



Highlights of [GAO-09-146](#), a report to congressional requesters

Why GAO Did This Study

The tax filing season is when the Internal Revenue Service (IRS) has most of its contacts with taxpayers, answering questions and processing returns and refunds. The 2008 filing season was particularly challenging due to the unanticipated mandate to make economic stimulus payments. The filing season is also the start of IRS's efforts to ensure the newly filed returns are compliant with the tax laws. GAO was asked to assess IRS's performance, describe the costs and foregone revenue of administering the economic stimulus payments, and identify any opportunities for improving filing season compliance checks. GAO analyzed IRS performance data, reviewed IRS operations, and interviewed IRS officials.

What GAO Recommends

GAO recommendations include that IRS use its existing legal authority to correct child and dependent care credit claims on returns filed using "Married Filing Separately," and study the effectiveness of combining data on noncustodial parents and other taxpayer characteristics to verify earned income tax credit claims.

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

GAO suggests that the Congress provide IRS with legal authority to automatically correct returns for individual retirement account contributions that violate the dollar or age limits. IRS supported our suggestion.

To view the full product, including the scope and methodology, click on [GAO-09-146](#). For more information, contact James White at (202) 512-9110 or WhiteJ@gao.gov.

TAX ADMINISTRATION

IRS's 2008 Filing Season Generally Successful Despite Challenges, although IRS Could Expand Enforcement during Returns Processing

What GAO Found

IRS successfully processed 150 million returns and issued 105 million refunds for \$246 billion as of September 12, 2008. In addition, IRS issued 116 million stimulus payments totaling \$94 billion. However, taxpayers' access to IRS's telephone assistors was substantially lower than last year because of an unanticipated increase in telephone call volume. Calls to IRS more than doubled to 118 million as many taxpayers had questions about the amount of their stimulus payment or its timing. IRS acted to answer the calls including shifting hundreds of staff from collection cases to telephone assistance. IRS took other actions such as adding features to its Web site that answered stimulus-related questions and likely diverted some calls. Regardless, taxpayers' ability to get through to IRS telephone assistors declined from about 81 percent of waiting callers getting through last year to about 57 percent from January through June 30 of this year.

IRS expects the costs and foregone revenue associated with issuing the economic stimulus package (ESP) payments to reach about \$960 million, of which \$655 million is revenue foregone due to the shift of collections staff to telephone service.

There are two areas where IRS does not use its current legal authority to automatically correct errors when processing tax returns. One involves eligibility for the child and dependent care credit by taxpayers who are "Married Filing Separately." Taxpayers in this filing status are not eligible for the credit, but IRS allows the credit to be claimed, issues refunds, and then audits taxpayers to try to recover the money. The second is that IRS does not use its existing legislative authority to verify earned income tax credit claims by noncustodial parents—in 2006, \$91 million of claims were unverified. IRS has plans to study one option for verifying these claims, but is not planning to study another option, combining federal data on noncustodial parents and other taxpayer characteristics to automatically determine eligibility. Finally, there are two areas where IRS lacks legal authority, but has the technical ability to use automated error checks. IRS could prevent (1) individuals from deducting contributions to individual retirement accounts above the allowable limit and (2) individuals from violating the age requirements for such contributions.

Individual Income Tax Returns Processed, 2006–2008 Filing Seasons

	Electronic returns		Total returns in millions
	Number in millions	Percentage of total returns	
Jan. 1--Sept. 12, 2008	88	59	150
Jan. 1--Sept. 11, 2007	79	59	135
Jan. 1--Sept. 10, 2006	72	55	131

Source: GAO analysis of IRS data.