



National Taxpayer Advocate assesses tax filing season and identifies areas for IRS improvement in mid-year report to Congress

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WASHINGTON — National Taxpayer Advocate Erin M. Collins today released her statutorily mandated [mid-year report to Congress](#). The report presents an assessment of the 2021 filing season, identifies key objectives the Taxpayer Advocate Service (TAS) will pursue during the upcoming fiscal year, and contains the IRS's responses to each of the 73 administrative recommendations the Advocate made in her 2020 Annual Report to Congress.

The Advocate's report emphasizes that the difficulties the IRS faced in performing its traditional work due to the COVID-19 pandemic and the added responsibilities it was assigned to make three rounds of stimulus payments combined to create significant challenges for taxpayers.

"This past year and the 2021 filing season conjure up every possible cliché for taxpayers, tax professionals, the IRS, and its employees," Collins wrote. "It was a perfect storm; it was the best of times and the worst of times; patience is a virtue; with experience comes wisdom and with wisdom comes experience; out of the ashes we rise; and we experienced historical highs and lows."

The IRS Timely Processed Most Tax Returns and Timely Issued Most Stimulus Payments

During the 2021 tax filing season, the IRS processed 136 million individual income tax returns and issued 96 million refunds totaling about \$270 billion. That matches up closely to the results of the last typical filing season in 2019. In addition to its traditional work, the IRS was directed by Congress to issue three rounds of stimulus payments over the past 15 months and has made about 475 million payments worth \$807 billion to mitigate the impact of the pandemic on U.S. families and businesses.

"The IRS and its employees deserve tremendous credit for what they have accomplished under very difficult circumstances," Collins wrote, "but there is always room for improvement."

The IRS Finished the Filing Season with Over 35 Million Tax Returns Awaiting Manual Reviews

Although most taxpayers successfully filed their returns and received their refunds, a historically high number did not. At the conclusion of the filing season, the IRS faced a backlog of over 35 million individual and business income tax returns that require manual processing – meaning that employee involvement is generally needed before a return can advance to the next stage in the processing pipeline. The backlog includes about 16.8 million paper tax returns waiting to be processed; about 15.8 million returns suspended during processing that require further review; and about 2.7 million amended returns awaiting processing. The backlog resulted largely from the pandemic-related evacuation order that restricted employee access to IRS facilities.

Processing backlogs matter greatly, the report says, because most taxpayers overpay their tax through wage withholding or estimated tax payments and are entitled to receive refunds when they file their returns. The government also uses the tax system to distribute financial benefits. So far for tax year 2020, in addition to refunding overpayments of tax, the IRS has issued about 20 million refunds that include Earned Income Tax Credits worth up to \$6,660 and about 15 million refunds that include Additional Child Tax Credits worth up to \$1,400 per qualifying child. This year, over eight million taxpayers also may be eligible to receive Recovery Rebate Credits.



“For taxpayers who can afford to wait, the best advice is to be patient and give the IRS time to work through its processing backlog,” Collins wrote. “But particularly for low-income taxpayers and small businesses operating on the margin, refund delays can impose significant financial hardships.”

The IRS Received a Record Volume of Telephone Calls, and Only 7 Percent of Callers Reached a Telephone Assistor on the Accounts Management Lines

When a taxpayer needs general information or is responding to an audit or collection notice, the IRS’s toll-free lines are often the taxpayer’s first or second option. During the 2021 filing season, the IRS received 167 million telephone calls – over four times as many calls as during the 2019 filing season. IRS employees could not keep pace with this massive volume of calls, resulting in the poorest service ever.

The IRS reported a “Level of Service” on its Accounts Management telephone lines of 15 percent, with only seven percent of taxpayer calls reaching a telephone assistor. On the “1040” line, the most frequently called IRS toll-free number, taxpayers placed about 85 million calls, and only three percent (*i.e.*, three out of 100) reached a telephone assistor.

“When so few callers can get through to a telephone assistor, problems remain unsolved and taxpayer frustration mounts,” Collins wrote.

The IRS Can Apply Lessons Learned from the Past Year to Improve Its Operations in the Future

Over the long run, the report says the lessons learned from the pandemic can be useful in helping to identify or reprioritize needs for improved tax administration and taxpayer service.

Collins wrote: “The pandemic exposed weaknesses and vulnerabilities that must be strengthened; it forced the IRS to experiment with new approaches to old problems; it led to a renewed awareness of the impact of cuts to the IRS’s budget over the past decade and the IRS’s need for additional funding; and it is causing the IRS and congressional overseers to collaborate on steps to improve the IRS’s performance going forward to provide taxpayers with the service they deserve.”

The report recommends the IRS take these proactive steps to improve service and communication with taxpayers:

- **Prioritize the development of accessible, robust online accounts.** The IRS offers an online account option for individual taxpayers, but its usefulness is limited in two ways. First, most taxpayers who try to establish online accounts fail because they cannot pass the e-authentication requirements. Second, the functionality of the accounts is very limited. TAS recommends that taxpayers be given the option of interacting online with the IRS for all common transactions, just as customers routinely interact with their financial institutions through online accounts. TAS further recommends that tax practitioners be given access to online accounts on behalf of their client taxpayers and that the IRS prioritize providing this service to practitioners.
- **Expand customer callback technology to all IRS toll-free telephone lines.** Many businesses and federal agencies with large telephone call centers offer customers the option of receiving a call back when the wait time to speak with a customer service representative is long. The IRS offers this option on some of its telephone lines, but the option is not yet offered on most lines, including the high-volume lines. Particularly in light of the telephone challenges taxpayers have experienced over the past year, TAS recommends that the IRS make customer callback an option on all high-volume telephone lines.



