



*Interim Results of the 2009 Filing Season*

**March 30, 2009**

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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 30, 2009

**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 2009 Filing Season  
(Audit # 200940012)

This report presents selected information related to the Internal Revenue Service (IRS) 2009 Filing Season<sup>1</sup> results provided as of either March 6 or March 7, 2009.<sup>2</sup> As part of our Fiscal Year 2009 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. During the 2009 Filing Season, the IRS expects to receive nearly 140 million individual income tax returns. We did not identify any significant problems with the IRS' processing of individual income tax returns during the 2009 Filing Season through March 6, 2009. 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.

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<sup>1</sup> See Appendix IV for a glossary of terms.

<sup>2</sup> Results were provided as of either March 6 or March 7, depending on the date the IRS reported the respective data.



## *Interim Results of the 2009 Filing Season*

### *Synopsis*

One of the challenges the IRS confronts each year in processing tax returns is the implementation of new tax law changes. The 2009 Filing Season presented additional challenges for the IRS due to the enactment of two significant new tax laws.

- The Housing and Economic Recovery Act of 2008,<sup>3</sup> which includes a refundable First-Time Homebuyer Credit and an additional standard deduction for real property taxes.
- The Emergency Economic Stabilization Act of 2008,<sup>4</sup> which includes the Tax Extenders and Alternative Minimum Tax Relief Act of 2008<sup>5</sup> and the Heartland Disaster Tax Relief Act of 2008.<sup>6</sup>

As of March 6, 2009, we had not identified any significant problems with the IRS' processing of individual income tax returns during the 2009 Filing Season. Electronic filing has increased by 6.1 percent compared to the same period in 2008. The largest part of this increase is taxpayers electronically filing from their home computers, which increased by 19.9 percent. Although the Free File Program was expanded last year making 70 percent of all taxpayers (i.e., 98 million taxpayers) able to use this service, volumes have decreased by 30.2 percent from this same period in 2008.

***As of March 6, 2009, the IRS received approximately 63.9 million tax returns— 51.8 million e-filed and 12.1 million paper filed.***

The Recovery Rebate Credit (RRC) is available to eligible taxpayers who did not receive an economic stimulus payment or who are entitled to an additional payment. Of the 56.9 million tax returns processed as of March 6, 2009, a total of 11.4 million included a claim for the RRC. Claims for the RRC totaled approximately \$7.1 billion. Our analysis showed that the IRS correctly computed the RRC on 99.6 percent of tax returns processed.<sup>7</sup>

However, taxpayers are having difficulty determining whether they qualify to receive the RRC and, if they qualify, the amount of their credit. The IRS computed RRC payments totaling almost \$1.1 billion on more than 2.8 million eligible tax returns on which the taxpayer did not claim the RRC. In response to the growing Error Resolution System function inventory, the IRS hired seasonal employees earlier, is offering overtime, and has initiated both programming and

<sup>3</sup> Pub. L. No. 110-289, 122 Stat. 2654.

<sup>4</sup> Pub. L. No. 110-343, 122 Stat. 3765.

<sup>5</sup> Pub. L. No. 110-343, 122 Stat. 3861.

<sup>6</sup> Pub. L. No. 110-343, 122 Stat. 3912.

<sup>7</sup> We considered the IRS computation of the RRC correct when it matched our calculation of the RRC. Our match was performed subsequent to IRS error processing.



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procedural changes. To date, these efforts have enabled the IRS to resolve work in the Error Resolution System function in a timely manner.

In addition, a provision in the Housing and Economic Recovery Act of 2008 provides first-time homebuyers with a credit. As of March 6, 2009, we identified 567,685 returns claiming more than \$3.9 billion in the First-Time Homebuyer Credit. For 38,158 of the 567,685 claims, we identified that the taxpayer may have had ownership<sup>8</sup> in a personal residence within the last 3 years, which disqualifies the First-Time Homebuyer Credit claim. The recent passage of the American Recovery and Reinvestment Act of 2009<sup>9</sup> is presenting additional challenges for the IRS in processing tax returns claiming the First-Time Homebuyer Credit. The maximum amount of credit to which a taxpayer is entitled depends on the year in which the home was purchased (\$7,500 for purchases in 2008 and \$8,000 for purchases in 2009). The IRS is implementing processes to identify the date of purchase on the First-Time Homebuyer Credit (Form 5405).

Finally, as of March 6, 2009, the IRS had identified 67,780 returns with \$421,487,654 being claimed in fraudulent refunds and prevented the issuance of \$376,987,935 (89 percent) of the fraudulent refunds being claimed. This represents a 15 percent decrease in the number of returns identified as of this time last year.

The latest release of the Customer Account Data Engine (CADE), Release 4, was developed to deliver new functions and capabilities in two subreleases. The IRS deployed CADE Release 4.1 in July 2008, and Release 4.2 was deployed in January 2009. The new capabilities provided by CADE Release 4 include the processing of surviving spouse, decedent, and prior year returns; accepting payments made with a filed tax return which pay the balance due in full; processing extensions of time to file a tax return; and issuing some notices to taxpayers. These additional capabilities are expected to significantly increase the volume of returns posted to the CADE. As of the week ending March 6, 2009, about 18.8 million tax returns had been posted to the CADE, an increase of 48 percent from the same time last year.

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 7.1 million taxpayers in Fiscal Year 2009. As of February 28, 2009, the Taxpayer Assistance Centers had served 2.4 million taxpayers since October 1, 2008—1.3 million of those taxpayers for the 2009 Filing Season. As of January 31, 2009, the IRS had reported a 67 percent accuracy rate for tax law questions and an 82 percent accuracy rate for tax account questions.

