

### III. Review Of The 2014 Filing Season

#### A. Impact of the Government Shutdown on the Start of the 2014 Filing Season

The IRS started the 2014 filing season on January 31, 2014, ten days later than scheduled, due to the 16-day government shutdown in October 2013. Despite this late start, the volumes of individual income tax returns received and refunds issued through April 18, 2014 increased slightly from the previous year. The number of returns processed rose four percent, as shown in Figure III.1, below.<sup>1</sup>

**FIGURE III.1, 2014 FILING SEASON STATISTICS COMPARING 4/19/2013 AND 4/18/2014**

	04/19/2013	04/18/2014	% Change
<b>Individual income tax receipts</b>			
Total receipts	130,203,000	131,170,000	0.7%
Total processed	120,737,000	125,604,000	4.0%
<b>E-filing receipts</b>			
TOTAL	112,665,000	115,969,000	2.9%
Tax professionals	69,474,000	69,992,000	0.7%
Self-prepared	43,191,000	45,977,000	6.5%
<b>Web usage</b>			
Visits to IRS.gov	296,468,446	269,820,598	-9.0%
<b>Total refunds</b>			
Number	93,839,000	94,809,000	1.0%
Amount	\$250 billion	\$255 billion	2.1%
Average refund	\$2,659	\$2,686	1.0%
<b>Direct deposit refunds</b>			
Number	76,135,000	76,714,000	0.8%
Amount	\$217 billion	\$218 billion	0.2%
Average refund	\$2,853	\$2,837	-0.5%

Of interest is the nine percent decline in visits to IRS.gov. The IRS has adopted an approach to customer service that directs taxpayers to online resources and away from traditional telephone and face-to-face visits, as discussed further in this report. With fewer and fewer opportunities for taxpayers to receive face-to-face service, one might think visits to the website would increase rather than decrease.

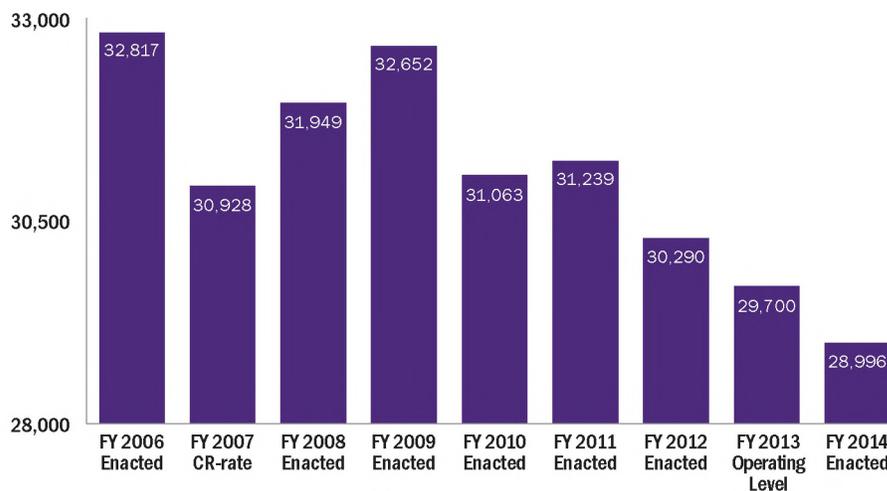
<sup>1</sup> IRS, Filing Season Statistics for week ending Apr. 18, 2014. <http://www.irs.gov/uac/Newsroom/Filing-Season-Statistics-for-Week-Ending-April-18-2014>. The IRS also delayed the 2013 filing season, due to late legislative changes.

## B. Reduced IRS Funding Continues to Limit Taxpayer Services.

Since fiscal year (FY) 2010, the IRS budget has been cut by nearly eight percent.<sup>2</sup> Over the same period, inflation has risen by about seven percent, further eroding the IRS's resources.<sup>3</sup> The requirement to pay taxes is generally the most significant burden a government imposes on its citizens; yet because of these budget reductions, the IRS is increasingly unable to provide taxpayers with the services they need.

