

Review of the 2021 Filing Season

INTRODUCTION

The 2021 filing season¹ was the quintessential definition of a perfect storm. No one could have predicted a global pandemic or the lasting and lingering impact to taxpayers, IRS employees, and tax administration during the last 15 months. To state the obvious, this filing season has been challenging for tens of millions of taxpayers and anything but normal for the IRS and its employees. The IRS endured challenges associated with the COVID-19 pandemic — its employees endured personal and professional challenges, which resulted in a historically high volume of unanswered telephone calls to its phone assistants and a historically low level of service. Millions of 2019 and 2020 paper returns were delayed and awaited processing, and tens of millions of returns awaited the atypical necessity of manual reviews — most still waiting for processing. Tax legislation was enacted at the beginning of and in the midst of filing season; a third round of stimulus payments was enacted and paid starting in mid-March; and changes were necessary to the IRS's programming and systems to recalculate unemployment insurance benefits and Advance Premium Tax Credit benefits because of the March legislation. All this occurred while the IRS's workforce was working remotely or within the constraints of its safety procedures and protocols put in place to protect employees, their families, and our local communities.

In March 2020, December 2020, and March 2021, Congress directed and entrusted the IRS with the responsibility to administer critical programs designed to provide financial relief to struggling families and individuals and to boost the U.S. economy generally.² Two of the rounds of economic impact payments (EIPs) were issued in the midst of an annual filing season. The COVID-19 pandemic has strained the IRS's customer service performance, and its ability to adequately assist taxpayers continues to be negatively affected. The combination of pandemic-induced shutdowns, three rounds of EIPs, challenges with paper return filings, a backlog of over 35 million suspended 2020 returns, and the responsibilities of implementing new legislation resulted in a challenging 2021 filing season for the IRS and tens of millions of taxpayers — one that will continue to be analyzed for lessons learned for future filing seasons.

FEBRUARY 12, 2021 – OPENING OF THE FILING SEASON

The IRS began accepting tax year 2020 returns for processing on February 12, 2021, about two weeks later than a typical filing season.³ The delayed start provided the IRS additional time to program and test its systems following the late tax law changes that provided an additional round of EIPs and other tax benefits.⁴ Recognizing the need to provide taxpayers additional time to gather documents and prepare returns, the Treasury Department postponed the deadline by a month, from April 15 to May 17, for individuals to file Forms 1040, contribute to their Individual Retirement Accounts, and pay any remaining 2020 federal income

¹ The 2021 filing season is with respect to the processing of individual tax returns for tax year 2020.

² See Families First Coronavirus Response Act, Pub. L. No. 116-127, 134 Stat. 178 (2020); Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Pub. L. No. 116-136, 134 Stat. 281 (2020); Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (2020); American Rescue Plan Act (ARPA) of 2021, Pub. L. No. 117-2, 135 Stat. 4 (2021).

³ IRS, IR-2021-16, 2021 Tax Filing Season Begins Feb. 12; IRS Outlines Steps to Speed Refunds During Pandemic (Jan. 15, 2021), <https://www.irs.gov/newsroom/2021-tax-filing-season-begins-feb-12-irs-outlines-steps-to-speed-refunds-during-pandemic>.

⁴ Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (2020).

tax.⁵ The IRS had postponed the 2020 filing due date to July 15, so the last time it observed the traditional mid-April filing season end date was in the 2019 filing season.

As the IRS entered the 2021 filing season, it faced significant challenges, including:

- Agency operations remained at a reduced capacity due to social distancing measures taken to protect the health and safety of both taxpayers, employees, and their families due to the COVID-19 national emergency.
- The IRS still had not processed all paper returns and correspondence received in the 2020 filing season. On December 25, 2020, the IRS estimated that it had more than 11.7 million paper-filed individual and business returns that it still needed to manually process.⁶
- After the passage of late-year legislation, the IRS was tasked with quickly implementing programming changes to comply with these tax law changes.⁷

FIGURE 1⁸

Important Dates Impacting the 2021 Filing Season

December 27, 2020	Enactment of Consolidated Appropriations Act, 2021 (including the COVID-Related Tax Relief Act of 2020 and the Coronavirus Response and Relief Supplemental Appropriations Act of 2021).
December 29, 2020	The IRS begins distributing second round of Economic Impact Payments.
February 12, 2021	The 2021 filing season begins.
March 11, 2021	Enactment of the American Rescue Plan Act of 2021.
March 12, 2021	The IRS begins distributing third round of Economic Impact Payments.
March 17, 2021	Treasury and the IRS announce the postponement of the deadline for individual taxpayers to file Form 1040 and pay their federal income tax from April 15, 2021, to May 17, 2021.
May 17, 2021	Postponed tax filing and payment deadline for individuals.

5 IRS, IR-2021-59, Tax Day for Individuals Extended to May 17: Treasury, IRS Extend Filing and Payment Deadline (Mar. 17, 2021), <https://www.irs.gov/newsroom/tax-day-for-individuals-extended-to-may-17-treasury-irs-extend-filing-and-payment-deadline>.

6 Treasury Inspector General for Tax Administration (TIGTA), Ref. No. 2021-46-023, *Results of the 2020 Filing Season and Effects of COVID-19 on Tax Processing Operations* 5 (Mar. 22, 2021).

7 Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (2020).

8 *Id.*; IRS, IR-2020-280, Treasury and IRS Begin Delivering Second Round of Economic Impact Payments to Millions of Americans (Dec. 29, 2020), <https://www.irs.gov/newsroom/treasury-and-irs-begin-delivering-second-round-of-economic-impact-payments-to-millions-of-americans>; IRS, IR-2021-16, 2021 Tax Filing Season Begins Feb. 12; IRS Outlines Steps to Speed Refunds During Pandemic (Jan. 15, 2021), <https://www.irs.gov/newsroom/2021-tax-filing-season-begins-feb-12-irs-outlines-steps-to-speed-refunds-during-pandemic>; ARPA, Pub. L. No. 117-2, 135 Stat. 4 (2021); IRS, IR-2021-54, IRS Begins Delivering Third Round of Economic Impact Payments to Americans (Mar. 12, 2021), <https://www.irs.gov/newsroom/irs-begins-delivering-third-round-of-economic-impact-payments-to-americans>; IRS, IR-2021-59, Tax Day for Individuals Extended to May 17: Treasury, IRS Extend Filing and Payment Deadline (Mar. 17, 2021), <https://www.irs.gov/newsroom/tax-day-for-individuals-extended-to-may-17-treasury-irs-extend-filing-and-payment-deadline>.

FILING SEASON PERFORMANCE⁹

Of the about 148 million individual returns that the IRS received in the 2021 filing season, 94 percent were filed electronically.¹⁰ Figure 2 presents an overview of returns processed and refunds issued during the past four filing seasons. Because the 2020 filing season was such an aberration due to the impact of the pandemic and the IRS's postponement of the due date for individual tax returns to July 15, 2020, we will compare 2021 filing season data to 2018 and 2019 filing season data, where available.