Some performance measures and service indicators for the Toll-Free Telephone Program are currently lower than in the 2008 Filing Season because of increased demand related to prior year

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<sup>8</sup> Our determination was based on whether the taxpayer claimed deductions for real estate taxes, mortgage interest, points, residential energy credit, mortgage interest credit and/or the District of Columbia First-Time Homebuyer Credit within the last 3 years.

<sup>9</sup> Pub. L. 111-5, 123 Stat. 115.



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Adjusted Gross Income and the RRC.<sup>10</sup> Through March 7, 2009, the IRS had answered about 108 percent of the planned 9.4 million assistor-answered calls. The IRS' 58.8 percent Level of Service is 20.7 percentage points lower than the actual 2008 Filing Season Level of Service of 79.5 percent. For January 1 through March 7, 2009, the IRS had planned to provide a 77.4 percent Level of Service. In addition, the IRS had planned to answer 17.6 million automated calls, but had answered 15 million automated calls as of March 7, 2009.

The IRS is taking approximately 259 seconds longer (79.2 percent) to answer taxpayers' calls than in the 2008 Filing Season. The Average Speed of Answer is currently at 586 seconds (9.8 minutes) compared to a planned 420 seconds (7.0 minutes). The number of blocked calls increased more than seven times over that in the 2008 Filing Season. As of March 7, 2009, blocked calls totaled 3.9 million compared to 461,098 blocked calls for the same period in the 2008 Filing Season.

The Volunteer Program plays an increasingly important role in the IRS' efforts to improve taxpayer service and facilitate participation in the tax system. As of March 7, 2009, we had 22 tax returns prepared with a 64 percent accuracy rate, which is approaching the 69 percent accuracy rate we reported for the 2008 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 2009.

IRS.gov (the public IRS Internet web site) continues to be one of the most visited Internet web sites in the world, especially during the filing seasons. As of the week ending March 7, 2009, the IRS had reported a 28.7 percent increase in the number of visits to IRS.gov over the same period in the 2008 Filing Season.

### *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 E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services), at (202) 622-5916.

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<sup>10</sup> Toll-free telephone assistance data presented in this report were taken from available IRS reports through March 7, 2009, and comparable periods for prior years.



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*Abbreviations*

AGI	Adjusted Gross Income
CADE	Customer Account Data Engine
CI	Criminal Investigation
<i>e-file(d); e-filing</i>	Electronically file(d); electronic filing
ERS	Error Resolution System
FTHC	First-Time Homebuyer Credit
IRS	Internal Revenue Service
QRP	Questionable Refund Program
RRC	Recovery Rebate Credit
TY	Tax Year



## *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. During the 2009 Filing Season, the IRS expects to receive nearly 140 million individual income tax returns. It is still projected that electronically filed (*e-filed*) returns will continue to experience growth. The total *e-file* volumes are projected to increase by about 5.5 percent (4.8 million) in 2009.

***Two significant new tax laws were enacted that impact the 2009 Filing Season.***

Online *e-filed* returns are expected to increase by 11.6 percent.

One of the challenges the IRS confronts each year in processing tax returns is the 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 tax returns are accurately processed. The 2009 Filing Season presented additional challenges for the IRS due to the enactment of two significant new tax laws.

- The Housing and Economic Recovery Act of 2008,<sup>2</sup> which includes a refundable First-Time Homebuyer Credit (FTHC) and an additional standard deduction for real property taxes.
- The Emergency Economic Stabilization Act of 2008,<sup>3</sup> which includes the Tax Extenders and Alternative Minimum Tax Relief Act of 2008<sup>4</sup> and the Heartland Disaster Tax Relief Act of 2008.<sup>5</sup>

In addition, much like the 2008 Filing Season, the IRS is responsible for processing tax returns that include the Recovery Rebate Credit (RRC). Last filing season, the Economic Stimulus Act of 2008<sup>6</sup> provided economic stimulus payments to millions of taxpayers. During the 2009 Filing Season, the RRC will be available to eligible taxpayers who did not receive an economic stimulus payment or who are entitled to an additional payment based on information on their Tax Year (TY) 2008 individual income tax return.

<sup>1</sup> See Appendix IV for a glossary of terms.

<sup>2</sup> Pub. L. No. 110-289, 122 Stat. 2654.

<sup>3</sup> Pub. L. No. 110-343, 122 Stat. 3765.

<sup>4</sup> Pub. L. No. 110-343, 122 Stat. 3861.

<sup>5</sup> Pub. L. No. 110-343, 122 Stat. 3912.

<sup>6</sup> Pub. L. No. 110-185, 122 Stat. 613.





***The law provides a tax credit to first time homebuyers and an additional deduction for State and local real property taxes***

On July 30, 2008, the Housing and Economic Recovery Act of 2008 introduced the new FTHC. The credit is similar to an interest-free loan, in that it must be repaid over a 15-year period. It allows a taxpayer who is a first-time homebuyer a refundable tax credit equal to the lesser of \$7,500 (\$3,750 for Married Filing Separate) or 10 percent of the purchase price of a principal residence. The IRS has developed a new form for eligible taxpayers to calculate and claim this credit, First-Time Homebuyer Credit (Form 5405). This form requires the taxpayer to provide the address of the home qualifying for the credit, along with the date purchased.

In addition, the law also provides taxpayers who have paid State and local real property taxes, but are unable to itemize, a deduction of up to \$500 dollars for single filers and \$1,000 for married filers as an addition to their standard deduction. This provision was set to expire at the end of 2008; however, the Emergency Economic Stabilization Act of 2008 extended the provision through 2009.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009<sup>7</sup> was signed into law and includes several changes regarding the FTHC. These changes include increasing the maximum credit from \$7,500 to \$8,000. Under this law, taxpayers who are first-time homebuyers can receive a refundable tax credit equal to the lesser of \$8,000 (\$4,000 for Married Filing Separate) or 10 percent of the purchase price of a principal residence. Other changes include extending the credit for homes purchased through November 30, 2009, and eliminating the requirement to pay the credit back unless the purchased home is no longer the main home within the first 36 months of the purchase.

