



Highlights of [GAO-10-225](#), a report to congressional requesters

## Why GAO Did This Study

The Internal Revenue Service's (IRS) filing season is an enormous undertaking that includes processing tax returns, issuing refunds, and responding to taxpayer questions. IRS's efforts to ensure compliance begin during the filing season. GAO was asked to assess IRS's 2009 filing season performance, identify ways to reduce taxpayers' use of short-term, high-interest refund anticipation loans (RAL) offered by paid preparers or banks, and identify ways to enhance compliance during processing. GAO analyzed IRS performance data, reviewed IRS operations, interviewed IRS officials, and reviewed its compliance programs and relevant statutes.

## What GAO Recommends

GAO suggests that Congress provide IRS authority to automatically verify the number of years the Hope education tax credit is claimed.

GAO makes 7 recommendations including that IRS develop a plan to analyze its telephone data, work with the other entities involved in issuing refunds to improve timeliness, determine the feasibility of offering debit cards for refunds, and revise the Form 1098-T to improve its usefulness to taxpayers and IRS.

In response, the IRS Deputy Commissioner agreed with five recommendations and described some steps the agency is taking on the other two.

[View GAO-10-225](#) or [key components](#).

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## 2009 TAX FILING SEASON

### IRS Met Many 2009 Goals, but Telephone Access Remained Low, and Taxpayer Service and Enforcement Could Be Improved

#### What GAO Found

IRS processed 139 million returns and issued \$298 billion in refunds as of October 2, 2009. Electronic filing, which provides IRS with significant cost savings and taxpayers with faster refunds, increased to 68 percent of all returns filed. While taxpayers' access to telephone assistors was better than last year, it remained lower than in 2007 in part because of calls about tax law changes. Compared to 2005 through 2007, IRS reduced its goal for assistor answered calls in 2009 and set its 2010 goal at 71 percent. Despite heavy call volume, the accuracy of IRS responses to taxpayers' questions remained above 90 percent. IRS started a major data collection effort on why taxpayers call, but lacks a plan to analyze the data and improve telephone service.

**Filing Season Workload and Performance Indicators, 2007 to 2009**

Amounts in millions	2007	2008 <sup>a</sup>	2009
<b>Individual tax returns processed</b>			
Electronic returns	79	88	94
Paper returns	56	54	45
<b>Total</b>	<b>135</b>	<b>142</b>	<b>139</b>
<b>Refunds</b>			
Total refunds	104	105	109
Dollar amount of refunds (in billions)	\$234	\$247	\$298
Refund anticipation loans	10	10	8

Source: GAO analysis of IRS data.

<sup>a</sup>Excludes 9 million stimulus-only returns.

According to IRS, issuing refunds faster reduces taxpayers' use of RALs, high-interest loans made by paid tax preparers or banks in anticipation of a refund. Issuing refunds is a joint effort by IRS, Treasury's Financial Management Service, which checks for non-tax debt owed to the federal government, and the Automated Clearing House, which distributes funds. However, IRS has not coordinated extensively with them to expedite refunds. Further, IRS has not studied the use of debit cards for unbanked taxpayers, which could also reduce taxpayers' use of RALs by providing faster and more secure refunds.

IRS automatically identifies and corrects select types of errors while processing tax returns. It could also correct tax returns that claim the Hope credit, a tax credit to help offset qualified education expenses, for longer than the number of years allowed. However, IRS lacks the authority to use prior years' tax return information for this purpose. Also, information reported by education institutions to taxpayers and IRS about qualifying educational expenses on the Form 1098-T is confusing for taxpayers and not useful for IRS. Many institutions report the total amount billed to students, but not what is actually paid after taking into account scholarships and grants. This results in some taxpayers under-claiming benefits, while others over-claim. Finally, because Form 1098-T can show the amount billed, which may not be the amount paid, IRS is unable to use the information to automatically verify taxpayers' claims for the credit through its computerized matching program.