

# Filing Season Preview

**January 21, 2022**

**DRAFT: Deliberative and pre-decisional**



# Agenda for today

1. IRS processing issues
2. Filing season challenges explain need for funding IRS
3. Tips for taxpayers

# IRS Processing Issues

# COVID-related challenges have driven increase in inventory

- Direct COVID effects on operations
  - Campuses closed from May to June 2020
    - Even when campuses reopened, workforce limited
  - Increased phone demand meant fewer resources for inventory
  - Filing season extensions meant more time on phones and fewer months working inventory
- Demands created by providing essential aid to individuals and businesses
  - Examples include
    - Three rounds of EIPs (March 2020, December 2020, March 2021)
    - Employee retention tax credit (starting March 2020)
    - Loss carrybacks for businesses (starting March 2020)

# Effects of campus closures and limited workforce

## Campus closures

- Led to no mail being opened and no inventory being processed

**Figure 1: Tax Processing Center Closures Due to COVID-19 and Reopening Dates in Calendar Year 2020**

Location	Date Closed	Date Reopened
Fresno, California	March 20	June 29
Austin, Texas	March 25	June 1
Kansas City, Missouri	March 25	June 15
Ogden, Utah	April 6	June 1

*Source: IRS management reports and notification for each location's closure and reopening dates.*

## Staff on leave due to COVID

- Submission processing agents (SYs) and customer service representatives (CSRs) on weather & safety leave
  - 2018: ~0
  - 2020: 3,079 SYs and 2,954 CSRs
  - 2021: 710 SYs and 380 CSRs
- Over past 2 years, ~20% of these FTEs on leave

# Inventory has several component parts

1. Unopened mail } Could be pipeline or correspondence
  2. Paper returns waiting to be processed
  3. Returns suspended during processing
  4. "Account management cases"
    - Includes amended returns
    - Also general taxpayer correspondence
- Pipeline
- Correspondence

