

GAO@100 Highlights

Highlights of [GAO-21-251](#), a report to the Committee on Ways and Means, U.S. House of Representatives

Why GAO Did This Study

During the annual tax filing season, generally from January to mid-April, IRS processes more than 150 million individual and business tax returns and provides telephone, correspondence, online, and in-person services to tens of millions of taxpayers. Due to the COVID-19 pandemic and to provide relief to taxpayers, IRS extended the 2020 filing and payment deadline by 3 months to July 15, 2020.

GAO was asked to review IRS's performance during the 2020 filing season. This report (1) describes the changes IRS made to operations and services for the 2020 filing season due to the COVID-19 pandemic; (2) assesses IRS's performance on providing customer service and processing individual and business income tax returns during the 2020 filing season and compare to prior filing seasons, where appropriate; and (3) evaluates IRS's plans to prepare for the 2021 filing season.

GAO analyzed IRS documents, filing season performance data, and employee timecard data; assessed IRS's plans for the 2021 filing season; and interviewed cognizant officials.

What GAO Recommends

GAO is making seven recommendations, including that IRS revise estimates for addressing its backlog; identify and address barriers to e-filing for business taxpayers; identify and consider implementing alternative work assignments for returns processing staff on paid leave; and identify and assess risks to the 2021 filing season. IRS agreed with four recommendations and disagreed with three. GAO believes that the recommendations remain warranted.

View [GAO-21-251](#). For more information, contact Jessica Lucas-Judy at (202) 512-6806 or lucasjudj@gao.gov.

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TAX FILING

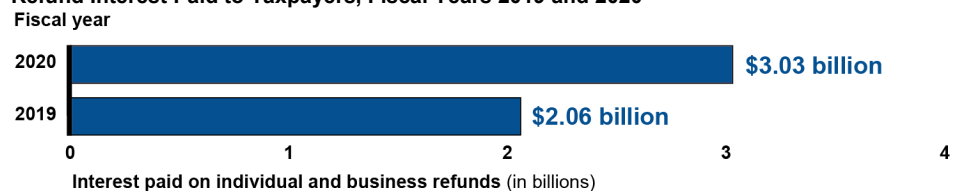
Actions Needed to Address Processing Delays and Risks to the 2021 Filing Season

What GAO Found

The 2020 filing season occurred during the global COVID-19 pandemic, introducing challenges that the Internal Revenue Service (IRS) had to respond to quickly to fulfill its mission-essential functions. IRS took steps to protect the integrity of its operations, help ensure the health and safety of its employees, and provide relief to taxpayers. For example, IRS closed all its processing and service facilities for several weeks before re-opening with health and safety measures and extended the filing season deadline to July 15, 2020.

IRS's 2020 processing of e-filed returns was generally on par with prior years. However, IRS's overall 2020 performance was significantly impacted by its reliance on manual processes such as for paper returns, and its limited ability to process returns remotely while processing centers were closed. As a result, as of December 2020, IRS had a significant backlog of unprocessed returns and taxpayer correspondence. Additionally, costs increased including interest on delayed refunds which exceeded \$3 billion in fiscal year 2020. IRS has not revised its estimates for addressing all of the backlog due to operational uncertainties created by the pandemic. Doing so would help IRS determine how best to address the backlog and perform 2021 filing season activities.

Refund Interest Paid to Taxpayers, Fiscal Years 2019 and 2020



Source: GAO analysis of Internal Revenue Service data. | [GAO-21-251](#)

GAO also found that about 23 percent of business tax returns were filed on paper even though an e-file option is available. IRS has not comprehensively identified barriers to business-related e-filing nor taken specific actions to increase e-filing. Doing so would help reduce the volume of costly paper-based work and improve services to business filers. Further, during the filing season, IRS transitioned nearly two-thirds of its phone customer service staff to telework, but was unable to do so for returns processing staff because most of its paper-based work is not set up to be performed remotely. As of late October 2020, about one-third of these staff remained on paid leave. Identifying and implementing alternative work assignments for staff that remain on paid leave would better support IRS operations and reduce costs.

IRS has not fully identified and assessed all risks to the 2021 filing season—including those exacerbated by the COVID-19 pandemic—consistent with enterprise risk management practices. IRS identified some risks in October 2020 after GAO raised concerns, but did not fully address all essential elements of enterprise risk management, such as identifying options for risk response. Doing so would better position IRS to respond to risks during the 2021 filing season. In early 2021, after receiving a draft of this report, IRS provided additional information on its risk management efforts. GAO will review this information to determine if these efforts are sufficient to address its recommendation.