

# GAO Highlights

Highlights of [GAO-14-133](#), a report to congressional committees

## Why GAO Did This Study

The tax filing season is when IRS processes most tax returns and provides services including telephone, correspondence, and website assistance for tens of millions of taxpayers. IRS budgeted more than \$2 billion for these activities in 2013. The filing season is also when IRS begins collecting delinquent taxes by, for example, approving installment agreements and checking for non-filers. GAO was asked to review the 2013 tax filing season. This report (1) assesses IRS's performance in processing tax returns and providing services to taxpayers; (2) describes the installment agreement process and assesses its efficiency; and (3) describes the process for detecting and notifying non-filers. To conduct the analyses, GAO obtained and compared IRS data from 2007 through 2013, reviewed pertinent IRS documents, observed IRS operations, and interviewed IRS officials and experts in tax administration, including tax preparation firms.

## What GAO Recommends

GAO recommends that IRS develop standardized account entries and eliminate unnecessary redundancy in the installment agreement process. IRS did not state whether it concurred with our recommendation. GAO believes the recommendation remains valid as discussed in this report. In addition, GAO continues to believe the prior recommendation that IRS develop a strategy that defines appropriate levels of telephone and correspondence services based on an assessment of demand and resources among other things remains valid and should be addressed.

View [GAO-14-133](#). For more information, contact James R. White at (202) 512-9110 or [whitej@gao.gov](mailto:whitej@gao.gov).

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## 2013 TAX FILING SEASON

### IRS Needs to Do More to Address the Growing Imbalance between the Demand for Services and Resources

## What GAO Found

Despite efficiency gains from processing more tax returns electronically, adding website services, and shifting resources from enforcement, the Internal Revenue Service (IRS) was unable to keep up with demand for telephone and correspondence services. Access to IRS's telephone assistors remained at 68 percent from 2012. The percentage of overage paper correspondence (over 45 days old) increased to 47 percent from 40 percent in 2012. In the face of similar trends, last year GAO reported that a dramatic revision in IRS's taxpayer service strategy was needed and recommended IRS take steps to better balance demand for services with available resources. GAO acknowledged this may require IRS to consider difficult tradeoffs, such as limiting some services. In response, IRS has proposed eliminating or reducing some services for 2014 such as answering basic tax law questions only during the filing season. However, IRS officials told GAO the proposed cuts may not be sufficient to stop the deterioration in services. Until IRS develops a strategy, it risks not communicating expectations about the level of services it can provide based on the resources available. IRS could use the strategy to facilitate a discussion with Congress and other stakeholders about the appropriate mix of service, level of performance, and resources.

IRS Return Processing, Telephone Service, and Correspondence, 2008 through 2013 Filing Seasons

	2008	2009	2010	2011	2012	2013
<b>Return processing (fiscal year)</b>						
Returns processed (in millions)	151	139	137	140	142	142
Percent e-filed	59	67	71	78	82	84
<b>Telephone service (end of June, each year)</b>						
Percentage of callers seeking live assistance who receive it	57	68	76	72	68	68
Average wait time (in minutes)	8.6	8.4	9.5	11.7	17	15.5
<b>Paper correspondence (end of fiscal year)</b>						
Percentage of overage correspondence	n/a	25	27	35	40	47

Source: GAO analysis of IRS data. Legend: n/a = not applicable.

IRS offers options for installment agreements (IAs) to taxpayers who cannot fully pay their taxes when due. Taxpayers can enter into these agreements online, by phone, and by mail. In fiscal year 2012, IRS approved about 3.2 million new agreements and collected almost \$10 billion. IRS devotes about 1,800 full-time equivalent staff to the program but it is not as efficient as it could be. GAO found opportunities to standardize account entries and reduce redundancy by eliminating dual entry of the same data on paper forms and into IRS's computers. IRS officials agreed that opportunities did exist to streamline the process. More standardized and less redundant data entry could reduce resource needs.

IRS detects non-filers by matching third party information (i.e., Form W-2s) with tax returns. The first match is done in October, well after the mid-April tax filing deadline from the previous year, because of the time it takes to receive the third party information and process it. IRS sends notices to non-filers in November and December.