

Review of the 2020 Filing Season

INTRODUCTION

The IRS began accepting individual tax returns for processing on January 27, 2020.¹ However, like much of the world, the 2020 filing season was severely impacted by the COVID-19 pandemic.² As the country began sheltering in place, taxpayers were unable to work with return preparers, gather appropriate documentation, or meet their financial obligations by timely paying their 2019 tax due amounts and their 2020 quarterly payments, or by timely filing. On or about March 20, the IRS ceased operations in a number of key customer service areas and postponed the due date for filing individual income tax returns and making income tax payments by three months to July 15, 2020.³ No late-filing penalty, late-payment penalty, or interest will be due on these postponed payments.

On April 9, 2020, the IRS expanded similar relief to all taxpayers (individuals, trusts, estates, corporations, and other non-corporate tax filers) that had a filing or payment deadline falling on or after April 1, 2020, and before July 15, 2020. The extended time applied to all Americans, including those who live and work abroad.⁴

Understandably, the disruption caused by COVID-19 and the postponed due date had — and continues to have — an enormous impact on the 2020 filing season, reflected in the number of returns received, the volume of correspondence received from taxpayers, and toll-free telephone service. For the first time, the June Report to Congress will only report on a partial filing season, with a plan to analyze the remainder of the filing season at a later date when we have more complete data to compare with prior filing seasons.

EXTERNAL FACTORS IMPACTING THE 2020 FILING SEASON

The December 20, 2019, enactment of the Further Consolidated Appropriations Act resulted in significant, wide-ranging changes to tax provisions, requiring the IRS to make changes to over 160 tax forms, instructions, and publications.⁵ Although this effort impacted IRS resources, the IRS was able to quickly revise, repost, and reprint the necessary products prior to the start of the filing season opening on January 27, 2020.

The Wage & Investment (W&I) Division is the part of the IRS with responsibility for processing all returns and sorting all mail received by the IRS. Its Customer Account Services (CAS) and Customer Assistance, Relationships and Education (CARE) departments spearhead the IRS effort in

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- 1 IRS, IR-2020-02, IRS Opens 2020 Filing Season for Individual Filers on Jan. 27 (Jan. 6, 2020), <https://www.irs.gov/newsroom/irs-opens-2020-filing-season-for-individual-filers-on-jan-27>.
 - 2 For a discussion of the impact of the COVID-19 pandemic, see Systemic Advocacy Objective: *Protecting the Rights of Taxpayers Impacted by the COVID-19 National Emergency and Restoring Much-Needed Taxpayer Services*, *supra*.
 - 3 IRS, Notice 2020-18, 2020-15 I.R.B. 590, Relief for Taxpayers Affected by Ongoing Coronavirus Disease 2019 Pandemic (Apr. 6, 2020), <https://www.irs.gov/pub/irs-drop/n-20-18.pdf>.
 - 4 IRS, Notice 2020-23, 2020-18 I.R.B. 742, Update to Notice 2020-18, Additional Relief for Taxpayers Affected by Ongoing Coronavirus Disease 2019 Pandemic (Apr. 27, 2020), <https://www.irs.gov/pub/irs-drop/n-20-23.pdf>.
 - 5 Further Consolidated Appropriations Act, 2020, Pub. L. No. 116-94, 133 Stat. 2534 (2019). This legislation included over 70 tax provisions, requiring changes to over 160 forms, instructions, and publications. IRS, W&I Business Performance Review (BPR), 2nd Quarter FY 2020, at 4 (May 2020).

ensuring a successful filing season.⁶ W&I experienced challenges meeting its fiscal year (FY) 2020 hiring goals due to low applicant pools and encountered problems with onboarding new hires.⁷ Despite efforts to mitigate these difficulties by expanding its advertising and outreach strategy, W&I was able to meet just 43 percent of its FY 2020 hiring goals as of April 10, 2020.⁸

FIGURE 3.1, W&I FY 2020 Hiring as of April 10, 2020⁹

W&I Function	2019 Vacancy Goals	2019 Actual Hires 04/15/2019	Percent	2020 Vacancy Goals	2020 Actual Hires 04/10/2020	Percent
Customer Account Services (CAS)						
Accounts Management	4,520	2,985	66%	3,300	2,740	83%
Submission Processing	8,964	3,882	43%	8,841	2,440	28%
Electronic Products and Services Support (EPSS) (Technical)	58	53	91%	184	91	49%
CAS Total	13,542	6,920	51%	12,325	5,271	43%
Customer Assistance, Relationships and Education (CARE)						
Media and Publications (M&P)- Correspondence Production Services	49	35	71%	16	8	50%
M&P-Nat'l Distribution Center	30	14	47%	15	10	67%
Field Assistance (Taxpayer Assistance Center)	30	30	100%	109	84	77%
Stakeholder, Partnerships, Education & Communication	0	0	0%	22	10	45%
CARE Total	109	79	72%	162	112	69%
Return Integrity & Correspondence Services Total	237	202	85%			
TOTAL	13,888	7,201	52%	12,487	5,383	43%

PROTECTION OF THE HEALTH AND SAFETY OF IRS EMPLOYEES

The Commissioner and his leadership team quickly developed plans and guidelines addressing and balancing the impact of COVID-19 on the health and safety of IRS employees and its effect on tax administration. In early March 2020, the Commissioner created the COVID-19 working group to identify possible effects on the workforce, provide employees with updated information on COVID-19, and provide direction on human resource flexibilities and authorities. On March 13, 2020, the Commissioner instructed the senior leadership team to immediately implement provisions in response to the President's declaration of a national emergency including maximizing telework flexibility for eligible employees, expanding leave flexibility, reducing in-person contact, implementing travel restrictions, and providing access to hygiene products to protect the health of employees and taxpayers entering facilities. For locations that remained open, the IRS reduced

6 The 2020 filing season was interrupted by the COVID-19 pandemic. As a result, some of the data we analyze is for the partial filing season, as the IRS suspended operations of some programs in mid- to late-March.

