

Issuing Her Midyear Report, Taxpayer Advocate Says Backlog 'Is Still Crushing the IRS'

By:

Ruth Singleton

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Issuing her [midyear report to Congress](#), National Taxpayer Advocate Erin M. Collins expressed dismay over the [IRS's large backlog of paper returns and resulting refund delays](#). "At the end of May, the IRS had a larger backlog of paper tax returns than it did a year ago, and its pace of processing paper tax returns was slowing," she wrote in her preface. "That the backlog continues to grow is deeply concerning, primarily because millions of taxpayers have been waiting six months or more to receive their refunds."

"The IRS has said it is aiming to crush the backlogged inventory this year, and I hope it succeeds," Collins also wrote. "Unfortunately, at this point the backlog is still crushing the IRS, its employees, and most importantly, taxpayers. As such, the agency is continuing to explore additional processing strategies."

Collins took the IRS to task for missed opportunities, writing, "The IRS's paper processing delays were evident more than a year ago, and the IRS could have addressed them more aggressively at that time. Had the IRS taken steps a year ago to reassign current employees to processing functions, it could have reduced the inventory backlog carried into this filing season and accelerated the payment of refunds to millions of taxpayers. Had the IRS implemented 2-D barcoding, optical character recognition, or similar technology in time for the 2022 filing season, it could have reduced the need for employees to engage in the highly manual task of transcribing paper tax returns. Had the IRS quickly used some of the \$1.5 billion of additional funds provided by the American Rescue Plan Act of 2021 (ARPA), which was enacted 15 months ago, to hire and train additional employees, it could have worked through the backlog, answered more taxpayer telephone calls, and otherwise improved taxpayer service. These were missed opportunities."

She also criticized the IRS for its delays in processing taxpayer correspondence and its poor telephone service.

"During the 2022 filing season," Collins wrote, "the IRS sent taxpayers tens of millions of notices. These included math error notices, Automated Underreporter notices (where an amount reported on a tax

return did not match the corresponding amount reported to the IRS on a Form 1099 or other third-party information return), notices requesting a taxpayer authenticate his or her identity (where IRS security filters flagged a return as potentially filed by an identity thief), correspondence examination notices, and collection notices. If taxpayer responses were required, and if the IRS did not process a response, its automated processes could take adverse action or not release the refund claimed on the return.

Collins specifically called out the long processing times for taxpayer responses to such notes.

"When a taxpayer receives a notice and is requested to respond or chooses to respond, the taxpayer must generally do so by mail," she wrote. "Through May 21, the IRS processed five million taxpayer responses to proposed adjustments, and it took an average of 251 days to do so – more than eight months. That's more than triple the processing time of 74 days in fiscal year (FY) 2019, the most recent pre-pandemic year. When a math error or similar notice is generated in connection with a paper-filed tax return, the combination of the return processing delay and the correspondence processing delay may mean that the taxpayer must wait well over a year to get the issue resolved and receive the refund due. Earlier this year, the IRS suspended the issuance of automated notices, which should decrease future correspondence requiring processing and eliminate some taxpayer confusion."

With regard to reaching the IRS by phone, Collins wrote, "The IRS's telephone service has continued to be unacceptably poor. In 2021, the IRS received 167 million calls during the filing season. Telephone assistants answered nine percent, and hold times averaged 20 minutes. This filing season, the IRS received 73 million calls, telephone assistants answered ten percent, and hold times averaged 29 minutes. In ordinary times, if calls dropped by more than half from one year to the next and staffing remained relatively constant, IRS employees predictably would answer about double the percentage of calls in the second year. But that didn't happen because Accounts Management employees perform double duty – they answer most of the telephone lines, and they also process taxpayer correspondence, including some amended returns. To help reduce the correspondence backlog, the IRS made the decision to shift employees toward processing correspondence and away from the phones. I agree with and applaud that decision. The IRS must get current on processing returns, refunds, and correspondence. However, the allocation of more employees to handle correspondence has made the IRS as hard to reach as last year, with nine out of ten calls not reaching an employee."

"In fairness" Collins acknowledged, "the agency has multiple taxpayer service, information technology (IT), and enforcement priorities and limited resources to allocate among them. The IRS's technology needs are well known, and it originally intended to use the three-year supplemental ARPA funding it received to complete much-needed IT upgrades and accelerate functionality. These projects include modernizing its Individual Master File, robotics process automation/intelligent automation, a workforce infrastructure initiative, digitalization, Enterprise Case Management, Enterprise Data Platform, and Information Returns Modernization, and increasing the functionality of its online taxpayer accounts."

Key objectives

Looking ahead, Collins identified key objectives for the Taxpayer Advocate Service (TAS) for the upcoming fiscal year. Her report describes 14 systemic advocacy objectives, six case advocacy and other business objectives, and three research objectives. In light of the challenges taxpayers have been facing over the last two years, Collins wrote that TAS will be placing heavy emphasis on working with the IRS to improve the processing of tax returns and taxpayer service generally. Among the objectives the report identifies are: automating the processing of paper tax returns; reducing barriers to e-filing tax returns; improving the IRS's hiring and training processes; improving telephone service; and enhancing online accounts and digital communication.