***The law also provides Alternative Minimum Tax relief, tax extenders for expiring tax law provisions, and relief to victims of natural disasters***

In 2008, Congress passed legislation for a massive financial bailout and tax relief package. The Emergency Economic Stabilization Act of 2008, which includes the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 and the Heartland Disaster Tax Relief Act of 2008, was enacted on October 3, 2008. This financial bailout and tax relief package includes 116 different tax provisions. It extends several expiring tax relief provisions and prevents an estimated 26 million middle-income taxpayers from being subject to the Alternative Minimum Tax by providing higher exemption amounts for 2008. This new law also extends through 2009 other provisions such as the State and local general sales tax deduction, the qualified tuition deduction, the additional standard deduction for real property taxes, and the teacher expense deduction. Taxpayers who were victims of disasters in the Midwest will also receive tax relief, and there is a new tax relief package for victims of all Federally declared disasters occurring after December 31, 2007, and before January 1, 2010.

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<sup>7</sup> Pub. L. 111-5, 123 Stat. 115.



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### **Recovery Rebate Credit**

The Economic Stimulus Act of 2008 was enacted on February 13, 2008, to energize the national economy. As of December 31, 2008, the Department of the Treasury had issued more than 119 million economic stimulus payments totaling more than \$96 billion. Most individuals received the economic stimulus payment in advance of filing their TY 2008 tax return based on information from their TY 2007 tax return. Individuals who qualify for a larger payment as a result of changes between their TY 2007 and TY 2008 tax returns will receive the RRC when they file their TY 2008 tax return.

Taxpayers compute the RRC and include the amount of the credit on their tax return. Any credit due will be included in the taxpayer's refund or will reduce the amount of tax owed. The IRS will systemically compute the RRC for every return as part of its credit validation process. It will also compute the credit for anyone who is eligible and does not claim the credit or who requests the IRS to compute the credit for them.<sup>8</sup> Most conditions that would make a taxpayer ineligible for the RRC (e.g., filing a non-resident tax return, income below the qualifying level, etc.) will be handled systemically through math error processing. For tax returns with these conditions, the credit is systemically disallowed and a notice is sent to the taxpayer explaining the reason.

These interim 2009 Filing Season results are being presented as of either March 6 or March 7, 2009.<sup>9</sup> This review was performed at the Wage and Investment Division Headquarters in Atlanta, Georgia; the Submission Processing function offices in Lanham, Maryland, and Cincinnati, Ohio; the Criminal Investigation (CI) Division office in Washington, D.C.; and the Submission Processing Sites in Austin, Texas; Atlanta, Georgia; Cincinnati, Ohio; Kansas City, Kansas; and Ogden, Utah. We will provide more detailed objectives and scope in our final report on the 2008 Filing Season that will be issued later this year along with other 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 information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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<sup>8</sup> The IRS identifies taxpayers requesting assistance in computing the RRC when the credit field is left blank or zero is entered on the tax return.

<sup>9</sup> Results were provided as of either March 6 or March 7, depending on the date the IRS reported the respective data.



## Interim Results of the 2009 Filing Season

### Results of Review

#### Processing Tax Returns

As of March 6, 2009, we had not identified any significant problems with the IRS' processing of individual income tax returns during the 2009 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. The IRS estimates that it will process 46.9 million paper and 93 million *e-filed* tax returns and provide customer service assistance via telephone, web site, and face-to-face to millions of taxpayers. As of March 6, 2009, the IRS had received approximately 63.9 million returns. Of those, approximately 51.8 million were *e-filed* (an increase of 6.1 percent from this time in 2008) and approximately 12.1 million were filed on paper (a decrease of 17.3 percent from this time in 2008). In addition, more than 54.6 million refunds totaling approximately \$153.6 billion had been issued. Figure 1 presents summary tax return filing statistics.

**Figure 1: Comparative Filing Season Statistics**

<i>Cumulative Filing Season Data</i>	<b>2008 Actual</b> <i>As of March 8</i>	<b>2009 Actual</b> <i>As of March 6</i>	<b>% Change</b>
<b>Individual Income Tax Returns</b>			
<b>Total Returns Received</b> (in thousands)	63,383	63,851	<b>0.7%</b>
<b>Paper Returns Received</b> (in thousands)	14,588	12,058	<b>-17.3%</b>
<b>Electronic Returns Received</b> (in thousands)	48,795	51,793	<b>6.1%</b>
Practitioner Prepared	33,419	33,349	<b>-0.2%</b>
Home Computer	15,377	18,444	<b>19.9%</b>
Free File <i>(also included in Home Computer total)</i>	2,770	1,935	<b>-30.2%</b>
Fillable Forms	N/A	140	<b>NA</b>
<b>Refunds</b>			
<b>Total Number Issued</b> (in thousands)	53,176	54,638	<b>2.7%</b>
<b>Total \$</b> (in millions)	\$136,976	\$153,579	<b>12.1%</b>
<b>Average \$</b>	\$2,576	\$2,811	<b>9.1%</b>
<b>Total Number of Direct Deposits</b> (in thousands)	41,665	44,744	<b>7.4%</b>
<b>Total Direct Deposit \$</b> (in millions)	\$117,808	\$135,613	<b>15.1%</b>

Source: IRS 2009 Filing Season Weekly Reports. Totals may not compute to those presented due to rounding.



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## Interim Results of the 2009 Filing Season

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However, taxpayer confusion when determining their eligibility for the RRC as well as the IRS' decision to compute the RRC for taxpayers is resulting in significant increases in tax returns going to the Error Resolution System (ERS) function. As of March 6, 2009, the IRS has identified approximately 5.4 million<sup>10</sup> tax returns with RRC errors.

