



## REVIEW OF THE 2024 FILING SEASON

### INTRODUCTION

During Filing Season (FS) 2024, the IRS used Inflation Reduction Act funding to improve taxpayer service. As a result of this investment, it exceeded filing season service goals the Secretary of the Treasury set by:

- Achieving a nearly 88 percent Level of Service (LOS) and three-minute call wait time on its Accounts Management (AM) toll-free phone lines;<sup>1</sup>
- Providing a callback option on 97 percent of its phone lines;
- Delivering 13,000 more hours of in-person assistance at Taxpayer Assistance Centers (TACs) than in the previous filing season;
- Enabling taxpayers to digitally submit all correspondence and responses to notices;
- Providing taxpayers the ability to e-file 20 additional tax forms;
- Increasing the number of returns prepared by volunteers by more than 220,000;
- Launching the Direct File pilot; and
- Providing more detailed messaging on its Where's My Refund? tool.<sup>2</sup>

Most taxpayers did not experience issues filing their returns this filing season, as the IRS's overall operations continued to run relatively smoothly. Similar to FS 2023, the IRS did not start the filing season with a backlog of unprocessed original individual filed returns. However, at the start of the year, it still had a sizable

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1 The AM toll-free telephone lines are comprised of 35 phone lines providing service to taxpayers seeking assistance with tax law, account inquiries, tax account adjustments, or information on the status of the processing of their tax returns or issuance of their tax refunds. IRS, Joint Operations Center (JOC), Snapshot Reports: Accounts Management (week ending Apr. 20, 2024).

2 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>; IRS response to TAS information request (May 23, 2024); IRS News Release, IR-2024-109, IRS Delivers Strong 2024 Tax Filing Season; Expands Services for Millions of People on Phones, In-Person and Online With Expanded Funding (Apr. 15, 2024), <https://www.irs.gov/newsroom/irs-delivers-strong-2024-tax-filing-season-expands-services-for-millions-of-people-on-phones-in-person-and-online-with-expanded-funding>.

carryover of amended returns, business returns, correspondence, Identity Theft Victim Assistance (IDTVA) cases, and returns identified with potential errors awaiting processing; these issues grew throughout the filing season.<sup>3</sup>

As of April 20, 2024, the IRS received 139.1 million individual income tax returns.<sup>4</sup> It processed 136.1 million (98 percent) individual returns and issued 86.1 million refunds totaling about \$245.2 billion with an average refund of \$2,850.<sup>5</sup> However, as of April 20, 2024, there were still around 11.7 million original and amended individual and business tax returns awaiting processing. Of these, the IRS suspended 5.5 million returns for various reasons, such as error resolution, possible identity theft, processing rejects, and unpostable returns.<sup>6</sup>

To meet Treasury service goals, the IRS prioritized service on the AM toll-free phone lines at the expense of other operations. Specifically, Treasury instructed the IRS to achieve an 85 percent LOS on the general toll-free phone lines during FS 2024, which the IRS accomplished by adding and reallocating resources away from other important functions.<sup>7</sup> The IRS reassigned AM customer service representatives (CSRs) to answer key phone lines, resulting in them being largely unable to accomplish their other tasks such as amended return processing, taxpayer correspondence, and IDTVA cases. Due to the IRS's antiquated information technology (IT) systems and certain other factors, these employees were unable to work the paper inventory (process amended returns, correspondence, and IDTVA cases) and still answer phones at a rate that would achieve a high LOS during core working hours. Thus, reassigning employees to focus on the phones resulted in a higher LOS and shorter wait times on select phone lines, which was a welcome relief for millions of taxpayers, but came at the expense of other operations.<sup>8</sup>

## FILING SEASON PERFORMANCE

### January 29, 2024 – Opening of the Filing Season

The IRS began accepting tax year (TY) 2023 returns for processing on January 29, 2024, and the filing season closed on April 15, 2024. The IRS timely processed most returns and issued refunds, but room for improvement remains.

Figure 2.1 presents an overview of returns processed and refunds issued during FS 2024 and the past two filing seasons. We compare FS 2024 data to FS 2023 data to show the progress the IRS has made over the last year.

<sup>3</sup> IRS response to TAS information request (May 23, 2024).

<sup>4</sup> IRS, Filing Season Statistics for Week Ending April 19, 2024 (Apr. 26, 2024), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>.

<sup>5</sup> *Id.*

<sup>6</sup> IRS, Wage and Investment (W&I) Inventory Report (week ending Apr. 20, 2024); IRS response to TAS information request (May 23, 2024).

<sup>7</sup> U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

<sup>8</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 20, 2024). As of April 20, 2024, the IRS Taxpayer Protection Program phone line had an LOS of 17 percent.

**FIGURE 2.1, Comparing Filing Seasons 2022-2024<sup>9</sup>**

		FS 2022 (Through April 22, 2022)	FS 2023 (Through April 21, 2023)	FS 2024 (Through April 19, 2024)	Percent Change 2023-2024
Individual Income Tax Returns	Total Receipts	138,942,000	137,144,000	139,137,000	1.5%
	Total Processed	133,773,000	134,649,000	136,069,000	1.1%
E-Filing Receipts	Total E-Filing	133,410,000	132,009,000	134,531,000	1.9%
	Filed by Tax Professionals	70,509,000	70,492,000	71,327,000	1.2%
	Self-Prepared	62,900,000	61,517,000	63,204,000	2.7%
Total Refunds	Number	88,667,000	85,935,000	86,058,000	0.1%
	Amount	\$267.0 bil	\$236.6 bil	\$245.2 bil	3.6%
	Average Refund	\$3,012	\$2,753	\$2,850	3.5%
Direct Deposit Refunds	Number	83,891,000	81,799,000	80,028,000	-2.2%
	Amount	\$260.0 bil	\$231.3 bil	\$235.8 bil	2.0%
	Average Refund	\$3,099	\$2,827	\$2,947	4.2%
Web Usage	Visits to IRS.gov	609,075,000	488,119,000	571,496,000	17.1%

Figure 2.1 shows relatively consistent data from the most recent years for returns filed electronically and on paper, refunds issued, and direct deposits made. Particularly noteworthy is the increase in [IRS.gov](https://www.irs.gov) visits during FS 2024 when compared to FS 2023. This filing season, [IRS.gov](https://www.irs.gov) had almost 572 million visits, a 17 percent increase compared to FS 2023. The Where's My Refund? tool accounted for more than 298 million of those visits, up more than 68 million from FS 2023, representing a nearly 30 percent increase.<sup>10</sup>

### Over 4.6 Million Individual Paper Tax Returns Required Manual Processing<sup>11</sup>

The COVID-19 pandemic strained the IRS's submission processing function. The processes that worked before the pandemic could not handle the challenges associated with closing down the campuses. A decrease in employee availability due to pandemic restrictions further hampered the processes. Mounds of paper returns the IRS received overwhelmed its human assembly line for paper processing. Although employees worked hard to catch up, the backlog and delays took years to overcome. In 2023, the IRS made considerable progress, and in 2024, its employees were able to timely process most paper returns. The IRS learned many lessons from the pandemic, including how the difficulties of manually processing paper returns impact its limited resources.<sup>12</sup> The good news is that more taxpayers are filing their returns electronically, which decreases the strain on IRS resources, and generally results in the quicker issuance of refunds.

9 IRS, Filing Season Statistics for Week Ending April 19, 2024 (Apr. 26, 2024), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>; IRS, Filing Season Statistics for Week Ending April 21, 2023 (Mar. 4, 2024), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023>; IRS, Filing Season Statistics for Week Ending April 22, 2022 (Nov. 2, 2023), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-22-2022>. The Filed by Tax Professional category includes e-filed returns prepared and filed by Volunteer Income Tax Assistance volunteers. The Self-Prepared category includes returns prepared using Direct File, Free File, and other tax return preparation software.

10 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024).

11 IRS response to TAS information request (May 23, 2024).

12 Erin M. Collins, Getting Rid of the Kryptonite: The IRS Should Quickly Implement Scanning Technology to Process Paper Tax Returns, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 30, 2022), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-getting-rid-of-the-kryptonite-the-irs-should-quickly-implement-scanning-technology-to-process-paper-tax-returns/>.

Despite processing improvements for paper returns, as of April 20, 2024, there were still 11.7 million individual and business income tax returns awaiting processing for various reasons, including error resolution, possible identity theft, processing rejects, and unpostable returns.<sup>13</sup> Figure 2.2 shows the FS 2024 inventory of returns requiring manual processing.

**FIGURE 2.2, Status of Inventory Requiring Manual Processing, Filing Season 2024 Through April 20, 2024<sup>14</sup>**

	Individual	Business	Not Specified	Total
Paper Returns Awaiting Processing – Received in Calendar Year (CY) 2024	1,100,000	500,000	1,400,000	3,100,000
Paper and Electronic Returns – Processing Suspended	4,000,000	1,500,000	0	5,500,000
Amended Returns Inventory	1,500,000	1,700,000	0	3,100,000
<b>Total Unprocessed Returns</b>	<b>6,600,000</b>	<b>3,700,000</b>	<b>1,400,000</b>	<b>11,700,000</b>
Correspondence/Accounts Management Cases (Excluding Amended Returns)	1,300,000	600,000	2,400,000	4,300,000
<b>Total Inventory Requiring Manual Processing</b>	<b>7,900,000</b>	<b>4,300,000</b>	<b>3,800,000</b>	<b>16,000,000</b>

As part of its Paperless Processing Initiative, the IRS expanded e-file capabilities to 20 additional tax forms in FS 2024, including amendments to employment tax Forms 940, 941, and 941-SS.<sup>15</sup> Despite these improvements, millions of taxpayers still file their tax returns on paper, some by choice and some by necessity. These paper returns tie up IRS resources because of the required manual processing. This year, taxpayers filed 4.6 million paper returns compared to 5.1 million paper returns in FS 2023 (a decrease of about ten percent).<sup>16</sup> The IRS improved its efficiency in processing paper tax returns through technological enhancements and increased staff assigned to manually input the returns, both of which contributed to the timely issuance of refunds.