FIGURE 2, Filing Season Statistics Comparing Weeks Ending April 20, 2018; April 19, 2019; July 15, 2020; May 21, 2021¹¹

		2018	2019	2020	2021	% Change 2018-2021
Individual Income Tax Returns	Total Receipts	136,919,000	137,233,000	151,782,000	148,012,000	8%
	Total Processed	130,477,000	130,775,000	145,464,000	135,773,000	4%
e-Filing Receipts	Total e-Filing	124,515,000	126,264,000	143,379,000	138,563,000	11%
	Tax Professionals	70,983,000	70,476,000	73,806,000	74,195,000	5%
	Self-Prepared	53,532,000	55,788,000	69,573,000	64,368,000	20%
Total Refunds	Number	95,434,000	95,737,000	100,483,000	95,632,000	0%
	Amount	\$265.3 bil	\$260.9 bil	\$276.1 bil	\$270.3 bil	2%
	Average Refund	\$2,780	\$2,725	\$2,748	\$2,827	2%
Direct Deposit Refunds	Number	80,491,000	83,249,900	83,384,000	87,045,000	8%
	Amount	\$236.9 bil	\$238.4 bil	\$240.5 bil	\$252.4 bil	7%
	Average Refund	\$2,943	\$2,863	\$2,884	\$2,899	-2%
Web Usage	Visits to IRS.gov	386.9 mil	421.5 mil	1,380.7 mil	1,372.7 mil	255%

9 The IRS postponed the filing season due date to June 15, 2021, for taxpayers in certain states (Louisiana, Oklahoma, and Texas) that have been impacted by severe winter storms, following recent disaster declarations issued by the Federal Emergency Management Agency. See IRS, LA-2021-02, IRS Announces Tax Relief for Louisiana Severe Winter Storm Victims (Mar. 10, 2021), <https://www.irs.gov/newsroom/irs-announces-tax-relief-for-louisiana-severe-winter-storm-victims>; IRS, OK-2021-01, IRS Announces Tax Relief for Oklahoma Severe Winter Storm Victims (Feb. 25, 2021), <https://www.irs.gov/newsroom/irs-announces-tax-relief-for-oklahoma-severe-winter-storm-victims>; IRS, TX-2021-02, IRS Announces Tax Relief for Texas Severe Winter Storm Victims (Feb. 22, 2021), <https://www.irs.gov/newsroom/irs-announces-tax-relief-for-texas-severe-winter-storm-victims>. The data for this filing season review does not include timely-filed tax returns from taxpayers in these states that were filed after May 17, 2021.

10 IRS, Filing Season Statistics for Week Ending May 21, 2021, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-may-21-2021> (last visited May 28, 2021).

11 *Id.*; IRS, Filing Season Statistics for Week Ending July 17, 2020, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-july-17-2020> (last visited May 28, 2021); 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 May 28, 2021). Percent Change column computed based on actual numbers and not rounded numbers.

As Figure 2 shows, there was an increase of eight percent in the volume of individual income tax returns received this filing season, when compared to the 2018 filing season. We attribute this spike in receipts in part to tax returns filed by taxpayers who typically have no filing requirement but who filed tax returns this filing season so they could receive their EIPs.

In contrast, the volume of individual income tax returns *processed* this filing season increased just four percent, about half of the increase in returns received.¹² This disconnect between returns filed and returns processed may be attributable to the significant delays in returns requiring manual processing.

The data shows a substantial increase in visits to IRS.gov since 2018. We speculate this is partly attributable to the many questions taxpayers had about COVID-19 relief legislation and the IRS's attempt to answer these questions by posting hundreds of FAQs, as well as the tens of millions of returns requiring manual processing delaying millions of refunds beyond the normal processing time.

This filing season, three of the most significant challenges have been long delays resulting from manual processing of over 35 million tax returns, an inability to keep up with the unprecedented volume of taxpayer telephone calls to the IRS's toll-free lines, and the timing of tax legislation providing much-needed taxpayer relief just before and in the middle of this filing season.

Over 35 Million Tax Returns Required Manual Processing

Despite the majority of eligible taxpayers receiving their EIPs quickly and seamlessly, about eight million potentially eligible taxpayers had not received their first EIP as of January 2021.¹³ Taxpayers who did not receive the first or second rounds of EIP, or who received only a portion of the amount to which they were entitled, claimed the missing funds as a recovery rebate credit (RRC) on their 2020 return.¹⁴ If the amount claimed as the RRC contradicted IRS records, the return was directed to its Submission Processing Division for manual verification to ensure the amounts claimed were correct or determine if the RRC needed to be adjusted. As of May 21, 2021, more than five million returns were identified with inconsistent amounts claimed versus IRS records.¹⁵ These errors or inconsistencies included dependents listed on multiple returns, missing or invalid Social Security numbers or Individual Taxpayer Identification Numbers without a military indicator, individuals who were deceased before the tax period, dependents who exceeded the age limitation, and RRC amounts computed incorrectly.

With the December 27, 2020, legislation, the IRS did not have time to adjust its systems for the 2021 filing season allowing the 2019 earnings to be systemically verified. Although these legislative changes provided much-needed relief for millions of taxpayers, the IRS had to manually verify those returns where the taxpayer elected to use 2019 earned income to claim the Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC). Unlike prior years, the IRS had to deal with a large volume of returns requiring manual

12 IRS Submission Processing counts a return as "processed" when it has taken all the steps necessary to post the return to the account.

13 Department of Treasury, *FACT SHEET: Treasury to Work to Ensure Families Get Access to Economic Impact Payments* (Jan. 22, 2021), <https://home.treasury.gov/news/featured-stories/fact-sheet-treasury-to-work-to-ensure-families-get-access-to-economic-impact-payments>.

14 CARES Act Division B, Title I, § 2101(g)(3). The IRS was prohibited under the law from issuing the first round of EIPs beyond December 31, 2020. IRC § 6428(f)(3)(A). The IRS was prohibited under the law from issuing the second round of EIPs after January 15, 2021. IRC § 6428A(f)(3)(A)(ii)(I).

15 IRS, Math Error Report Cycle 20 (ending May 21, 2021) (considering Taxpayer Notice Codes 681, 682, and 683).

reviews. These returns were transferred to the IRS's Error Resolution System (ERS). ERS held these returns in suspense until an employee could manually review the return and verify the RRC claimed on the return or the 2019 earnings for EITC lookback claims, causing unusually long delays for taxpayer's refunds. Last filing season, it was the paper-filed tax returns and backlog of correspondence that created havoc for taxpayers. This filing season, in addition to paper-filed returns, it was the required manual reviews slowing down the issuance of refunds.

At the end the 2021 filing season, the IRS still had over 35 million individual and business tax returns requiring manual processing, meaning employee involvement is generally required before a return can advance to the next stage in the processing pipeline.¹⁶ Unprocessed paper tax returns account for almost half the manual processing. Amended returns and returns suspended during processing — returns set aside because of issues that require additional review — account for the other half. Figure 3 shows the significant increase in the processing backlog from the 2019 and 2020 filing seasons.