### **E-filing continues to increase, but use of Free File is down**

The IRS began receiving *e-filed* tax returns January 16, 2009. As of March 6, 2009, *e-filing* had increased by 6.1 percent compared to the same period in 2008. The largest increase includes taxpayers who *e-file* from their home computers, which increased by 19.9 percent over last year. The IRS has seen a steady growth in the *e-filing* of income tax returns over the past several years. In 2003, of the approximately 130.1 million individual income tax returns received by the IRS, 40.7 percent were *e-filed*. In 2008, the percentage of *e-filed* returns increased to 58 percent of the total individual income tax returns received.

The Free File Program was expanded last year and offers 20 different software options that can assist taxpayers with an Adjusted Gross Income (AGI) of \$56,000 or less in 2008 to *e-file* their Federal tax returns for free. That means 70 percent of all taxpayers (i.e., 98 million) can take advantage of tax software that will help them complete their returns through the Free File Program. Three companies are offering their products in Spanish.

***The Free File Program was expanded last year to provide most individual filers with free e-file; however, taxpayers are not taking advantage of this filing option.***

In addition, a new option this year, Free File Fillable Forms, opens up the Free File Program to nearly everyone, even those with incomes exceeding \$56,000.

These Fillable Forms allow taxpayers to fill out and file their tax forms and *e-file* them with the IRS at no cost. These forms are only available through the Free File Program link on IRS.gov (the public IRS Internet web site), and some taxpayers may not benefit from this option because they are unaware the Fillable Forms are available since there is not a direct link from IRS.gov. This option does not include the step-by-step probe process, but it does allow taxpayers to enter their tax data, perform basic math calculations, sign their tax returns electronically, print their returns for recordkeeping, and *e-file* their returns. This option may be right for those who are familiar with the tax law, know what forms they want to use, and do not need assistance.

However, taxpayers are not taking advantage of this filing option. The Free File Program volumes have decreased by 30.2 percent from this time in 2008. IRS officials believe there are a number of reasons for the decreased volumes, such as a later start to the filing season this year, the migration of taxpayers to other free offers in the marketplace, and the elimination of *e-filing* fees by some software providers.

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<sup>10</sup> This volume is from an IRS report. Our electronic analysis of data files could only confirm 4.8 million returns.



**ERS function inventory has significantly increased because of taxpayer confusion when determining their eligibility for the RRC**

Taxpayers are having difficulty determining whether they qualify to receive the RRC and, if they qualify, the amount of their credit. The IRS had estimated 2.2 million individual *e-file* tax returns would be forwarded to the ERS function through June 2009 for correction. However, as of March 6, 2009, the IRS has already received more than 6.3 million *e-filed* tax returns in the ERS function. This represents 12 percent of *e-filed* tax returns. The filing of paper returns usually peaks later in the tax season. The IRS estimated that 9.9 million individual, paper-filed tax returns would be forwarded to the ERS function for correction and has received 3.1 million as of March 6, 2009.

The most common error being made by taxpayers and tax preparers is the incorrect computation of the RRC. These errors account for approximately 17 percent (approximately 1.9 million tax returns) of the total returns processed with an RRC claim. In addition to the increased ERS function inventory, below are some other indicators of the difficulty taxpayers are facing in computing the RRC. Results are as of March 6, 2009.

- The IRS rejected 778,174 *e-file* tax returns resulting from an error in the taxpayer computing the RRC. This represents 7 percent of the total *e-file* rejects. The most common reason is because the taxpayer had already received the maximum economic stimulus payment.
- The IRS issued approximately 4.9 million math error notices. This is a 1,415 percent increase over this time last year. The most common reasons include taxpayers receiving a notice because the IRS computed the RRC for them or taxpayers making an error when they attempted to compute the credit.

In response to the growing ERS function inventory, the IRS has hired seasonal employees earlier, is offering overtime, and has initiated both programming and procedural changes. To date, these efforts have enabled the IRS to resolve work in the ERS function in a timely manner. We will continue to monitor IRS efforts to reduce inventory in the ERS function throughout the filing season.

**The RRC was correctly computed on the majority of returns claiming the credit**

Of the 56.9 million tax returns processed as of March 6, 2009,<sup>11</sup> a total of 11.4 million included a claim for the RRC. Claims for the RRC totaled approximately \$7.1 billion. The IRS also computed RRC payments totaling almost \$1.1 billion on more than 2.8 million eligible tax returns on which the taxpayer did not claim the RRC. Our analysis showed that the IRS

<sup>11</sup> Volumes may differ slightly from official IRS reports. We counted from returns ready to post to the master file rather than from returns going into validation programs to test for readiness to post.



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correctly computed the RRC on 99.6 percent of tax returns processed.<sup>12</sup> The IRS has immediately initiated actions to address errors in the RRC calculation we brought to management's attention. The errors we identified were resulting in the issuance of erroneous RRC payments or individuals not receiving the RRC they are entitled to. As of March 6, 2009, we have identified 27,473 taxpayers who did not receive \$11 million in RRC payments to which they were entitled.

