 2.6 million (41 percent) of these returns because IRS is awaiting action from the taxpayer.⁵ This is a slightly lower level of unresolved inventory compared to August 2021; however, it is more than three times the amount of unresolved inventory compared to August 2019 (751,000).

In August 2022, IRS officials stated that the volume of individual returns suspended due to potential identity theft reflects a change in IRS procedure to give taxpayers more time to authenticate their identity. According to IRS officials, in March 2020, IRS ceased its usual process of archiving returns after about 6 months if the taxpayer had not responded to IRS's request to authenticate their identity and verify that they filed the return in question.⁶ IRS officials stated that due to various factors related to the COVID-19 pandemic—including closures of IRS offices in 2020, delays in processing correspondence, and taxpayer difficulties in reaching IRS via phone—they decided to wait longer before archiving returns stopped for identity theft. As a result, the individual identity theft inventory remains elevated, as IRS waits for taxpayers to respond to requests to verify their identity. In September 2022, IRS officials stated that they have not yet decided when they will resume archiving unresolved returns in the identity theft inventory.

Additionally, as of the end of August 2022 IRS had about 381,000 cases of taxpayer-reported identity theft which IRS has yet to resolve. These cases could include when a legitimate taxpayer files an individual or business-related return and IRS rejects it because a fraudster has already filed the return and claimed a refund. For these cases, IRS staff must perform in-depth research on the taxpayer's account to determine if identity theft occurred, and if so, whether the legitimate taxpayer is due a refund. As of late August 2022, IRS's inventory of taxpayer-reported

⁵Of the resolved individual identity theft inventory from August 2022, about 88 percent (3.2 million returns) were determined to be legitimate returns and released for processing; about 10 percent (371,300 returns) were determined to be other types of fraud or noncompliance; and about 1.4 percent (50,000) were confirmed as identity theft refund fraud.

⁶Taxpayers are required to provide information to verify their identity when IRS has suspended their return for suspected identity theft. Taxpayers can authenticate via phone, online, via mail, or in person. Upon successful authentication, IRS will release the return in question for processing and provide a refund to the taxpayer, if applicable.

**Appendix II: Internal Revenue Service's
Performance during the 2022 Tax Filing
Season**

identity theft is about 24 times greater compared to more typical inventory levels in August 2019 (16,000).

In August 2022, IRS officials stated that higher-than-expected claims of identity theft, staffing challenges, and competing priorities for staff to answer taxpayer phone calls and address the correspondence backlog have contributed to the delay in resolving these identity theft cases. IRS officials stated that they continue to staff to help assist with this inventory; however, it can take several years for staff to be fully trained in researching and resolving complex identity theft cases.

Appendix III: Comments from the Internal Revenue Service



DEPUTY COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

November 30, 2022

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 *2022 Tax Filing: Backlogs and Ongoing Hiring Challenges Led to Poor Customer Service and Refund Delays (GAO-23-105880)* and appreciate the opportunity to provide comments.

Taxpayer service remains the most significant IRS priority, and we have implemented many new, innovative strategies to improve our overall level of service and processing of our unprecedented current and projected inventories. The pandemic presented the IRS with a confluence of novel and critical demands at a time when we lacked the stable, long-term funding needed to appropriately serve the American people. Given these significant challenges, although we may not have always met our goals for timeliness or level of service available to meet demand, our employees have worked extremely hard to respond as best we could to a never-ending string of compounding challenges. With the recent infusion of long-term funding provided by the Inflation Reduction Act of 2022¹, we are diligently working to ensure our level of service returns to and exceeds pre-pandemic levels in the upcoming 2023 filing season.

The combination of the pandemic, new tax laws, and numerous other factors led to an unprecedented amount of unprocessed tax returns and correspondence remaining in the IRS inventory during 2021 and leading into 2022. We pursued significant actions during the 2021 filing season to address the inventory but, due to resource issues and unique factors tied to new legislation and the pandemic, we entered the 2022 filing season with a significant volume of unprocessed returns and correspondence. We continued pursuing innovative strategies to return inventories to a healthy level.

To reduce the current and projected inventory, we took aggressive actions that included:

¹ Pub.L. 117-169, August 16, 2022

- **Surge Teams.** We presently have more Customer Service Representatives (CSR) onboard than ever before. We retained temporary CSRs on a permanent basis to concentrate on the inventories. We took this risk in an uncertain funding environment, hoping the annual appropriation process would deliver funding; however, this effort was not sufficient to reduce the inventories. We deployed surge teams, which were groups of employees across the agency organized to temporarily assist with urgent issues. For example, we temporarily moved approximately 900 employees with previous relevant experience back into key areas from other organizations. In addition to the Accounts Management surge team, we also assembled a similar surge team for the Submission Processing function with 700 employees who started on this critical work in April.
- **Direct Hire Authority (DHA).** Working with Treasury, the Office of Personnel Management, and the National Treasury Employees Union, the IRS secured direct hiring authority for a total of 10,000 positions. Half of these were intended to be onboarded within months, while the other half were to be made over the course of the next year. Congress also helpfully provided hiring flexibilities to further expedite hiring in critical positions. Due to the challenges of hiring during the pandemic and competition from other employers for the same talent, this hiring environment was and is exceptionally difficult. The DHA may improve our ability to be competitive in cities where these employees are most needed. Also, for the first time, we partnered with the Military Spouse Employment Program and engaged contractors while aggressively pursuing our hiring goals. We are grateful for the specific direct hiring authority language included in the Consolidated Appropriations Act, 2022² that enabled us to bring talent onboard more swiftly in needed locations.
- **Mandatory Overtime.** We implemented mandatory overtime and offered authorized overtime to certain employees to increase the resources available to reduce inventory and did so for the first time in certain functions.
- **Increased access to online self-service tools.** Millions of individuals have created their individual online account through IRS.gov. Reducing call volumes through increased online service allows us to devote more resources to the inventories.
- **Economic Impact Payment (EIP)/Child Tax Credit (CTC) letters.** We sent more than 250 million letters to help taxpayers match IRS records to prevent delays in processing. IRS Letter 6475, *Your Third Economic Impact Payment*, and IRS Letter 6419, *2021 Advance Child Tax Credit*, set forth the amounts that individuals received in 2021. Individuals could also verify these amounts by accessing their individual online account through IRS.gov. Given that more than

² Pub.L 117-102, March 15, 2022.