FIGURE 3, Status of Inventory Requiring Manual Processing (2019 to 2021)¹⁷

Year	Description	Individual	Business	Not Specified	Total	Comparison of Total Volumes to Prior Year
2019	Paper Returns Awaiting Processing					
	Calendar Year 2019	1,600,000	1,500,000	-	3,200,000	
	Total Paper Returns Awaiting Processing	1,600,000	1,500,000	-	3,200,000	
	Paper and Electronic Returns – Processing Suspended					
	Error Resolution Cases	1,000,000	-	-	1,000,000	
	Processing Rejects	1,000,000	100,000	-	1,100,000	
	Unpostable Returns	200,000	300,000	-	500,000	
	ID Theft Cases	800,000	-	-	800,000	
	Total Processing Suspended Returns	3,000,000	500,000	-	3,500,000	
	Unprocessed Amended Returns (Form 1040X)	700,000			700,000	
	Grand Total Unprocessed Returns - 2019 Filing Season	5,300,000	2,000,000	-	7,400,000	

¹⁶ Data provided by W&I on June 23, 2021. (On file with TAS.)

¹⁷ *Id.* Each cell value in Figure 3 was rounded to the nearest hundred thousand. Therefore, the totals may not equal the sum of the totaled cells. For calendar year 2020, there were an additional eight million pieces of unopened correspondence, which includes an undetermined number of unprocessed paper returns. As indicated in Figure 3, the IRS will have some volume of unprocessed returns at the end of each filing season.

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Year	Description	Individual	Business	Not Specified	Total	Comparison of Total Volumes to Prior Year
2020	Paper Returns Awaiting Processing					
	Calendar Year 2020	3,400,000	1,000,000	-	4,300,000	
	Total Paper Returns Awaiting Processing	3,400,000	1,000,000	-	4,300,000	34%
	Paper and Electronic Returns – Processing Suspended					
	Error Resolution Cases	1,400,000	200,000	-	1,600,000	60%
	Processing Rejects	1,600,000	200,000	-	1,800,000	64%
	Unpostable Returns	800,000	500,000	-	1,300,000	160%
	ID Theft Cases	1,100,000	-	-	1,100,000	38%
	Total Processing Suspended Returns	4,900,000	900,000	-	5,800,000	66%
	Unprocessed Amended Returns (Form 1040X)	600,000			600,000	-14%
	Grand Total Unprocessed Returns - 2020 Filing Season	8,900,000	1,900,000	-	10,700,000	45%
2021	Paper Returns Awaiting Processing					
	Calendar Year 2020	100,000	1,000,000	-	1,100,000	
	Calendar Year 2021	6,000,000	4,600,000	5,100,000	15,700,000	
	Total Paper Returns Awaiting Processing	6,100,000	5,600,000	5,100,000	16,800,000	291%
	Paper and Electronic Returns – Processing Suspended					
	Error Resolution Cases	9,800,000	500,000	-	10,300,000	544%
	Processing Rejects	1,200,000	200,000	-	1,400,000	-22%
	Unpostable Returns	1,100,000	900,000	-	2,000,000	54%
	ID Theft Cases	2,100,000	-	-	2,100,000	91%
	Total Processing Suspended Returns	14,200,000	1,600,000	-	15,800,000	172%
	Unprocessed Amended Returns (Form 1040X)	2,700,000			2,700,000	350%
Grand Total Unprocessed Returns - 2021 Filing Season	23,000,000	7,200,000	5,100,000	35,300,000	230%	

As Figure 3 shows, the 35.3 million unprocessed returns at the end of the 2021 filing season represented a four-fold increase from the 7.4 million unprocessed returns at the end of the 2019 filing season. Processing delays matter greatly because most taxpayers overpay their tax during the year via wage withholding or quarterly payments and are entitled to receive refunds (this filing season, 70 percent of individual income tax returns had associated refunds, with an average refund of \$2,827). Besides returning overpayments of

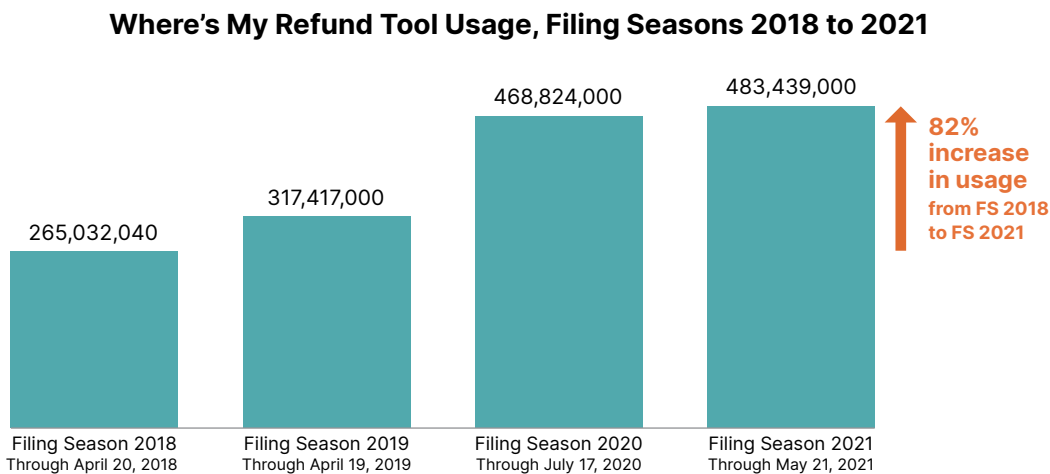
tax, refunds may include refundable credits such as RRCs, EITC benefits worth up to \$6,660,¹⁸ and ACTC benefits worth up to \$1,400 per qualifying child.¹⁹ Until the IRS can manually work through the over 35 million unprocessed tax returns, it will not be able to issue refunds to impacted taxpayers.

Now that the filing season has closed, the good news is that the stream of new returns entering the processing pipeline will slow dramatically, at least until we approach the extended filing deadline of October 15. Commissioner Rettig testified in May 2021 that the IRS anticipates completing the processing of the 2019 Form 1040 paper returns sometime this summer,²⁰ when it will face manually processing 2019 paper business returns followed by the nearly 16 million individual, business, and miscellaneous 2020 paper returns.²¹ It is a positive step that the IRS has finally processed the 2019 individual paper returns, but many taxpayers experienced financial hardships during this unusually extended period of time to manually process the 2019 paper returns. We can understand and articulate the challenges the IRS faced over the past year, but for individuals and businesses that waited nine months, 12 months, or longer to receive their refunds, the reality of the long delays was incomprehensible and in many cases, financially distressing. Taxpayers cannot experience similar challenges in future filing seasons. We cannot allow the agency to face the staffing and technology limitations it has experienced this past year. Americans deserve better.

WHERE'S MY REFUND TOOL

With the delays, millions of taxpayers turned to the IRS's Where's My Refund tool or IRS2Go (the official app of the IRS) to check the status of their refunds using the most up-to-date information available to the IRS.

FIGURE 4²²



¹⁸ See IRC § 32.

¹⁹ See IRC § 24(h)(5)(A).

²⁰ *Internal Revenue Service: Narrowing the Tax Gap and Improving Taxpayer Services, Hearing Before the S. Comm. on Approp.*, 117th Cong. 10 (May 19, 2021) (written statement of Charles P. Rettig, Commissioner of Internal Revenue).