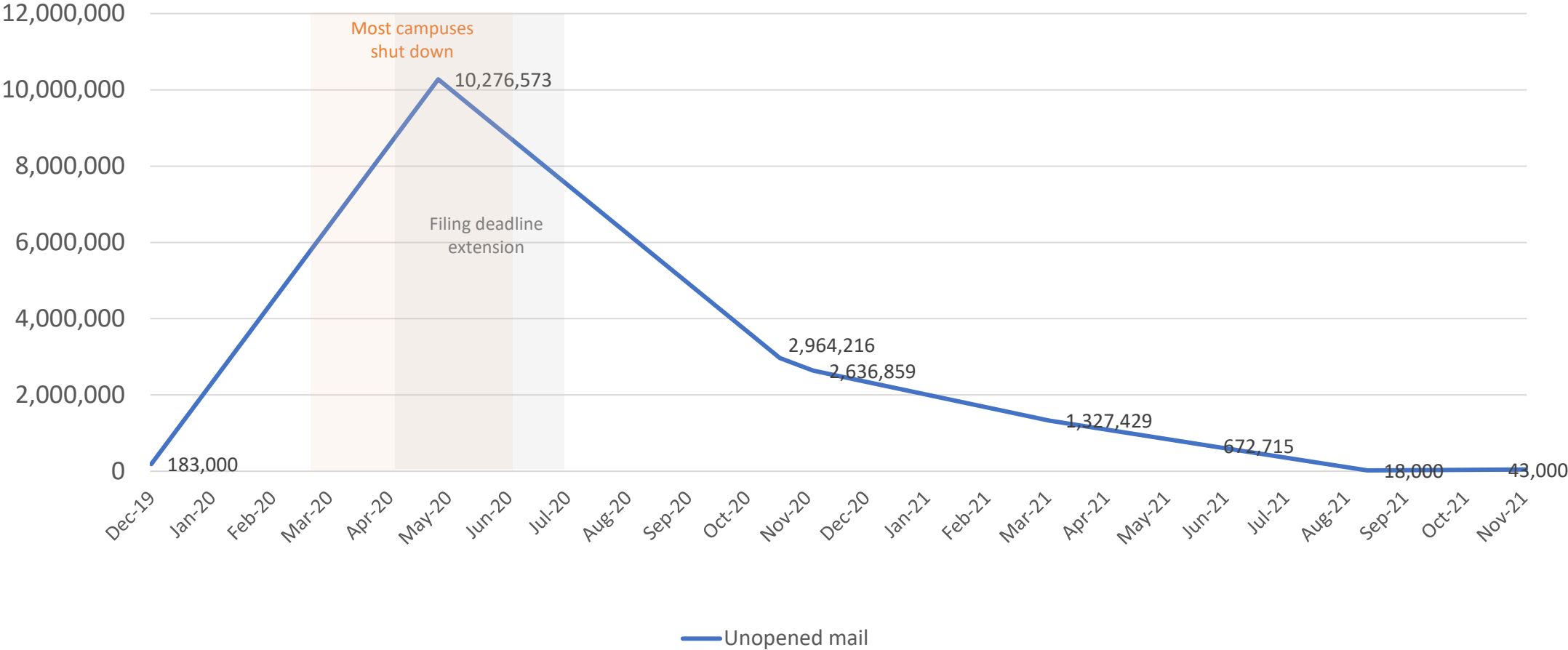
## *Total inventory*

*= Unopened mail + Paper returns waiting to be processed + Returns held in suspension + Amended returns + Taxpayer correspondence opened, but unaddressed*

# Unopened mail as an example of COVID challenges

- Includes mail that is unopened and mail that has not been removed from envelopes.
- Spiked when IRS processing centers were closed from March – June 2020
- Now very low levels relative to historical norms
  - Dec '19: 183K
  - Dec '21: 43K

# Unopened mail now below historic levels





# Paper returns waiting to be processed

- More than 90% of individual taxpayers e-file, but 10% don't
  - Various reasons, e.g. some forms aren't available for e-file
- Spiked when processing centers closed
- Peaked at around 20M after 2021 filing season
  - IRS worked down half of this inventory during summer 2021

# Returns suspended during processing

- Error resolution cases
  - Something on return has a math or consistency error, for example W-2 income doesn't match or have to cross-check against prior year return for carrybacks
- Processing rejects
  - If IRS doesn't have math error authority to correct error, sends to processing rejects
  - In this case, the IRS will correspond with taxpayer, asking for missing documentation
- Unpostable returns
  - Entity problems w/ taxpayer ID number, name
    - E.g., recently married taxpayer signs her tax return using her new spouse's last name. However, return cannot post because last name on her return does not match name on file.
- ID theft cases
  - Flagged by IRS as having potentially been filed by an identity thief, will get a letter asking to verify

# IRS entering filing season with substantially elevated inventory

- As of mid-December, IRS had
  - 6.2M unprocessed individual returns
  - 2.8M unprocessed business returns
  - 2.4M unprocessed amended individual returns
  - 500K unprocessed amended business returns
  - 4.75M pieces taxpayer correspondence
- Some inventory likely duplicates as taxpayers await processing
- Entering the filing season, healthy inventory <1M