As the IRS Commissioner testified in February, the IRS entered the 2014 filing season with 10,000 fewer employees than in 2010 while processing the largest number of tax returns in the agency's history.<sup>4</sup> The chart below illustrates the decline in funding for staffing taxpayer services.

**FIGURE III.2, IRS TAXPAYER SERVICES FULL-TIME EQUIVALENT EMPLOYEES<sup>5</sup>**



Taxpayers experienced a significant reduction of IRS services in this filing season, including:

- The IRS has fewer Customer Service Representatives on the phones to answer questions;
- The IRS Tax Law Assistance program now only answers the most “basic” taxpayer questions;
- The IRS ended all tax return preparation services at its Taxpayer Assistance Centers (TACs); and
- The IRS had fewer TACs in operation.

<sup>2</sup> *Hearing Before the S. Subcommittee on Financial Services and General Government*, 113<sup>th</sup> Cong. (Apr. 30, 2014) (written testimony of John A. Koskinen, Commissioner of Internal Revenue). IRS funding for FY 2014 was set at \$11.29 billion, more than \$850 million below FY 2010.

<sup>3</sup> See Office of Management and Budget, *Fiscal Year 2014 Budget of the U.S. Government, Historical Tables*, Table 10.1 at 215 (showing Gross Domestic Product and year-to-year increases in the GDP (Chained) Price Index). Data has been re-based from FY 2005 to FY 2010.

<sup>4</sup> *State of the IRS, Hearing Before the H. Comm. on Appropriations and Subcomm. on Financial Services and General Government*, 113<sup>th</sup> Cong. (Feb. 26, 2014) (written testimony of John A. Koskinen, Commissioner of Internal Revenue).

<sup>5</sup> IRS, FY 2015 Budget Request, Congressional Budget Submission (Mar. 2014). Staffing data is the number of funded full-time equivalent employees.

### Declining IRS Resources Affect Ability to Answer Taxpayer Questions and Correspondence.

The Commissioner acknowledged that the IRS could not deliver timely service to taxpayers who phone the IRS for help, estimating 39 percent of calls would go unanswered with the average wait time rising to as much as 24 minutes.<sup>6</sup> The actual level of service (LOS) on the phone lines was 71.6 percent during the 2014 filing season, a slight increase from approximately 71.5 percent in 2013. However, the IRS also received more than 11 million fewer calls in 2014.<sup>7</sup> The 71.6 percent LOS also represents a significant decline from fiscal year 2007, when it was 82.5 percent.<sup>8</sup> As discussed below, the IRS achieved this higher LOS by diverting employees from other functions, notably handling correspondence. The average wait time to talk to an assistor during the filing season rose to about 14 minutes in 2014, up from 13 minutes in 2013 and from just under five minutes in FY 2007.<sup>9</sup>

### Declining IRS Resources Create a Backlog in EITC Correspondence.

Additionally, when the IRS needs assistors to answer calls, it uses staff who would otherwise work taxpayer correspondence, which means those cases can become aged, causing taxpayer frustration and additional contacts. For example, aged correspondence related to the Earned Income Tax Credit (EITC) increased over 900,000 percent between October 2012 and October 2013.<sup>10</sup> The IRS has procedures to monitor correspondence to ensure a response within 30 days.<sup>11</sup> Figure III.3 shows the difficulty the IRS had keeping up with correspondence related to low income taxpayers' EITC claims.

6 *State of the IRS, Hearing Before the H. Comm. on Appropriations and Subcomm. on Financial Services and General Government*, 113<sup>th</sup> Cong. (Feb. 26, 2014) (written testimony of John A. Koskinen, Commissioner of Internal Revenue).

7 Joint Operations Center Enterprise Snapshot Report, Week Ending Apr. 12, 2014. IRS received 58,329,922 call attempts in 2013 as compared to 47,227,259 call attempts in 2014.

8 Joint Operations Center Enterprise Snapshot Report, Week Ending Apr. 14, 2007.

9 Joint Operations Center Enterprise Snapshot Report, Week Ending Apr. 12, 2014; Apr. 14, 2007.

10 IRS, *Reporting Compliance-Correspondence Examination EITC-PAC-7F* (Oct. 2013; Nov. 2013; Dec. 2013; Jan. 2014; Feb. 2014; Mar. 2014; Apr. 2014).