One of the technological improvements was the expanded use of scanning technology to process paper returns. During FS 2024 through May 3, 2024, the IRS scanned nearly a million returns and forms (about ten percent), primarily Form 940, Employer’s Annual Federal Unemployment (FUTA) Tax Return; Form 941, Employer’s Quarterly Federal Tax Return; Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return; and Form 1040, U.S. Individual Income Tax Return, where certain schedules were attached. The accuracy rate for all scanned paper returns during this filing season was over 92 percent.<sup>17</sup>

<sup>13</sup> IRS, W&I Inventory Report (week ending Apr. 20, 2024); IRS response to TAS information request (May 23, 2024).

<sup>14</sup> IRS, W&I data (weeks ending Apr. 22, 2023; Apr. 20, 2024). Row totals and column totals may differ because of rounding.

<sup>15</sup> U.S. Dep’t of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

<sup>16</sup> IRS response to TAS information request (May 23, 2024).

<sup>17</sup> The IRS also has a longstanding hybrid scanning/manual transcription program that processed about 3.8 million employment tax returns through May 3, 2024. IRS response to TAS information request (May 23, 2024); email from the Senior Advisor to the Chief, Taxpayer Services (June 3, 2024) (on file with TAS). Note that the accuracy rate is for all returns scanned through Modernized eFile.



## The IRS Prioritized Telephone Service Over Other Operations to Achieve a High Level of Service<sup>18</sup>

The IRS has 102 toll-free telephone lines for taxpayers and representatives to contact the IRS, and these lines are collectively referred to as its Enterprise lines.<sup>19</sup> In FS 2024 through April 20, 2024, the IRS received almost 40 million calls to its Enterprise lines, a significant increase from the almost 32 million calls it received during the same period last filing season.<sup>20</sup>

### Telephone Service Goals Set by the Secretary of the Treasury

In November 2023, the Secretary of the Treasury gave the IRS three telephone service goals for FS 2024:

1. Achieve at least an 85 percent LOS in answering telephone calls on its main phone line,
2. Achieve an average call wait time of five minutes or fewer on the main phone line, and
3. Offer a callback option available to 95 percent of eligible taxpayers seeking telephone assistance at the beginning of the call if the projected wait is more than 15 minutes.<sup>21</sup>

Because the IRS considered the goals set by Treasury to apply to the AM toll-free lines, it focused on improving service levels only on those phone lines. The AM lines consist of 35 telephone lines that provide service to taxpayers seeking assistance with tax law, account inquiries, tax account adjustments, or information on the processing status of their tax return or issuance of their tax refund.<sup>22</sup> This means the remaining 67 phone lines were not subject to these goals, and the IRS did not make LOS a priority for these lines. For perspective, out of the nearly 40 million phone calls received by the IRS during FS 2024 through April 20, 2024, approximately 28 million (about 70 percent) came through on AM lines. The IRS received the remaining 12 million calls on non-AM lines.<sup>23</sup>

To achieve the service goals set by Treasury, the IRS hired nearly 7,000 AM CSRs through April 19, 2024.<sup>24</sup> However, similar to FS 2023, adding more CSRs to answer the phones during peak call periods meant that CSRs were often waiting for taxpayers to call rather than performing other functions when call volumes were low. Due to antiquated technology and certain other factors, CSRs assigned to answer the phones currently cannot perform other tasks while waiting for calls. As a result, CSRs were waiting for calls slightly over 1.1 million hours (about 25 percent of the time they were assigned to answer the phones), during which they did not assist taxpayers on the phone or process amended tax returns or taxpayer correspondence.<sup>25</sup> Putting aside how the IRS calculates its LOS, it is commendable that the IRS has met its high LOS goals for both this filing season and last. But the IRS could only accomplish this by prioritizing select phone lines over other phone lines and other IRS operations, resulting in a lower LOS for other IRS phone lines deemed lower priority and greater delays in processing correspondence and amended returns.<sup>26</sup>

<sup>18</sup> See Systemic Advocacy Objective: *Improve Taxpayer Access to Telephone and In-Person Assistance*, *infra*.

<sup>19</sup> In analyzing telephone service, the IRS gathers data and reports out toll-free phone line information by function and phone numbers such as AM or collection and rolls the data up to an enterprise-wide data set. Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2024-IE-R001, *Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-11/2024ier001fr.pdf>.

<sup>20</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 20, 2024).

<sup>21</sup> U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

<sup>22</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total; IRS, JOC, Snapshot Reports: Accounts Management (week ending Apr. 20, 2024); Internal Revenue Manual (IRM) 21.1.1.1.3, Roles and Responsibilities (Oct. 1, 2020), [https://www.irs.gov/irm/part21/irm\\_21-001-001](https://www.irs.gov/irm/part21/irm_21-001-001); TIGTA, Ref. No. 2024-IE-R001, *Actions Are Needed to Improve the Quality of Customer Service in Telephone Operations* (2023), <https://www.tigta.gov/sites/default/files/reports/2023-11/2024ier001fr.pdf>.

<sup>23</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 20, 2024).

<sup>24</sup> IRS response to TAS information request (May 23, 2024).

<sup>25</sup> *Id.*

<sup>26</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 20, 2024). As of April 20, 2024, the IRS Taxpayer Protection Program phone line had an LOS of 17 percent.

To improve levels of service and meet the third telephone goal set by Treasury, the IRS has continued to modernize its phone lines to include callback options.<sup>27</sup> The IRS provided callback options on 97 percent of its main toll-free phone applications when they had available CSRs to call the taxpayer back.<sup>28</sup> If the IRS projects the call wait time will be longer than 15 minutes, and the callback is estimated to fit within IRS phone hours, the system offers the caller the opportunity to provide their callback number, hang up, and move on with other activities while awaiting a callback once an assistor becomes available.<sup>29</sup> During FS 2024, the IRS offered about 4.6 million taxpayers the callback service, and 3.1 million (67 percent) elected to use it. Ultimately, the IRS successfully connected to an assistor 80 percent of callers who elected to use the callback service.<sup>30</sup>

### Level of Service on Key IRS Telephone Lines

While the AM phones achieved an overall LOS of nearly 88 percent, many of the non-AM lines experienced a much lower LOS. Figure 2.3 shows the number and percentage of calls answered by a CSR, the LOS, and time on hold for FS 2024 through April 20, 2024, on some of the IRS's busiest phone lines, ranked by the number of calls received.<sup>31</sup>

**FIGURE 2.3, Metrics for Ten Most Frequently Called Telephone Lines, Filing Season 2024 Through April 20, 2024<sup>32</sup>**

Telephone Line	Calls Received	Number of Calls Answered by a CSR	Percentage of Calls Answered by a CSR	Level of Service	Time on Hold
Refund Hotline	8.3 mil	80,000	1%	77%	6 min
Individual Income Tax Services	6.9 mil	2,100,000	30%	87%	4 min
Installment Agreement/ Balance Due	3.7 mil	1,600,000	42%	42%	23 min
Taxpayer Protection Program	3.0 mil	486,000	16%	17%	20 min
Taxpayer Assistance Center Appointments	2.4 mil	1,300,000	52%	86%	4 min
Automated Collection System	2.1 mil	408,000	19%	33%	10 min

*Continued on next page.*

27 The IRS also provides self-service assistance in the form of voicebot technology. For more information on the technology and associated measures, see National Taxpayer Advocate 2023 Annual Report to Congress 48 (Most Serious Problem: *Telephone and In-Person Service: Despite Improvements in Its Service Levels, the IRS Still Does Not Provide Taxpayers and Tax Professionals With Adequate, Timely Telephone and In-Person Service*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_04\\_Telephone-InPerson.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_04_Telephone-InPerson.pdf).

28 IRS News Release, IR-2024-109, IRS Delivers Strong 2024 Tax Filing Season; Expands Services for Millions of People on Phones, In-Person and Online With Expanded Funding (Apr. 15, 2024), <https://www.irs.gov/newsroom/irs-delivers-strong-2024-tax-filing-season-expands-services-for-millions-of-people-on-phones-in-person-and-online-with-expanded-funding>. An application is when a taxpayer calls a toll-free line and is presented with multiple options to select.

29 IRS response to TAS information request (May 23, 2024); IRS, SERP Job Aids, Miscellaneous: Customer Callback FAQs and Talking Points.

30 IRS response to TAS information request (May 23, 2024).

31 IRS, JOC, Snapshot Reports: Product Line Detail (weeks ending Apr. 22, 2023; Apr. 20, 2024). Time on Hold refers to Average Speed of Answer, which is the time it takes a taxpayer to reach a live CSR, including the time needed to respond to any automated prompts.

32 IRS, JOC, Snapshot Reports: Product Line Detail (Enterprise Performance) (week ending Apr. 20, 2024). The shaded phone lines are not AM lines. Percentage of Calls Answered by CSRs reflects the number of calls answered by CSRs divided by the number of calls received. All numbers in Figure 2.3 are rounded.

Telephone Line	Calls Received	Number of Calls Answered by a CSR	Percentage of Calls Answered by a CSR	Level of Service	Time on Hold
Business and Specialty Tax Services	2.0 mil	1,200,000	59%	90%	4 min
W&I ID Theft	1.4 mil	598,000	43%	78%	4 min
Practitioner Priority Service	1.1 mil	973,000	85%	95%	2 min
W&I Individual Master File Customer Response	1.0 mil	329,000	31%	85%	4 min

Despite technological improvements and an increase in the number of CSRs, some phone lines still suffered from a low LOS, including the Taxpayer Protection Program (TPP) line, the Automated Collection System line, and the Installment Agreement/Balance Due line, all of which are non-AM phone lines. As indicated in Figure 2.3, the TPP phone line suffered an abysmal LOS. When the IRS identifies taxpayer returns with possible identity theft, it instructs the taxpayers to authenticate their identity before the IRS will release their tax refunds. Taxpayers often find the IRS's authentication letters complex and confusing, leaving them to call the TPP phone line for assistance.<sup>33</sup> Despite its importance, the TPP line LOS substantially decreased this filing season. During FS 2024, the TPP line received about three million calls, of which CSRs answered only about 486,000. This brought the TPP line's LOS to just 17 percent in FS 2024, down from 47 percent in FS 2023.<sup>34</sup> A taxpayer's inability to reach a CSR on the TPP line was another barrier to taxpayers authenticating their identity and receiving their refund. The IRS must prioritize this phone line and commit to improving assistance to these taxpayers.

