



Treasury Inspector General for Tax Administration

A SELF-ASSISTANCE OPTION WOULD REDUCE BURDEN AND COSTS ASSOCIATED WITH RESOLVING REJECTED ELECTRONIC TAX RETURNS

Issued on June 17, 2008

Highlights

Highlights of Report Number: 2008-40-128 to the Internal Revenue Service Commissioner, Wage and Investment Division.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) rejected more than 6.8 million (8.5 percent) of the nearly 80 million electronically filed (*e-filed*) tax returns it received for Tax Year 2006. More than 5.4 million of these returns were corrected and successfully *e-filed*. The current methods used to assist customers with rejected *e-filed* returns create burden for the customer and unnecessary expenses for the IRS, and result in the IRS maintaining redundant information in multiple systems. Providing a self-assistance option would help the IRS ensure that it continues to deliver a high level of service and support to customers who participate in electronic filing (*e-file*).

WHY TIGTA DID THE AUDIT

This audit was initiated because of concerns raised by representatives from the American Institute of Certified Public Accountants about the lack of an IRS self-help assistance option when an *e-filed* tax return is rejected. The overall objective of the audit was to determine whether the IRS can improve its service to customers when notifying them that it has rejected an *e-filed* return.

WHAT TIGTA FOUND

The information provided to a customer in the *e-file* acknowledgement file does not by itself enable the customer to address the reject condition(s). Customers are required to review publications and/or contact the IRS to obtain a detailed description of what caused the reject conditions and how to correct them.

In Calendar Year 2007, the IRS spent more than \$3 million providing customers with telephone assistance to address *e-file* reject conditions. Requiring customers to call the IRS to obtain assistance in correcting reject conditions increased the burden for the 154,986 customers who had to call the IRS for assistance with rejected *e-filed* tax returns in Calendar Year 2007.

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A self-assistance option could be created. The IRS provided us with documentation outlining a system that would give customers self-assistance options. The original request date for implementation was August 2005. However, resource constraints prevented its implementation. The IRS currently has a system that could be modified to include information on how to resolve the reject conditions which could be placed on IRS.gov (the public IRS web site) as a self-assistance option. Updates to this system could provide the IRS with a short-term solution for providing self-assistance.

WHAT TIGTA RECOMMENDED

TIGTA recommended that the Commissioner, Wage and Investment Division, 1) develop a self-assistance option on IRS.gov that allows customers to obtain detailed explanations of *e-file* reject conditions, including the steps to resolve them, and 2) develop a business case on the feasibility of providing in the *e-file* acknowledgement file the information that would allow customers to resolve their reject conditions once individual tax returns are transitioned to the Modernized *E-file* Program.

In their response to the report, IRS officials agreed in part with one of our recommendations and disagreed with the other one. For the 13 most common reject codes, a self-assistance option, which provides descriptions and suggested solutions, was added to IRS.gov. IRS management also plans to study the feasibility of adding a more comprehensive self-assistance option to IRS.gov.

IRS management disagreed that a business case to determine the feasibility of providing information in the *e-file* acknowledgement file for customers to resolve their reject conditions is necessary. As the IRS transitions to the Modernized *E-file* Program, customers will be provided reject codes that contain a clear and concise explanation of the reject conditions. This transition is scheduled for implementation by September 2009.

TIGTA agrees that the Modernized *E-file* Program should provide customers with explanations of error reject codes. However, error explanations alone, no matter how clear and concise, will not consistently communicate the steps required to correct the errors.

READ THE FULL REPORT

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

<http://www.treas.gov/tigta/auditreports/2008reports/200840128f.pdf>

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