²¹ As of June 11, 2021, all 2019 Forms 1040 have been processed, leaving 800,000 2019 business returns to be manually processed. Data provided to TAS from W&I.

²² IRS, 2019 Weekly Individual Filing Season Report, Cumulative Statistics Comparing Apr. 20, 2018 and Apr. 19, 2019 for 2018 and 2019 filing seasons; IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing July 19, 2019 and July 17, 2020 for 2020 filing season; IRS, 2021 Weekly Individual Filing Season Report, Cumulative Statistics Comparing May 22, 2020 (Day 117 of 2020 Filing Season) and May 21, 2021 (Day 99 of 2021 Filing Season) for 2021 filing season.

Unfortunately, many taxpayers checking the tool could not secure specific information as to when they would receive their refund and just as importantly, what is causing the delay. The Where's My Refund tool informs taxpayers of three things: 1) the return has been "received" (the IRS is working to process the return), 2) the refund is "approved" (the return has been processed and the refund was confirmed), or 3) the refund was "sent" (the refund has been issued as a direct deposit, paper check, or debit card, or the refund was offset and applied to delinquent taxes or federal obligations). TAS has recommended that the IRS should strive to improve its Where's My Refund tool by providing taxpayers with specific information about the cause of the refund delay, what information the taxpayer needs to provide, and an estimate when the IRS might issue the refund.²³ Providing taxpayers with more information regarding the status of refunds or potential delays will better protect their *right to be informed* and may have the downstream consequence of reducing taxpayers' need to call the IRS for additional information.

HISTORICALLY LOW LEVEL OF IRS TELEPHONE SERVICE

As taxpayers could not obtain information through an online account and with mail processing significantly delayed, the IRS toll-free telephone lines remained the best option for most taxpayers who needed to communicate with the IRS. Taxpayers whose returns are caught in backlogs or submission processing delays called the IRS seeking information — such as the reason for the delays and what, if anything, they needed to do. Taxpayers who did not receive their EIPs when they expected also called, and most likely called often, and many did not receive fruitful information or satisfying results.

The IRS received more telephone calls this filing season than in any previous filing season, and at one point in the height of filing season, the IRS received over 1,500 calls per second.²⁴ Because the IRS toll-free telephone lines were initially shut down at the inception of the pandemic and then slowly reopened during 2020, a comparison of the 2021 filing season with the 2018 or 2019 filing season provides better context to understand the gravity of the situation taxpayers faced this season. Figure 5 shows the large surge of calls the IRS has received and the related challenges taxpayers experienced while navigating this difficult filing season.

23 See, e.g., Erin M. Collins, Lifecycle of a Tax Return, NATIONAL TAXPAYER ADVOCATE BLOG (May 18, 2021), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-lifecycle-of-a-tax-return/>.

24 Internal Revenue Service: IRS's Fiscal Year 2022 Budget, Hearing Before the S. Comm. on Finance, 117th Cong. (June 8, 2021) (written statement of Charles P. Rettig, Commissioner of Internal Revenue), <https://www.irs.gov/newsroom/written-testimony-of-charles-p-rettig-commissioner-internal-revenue-service-before-the-senate-finance-committee-on-the-irs-budget>.

FIGURE 5, IRS Telephone Results, 2018 Through 2021 Filing Seasons Comparing Weeks Ending April 20, 2018; April 19, 2019; July 15, 2020; May 21, 2021²⁵

	2018	2019	2020	2021	% Change Between 2018 and 2021
Enterprise Lines					
Calls Received	42,512,830	40,796,555	55,267,317	167,396,426	294%
Calls Answered by Customer Service Representatives (CSRs)	13,521,301	10,082,963	11,605,369	15,667,499	16%
% of Calls Answered by CSRs	32%	25%	21%	9%	-71%
"CSR Level of Service"	73%	59%	52%	19%	-75%
Time on Hold (in minutes)	9	13	17	20	127%
Accounts Management Lines					
Calls Received	35,668,223	34,382,805	46,538,775	150,183,477	321%
Calls Answered by CSRs	10,422,742	8,059,818	8,716,057	10,962,520	5%
% of Calls Answered by CSRs	29%	23%	19%	7%	-75%
"CSR Level of Service"	80%	67%	56%	15%	-81%
Time on Hold (in minutes)	5	9	15	19	269%
Form 1040 Line					
Calls Received	7,894,684	7,316,757	12,089,419	85,121,466	978%
Calls Answered by CSRs	2,434,719	1,903,012	2,246,263	2,527,682	4%
% of Calls Answered by CSRs	31%	26%	19%	3%	-90%
"CSR Level of Service"	79%	67%	54%	6%	-92%
Time on Hold (in minutes)	4	9	14	20	469%
Consolidated Automated Collection System Lines					
Calls Received	3,316,961	3,741,588	5,594,176	6,252,494	89%
Calls Answered by CSRs	1,673,272	1,098,111	1,688,704	2,369,001	42%
% of Calls Answered by CSRs	50%	29%	30%	38%	-25%
"CSR Level of Service"	54%	33%	35%	41%	-24%
Time on Hold (in minutes)	24	41	26	23	-4%

25 IRS, JOC, Snapshot Reports: Enterprise Snapshot for Enterprise Total, Accounts Management, and Consolidated Automated Collection Service data (weeks ending Apr. 20, 2019, June 30, 2020, and May 22, 2021); IRS, JOC, Snapshot Reports: Product Line Detail for the Form 1040 data (weeks ending Apr. 20, 2019, June 30, 2020, and May 22, 2021). For 2020, the last day of the JOC planning period including the filing season is June 30, although the 2020 the filing season was postponed to July 15. "Percentage of Calls Answered by CSRs" reflects the number of calls answered by CSRs divided by the number of calls received. "CSR Level of Service" is an IRS performance measure that reflects the number of calls answered by CSRs divided by the number of calls directed to CSRs (*i.e.*, it excludes primary abandons, taxpayers who encounter busy signals or are disconnected, and calls routed for automated responses). "Average speed of answer" is a measure of the average number of seconds customers waited in queue before receiving service. Percent Change column computed based on actual numbers and not rounded numbers.

During the 2021 filing season through May 22, 2021, the IRS had received about 167 million calls on its enterprise-wide toll-free telephone lines, nearly four times the number of calls it received during the 2018 filing season (about 43 million net call attempts through April 20, 2018). Customer Service Representative (CSR) level of service (LOS) dipped sharply from 73 percent in 2018 to 19 percent in 2021, and only nine percent of callers reached a live assistor in 2021.²⁶ The low CSR LOS resulted from a confluence of events including the low level of annual appropriated funding of CSRs; EIPs and other relief provided as result of tax law changes; and the unexpected and atypical filing season challenges resulting from the effects of the pandemic. This filing season was the quintessential definition of a perfect storm — a particularly bad or critical state of affairs, arising from several negative and unpredictable factors — resulting in tens of millions of taxpayers experiencing hardship and uncertainty in trying to reach a live assistor.