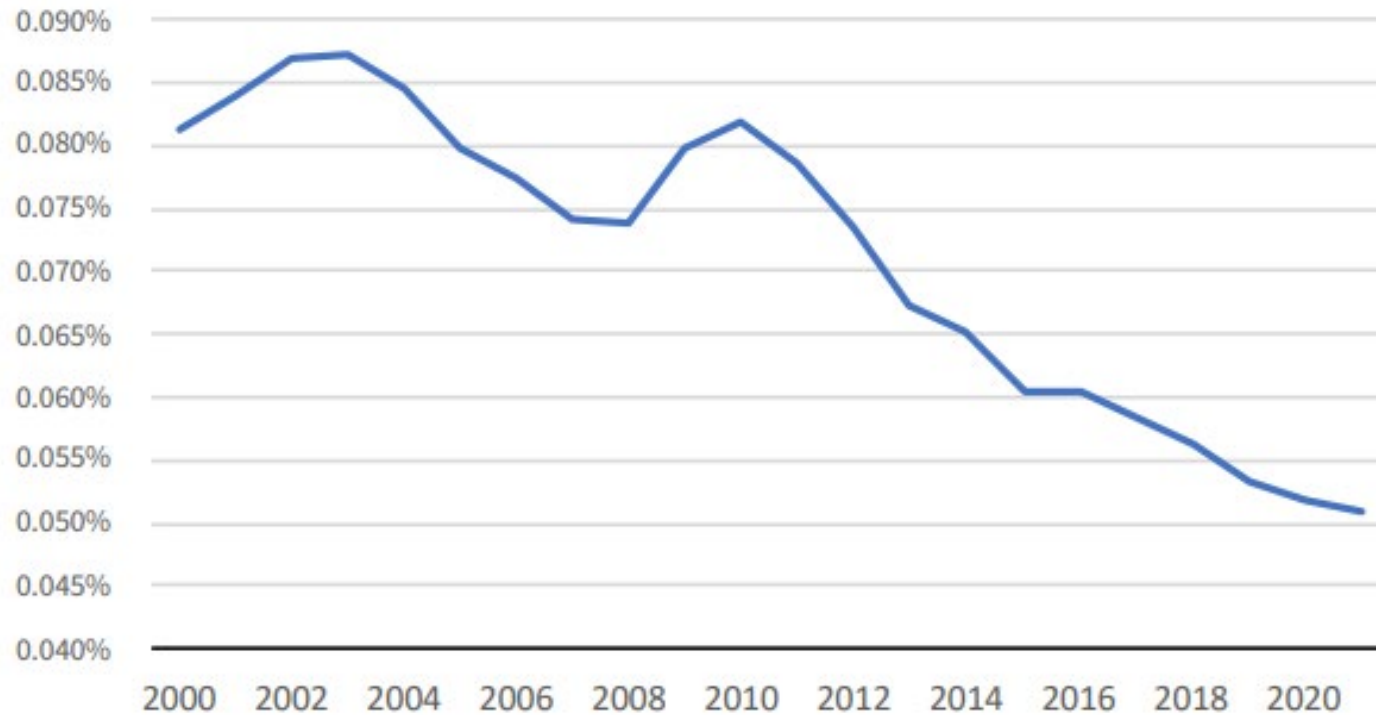
# Challenging filing season illustrates resource needs



