



Treasury Inspector General for Tax Administration Office of Audit

INTERIM RESULTS OF THE 2012 FILING SEASON

Issued on March 30, 2012

Highlights

Highlights of Report Number: 2012-40-036 to the IRS Commissioner for the Wage and Investment Division.

IMPACT ON TAXPAYERS

The filing season, defined as the period from January 1 through mid-April, is critical for the IRS because it is during this time that most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures.

WHY TIGTA DID THE AUDIT

In the 2012 Filing Season, the IRS continues to migrate the electronic filing (e-filing) of individual tax returns to the Modernized e-File (MeF) system. The IRS is also moving forward with its Customer Account Data Engine 2 implementation. The IRS is beginning to post data to the Master File daily rather than once a week. The objective of this review was to provide selected information related to the IRS 2012 Filing Season results.

WHAT TIGTA FOUND

As of March 3, 2012, the IRS received more than 63 million tax returns: 57 million (90 percent) were e-filed and nearly 6.3 million (10 percent) were filed on paper. The IRS has issued nearly 52.4 million tax refunds totaling approximately \$157.6 billion.

Taxpayers who e-filed their tax returns early in the 2012 Filing Season experienced delays in receiving their tax refunds. The IRS indicated that it had experienced problems with its filters established to identify fraud and with the program used by the MeF system to create output files using the accepted e-file tax return data format that other IRS systems need to continue with the processing of the tax return.

The IRS has improved its processing of Homebuyer Credit installment repayments; however, some were still not processed accurately. TIGTA also found that some paid tax return preparers are not complying with Earned Income Tax Credit due diligence requirements. Furthermore, as of March 3, 2012, the IRS has identified 441,462 tax returns with \$2.7 billion claimed in fraudulent refunds and prevented the issuance of \$2.6 billion

(97 percent) of those fraudulent refunds. The IRS also selected 134,509 tax returns filed by prisoners for fraud screening, representing a 112 percent increase compared to last filing season.

As a result of budget constraints, the IRS expects to be able to serve fewer taxpayers at its walk-in offices, called Taxpayer Assistance Centers, and answer fewer taxpayer telephone calls. The IRS anticipates it will have increased wait times, earlier cutoffs of assistance to avoid end-of-day overtime, and frequent unexpected closures of small Taxpayer Assistance Centers due to unscheduled employee absences. Tax return preparation will only be provided on a limited number of days per week and only on a first come, first served basis.

The IRS is also planning on providing only a 61 percent Level of Service on its toll-free lines. As of March 3, 2012, IRS assistors have answered 7.4 million calls and have achieved a 66 percent Level of Service and a 975 second (16.3 minutes) Average Speed of Answer.

Finally, during visits to Volunteer Program sites as of March 3, 2012, TIGTA has had nine tax returns prepared with a 44 percent accuracy rate. This is lower than the 60 percent accuracy rate we reported during the same time period for the 2011 Filing Season.

WHAT TIGTA RECOMMENDED

This report was prepared to provide interim information only. Therefore, no recommendations were made in the report.

READ THE FULL REPORT

To view the report, including the scope and methodology, go to:

<http://www.treas.gov/tigta/auditreports/2012reports/201240036fr.pdf>.