### **Recent changes to legislation are presenting challenges for administering the FTHC**

Congress allocated \$13.6 billion for the FTHC to encourage an estimated 2 million first-time homebuyers into purchasing homes to help stem the decline in the housing market. As of March 6, 2009, we identified 567,685 returns claiming more than \$3.9 billion in the FTHC. The law defines a "first-time homebuyer" as any individual (and spouse, if married) who had no ownership interest in a principal residence during the 3-year period prior to the purchase of the home to which the credit applies. For 38,158 of the 567,685 claims, we identified that the taxpayer may have had ownership<sup>13</sup> in a personal residence within the last 3 years, which disqualifies the FTHC claim. We currently have a separate audit assessing the effectiveness of IRS efforts to identify potentially erroneous/fraudulent claims for the FTHC subsequent to IRS receipt of tax returns as well as efforts to recover the erroneous FTHC refunds.<sup>14</sup>

We found that information provided on the Form 5405 could be used to verify certain eligibility requirements, but these data will not be captured. Also, the IRS has not requested that the taxpayer attach some form of documentation to the tax return to verify eligibility before the credit is allowed. The IRS has developed programming that rejects *e-filed* tax returns or forwards paper-filed tax returns to the ERS function in an attempt to ensure the accuracy of claims for the FTHC. In addition, the IRS noted that the Examination function will audit tax returns with a FTHC claim on all Questionable Refund Program (QRP) referral cases from the CI Division. To date, the CI Division has referred approximately 273 cases to the Examination function that included an FTHC claim. The IRS is also considering a discretionary audit program to specifically evaluate compliance with the 3-year rule<sup>15</sup> for the credit and would also consider the other eligibility criteria.

The recent passage of the American Recovery and Reinvestment Act of 2009 is presenting additional challenges for IRS processing of tax returns claiming the FTHC. The maximum

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<sup>12</sup> We considered the IRS computation of the RRC correct when it matched our calculation of the RRC.

Our match was performed subsequent to IRS error processing.

<sup>13</sup> Our determination is based on whether the taxpayer claimed deductions for real estate taxes, mortgage interest, points, residential energy credit, mortgage interest credit, and/or the District of Columbia FTHC within the last 3 years.

<sup>14</sup> First-Time Homebuyer Credit (Erroneous Claims) (Audit Number 200940033).

<sup>15</sup> If the home is sold within 3 years, the credit must be repaid.



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amount of credit to which a taxpayer is entitled depends on the year in which the home was purchased. First-time homebuyers who purchased homes in 2008 can claim up to \$7,500 (repayment is required), whereas those who purchase homes in 2009 can claim up to \$8,000 (repayment is not required). The IRS' current processes reject FTTC claims in excess of \$7,500. To ensure FTTC claims for 2009 purchases are not improperly rejected, the IRS has decided to process them separately. To identify which Forms 5405 need the separate processing, the IRS is manually reviewing each paper-filed return for Forms 5405 with 2009 purchase dates. The IRS is implementing programming to identify the date of purchase on Forms 5405 that are *e-filed*. We will continue to monitor IRS actions to develop processes to ensure the accuracy of FTTC claims.

### **Increase in the use of split refunds**

***Use of split refunds has increased 88.7 percent over the previous time period last filing season.***

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 majority of taxpayers are choosing to have their refunds directly deposited to their checking or savings accounts (82 percent of refunds issued through March 6, 2009, were direct deposits). While the number of taxpayers choosing to split their refunds into 2 or 3 different accounts is higher than last year (253,509 compared to 134,376), it still represents less than 1 percent of all direct deposits through March 6, 2009. The 253,509 taxpayers had refunds totaling \$1.04 billion, or an average of \$4,107 per refund. We will continue to monitor and analyze this throughout the 2009 Filing Season.

### **Customer Account Data Engine (CADE) Release 4 provides additional functionality**

As of March 6, 2009, the CADE posted 18.8 million returns, an increase of 48 percent over the number of tax returns the CADE posted during the same time last year. The CADE provides for faster tax refund processing with direct deposits issued 1 business day to 5 business days faster and paper tax refund checks issued 4 business days to 13 business days faster when compared to non-CADE processed tax returns. CADE Release 4.1 was deployed in July 2008 with functionality to process surviving spouse, decedent, and prior year returns. This release also included capabilities to issue notices to taxpayers informing them of their eligibility to receive Additional Child Tax Credit or that their tax refund will be issued to them in paper versus electronically.

The latest CADE release, Release 4.2, was delivered in January 2009 at the start of the filing season. Release 4.2 includes functionality to accept taxpayer payments made in full with a filed



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tax return and process the taxpayer's extensions of time to file a tax return along with any attached payments. This release also includes the capability to issue notices to taxpayers, informing those taxpayers with qualifying children of their eligibility to receive potential Earned Income Tax Credit. These additional capabilities are expected to significantly increase the volume of returns posted to the CADE from the approximately 30.6 million returns posted during Calendar Year 2008.

### **Detecting and Stopping Erroneous Refunds in a Timely Manner**

As of March 6, 2009, the IRS had identified 67,780 returns with \$421,487,654 being claimed in fraudulent refunds and prevented the issuance of \$376,987,935 (89 percent) of the fraudulent refunds being claimed. This represents a 15 percent decrease in the number of returns identified as of this period last processing year.

The CI Division QRP is a nationwide, multi-functional program designed to detect and stop fraudulent claims for refunds on income tax returns. Responsibility for coordinating the QRP resides with the CI Division's 10 Fraud Detection Centers (the Centers), which are located at each of the 10 IRS campuses where individual tax returns are filed and processed. Figure 2 shows the number of fraudulent returns identified by the QRP for Processing Years 2003 through 2008, as well as the refund amounts that were claimed and stopped.

**Figure 2: Fraudulent Returns and Refunds Identified and Stopped by the CI Division (Processing Years 2003–2008)**

Processing Year	Number of Fraudulent Refund Returns Identified	Number of Fraudulent Refund Returns Stopped	Amount of Fraudulent Refunds Identified	Amount of Fraudulent Refunds Stopped
2003	96,953	73,400	\$349,515,144	\$266,423,786
2004	118,075	82,099	\$440,773,403	\$309,961,554 <sup>16</sup>
2005	132,945	103,537	\$515,548,186	\$412,184,202
2006	52,255	35,523	\$271,180,566	\$188,715,519
2007	240,406	189,915	\$1,467,762,110	\$1,203,795,853
2008	380,656	306,128	\$1,959,992,377	\$1,683,912,973

Source: CI Division fraudulent return statistics for Processing Years 2003–2008.