11 IRM 4.19.13.10(1) (Jan. 1, 2013).

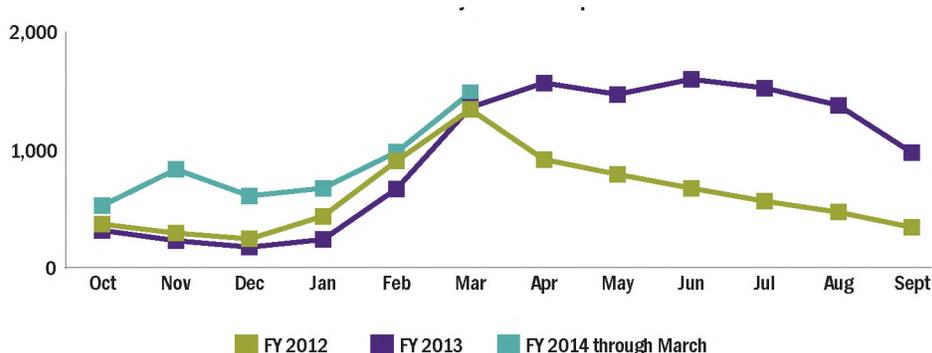
**FIGURE III.3, CUMULATIVE OVERAGE EITC MAIL (STATUS 55/57)<sup>12, 13</sup>**

Month	Number of Mail Pieces	Total Inventory
October	4	36,375
November	20	27,915
December	258	19,041
January	169	15,100
February	293	14,676
March	260	12,250
April	1,186	10,704

In September of FY 2013, the IRS had 35,365 pieces of overage EITC mail in inventory compared to 46 for the same period in FY 2012, an increase of 76,780 percent.<sup>14</sup> Clearly, the IRS was having difficulty keeping up with EITC correspondence even before the shutdown. While the IRS is working to reduce the overage mail, thousands of taxpayers are waiting for a response. Moreover, the IRS entered the 2014 filing season with a substantial backlog of overaged correspondence, and the new filing season brought another round of EITC audits (and taxpayer correspondence) for the 2013 tax year.<sup>15</sup>

When the IRS cannot work correspondence timely, and taxpayers experience delays, they will seek TAS assistance. This is especially true when taxpayers face economic hardship – which is only made worse by IRS delays in releasing the EITC portion of their refunds. EITC taxpayers, by definition, are low income, so their refunds are a significant portion of their annual income. TAS noted an increase in TAS FY 2013 and FY 2014 EITC receipts, as shown in Figure III.4, below:

**FIGURE III.4, TAS MONTHLY EITC RECEIPTS, FY 2012 - FY 2014<sup>16</sup>**



12 IRS, *Reporting Compliance-Correspondence Examination EITC-PAC-7F* (Oct. 2013; Nov. 2013; Dec. 2013; Jan. 2014; Feb. 2014; Mar. 2014; Apr. 2014).

13 IRM 4.19.13.10, if IRS does not send a reply within 70 to 115 days the taxpayer’s account is updated to Status 55 and if more than 115 days, to Status 57.

14 IRS, *Reporting Compliance-Correspondence Examination EITC-PAC-7F* (Sept. 2013).

15 W&I Business Performance Review 2014 7 (May 15, 2014).

16 Data obtained from Taxpayer Advocate Management Information System (TAMIS).

### The IRS Is Turning Away Taxpayers with Tax Law Inquiries.

On December 20, 2013, the IRS announced it would shift some taxpayer assistance and service programs to “automated resources” during the filing season, answering only “basic” tax-law questions on its phone lines and in its walk-in sites, and not answering any questions that are “more detailed” than “basic.”<sup>17</sup> Moreover, the IRS said it would not answer any tax-law questions after mid-April, including “basic” questions from the millions of taxpayers who obtain filing extensions and prepare their returns later in the year. In fact, when a taxpayer calls the IRS after April 15 to ask a tax law question, he or she will hear the following message:

“This tax topic will only be answered by an IRS representative through April 15th. If you need help outside of this time period, please use our Interactive Tax Assistant or the applicable publication. Both are available on our website at [www.irs.gov](http://www.irs.gov). Thank you for calling the Internal Revenue Service.”