Each year, Congress appropriates a budget and allocates funds for specific tasks. For fiscal years (FYs) 2020 and 2021, Congress funded the IRS to provide a 60 percent level of service with its CSRs — meaning it anticipated in normal, pre-pandemic years that CSRs were expected to answer only six out of every ten incoming calls to the IRS toll-free telephone lines.²⁷ That percentage even in a normal year is unacceptable. For future budgets, the National Taxpayer Advocate urges Congress to provide additional funds as the phone service is an essential service that taxpayers require and urges the IRS to continue to explore efficiencies with its phone service. There are many services the IRS provides throughout the year to taxpayers — phone assistance is one of the most essential. Phone assistance is not an option or a luxury; it is a fundamental service and the cornerstone of proper tax administration.

This filing season was anything but normal as evidenced by the historically high volume of calls. The vast majority of the calls to the IRS toll-free telephone lines (about 150 million) were directed to its Accounts Management telephone lines.²⁸ The IRS reported a 15 percent LOS on its Accounts Management lines, with only seven percent of taxpayer calls reaching a telephone assistor.²⁹ Among taxpayers who got through to Accounts Management telephone assistors, hold times averaged 19 minutes in the 2021 filing season.³⁰ This represents a significant decline from the 2018 filing season, when the IRS reported an 80 percent LOS (with 29 percent of taxpayer calls reaching an Accounts Management CSR and an average hold time of five minutes).³¹

The most frequently called Accounts Management toll-free number is the “1040” line for individual income tax services.³² This filing season, about 85 million calls were directed to this 1040 line, compared to just eight million calls in the 2018 filing season — over ten times the call volume. Only three percent of callers to this phone line reached a CSR (one out of 33 callers), and those who did waited on hold an average of 20 minutes in 2021.³³

The IRS did a better job answering calls from taxpayers to whom it had sent Collection notices. For example, about six million taxpayers called the Automated Collection System toll-free lines, with a 41 percent LOS (38

26 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 19, 2019 and May 22, 2021).

27 Department of Treasury, *Budget in Brief* 7-8 (Fiscal Year 2021).

28 IRS, JOC, Snapshot Reports: Enterprise Snapshot, Accounts Management (AM) (week ending May 22, 2021).

29 IRS, JOC Snapshot Reports, Accounts Management (week ending May 22, 2021).

30 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending May 22, 2021).

31 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending May 22, 2021); IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending Apr. 20, 2019).

32 The number to this toll-free line is 800-829-1040.

33 IRS, JOC Snapshot Reports, Product Line Detail: Individual Income Tax Services (week ending May 22, 2021).

percent answered by a live assistor). However, callers who managed to get through on those lines waited on hold for an average of 23 minutes.³⁴

IMPACT OF THE COVID-19 PANDEMIC

The IRS Implemented Legislation While Also Planning for and Administering the 2021 Filing Season

The IRS Distributed Three Rounds of Economic Impact Payments

Congress passed four sets of legislation over the last 16 months to assist taxpayers in managing the economic challenges presented by COVID-19. This relief included three rounds of EIPs. About six weeks before the start of the 2021 filing season, the IRS began delivering the second round of EIPs in the Consolidated Appropriations Act, 2021, enacted on December 27, 2020.³⁵ The IRS disbursed approximately 147 million payments in the second round, totaling about \$142 billion.³⁶ Then, about a month into the 2021 filing season, the American Rescue Plan Act (ARPA) of 2021 tasked the IRS with delivering the third round of EIPs. Through June 4, the IRS had disbursed about 169 million payments in the third round, totaling approximately \$395 billion.³⁷ Taken together, the IRS has issued over 475 million payments totaling about \$807 billion during the three rounds of EIP.³⁸

The IRS Exercised Its Discretion to Bypass Offsets of the Recovery Rebate Credit Against Outstanding Federal Tax Liabilities

In certain circumstances, a taxpayer's federal tax refund can be offset against outstanding tax or non-tax liabilities.³⁹ The offset rules were applied differently for the different rounds of EIPs and the RRC. The first EIP was offset only against back-due child support, while later rounds of EIPs were not reduced at all by either federal tax or non-tax debts.⁴⁰ Conversely, the RRC is subject to regular offset rules for unpaid federal taxes and certain other debts.⁴¹ Fortunately, in mid-March the IRS agreed to use its discretion under IRC § 6402 to bypass offsets for federal tax debts for taxpayers filing 2020 returns that claim the RRC. This was good news for many taxpayers that needed access to cash funds. Unfortunately, taxpayers whose RRC was offset at

34 IRS, JOC, Snapshot Reports: Enterprise Snapshot (week ending May 22, 2021).

35 Pub. L. No. 116-260, 134 Stat. 1182 (2020).

36 *Internal Revenue Service: Narrowing the Tax Gap and Improving Taxpayer Services, Hearing Before the S. Comm. on Approp.*, 117th Cong. 10 (May 19, 2021) (written statement of Charles P. Rettig, Commissioner of Internal Revenue).

37 *Internal Revenue Service: IRS's Fiscal Year 2022 Budget, Hearing Before the S. Comm. on Finance*, 117th Cong. (June 8, 2021) (written statement of Charles P. Rettig, Commissioner of Internal Revenue), <https://www.irs.gov/newsroom/written-testimony-of-charles-p-rettig-commissioner-internal-revenue-service-before-the-senate-finance-committee-on-the-irs-budget>.

38 The IRS reports it issued more than 160 million payments worth over \$270 billion under the CARES Act; more than 147 million payments worth over \$142 billion under the COVID-Related Tax Relief Act of 2020; and more than 169 million payments worth approximately \$395 billion under ARPA. See IRS News Release, IR-2021-38, As Required by Law, All First and Second Economic Impact Payments Issued; Eligible People Can Claim Recovery Rebate Credit (Feb. 16, 2021), <https://www.irs.gov/newsroom/as-required-by-law-all-first-and-second-economic-impact-payments-issued-eligible-people-can-claim-recovery-rebate-credit>; IRS News Release, IR-2021-127, More Than 2.3 Million Additional Economic Impact Payments Disbursed Under the American Rescue Plan; Total Payments Top 169 million (June 9, 2021), <https://www.irs.gov/newsroom/more-than-2-point-3-million-additional-economic-impact-payments-disbursed-under-the-american-rescue-plan-total-payments-top-169-million>.

39 IRC § 6402.

40 The Consolidated Appropriations Act, 2021, Pub. L. No. 116-260, 134 Stat. 1182 (2020).

41 The Consolidated Appropriations Act, 2021, retroactively revised the CARES Act to direct the IRS to apply normal offset rules to the RRC. Under IRC § 6402(a), the IRS may credit the amount of an overpayment against any other internal revenue tax owed by the taxpayer. The IRS must reduce a taxpayer's overpayment by any amount the taxpayer owes in connection with any past-due child support; federal agency non-tax debts; state income tax obligations; and certain unemployment compensation debts owed to a state. IRC § 6402(c), (d), (e), (f).

the start of the filing season consistent with the legislation had their liabilities reduced by the RRC claimed. For those taxpayers, the IRS applied the RRC against their liability and extinguished the debt. Unlike EIPs, the RRC continued to be offset against other federal non-tax debts.⁴²

Economic Impact Payment Identity Theft

Every filing season, thousands of taxpayers are subjected to identity theft. This filing season, with the addition of EIPs, the number of taxpayers who have filed an identity theft claim with the IRS by submitting Form 14039, Identity Theft Affidavit, has significantly increased.