Similarly in FS 2024, the Installment Agreement/Balance Due line continued to suffer a low LOS of just 42 percent, slightly lower than the 46 percent LOS in FS 2023.<sup>35</sup> More specifically, in FS 2024, the line received 3.7 million calls, of which the IRS answered only 1.6 million.<sup>36</sup> This is a vital line for taxpayers, as the assistors answer questions about balances owed and help taxpayers make payment arrangements. Taxpayers who cannot reach the IRS through this line risk becoming subjects of enforced collection actions and charges, such as liens, bank and wage levies, and increased penalties. Moreover, the IRS risks losing revenue by not assisting taxpayers with payment arrangements. Once the IRS takes collection actions on these taxpayers, they also experience difficulties reaching a CSR on the Automated Collection System line, which experienced a 33 percent LOS in FS 2024 through April 20, 2024. The IRS has initiated a voicebot feature on these lines to assist taxpayers with their collection issues, which makes the low LOS even more surprising, considering that the IRS intended the feature to free up CSRs and ultimately improve overall LOS.<sup>37</sup>

33 National Taxpayer Advocate 2023 Annual Report to Congress 78 (Most Serious Problem: *Identity Theft: Lengthy Issue Resolution Delays and Inadequate Notices Burden Taxpayers Who Are Victims of Identity Theft or Whose Returns the IRS Has Flagged for Possible Identity Theft*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_06\\_Identity-Theft.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_06_Identity-Theft.pdf). Once the IRS filters select a return for possible identity theft, the IRS sends the taxpayer one of four letters that ask them to authenticate their identity: Letter 5071C, Potential Identity Theft during Original Processing with Online Option, which provides online and phone options and is issued most widely; Letter 4883C, Potential Identity Theft during Original Processing, which provides a phone option; Letter 5447C, Potential Identity Theft during Original Processing: Foreign Address, which provides phone and mail options for international taxpayers; or Letter 5747C, Potential Identity Theft during Original Processing, which provides an in-person option only (and is used sparingly).

34 In comparison, the TPP line for FS 2023 received about 1.9 million calls, of which the IRS answered about 823,000. IRS, JOC, Snapshot Reports: Product Line Detail Snapshot (week ending Apr. 20, 2024).

35 National Taxpayer Advocate Fiscal Year 2024 Objectives Report to Congress (*Review of the 2023 Filing Season*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/06/JRC24\\_SAO\\_ReviewFiling.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2023/06/JRC24_SAO_ReviewFiling.pdf).

36 IRS, JOC, Snapshot Reports: Product Line Detail Snapshot (week ending Apr. 20, 2024).

37 Darren Guillot, IRS Small Bus./Self-Employed Deputy Comm'r, Using Voice and Chat Bots to Improve the Collection Taxpayer Experience (Sept. 29, 2022), <https://www.irs.gov/about-irs/using-voice-and-chat-bots-to-improve-the-collection-taxpayer-experience>.

### *IRS Level of Service Calculation*

The IRS calculates and presents LOS data in a complex and confusing manner that does not reflect the overall taxpayer experience. For decades, the IRS used LOS as a budget projection measure. But LOS is not the most efficient method or standard to determine the success of customer service and the customer experience. When the IRS reports a benchmark LOS, it is reasonable to assume that it reflects calls where the CSR actually speaks with the caller. That is not the case. First, the benchmark measure reflects only calls directed to the IRS's AM telephone lines. Of the nearly 40 million calls the IRS received, about 28 million (70 percent) came in on or were routed to the AM lines.<sup>38</sup> Thus, the benchmark measure does not reflect the taxpayer experience, how the IRS handled the remaining 12 million calls outside of AM lines (such as the compliance phone lines), or whether the IRS answered the taxpayer's questions.<sup>39</sup>

Second, the IRS derives the denominator in the LOS computation from calls routed to telephone assistants rather than from all calls to that phone line. A phone tree greets callers to the AM lines. Depending on the options a taxpayer selects, the phone system determines whether to direct the caller to a live assistant or one of its automated offerings. Automation is not a deliberate caller-selected option. The IRS routed to assistants only 54 percent of the 16.6 million calls answered by the AM lines (about nine million), and the remaining taxpayer calls went to automation or reflected taxpayer hangups.<sup>40</sup>

While the IRS is reporting a benchmark LOS of 88 percent, *IRS employees answered only 32 percent of the incoming calls on the AM lines.*<sup>41</sup>

Figure 2.4 provides a more complete picture of the taxpayer experience when calling the IRS. In most cases, the percent of calls answered by CSRs is far less when compared to the IRS's calculation of CSR LOS – and with the exception of the AM lines, the percentage of calls answered by CSRs have decreased compared to last filing season. This figure also provides useful information to consider when evaluating the IRS's overall success in providing customer service to taxpayers on its phone lines.

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38 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Total, Accounts Management, and Consolidated Automated Collection Service data (weeks ending Apr. 23, 2022; Apr. 22, 2023; Apr. 20, 2024); IRS, JOC, Snapshot Reports: Product Line Detail for Form 1040 data (weeks ending Apr. 23, 2022; Apr. 22, 2023; Apr. 20, 2024). CSR LOS is an IRS performance measure that reflects the number of calls answered by CSRs divided by the number of calls directed to CSRs (*i.e.*, it excludes primary abandons, taxpayers who encounter busy signals or are disconnected, and calls routed for automated responses). The Percent Change column is computed based on actual numbers, not rounded numbers. The percentages of change in Figure 2.4 are rounded.

39 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Apr. 20, 2024).

40 *Id.*

41 *Id.*



**FIGURE 2.4, IRS Telephone Results, Filing Seasons 2022-2024<sup>42</sup>**

	FS 2022 (Through April 23, 2022)	FS 2023 (Through April 22, 2023)	FS 2024 (Through April 20, 2024)	Percent Change Filing Seasons 2023-2024
<b>Enterprise Total Lines</b>				
Calls Received	72,811,503	31,871,203	39,896,173	25%
Calls Answered by CSRs	7,453,961	11,002,546	12,447,988	13%
Percent of Calls Answered by CSRs	10%	35%	31%	-11%
Automated Info Messaging	13,675,703	7,265,400	7,902,113	9%
CSR Level of Service	18%	72%	63%	-13%
Time on Hold (in Minutes)	29	8	8	0
<b>Accounts Management Lines</b>				
Calls Received	60,036,799	24,630,593	28,069,829	14%
Calls Answered by CSRs	4,641,053	7,671,193	9,000,254	17%
Percent of Calls Answered by CSRs	8%	31%	32%	3%
Automated Info Messaging	13,448,537	7,099,449	7,616,443	7%
CSR Level of Service	15%	85%	88%	5%
Time on Hold (in Minutes)	28	3	3	0
<b>Form 1040 Line</b>				
Calls Received	15,317,600	5,380,423	6,859,030	27%
Calls Answered by CSRs	1,161,185	1,806,896	2,083,577	15%
Percent of Calls Answered by CSRs	8%	34%	30%	-12%
Automated Info Messaging	747,252	470,829	406,504	-14%
CSR Level of Service	14%	91%	87%	-4%
Time on Hold (in Minutes)	26	2	4	100%
<b>Taxpayer Protection Program Line</b>				
Calls Received	4,717,020	1,937,054	3,036,441	56%
Calls Answered by CSRs	163,437	862,902	486,277	-44%
Percent of Calls Answered by CSRs	3%	45%	16%	-64%
Automated Info Messaging	0	0	0	0
CSR Level of Service	4%	47%	17%	-64%
Time on Hold (in Minutes)	47	16	20	25%

Continued on next page.

42 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Total, Accounts Management, and Consolidated Automated Collection Service data (weeks ending Apr. 23, 2022; Apr. 22, 2023; Apr. 20, 2024); IRS, JOC, Snapshot Reports: Product Line Detail for Form 1040 data (weeks ending Apr. 23, 2022; Apr. 22, 2023; Apr. 20, 2024). The Percent Change column is computed based on actual numbers rather than rounded numbers.

	FS 2022 (Through April 23, 2022)	FS 2023 (Through April 22, 2023)	FS 2024 (Through April 20, 2024)	Percent Change Filing Seasons 2023-2024
<b>Consolidated Automated Collection System Lines</b>				
Calls Received	5,038,973	3,185,939	6,046,969	90%
Calls Answered by CSRs	1,641,744	1,544,789	2,083,725	35%
Percent of Calls Answered by CSRs	33%	48%	34%	-29%
Automated Info Messaging	13,762	15,081	33,177	120%
CSR Level of Service	34%	51%	41%	-20%
Time on Hold (in Minutes)	36	20	20	0

As part of its transformation initiatives, the IRS should focus on measuring the service taxpayers receive and their experience dealing with the IRS.<sup>43</sup> As a consumer, the taxpayer cares about the length of wait time, professional and respectful treatment, the CSR answering their question or providing alternative resources, and the IRS resolving their issue. LOS does not capture the taxpayer telephone experience or determine how the IRS can better provide quality service to assist taxpayers with their questions and issues. The IRS needs to revisit its measure to determine if taxpayers are receiving the service they deserve under the Taxpayer Bill of Rights, in particular the *right to quality service*.<sup>44</sup>

For the IRS to capture a clearer understanding of the taxpayer experience, it should adopt a more efficient, flexible, predictable model that accurately measures the taxpayer experience. To better reflect the taxpayer experience, the IRS telephone service measures should include: (1) whether taxpayers received the information requested, (2) whether they needed to speak with multiple IRS employees, and (3) whether the IRS provided additional information, such as links to materials or videos. Rather than just hiring more CSRs, the IRS should tackle phone service in new ways that improve quality and increase efficiency in combination with more online functionalities and in-person options. The funding provided in the Inflation Reduction Act gives the IRS the opportunity to make transformational changes.