Some examples of questions deemed too complex to answer during the filing season are:

- *I deliver pizzas for my employer using my car. How can I deduct my car expenses?*
- *I received a 1099-MISC instead of a Form W-2 for my new job, how do I report this on my tax return?*
- *Do I have to report the inheritance I received?*
- *I have started selling some craft items I make as a hobby. Do I have to report that?*
- *I installed new windows and an efficient furnace in my house last year. Isn't there a credit I can claim for that?*
- *The restaurant I work for reported allocated tips on my Form W-2. I didn't receive that much in tips. What should I do?*
- *I opened a bank account for my child. Do I still report the interest on my return?*<sup>18</sup>

While the IRS boasts of 95.7 percent accuracy in answering tax law questions,<sup>19</sup> the basic nature of the questions that the IRS will not answer suggests it may be setting the bar for success too low. Further, if the IRS will not answer tax law questions, taxpayers likely will incur the expense of hiring tax return preparers or answer questions themselves incorrectly. Tax compliance will thus be either more costly or impaired.

17 IRS, e-News for Tax Professionals – Issue Number 2013-49, Item 4, *Some IRS Assistance and Taxpayer Services Shift to Automated Resources* (Dec. 20, 2013), at <http://www.irs.gov/uac/Some-IRS-Assistance-and-Taxpayer-Services-Shift-to-Automated-Resources>.

18 See IRM Exhibits 21.1.1-1 and 21.1.1-2, IRM 21.1.1.6 (6). Additionally, <http://serp.enterprise.irs.gov/databases/irm.dr/current/21.dr/21.1.dr/21.1.1.dr/21.1.1.6.htm> added all the topics described in the Telephone Transfer Guide (TTG) (found on the IRS intranet on [http://serp.enterprise.irs.gov/TTGuide/TTGuide.jsp?s\\_NAME=92194#XXX](http://serp.enterprise.irs.gov/TTGuide/TTGuide.jsp?s_NAME=92194#XXX)) for toll-free application 92194 as out of scope during the 2014 filing season.

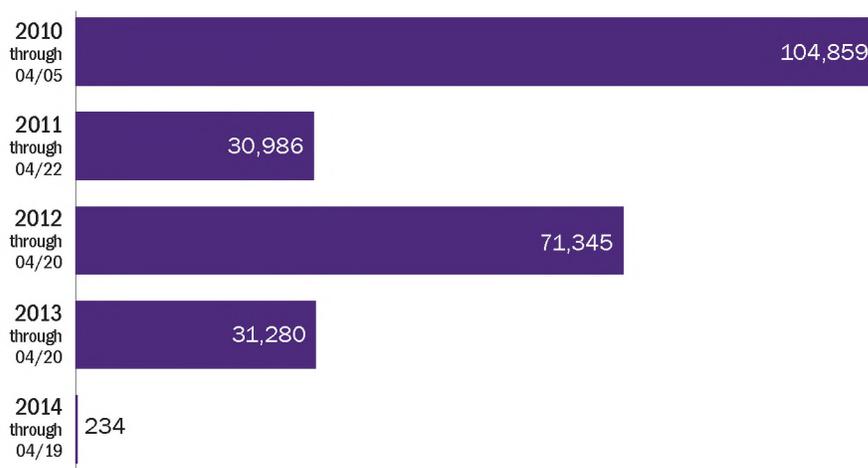
19 *State of the IRS, Hearing Before the H. Comm. on Appropriations and Subcomm. on Financial Services and General Government*, 113<sup>th</sup> Cong. (Feb. 26, 2014) (written testimony of Johan A. Koskinen, Commissioner Internal Revenue Service).