<sup>16</sup> To facilitate comparisons, we eliminated a Processing Year 2004 refund scheme from the amounts shown as Number of Fraudulent Refunds Returns Identified and Number of Fraudulent Refunds Returns Stopped. This scheme included 2 returns claiming \$1.8 billion.





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Through the Electronic Fraud Detection System, each individual income tax refund return receives a data-mining score based on the characteristics of the return and other data. A private vendor developed the data-mining score, which is validated and updated before each processing year based on experience and new information. The higher the data-mining score, the greater the probability that the tax return might be fraudulent.

The Centers screen returns identified by the Electronic Fraud Detection System and determine each return's fraud potential. If a return is selected by the Center and included in its workload, the refund is held until employers or third parties are contacted to verify wage information on the return. If the Centers do not complete the verification process within a certain time period, the held refund is automatically released. In general, if the Centers conclude that a return contains false information (e.g., false or inflated wages), the return is referred to either the Accounts Management organization or the Examination functions<sup>17</sup> for resolution. Returns with refundable credits, such as the Earned Income Tax Credit, and returns for which the refunds were issued must be sent to the Wage and Investment Division Examination function because the law requires issuance of a statutory notice of deficiency whenever an assessment is made to increase the tax on an account.

### ***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' web site, IRS.gov.

#### ***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 7.1 million taxpayers in Fiscal Year 2009. Between October 1, 2008, and February 28, 2009, the Taxpayer Assistance Centers had served 2.4 million taxpayers, which includes 1.3 million taxpayers for the 2009 Filing Season. According to the IRS, 77.8 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 2006 through 2009.

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<sup>17</sup> According to the referral procedures, fraudulent refund returns are forwarded to either the Wage and Investment Division Examination function or the Small Business/Self-Employed Division Examination function. The majority of fraudulent refund returns are forwarded to the Examination function in the Wage and Investment Division. For purposes of this report, we will use the generic "Examination functions," unless we need to refer to a specific Division for clarification.



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**Figure 3: Contacts for Fiscal Years 2006–2009<sup>18</sup>  
(in millions)**

Contacts/Product Lines	Fiscal Year			
	2006	2007	2008	2009 Projections
Tax Accounts Contacts	2.7	3.1	3.2	3.5
Forms Contacts	1.4	1.3	1.0	.9
Other Contacts <sup>19</sup>	1.3	1.4	1.5	1.7
Tax Law Contacts	.7	.8	.6	.5
Tax Returns Prepared	.4	.5	.6	.5
<b>Totals</b>	<b>6.5</b>	<b>7.1</b>	<b>6.9</b>	<b>7.1</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. The IRS reported an 83 percent accuracy rate in Fiscal Year 2007 and a 69 percent accuracy rate for Fiscal Year 2008. As of January 31, 2009, the IRS had reported a 67 percent accuracy rate for tax law questions and an 82 percent accuracy rate for tax account questions.<sup>20</sup>

**Toll-free telephone assistance**

Each filing season, approximately 15 million taxpayers contact the IRS by calling the various Customer Account Services function<sup>21</sup> toll-free telephone assistance lines seeking help in

<sup>18</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>19</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.

<sup>20</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.

<sup>21</sup> The Director, Customer Account Services, Wage and Investment Division, manages tax law and account telephone calls through the Joint Operations Center.



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understanding the tax law and/or meeting their tax obligations.<sup>22</sup> For the 2009 Filing Season, the IRS expects increased demand because taxpayers are calling:

- To obtain the amount of their TY 2007 AGI. Starting in the latter part of January 2009 and continuing through March 2009, the IRS experienced heavy AGI call demand. These calls were caused by the IRS discontinuing the use of U.S. Individual Income Tax Declaration for an IRS *e-file* Online Return (Form 8453-OL) for TY 2008. Now that the Form is obsolete, taxpayers choosing to electronically prepare and file their tax returns are required to provide their prior year AGI and use a self-selected five-digit personal identification number as their signature.
- In response to math error notices issued by the IRS relating to the RRC.<sup>23</sup> The IRS is issuing math error notices because taxpayers are claiming an RRC amount that does not match the amount calculated by the IRS.

The IRS initially developed a projected AGI call demand of 1.8 million calls, but later reduced the demand projection to 800,000 calls. As of March 2, 2009, the IRS implemented and staffed a new application to monitor AGI call demand. The total AGI call demand as of March 7, 2009, was 3.3 million calls. Prior to the implementation of the new AGI application, the individual taxpayer account application absorbed the AGI call demand. As of March 7, 2009, the individual taxpayer account application<sup>24</sup> exceeded planned services provided by 32.8 percent (rounded). The actual services<sup>25</sup> provided were 5.3 million compared to the planned services of 4 million. In addition, there were 2.8 million courtesy disconnects on the individual taxpayer account application, and the Average Speed of Answer was 743 seconds (12.4 minutes).

### **There are fewer calls than anticipated to the Rebate Hotline**<sup>26</sup>

Both English and Spanish applications of the Rebate Hot Line are below planned services. However, the Average Speed of Answer for the English rebate application is 688 seconds (11.5 minutes).

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<sup>22</sup> Toll-free telephone assistance data presented in this report were taken from available IRS reports through March 7, 2009, and comparable periods for prior years.

<sup>23</sup> The IRS issues math error notices to taxpayers when changes made to the tax return during processing result in an overpayment. The IRS refunds the overpayment within 6 weeks if the recipient owes no other taxes.

<sup>24</sup> The toll-free telephone assistance lines are subdivided into categories called applications, each of which is staffed with a group of assistors who have received specialized training to assist taxpayers with specific tax issues. Application 20 is the individual taxpayer account application.

