



*Interim Results of the 2008 Filing Season*

**March 31, 2008**

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This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

March 31, 2008

**MEMORANDUM FOR** COMMISSIONER, WAGE AND INVESTMENT DIVISION

**FROM:** *Michael R. Phillips*  
Michael R. Phillips  
Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Interim Results of the 2008 Filing Season  
(Audit # 200840031)

This report presents selected information related to the Internal Revenue Service (IRS) 2008 Filing Season<sup>1</sup> results as of March 8, 2008. The 2008 Filing Season presented additional challenges for the IRS due to enactment of two significant new tax laws that provided relief to taxpayers who would have been subject to the Alternative Minimum Tax and will provide an economic stimulus payment to more than 130 million American households. As part of our Fiscal Year 2008 Annual Audit Plan, we are conducting a number of ongoing audits that are related to specific issues in this report. We will continue to provide IRS management with information on any areas of immediate concern throughout our audit process.

*Impact on the Taxpayer*

The filing season is critical for the IRS because it is the time when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures. The IRS estimates that it will process more than 137 million individual returns in the 2008 Filing Season. We did not identify any significant problems with the IRS' processing of individual income tax returns during the 2008 Filing Season through March 8, 2008. In general, the IRS accurately processed the returns it had received and issued refunds in a timely manner.

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<sup>1</sup> See Appendix VI for a Glossary of Terms.



## *Interim Results of the 2008 Filing Season*

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### Synopsis

As of March 8, 2008, electronic filing had increased by 7.3 percent compared to the same period in 2007. The number of taxpayers who electronically file from their home computers had increased by 15.2 percent in this filing season. Use of the IRS' free online filing program had been declining in prior years. However, based on the current volume, it appears more taxpayers are taking advantage of this option—the volume had increased by 12.8 percent from 2007.

Due to late passage of the Tax Increase Prevention Act of 2007,<sup>2</sup> which provides relief to taxpayers who would have been subject to the Alternative Minimum Tax, five tax forms affected by the legislation could not be processed until February 11, 2008. The February 11 date allowed the IRS enough time to update and test its systems without major disruptions to other return processing operations. The week ending February 15, 2008, was the first week for processing returns with the five affected forms. As a result, receipts increased by 20.9 percent over the same week last year. We are currently developing programming that will help us evaluate the effect on taxpayers of the delay in processing the five tax forms related to the Alternative Minimum Tax legislation.

In keeping with the intent of the Economic Stimulus Act of 2008,<sup>3</sup> the IRS is trying to ensure that everyone who is entitled to the stimulus payment knows what to do to receive it. The IRS sent advance notices to more than 130 million taxpayers who filed a Tax Year 2006 income tax return. These notices were mailed on March 4 through March 21, 2008, and cost an estimated \$45 million. The advance notice was informational only and did not require a response from the taxpayer. The IRS believes it will receive significantly fewer calls to its toll-free telephone information line as a result of issuing the advance notice. Since the legislation was enacted, the IRS has been averaging more than 50,000 stimulus payment calls per day above the normal volume at this time of year. Calls regarding the stimulus payment will continue and would have been substantially greater if the advance notices had not been issued.

The IRS also created a new tax package (Package 1040A-3) to be mailed to more than 20 million individuals who normally do not have to file tax returns (e.g., those who receive Social Security Administration and Department of Veterans Affairs benefits) but may qualify for the stimulus payment. As of March 8, 2008, the IRS had received an estimated 379,000 tax returns from individuals filing returns solely to receive the stimulus payment.

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<sup>2</sup> Pub. L. No. 110-166 Stat. 2461.

<sup>3</sup> Pub. L. No. 110-185, 122 Stat. 613.



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As of March 8, 2008, we had identified 149,078 taxpayers who had attached a Direct Deposit of Refund to More Than One Account (Form 8888) to split their tax refunds into up to 3 different bank accounts. While the number of taxpayers choosing to split their refunds is higher than last year at this time (52,696 taxpayers), it still represents less than 1 percent of all direct deposits through March 8, 2008. The 149,078 taxpayers had refunds totaling \$504.4 million, or an average of \$3,652 per refund.

The latest release of the Customer Account Date Engine (CADE), Release 3, was originally developed as one release to deliver 17 new functions and capabilities. However, the IRS divided Release 3 into Releases 3.1 and 3.2 and deployed CADE Release 3.1 in August 2007 with four major functions. CADE Release 3.2 was delivered in February 2008 with seven major functions. The remaining open functions will be determined for delivery in future releases of the CADE. These additional capabilities were expected to significantly increase the volume of returns posted to the CADE from the approximately 11.2 million returns posted during Calendar Year 2007. As of March 8, 2008, about 15.1 million tax returns had been posted to the CADE.

Millions of taxpayers borrow against all or part of their expected refunds using a Refund Anticipation Loan, which is a short-term loan based on a taxpayer's expected income tax refund and is a contract between the taxpayer and a lender. The IRS is not involved in the contract, cannot grant or deny the Loan, and cannot answer any questions about it. As of March 6, 2008, approximately 17 million taxpayers had applied for Refund Anticipation Loans when filing their 2007 tax returns.

During the 2008 Filing Season, we are conducting an audit to determine the effects that Refund Anticipation Loans have on taxpayers and tax administration. As part of the audit, we are conducting a telephone survey of taxpayers whose IRS records indicate that they applied for a Refund Anticipation Loan during the 2008 Filing Season. We plan to complete 350 surveys before March 31, 2008. As of March 8, 2008, we had completed 141 surveys. For the most part, survey respondents understand that the Refund Anticipation Loans are loans and that they obtain them to receive the money from their tax refunds sooner so they can pay their bills. Of the 141 survey respondents, 111 (79 percent) stated that they were unaware of IRS free tax return preparation services for which they qualify. We will report our final results in August 2008.

The Taxpayer Assistance Centers are walk-in sites where taxpayers can obtain answers to both account and tax law questions, as well as receive assistance in preparing their tax returns. The IRS plans to assist more than 6 million taxpayers in Fiscal Year 2008. As of March 8, 2008, the Taxpayer Assistance Centers had served 2.6 million taxpayers since October 1, 2007, 1.6 million taxpayers for the filing season (January 1 through March 8, 2008), and approximately 35,000 economic stimulus payment taxpayers.

In Fiscal Year 2007, the IRS implemented a standardized quality measurement system to measure the quality of taxpayer service at its Taxpayer Assistance Centers. Prior to this, the IRS had used our audit results to measure the accuracy of assistors' responses to tax law questions.