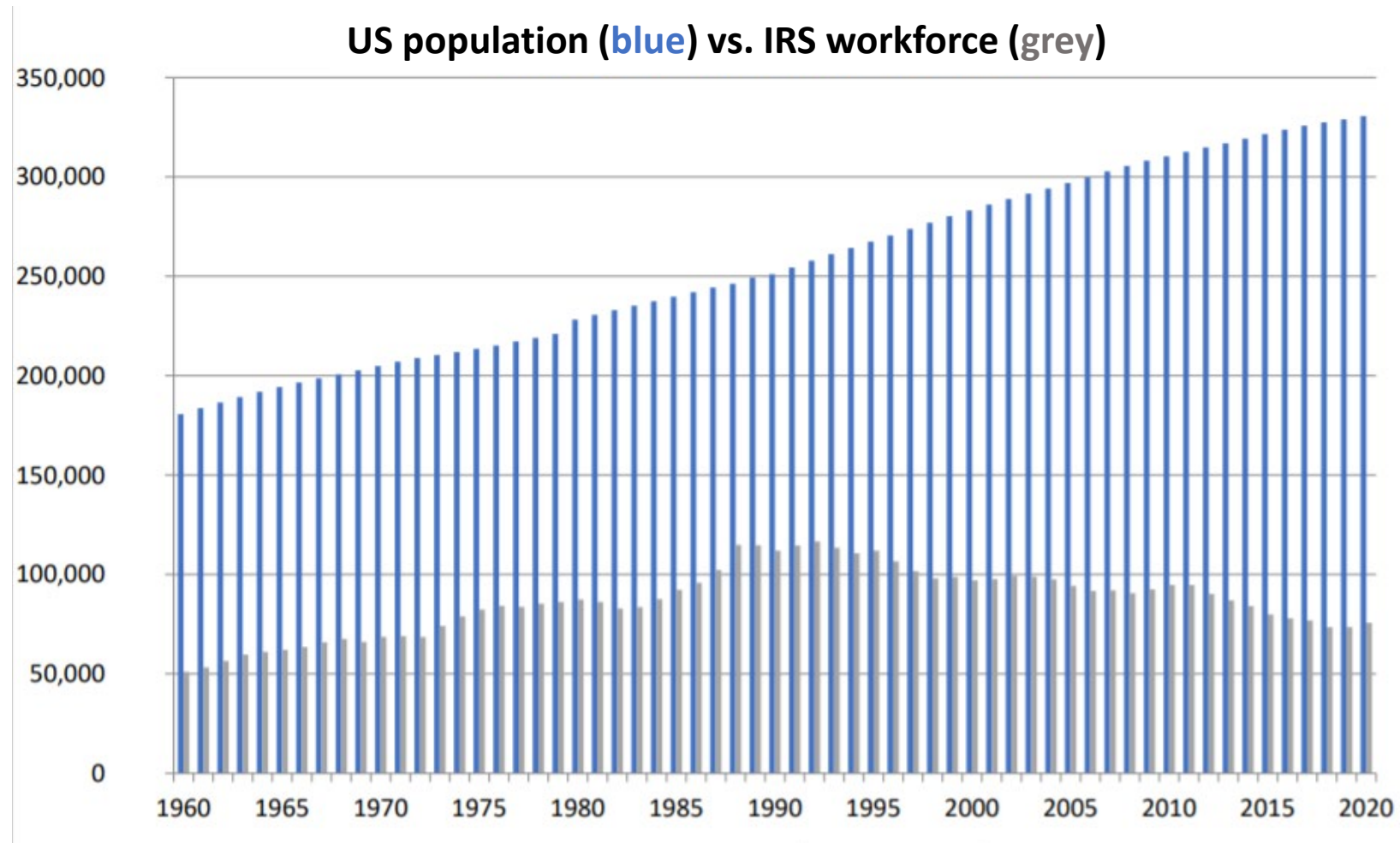
# IRS budget declined by 20% in last decade

