



Highlights

Highlights of [GAO-08-38](#), a report to congressional requesters

Why GAO Did This Study

In 2007, the Internal Revenue Service (IRS) will spend over \$3 billion to process returns and provide taxpayer service. Effective service can reduce taxpayers' burden of complying with tax laws and, many tax experts believe, may improve compliance. GAO was asked to assess IRS's performance relative to 2007 goals and prior years' performance including identifying actions that might generate efficiencies and increase compliance. GAO analyzed IRS performance data, reviewed IRS operations at various locations, and interviewed IRS and paid preparer representatives.

What GAO Recommends

GAO recommends that IRS determine the actions needed to require for software vendors to include bar codes on printed returns, the benefits of having all return information available electronically, and how much electronic filing would have to increase for the benefits of transcribing all paper returns to exceed the costs. GAO also recommends that IRS develop estimates of the effectiveness of its volunteer program, and determine the feasibility of using contact recording to monitor return assistance quality at walk-in sites.

In response, the Acting IRS Commissioner agreed with our recommendations and outlined the actions that IRS would take.

To view the full product, including the scope and methodology, click on [GAO-08-38](#). For more information, contact James White at (202) 512-9110, or WhiteJ@gao.gov.

TAX ADMINISTRATION

2007 Filing Season Continues Trend of Improvement, but Opportunities to Reduce Costs and Increase Tax Compliance Should be Evaluated

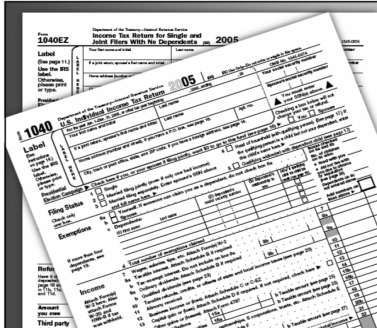
What GAO Found

IRS improved most filing season services during 2007, continuing a longer-term trend. Tax return processing exceeded last year's performance by most measures. Electronic filing grew at a faster rate than IRS anticipated and continued to generate savings. Access to IRS telephone assistors was comparable to last year, and the accuracy of responses to questions remained at about 90 percent. The performance of IRS's Web site improved in several measures, such as customer satisfaction. Continuing past trends, more taxpayers used volunteer sites, which are less costly than IRS's walk-in sites.

Despite these improvements, IRS could reduce the number of paper tax returns processed and also transcribe all lines from the residual paper returns, making that data more available for enforcement. Two options for reducing paper processing are electronic filing mandates, previously suggested by GAO, and bar coding, which could be required for paper returns prepared on computers and reduces processing costs. Currently, because of the cost, IRS does not transcribe all lines from paper returns. Further, IRS policy is to post the same lines from electronic and paper returns to its enforcement databases. As a result, IRS does not use all tax return information in its automated compliance checking programs. However, IRS does not know the actions needed to require software vendors to include bar codes on printed tax returns; the benefits, in terms of processing savings and improved enforcement, of having all return data available electronically; or how much electronic filing would have to increase, either through mandates or bar coding, for the benefits of transcribing all residual paper returns to exceed the costs.

Despite more reliance on its volunteer program, IRS has not evaluated its effectiveness at reaching underserved taxpayers. Further, IRS may be missing an opportunity to assess the quality of return preparation assistance at its walk-in sites through contact recording, a system IRS uses to record and assess the quality of other interactions between its employees and taxpayers.

IRS's 2007 Filing Season Activities

	Returns processing	Paper returns 56 million	@ 5 paper processing centers
		Electronic returns 79 million	@ 5 electronic processing centers
Taxpayer assistance	Toll-free calls 69 million	@ 24 call sites and automation	
	Walk-in contacts 5 million	@ 401 walk-in sites and 12,000 volunteer sites	
	Internet downloads 121 million	@ IRS Web site	

Source: GAO analysis of IRS data, IRS (images).