7 IRS, W&I BPR, 2nd Quarter FY 2020, at 6 (May 2020).

8 *Id.*

9 *Id.*

staffing to enhance social distancing for those who perform mission-critical work at the Tax Processing Centers.

With an already reduced workforce, the impact of COVID-19 closures, and the Taxpayer First Act,¹⁰ the IRS filing season operations were challenged. Because of the disruption in service, taxpayers had limited means to obtain customer service assistance from the IRS. A separate section in this report discusses the impact of COVID-19. The cursory information shared below is included to provide some context to what has taken place in the filing season to date:¹¹

- Due to campus and office closures, the IRS was unable to staff phone lines to assist callers beginning the week of March 21, 2020.
- After March 20, 2020, taxpayers no longer had access to face-to-face customer service.
- There is a large backlog of incoming mail (an estimated ten million pieces of mailed tax returns or correspondence¹²); the IRS was unable to process paper filed returns and receive or respond to other written correspondence from taxpayers.
- The IRS has sent only a very limited volume of outgoing taxpayer correspondence.
- There was a substantial reduction in Volunteer Income Tax Assistance (VITA), Tax Counseling for Elderly (TCE), and Low Income Taxpayer Clinic services.
- The National Distribution Center (NDC) was also shut down, depriving taxpayers of a means to acquire pre-printed forms.

In response to the COVID-19 pandemic on U.S. citizens and businesses, Congress assigned the IRS with the administration of the Economic Impact Payments (EIPs) in the height of the 2020 filing season, while its workforce was working remotely. In general, taxpayers with adjusted gross incomes below \$99,000 (\$198,000 for joint filers) were eligible for EIPs of up to \$1,200 per adult and \$500 per child.¹³ Where available, the IRS used information from taxpayers' recent tax returns to calculate the payment and to deposit the EIP directly into the same banking account reflected on the return filed. However, for the portion of the population who had no filing requirement in recent years or had not provided banking information, the IRS needed to develop workaround procedures to ensure delivery of these payments.

Given the time-sensitive nature of the payments, the IRS had to pivot, in the middle of filing season and without full staffing, to develop processes and procedures and perform system changes that would allow for the quick release of the EIPs. The IRS was tasked with establishing a process to determine which U.S. citizens were eligible for the EIP, determine the correct amount of the EIP

¹⁰ Taxpayer First Act, Pub. L. No. 116-25, 133 Stat. 981 (2019).

¹¹ See Systemic Advocacy Objective: *Protecting the Rights of Taxpayers Impacted by the COVID-19 National Emergency and Restoring Much-Needed Taxpayer Services*, *supra*.

¹² Allyson Versprille, *Virus Fears, Unopened Mail Await IRS Employees Returning to Work*, BLOOMBERG LAW: TAX (June 1, 2020), https://www.bloomberglaw.com/product/tax/document/XF00Q660000000?bna_news_filter=daily-tax-report&jcsearch=BNA%2520000001726082d211a37fed86a38f0001#jcite (citing data provided by the IRS to the U.S. House Committee on Ways and Means in a report titled "Internal Revenue Service Operations (Report on May 27, 2020)").

¹³ For more information about the IRS's administration of the EIP, see <https://home.treasury.gov/policy-issues/cares/assistance-for-american-workers-and-families> (last visited June 3, 2020).

based upon their specific circumstances, determine their bank or financial account information or mailing address, and identify U.S. citizens without a tax filing obligation who may also qualify for the EIP, while having the pressure of getting the much-needed stimulus payments to Americans across the country as quickly as possible. Although there have been glitches, the IRS should be commended for timely issuing nearly 160 million payments, even with its software programming language that dates to the Kennedy administration, through June 3, 2020.¹⁴

The IRS has the current task of continuing its outreach efforts to locate and identify those citizens not on the IRS system but who nonetheless may be entitled to EIP. And in 2021, the IRS will be reviewing and correcting any underpayments as part of the 2021 filing season.

FILING SEASON PERFORMANCE

The IRS's 2020 filing season statistics indicate that of 116 million individual returns filed, 106 million were filed electronically and over 81 million were requests for refunds.¹⁵ For comparison purposes, we utilized data through April 17, 2020, which ordinarily would have been the end of the filing season if it had not been extended by three months due to COVID-19. Figure 3.2 presents an overview of returns processing and refunds during filing seasons 2018, 2019, and 2020.