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Our results showed an accuracy rate of 51 percent in Fiscal Year 2002, with improvement to 73 percent in Fiscal Year 2006. The IRS reported a 79 percent accuracy rate for Fiscal Year 2007. As of March 8, 2008, the IRS had reported a 60 percent accuracy rate for tax law questions and an 83 percent accuracy rate for tax account questions.<sup>4</sup>

The performance measures and service indicators for the Toll-Free Telephone Program are currently lower than in the 2007 Filing Season because of increased demand related to the upcoming stimulus payment. Through March 8, 2008, the Level of Service provided on the IRS toll-free telephone lines (79.5 percent) was slightly lower than that provided during the same period in the last filing season (82.2 percent). The IRS is taking approximately 71 seconds longer to answer taxpayers' calls than in the 2007 Filing Season. The Average Speed of Answer is currently at 327 seconds (5.5 minutes). The number of blocked calls (489,967) had increased by 52 percent over that in the 2007 Filing Season (323,364).

The Volunteer Program plays an increasingly important role in the IRS' efforts to improve taxpayer service and facilitate participation in the tax system. We are in the process of evaluating return preparation accuracy for this Program. As of March 8, 2008, we had 18 tax returns prepared with a 56 percent accuracy rate—the same accuracy rate as in the 2007 Filing Season. We will report the final results in August 2008.

Taxpayers are continuing to increase their use of IRS.gov to obtain tax-related information. As of the week ending March 8, 2008, the IRS had reported a 12.3 percent increase in the number of visits to IRS.gov over the same period in the 2007 Filing Season. It had also reported a 19.8 percent increase in the number of taxpayers obtaining their refund information online via the "Where's My Refund" option found on IRS.gov.

### *Recommendation*

This report was prepared to provide interim information only. Therefore, we made no recommendations in the report. However, key IRS management officials reviewed it prior to issuance and agreed with the facts and conclusions presented.

Copies of this report are also being sent to the IRS managers affected by the report information. Please contact me at (202) 622-6510 if you have questions or Michael McKenney, Assistant Inspector General for Audit (Wage and Investment Income Programs), at (202) 622-5916.

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<sup>4</sup> Reported accuracy rates are unweighted and not based on a statistically valid sample of tax law and tax account questions asked during the filing season.



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*Abbreviations*

AMT	Alternative Minimum Tax
CADE	Customer Account Data Engine
<i>e-file(d); e-filing</i>	Electronically file(d); electronic filing
IRS	Internal Revenue Service



## *Background*

The filing season<sup>1</sup> is critical for the Internal Revenue Service (IRS) because it is the time when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures. The IRS estimates that it will receive more than 137 million (approximately 52 million paper and 85 million electronic) individual returns in the 2008 Filing Season. It continues to experience growth in electronic filing (*e-file*) and has projected total *e-file* volumes will increase by 7.3 percent in Calendar Year 2008.<sup>2</sup> Use of online *e-filed* returns continues to experience the fastest growth among *e-file* options available for individual taxpayers.<sup>3</sup>

One of the challenges for the IRS in processing these tax returns is implementation of new tax law changes. Before the filing season begins, the IRS must identify new tax law and administrative changes—and where possible—revise the various tax forms, instructions, and publications. It must also reprogram its computer systems to ensure that returns are accurately processed. Moreover, the 2008 Filing Season presented additional challenges due to enactment of two significant new tax laws the IRS had to implement.

- The Tax Increase Prevention Act of 2007,<sup>4</sup> which provides relief to taxpayers who would have been subject to the Alternative Minimum Tax (AMT).
- The Economic Stimulus Act of 2008,<sup>5</sup> which provides an economic stimulus payment to more than 130 million American households.

### **Legislation to extend relief from the AMT**

The AMT legislation was originally created to ensure that upper-income taxpayers did not avoid having significant tax liabilities. However, the tax was not indexed for inflation and had begun to affect middle-income taxpayers. On October 31, 2007, members of Congress vowed that legislative relief by the end of the year would provide an AMT “patch” to limit the number of taxpayers subject to the tax. Without legislation to provide AMT relief, 25 million taxpayers would have been subject to higher taxes in Tax Year 2007.

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<sup>1</sup> See Appendix VI for a Glossary of Terms.

<sup>2</sup> All references to a year are to calendar year unless otherwise noted.

<sup>3</sup> *Calendar Year Projections of Individual Returns by Major Processing Categories* (Document 6187), Spring 2007 Update, produced by the IRS Office of Research.

<sup>4</sup> Pub. L. No. 110-166 Stat. 2461.

<sup>5</sup> Pub. L. No. 110-185, 122 Stat. 613.





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The Tax Increase Prevention Act of 2007 was signed on December 26, 2007. It limited the number of taxpayers who would be subject to the AMT for Tax Year 2007 by extending the allowance of personal credits against the AMT and increasing the AMT exemption amounts to \$44,350 for individuals and \$66,250 for married taxpayers filing jointly.

In anticipation of the late passage of the legislation, in September 2007 the IRS began developing a strategy to determine the most efficient way to implement the legislation with minimum impact on the 2008 Filing Season. It determined that the AMT legislation would affect 5 return processing subsystems and 12 tax forms, including the Alternative Minimum Tax—Individuals (Form 6251). Appendices IV and V list the 5 subsystems and 12 tax forms affected, respectively.

Final passage of the legislation allowed the IRS to begin implementing the “Hybrid Approach,” a strategy developed for processing returns at the beginning of the 2008 Filing Season. This Approach would have the lowest impact to the IRS and taxpayers, allow the 2008 Filing Season to begin nearly on schedule, and provide other benefits related to IRS computer programs.

Even with the Hybrid Approach, 5 of the 12 tax forms affected by the legislation could not be processed until February 11, 2008. This date allowed the IRS enough time to update and test its systems to accommodate changes for the following tax forms without major disruptions to other return processing operations:

- Child and Dependent Care Expenses for Form 1040A Filers (Schedule 2 (Form 1040A)).
- District of Columbia First-Time Homebuyer Credit (Form 8859).
- Education Credits (Hope and Lifetime Learning Credits) (Form 8863).
- Mortgage Interest Credit (Form 8396).
- Residential Energy Credits (Form 5695).

### **Economic stimulus payment**

The Economic Stimulus Act of 2008, signed on February 13, 2008, was passed to energize the national economy. This legislation will provide a stimulus payment generally ranging from \$300 to \$1,200 to more than 130 million people. Individuals can receive up to \$600, and couples can receive up to \$1,200, with an additional \$300 for each qualifying child. Individuals have to file a 2007 tax return with a valid Social Security Number to receive the stimulus payment.