<sup>25</sup> The IRS defines a service as an issue or multiple issues handled by a single assistor. In general, one service equates to one or more taxpayer questions answered by one assistor. For example, one call might result in the IRS counting three services provided for one taxpayer: (1) asking a tax law question and requesting a form (two questions equals one service by one tax law assistor); (2) asking the status of an Employer Identification Number (one service by a business assistor); and (3) asking the status of the customer's individual account (one service by an individual account assistor).

<sup>26</sup> The Rebate Hotline is the telephone line dedicated to calls related to the economic stimulus payments/rebates.



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## *Interim Results of the 2009 Filing Season*

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The IRS has reported that rebate-related inquiries have been identified on applications other than the Rebate Hotline. For example, tests showed calls are being answered in the application dedicated to questions about credits. The Joint Operations Center staff was unaware that this was occurring and was under the assumption that all rebate-related calls were being handled on the rebate applications. We informed them, and they later confirmed, that an IRS alert was issued instructing assistors to route RRC eligibility calls to the credit application.

### **Because of calls inquiring about the prior year's AGI and the RRC, some performance measures and service indicators are currently lower than in the 2008 Filing Season**

For the 2009 Filing Season (as of March 7, 2009), the IRS had answered about 108 percent of the planned 9.4 million assistor-answered calls. Its 58 percent Level of Service is 20.7 percentage points lower than the actual 2008 Filing Season Level of Service of 79.5 percent. For January 1 through March 7, 2009, the IRS had planned to provide a 77.4 percent Level of Service. In addition, the IRS had planned to answer 17.6 million automated calls, but had answered 15 million automated calls as of March 7, 2009.

The IRS is taking approximately 259 seconds longer (79.2 percent) to answer taxpayers' calls than in the 2008 Filing Season. The Average Speed of Answer is currently at 586 seconds (9.8 minutes) compared to a planned 420 seconds (7 minutes). The number of blocked calls increased more than seven times over that in the 2008 Filing Season. As of March 7, 2009, the blocked calls totaled 3.9 million compared to 461,098 blocked calls for the same period in the 2008 Filing Season.

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



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**Figure 4: Toll-Free Performance Measures and Service Indicators for the 2006–2009 Filing Seasons<sup>27</sup>**

	<b>2006</b> Through March 11	<b>2007</b> Through March 10	<b>2008</b> Through March 8	<b>2009</b> Through March 7
Level of Service	84.2%	82.2%	79.5%	58.8%
Average Speed of Answer (seconds)	182	256	327	586
Automated Calls Answered (millions)	13.0	12.3	12.4	15.0
Customer Account Services Assistor Calls Answered (millions)	8.7	8.5	8.5	10.1
Customer Account Services Assistor Services Provided (millions)	10.3	10.2	9.9	11.6
Abandon Rate <sup>28</sup>	12.5%	13.1%	16.5%	36.6%
Average Handle Time (seconds)	564	587	607	575
Assistor Availability	6.9%	6.3%	4.9%	4.7%
Primary Abandons <sup>29</sup> (millions)	3.8	4.2	4.3	7.0
Secondary Abandons (millions)	1.1	1.5	1.9	3.4
Total Blocked Calls (millions)	0.6	0.3	0.5	3.9

Source: IRS Enterprise Telephone Data Warehouse. The IRS refers to the suite of 20 telephone lines to which taxpayers can make calls as "Customer Account Services Toll-Free."

**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.

<sup>27</sup> The IRS averages its measures throughout the year. It does not weight them.

<sup>28</sup> This is the Secondary Abandon Rate. The IRS refers to calls that disconnect after reaching the queue (on hold) as secondary abandons.

<sup>29</sup> The IRS refers to calls that disconnect before reaching the queue as primary abandons.



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For the second year, we are including the Tax Counseling for the Elderly Program sites in our testing of volunteer sites. We plan to visit 51 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 may have needed assistance with when preparing their tax returns. All scenarios require a determination of economic stimulus payments and RRCs. In addition, one scenario addresses retirement income.

As of March 7, 2009, we had 22 tax returns prepared with a 64 percent accuracy rate, which is approaching the 69 percent accuracy rate we reported for the 2008 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 2009. Figure 5 presents comparisons of Volunteer Program activities for the 2006 through 2009 Filing Seasons.

**Figure 5: Year-to-Date Comparisons of the 2006–2009 Filing Seasons Through March 7, 2009**

	2006 Actual	2007 Actual	2008 Actual	2009 Actual
Volunteer Return Preparation (in millions)	1.2	1.3	1.5	1.5
Volunteer E-Filing	93.8%	94.4%	96.8%	97.9%

*Source: IRS 2006 through 2009 Filing Season Weekly Reports.*

The IRS has developed a new approach to measuring the quality of tax returns prepared by the Volunteer Program by forming a Centralized Return Review Cadre. The Cadre will initiate a statistically valid sample review of volunteer-prepared tax returns, the results of which will form a benchmark of volunteer-prepared tax return accuracy starting with the 2009 Filing Season. The approach requires that Cadre members at each site review randomly selected tax returns, comparing the return information with supporting documentation, including end-of-year earning statements and information the taxpayer provided the volunteer during the mandated intake and screening process. We plan to monitor four of the IRS' visits and randomly select a sample of the tax returns reviewed by Cadre members to determine the accuracy of the tax returns and the effectiveness of the IRS' Centralized Return Review Cadre process.

### **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 March 7, 2009, the IRS had reported a 28.7 percent increase in the number of visits to IRS.gov over the same period in the prior filing season. It had also reported a 57.9 percent increase in the number of taxpayers obtaining their refund information online via



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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 2009 Filing Seasons.