### The IRS Will No Longer Prepare Tax Returns for Low Income, Elderly, and Disabled Taxpayers.

In addition to answering fewer tax questions, the IRS has ended its longstanding practice of preparing tax returns for low income, elderly, and disabled taxpayers who seek help.<sup>20</sup>

The chart below shows how tax preparation service in TAC offices has declined:

**FIGURE III.5, TAXPAYER ASSISTANCE CENTERS e-FILE TAX RETURNS<sup>21</sup>**



The most vulnerable taxpayers now have the option of:

- Paying a fee to a return preparer or buying tax preparation software, increasing their compliance burden;
- Using the IRS's Free File Service, if they have access to the Internet and are computer literate;
- Spending hours (the IRS estimates it takes approximately 15 hours to prepare a Form 1040) working through 104 pages of instructions;<sup>22</sup> or
- Using a Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) site.<sup>23</sup>

While these volunteer programs provide a vital service, taxpayers may have to travel far to use them.

20 IRS, e-News for Tax Professionals – Issue Number 2013-49, Item 4, *Some IRS Assistance and Taxpayer Services Shift to Automated Resources* (Dec. 20, 2013), at <http://www.irs.gov/uac/Some-IRS-Assistance-and-Taxpayer-Services-Shift-to-Automated-Resources>.

21 Electronic Tax Administration Reports, Apr. 25, 2010, Apr. 22, 2011, Apr. 20, 2012, Apr. 19, 2013, and Apr. 19, 2014. Does not include business returns or paper returns.

22 2013 Instructions for Form 1040, U.S. Individual Income Tax Return 98.

23 The VITA program offers free tax help to people who generally make \$52,000 or less, persons with disabilities, the elderly, and limited English speaking taxpayers who need assistance in preparing their own tax returns. IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals.



### Taxpayer Transcript Requests Are Referred to IRS.gov.

In January, the IRS launched a system called “Get Transcript” on IRS.gov to allow taxpayers to instantly view and print copies of their tax transcripts,<sup>26</sup> and began referring those visiting TACs or calling the toll-free lines for transcripts to the online tool. Taxpayers often need tax transcripts when applying for student loans, mortgages, etc. However, “Get Transcript” requires taxpayers to pass an eAuthentication process.<sup>27</sup> Those who cannot pass the authentication must request transcripts through the “Get Transcript” mail option, which will take five to ten days,<sup>28</sup> or submit a Form 4506-T, *Request for Transcript of Tax Return*, which, depending on the type of transcript, can take more than ten business days.<sup>29</sup>

There are times when a taxpayer needs a transcript immediately, such as when he or she refinances a home to pay for a medical procedure and needs a transcript to allow the bank to process a loan. The online tool will assist these taxpayers as long as they can pass the authentication process and have access to a computer and printer. This tool will not work for taxpayers who:

- Are filing for the first time;
- Are victims of identity theft; or
- Cannot remember the answers to the eAuthentication questions.

If these taxpayers need transcripts immediately, they must either travel to a TAC<sup>30</sup> or call a toll-free line and potentially wait 24 minutes for help.

While some users may have difficulty obtaining a transcript, the Get Transcript tool is a step in the right direction, allowing many taxpayers immediate access to account information. The number of TAS cases where the taxpayer was seeking a transcript may indicate the effectiveness of this tool, having decreased over 23 percent from 1,206 in FY 2013 through April to 922 through April 2014.<sup>31</sup>

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**Taxpayers are filing more returns, and asking the IRS fewer questions, but not because the system has suddenly become simpler.**

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### Advocating to Improve Future Taxpayer Services

In a recent study, the Government Accountability Office (GAO) acknowledged a lack of resources might require the IRS to consider difficult tradeoffs, such as eliminating or

26 Get Transcript allows taxpayer to view or print various types of transcripts (Return, Account, Record of Account, Wage and Income Statement, and Verification of Non-Filing).

27 IRM 21.2.1.61 (Mar. 11, 2014).

28 IRM 21.2.3.5.9.2 (Mar. 28, 2014).

29 Requests for return transcripts, account transcripts, records of account, verification of nonfiling, and Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcripts are generally processed within ten business days.

