



Highlights of [GAO-04-372](#), a report to the Chairman and Ranking Minority Member, Committee on Finance, United States Senate

Why GAO Did This Study

The Jobs and Growth Tax Relief Reconciliation Act of 2003 provided eligible taxpayers up to \$400 in advance Child Tax Credit (ACTC) payments. GAO was asked for information on (1) the number, dollar amount, and timeliness of the ACTC payments, (2) the impact on the Internal Revenue Service's (IRS's) toll-free telephone service, (3) the cost to IRS and the Financial Management Service (FMS) for implementing the advance payment effort, including the impact of these costs on other IRS programs, and (4) the extent to which IRS identified and used evaluations from the 2001 advance refund effort to implement the ACTC payment effort and whether an evaluation of the ACTC payment effort is planned.

What GAO Recommends

GAO recommends the Commissioner of Internal Revenue conduct a modestly scaled "lessons learned" evaluation of the ACTC payment effort similar to the one conducted for the 2001 advance refund effort.

www.gao.gov/cgi-bin/getrpt?GAO-04-372

To view the full product, including the scope and methodology, click on the link above. For more information, contact James White at (202) 512-9110 or whitej@gao.gov.

TAX ADMINISTRATION

IRS Issued Advance Child Tax Credit Payments on Time but Should Study Lessons Learned

What GAO Found

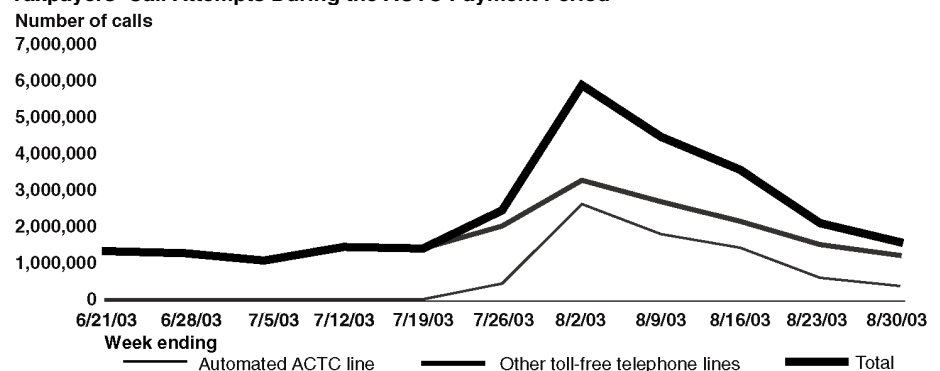
Between July and December 2003, IRS, through FMS, issued over \$14 billion in ACTC payments to more than 25 million taxpayers. IRS was able to issue the checks on schedule over a 15-day period ending August 8, 2003, to taxpayers who had filed by April 15, 2003. Other taxpayers received their checks later.

The ACTC had an impact on IRS's toll-free telephone assistance service. Between late July, when the first notices of the advance payments were sent to taxpayers, and the middle of August, by which time the majority of notices had been sent, IRS experienced both a marked increase in the number of telephone call attempts from taxpayers and a corresponding decline in taxpayers' success in reaching an IRS assistor. IRS's strategy for dealing with the expected increase in taxpayer inquiries may have mitigated the impact of the ACTC payment effort on IRS's toll-free telephone service.

According to IRS and FMS officials, implementing the ACTC payment effort cost about \$32 million, nearly all incurred by IRS. In order to accomplish this mandate, IRS used funds earmarked for other programs. As a result, some of these programs, for example improvements to IRS's computer servers, were delayed slightly.

IRS officials said they identified and used "lessons learned" from the evaluations of the 2001 advance refund effort done by GAO and the Treasury Inspector General for Tax Administration, and their own internal evaluation. With the exception of the telephone service, IRS officials believe the implementation of the ACTC has gone more smoothly because they used the lessons learned. Although IRS officials acknowledged the usefulness of the lessons learned evaluation, IRS had not committed to a similar evaluation of the ACTC effort at the time of our review.

Taxpayers' Call Attempts During the ACTC Payment Period



Source: IRS.