Note of caution: reading too much into any statistical trends from this three-year period, given the major disruption in Filing Season 2020 and the three-month automatic extension of the filing and payment deadlines, is not a fair or accurate comparison. However, three data points stand out — during Filing Season 2020, (1) there were 24 million fewer returns processed by the traditional mid-April filing deadline, (2) the number of Free File users more than doubled from prior filing seasons, and (3) usage of IRS.gov increased 77 percent.¹⁶

14 IRS, IR-2020-111, 159 Million Economic Impact Payments Processed; Low-Income People and Others Who Aren't Required to File Tax Returns Can Quickly Register for Payment with IRS Non-Filers Tool (June 3, 2020), <https://www.irs.gov/newsroom/159-million-economic-impact-payments-processed-low-income-people-and-others-who-arent-required-to-file-tax-returns-can-quickly-register-for-payment-with-irs-non-filers-tool>.

15 IRS, Filing Season Statistics for Week Ending April 17, 2020, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-17-2020> (last visited Apr. 29, 2020).

16 There are two possible reasons for the increase in Free File participants. First, a large number of taxpayers who did not have a filing requirement elected to file a tax return this filing season, in order to expedite processing of their EIP by making sure the IRS had up-to-date bank account or address of record for them. Second, the IRS made several improvements to its Free File program designed to make the program more taxpayer-friendly. According to the revised agreement with the IRS, Free File partners:

1. Will not exclude their Free File landing page from an organic internet search;
2. Will ensure that a link on their sites is available to return taxpayers to the IRS Free File website at the earliest feasible point in the preparation process if they do not qualify for the member's Free File offer; and
3. Will regularly survey taxpayers who successfully e-filed a tax return through the Free File program, reporting their results quarterly to the IRS.

See IRS, W&I BPR, First Quarter FY 2020, at 8 (Feb. 2020).

FIGURE 3.2, Filing Season Statistics Comparing Weeks Ending April 20, 2018; April 19, 2019; April 17, 2020¹⁷

		2018	2019	2020	% Change From 2019 to 2020
Individual Income Tax Returns	Total Receipts	136,919,000	137,233,000	115,961,000 ¹⁸	-15.5%
	Total Processed	130,477,000	130,775,000	106,637,000	-18.5%
e-Filing Receipts	Total e-Filing	124,515,000	126,264,000	105,991,000	-16.1%
	Total Free File	2,538,000	2,681,000	5,631,000	110.0%
	Tax Professionals	70,983,000	70,476,000	53,651,000	-23.9%
	Self-Prepared	53,532,000	55,788,000	52,340,000	-6.2%
Total Refunds	Number	95,434,000	95,737,000	81,349,000	-15.0%
	Amount	\$265.3 bil	\$260.9 bil	\$229.3 bil	-12.1%
	Average Refund	\$2,780	\$2,725	\$2,818	3.4%
Direct Deposit Refunds	Number	80,491,000	83,249,900	68,028,000	-18.3%
	Amount	\$236.9 bil	\$238.4 bil	\$201.6 bil	-15.4%
	Average Refund	\$2,943	\$2,863	\$2,964	3.5%
Web Usage	Visits to IRS.gov	386.9 mil	421.5 mil	744.7 mil	76.7%
	Where's My Refund?	265.0 mil	317.4 mil	370.4 mil	16.8%

In the narrative that follows, we will address the taxpayer experience during Filing Season 2020 (through April 17, 2020) under the following major themes:

- Taxpayer interaction with the IRS via telephone, correspondence, or in-person assistance;
- Availability of tax forms and publications;
- Online and self-service tools;
- Service options for taxpayers living abroad;
- The transition to a revised Form 1040 and creation of Form 1040-SR; and
- Fraud detection.

17 IRS, Filing Season Statistics for Week Ending April 17, 2020, <https://www.irs.gov/uac/newsroom/filing-season-statistics-for-week-ending-april-17-2020> (last visited Apr. 29, 2020); Filing Season Statistics for Week Ending April 19, 2019, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-19-2019> (last visited Apr. 29, 2020); Filing Season Statistics for Week Ending April 20, 2018, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-20-2018> (last visited Apr. 29, 2020). Note: the Free File and Where's My Refund data was obtained from internal filing season reports.

18 Total receipts for Filing Season 2020 include returns filed to obtain EIP by those who may not otherwise have filed an income tax return.

TAXPAYER INTERACTIONS WITH THE IRS

The IRS aids millions of taxpayers via its website (IRS.gov), telephone, and social media platforms as well as face-to-face assistance at its Taxpayer Assistance Centers (TACs), VITA sites, and TCE sites.

Telephones

From January 1 through March 21, 2020 (the date when the IRS scaled back phone operations due to COVID-19, before closing them completely on March 24, 2020¹⁹), the IRS received 31.3 million telephone calls overall,²⁰ of which 25.3 million were directed to its Accounts Management (AM) telephone lines.²¹ The IRS achieved a 67 percent level of service (LOS) for AM in the 2020 filing season, on par with the 67 percent LOS in the 2019 filing season but a significant decline from the IRS's performance during the 2018 filing season, when the IRS reported an 80 percent LOS.²² Among taxpayers who got through to AM telephone assistors, hold times averaged 10.3 minutes in Filing Season 2020.²³

Telephone service was considerably worse on IRS telephone lines outside the AM category, particularly on the compliance telephone lines. The IRS had a LOS of 27 percent on its compliance telephone lines, and callers who managed to get through on those lines waited on hold for an average of almost 39 minutes.²⁴