### **Taxpayers Are Again Experiencing Delays in Processing Taxpayer Correspondence and Amended Returns<sup>45</sup>**

To achieve the high telephone LOS goal mandated by Treasury, the IRS reallocated resources away from processing taxpayer correspondence and amended returns. As a result, the IRS was behind in processing taxpayer responses to IRS correspondence during FS 2024. The IRS sent millions of notices to taxpayers during FS 2024, including math error notices.<sup>46</sup> Many of these notices instruct taxpayers to substantiate an item claimed on their return or to request abatement of a math error assessment if they do not agree. The backlog in processing taxpayer responses to math error assessments keeps the IRS from timely abating or responding to taxpayers' requests to abate, which frustrates taxpayers and leaves them trying to figure out what happened to their abatement request.

43 In addition to LOS measures, the IRS conducts transactional surveys, such as the AM toll-free survey; however, the IRS lacks transparency about how the results of these surveys guide operational planning, as it places the majority of focus on LOS measures. The IRS also specifies that telephone calls will be measured for Timeliness, Professionalism, Customer Accuracy, Regulatory/Statutory Accuracy and Procedural Accuracy. See IRM 21.10.1.4.1.1, Accounts Phones Measure (Oct. 1, 2006), [https://www.irs.gov/irm/part21/irm\\_21-010-001](https://www.irs.gov/irm/part21/irm_21-010-001).

44 See Taxpayer Bill of Rights, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights/> (last visited May 7, 2024). The rights contained in the Taxpayer Bill of Rights are also codified at IRC § 7803(a)(3).

45 See Systemic Advocacy Objective: *Modernize IRS Processing to Increase Efficiency and Improve the Taxpayer Experience*, *infra*.

46 See, e.g., IRS, Math Error Report for Calendar Year (CY) 2024 (cycle 16).

In November 2023, Treasury announced that the IRS had achieved its Paperless Processing Initiative goal to provide taxpayers with the ability to digitally submit all correspondence and responses to notices.<sup>47</sup> As of April 12, 2024, the IRS received nearly 900,000 taxpayer responses to notices through the Document Upload Tool (DUT). The IRS estimates more than 94 percent of individual taxpayers will no longer have to send paper correspondence to the IRS.<sup>48</sup> While a significant accomplishment, a problem remains: the IRS has not yet developed a way to electronically process the documents digitally submitted through the DUT. Until it develops a way for all IRS Business Operating Divisions to receive the electronic submissions, the IRS is still processing correspondence submitted through the DUT the same way as paper correspondence, contributing to the IRS backlog in processing correspondence. Sadly, taxpayers probably used the tool because they assumed it would speed up the processing of their inquiry or request. The IRS should set appropriate expectations with taxpayers utilizing the DUT.

Despite an expanded use of the DUT and an actual decrease in correspondence received during FS 2024 compared to FS 2023, the IRS continues to struggle with processing taxpayers' correspondence and amended returns. Specifically, the percentage of overage correspondence increased in FS 2024, compared to FS 2023.<sup>49</sup> Figure 2.5 shows the accumulation of taxpayer correspondence and amended returns still awaiting processing because CSRs were primarily devoted to answering incoming calls on IRS phone lines.

**FIGURE 2.5, IRS Processing of Taxpayer Correspondence, Filing Season 2024 as of April 20, 2024<sup>50</sup>**

Correspondence and Amended Return Processing	Individual	Business	Other	Total
Accounts Management Adjustment and Correspondence Cases	317,000	436,000	n/a	<b>753,000</b>
Amended Returns	1,500,000	1,700,000	n/a	<b>3,100,000</b>
Internal Account Maintenance (Includes Employer Identification Number applications, refund inquiries, Identity Theft Victim Assistance forms, tax preparer authorizations, and other written taxpayer correspondence)	975,000	131,000	2,400,000	<b>3,500,000</b>
<b>Total</b>	<b>2,800,000</b>	<b>2,200,000</b>	<b>2,400,000</b>	<b>7,400,000</b>

The IRS's failure to timely process correspondence could result in its automated processes taking adverse action against a taxpayer, such as moving forward with collection actions, increasing penalties, or holding the taxpayer's refund. For example, the IRS can hold a portion of a taxpayer's refund because it determines a dependent's Taxpayer Identification Number (TIN) is invalid. The taxpayer responds to the notice by timely sending in documents to verify the dependent's TIN, but the IRS does not process the taxpayer's response for weeks or months, further delaying the issuance of the taxpayer's refund. Another example is when the IRS makes a math error assessment and sends written notification to taxpayers. By statute, the IRS is required

47 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

48 U.S. Dep't of the Treasury, Press Release, Filing Season 2024 Report Card: IRS Builds On 2023 Progress, Delivers World Class Customer Service Thanks to Inflation Reduction Act (Apr. 15, 2024), <https://home.treasury.gov/news/press-releases/jy2250>.

49 About 70 percent of the adjustments and correspondence inventory was overaged compared to nearly 63 percent the same time last year. IRS response to TAS information request (May 23, 2024). The overage data only reflect the portion of taxpayer correspondence requesting adjustments. Overage correspondence is correspondence the IRS has not addressed within 30 days of receipt. IRM 21.3.3.3.4, Quality and Timely Responses (Oct. 1, 2023), [https://www.irs.gov/irm/part21/irm\\_21-003-003](https://www.irs.gov/irm/part21/irm_21-003-003).

50 IRS response to TAS information request (May 23, 2024). Row totals and column totals may differ because of rounding.

to abate the assessment if the taxpayer notifies the IRS within 60 days of the notification.<sup>51</sup> But the IRS's delays in processing correspondence are resulting in delays in reversing math error adjustments as requested by taxpayers. TAS is aware of several taxpayers still waiting for an abatement and an acknowledgement of their timely request to abate while the IRS continues to issue collection notices. Therefore, it is critical that the IRS devote more resources to processing amended returns and correspondence during the remainder of 2024 to prevent future harm to taxpayers.

## Refund Fraud<sup>52</sup>

The IRS analyzes all tax returns claiming refunds by running them through a variety of filters, models, and rules that flag returns for potential identity theft or non-identity theft refund fraud. When the filters detect possible identity theft or non-identity theft refund fraud, the IRS will suspend the return and send it through either TPP for identity theft refund fraud or to the Return Integrity Verification Operation (RIVO) for non-identity theft refund fraud. The IRS's TPP holds the refund until the IRS can determine it is not subject to identity theft, while RIVO holds the refund until the IRS or the taxpayer can verify the information on the return through third-party data. Although these programs are critical to prevent the IRS from issuing improper refunds, they have struggled with high false detection rates over the years, among other issues.

### *Identity Theft Refund Fraud*

The IRS's TPP will only send taxpayers one notice requesting that they authenticate their identity using one of three methods:

- Calling the TPP toll-free telephone number,
- Using an online application on [IRS.gov](https://www.irs.gov), or
- Visiting a TAC.<sup>53</sup>

When taxpayers receive a TPP letter asking them to authenticate their identity but have questions, they will likely have difficulty reaching an IRS assistor. The LOS for the TPP phone line was unacceptably low at 17 percent during FS 2024 through April 20, 2024, down from 47 percent in FS 2023 through April 22, 2023.<sup>54</sup> During FS 2024, because of Treasury's 85 percent LOS goal for the main phone lines, the IRS did not prioritize calls on the TPP line. Clearly, this is an area the IRS needs to improve.

As of April 17, 2024, TPP had selected about 2.8 million suspicious tax returns, and as of April 18, 2024, it had released about 935,000 refunds. The IRS released about 627,000 of the 935,000 refunds after taxpayers authenticated their identity and return information, while the IRS released the remaining 308,000 without any taxpayer interaction.<sup>55</sup> The number of returns selected into the TPP are up 33 percent from the roughly 2.1 million suspicious returns selected during FS 2023 through April 20, 2023.<sup>56</sup>

One reason for the increase in the TPP case selections was a filter that identified returns where a taxpayer had claimed the Fuel Tax Credit as possible identity theft when it should have selected them for scrutiny under the non-identity theft refund fraud program.<sup>57</sup> As a result of this filter error, the IRS issued taxpayers a high

<sup>51</sup> IRC § 6213(b)(2)(A).

<sup>52</sup> See Systemic Advocacy Objective: *Reduce Processing Times for Identity Theft Victim Assistance Cases*, *infra*.

<sup>53</sup> IRM 25.25.6.1.7, Taxpayer Protection Program Overview (Oct. 1, 2023), [https://www.irs.gov/irm/part25/irm\\_25-025-006r](https://www.irs.gov/irm/part25/irm_25-025-006r).

<sup>54</sup> IRS, JOC, Snapshot Reports, Enterprise Total (week ending Apr. 20, 2024).

<sup>55</sup> IRS response to TAS information request (May 23, 2024). The IRS was able to authenticate the information on the return by analyzing information and data in its possession.

<sup>56</sup> IRS response to TAS information request (May 23, 2024).

<sup>57</sup> IRS News Release, IR-2024-139, IRS Warns Taxpayers They May Be Scam Victims If They Filed for Big Refunds; Misleading Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes (May 14, 2024), <https://www.irs.gov/newsroom/irs-warns-taxpayers-they-may-be-scam-victims-if-they-filed-for-big-refunds-misleading-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes>.

number of Letters 5747C, Potential Identity Theft during Original Processing – TAC Auth Only. In FS 2023, the IRS issued letters to 115,477 taxpayers, but in FS 2024, that number increased by 264 percent to 420,306.<sup>58</sup> Another possible explanation for this uptick in identity theft refund fraud cases was an increase in breaches against individuals, businesses (including tax preparers), and phishing scams where bad actors get taxpayers to reveal their personally identifiable information.