30 IRM 21.3.4.2(2) (Jan. 23, 2014).

31 Data obtained from TAMIS (May. 1, 2013; May. 1, 2014).

reducing some services in 2014.<sup>32</sup> While TAS recognizes the need for difficult choices, with a tax system as complex as ours, answering only “basic” tax-law questions poses an enormous risk to the integrity of the system. Taxpayers are filing more returns, and asking the IRS fewer questions, but not because the system has suddenly become simpler. Taxpayers are likely looking for answers from return software providers and paid return preparers, many of whom are “unregulated.” In FY 2015, TAS will:

- Analyze use of the Interactive Tax Assistant on [irs.gov](http://irs.gov) to determine if taxpayers are actually using the electronic alternative suggested by the IRS when it turns away taxpayers calling with tax law questions.

### C. Taxpayers Still Cannot Rely Upon Online Tools for Accurate Information on Refunds.

Traditionally, the most common question the IRS receives is when people can expect to see their refunds. In 2014, the IRS announced it would direct all refund inquiries during the first 21 days after a taxpayer files electronically to the *Where’s My Refund?* tool, available in English and Spanish through the IRS2Go phone application, [irs.gov](http://irs.gov), and the automated telephone service. Customer service representatives can only research the status of a refund if 21 days or more have elapsed since the return was filed electronically (or more than six weeks since the taxpayer mailed a paper return) or if *Where’s My Refund?* directs them to contact the IRS.<sup>33</sup> While the IRS intended this policy to reduce filing season call volumes, unclear messages on *Where’s My Refund?* may generate more calls.

One problem occurred on the first day of the filing season, when the IRS processed over 59,000 returns without first putting them through a series of filters designed to prevent refund fraud.<sup>34</sup> While the IRS acted immediately to stop refunds from going out until it could re-process the returns, taxpayers had already been notified that the IRS had accepted their returns and could view a date on *Where’s My Refund?* to expect receipt of their refunds (generally, February 6, 2014). Because the returns had to be re-processed, some of those refunds were delayed from one to three weeks. Taxpayers returning to *Where’s My Refund?* to find out why their refunds did not arrive found a new message stating their refunds had not been released and displaying an error code. When taxpayers called the IRS to find out about their refunds, IRS assistants could not provide them with a specific date, nor could they explain why the refunds had not been released. Since 21 days had not elapsed since the returns were accepted for filing (January 31), taxpayers were told to wait two more weeks, and that they would receive letters if the IRS needed more information from them to process their returns.

32 GAO, GAO-14-133, *2013 Tax Filing Season: IRS Needs to Do More to Address the Growing Imbalance between the Demand for services and Resources* (Dec. 2013).

33 *Some IRS Assistance and Taxpayer Services Shift to Automated Resources*, <http://www.irs.gov/uac/Some-IRS-Assistance-and-Taxpayer-Services-Shift-to-Automated-Resources>.

34 SERP Alert 14A0100, *Issue with Some Refund Returns Processed on Friday, January 31* (Feb. 21, 2014).

Taxpayers were understandably confused and frustrated to be told when to expect their refunds only to find later that the IRS could not provide a new date. Many taxpayers used social media and software provider message boards to express their frustration and seek answers.<sup>35</sup> Some who tried to reach an IRS employee outside of the general toll-free assistance line found their way to phone numbers within the IRS. After receiving numerous calls and voice mail messages from taxpayers inquiring about their refunds, one IRS office provided another internal IRS number (which happened to be a phone line answered by the Washington, D.C. Taxpayer Advocate office) in the outgoing voicemail message. Within minutes of this number being posted on the Internet and social media, the TAS office began receiving up to 60 calls per hour from taxpayers seeking information about their refunds and other tax issues because they were not satisfied with the information given by toll-free assistors.