The way the IRS calculates and presents filing season data is complex and does not necessarily reflect the overall experience of taxpayers seeking telephone assistance. The benchmark measure is a very narrow one and does not reflect the taxpayer experience in two respects. First, the benchmark measure reflects only calls that are directed to the IRS's AM telephone lines. Of those, 25.3 million of the 31.3 million total calls (81 percent) the IRS received came in on or were routed to AM.²⁵ The benchmark measure does not tell us anything about how the IRS handled the remaining six million calls outside of AM (such as the compliance phone lines).²⁶

Second, the denominator in the IRS's LOS computation is derived from calls routed to telephone assistors rather than from *all* calls to that phone line. Callers to the AM lines are greeted by a phone tree, and based on their responses, they are directed either to an employee for live assistance or to an automated system. Depending on the caller's response to prompts, the IRS decides whether to direct the caller to its automated offerings. In other words, automation is not a deliberate caller-selected

19 IRS, SERP Alert 20A0135, Product Line Closure (Mar. 24, 2020) (rescinded May 7, 2020).

20 IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Mar. 21, 2020).

21 IRS, JOC, Snapshot Reports: Enterprise Snapshot, AM (week ending Mar. 21, 2020).

22 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Mar. 21, 2020); IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Apr. 20, 2019); IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Apr. 21, 2018). The phone service in filing season 2019 was impacted by the inability of the IRS to hire and train seasonal employees due to the 35-day government shutdown immediately prior to the opening of the filing season.

23 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Mar. 21, 2020).

24 *Id.*

25 *Id.*

26 The National Taxpayer Advocate raised these concerns in a March 7, 2019 hearing. *The Tax Filing Season: Hearing Before the H. Subcomm. on Oversight of the H. Comm. on Ways and Means*, 116th Cong. 6-11 (Mar. 7, 2019) (statement of Nina E. Olson, National Taxpayer Advocate).

option. Only 23 percent of the 25.3 million calls answered by the AM lines (about six million) were routed to assistors and are included in the LOS computation, while the remaining taxpayer calls were routed to automation or reflected taxpayer hang-ups (typically because taxpayers do not want to work through the phone tree or wait on hold).²⁷ As a result, while the IRS is reporting a benchmark level of service of 67 percent, *IRS employees answered only 23 percent of the calls received on the AM lines and 25 percent of calls received on all lines.*²⁸

Telephone Service Observations

As noted above, favorable top-line numbers mask significant weaknesses in IRS telephone service. Consider the following:

- **The LOS was not consistent across all IRS telephone lines.** One compliance line — the “Installment Agreement/Balance Due” line, which taxpayers generally call if they cannot pay their tax liabilities in full and are seeking to arrange a payment plan — had extremely poor service in the abbreviated 2020 filing season. The IRS received over 1.5 million calls on this line and had a LOS of almost 30 percent for the 2020 filing season. This means that more than two out of three taxpayers who attempted to call this line did not receive assistance at the time of the call. Taxpayers who spoke to an assistor waited an average of 49.7 minutes on hold.²⁹
- **Most taxpayers calling the IRS want to speak to an employee; however, 59 percent of AM calls were answered by automation.**³⁰ Callers generally have no choice regarding how and where their calls are routed; the IRS programs call-transfers based on the caller’s response to pre-recorded telephone prompt options. The IRS call tree generally does not present the taxpayer with an option to speak to a live assistor. *Thus, the LOS data reflects where taxpayers have been directed by the IRS, not necessarily where and how taxpayers need or would like to be assisted.*
- **Despite a reported LOS of 67 percent, IRS telephone assistors answered only about 23 percent of the calls the IRS received on its AM lines.** Despite the IRS reporting its benchmark LOS was 67 percent, *telephone assistors answered only six million calls out of 25.3 million calls received on the AM lines, or 23 percent.* We are not suggesting that the IRS served only 23 percent of callers; we recognize that some are adequately served through automation and some quickly hang up for personal reasons (*e.g.*, a call-waiting notification is received just after the start of the call).

These results show taxpayers are not getting the full assistance they need over the phone, jeopardizing their *rights to quality service* and *to be informed*, while potentially undermining voluntary compliance. TAS will continue to monitor the performance metrics from the telephone lines through the extended filing season (with most individual taxpayers facing a July 15, 2020, deadline to file taxes) and will supplement our findings in the Annual Report to Congress.

Understandably, the shutdown of phone lines beginning March 21 had a significant impact on taxpayers. For example, the IRS’s Taxpayer Protection Program (TPP), an automated fraud

²⁷ IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Mar. 21, 2020).

²⁸ *Id.*

²⁹ IRS, JOC, Snapshot Reports: Product Line Detail Snapshot (week ending Mar. 21 2020).

³⁰ Of the 20.2 million Accounts Management calls the IRS took during the filing season, 12.1 million were directed to automation. IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Apr. 20, 2019).

detection program, identifies and selects questionable tax returns and suspends the payment of refunds until the taxpayer verifies his or her identity. However, with the shutdown of the TPP phone line and closure of TACs during the pandemic, impacted taxpayers had no ability to authenticate their identities except through online authentication. On a positive note, taxpayers selected by the TPP for their 2019 return would receive their EIP as long as they filed a 2018 tax return, yet they would not receive their 2019 refund payment until authenticating their identity. The TPP line reopened with limited staffing on April 27.³¹

Correspondence

During FY 2018 and FY 2019, the IRS received an average of approximately seven million letters annually from taxpayers responding to proposed adjustments and other notices (*e.g.*, requesting penalty abatements, responding to math error notices, and making payment arrangements).³² With the COVID-19 pandemic shutting down IRS offices during the midst of the 2020 filing season, the IRS has been unable to receive or respond to correspondence since mid-March.