*As share of GDP, trended downward for decades*

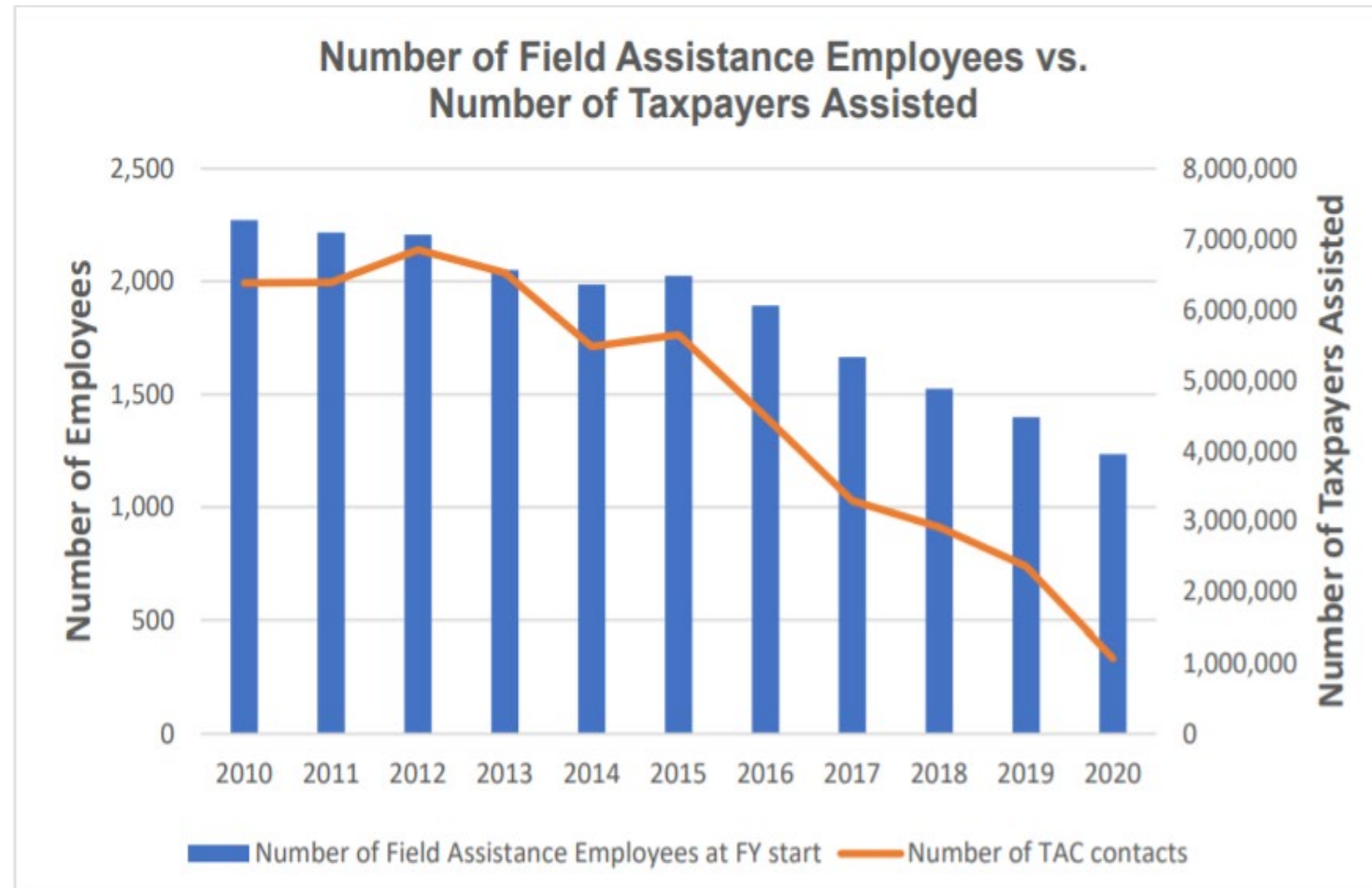
Figure 4: IRS Budget as Percent of GDP



# Fewer IRS employees today than any time since 1970s



# Limited resources bear on service and inventory in important ways



- 1 IRS customer service rep/16K calls in first half of FS 2021

# Phone Volume/Responses



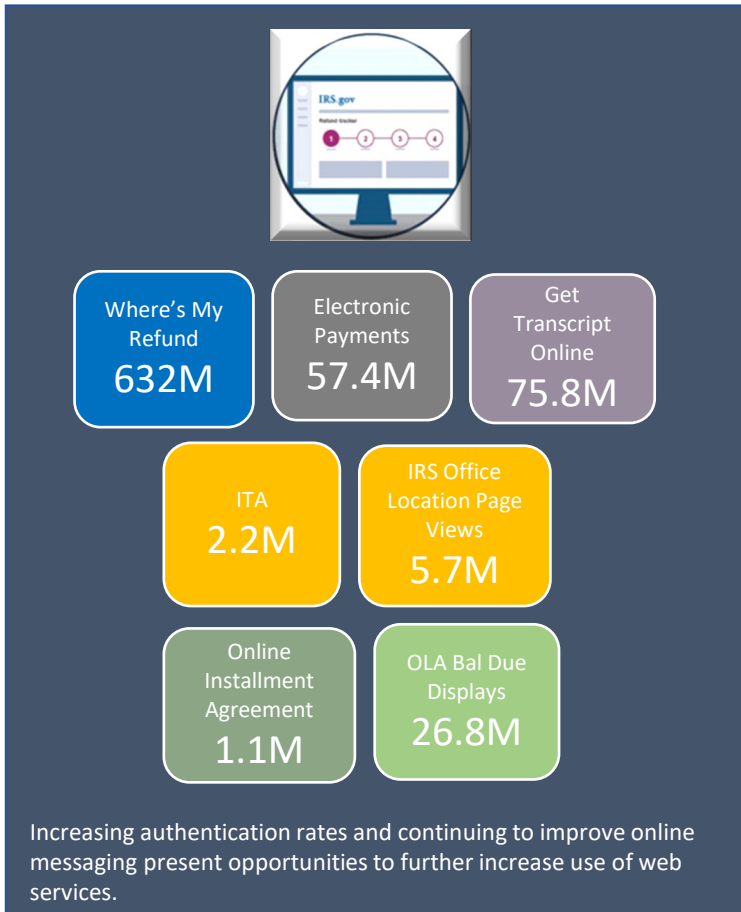
# Historical call volumes

## FY17 - FY21 Actuals Historical Call Volume

	FY17	FY18	FY19	FY20	FY21
<b>Phones</b>					
Demand	34,500,000	38,200,000	37,100,000	36,400,000	119,900,000
Calls Answered	23,200,000	25,300,000	21,300,000	17,900,000	21,700,000
AHT (minutes)	12.5	12.0	13.4	14.3	15.4
FY LOS Achieved	77.0%	76.0%	65.0%	53.0%	19.0%

# Providing Taxpayers Fast and Accurate Resolution of Inquiries in 2021

Recognizing a diverse customer base has varying service preferences, the IRS has focused on providing online solutions for most of the common reasons taxpayers call, increasing convenience and reducing cost to the IRS and taxpayers\*



\*FY 2021 Accounts Management Line/Online Data

## Calling the IRS



**Calls answered:** 67.8M  
**Total Disconnects:** 86.3M  
**Total Calls:** 119.9M  
**Primary Abandons:** 72.6M  
**Offered Callback:** 6.7M

## Automation



**Automated Calls:** 46.4M

## Speaking With Assistor



**Assistor Calls:** 21.7M  
**Level of Service:** 18.5%  
**Average Speed of Answer:** 21 Minutes  
**Average Handle Time:** 15 Minutes  
**Tax Law Accuracy:** 92.8 %  
**Account Accuracy:** 93.0 %  