This is just one example of how decreased services can lead to increased IRS workload, especially when an online tool fails to operate as intended. In February, when those 59,000 returns were being re-processed, TAS receipts involving returned or stopped refunds rose by 24 percent over February 2013.<sup>36</sup>

#### **D. TAS Receipts Suggest the IRS Needs to Enhance Efforts to Detect and Prevent Refund Fraud.**

The IRS uses several methods or “filters” to detect and stop refund fraud and identity theft. However, if these filters are not effectively designed or modified, they can ensnare legitimate claims filed by taxpayers who are not attempting to defraud the system. When the filters flag a return, the IRS first attempts to “clear” it by using internal systems or contacting third parties. If the IRS cannot verify information reported on the return, it sends a letter asking the taxpayer to document information on the return. Either way, the refund is delayed, which may place the taxpayer in a position of economic hardship.

In the 2014 filing season, TAS cases involving pre-refund wage verification holds increased by nearly 43 percent to become TAS’s second most common taxpayer issue by volume (exceeded only by identity theft).<sup>37</sup> Not since 2005, when the Questionable Refund Program was worked by the Criminal Investigation Division, have TAS receipts involving stopped refunds been so high.<sup>38</sup> The growth in refund crimes has created challenges in tax administration that continued budget shortfalls will continue to exacerbate.<sup>39</sup>

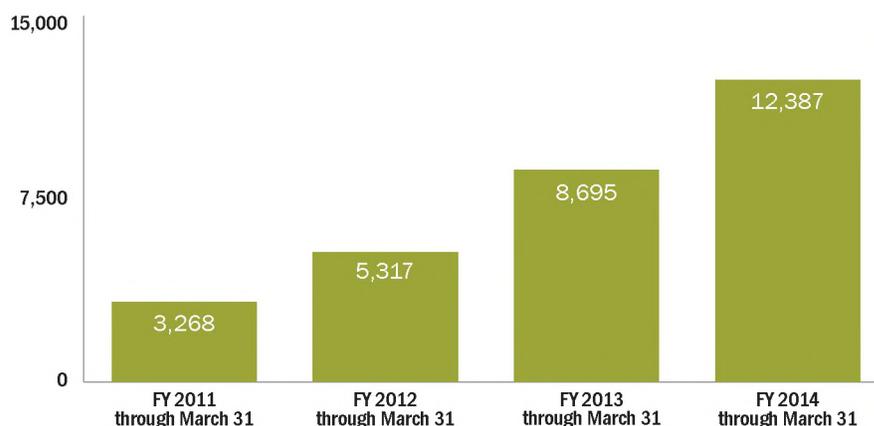
35 Erb, Kelly Phillips, *The Refund Process and that Pesky 1121 Code*, Forbes, Feb. 12, 2014. <http://www.forbes.com/sites/kellyphillips/2014/02/12/the-irs-the-refund-process-and-that-pesky-1121-code/>.

36 TAS received 371 stopped refund cases in February 2014 compared to 298 during 2013.

37 Data obtained from TAMIS. TAS received 8,695 Pre-Refund Wage Verification Hold cases through March 31 of FY 2013 and 12,387 cases through March 31 of FY 2014.

38 National Taxpayer Advocate 2005 Annual Report to Congress 31 (Most Serious Problem: *Criminal Investigation Refund Freezes*).

39 National Taxpayer Advocate 2013 Annual Report to Congress 25 (Most Serious Problem *IRS BUDGET: The IRS Desperately Needs More Funding to Serve Taxpayers and Increase Voluntary Compliance*).

**FIGURE III.7, TAS WAGE VERIFICATION REFUND HOLD RECEIPTS<sup>40</sup>**

TAS's rate of providing relief to taxpayers on these stopped refund cases is 77 percent, with another four percent of cases receiving relief directly from the IRS.<sup>41</sup> The fact that TAS obtains relief for so many taxpayers clearly indicates that their original returns were legitimate.

Over 60 percent of TAS wage verification cases came from taxpayers who were facing economic burden, and needed their refunds to get relief. The other 40 percent involved taxpayers whose returns:

- Were not cleared by the IRS within the promised time;
- Experienced delays of more than 30 days from normal processing; or
- Experienced some other systemic or procedural failure.<sup>42</sup>

Even with the priority handling that TAS cases receive, the average cycle time for these cases is 73 days, which is a long time for a taxpayer to wait for a refund.