Over the years, the IRS filters have struggled with high false detection rates. Although the rates are not yet available for CY 2024, they have been consistently high over the last several years.<sup>59</sup> For CY 2023, the IRS expects the final false detection rate to be about 54 percent.<sup>60</sup> Based on prior years' experience, it is likely that once again a significant percentage of returns the IRS held during FS 2024 are actually correct taxpayer returns awaiting payment of their refunds. However, beyond sending the initial notice, the IRS makes no further attempts to contact the taxpayer. So, if taxpayers are expecting a refund but have not yet received it, they should contact the IRS to ensure it is not holding the return for possible identity theft.

### **Non-Identity Theft Refund Fraud**

In FS 2024 through April 17, 2024, the refund fraud filters selected approximately 2.6 million potentially fraudulent tax returns, up 353 percent from approximately 577,000 potentially fraudulent returns selected during the same period last year.<sup>61</sup> Out of the approximately 2.6 million selected returns, the IRS has verified for release over two million (79 percent) as of April 17, 2024.<sup>62</sup>

One reason for the increase in selection is a delay by the Social Security Administration in submitting Form W-2 data to the IRS.<sup>63</sup> This means that the IRS could not verify W-2 information on returns early in the filing season because it did not yet have the data.<sup>64</sup> Other factors contributing to this increase include an increase in tax scams and misleading social media posts encouraging taxpayers to file inflated positions on their returns.

Specifically, the increase in fraud filter triggers could be attributed to:<sup>65</sup>

- An increase in erroneous Fuel Tax Credits;
- Credits for sick leave and family leave; and
- Overreporting household employment tax withholding.

Although it is not yet clear how many of the returns selected in FS 2024 are suspicious versus legitimate, the IRS released two million of the 2.6 million returns selected by the non-identity theft refund fraud filters, determining that they were, in fact, legitimate.<sup>66</sup> Taxpayers whose returns are valid but caught in these filters experience prolonged refund delays, possibly creating financial hardship.

58 IRS Notice Delivery System, IRS Compliance Data Warehouse (May 29, 2024).

59 National Taxpayer Advocate 2023 Annual Report to Congress 78 (Most Serious Problem: *Identity Theft: Lengthy Issue Resolution Delays and Inadequate Notices Burden Taxpayers Who Are Victims of Identity Theft or Whose Returns the IRS Has Flagged for Possible Identity Theft*), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23\\_MSP\\_06\\_Identity-Theft.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/01/ARC23_MSP_06_Identity-Theft.pdf).

60 IRS W&I Business Performance Review Q4 FY 2023, at 19 (Nov. 20, 2023).

61 IRS response to TAS information request (May 23, 2024).

62 *Id.*

63 Email from Information Technology Specialist, Information Technology (Jan. 25, 2024) (on file with TAS).

64 *Id.*

65 IRS News Release, IR-2024-139, IRS Warns Taxpayers They May Be Scam Victims If They Filed for Big Refunds; Misleading Advice Leads to False Claims for Fuel Tax Credit, Sick and Family Leave Credit, Household Employment Taxes (May 14, 2024), <https://www.irs.gov/newsroom/irs-warns-taxpayers-they-may-be-scam-victims-if-they-filed-for-big-refunds-misleading-advice-leads-to-false-claims-for-fuel-tax-credit-sick-and-family-leave-credit-household-employment-taxes>.

66 IRS response to TAS information request (May 23, 2024).



## Identity Theft Victim Assistance Cases

During the filing season, the IRS rejected a number of taxpayers' electronically filed tax returns because an identity thief had already filed a fraudulent return using the taxpayer's personal identifying information, such as the Social Security number of either the taxpayer or the taxpayer's dependent. Upon this realization, these taxpayers must submit a Form 14039, Identity Theft Affidavit, and a paper tax return. Once the IRS receives the form and the paper tax return, it will open an IDTVA case, and it will not issue the taxpayer's refund until it resolves the case.

Unfortunately, through April 2024, the IRS is taking on average 675 days to resolve identity theft cases,<sup>67</sup> meaning victims are waiting on average *nearly two years* to receive their tax refunds. Many factors contributed to these extremely lengthy processing times for IDTVA cases, one of which was an increase in IDTVA case receipts. More specifically, in fiscal year (FY) 2022, IDTVA case receipts were 228,383, and they increased in FY 2023 to 294,138.<sup>68</sup> Several other factors contributed to the long processing times, including IRS operational limitations dating back to the beginning of the pandemic and the IRS removing IDTVA employees off their casework to work other high priority assignments, such as answering IRS toll-free phone lines during the filing season.<sup>69</sup>

The lengthy processing time for IDTVA case resolution is unacceptable. This problem started during the COVID-19 pandemic. However, the onset of the pandemic was over four years ago. It is no longer reasonable to associate the pandemic challenges with high IDTVA case resolution times. One of the main reasons for these unacceptable processing times is the IRS's prioritization of other problems that it deems more important, such as reaching an 85 percent LOS on its main phone lines. These taxpayers are already victims of a bad actor who stole their identity and used it to file a fraudulent return. The IRS is revictimizing taxpayers by making them wait nearly two years to resolve their case and receive their refund. The IRS must prioritize the timely resolution of these cases and give taxpayers the high level of attention they deserve as it has with other issues in recent years, such as working through its paper return backlogs and providing a high LOS on its phone lines. To the IRS's credit, it has started to take some steps to address the IDTVA long processing times, such as adding more IDTVA employees. Specifically, the IDTVA unit increased the number of employees who worked these cases by about 166 percent from FS 2023 to FS 2024.<sup>70</sup> The IRS also reduced the rate at which it placed its IDTVA employees on the phones during FS 2024.<sup>71</sup>

## The Where's My Refund? and Where's My Amended Return? Tools

Each year, millions of taxpayers turn to the IRS's Where's My Refund? and Where's My Amended Return? tools to check the status of their refunds. Figure 2.6 shows the number of visits to the Where's My Refund? tool.

67 IRS, AM IDTVA, Research Analysis and Data (RAD), Correspondence Imaging System (CIS) Closed Case Cycle Time for the Identity Theft (IDT) Victims Unit Reports (through Apr. 2024).

68 IRS, JOC, Accounts Management Research, Analysis, and Data (AM RAD), IDTVA Accounts Inventory Report for Individuals, FY 2022 through FY 2023.

69 IRS response to TAS information request (May 23, 2024).

70 *Id.*

71 *Id.*

**FIGURE 2.6, Where's My Refund? Visits, Filing Seasons 2022-2024<sup>72</sup>**

Tool	Visits for FS 2022 (Through April 22, 2022)	Visits for FS 2023 (Through April 21, 2023)	Visits for FS 2024 (Through April 20, 2024)	Percent Change 2023-2024
Where's My Refund?	334,399,000	230,193,000	298,871,000	29.8%

Taxpayers attempted to check the status of their refunds using the Where's My Refund? tool almost 299 million times in FS 2024.<sup>73</sup> Previously, the tool only informed taxpayers that the IRS had received their return, approved their refund, or sent their refund. Beginning in FS 2024, the IRS added more responses to taxpayer inquiries, including informing taxpayers if the IRS stopped or delayed processing on their return and the related next steps. The tool also notes if the IRS sent a notice and provides instructions on what taxpayers need to do to resolve the issue.<sup>74</sup>

During the 2024 filing season, the Where's My Amended Return? tool received over 5.8 million visits. Unfortunately, the IRS has not yet made similar enhancements to Where's My Amended Return?, so taxpayers do not receive additional information if the IRS delays processing of their amended return.<sup>75</sup> Because of the high volume of pending refund claims, the IRS should prioritize updating this tool and provide taxpayers with current information and expectations regarding processing times for amended returns.

### Face-to-Face Service at Taxpayer Assistance Centers<sup>76</sup>

The IRS provides face-to-face assistance to taxpayers at TACs located across the country, the District of Columbia, and Puerto Rico. As of April 20, 2024, there were 363 TACs, of which 252 were understaffed and 16 were unstaffed.<sup>77</sup> All staffed TACs offer appointments and serve taxpayers who walk in without an appointment, but only in certain circumstances. To make an appointment, taxpayers must call the TAC Appointment toll-free telephone line, which achieved an 86 percent LOS in FS 2024 through April 20, 2024.<sup>78</sup>

Treasury set a FS 2024 goal for the IRS to deliver 8,500 more hours of in-person assistance at TACs than it did during FS 2023.<sup>79</sup> The IRS exceeded this goal by providing more than 13,000 additional hours of service at TACs during this filing season, serving a total of 784,000 taxpayers.<sup>80</sup> To achieve this goal, the IRS provided nearly 13,000 extended weekly office hours at 242 TACs around the country and served nearly 22,000 taxpayers during these extended hours.<sup>81</sup> The IRS also opened 117 TACs around the country for "Taxpayer Experience Days" on one Saturday per month.<sup>82</sup> About 15,000 taxpayers received assistance at

72 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024); IRS, CY 2023 Individual Filing Season Report (week ending Apr. 21, 2023).

73 IRS response to TAS information request (May 23, 2024).

74 IRS response to TAS information request (May 30, 2024).

75 IRS response to TAS information request (May 23, 2024); IRS response to TAS information request (May 30, 2024).

76 See Systemic Advocacy Objective: *Improve Taxpayer Access to Telephone and In-Person Assistance*, *infra*.

77 IRS response to TAS information request (May 23, 2024).

78 IRS, JOC, Snapshot Reports: Product Line Detail (Enterprise Performance) (week ending Apr. 20, 2024).

79 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

80 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024); IRS response to TAS information request (May 23, 2024).

81 IRS News Release, IR-2024-25, IRS Offering Additional Time at Taxpayer Assistance Centers for Face-to-Face Help (Jan. 29, 2024), <https://www.irs.gov/newsroom/irs-offering-additional-time-at-taxpayer-assistance-centers-for-face-to-face-help>; IRS response to TAS information request (May 23, 2024).