The IRS created an Executive Steering Committee prior to Congress’ finalizing the stimulus package details. This Committee is responsible for coordinating implementation of the stimulus payment agency-wide. The Department of the Treasury will begin issuing the stimulus payment, by mail or direct deposit, in May 2008. This stimulus payment is in addition to any regular tax refund.



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### **Customer Account Data Engine (CADE)**

The CADE consists of current and planned databases that will eventually replace the IRS Master File as the official repository of taxpayer account information. The CADE is designed to post information to taxpayers' accounts daily rather than weekly, which will facilitate faster refunds to taxpayers and provide IRS employees with more up-to-date and accurate account information. This ongoing project is being implemented in a series of successive releases, each with increased functionality. In CADE Release 3, the IRS planned to provide new capabilities and functions to the existing system that would ultimately increase the number of returns posted to the CADE. The major functions delivered include the capability of processing tax returns with a disaster area designator; processing tax returns claiming the Earned Income Tax Credit, the Credit for Child and Dependent Care, and requests for split refunds; providing address change service requests; and validating tax balances. In addition to the added functions, CADE Release 3 will have significant database changes to accommodate future complex tax return processes. These additional capabilities were expected to significantly increase the volume of returns posted to the CADE from the approximately 11.2 million returns posted during 2007.

### **Refund Anticipation Loans**

Millions of taxpayers borrow against all or part of their expected refunds using a Refund Anticipation Loan, which is a short-term loan based on a taxpayer's expected income tax refund and is a contract between the taxpayer and a lender. The IRS is not involved in the contract, cannot grant or deny the loan, and cannot answer any questions about it.

The lender is a bank, and the facilitator is usually the tax preparer or tax preparation company. The bank first deducts fees for the tax return preparation, *e-filing*, finance charges, and processing. The taxpayer receives the balance of the refund by check, direct deposit, or debit card or as a down payment on a good or service. Once the IRS processes the tax return generating the refund, the IRS transfers the funds directly to the bank to repay the loan. The loans last between 7 days and 14 days. Proposed legislation would require Refund Anticipation Loan facilitators to make specified disclosures to taxpayers about refund loan transactions.<sup>6</sup>

These interim 2008 Filing Season results are being presented through March 8, 2008. We will provide locations of the audit work and more detailed objectives and scope in our final report on the 2008 Filing Season. Later this year, we will issue reports covering many filing season-related topics. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed

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<sup>6</sup> Taxpayer Protection and Assistance Act of 2007, S. 1219, 110th Cong. Section 1 (2007).



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information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.



## Interim Results of the 2008 Filing Season

### Results of Review

#### Processing Tax Returns

As of March 8, 2008, we had not identified any significant problems with the IRS' processing of individual income tax returns during the 2008 Filing Season. While we have some concerns that are discussed in this report, in general, the IRS accurately processed the returns it had received and issued refunds in a timely manner. During the 2008 Filing Season, the IRS expects to process more than 137 million individual income tax returns. As of March 8, 2008, the IRS had received approximately 63.4 million returns. Of those, approximately 48.8 million were *e-filed* (an increase of 7.3 percent from this time in 2007) and approximately 14.6 million were filed on paper (a decrease of 5.3 percent from this time in 2007). Additionally, nearly 53.2 million refunds totaling approximately \$137 billion had been issued. Of these, 41.6 million (78 percent of all refunds) were directly deposited to taxpayer bank accounts, an increase of 6.6 percent compared to 2007. Figure 1 presents some tax return filing statistics.

**Figure 1: Comparative Filing Season Statistics**

<i>Cumulative Filing Season Data</i>	<b>2007 Actual</b> <i>As of March 10</i>	<b>2008 Actual</b> <i>As of March 8</i>	<b>% Change</b>
<b>Individual Income Tax Returns</b>			
<b>Total Returns Received</b> (in thousands)	60,876	63,383	<b>4.1%</b>
<b>Paper Returns Received</b> (in thousands)	15,410	14,588	<b>-5.3%</b>
<b>Electronic Returns Received</b> (in thousands)	45,466	48,795	<b>7.3%</b>
Practitioner Prepared	32,156	33,419	<b>3.9%</b>
Home Computer	13,342	15,377	<b>15.3%</b>
Free File <i>(also included in Home Computer total)</i>	2,456	2,770	<b>12.8%</b>
<b>Refunds</b>			
<b>Total Number Issued</b> (in thousands)	51,700	53,176	<b>2.9%</b>
<b>Total \$</b> (in millions)	\$129,992	\$136,976	<b>5.4%</b>
<b>Average \$</b>	\$2,514	\$2,576	<b>2.3%</b>
<b>Total Number of Direct Deposits</b> (in thousands)	39,088	41,665	<b>6.6%</b>
<b>Total Direct Deposit \$</b> (in millions)	\$110,090	\$117,708	<b>7.0%</b>

Source: IRS 2008 Filing Season Weekly Reports. Totals may not compute to those presented due to rounding.



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### **Increase in e-filing**

As of March 8, 2008, *e-filing* had increased by 7.3 percent compared to the same period in 2007. The number of taxpayers who *e-file* from their home computers had increased by 15.3 percent in this filing season. Use of the IRS' free online filing program had been declining in prior years. However, based on the current volume, it appears more taxpayers are taking advantage of this option—the number had increased by 12.8 percent from 2007.

The IRS has seen a steady growth in the *e-filing* of income tax returns over the past several years. In 2003, 40.7 percent of the approximately 130.1 million individual income tax returns received by the IRS were *e-filed*. In 2007, the percentage of *e-filed* returns increased to 57.1 percent of the total individual income tax returns received. While the IRS did not meet its goal of having 80 percent of all tax returns *e-filed* by the end of 2007, it expects to see continued growth in *e-filing*, although at a somewhat diminished rate from year to year. For example, the IRS expects the percentage of *e-filed* individual income tax returns to reach 62 percent in 2008 and 64.9 percent in 2009.

### **Delay of AMT legislation**

The IRS began processing paper tax returns on January 7, 2008, and electronic tax returns on January 11, 2008. However, to achieve these dates, the IRS did not process returns that included five tax forms affected by the AMT legislation until February 11, 2008. The week ending February 15, 2008, was the first week for processing tax returns with the five tax forms. As a result, receipts increased by 20.9 percent over the same week last year.

Delaying the processing of these tax returns allowed the IRS time to update and test its systems for the needed changes to these forms without major disruptions to other return processing operations. To prevent these forms from being *e-filed* before February 11, 2008, the IRS put in place programming that would reject tax returns filed with these forms. A total of 90,262 of these 5 forms were rejected from the Electronic Filing System through February 11, 2008. The processing of paper tax returns filed with any of these forms before February 11 was suspended by the IRS until its systems were ready to process the forms.