Due to the pandemic, the IRS stored unopened mail in trailers in certain locations and had mail held by the U.S. Postal Service in others because it did not have employees available to open and sort mail.³³ As of the end of May 2020, the IRS estimated that there were ten million pieces of correspondence, and a backlog of over 20 million notices that the IRS Correspondence Production Services (CPS) was unable to send to taxpayers.³⁴ The failure to timely process taxpayer responses to proposed increases in tax liability can have a significant impact on the taxpayer. For example, the IRS could no longer process paper-filed returns (original or amended returns), which would delay the release of a taxpayer's 2019 tax refund. Another example of significant impact of stalled correspondence is on taxpayers who were unable to respond to exam or collection inquiries.

People First Initiative

On March 25, 2020, the IRS launched the People First Initiative, where it committed to suspending certain compliance program actions in recognition of COVID-19-related hardship faced by taxpayers.³⁵ Under the initiative, the IRS rolled back enforcement actions. The initiative limited enforcement actions and postponed payments due under existing Installment Payment Agreements and Offers in Compromise between April 1, 2020, and July 15, 2020, to assist taxpayers during this period of uncertainty. Liens and levies initiated by field officers were suspended. Collections

31 IRS, SERP Alert 20A0135, Product Line Closure (Mar. 24, 2020) (rescinded May 7, 2020).

32 In FY 2019, the IRS received 6.9 million letters, down from 7.1 million letters in FY 2018. See IRS, JOC, Adjustments Inventory Reports: July-September Fiscal Year Comparison (FY 2018 through FY 2019).

33 See CNN, *The IRS Is Holding Mail in Trailers Amid the Pandemic*, www.cnn.com/2020/04/20/politics/irs-mail-trailers-covid/index.html (Apr. 20, 2020); POLITICO, *The IRS Is Drowning in Unopened Tax Refund Requests Amid Pandemic*, www.politico.com/news/2020/04/20/irs-tax-refund-delays-snail-mail-193786 (Apr. 20, 2020).

34 Allyson Versprille, *Virus Fears, Unopened Mail Await IRS Employees Returning to Work*, BLOOMBERG LAW: TAX (June 1, 2020), https://www.bloomberglaw.com/product/tax/document/XFOOQ660000000?bna_news_filter=daily-tax-report&jcsearch=BNA%2520000001726082d211a37fed86a38f0001#jcite (citing data provided by the IRS to the U.S. House Committee on Ways and Means in a report titled "Internal Revenue Service Operations (Report on May 27, 2020)"). CPS Not Mailed Report Cycle 20 for processing year 2020; IRS SERP Alert 20A0158, CRX Letters (Rev. Apr. 10, 2020).

35 IRS, IR-2020-59, IRS Unveils New People First Initiative; COVID-19 Effort Temporarily Adjusts, Suspends Key Compliance Program (Mar. 25, 2020), <https://www.irs.gov/newsroom/irs-unveils-new-people-first-initiative-covid-19-effort-temporarily-adjusts-suspends-key-compliance-program>.

temporarily stopped forwarding new delinquent accounts to private collection agencies or to the Department of State to prevent passport receipt or renewal. The initiative also stated the IRS would not start new field, office, or correspondence examinations during the initiative period.³⁶

Face-to-Face Service at Taxpayer Assistance Centers

The IRS Field Assistance function provides face-to-face assistance to taxpayers in the 50 states, the District of Columbia, and Puerto Rico at 358 TACs (down from 401 locations in 2011).³⁷ The number of taxpayers visiting a TAC declined from about 5.6 million in FY 2015 to 2.4 million in FY 2019.³⁸ The decline in the number of TAC visits coincides with the reduction in services offered by Field Assistance and with the IRS's strategy to expand its use of online services to taxpayers. In response to the COVID-19 crisis, TACs were temporarily closed on March 20 to ensure the safety and health of taxpayers and IRS employees.³⁹

The IRS continued its policy of encouraging taxpayers to schedule an appointment to receive assistance at any of its TACs.⁴⁰ This filing season through March 20, the number of assistor-answered calls to the TAC appointment line (659,138) was down just slightly from the 2019 filing season (675,310).⁴¹ Field Assistance provided face-to-face assistance to nearly 530,000 taxpayers, an increase of 6.6 percent compared to the same time last year.⁴² Nearly 37,000 taxpayers received assistance at TACs without an appointment because of openings in the day's calendar or the availability of staff, down 57.8 percent from the prior year.⁴³

Starting February 1, 2020, the IRS introduced a Web Service Delivery (WebSD) capability pilot that would enable taxpayers to attend a virtual appointment with a TAC assistor over the internet.⁴⁴ While the IRS does not yet have sufficient data to determine if this pilot program was a success, TAS applauds the IRS for exploring another avenue to meet the needs of taxpayers seeking face-to-face interaction.

36 IRS, IR-2020-59, IRS Unveils New People First Initiative; COVID-19 Effort Temporarily Adjusts, Suspends Key Compliance Program (Mar. 25, 2020), <https://www.irs.gov/newsroom/irs-unveils-new-people-first-initiative-covid-19-effort-temporarily-adjusts-suspends-key-compliance-program>.