82 See IRS, IRS Face-to-Face Saturday Help, <https://www.irs.gov/help/irs-face-to-face-saturday-help> (last updated June 3, 2024); IRS response to TAS information request (May 23, 2024).

the 193 Saturday events.<sup>83</sup> Although the events provided welcome relief for many taxpayers, some taxpayers experienced significant delays due to the high volume of participants and the IRS's inability to timely service these taxpayers. Taxpayers expressed frustration as they faced long lines during these events.<sup>84</sup> One possible explanation for the long lines and wait times at these events was the significant increase in the IRS's issuance of IRS Letter 5747C, Potential Identity Theft during Original Processing – TAC Auth Only, which requires taxpayers to visit a TAC to authenticate their identity. In one well-publicized Houston event, the frustration led to violence and a sudden closure of the event.<sup>85</sup> The Treasury Inspector General for Tax Administration (TIGTA) is conducting an evaluation of safety and security at TACs during Taxpayer Experience Days.<sup>86</sup> The IRS has taken measures to prevent these issues in the future such as coordinating with local law enforcement and taking comprehensive physical security measures.<sup>87</sup> Once the IRS addresses identified problems, it should continue to offer these Saturday events in future filing seasons to enable thousands of taxpayers to seek assistance from IRS employees without having to schedule an appointment.

In 2024, the IRS continued its policy of requiring taxpayers to schedule an appointment to receive face-to-face assistance at any of its TACs in most circumstances.<sup>88</sup> To schedule an appointment, the IRS instructs taxpayers to call the TAC Appointment line, where an assistor determines the taxpayer's need and directs them to resources where they may find immediate answers to their questions.<sup>89</sup> If the taxpayer cannot resolve their issue, the assistor helps them make an appointment at a TAC for face-to-face assistance with an IRS employee. This filing season, there were 784,000 scheduled appointments for face-to-face assistance at TACs, an increase of 37 percent compared to FS 2023.<sup>90</sup>

83 IRS response to TAS information request (May 23, 2024).

84 See, e.g., Jacqueline Francis, *Hundreds Frustrated by Line at Tax Assistance Event Held by IRS in Detroit*, CLICKONDETROIT.COM (Apr. 14, 2024), <https://www.clickondetroit.com/news/local/2024/04/14/hundreds-frustrated-by-line-at-tax-assistance-event-held-by-irs-in-detroit>; *Long lines, Chaotic Scenes at IRS Taxpayer Assistance Centers in Downtown Miami and Plantation*, NBC6 (updated Apr. 15, 2024), <https://www.nbcmiami.com/news/local/long-lines-create-chaotic-scene-at-the-irs-taxpayer-assistance-center-in-downtown-miami-and-plantation-locations/3284205/>; Brittany Ford, *'I Want My Money:' People Spend Hours in Line Outside Atlanta Tax Center for IRS Help*, ATLANTA NEWS FIRST (Apr. 13, 2024), <https://www.atlantaneWSfirst.com/2024/04/13/i-want-my-money-people-spend-hours-line-outside-atlanta-tax-center-irs-help/>.

85 Peter Warren, *Fight at Houston IRS Office Forces Closure, Stuns Taxpayers Waiting in Line*, HOUSTON CHRON. (Apr. 13, 2024), <https://www.houstonchronicle.com/news/houston-texas/trending/article/houston-irs-office-monitored-police-amid-reports-19401418.php>.

86 Memorandum from Russell P. Martin, Deputy Inspector General for Inspections and Evaluations to Comm'r, Wage and Investment Division, and Chief, Facilities Management and Security Services (Apr. 3, 2024). TIGTA also recently issued an audit report on the quality of services provided at TACs during FS 2023, detailing the long waits encountered by auditors visiting TACs during Taxpayer Experience Days. TIGTA, Ref. No. 2024-100-022, *Taxpayer Assistance Centers Generally Provided Quality Service, But Additional Actions Are Needed to Reduce Taxpayer Burden* 9 (2024), <https://www.tigta.gov/reports/audit/taxpayer-assistance-centers-generally-provided-quality-service-additional-actions-are>.

87 IRS response to TAS information request (May 23, 2024).

88 IRS News Release, IR-2024-25, *IRS Offering Additional Time at Taxpayer Assistance Centers for Face-to-Face Help* (Jan. 29, 2024), <https://www.irs.gov/newsroom/irs-offering-additional-time-at-taxpayer-assistance-centers-for-face-to-face-help>.

89 IRM 21.1.1.3, *Customer Service Representative (CSR) Duties* (June 2, 2023), [https://www.irs.gov/irm/part21/irm\\_21-001-001](https://www.irs.gov/irm/part21/irm_21-001-001).

90 IRS, *CY 2024 Individual Filing Season Report* (week ending Apr. 20, 2024).

**FIGURE 2.7, Face-to-Face Assistance, Filing Seasons 2022-2024<sup>91</sup>**

	FS 2022 (Through April 22, 2022)	FS 2023 (Through April 21, 2023)	FS 2024 (Through April 20, 2024)	Percent Change 2023-2024
Total Field Assistance Face-to-Face Contacts	434,000	572,000	784,000	37%
Walk-in Exceptions (No Scheduled Appointment)	6,000	4,700	93,300	1,885%

In limited instances, the IRS deviates from its appointment policy and lets taxpayers receive assistance from a TAC without an appointment (*e.g.*, if the taxpayer was experiencing a hardship or if the TAC was able to accept walk-in appointments without disrupting scheduled appointments). During FS 2024, the combination of extended hours and Saturday events contributed to TACs assisting about 93,300 taxpayers without appointments, an increase of 1,885 percent from FS 2023.<sup>92</sup> The appointment-only approach can negatively affect taxpayers who need assistance urgently and cannot wait to obtain an appointment,<sup>93</sup> so TAS is pleased that the IRS's guidance to employees includes managerial discretion to assist taxpayers without appointments in certain circumstances.<sup>94</sup> However, serving taxpayers without appointments remains the exception to the rule, limiting taxpayer access to obtain in-person assistance from the IRS.

The IRS is piloting a program to assist taxpayers without appointments at select TAC locations. As part of this program, the taxpayer can seek virtual assistance from another participating TAC with service capacity.<sup>95</sup> Currently, there are 13 TAC locations scheduled to provide this service with the support of assistors from 58 remote TAC locations, depending on the availability of assistors.<sup>96</sup> We commend the IRS for thinking outside the box to provide much-needed assistance to these taxpayers without an appointment.

The IRS provides two alternative service options for taxpayers in areas not served by TACs. First, the IRS assists taxpayers virtually by using video communications known as virtual service delivery (VSD). To receive virtual assistance through this program, the taxpayer must use equipment provided at an established VSD partner site, such as a community organization.<sup>97</sup> Between January 1 and April 15, 2024, there were 14 VSD partner sites, and through April 13, 2024, the VSD sites assisted 165 taxpayers.<sup>98</sup> Second, the IRS provides virtual assistance through web-based software with its Web Service Delivery (WebSD) pilot program.<sup>99</sup> Taxpayers may make WebSD appointments to meet virtually with an IRS assistor and discuss issues such as math error notices and refund inquiries. From January 1 through April 15, 2024, the IRS scheduled about 4,200 WebSD appointments as part of this pilot program and completed about 3,200 appointments.<sup>100</sup> While TAS is pleased the IRS intends to make this program permanent next filing season, it should increase

91 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024); IRS, CY 2023 Individual Filing Season Report (week ending Apr. 21, 2023).

92 IRS, 2024 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 21, 2023, and April 19, 2024, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>.

93 IRM 21.3.4.2.4.2, TAC Appointment Exception Procedures (June 27, 2022), [https://www.irs.gov/irm/part21/irm\\_21-003-004r](https://www.irs.gov/irm/part21/irm_21-003-004r). The IRS will, in some circumstances, "double book" an appointment for hardship and international cases, but TAC group manager discretionary approval is required.

94 IRM 21.3.4.2.4.2, TAC Appointment Exception Procedures (June 27, 2022), [https://www.irs.gov/irm/part21/irm\\_21-003-004r](https://www.irs.gov/irm/part21/irm_21-003-004r).

95 IRS response to TAS information request (May 23, 2024).

96 *Id.*

97 IRM 1.4.11.3.4, Virtual Service Delivery (VSD) (Feb. 20, 2024), [https://www.irs.gov/irm/part1/irm\\_01-004-011](https://www.irs.gov/irm/part1/irm_01-004-011).

98 IRS response to TAS information request (May 23, 2024).

99 IRS, SERP Alert 24A0028, Web Service Delivery (WebSD) Virtual TAC (Jan. 23, 2024).

100 IRS response to TAS information request (May 23, 2024).

availability to meet the needs of a broader segment of taxpayers, giving them another option to interact with the IRS and get the assistance they need.

### Volunteer Tax Return Preparation Services Available to Taxpayers

As in previous filing seasons, eligible taxpayers had the option to seek free tax return preparation and filing assistance from volunteers at virtual, over-the-phone, and in-person sites via the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs.<sup>101</sup> VITA offers free tax return preparation assistance to people who generally make \$64,000 or less annually, people with disabilities, and limited English-speaking taxpayers who need assistance in preparing their own tax returns. TCE provides free tax help for individuals aged 60 and older.<sup>102</sup> Many taxpayers depend on the services these two programs offer to meet their income tax return filing requirements and claim refundable credits such as the Earned Income Tax Credit or Child Tax Credit.

VITA certified about the same number of volunteers and had nearly the same number of VITA and TCE sites in FS 2024, compared to FS 2023. Specifically, in mid-January 2024, about 67,000 volunteers were certified at about 9,000 VITA and TCE sites.<sup>103</sup> In addition, about 90 percent of these sites closed after April 15, 2024.<sup>104</sup> As illustrated in Figure 2.8, the IRS met the goal set by the Secretary by increasing the number of returns prepared in the VITA and TCE programs during this filing season by more than 220,000.<sup>105</sup>

**FIGURE 2.8, Individual Returns Filed by Volunteers, Filing Seasons 2022-2024<sup>106</sup>**

	FS 2022 (Through April 22, 2022)	FS 2023 (Through April 21, 2023)	FS 2024 (Through April 20, 2024)	Percent Change 2023-2024
<b>Total Individual Returns Prepared by Volunteers</b>	2,095,000	2,432,000	2,658,000	9.3%

The National Taxpayer Advocate recognizes and thanks the VITA and TCE volunteers who generously donated their time and knowledge to assist taxpayers. This year, these volunteers assisted taxpayers who filed nearly 2.7 million returns and provided them the ability to e-file their returns and speed up the payment of their refunds.<sup>107</sup> VITA and TCE volunteers are essential in helping low-income taxpayers, the elderly, taxpayers with disabilities, and limited English speakers fulfill their tax obligations. Millions of taxpayers depend on the generosity and knowledge of the VITA and TCE volunteers, and we are grateful for their service and dedication.