3

10 million returns failed to properly reconcile two EIP payments received in 2020 on their returns filed during the 2021 filing season, it was critical that individuals (and their preparers) verify the possibly six to eight payments received in 2021 before submission of a 2021 return this year.

- **Innovating to expedite case closures.** We deployed new tools to help IRS employees review and process tax returns that included errors and manual reviews, helping taxpayers receive refunds quicker in 2022. These efforts have already demonstrated positive results.
- **Expanded Saturday openings of certain Taxpayer Assistance Centers (TAC)** to assist taxpayers this filing season in more than 90 cities around the country. The increased TAC hours ensures additional important frontline, in-person taxpayer assistance.
- **Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE).** We continued to notify taxpayers about “Free Tax Return Preparation for Qualifying Taxpayers” by encouraging use of the IRS’s VITA and TCE programs, which offer free basic tax return preparation to qualified individuals.
- **Created and expanded self-service portals** for taxpayers to implement an Online Payment Agreement, request payment transcripts, request an Identity Protection Personal Identification Number (IP PIN), update their personal information, and more. These efforts reduced call volume, which released resources to help process our inventories.
- **Implemented Online Live Assistance, Voice Bots and Chat Bots (in English and Spanish)** to better enable taxpayers to interact with IRS. Online Live Assistance leverages limited employee resources allowing a single employee to respond to multiple taxpayers at a time. Our Advance CTC Voice Bot launched February 18, 2022 (delivered 6-8 weeks ahead of schedule) and handles the top 27 Advance CTC topics to assist callers who need help reconciling the credits on their 2021 tax return. We deployed Voice and Chat Bots in English and Spanish for phone lines that assist taxpayers with tax payment issues or understanding an IRS notice they may have received. In addition to the payment lines, Voice Bots help people calling the EIP toll-free line, providing general procedural responses to the most frequently asked questions. Voice Bots are software powered by artificial intelligence (AI) that allow a caller to navigate an interactive voice response system with their voice, generally using natural language. Chat Bots simulate human conversation through web-based text interaction, also using AI-powered software to respond to natural language prompts. Taxpayers who request to speak with a CSR are placed in queue for English or Spanish telephone assistance. These efforts reduce call volume, releasing resources to

Appendix III: Comments from the Internal Revenue Service

4

help process our inventories.

We continue to make progress in reducing the volume of paper returns awaiting processing. In June 2022, we completed entering into our processing system the individual paper returns that had been received during 2021. In October 2022, we completed entering the business returns received during 2021. As of the week ending November 4, 2022, the inventory of paper returns received this year and awaiting input is 20 percent less than it was for the corresponding week in 2021. As part of Inflation Reduction Act implementation, Secretary of the Treasury, Janet L. Yellen, has said that process automation will be an early priority. The Treasury Secretary has indicated that the IRS will begin automating the scanning of millions of individual paper returns into a native digital copy, which will mean faster processing and faster refunds, while at the same time building online capabilities to enable taxpayers to fully interact with the agency digitally.

As with previous reporting, the discussion of refund interest paid omits key context that is critical for third-party readers to have a complete understanding of the issue. The report states that more refund interest was paid during fiscal year 2022 than was paid in fiscal year 2021. This is true; however, the report does not reflect that the interest rate for overpayments increased during fiscal year 2022. For the entirety of fiscal year 2021, the rate for non-corporate overpayments remained stable at three percent. For fiscal year 2022, the rate remained at three percent during the first two quarters of the year, but increased to four percent for the third quarter, and five percent for the fourth quarter. The interest rate for corporate overpayments are one percent less than the rate for non-corporate overpayments but were also subject to the same incremental increases during 2022. Understanding the broader environment of issues such as refund interest ensures a better understanding of the IRS's operating limitations and areas of progress.

If you have any questions, please contact Karen Truss, Director, Operations Support, Wage and Investment Division, at (470) 639-2701.

Sincerely,

Melanie R. Krause

Digitally signed by Melanie R. Krause
Date: 2022.11.30 15:09:13 -05'00'

Melanie R. Krause
Acting Deputy Commissioner for
Services and Enforcement

Appendix IV: GAO Contact and Acknowledgments

GAO Contact:

Jessica Lucas-Judy (202) 512-6806, lucasjudyj@gao.gov

Staff Acknowledgments

In addition to the contact named above, Erin Saunders Rath, Assistant Director; Heather A. Collins, Analyst-in-Charge; Carlos Aguilera; Harry Bernholz; Ann L. Czapiewski; Jyoti Gupta; George Guttman; Kirsten B. Lauber; Benjamin L. Moser; Nathan Parmeter; Tyler Spunaugle; and Peter Verchinski made significant contributions to this report.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [Email Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at <https://www.gao.gov>.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: <https://www.gao.gov/about/what-gao-does/fraudnet>

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

A. Nicole Clowers, Managing Director, ClowersA@gao.gov, (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

Stephen J. Sanford, Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548



Please Print on Recycled Paper.