- **Reduce barriers to e-filing tax returns.** One of the biggest challenges the IRS has faced over the past year has been processing paper returns. Some taxpayers prefer to file on paper, but many taxpayers file on paper because they are prevented from e-filing. There are three principal obstacles to e-filing: (i) taxpayers sometimes are required to submit statements or other substantiation with their returns, and these attachments generally cannot be e-filed; (ii) some tax forms are not accepted electronically; and (iii) taxpayers sometimes need to override default entries when preparing their returns with tax software, and some of these overrides render returns ineligible for e-filing. TAS recommends the IRS address these limitations so all taxpayers who wish to e-file their returns may do so.
- **Utilize scanning technology for individual income tax returns prepared electronically but submitted on paper.** When taxpayers file returns on paper, IRS employees must manually transcribe the data line-by-line into IRS systems. In 2020, the IRS received about 17 million individual income tax returns and millions of business and other tax returns on paper. Manually entering data from so many paper returns is an enormous task, and transcription errors are common, particularly on longer returns. Scanning technology is available that would allow the IRS to machine read paper returns and avoid the need for manual data entry. TAS understands the IRS is exploring the implementation of scanning technology for paper 2020 tax returns and recommends it do so for future years as well.
- **Expand digital acceptance and transmission of documents and digital signatures.** The March 2020 closure of IRS offices and mail facilities made it impossible for IRS employees to receive paper documents from taxpayers. As a workaround, the IRS issued temporary guidance that authorizes employees to accept and transmit documents related to the determination or collection of a tax liability by email using an established secured messaging system. Employees are also permitted to accept images of signatures (scanned or photographed) and digital signatures on documents related to the determination or collection of a tax liability. TAS recommends the IRS make these temporary solutions permanent and continue to explore and prioritize additional digital communication options.
- **Offer videoconferencing options to taxpayers.** Videoconference technology allows taxpayers and their authorized representatives to be both seen and heard and to share documents without being physically present. The IRS Independent Office of Appeals offers WebEx technology for virtual face-to-face conferences among taxpayers, representatives, and Appeals Officers. The IRS Office of Chief Counsel and the U.S. Tax Court are also conducting video communications and virtual trials using ZoomGov.com. Although videoconferencing should not replace in-person or telephone conference options, it adds a vital human interaction option to enable communication with taxpayers when appropriate, and it provides options for taxpayers with difficulty traveling or the inability to take extended time off from work.

TAS has recommended the IRS evaluate the feasibility of expanding the use of these technologies to as many taxpayer-facing functions as possible without removing the in-person options for taxpayers. Videoconferencing should continue to be expanded and offered as an option to taxpayers because it can help fill current or future voids in face-to-face service at Taxpayer Assistance Centers (TACs) and in working with revenue agents or revenue officers. It can also be a useful tool to supplement correspondence audits, where conversing face-to-face may facilitate a better understanding of the taxpayer's return. In addition, taxpayers who are geographically remote from a TAC and taxpayers with mobility or transportation challenges find videoconferencing technology more helpful and economical than traveling for an in-person conference.

IRS Responses to National Taxpayer Advocate Administrative Recommendations

The National Taxpayer Advocate is required by statute to submit a year-end report to Congress that,



among other things, makes administrative recommendations to resolve taxpayer problems. Section 7803(c)(3) of the Internal Revenue Code authorizes the National Taxpayer Advocate to submit administrative recommendations to the Commissioner and requires the IRS to respond within three months. Under this authority, the National Taxpayer Advocate annually transmits to the Commissioner all administrative recommendations proposed in her year-end report for response.

The National Taxpayer Advocate made 73 administrative recommendations in her 2020 year-end report and then submitted them to the Commissioner for response. The IRS has agreed to implement 48 (or 66 percent) of the recommendations in full or in part.

The IRS's responses are published in an appendix to the report.

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The National Taxpayer Advocate is required by statute to submit two annual reports to the House Committee on Ways and Means and the Senate Committee on Finance. The statute requires these reports to be submitted directly to the Committees without any prior review or comment from the Commissioner of Internal Revenue, the Secretary of the Treasury, the IRS Oversight Board, any other officer or employee of the Department of the Treasury, or the Office of Management and Budget. The first report must identify the objectives of the Office of the Taxpayer Advocate for the fiscal year beginning in that calendar year. The second report must include a discussion of the ten most serious problems encountered by taxpayers, identify the ten tax issues most frequently litigated in the courts, and make administrative and legislative recommendations to resolve taxpayer problems.

The National Taxpayer Advocate blogs about key issues in tax administration. Click [here](#) to subscribe. Past blogs from the National Taxpayer Advocate can be found [here](#).

About the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an *independent* organization within the IRS that helps taxpayers and protects taxpayer rights. Your local taxpayer advocate's number is in your local directory and at <https://www.taxpayeradvocate.irs.gov/contact-us>. You can also call TAS toll-free at 877-777-4778. TAS can help if you need assistance in resolving an IRS problem, if your problem is causing financial difficulty, or if you believe an IRS system or procedure isn't working as it should. Our service is free. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to <https://www.taxpayeradvocate.irs.gov/>. You can get updates on tax topics at facebook.com/YourVoiceAtIRS, [Twitter.com/YourVoiceatIRS](https://twitter.com/YourVoiceatIRS), and YouTube.com/TASNTA.