For the IRS to improve performance in fraud detection, it needs resources to not only research and design the complex filters and programming that will spot fraudulent returns, but to manually review and validate those returns. Additional staffing for this program is critical both for the IRS to protect revenue and to be prepared for the increased workload resulting from such programs. Taxpayers count on the government to issue refunds expeditiously. If the IRS detects a problem with a return, it needs to effectively communicate with the taxpayer and have the human resources to resolve issues that technology and programming cannot.

<sup>40</sup> Data obtained from TAMIS (Apr. 1, 2011, Apr. 1, 2012, Apr. 1, 2013, Apr. 1, 2014).

<sup>41</sup> *Id.* TAS closed 7,633 cases out of 9,860 with relief, and another 412 cases closed after the taxpayer received relief directly from the IRS.

<sup>42</sup> Data obtained from TAMIS. Through March 31 of FY 2014, TAS accepted 7,445 Pre-Refund Wage Verification Hold cases under economic burden criteria (criteria codes 1-4) and 4,941 cases under systemic burden criteria (criteria codes 5-7).

## IRS Systems Designed to Screen Returns before Issuing Refunds Are at Capacity, Jeopardizing Revenue Protection Efforts.

The Electronic Fraud Detection System (EFDS) is the IRS's primary frontline system for detecting fraudulent returns. Although it assisted the IRS in successfully preventing the release of nearly \$16 billion in allegedly fraudulent refunds in calendar year 2013, the Treasury Inspector General for Tax Administration (TIGTA) estimated the IRS may have paid \$5.2 billion in potentially fraudulent tax refunds on 1.5 million tax returns in tax year 2010.<sup>43</sup> In 2009, the IRS began developing the Return Review Program (RRP) to replace EFDS, and in 2012 declared EFDS "too risky to maintain, upgrade, or operate beyond 2014."<sup>44</sup> In February 2014, the IRS declared a strategic pause in developing the RRP, indefinitely delaying retirement of the "risky" EFDS.

RRP was intended to automate a variety of manual tasks, allowing employees to pursue other activities. For example, a case referred to the Examination function involves inputting data to a spreadsheet, which is then transferred to headquarters personnel who open and assign the case. TAS has identified multiple instances where the case was lost in transit, severely burdening the taxpayer and significantly delaying resolution.<sup>45</sup>

Not deploying the RRP as intended could impose significant harm and cost on both the IRS and the public. An unexpected failure of EFDS would force the IRS to decide whether to stop issuing refunds until the system could be repaired, or issue billions of dollars in potentially fraudulent refunds without screening. In addition, as EFDS becomes harder to update and maintain, it could erroneously stop an increasing number of valid refunds. The lack of automation to handle administrative adjustments and actions is straining the IRS's limited resources as fraud and identity theft grow and staffing declines.

In FY 2015, TAS will continue to advocate for improve processes, screening tools, and programming for the 2015 filing season to limit the impact on compliant taxpayers by:

- Monitoring the percentage of returns erroneously stopped by the fraud filters;
- Advocating for changes in filters that are performing less than acceptably; and
- Issuing Taxpayer Assistance Orders when the IRS fails to timely offer relief in response to TAS case advocacy for compliant taxpayers.

43 *State of the IRS, Hearing Before the H. Comm. on Appropriations and Subcomm. on Financial Services and General Government*, 113<sup>th</sup> Cong. (Feb. 26, 2014) (written testimony of John A. Koskinen, Commissioner Internal Revenue Service); TIGTA, *There Are Billions of Dollars in Undetected Tax Refund Fraud Resulting From Identity Theft*, Reference Number 2012-42-080, found at <http://www.treasury.gov/tigta/auditreports/2012reports/201242080fr.html> (Jul. 19, 2012).

44 Privacy Impact Assessment (PIA) 250, at [http://www.irs.gov/pub/irs-utl/RRP\\_TS\\_pia.pdf](http://www.irs.gov/pub/irs-utl/RRP_TS_pia.pdf) (Oct. 2, 2012).

45 Systemic Advocacy Management System (SAMS) submissions 29456 (Feb. 20, 2014), 25833 (Oct. 11, 2012), and 21320 (Jun. 14, 2011).