**Overall Satisfaction:** 80%  
**Secondary Abandons:** 7.5M  
**CCB Success Rate:** 91.1%  
**CCB Take Rate:** 57.6%  
**CCB Virtual Hold Time:** 2.2M hours

# Approaches to Reduce Inventory Levels

# Actions already taken in FS 2021 to prepare for FS 2022

- IRS automated adjustability for non-taxability of unemployment income for FS 2021, saving taxpayers from filing amended returns
- Required mandatory OT for FS 2021; not a preferred tool as it can harm morale, create labor issues and impact effectiveness over time – especially during an ongoing pandemic
- Submission Processing surge team deployed in FS 2021 used in ERS, Rejects and Unpostables
- Provided reconciliation information letters to taxpayers while preparing for filing returns for EIP and ACTC to ensure accuracy of returns and to avoid manual review
- Created and used automated tools to close EIP errors for FS 2021 and have updated for expected EIP and Advanced CTC errors in the 2022 Filing Season
- Used contractor to provide first-call resolutions to English and Spanish speakers for informational, non-account questions related to the CARES act and American Rescue Plan.
  - Provided service on EIP to 27.1 million callers, resolving 16.7 million calls, and transferred 10.4M to IRS personnel for further account action
  - Provided services on Advance Child Tax Credit to 2.3 million callers, resolving 1.8 million calls and transferring 500K to IRS personnel for further account actions
  - IRS retained this contract through the 2022 filing season