37 Although the IRS reports having 358 TACs for the 2020 filing season, 40 of these were not open due to lack of staffing as of February 20, 2020. An additional seven TACs have no permanent technical staff assigned. However, the IRS is able to keep these locations open by providing a "circuit rider." A circuit rider is an employee who travels from one office to cover an unstaffed TAC. Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2020-45-024, *Interim Results of the 2020 Filing Season 15* (Apr. 7, 2020); Government Accountability Office (GAO), GAO-12-176, *Processing Gains, but Taxpayer Assistance Could Be Enhanced by More Self-Service Tools 18* (Dec. 2011).

38 IRS, W&I BPR 2 (Nov. 7, 2019); IRS, W&I BPR 7 (Nov. 11, 2017).

39 See IRS, Taxpayer Assistance Center (TAC) Locations Where In-Person Document Review Is Provided (Mar. 20, 2020), <https://www.irs.gov/help/tac-locations-where-in-person-document-verification-is-provided>.

40 IRS, IR 2019-67, IRS.gov: Best Place to Get Last-Minute Tax Tips and Resources (Apr. 9, 2019), <https://www.irs.gov/newsroom/irs-gov-best-place-to-get-last-minute-tax-tips-and-resources>. See also IRM 21.3.4.2.4.2, TAC Appointment Exception Procedures (Sept. 20, 2019).

41 IRS, JOC, Snapshot Reports: Product Line Detail Snapshot (week ending Mar. 21 2020).

42 IRS, 2019 Weekly Individual Filing Season Report Cumulative Statistics (Apr. 17, 2020).

43 *Id.*

44 IRS, W&I BPR, 1st Quarter FY 2020, at 11 (Feb. 2020); IRS, SERP Alert 20A0057, Web Service Delivery (WebSD) Virtual TAC (Jan. 31, 2020). WebSD may even be accessed by taxpayers via smartphone or tablet.

Availability of Tax Forms and Publications

Most taxpayers file electronically, and an estimated ten million taxpayers mail in paper tax returns.⁴⁵ Many taxpayers rely on printed versions of forms and publications. Taxpayers can usually order forms by mail from the IRS NDC, but the IRS was forced to close it (on or around March 25, 2020) due to the pandemic.⁴⁶

Taxpayers with access to the web and a printer may visit IRS.gov, where they can download and print forms, instructions, and publications. However, not all Americans find this option possible. A 2019 study revealed that 31 percent of U.S. households do not have a broadband internet connection, equating to roughly 100 million individuals.⁴⁷ A similar study conducted by Pew Research in 2019 found that racial minorities, older adults, rural residents, and those with lower levels of education and income are less likely to have broadband service at home.⁴⁸

Service Options for United States Taxpayers Living Abroad

Approximately nine million U.S. citizens live abroad.⁴⁹ There are also many international U.S. taxpayers who are neither residents nor citizens of the United States, as evidenced by Figure 3.3 showing the general trend of increased filings of individual tax returns filed by nonresident aliens during the filing season from processing years (PYs) 2014 through 2020. There was a marked decrease in such filings for this filing season, which was undoubtedly impacted by the IRS's inability to receive and process paper-filed tax returns, such as Form 1040-NR, U.S. Nonresident Alien Income Tax Return.

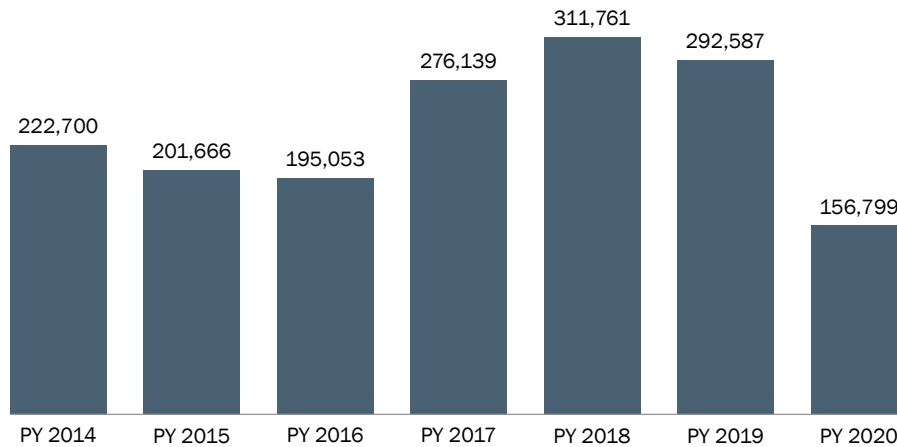
45 IRS, 2019 Weekly Individual Filing Season Report Cumulative Statistics (Apr. 17, 2020).

46 See IRS, National Distribution Center Closed (Mar. 25, 2020), www.irs.gov/forms-pubs/national-distribution-center-closed.

47 The NPD Group, Inc., *Thirty-One Percent of U.S. Households Lack a Broadband Connection* (July 25, 2019), www.npd.com/wps/portal/npd/us/news/press-releases/2019/thirty-one-percent-of-u-s-households-lack-a-broadband-connection/.

48 Pew Research Center, *Internet/Broadband Fact Sheet* (June 12, 2019), <https://www.pewresearch.org/internet/fact-sheet/internet-broadband/>.

49 See U.S. Department of State, Bureau of Consular Affairs, *Consular Affairs by the Numbers* (rev. Jan. 2020), <https://travel.state.gov/content/dam/travel/CA-By-the-Number-2020.pdf>.