101 IRS, Free Tax Return Preparation for Qualifying Taxpayers (Mar. 29, 2024), <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>; IRS, Pub. 5450, VITA/TCE Site Operations (Sept. 2022), <https://www.irs.gov/pub/irs-pdf/p5450.pdf>. Some VITA sites used an Intake Only Site model that allowed taxpayers to drop off their documents and sign a consent form. Then, the communications would take place via phone or computer.

102 IRS response to TAS information request (May 23, 2024); IRS, Free Tax Return Preparation for Qualifying Taxpayers (Mar. 29, 2024), <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>; TAS, VITA and TCE (Feb. 8, 2024), <https://www.taxpayeradvocate.irs.gov/get-help/filing-returns/vita-and-tce/>.

103 IRS response to TAS information request (May 23, 2024).

104 *Id.*

105 U.S. Dep't of the Treasury, Press Release, IRS Achieves Key Paperless Processing Initiative Goal, Outlines Improvements for Filing Season 2024 (Nov. 7, 2023), <https://home.treasury.gov/news/press-releases/jy1890>.

106 IRS, 2024 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 21, 2023, and April 19, 2024, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>; IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023>.

107 IRS, CY 2024 Individual Filing Season Report (week ending Apr. 20, 2024).



## IRS Direct File

The IRS launched the Direct File pilot in the middle of FS 2024.<sup>108</sup> The pilot program is a new free service offering individual taxpayers a user-friendly and secure way to prepare and electronically file a federal income tax return directly with the IRS. After an initial testing phase, the IRS launched the program to the public on March 12, 2024, on a limited basis.<sup>109</sup> The program was available in both English and Spanish, and taxpayers could access the program from a smartphone, tablet, laptop, or desktop. However, to access the program, taxpayers had to first create an account and verify their identity through ID.me.<sup>110</sup>

During its inaugural year, Direct File was limited in scope. The program was only available to taxpayers who are U.S. citizens or resident aliens living in 12 states: Arizona, California, Florida, Massachusetts, Nevada, New Hampshire, New York, South Dakota, Tennessee, Texas, Washington, and Wyoming. In addition, during its first year, the IRS limited the pilot to eligible taxpayers reporting only certain types of income and claiming limited credits and deductions.<sup>111</sup> Specifically, taxpayers could use the program if they only had one or more of the following types of income: wage income, Social Security benefits, unemployment compensation, and interest income of \$1,500 or less. The program only supported the following types of tax deductions: standard deduction, educator expense deduction, and student loan interest deduction. Finally, the program only supported three tax credits: Earned Income Tax Credit, Child Tax Credit, and Credit for Other Dependents.

Through April 15, 2024, more than 140,000 taxpayers electronically filed accepted returns through the program.<sup>112</sup> The returns filed through Direct File reported \$90 million in total tax refunds and \$35 million in total tax balances due.<sup>113</sup> Of the 15,000 Direct File users who participated in a survey, 90 percent rated their experience as Excellent or Above Average. Even more impressive, the survey found that 86 percent of the survey respondents indicated that their experience with Direct File increased their trust in the IRS.<sup>114</sup>

The development of the tool has faced criticism by government oversight agencies and the commercial electronic filing industry. TIGTA found that the IRS overstated taxpayer interest in the tool due to the design of surveys conducted pursuant to the statutorily required report to Congress, which the IRS submitted to Congress on May 16, 2023.<sup>115</sup> The Government Accountability Office (GAO) found that the IRS failed to

108 The IRS announced that it is making the Direct File program permanent. IRS News Release, IR-2024-151, IRS Makes Direct File a Permanent Option to File Federal Tax Returns; Expanded Access for More Taxpayers Planned for the 2025 Filing Season (May 30, 2024), <https://www.irs.gov/newsroom/irs-makes-direct-file-a-permanent-option-to-file-federal-tax-returns-expanded-access-for-more-taxpayers-planned-for-the-2025-filing-season>.

109 U.S. Dep't of the Treasury, Press Release, U.S. Department of the Treasury, IRS Launch Direct File Pilot Program (Mar. 12, 2024), <https://home.treasury.gov/news/press-releases/jy2172>; *The President's Fiscal Year 2025 IRS Budget and the IRS 2024 Filing Season, Hearing Before the S. Comm. on Finance, 118th Cong.* (Apr. 16, 2024) (statement of Danny Werfel, Comm'r, Internal Revenue), <https://www.finance.senate.gov/download/0416-werfel-testimony>.

110 IRS, Fact Sheet FS-2024-09, Top Things to Know About the IRS Direct File Pilot as April Filing Deadline Approaches (Apr. 9, 2024), <https://www.irs.gov/newsroom/top-things-to-know-about-the-irs-direct-file-pilot-as-april-filing-deadline-approaches>.

111 IRS, Pub. 5917, IRS Direct File Pilot: What You Need to Know (Feb. 2024), <https://www.irs.gov/pub/irs-pdf/p5917.pdf>; IRS, Fact Sheet FS-2024-09, Top Things to Know About the IRS Direct File Pilot as April Filing Deadline Approaches (Apr. 9, 2024), <https://www.irs.gov/newsroom/top-things-to-know-about-the-irs-direct-file-pilot-as-april-filing-deadline-approaches>.

112 IRS, Pub. 5969, IRS Direct File Pilot Program Filing Season 2024 After Action Report 2 (May 2024), <https://www.irs.gov/pub/irs-pdf/p5969.pdf>; IRS News Release, IR-2024-122, Direct File Pilot Officially Closes After More Than 140,000 Taxpayers Successfully Use Direct E-Filing System in 12 States, Including Integration With 4 State Tax Systems (Apr. 26, 2024), <https://www.irs.gov/newsroom/direct-file-pilot-officially-closes-after-more-than-140000-taxpayers-successfully-use-direct-e-filing-system-in-12-states-including-integration-with-4-state-tax-systems>.

113 IRS, Pub. 5969, IRS Direct File Pilot Program Filing Season 2024 After Action Report 2 (May 2024), <https://www.irs.gov/pub/irs-pdf/p5969.pdf>.

114 *Id.* at 3.

115 TIGTA, Ref. No. 2024-408-002, *Inflation Reduction Act: Assessment of a Free and Electronic Direct Filing Tax Return System* (2023), <https://www.tigta.gov/reports/audit/inflation-reduction-act-assessment-free-and-electronic-direct-filing-tax-return>; IRS, Pub. 5788, Inflation Reduction Act § 10301(1)(B) IRS-Run Direct e-File Tax Return System (May 16, 2023), <https://www.irs.gov/pub/irs-pdf/p5788.pdf>.

appropriately account for the full cost of the new Direct File tool.<sup>116</sup> The commercial electronic filing industry has also criticized the pilot program as unpopular and unnecessary.<sup>117</sup>

One highlight of the IRS Direct File program is the way the development team worked with TAS to ensure the program is accessible to taxpayers with disabilities. TAS assisted the team in reaching out to individuals with disabilities and organizations that represent individuals with disabilities to test the tool for accessibility. This process identified several minor issues that the Direct File team addressed.

### IRS Free File Alliance

The Free File Alliance is a nonprofit coalition of industry-leading tax software companies that have partnered with the IRS to help millions of Americans prepare and e-file their federal returns for free.<sup>118</sup> It is available to taxpayers with an adjusted gross income of \$79,000 or less and provides options in English and Spanish. Taxpayers whose income exceeds the threshold may choose to complete their tax return using Free File Fillable Forms on [IRS.gov](https://www.irs.gov).<sup>119</sup> With about 2.9 million returns filed through Free File in FS 2024, the number of taxpayers who filed through this program is slightly more than the number of taxpayers who filed through the VITA and TCE programs, but the Free File program is still underutilized and has not achieved widespread adoption. Considering that 98 percent of respondents to a 2023 survey indicated they would use the Free File program again, the IRS needs to do more to advertise the Free File Alliance products and services and ensure they are easy for taxpayers to find on [IRS.gov](https://www.irs.gov).<sup>120</sup> On May 22, 2024, the IRS announced that it had extended the Free File program through 2029.<sup>121</sup>

**FIGURE 2.9, Individual Returns E-Filed Using Free File, Filing Seasons 2022-2024<sup>122</sup>**

FS 2022 (Through April 22, 2022)	FS 2023 (Through April 21, 2023)	FS 2024 (Through April 20, 2024)	Percent Change 2023-2024
2,954,000	2,651,000	2,856,000	7.7%

116 GAO, GAO-24-107236, *IRS Direct File: Actions Needed During Pilot to Improve Information on Costs and Benefits* (2024), <https://www.gao.gov/products/gao-24-107236>.

117 Julie Zauzmer Weil, *The IRS's New Tax Software: Rave Reviews, But Low Turnout*, WASH. POST, Apr. 15, 2024, <https://www.washingtonpost.com/business/2024/04/15/irs-direct-file-reviews/>.

118 Free File Alliance, FAQs, <https://freefilealliance.org/faq> (last visited May 7, 2024). The site answers whether a taxpayer may file their state income tax for free: "Some participating Free File Alliance companies offer free state tax return preparation and e-filing services through partnerships with participating state programs. Other companies charge a fee for state tax return preparation and e-filing."