IRS data show that 1,050,323 Forms 6251 for 2007 had been processed through March 8, 2008. This compares to 890,378 Forms 6251 for 2006 that were processed in the first 8 weeks of processing in 2007. Receipts of Form 6251 had decreased by 27 percent in the first week of processing. However, receipts are now 18 percent higher than last year. We believe the decrease may have been the result of taxpayers who were reluctant to file early, given the widespread publicity surrounding the uncertainty of the AMT legislation prior to its late passage. Early tax return volumes are generally not good indicators of subsequent volumes, as reported in prior TIGTA reviews of the IRS filing seasons.

Currently, we are developing programming that will help us evaluate the effect on taxpayers of the delay in processing the five tax forms related to the AMT legislation.



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### **Processing the stimulus payment**

Taxpayers must file a 2007 tax return to automatically receive the stimulus payment beginning in early May 2008. No other action, form, or call will be necessary. The IRS will determine eligibility, calculate the amount, and send the payment.

In keeping with the intent of the Economic Stimulus Act of 2008, the IRS is trying to ensure that everyone who is entitled to the stimulus payment knows what to do to receive it. The IRS sent Economic Stimulus Payment Notices (Notice 1377) to more than 130 million taxpayers who filed a Tax Year 2006 income tax return. These notices were mailed on March 4 through March 21, 2008, and cost an estimated \$45 million to print and mail. The advance notice was informational only and did not require a response from the taxpayer. Beginning in May, an additional notice will be mailed to those taxpayers eligible for the payment to explain the payment amount and how it was calculated. The IRS believes it will receive significantly fewer calls to its toll-free telephone information line as a result of issuing the advance notice. Since the legislation was enacted, the IRS has been averaging more than 50,000 stimulus payment calls per day above the normal volume at this time of year. Calls regarding the stimulus payment will continue and would have been substantially greater if the advance notices had not been issued.

The IRS also created the new tax package *Information About Economic Stimulus Payments for Social Security, Veterans, and Other Beneficiaries* (Package 1040A-3) to be mailed to more than 20 million individuals who normally do not have to file tax returns (e.g., those who receive Social Security Administration and Department of Veterans Affairs benefits) but may qualify for the stimulus payment. The law provides for payments to these individuals if they have a total of \$3,000 or more in qualifying income. Qualifying income is earned income; certain Social Security Administration, Railroad Retirement, and Department of Veterans Affairs benefits; and nontaxable combat pay. A taxpayer who qualifies under this income test will only have to file a U.S. Individual Income Tax Return (Form 1040A) for 2007 to receive the stimulus payment. The Form 1040A included in Package 1040A-3 highlights the simple, specific sections of the tax return people in this category can fill out to qualify for a stimulus payment.

As of March 8, 2008, the IRS had received an estimated 379,000 tax returns from individuals filing returns solely to receive the stimulus payment. We are currently developing programming to monitor the volume of these tax returns being processed and will monitor the effect these returns have on the 2008 Filing Season.

### **Limited use of split refunds**

Beginning in 2007, individual taxpayers could file a Direct Deposit of Refund to More Than One Account (Form 8888) to elect to have their Federal income tax refunds split and electronically deposited into up to three accounts (e.g., checking, savings, or Individual Retirement Arrangement). In addition, the accounts could be with up to three different United States financial institutions, including banks, brokerage firms, or credit unions. The IRS estimated that taxpayers would choose to split their refunds on approximately 3.8 million tax returns in 2007,





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but we identified only 52,696 taxpayers who used this option. This represented only one-tenth of 1 percent of the direct deposits through March 10, 2007.

The majority of taxpayers are choosing to have their refunds directly deposited to their checking or savings accounts (78 percent of refunds issued through March 8, 2008, were direct deposits). While the number of taxpayers choosing to split their refunds into 2 or 3 different accounts is higher than last year (149,078 compared to 52,696), it still represents less than 1 percent of all direct deposits through March 8, 2008. The 149,078 taxpayers had refunds totaling \$504.4 million, or an average of \$3,652 per refund. We will continue to monitor and analyze this throughout the 2008 Filing Season.

### **CADE Release 3 has been divided into subreleases**

CADE Release 3.1 was deployed in August 2007 with Disaster Indicator Functionality and Accounts Management Services Address Change Functionality, which was used for the first time by the Accounts Management Services function in October 2007.

The latest CADE release, Release 3.2, was originally being developed as one release to deliver new functionality and capabilities. However, the IRS divided Release 3.2 into two separate deployments (Release 3.2 Core Functionality and Release 3.2, High Volume Candidates). CADE Release 3.2 Core Functionality was delivered in January 2008 at the start of the filing season with major functions. Release 3.2, High Volume Candidates, was delivered in early February 2008 with the exception of Split Refund, which was delivered later in February. The CADE Independent Requirement Program with three functions will be determined for delivery in future releases of the CADE.

The additional capabilities were expected to significantly increase the volume of returns posted to the CADE from the approximately 11.2 million returns posted during Calendar Year 2007. As of March 8, 2008, about 15.1 million tax returns had been posted to the CADE.

### ***Refund Anticipation Loans and Tax Administration***

A Refund Anticipation Loan is a short-term loan based on a taxpayer's anticipated income tax refund. IRS records indicate that almost 20 million taxpayer accounts had Refund Anticipation Loan indicators for Tax Year 2006, although fewer taxpayers actually received the Loans because not all taxpayers with the Loan indicator received the Loan. For example, the taxpayers may not have applied or may not have passed the credit check.

As of March 6, 2008, approximately 17 million taxpayers had applied for Refund Anticipation Loans when filing their 2007 tax returns. This includes 9 million taxpayers who filed returns claiming the Earned Income Tax Credit. Figure 2 shows the number and selected demographics of these taxpayers.