FIGURE 6, Identity Theft Victim Assistance Inventory Comparing Fiscal Years Cumulative Statistics Through May 25, 2019; May 23, 2020; and May 22, 2021⁴³

	FY 2019	FY 2020	FY 2021	% Change 2019 to 2021	% Change 2020 to 2021
Beginning Inventory	31,659	14,633	56,726	79%	288%
Receipts	92,937	54,927	241,519	160%	340%
Closures	87,181	43,110	70,762	-19%	64%
Ending Inventory	37,415	26,450	227,483	508%	760%

The Identity Theft Victim Assistance (IDTVA) unit works such cases and received 241,519 identity theft cases in FY 2021 (through May 22, 2021).⁴⁴ This represents a 160 percent increase in case receipts for IDTVA from FY 2019 through May 25, and a 340 percent increase over the 54,927 case receipts for the same period in FY 2020.⁴⁵ Because the identity theft marker on a taxpayer's account is not specific, it is unclear how many of these instances can be attributed to EIP identity theft, but undoubtedly, they make up part of the increase. In reality, this increase could be even larger as taxpayers who did not receive an EIP through direct deposit as anticipated and who may suspect identity theft are not instructed to submit Form 14039, unlike taxpayers who anticipated receiving an EIP check and who suspect identity theft.⁴⁶ In both instances, the IRS does instruct taxpayers to submit Form 3911, Taxpayer Statement Regarding Refund, so the payment can be traced.⁴⁷ However, if the refund trace shows that an EIP was direct deposited to the account the IRS has on record, but the taxpayer does not control that account and the funds have since been withdrawn, the IRS will send Letter 129C informing the taxpayer it cannot refund the EIP, as it was directed to the account designated by the taxpayer.

42 Erin M. Collins, Update on Offset of Recovery Rebate Credits: The IRS Has Agreed to Exercise Its Discretion to Stop Offsets of Federal Tax Debts, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 15, 2021), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-update-on-offset-of-recovery-rebate-credits-the-irs-has-agreed-to-exercise-its-discretion-to-stop-offsets-of-federal-tax-debts/>.

43 IRS, JOC, CAS AM Paper Inventory Reports: IDTVA Report FY21 (week ending May 22, 2021); IRS, JOC, CAS AM Paper Inventory Reports: IDTVA Report FY 20 (week ending May 23, 2020); and IRS, JOC, CAS AM Paper Inventory Reports: IDTVA Report FY19 (week ending May 25, 2019).

44 IRS, JOC, CAS AM Paper Inventory Reports: IDTVA Report FY21 (week ending May 22, 2021).

45 IRS, JOC, CAS AM Paper Inventory Reports: IDTVA Report FY20 (week ending May 23, 2020); IRS, JOC, CAS AM Paper Inventory Reports: IDTVA Report FY19 (week ending May 25, 2019).

46 IRS, Questions and Answers About the Second Economic Impact Payment (Mar. 22, 2021), <https://www.irs.gov/coronavirus/second-eip-faqs#paymentlost>.

47 If the refund trace shows that the IRS sent an EIP as a paper check to the correct address but a person other than the taxpayer endorsed it, the Bureau of the Fiscal Service (BFS) will generally work to reissue the lost EIP to the taxpayer.

Unfortunately, Letter 129C does not inform taxpayers that they should file Form 14039 with the IRS if they suspect their EIP was stolen by an identity thief and deposited into an account they do not control, even though the IRS currently has procedures to work these types of cases.⁴⁸ Thus, we recommend that the IRS update its guidance to inform taxpayers that if they have filed Form 3911, if the IRS determines the EIP was deposited into an account the taxpayer does not control, and if the funds have been withdrawn, the taxpayers should file an identity theft claim via Form 14039.

Other Tax Law Changes Impacted the 2021 Filing Season

Several other changes to the tax laws took place in the midst of the filing season as a result of the enactment of the Consolidated Appropriations Act, 2021, and ARPA. The three most significant benefits to taxpayers required adjustments to IRS programs:

1. The creation of the 2019 “Lookback Rule” for EITC and ACTC;
2. The partial exclusion of unemployment compensation benefits from income; and
3. Elimination of excess Advance Premium Tax Credit (APTC) repayments for tax year 2020.

“Lookback Rule” for the Earned Income Tax Credit and Additional Child Tax Credit

The EITC is an important tax incentive for working individual taxpayers. The refundable tax credit helps low- to moderate-income workers and families reduce their tax liability and can result in a refund.⁴⁹ The Taxpayer Certainty and Disaster Tax Relief Act of 2020 in the Consolidated Appropriations Act, 2021, provided temporary relief for taxpayers who earned less income in 2020 than 2019.⁵⁰ Specifically, the provision allows taxpayers to elect to use their 2019 earned income to calculate EITC and the refundable ACTC, if the taxpayers’ 2019 earned income is larger than the 2020 earned income, resulting in higher credits.⁵¹

While the lookback rule was intended to benefit individual taxpayers who experienced a drop in earned income during the pandemic, a significant number of these taxpayers also experienced a delay in receiving their much-needed refunds. The delay was caused by IRS manual processes used to validate the 2019 income for the credit amount calculation.⁵² Due to the late passage of the law, the IRS was unable to timely adjust its computer systems before the start of the 2021 filing season to enable systemic processing of returns where taxpayers elected to use their 2019 income. Verification of the 2019 lookback election had to be manually processed by the ERS unit, requiring the IRS to place associated returns in “suspense” until an IRS employee could review them. Essentially, the return was in a queue waiting for the IRS to review and process it. During this time, IRS systems did not indicate why it was holding the return, adding more frustration as neither taxpayers nor IRS employees could determine the status while in the queue. As of May 20, 2021, almost 567,000 2020 returns calculated EITC using 2019 earned income. These returns claimed about \$2.3 billion in EITC. In addition, there were over 2.5 million taxpayers who used 2020 earned income but would have received about \$2.7 billion more in EITC had they used the 2019 income. In about 251,000 2020

48 See Internal Revenue Manual (IRM) 25.23.12.5.10(7), Identity Theft - Economic Impact Payments (EIP) (Mar. 19, 2021).

49 IRC § 32. Working families with three or more qualifying children could be eligible for a credit up to \$6,660. Workers without a qualifying child could receive up to \$538. See IRS Pub. 596, Earned Income Credit (EIC), 31-39 (Jan. 26, 2021).

50 The Taxpayer Certainty and Disaster Tax Relief Act of 2020, Pub. L. No. 116-260, Div. EE, § 211, 134 Stat. 1182, 3066 (2020).