**Figure 6: Year-to-Date Comparisons of the 2006–2009 Filing Seasons Through March 7, 2009 (in millions)**

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	% Change From 2008
IRS.gov Visits	76.4	81.7	91.7	116.8	28.7%
“Where’s My Refund?”	14.6	17.9	21.4	33.5	57.9%

*Source: IRS 2006 through 2009 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 2009 Filing Season<sup>1</sup> results as of either March 6 or March 7, 2009.<sup>2</sup> To accomplish our objective, we:

- I. Identified new tax legislation and administrative changes for the 2009 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 2009 Filing Season by obtaining and reviewing the *Calendar Year Projections of Individual Returns by Major Processing Categories* (Document 6187), Fall 2008 Update, produced by the IRS Office of Research.
- III. Identified volumes of paper and *e-filed* returns received through March 6, 2009, 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 2008 receipts for the same time period.
- IV. Determined the adequacy of the IRS' planning and implementation of the Economic Stimulus Act of 2008<sup>3</sup> by analyzing the legislation, meeting with IRS executives, reviewing information on the IRS web site (IRS.gov), evaluating IRS computer programming, and evaluating the information provided to taxpayers related to the RRC.

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<sup>1</sup> See Appendix IV for a glossary of terms.

<sup>2</sup> Results were provided as of either March 6 or March 7, depending on the date the IRS reported the respective data.

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





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- V. Identified volumes of TY 2008 returns with First-Time Homebuyer Credit (Form 5405) received through March 6, 2009, by analyzing weekly extracts of the Individual Return Transaction File.<sup>4</sup>
- VI. Obtained the CADE Release 4 implementation plans and identified returns processed by the CADE as of March 6, 2009.
- VII. Identified the interim results for the CI Division QRP.
  - A. Obtained the QRP Workload Comparison Report as of March 6, 2009, to identify the interim QRP statistics for the 2009 Filing Season.
  - B. Obtained the QRP Workload Comparison Report for Processing Year 2008 and reviewed a prior Treasury Inspector General for Tax Administration report<sup>5</sup> to obtain QRP statistics to determine the number of erroneous refunds identified and stopped by the CI Division for Processing Years 2003 through 2008.
- 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.
  - 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 2009 Filing Seasons, through March 7, 2009.
- IX. Identified interim results for the IRS Toll-Free Telephone Assistance Program.<sup>6</sup>
  - A. Reviewed Performance Templates and Executive Level Summary reports from the Enterprise Telephone Data Warehouse for results as of March 7, 2009.
  - B. Reviewed information relative to the economic stimulus payment from IRS officials.
- X. Identified interim results for the Volunteer Program.<sup>7</sup>
  - A. Reviewed interim results from Treasury Inspector General for Tax Administration visits to Volunteer Program sites. A total of 22 tax returns had been prepared as of March 7, 2009.

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<sup>4</sup> To assess the reliability of computer-processed data, programmers in our Office of Information Technology validated the data that were extracted, and we verified the appropriate documentation. Judgmental samples were selected and reviewed to ensure that the amounts presented were supported by external sources.

<sup>5</sup> *An Estimated \$1.6 Billion in Fraudulent Refunds Was Issued During the 2006 and 2007 Filing Seasons* (Reference Number 2008-10-172, dated September 22, 2008).

<sup>6</sup> Toll-Free Access 2009 Filing Season (Audit Number 200940003).

<sup>7</sup> Volunteer Program – Filing Season 2009 (Audit Number 200940002).



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- B. Reviewed the IRS Weekly Filing Season Report, which provides a year-to-date comparison of the Volunteer Program activity levels for the 2008 and 2009 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 2008 and 2009 Filing Seasons.



## **Appendix II**

### *Major Contributors to This Report*

Michael E. McKenney, Assistant Inspector General for Audit (Returns Processing and Account Services)

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Van Warmke, Senior Auditor

Lawrence White, Senior Auditor

Jerry Douglas, Auditor



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*Interim Results of the 2009 Filing Season*

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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: 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 Operations Center, Wage and Investment Division SE:W:CAS:JOC  
Director, Stakeholder Partnership, Education, and Communications, 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  
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## Appendix IV

### *Glossary of Terms*

Adjusted Gross Income	Adjusted Gross Income is calculated after certain adjustments are made but before standard or itemized deductions and personal exemptions are subtracted.
Average Speed of Answer	Average Speed of Answer is the average number of seconds taxpayers waited in the queue (on hold) before receiving services.
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).
Campus	The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.
Courtesy Disconnects	The IRS issues courtesy disconnects to taxpayers when calls entering the queue back up beyond a defined threshold. The callers receive a recorded announcement to call back at a later time.
Customer Account Data Engine	The CADE 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 Fraud Detection System	The Electronic Fraud Detection System is an automated system used to maximize fraud detection at the time tax returns are filed to eliminate the issuing of questionable refunds.
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.



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Error Resolution System	The ERS is responsible for correcting taxpayer and return preparer errors, as well as errors made during IRS processing of tax returns.
Filing Season	The filing season is the period from January 1 through April 15 when most individual income tax returns are filed.
Fiscal Year	A fiscal year is 12 consecutive months ending on the last day of any month except December. The Federal Government's fiscal year begins on October 1 and ends on September 30.
Free File Program	The Free File Program is a free Federal tax preparation and electronic filing program for eligible taxpayers developed through a partnership between the IRS and the Free File Alliance LLC. The Alliance is a group of private-sector tax software companies.
Individual Return Transaction File	The Individual Return Transaction File contains data transcribed from initial input of the original individual tax returns during return processing.
Level of Service	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.
Processing Year	Calendar year the return or document is processed by the IRS.
Questionable Refund Program	A nationwide, multi-functional program designed to detect and stop fraudulent claims for refunds on income tax returns.
Tax Year	The 12-month period for which tax is calculated. For most individual taxpayers, the tax year is synonymous with the calendar year.
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.