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**Figure 2: Selected Demographics of Taxpayers With Refund Anticipation Loans for Tax Year 2007**

<b>Filing Status Segmentation</b>	<b>Total</b>	<b>Percentage</b>
Single	4,997,628	29%
Head of Household	8,165,692	47%
Married Filing Jointly	3,897,613	23%
Married Filing Separately	147,551	1%
Married Filing Separately /Spouse Not Required to File a Tax Return	1,879	---
Widow With Dependent Child	10,187	---
<b>Totals</b>	<b>17,220,550</b>	<b>100%</b>

  

<b>Income Segmentation</b>	<b>Total</b>	<b>Percentage</b>
No Income <sup>7</sup>	91,374	1%
\$1 - \$14,999	5,379,326	31%
\$15,000 – \$24,999	4,479,341	26%
\$25,000 – \$34,999	2,880,445	17%
\$35,000 – \$74,999	3,587,375	21%
\$75,000 – \$99,999	522,342	3%
\$100,000 or more	280,347	2%
<b>Totals</b>	<b>17,220,550</b>	<b>100%</b>

*Source: Our analysis of the Individual Return Transaction File*

During the 2008 Filing Season, we are conducting an audit to determine the effects that Refund Anticipation Loans have on taxpayers and tax administration. As part of the audit, we are conducting a telephone survey of taxpayers whose IRS records indicate that they applied for a Refund Anticipation Loan during the 2008 Filing Season. The survey is designed to gain an understanding of why taxpayers obtain Refund Anticipation Loans, the costs of the Loans, and taxpayers' experiences during the process. We plan to complete 350 surveys before March 31, 2008.

<sup>7</sup> These data represent taxpayers with 1) no income because of business and investment losses and 2) nontaxable sources of income.





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As of March 8, 2008, we had completed 141 surveys. Of the 141 taxpayers surveyed, 104 stated that they had actually received Refund Anticipation Loans. Additionally, 111 (79 percent) stated that they were unaware of IRS free tax return preparation services for which they qualify. The other 37 taxpayers did not obtain the Loans.

Of the 104 respondents who received Refund Anticipation Loans:

- 89 (86 percent) understood they were receiving a loan.
- 86 (83 percent) stated that the preparers explained the fees—although 53 could not tell us the annual percentage rate charged for the Loans.
- 35 (34 percent) learned they could receive their funds directly from their preparers, while 41 (39 percent) learned through advertisements.
- 80 (77 percent) stated they got the Refund Anticipation Loans to more quickly receive their refunds to pay bills.
- 61 (59 percent) received their Refund Anticipation Loans the day of or within 2 business days of their returns' preparation.

We will report our final results in August 2008.

### ***Providing Customer Service***

Taxpayers have several options to choose from when they need assistance from the IRS, including telephone assistance through the toll-free telephone lines, face-to-face assistance at the Taxpayer Assistance Centers and Volunteer Program sites, and self-assistance through the IRS public Internet site (IRS.gov).

The IRS has finalized its 5-year plan, called the Taxpayer Assistance Blueprint, to improve taxpayer service. The Taxpayer Assistance Blueprint Phase 2 report, which is available at IRS.gov, presents guiding principles and the IRS' Strategic Plan for taxpayer services. The Strategic Plan includes performance measures, service improvements portfolios, and an implementation strategy. We plan to assess the implementation of Taxpayer Assistance Blueprint Strategic Plan measures and initiatives in a future audit.



## Interim Results of the 2008 Filing Season

### Face-to-face assistance at the Taxpayer Assistance Centers

The Taxpayer Assistance Centers are walk-in sites where taxpayers can obtain answers to both account and tax law questions, as well as receive assistance in preparing their tax returns. The IRS plans to assist more than 6 million taxpayers in Fiscal Year 2008. As of March 8, 2008, the Taxpayer Assistance Centers had served 2.6 million taxpayers since October 1, 2007, 1.6 million taxpayers for the filing season (January 1 through March 8, 2008), and approximately 35,000 economic stimulus payment taxpayers. According to the IRS, 84 percent of the taxpayers who waited to speak to assistors at the 225 Taxpayer Assistance Centers that track wait time waited fewer than 30 minutes.

Figure 3 shows the number of contacts by product line at the Taxpayer Assistance Centers for Fiscal Years 2005 through 2008. The IRS estimated the Fiscal Year 2008 projections before passage of the economic stimulus legislation.

**Figure 3: Contacts for Fiscal Years 2005–2008  
(in millions)**

Contacts/Product Lines	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008 Projections <sup>8</sup>
Tax Accounts Contacts	2.5	2.7	3.1	3.1
Forms Contacts	1.6	1.4	1.3	1.1
Other Contacts <sup>9</sup>	1.4	1.3	1.4	1.1
Tax Law Contacts	1.2	.7	.8	.7
Tax Returns Prepared	.4	.4	.5	.4
<b>Totals</b>	<b>7.1</b>	<b>6.5</b>	<b>7.1</b>	<b>6.4</b>

Source: IRS management information reports.

In Fiscal Year 2007, the IRS implemented a standardized quality measurement system to measure the quality of taxpayer service at its Taxpayer Assistance Centers. Prior to this, the IRS had used our audit results to measure the accuracy of assistors' responses to tax law questions. Our results showed an accuracy rate of 51 percent in Fiscal Year 2002, with improvement to 73 percent in Fiscal Year 2006. The IRS reported a 79 percent accuracy rate for Fiscal

<sup>8</sup> The Fiscal Year 2007 data are not comparable to prior year data. In Fiscal Year 2007, the IRS changed its method of counting Taxpayer Assistance Center contacts by capturing the number of services provided rather than the number of taxpayers assisted. In Fiscal Year 2008, the IRS reverted to capturing the number of taxpayers assisted.

<sup>9</sup> Other Contacts include assisting taxpayers with the U.S. Departing Alien Income Tax Statement (Form 2063), date stamping tax returns brought in by taxpayers, helping taxpayers with general information such as addresses and directions to other IRS offices or other Federal Government agencies, and responding to correspondence.



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## *Interim Results of the 2008 Filing Season*

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Year 2007. As of March 8, 2008, the IRS had reported a 60 percent accuracy rate for tax law questions and an 83 percent accuracy rate for tax account questions.<sup>10</sup>

### **Toll-free telephone assistance**

Each filing season, approximately 15 million taxpayers contact the IRS by calling the various Customer Account Services function toll-free telephone assistance lines seeking help in understanding the tax law and/or meeting their tax obligations. The IRS expects increased demand this year due to calls about the upcoming economic stimulus payment. However, all planning for the 2008 Filing Season was completed before the legislation was passed, and calls related to the upcoming stimulus payment have affected service. While the strategic plan goal has not been revised, current projections indicate that the Level of Service could be as low as 74 percent for the fiscal year and 79 percent for the 2008 Filing Season.