# Submission Processing (SP)

- **Given current inventory and expected receipts, our planning suggests we are short FTEs needed to return inventory to healthy levels.**
- **IRS plans to deploy the following strategies to make up this gap:**
  - Continue aggressive recruiting, hiring and training throughout the filing season.
  - Considering mandatory OT for FS 2022
  - To the extent funds and personnel are available, deploy and expand surge teams of enforcement personnel in Austin, Kansas City and Ogden
    - FS22 is more difficult than surge team effort last year. Last year's effort assigned surge teams to remote work. This year's effort would require performing on-site work.
  - Continue use of automated tools to close EIP errors for FS 2021
  - Monitor the amount of work being received in ERS, Rejects and Unpostables and promptly take measures to accelerate resolution of return issues and minimize correspondence with filers of those returns.

# Tools/Tips for Taxpayers

**Fastest refunds by e-filing and avoiding paper returns:** Filing electronically with direct deposit and avoiding a paper tax return is more important than ever this year to help avoid refund delays. If you need a tax refund quickly, do not file on paper – use software, a trusted tax professional or [Free File](#) on IRS.gov.

**Avoid delays by filing an accurate tax return:** More than ever this year, the IRS urges people to make sure they're filing an accurate tax return. An accurate tax return can avoid processing delays, extensive refund delays and later IRS notices.

**Special care for Economic Impact Payments and advance Child Tax Credit:** The IRS urges extra caution for people who received an Economic Impact Payment or advance Child Tax Credit in 2021. Make sure information is entered correctly on your tax return. This could mean extra money. Incorrect entries on these payments mean the IRS will need to further review your tax return, creating an extensive delay. To help taxpayers, the IRS is mailing special letters with the stimulus payments and advance Child Tax Credit payment amounts. People can also get this information on IRS.gov.

**Most refunds within 21 days with e-file, direct deposit, accurate return:** For people with no issues with the tax return, the IRS anticipates most will receive their refund within 21 days of when they file electronically if they choose direct deposit.

**Online resources best option for help; avoid phone delays:** IRS.gov is the quickest and easiest option for help. IRS phone lines continue to receive record numbers of calls, more than the agency can handle. Many people will not get through to reach an IRS assistor. Check IRS.gov first for refund information and answers to tax questions.

# Best practices for taxpayers

# More than half of the expanded Child Tax Credit dollars are still on the table

- Taxpayers must file taxes to get the rest of their benefits
  - Taxpayers who received advanced expanded CTC payments must file to receive the second half of their credit
  - Other taxpayers who are eligible for the CTC didn't receive advance payments in 2021 – for example, because they welcomed a new baby or perhaps haven't filed taxes before
    - These taxpayers will get the full value of their tax credit by filing their tax returns
- Lessons and experience from three rounds of EIPs and CTC outreach in 2021 are informing efforts to bring filers back (or bring them in for the first time)



# Proactive outreach and assistance on Child Tax Credit

- In anticipation of a higher volume of CTC questions given expanded eligibility and advance payments, developing tools and guidance
  - Letters sent to recipients of advance CTC payments
  - Repurposed Childtaxcredit.gov website
  - Additional filing season specific FAQs
- Additional assistance:
  - Coordinating with advocates, community organizations, and other not-for-profits to provide information on claiming CTCs, common issues, and where to go for help
  - Developing guidance to allow IRS-approved third-parties to provide simplified filing solution so lower-income taxpayers can get their CTC