FIGURE 3.3⁵⁰**Forms 1040-NR, U.S. Nonresident Alien Income Tax Return, Filed During the Filing Season (January Through April) for Processing Years 2014-2020**

Taxpayers living abroad generally cannot call U.S. toll-free telephone lines. In recent years, the IRS closed its overseas tax attaché offices, which eliminated the last face-to-face option for U.S. taxpayers living abroad.⁵¹

SPECIAL TOPICS**Revised Form 1040 and New Form 1040-SR**

Due to the significant changes made in the Tax Cut and Jobs Act of 2017,⁵² the IRS conducted a major redesign of the Form 1040 before the 2019 filing season. It broke the form up into a half-page front and back main form and six separate schedules. The IRS also eliminated Forms 1040A and 1040-EZ for tax years (TYs) 2018 and beyond.

50 IRS CDW, Individual Return Transaction File (IRTF) Form 1040-NR, U.S. Nonresident Alien Income Tax Return for processing year (PY) 2014 returns filed through Apr. 24, 2015; PY 2015 returns filed through Apr. 30, 2015; PY 2016 returns filed through Apr. 28, 2016; PY 2017 returns filed through Apr. 27, 2017; PY 2018 returns filed through Apr. 26, 2018; PY 2019 returns filed through Apr. 25, 2019; PY 2020 returns filed through Apr. 23, 2020. In PY 2019, nearly half of the Forms 1040NR were filed on paper. Therefore, the decline in the number of PY 2020 Forms 1040NR is likely due to the the backlog of unopened mail, resulting from the effect of COVID-19 on IRS operations.

51 For a detailed discussion, see National Taxpayer Advocate 2015 Annual Report to Congress 72-81 (Most Serious Problem: *International Taxpayer Service: The IRS's Strategy for Service on Demand Fails to Compensate for the Closure of International Tax Attaché Offices and Does Not Sufficiently Address the Unique Needs of International Taxpayers*).

52 Pub. L. No. 115-97, 131. Stat. 2054 (2017).

After receiving some criticism⁵³ of the revamped Form 1040, the IRS further simplified the Form 1040 for the 2020 filing season. Most prominently, the IRS reduced the number of schedules from six down to three for TY 2019 and beyond. For example, information on the 2018 Schedules 4 and 5 have been consolidated into revised 2019 Schedules 1, 2, or 3, and all of the information from the 2018 Schedule 6 now appears directly on the revised 2019 Form 1040.

One other significant change to tax forms for the 2020 filing season was the introduction of a new Form 1040-SR, U.S. Tax Return for Seniors. This simplified form is intended for use by taxpayers aged 65 or older, many of whom may have used former Form 1040-EZ (which was eliminated after TY 2018). Thus far this filing season, 7.3 million Forms 1040-SR have been filed.⁵⁴ With the shutdown of TCE and American Association of Retired People Foundation Tax-Aide sites in mid-March due to COVID-19, this likely impacted the number of Form 1040-SR filings.⁵⁵

Fraud Detection

The IRS has designed several filters to assist in detection and prevention of tax refund fraud, for both identity theft (IDT) and non-IDT. In the 2020 filing season, the IRS continued to make improvements to its fraud detection program. Specifically:

- The IRS improved automation to all non-IDT filters, systemically checking for the posting of third-party information daily (rather than weekly) and releasing the refunds once it verifies the information on the return; and
- The IRS corrected inefficiencies in the automated systemic matching program (*e.g.*, releasing returns when the income discrepancy would result in a larger refund for taxpayers).

These changes have resulted in two significant differences in the program, when compared to prior filing seasons:

1. The filters have been able to select many more returns for further analysis than they have in the past; and
2. Many more returns were identified for release earlier on in the filing season.

Through March 25, 2020, the non-IDT refund fraud filters selected over three million refund returns, an increase of 117 percent when compared to the same period last year.⁵⁶ One possible explanation for this increase is the adoption of improved systemic verification and reprocessing features for the non-IDT refund fraud filters, a sign that the IRS is getting better at identifying

53 See, e.g., NYTIMES.COM, *The New Tax Form Is Postcard-Size, but More Complicated Than Ever* (June 25, 2018), <https://www.nytimes.com/2018/06/25/your-money/1040-income-tax-postcard.html>; NATIONAL PUBLIC RADIO, *IRS Touts New Tax Return Form for Simplification, But Critics Say It's Not That Easy* (June 28, 2018), <https://www.npr.org/2018/06/28/624430928/irs-touts-new-tax-return-form-for-simplification-but-critics-say-its-not-that-ea>.

54 IRS, Cincinnati Service Center, Cumulative Individual Income Tax Returns (as of March 20, 2020).

55 IRS, W&I BPR, 2nd Quarter FY 2020, at 3 (May 2020); AARP Foundation, *Scheduling Notice: Due to Coronavirus Concerns, AARP Foundation Tax-Aide Suspends Service Until Further Notice* (Mar. 13, 2020), <https://press.aarp.org/2020-3-13-Scheduling-Notice-Due-to-Coronavirus-Concerns-AARP-Foundation-Tax-Aide-Suspends-Service-Until-Further-Notice>.