### **Some of the performance measures and service indicators are currently lower than in the 2007 Filing Season because of increased demand related to the upcoming stimulus payment**

For the 2008 Filing Season (as of March 8, 2008), the IRS had answered about 104 percent of the planned 8.1 million assistor-answered calls. Its 79.5 percent Level of Service is 2.7 percentage points lower than the actual 2007 Filing Season Level of Service of 82.2 percent. For this planning period through March 8, 2008, the IRS had planned to provide an 81.2 percent Level of Service, but it indicated the percentage could be lower as a result of economic stimulus payment calls. The planning period is from January 1 through June 30 of each year. Additionally, the IRS had planned to answer 11.9 million automated calls but had answered 12.4 million automated calls as of March 8, 2008.

The IRS is taking approximately 71 seconds longer (27.7 percent) to answer taxpayers' calls than in the 2007 Filing Season. The Average Speed of Answer is currently at 327 seconds (5.5 minutes compared to a planned 278 seconds or 4.6 minutes). The number of blocked calls had increased over that in the 2007 Filing Season. As of March 8, 2008, they totaled 489,967 compared to 323,364 blocked calls for the same period in the 2007 Filing Season.

Figure 4 presents a year-to-date comparison of select toll-free telephone system measures and service indicators.

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<sup>10</sup> Reported accuracy rates are unweighted and not based on a statistically valid sample of tax law and tax account questions asked during the filing season.



*Interim Results of the 2008 Filing Season*

**Figure 4: Performance Measures and Service Indicators for the 2005–2008 Filing Seasons<sup>11</sup>**

	2005 Through March 12	2006 Through March 11	2007 Through March 10	2008 Through March 8
<b>Strategic Plan Measures</b>				
Level of Service	82.6%	84.2%	82.2%	79.5%
Average Speed of Answer (seconds)	235	182	256	327
Automated Calls Answered (millions)	13.9	13.0	12.3	12.4
CAS Assistor Calls Answered (millions)	9.4	8.7	8.5	8.5
CAS Assistor Services Provided (millions)	11.2	10.3	10.2	9.9
<b>Service Indicators</b>				
Abandon Rate <sup>12</sup>	11.5%	12.5%	13.1%	16.5%
Average Handle Time (seconds)	526	564	587	607
Assistor Availability	5.9%	6.9%	6.3%	4.9%
Primary Abandons <sup>13</sup> (millions)	3.6	3.8	4.2	4.3
Secondary Abandons (millions)	1.5	1.1	1.5	1.9
Total Blocked Calls (millions)	0.5	0.6	0.3	0.5

*Source: IRS Enterprise Telephone Data Warehouse. CAS = Customer Account Services. The IRS refers to the suite of 19 telephone lines to which taxpayers can make calls as “Customer Account Services Toll-Free.”*

**The IRS is taking actions to ensure that taxpayers have access to toll-free telephone assistance**

The IRS expects to receive 1) approximately 1.8 million calls in March and April 2008 related to the stimulus payments and 2) additional calls in May through July after it mails detailed stimulus payment notices to taxpayers. To ensure that taxpayers are able to call its toll-free telephone lines, the IRS states that it is maximizing availability to the telephone lines and the assistors. It is using more than 1,500 employees from other functions to handle calls. Additionally, the IRS will use overtime and extend the employment of the seasonal hires.

<sup>11</sup> The IRS averages its measures throughout the year. It does not weight them.

<sup>12</sup> This is the Secondary Abandon Rate. The IRS refers to calls that disconnect after reaching the queue as secondary abandons.

<sup>13</sup> The IRS refers to calls that disconnect before reaching the queue as primary abandons.



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## *Interim Results of the 2008 Filing Season*

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### **The automated message related to the upcoming stimulus payment**

The IRS responded quickly to taxpayers' desires to learn about the expected stimulus payment. During the week of January 14, 2008, it identified spikes in its individual toll-free telephone help line, 1-800-829-1040. Analysis of call recordings identified taxpayers calling about the impending stimulus payment. The IRS automated message informed taxpayers that because no legislation had passed, details of the stimulus payment plan had not been finalized.

In late January 2008, the IRS began receiving higher volumes of calls from taxpayers inquiring about the stimulus payment. To reduce the demand on assistors, the IRS implemented an automated message on the 1-800-829-1040 and 1-800-829-4933<sup>14</sup> toll-free telephone lines. The message explained that 1) the Administration and Congress had announced an economic growth package that would provide a stimulus payment to many Americans, 2) no legislation had been enacted and final details were not yet available, and 3) as more information became available the IRS would post it on IRS.gov.

On February 19, 2008, the IRS dedicated a separate telephone line to the automated message about the stimulus payment. The first menu item callers hear when calling the individual toll-free telephone line is about the payment. After the welcome message, callers hear, "If you are calling for information about the tax rebate, press 7." After pressing 7, callers are told they are being transferred to the Rebate Hotline, 1-866-234-2942. Once transferred, callers hear an informative and detailed message about the rebate.

Callers who would not normally be required to file a tax return or who have income less than \$3,000 are provided with the option to speak to an assistor once the message ends. However, after the recording ends, all other callers are not returned to a main menu so they can make another selection—instead the call is ended. As of March 8, 2008, the automated stimulus payment lines had received 1.2 million calls.

### **Tax preparation assistance at Volunteer Program sites**

The Volunteer Program plays an increasingly important role in the IRS' efforts to improve taxpayer service and facilitate participation in the tax system. It provides no-cost Federal tax return preparation and *e-filing* to underserved taxpayer segments, including low-income, elderly, disabled, and limited-English-proficient taxpayers. These taxpayers are frequently involved in complex family situations that make it difficult to correctly understand and apply tax law.

For the 2008 Filing Season, we are including the Tax Counseling for the Elderly Program sites in our testing of volunteer sites. We plan to visit 36 Volunteer Income Tax Assistance and Tax Counseling for the Elderly sites to determine if taxpayers receive quality service, including accurate preparation of their individual income tax returns. We developed scenarios designed to test quality controls and present volunteers with a wide range of tax law topics that taxpayers

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<sup>14</sup> This is the Business and Specialty Tax Services Line.



## Interim Results of the 2008 Filing Season

may have needed assistance with when preparing their tax returns. These scenarios included the characteristics (e.g., income level, credits claimed) of tax returns typically prepared by the Volunteer Program volunteers, based on our analysis of the Tax Year 2007 volunteer-prepared tax returns.

As of March 8, 2008, we had 18 tax returns prepared with a 56 percent accuracy rate, which is the same accuracy rate we reported for the 2007 Filing Season. We observed that volunteers did not always use the tools and information available when preparing tax returns. We will report our final results in August 2008. Figure 5 presents comparisons of Volunteer Program activities for the 2006 through 2008 Filing Seasons.