119 See IRS, Free File Fillable Forms (Feb. 21, 2024), <https://www.irs.gov/e-file-providers/free-file-fillable-forms>.

120 Free File Alliance, Press Release, *IRS Free File Now Open for 2024 – The Free File Alliance Offers Taxpayers Free Industry-Leading Tax Software* (Jan. 12, 2024), <https://www.prnewswire.com/news-releases/irs-free-file-now-open-for-2024---the-free-file-alliance-offers-taxpayers-free-industry-leading-tax-software-302033793.html>.

121 IRS News Release, IR-2024-145, *IRS Announces Extension of Free File Program Through 2029* (May 22, 2024), <https://www.irs.gov/newsroom/irs-announces-extension-of-free-file-program-through-2029>.

122 IRS, 2023 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 22, 2022, and April 21, 2023, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-21-2023>; IRS, 2024 Weekly Individual Filing Season Report, Cumulative Statistics Comparing April 21, 2023, and April 19, 2024, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2024>.

## Taxpayers Need Timely Guidance to Comply With Their Tax Obligations<sup>123</sup>

IRS transparency is a cornerstone of our tax administration system and is crucial for taxpayers to voluntarily comply with their tax obligations. One area of concern during the past several years has involved confusion surrounding payments from states to taxpayers and whether these payments are subject to federal taxation. In February 2023, after delays in providing requested guidance on this issue, the IRS announced broad administrative relief for state payments, allowing taxpayers to exclude them from federal taxation because it was the middle of the filing season, and each state payment program required careful analysis.<sup>124</sup> Although taxpayers appreciated the relief in 2023, it did not provide certainty for subsequent years. On September 18, 2023, to provide more certainty, the IRS issued Notice 2023-56, which specifies when payments from states to taxpayers are subject to federal taxation.<sup>125</sup>

However, questions remained about specific situations. For example, in August 2023, Colorado's congressional delegation sent a letter to IRS Commissioner Danny Werfel urging the IRS to provide guidance on whether Colorado's Taxpayer Bill of Rights (TABOR) payments to taxpayers are federally taxable.<sup>126</sup> The Commissioner confirmed at a meeting with Colorado leadership that the IRS would not tax state TABOR payments for TY 2023.<sup>127</sup> Although this determination provided relief for Colorado taxpayers when filing their 2023 tax returns, it provided little certainty as to how the IRS would view these payments in future years. Additionally, the IRS reached a different conclusion when analyzing Minnesota's state payments where the state sent a rebate payment to taxpayers, determining that these payments did not fall within the general welfare or disaster relief payment exclusions.<sup>128</sup> These two examples illustrate that the IRS needs to provide more specific guidance to add certainty as to how taxpayers should treat these state payments on their federal returns.

In another example, the IRS provided that payments made from Arizona's Families Tax Rebate Program are subject to federal taxation.<sup>129</sup> It did not provide a written statement on its position until 18 days after the start of the 2024 filing season and only after Arizona's Attorney General challenged the IRS's position, which was initially provided to the Arizona Department of Revenue verbally during a virtual meeting.<sup>130</sup>

Obviously, there is much confusion surrounding the taxability of state payments, and the IRS needs to do more to resolve the confusion facing states and taxpayers. This is just one area where the IRS needs to provide more specific and timely guidance so taxpayers do not scramble at the beginning of each filing season to determine how to treat these or other payments. Taxpayers should not have to rely on their elected representatives to nudge the IRS to provide guidance on the federal tax treatment of these payments.

123 See Systemic Advocacy Objective: *Enhance IRS Transparency by Improving Applicable Technology, Sufficiently Explaining Modernization Progress, and Providing Straightforward Guidance on Tax Law*, *infra*.

124 IRS News Release, IR-2023-23, IRS Issues Guidance on State Tax Payments to Help Taxpayers (Feb. 10, 2023), <https://www.irs.gov/newsroom/irs-issues-guidance-on-state-tax-payments-to-help-taxpayers>.

125 IRS Notice 2023-56, 2023-38 I.R.B. 824, Federal Income Tax Consequences of Certain State Payments, <https://www.irs.gov/pub/irs-drop/n-23-56.pdf>.

126 Letter from Rep. Joe Neguse et al., to Danny Werfel, Comm'r, Internal Revenue (Aug. 31, 2023), [https://neguse.house.gov/sites/evo-subsites/neguse.house.gov/files/evo-media-document/irs\\_co-tabor-letter-8.31.23.pdf](https://neguse.house.gov/sites/evo-subsites/neguse.house.gov/files/evo-media-document/irs_co-tabor-letter-8.31.23.pdf). In 1992, Colorado passed a TABOR amendment limiting the amount of tax revenue retained by the state and refunding the excess revenue to Colorado taxpayers.

127 Ernest Luning, *IRS Won't Tax TABOR Refunds, Agency Decides After Colorado Delegation Exerts Pressure*, COLO. POLITICS, Jan. 9, 2024, [https://www.coloradopolitics.com/colorado-in-dc/irs-wont-tax-tabor-refunds-agency-decides-after-colorado-delegation-exerts-pressure/article\\_9bf9a96c-a998-11ed-ad62-1768f3aef57c.html](https://www.coloradopolitics.com/colorado-in-dc/irs-wont-tax-tabor-refunds-agency-decides-after-colorado-delegation-exerts-pressure/article_9bf9a96c-a998-11ed-ad62-1768f3aef57c.html).

128 Letter from Danny Werfel, Comm'r, Internal Revenue, to Rep. Pete Stauber (Jan. 19, 2024), <https://stauber.house.gov/sites/evo-subsites/stauber.house.gov/files/evo-media-document/commissioner-werfel-letter-to-stauber.pdf>. Minnesota state rebate payments refunded a portion of the state's surplus to Minnesota residents.

129 Letter from Rep. David Schweikert et al., to Danny Werfel, Comm'r, Internal Revenue (Mar. 13, 2024), <https://schweikert.house.gov/wp-content/uploads/2024/03/Letter-to-IRS-on-AZ-Families-Tax-Rebate-Decision-3.13.24.pdf>.

130 *Id.*

## Taxpayers Are Experiencing Long Delays and Uncertainty With Pending Employee Retention Credit Claims<sup>131</sup>

The Employee Retention Credit (ERC) was a temporary payroll tax credit available to employers during parts of 2020 and 2021 intended to partially offset the cost of paying workers during the COVID-19 pandemic. Certain employers whose businesses experienced specific adverse effects from the pandemic could claim the ERC. Under the statute, taxpayers had until April 15, 2024, to claim the ERC for TY 2020 and until April 15, 2025, to claim the credit for TY 2021.<sup>132</sup>

In 2022 and 2023, the IRS experienced a surge in employers filing amended payroll tax returns to claim the credit retroactively. On September 14, 2023, the IRS announced a moratorium on processing new ERC claims through the end of 2023 due to concern about the potential for widespread ineligible claims and fraud within the program.<sup>133</sup> As of the drafting of this report, the moratorium is still in effect with no end in sight, and most of the claims filed before September 14, 2023, are still awaiting processing.

When the IRS imposed the moratorium, it had a backlog of nearly 666,000 ERC claims, with about 95 percent under 120 days old.<sup>134</sup> Over eight months later, nearly all ERC claims filed before the moratorium remain unprocessed, and 85 percent (1,148,026 out of 1,346,898) of pending claims are over 120 days old.<sup>135</sup> As of May 25, 2024, the backlog of unworked ERC claims has nearly doubled since the September 14, 2023, moratorium on processing new ERC claims.<sup>136</sup> The National Taxpayer Advocate does not want the IRS issuing improper payments and does not want to encourage fraudulent filings, but these significant delays are harming taxpayers with valid ERC claims, as many have already waited a year or longer for the IRS to determine if their claim is valid. The IRS's delay in processing these legitimate claims is hurting the very businesses for whom Congress created the ERC. It's time for the IRS to be transparent on how and when it plans to move forward addressing these ERC claims to ensure it protects the taxpayer *rights to finality and to challenge the IRS's position and be heard*.<sup>137</sup>

## CONCLUSION

Although FS 2024 was an overall success, and the IRS met the service goals set by the Secretary of the Treasury, backlogs still persist with amended returns, returns suspended as a result of a possible error, taxpayer correspondence, and IDTVA cases. After the filing season, taxpayers will continue to submit correspondence and file tens of millions of tax returns on extension. Thus, it is imperative that the IRS focus substantial resources during the rest of 2024 to catch up on its current backlog, timely process all incoming tax returns, pay out pending refunds, timely resolve IDTVA cases, and prevent carryover of unprocessed returns into 2025, while still providing taxpayer service through its toll-free lines and walk-in centers. The IRS needs to eliminate the word “backlog” from its vocabulary by modernizing the processing and scanning of paper returns, focusing on suspended and amended returns, issuing all pending refunds before the close of the year, and starting FS 2025 fresh.

<sup>131</sup> See Systemic Advocacy Objective: *Protect Taxpayer Rights in Employee Retention Credit Claims*, *infra*.

<sup>132</sup> IRC § 6511.

<sup>133</sup> IRS News Release, IR-2023-169, To Protect Taxpayers From Scams, IRS Orders Immediate Stop to New Employee Retention Credit Processing Amid Surge of Questionable Claims; Concerns From Tax Pros (Sept. 14, 2023), <https://www.irs.gov/newsroom/to-protect-taxpayers-from-scams-irs-orders-immediate-stop-to-new-employee-retention-credit-processing-amid-surge-of-questionable-claims-concerns-from-tax-pros>.

<sup>134</sup> IRS, RAD Report, COVID Business Credits (week ending May 18, 2024); see Systemic Advocacy Objective: *Protect Taxpayer Rights in Employee Retention Credit Claims*, *infra*.

<sup>135</sup> IRS, RAD Report, COVID Business Credits (week ending May 25, 2024).

<sup>136</sup> *Id.*

<sup>137</sup> See Taxpayer Bill of Rights, <https://www.taxpayeradvocate.irs.gov/taxpayer-rights/> (last visited May 7, 2024). The rights contained in the Taxpayer Bill of Rights are also codified at IRC § 7803(a)(3).