



Treasury Inspector General for Tax Administration Office of Audit

EVALUATION OF THE COMPUTATION OF ECONOMIC STIMULUS PAYMENTS

Issued on September 4, 2008

Highlights

Highlights of Report Number: 2008-40-174 to the Internal Revenue Service Deputy Commissioners for Operations Support and Services and Enforcement.

IMPACT ON TAXPAYERS

Signed on February 13, 2008, the Economic Stimulus Act of 2008 was passed to energize the national economy. The most significant part of the Act is the economic stimulus payment to individuals. Our analysis of 129.1 million economic stimulus payments generated as of June 13, 2008, determined that the Internal Revenue Service (IRS) correctly calculated 128.5 million stimulus payments (99.6 percent) totaling \$89.2 billion. In addition, IRS programs ensured that payments were not issued to individuals who were not entitled to receive an economic stimulus payment.

WHY TIGTA DID THE AUDIT

This review is the second in a series of reviews designed to provide Congress with an ongoing status of the IRS' implementation of the Economic Stimulus Act of 2008. This report presents the results of our review to assess the accuracy of the IRS' computation of the economic stimulus payment and the adequacy of controls to prevent ineligible individuals from receiving a payment. The scope of this review was limited to an assessment of controls established and economic stimulus payments generated by the IRS as of June 13, 2008.

WHAT TIGTA FOUND

As required in the Economic Stimulus Act of 2008, specific filing and income requirements must be met for an individual to qualify for an economic stimulus payment. For example, an individual must have an income tax liability or at least \$3,000 in qualifying income, must file a Tax Year 2007 return with a valid Social Security Number, and cannot be claimed on another person's tax return. The economic stimulus payment also phases out as an individual's income increases.

In preparation for computing the amount that individuals would receive for an economic stimulus payment, the IRS was required to take a number of actions. These included coordinating with the Department of the

Treasury to ensure correct interpretation of the law and developing computer programming to calculate the economic stimulus payment.

The IRS correctly calculated 99.6 percent of the 129.1 million economic stimulus payments TIGTA reviewed. In addition, IRS programs ensured that payments were not issued to individuals who were not entitled to receive an economic stimulus payment.

Although the accuracy rate for economic stimulus payments was very high, TIGTA identified 539,550 returns (0.4 percent) for which our calculation of the payment and the IRS' calculation did not agree. Most of the differences resulted from business decisions made by the IRS in concurrence with the Department of the Treasury, taxpayer errors, and/or tax software errors.

During the course of this review, TIGTA monitored a number of other issues related to economic stimulus payments. The issues were monitored to identify the cause and actions taken by the IRS to address the concerns, which included duplicate paper tax returns filed only to claim the economic stimulus payment, Understanding Your Economic Stimulus Payment (Notice 1378) sent to the wrong individuals, direct deposits sent to the wrong bank accounts, and missing Refund Anticipation Loan indicators (a Refund Anticipation Loan is a short-term loan based on the taxpayer's expected income tax refund and is a contract between the taxpayer and a lender).

WHAT TIGTA RECOMMENDED

TIGTA made no recommendations in this report. In their response to the report, IRS officials agreed that the accuracy rate for the economic stimulus payments was very high.

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/200840174fr.pdf>

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