**Figure 5: Year-to-Date Comparisons of the 2006–2008 Filing Seasons Through March 8, 2008**

	2006 Actual	2007 Actual	2008 Actual	% Change From 2007
Volunteer Return Preparation (in millions)	1.2	1.3	1.5	12.5%
Volunteer E-Filing	93.8%	94.4%	96.8%	2.5%

Source: IRS 2007 and 2008 Filing Season Weekly Reports. Totals may not compute to those presented due to rounding.

### Self-assistance through IRS.gov

IRS.gov continues to be one of the most visited Internet sites in the world, especially during the filing seasons. As of the week ending March 8, 2008, the IRS had reported a 12.3 percent increase in the number of visits to IRS.gov over the same period in the prior filing season. It had also reported a 19.8 percent increase in the number of taxpayers obtaining their refund information online via the “Where’s My Refund” option found on IRS.gov. Figure 6 shows the year-to-date comparisons of various IRS.gov activity levels for the 2006 through 2008 Filing Seasons.

**Figure 6: Year-to-Date Comparisons of the 2006–2008 Filing Seasons Through March 8, 2008 (in millions)**

	2006 Actual	2007 Actual	2008 Actual	% Change From 2007
IRS.gov Visits	76.4	81.7	91.7	12.3%
“Where’s My Refund?”	14.6	17.9	21.4	19.6%

Source: IRS 2007 and 2008 Filing Season Weekly Reports. Totals may not compute to those presented due to rounding.



## Appendix I

### *Detailed Objective, Scope, and Methodology*

The overall objective of this review was to provide selected information related to the IRS 2008 Filing Season<sup>1</sup> results as of March 8, 2008. To accomplish our objective, we:

- I. Identified new tax legislation and administrative changes for the 2008 Filing Season that will have the greatest potential effect on individual taxpayers.
  - A. Reviewed tax forms, instructions, and publications to determine whether they were accurately updated with the changes.
  - B. Identified tax legislation that was pending before Congress and determined what preparations were made by the IRS and the effect on taxpayers if the legislation was passed.
- II. Determined the volumes of individual tax returns the IRS is expecting to receive during the 2008 Filing Season by obtaining and reviewing the *Calendar Year Projections of Individual Returns by Major Processing Categories* (Document 6187), Fall 2007 Update, produced by the IRS Office of Research.
- III. Identified volumes of paper and *e-filed* returns received through March 8, 2008, from the IRS Weekly Filing Season reports that provide a year-to-date comparison of scheduled return receipts to actual return receipts. They also provide a comparison to Calendar Year 2007<sup>2</sup> receipts for the same time period.
- IV. Determined the adequacy of the IRS' planning for and implementation of the Economic Stimulus Act of 2008<sup>3</sup> by analyzing the legislation, meeting with the Executive Steering Committee, reviewing information on the IRS web site (IRS.gov), and evaluating the information provided to taxpayers related to the stimulus payment.
- V. Identified volumes of returns received through March 8, 2008, with the AMT and split refunds by analyzing weekly extracts of the Individual Return Transaction File.

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<sup>1</sup> See Appendix VI for a Glossary of Terms..

<sup>2</sup> All references to a year are to calendar year unless otherwise noted.

<sup>3</sup> Pub. L. No. 110-185, 122 Stat. 613.





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## *Interim Results of the 2008 Filing Season*

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- VI. Obtained the CADE Release 3 implementation plans and identified returns processed through the CADE as of March 8, 2008.
- VII. Reviewed interim results from the Refund Anticipation Loans<sup>4</sup> filing season audit to determine the effect Refund Anticipation Loans have on taxpayers and tax administration.<sup>5</sup>
- A. Using the Individual Return Transaction File, identified taxpayers with Refund Anticipation Loan indicators on their Tax Year 2007 tax accounts and analyzed the data for taxpayer demographics. We selected taxpayer accounts and verified the accuracy of the Individual Return Transaction File tax accounts by researching the IRS Integrated Data Retrieval System.
  - B. Reviewed fields required for the U.S. Individual Income Tax Return (Form 1040) review. We reviewed a sample at the beginning of the year and performed run-to-run balancing by comparing record counts in all logs showing that data were extracted from the IRS files to the location of data stored at the Treasury Inspector General for Tax Administration Data Center Warehouse. We reviewed fields in each cycle and checked Log Analysis and Reporting Systems on the IRS mainframe for reruns.<sup>6</sup>
  - C. Validated the data extracted to fill our electronic data processing requests. We conducted run-to-run balancing and ensured that the entire file was used with no gaps in the access or extraction of the data.
  - D. Evaluated taxpayers' knowledge of Refund Anticipation Loans by conducting a survey of taxpayers with Refund Anticipation Loan indicators on their Tax Year 2007 tax accounts during the period January through March 2008. As of March 8, 2008, we had completed 141 surveys. To select the taxpayers for the survey, we:
    - 1. Pulled a weekly extract from the Individual Return Transaction File data for seven filing cycles, beginning with Cycle 4.
    - 2. Matched data from each cycle to other IRS records to identify the taxpayers who had listed daytime telephone numbers on their tax returns (population varied for each cycle). The total population for all cycles was 9,508,717 taxpayer accounts.
- VIII. Identified interim results for the IRS Taxpayer Assistance Center Program.
- A. Obtained from the IRS Field Assistance Office statistics on taxpayers served at the Taxpayer Assistance Centers.

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<sup>4</sup> This is a short-term loan based on a taxpayer's expected income tax refund and is a contract between the taxpayer and a lender.

<sup>5</sup> Assessment of Refund Anticipation Loans (Audit Number 200840012).

<sup>6</sup> This review was performed by the Data Center Warehouse Information Technology Specialist.





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*Interim Results of the 2008 Filing Season*

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- B. Reviewed the IRS Weekly Filing Season Report, which provides a year-to-date comparison of various Taxpayer Assistance Center activity levels for the 2006 through 2008 Filing Seasons, through March 8, 2008.
- IX. Identified interim results for the IRS Toll-Free Telephone Assistance Program.<sup>7</sup>
  - A. Reviewed Performance Templates and Executive Level Summary reports from the Enterprise Telephone Data Warehouse for results as of March 8, 2008.
  - B. Reviewed information relative to the stimulus payment from IRS officials.
- X. Identified interim results for the Volunteer Program.<sup>8</sup>
  - A. Reviewed interim results from Treasury Inspector General for Tax Administration visits to Volunteer Program sites. A total of 18 tax returns had been prepared as of March 8, 2008.
  - B. Reviewed the IRS Weekly Filing Season Report, which provides a year-to-date comparison of the Volunteer Program activity levels for the 2007 and 2008 Filing Seasons.
- XI. Identified interim results for IRS self-assistance through IRS.gov from the IRS Weekly Filing Season Report, which provides a year-to-date comparison of IRS.gov activity levels for the 2007 and 2008 Filing Seasons.

