

November 2022

GAO Highlights

Highlights of [GAO-23-105217](#), a report to congressional requesters

Why GAO Did This Study

Millions of taxpayers claim refundable tax credits each year. About half of taxpayers use a paid preparer, according to the Department of the Treasury. However, these credits have complex eligibility rules that can be difficult to follow. This can result in errors and improper claims. For fiscal year 2021, IRS estimated that it paid \$115 billion in refundable tax credits, but \$26 billion were improperly paid.

GAO was asked to examine IRS's Refundable Credits Return Preparer Strategy program. This report assesses (1) the extent to which the program incorporates key elements of program design, and (2) how, if at all, IRS could broaden the effect of its strategy to reduce improper payments, among other objectives.

GAO reviewed IRS program data and documentation. GAO also interviewed IRS officials, paid preparers, and industry groups. Further, GAO compared IRS's efforts to guidance on key program elements from the Office of Management and Budget's Circular No. A-11 and IRS's Strategic Plan.

What GAO Recommends

GAO is making six recommendations to IRS. They include IRS developing a long-term plan and finalizing the IRS-wide preparer strategy. GAO is also recommending that Congress grant IRS the authority to establish professional requirements for paid preparers. IRS agreed with five of the recommendations. IRS neither agreed nor disagreed with the recommendation to finalize the IRS-wide preparer strategy, stating that other reorganization efforts must be completed first.

View [GAO-23-105217](#). For more information, contact James R. McTigue Jr. at (202) 512-6806, mctiguej@gao.gov.

PAID TAX RETURN PREPARERS

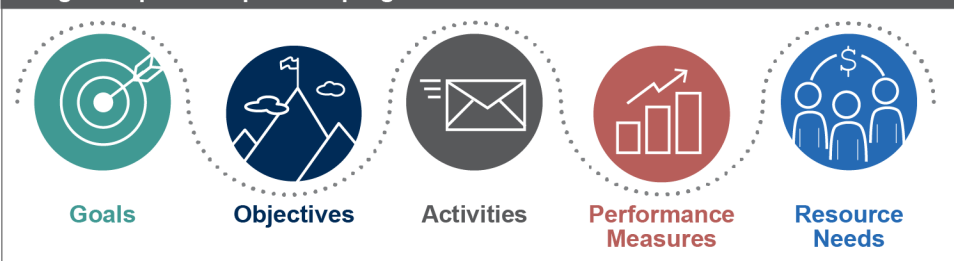
IRS Efforts to Oversee Refundable Credits Help Protect Taxpayers but Additional Actions and Authority Are Needed

What GAO Found

The Internal Revenue Service (IRS) designed the Refundable Credits Return Preparer Strategy program to address improper payments associated with refundable tax credits and other benefits. This program includes tailored education and enforcement actions for paid preparers identified as having returns filed with a high probability of errors. The program aims to change the behavior of paid preparers and their clients and improve the accuracy of returns claiming these credits.

IRS has yet to develop a long-term plan that identifies and links long-term goals, objectives, activities, and performance measures for this program. Instead, program officials have focused on the operation of the program on a year-to-year basis. This includes ensuring preparers at risk of noncompliance are assigned to appropriate compliance actions. However, a long-term plan would provide a road map to help ensure that decisions align with program goals and inform budget requests and resource decisions. Without a long-term plan, program officials will continue to be limited in their ability to plan strategically.

Long-term plans help to link program elements and reach desired outcomes



Source: GAO. | GAO-23-105217

IRS identified a need for an IRS-wide tax return preparer strategy that would ensure consistent treatment of all preparers across different compliance programs. However, progress on the IRS-wide strategy stalled. Thus, how the Refundable Credits Return Preparer Strategy program fits into a broader service-wide strategy remains unclear. IRS officials noted that the strategy cannot be finalized until the IRS-wide reorganization is completed. IRS received significant additional funding as part of the Inflation Reduction Act of 2022. The agency is developing a detailed spend plan for these funds. Officials reported that the IRS-wide strategy was still under consideration within IRS's reorganization. However, until the IRS reorganization is complete and the IRS-wide preparer strategy is implemented, IRS may be missing opportunities to capitalize on prior planning efforts.

While the Refundable Credits Return Preparer Strategy program helps encourage preparer compliance with due diligence requirements, the challenge with preparer accuracy is much broader. IRS data show the program can reach a small fraction—less than 2 percent in 2021—of preparers with education and enforcement activities. Further, tax preparers are not held to uniform standards because IRS lacks the authority to establish professional requirements for all types of preparers. This puts some taxpayers at risk of receiving insufficient or incompetent tax preparation services and potentially burdensome enforcement actions. Providing IRS with the authority to establish requirements for all paid preparers would allow IRS to target its resources more efficiently on noncompliant preparers.