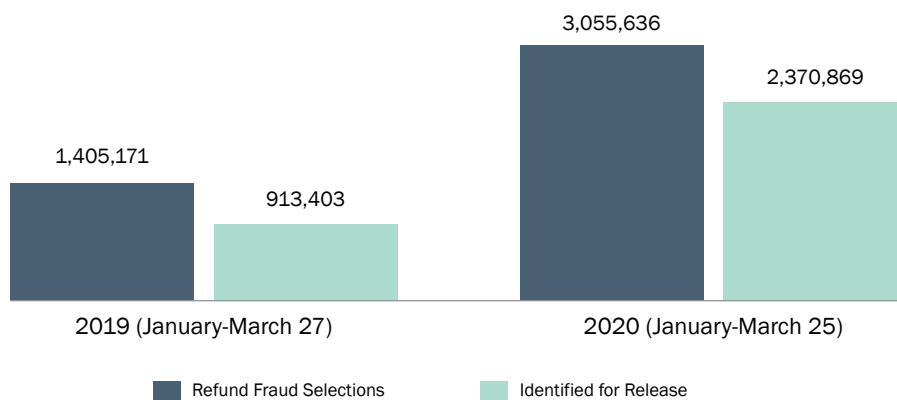
56 IRS, IDT and IVO Performance Report 4, 8-9 (Apr. 1, 2020); IRS, IDT and IVO Performance Report 4, 9 (Apr. 3, 2019). As of March 27, 2019, the non-IDT refund fraud filters had selected 1,405,171 refund returns.

questionable refund claims. This is a positive result — the IRS is identifying more fraud but also getting refunds out sooner than when it used a manual process.

Approximately 80 percent of the three million returns selected in the IRS’s non-IDT refund filters have been released, as shown in Figure 3.4. Comparing these results with the same filter selections and release rates (65 percent) for the same period during 2019, Figure 3.4 indicates the IRS is doing a much better job at systemically identifying more returns for release earlier in the process.

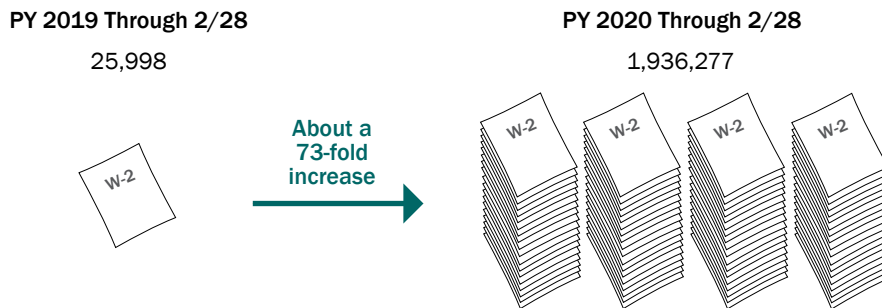
FIGURE 3.4⁵⁷

Comparison of Refund Fraud Selections and Returns Identified for Release in 2020 to the Same Period During 2019



This dramatic increase in the number of selected returns released may have been due in part to the filter’s ability to systemically identify returns for release and to the earlier availability of information reporting to the IRS. Through February 28, 2020, the IRS received 3.9 percent more Forms W-2 and 12.8 percent more Forms 1099-MISC documents than the prior year. For paper-filed Forms W-2, the IRS received a 73-fold increase over the prior year, an indication that the Social Security Administration is processing paper Forms W-2 much earlier than last year.

⁵⁷ IRS, IDT and IVO Performance Report 4, 8-9 (Apr. 1, 2020); IRS, IDT and IVO Performance Report 4, 9 (Apr. 3, 2019).

FIGURE 3.5⁵⁸**Paper W-2 Receipts Through February 28 for Processing Years 2019 and 2020**

Despite the high number of returns identified for release, concerns remain. Systems problems early in the filing season caused the misidentification of legitimate returns and created a backlog of returns, resulting in manual workarounds and delaying refund issuance.⁵⁹ Even a short delay in receiving a refund can have significant impact for low-income taxpayers who may be relying on the refund to assist with day-to-day living expenses.

In the next several months, more data should become available on the outcome of the IRS's 2020 filing season fraud detection efforts, such as false positive rates, processing times, and the amount of revenue protected.

CONCLUSION

The IRS faced significant challenges in the 2020 filing season, including a severe disruption in work for much of the country due to COVID-19 and the need for the IRS to administer the delivery of EIP to millions of Americans. On a positive note, it should be noted that 116 million Americans were able to file their individual tax returns by April 17, even with the July 15 extended due date. Over 81 million of those returns were for refunds, down 15 percent from prior year filings. One possible explanation for this decline in refund claims is that some segments of the population did not have the ability to file due to COVID-19 obstacles.

Due to the disruptions by COVID-19-related closures on or around March 20, the IRS was able to serve fewer taxpayers via telephone, correspondence, or in-person assistance this filing season. The IRS reported a 67 percent LOS as its benchmark measure of telephone performance, but that performance measure is misleading. Only 23 percent of callers to the AM lines actually spoke to a live assistant. The IRS answered fewer calls on its compliance telephone lines (27 percent LOS), and those who got through waited an average of almost 39 minutes.

⁵⁸ IRS, Information Return Master File Tax Year 2019 Forms W-2 and 1099-MISC Counts (Feb. 28, 2020).

⁵⁹ Executive Director Systemic Advocacy and Return Integrity Compliance Service Meeting Minutes (Feb. 25, 2020) (on file with TAS).