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<sup>7</sup> Toll-Free Access 2008 Filing Season (Audit Number 200840008).

<sup>8</sup> Volunteer Program (Audit Number 200840010).



## **Appendix II**

### *Major Contributors to This Report*

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Jean Bell, Auditor  
Roberta Fuller, Auditor  
Bonnie Shanks, Auditor



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*Interim Results of the 2008 Filing Season*

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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Acting Chief of Staff C  
Deputy Commissioner for Services and Enforcement SE  
Deputy Commissioner, Wage and Investment Division SE:W  
Director, Business Modernization Office, Wage and Investment Division SE:W:BMO  
Director, Customer Account Services, Wage and Investment Division SE:W:CAS  
Director, Customer Assistance, Relationships, and Education, Wage and Investment Division  
SE:W:CAR  
Director, Electronic Tax Administration and Refundable Credits, Wage and Investment Division  
SE:W:ETARC  
Director, Strategy and Finance, Wage and Investment Division SE:W:S  
Chief, Performance Improvement, Wage and Investment Division SE:W:S:PI  
Director, Accounts Management, Wage and Investment Division SE:W:CAS:AM  
Director, Field Assistance, Wage and Investment Division SE:W:CAR:FA  
Director, Joint Operation Center, Wage and Investment Division SE:W:CAS:JOC  
Director, Stakeholder Partnerships, Education, and Communication, Wage and Investment  
Division SE:W:CAR:SPEC  
Director, Submission Processing, Wage and Investment Division SE:W:CAS:SP  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Audit Liaison: Senior Operations Advisor, Wage and Investment Division SE:W:S



## **Appendix IV**

### *Subsystems Affected by the Alternative Minimum Tax Legislation*

- **Electronic Fraud Detection System** – A compliance system that provides tools needed to perform pre-refund detection of potential criminally fraudulent tax returns and civil fraud involving the Earned Income Tax Credit and other examination issues.
- **Individual Document Specific** – Performs field and section validation checks on tax returns. It verifies whether all numeric fields contain only numeric data, checks for valid ranges in each field, performs math validation checks, and checks for inconsistencies between/among fields.
- **Individual Master File – Electronic Filing** – Manages U.S. Individual Income Tax Returns (Form 1040) received electronically from transmitters for preparers or individual taxpayers and passes accepted information to the Generalized Mainline Framework.<sup>1</sup>
- **Integrated Submission and Remittance Processing** – Transcribes and formats data from paper returns/documents/vouchers for input by key entry operators to the Generalized Mainline Framework and other systems.
- **Tax Return Data Base** – Contains tax return source information for all *e-filed* tax returns and Business Master File Magnetic Tape Employer's QUARTERLY Federal Tax Returns (Form 941). It contains *e-filed* tax forms and is the legal repository for all *e-filed* returns for Tax Year 1998 and beyond.

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<sup>1</sup> See Appendix VI for a Glossary of Terms.



## **Appendix V**

### *Tax Forms Affected by the Alternative Minimum Tax Legislation*

- Alternative Minimum Tax—Individuals (Form 6251).
- Child and Dependent Care Expenses (Form 2441).
- Child and Dependent Care Expenses for Form 1040A Filers (Schedule 2 (Form 1040A)).
- Credit for Qualified Retirement Savings Contributions (Form 8880).
- Credit for the Elderly or the Disabled (Schedule R (Form 1040)).
- Credit for the Elderly or the Disabled for Form 1040A Filers (Schedule 3 (Form 1040A)).
- District of Columbia First-Time Homebuyer Credit (Form 8859).
- Education Credits (Hope and Lifetime Learning Credits) (Form 8863).
- Foreign Tax Credit (Individual, Estate, or Trust) (Form 1116).
- Mortgage Interest Credit (Form 8396).
- Qualified Adoption Expenses (Form 8839).
- Residential Energy Credits (Form 5695).



## Appendix VI

### *Glossary of Terms*

AARP	The AARP (formerly the American Association of Retired Persons) is a nonprofit, nonpartisan membership organization for people age 50 and over.
Blocked Call	A blocked call is one that cannot be connected immediately because either no circuit is available at the time the call arrives (i.e., the taxpayer receives a busy signal) or the system is programmed to block calls from entering the queue when the queue backs up beyond a defined threshold (i.e., the taxpayer receives a recorded announcement to call back at a later time).
Business Master File	The Business Master File is the IRS database that consists of Federal tax-related transactions and accounts for businesses. These include employment taxes, income taxes on businesses, and excise taxes.
Customer Account Data Engine	The Customer Account Data Engine consists of current and planned databases that will eventually replace the IRS Master File as the official repository of taxpayer account information.
Earned Income Tax Credit	The Earned Income Tax Credit is a refundable Federal tax credit for low-income working individuals and families.
Electronic Filing System	The Electronic Filing System manages U.S. Individual Income Tax Returns (Form 1040) received electronically from transmitters for preparers or individuals and passes accepted information to the Generalized Mainline Framework.
Enterprise Telephone Data Warehouse	The Enterprise Telephone Data Warehouse is the official source for all data related to toll-free telephone system measures and indicators.
Filing Season	The filing season is the period from January 1 through April 15 when most individual income tax returns are filed.



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Generalized Mainline Framework	The Generalized Mainline Framework validates and perfects data from a variety of input sources—tax returns, remittances, information returns, and adjustments. Updated transactions are controlled, validated, and corrected.
Individual Master File	The Individual Master File is the IRS database that maintains transactions or records of individual tax accounts.
Individual Return Transaction File	The Individual Return Transaction File contains data transcribed from initial input of the original individual tax returns during return processing.
Integrated Data Retrieval System	The Integrated Data Retrieval System is the IRS computer system capable of retrieving or updating stored information. It works in conjunction with a taxpayer's account records.
Level of Service	The Level of Service is the primary measure of service to taxpayers. It is the relative success rate of taxpayers who call for services on the IRS toll-free telephone lines.
Taxpayer Assistance Centers	Taxpayer Assistance Centers are walk-in sites where taxpayers can obtain answers to both account and tax law questions, as well as receive assistance in preparing their tax returns.
Volunteer Program	The Volunteer Program includes the Volunteer Income Tax Assistance and Tax Counseling for the Elderly Programs. The Volunteer Program provides free tax assistance to persons with low to moderate income (generally, \$40,000 and below), the elderly, persons with disabilities, and persons with limited English proficiency who cannot prepare their own tax returns.