51 To make this election, the taxpayer enters “PYEI” and the amount of the 2019 earned income on the dotted line next to Form 1040 or Form 1040-SR, line 27 (for EITC) and line 28 (for ACTC). IRS, Tax Year 2020 Form 1040 and Form 1040-SR Instructions 41, 57 (rev. Apr. 2021); IRS Pub. 596, Earned Income Credit (EIC), 18 (Jan. 26, 2021).

52 Erin M. Collins, 2021 Filing Season Bumps in the Road: Part I, NATIONAL TAXPAYER ADVOCATE BLOG (Apr. 22, 2021), <https://www.taxpayeradvocate.irs.gov/news/nta-blog-2021-filing-season-bumps-in-the-road-part-1/>.

returns, taxpayers calculated ACTC based on their 2019 earned income. The total ACTC received by these taxpayers was about \$233.3 million. In addition, there were over 66,000 taxpayers who used 2020 earned income but would have received \$18.2 million more in ACTC had they used the 2019 income.⁵³

Unemployment Benefits Exclusion

Under the law, taxpayers may exclude from taxation up to \$10,200 for each taxpayer who received unemployment compensation (up to \$20,400 for married couples filing joint returns) if their modified adjusted gross income (AGI) was under \$150,000.⁵⁴ However, the law was enacted on March 11, 2021, about a month into the filing season, and by that time 43 percent of all 2020 individual income tax returns had been filed with the IRS.⁵⁵ The IRS worked quickly to modify its systems to account for these changes and also worked with tax return preparation software companies to make the necessary changes to their products. On March 31, the IRS announced it would automatically recompute any deficiencies or refunds for these taxpayers. This was beneficial for taxpayers who already filed and computed their taxes based on the full amount of unemployment compensation. As a result of the systemic solution, taxpayers will not have the burden of filing an amended return, and the IRS will not have the added burden of processing millions of amended returns before issuing refunds.

In late May, the IRS began making computations systemically and began issuing the additional payments the computations generated (*i.e.*, taxpayers may have received a refund earlier in the filing season and will now receive an additional payment as a result of this adjustment). As of June 4, the IRS had already sent more than 2.8 million refunds to such taxpayers.⁵⁶ Further, when making the computation adjustment for unemployment compensation, the IRS also adjusted any credits claimed on the returns, such as EITC or ACTC, that were affected by this computation. Except for the childless worker EITC, the IRS did not elect any credits for taxpayers even if they were eligible once the computation was completed.⁵⁷ However, the IRS is unable to calculate all other federal credits or deductions *not* claimed on the original tax return for taxpayers with qualifying children who might *now* be eligible for that credit. These taxpayers will need to file amended returns *if* they did not originally claim the EITC with qualifying children or other federal credits but now are eligible because the exclusion reduced their AGI.

Elimination of Payment of Excess Advance Premium Tax Credit

Under certain circumstances, taxpayers with a qualified health plan purchased through a health insurance marketplace may receive an advance payment of the Premium Tax Credit (PTC) to reduce the cost of their monthly premiums. At the end of the year, the taxpayer must reconcile the APTC to ensure that the amount received equals the PTC to which the taxpayer is entitled. If the APTC received is greater than the PTC

53 IRS Compliance Data Warehouse (CDW), Individual Returns Transaction File for tax year 2020 returns filed through May 20, 2021. TAS Research estimated EITC and ACTC for tax year 2020 individual tax returns where the earned income in 2019 was greater than the 2020 earned income.

54 ARPA, Pub. L. No. 117-2, Part 4 § 9042(a), 135 Stat. 4 (2021); IRS, New Exclusion of Up to \$10,200 of Unemployment Compensation, <https://www.irs.gov/forms-pubs/new-exclusion-of-up-to-10200-of-unemployment-compensation> (last visited June 16, 2021).

55 As of the week ending March 12, 2021, the IRS had received about 66.1 million returns. IRS, Filing Season Statistics for Week Ending March 12, 2021, <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-march-12-2021> (last visited May 27, 2021). The three-year average of the number of federal individual income tax returns filed for tax years 2017, 2018, and 2019 (less returns filed solely for the purpose of receiving economic incentive payments) is 153.1 million. IRS CDW, Individual Returns Transaction File (Apr. 29, 2021).

56 IRS, IR-2021-123, IRS Sending More Than 2.8 Million Refunds to Those Who Already Paid Taxes on 2020 Unemployment Compensation (June 4, 2021), <https://www.irs.gov/newsroom/irs-sending-more-than-2-point-8-million-refunds-to-those-who-already-paid-taxes-on-2020-unemployment-compensation>.

57 IRM 25.23.4.20.5, Recovery Rebate Credit (RRC) – Adjustments.

claimed on the tax return, the excess APTC increases the taxpayer's tax liability for that tax year.⁵⁸ Conversely, if the PTC for which the taxpayer is eligible exceeds the APTC received, the taxpayer claims a credit for the difference on his or her return. Both of these adjustments are reconciled on Form 8962, Premium Tax Credit.

ARPA allowed taxpayers the benefit of suspending the requirement that they increase their tax liability by all or a portion of their excess APTC for 2020.⁵⁹ Taxpayers with excess APTC for 2020 did not need to file Form 8962 with their return or repay this excess amount on their 2020 Form 1040, U.S. Individual Income Tax Return, or Form 1040-SR, U.S. Tax Return for Seniors, when they filed.⁶⁰ Those taxpayers who had filed and paid their excess APTC in advance of the law being changed did not need to file an amended return. Similar to the systemic fix for the unemployment benefit exclusion, the IRS reduced the taxpayers' excess APTC amount to zero, thereby adjusting their liability, and automatically reimbursed those taxpayers. This positive systemic fix freed up time and resources for both the IRS and taxpayers.

Limited Volunteer Tax Return Preparation Services Available to Taxpayers

The IRS Volunteer Income Tax Assistance (VITA) program and the Tax Counseling for the Elderly (TCE) program are vital programs for taxpayers and tax administration. VITA offers free tax return preparation assistance to people who generally make \$57,000 or less, persons with disabilities, and limited English-speaking taxpayers who need assistance in preparing their own tax returns, and TCE provides free tax help for individuals age 60 and older.⁶¹ Many taxpayers depend on the services offered by these two programs to meet their income tax return filing requirements, receive EIPs, and claim RRCs. This filing season, volunteers once again provided much needed assistance under difficult circumstances and should be recognized for going above and beyond.

Unfortunately, however, assistance provided by volunteers significantly decreased as many individuals were dealing with the safety and logistical issues presented by the pandemic. Many VITA and TCE sites could not operate at full capacity during the 2020 and 2021 filing seasons.⁶² In mid-January 2021, the number of volunteers trained and certified to staff VITA and TCE sites was understandably almost 30 percent less than the number at the same time in 2020 (pre-COVID-19).⁶³ In addition, many site locations closed as planned on April 15 and did not extend their operations to accommodate the postponed May 17 filing season.⁶⁴

Figure 7 shows the drop in VITA and TCE returns filed during the 2018 to 2021 filing seasons.

58 IRC § 36B(f)(2)(A).

59 Taxpayers who claim a net PTC still need to file a Form 8962. This change only applies to tax year 2020.

60 IRS, IR-2021-84, IRS Suspends Requirement to Repay Excess Advance Payments of the 2020 Premium Tax Credit; Those Claiming Net Premium Tax Credit Must File Form 8962 (Apr. 9, 2021), <https://www.irs.gov/newsroom/irs-suspends-requirement-to-repay-excess-advance-payments-of-the-2020-premium-tax-credit-those-claiming-net-premium-tax-credit-must-file-form-8962>. Note: Taxpayers claiming a net PTC will still need to file a Form 8962.

61 IRS, Free Tax Return Preparation for Qualifying Taxpayers, <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers> (last visited Apr. 27, 2021).

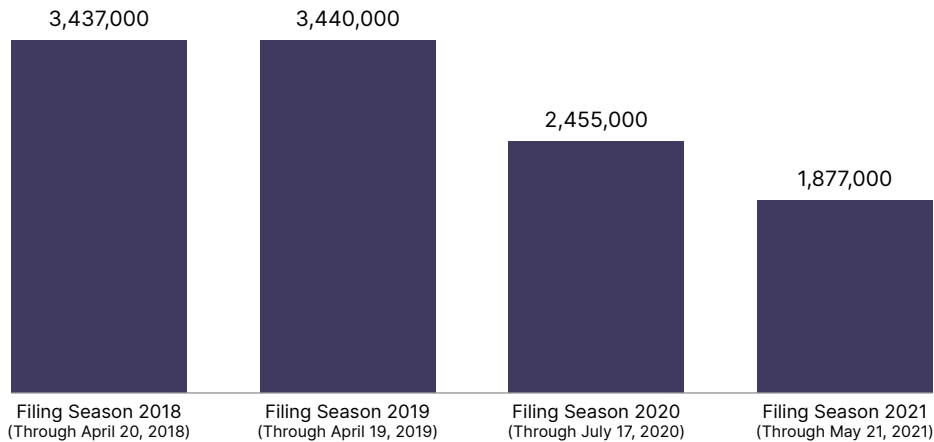
62 TIGTA, Ref. No. 2021-46-029, *Assessment of the Effects of the Coronavirus Pandemic on Customer Service Operations* 5, 7, 18-20 (Apr. 22, 2021); IRS, Free Tax Return Preparation for Qualifying Taxpayers, <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers> (last visited Apr. 27, 2021).

63 W&I, Business Performance Review Q1 FY 2021, at 7 (Feb. 2021) (about 37,000 VITA/TCE volunteers as of January 12, 2021); W&I, Business Performance Review Q1 FY 2020, at 5 (Feb. 2020) (about 52,000 VITA/TCE volunteers as of early January).

64 Meeting between TAS and W&I Customer Assistance, Relationships, and Education (CARE) (Apr. 2021).

FIGURE 7⁶⁵

Individual Returns Prepared by Volunteer Services for 2018 to 2021 Filing Seasons



As Figure 7 indicates, another devastating impact of COVID-19 was the 45 percent decline of returns prepared at volunteer sites from the 2018 season to the 2021 filing season. One silver lining was the IRS Commissioner authorized Low Income Taxpayer Clinics (LITCs) to provide free tax return preparation services during both the 2020 and 2021 filing seasons in recognition of the potential impact on taxpayers who use VITA and TCE.⁶⁶

Taxpayers who needed to file a prior year return, such as a 2019 return, may have faced difficulties finding free tax return preparation services. Some VITA and TCE sites prepare only current year tax returns. However, the IRS encouraged VITA and TCE sites with sufficient capacity to prepare prior-year tax returns during the 2021 filing season. The IRS's VITA Locator on IRS.gov identified whether a site prepared prior-year returns.⁶⁷

To ensure the health and safety of taxpayers and volunteers, some volunteer tax return preparation sites offered virtual help to taxpayers, either over the phone or online; however, the benefit of VITA and TCE this filing season was seriously hampered by the pandemic. The National Taxpayer Advocate would like to recognize and thank those individuals who volunteered this year despite the challenges as their efforts assisted taxpayers who filed almost 1.9 million returns.⁶⁸ This is yet another reminder of how Americans stepped up and gave back to those in need during the pandemic.

65 IRS, 2019 Weekly Individual Filing Season Report, Cumulative Statistics Comparing Apr. 20, 2018 and Apr. 19, 2019 for 2018 and 2019 filing seasons; IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing July 19, 2019 and July 17, 2020 for 2020 filing season; IRS, 2021 Weekly Individual Filing Season Report, Cumulative Statistics Comparing May 22, 2020 (Day 117 of 2020 Filing Season) and May 21, 2021 (Day 99 of 2021 Filing Season) for 2021 filing season.

66 *Filing Season and COVID-19 Recovery, Hearing Before the S. Comm. on Fin.*, 117th Cong. (Apr. 13, 2021) (written statement of Charles P. Rettig, Commissioner of Internal Revenue); TIGTA, Ref. No. 2021-46-029, *Assessment of the Effects of the Coronavirus Pandemic on Customer Service Operations* 18-19 (Apr. 22, 2021). While LITCs are not prohibited from providing free tax return preparation services, it has been a longstanding policy that the LITCs should prepare current year tax returns only in limited circumstances.

67 TIGTA, Ref. No. 2021-46-029, *Assessment of the Effects of the Coronavirus Pandemic on Customer Service Operations* 21 (Apr. 22, 2021).

68 IRS, 2021 Weekly Individual Filing Season Report, Cumulative Statistics Comparing May 22, 2020 (Day 117 of 2020 Filing Season) and May 21, 2021 (Day 99 of 2021 Filing Season) for 2021 filing season.

Other Filing Season Challenges

Adding insult to injury, taxpayers and the IRS faced additional obstacles during the 2021 filing season including identity verification; backlog in processing authorizations; lack of working printers and copiers; closure of the Federal Records Center (FRC); limited in-person taxpayer interaction with the IRS; limited online and self-service tools; and lack of service options for taxpayers living abroad.

Identity Verification

The IRS passes all tax returns claiming refunds through a variety of filters and rules to flag returns that appear disproportionately likely to have been filed by identity thieves. Returns selected by these filters are suspended from processing and worked in the Taxpayer Protection Program (TPP). Taxpayers are notified to authenticate their identity by contacting the TPP toll-free telephone number, going online, or visiting a Taxpayer Assistance Center (TAC). As of May 20, 2021, the TPP had selected over 3.7 million suspicious tax returns this filing season, nearly triple the 1.3 million returns selected during 2019 filing season.

FIGURE 8, Taxpayer Protection Program Selections, Authenticated, or Confirmed Identity Theft for Filing Seasons 2019, 2020, and 2021⁶⁹

	Filing Season (Through April 18, 2019)	Filing Season (Through July 16, 2020)	Filing Season (Through May 20, 2021)
Selections	1,300,264	1,904,339	3,738,160
Authenticated	488,637	425,697	530,393
Confirmed Identity Theft	16,515	17,848	32,034

Taxpayers with returns selected by the TPP may feel exasperated when they try to call the TPP toll-free telephone line. The TPP toll-free telephone line received nearly six million calls this filing season, and the LOS on the line was just 19 percent.⁷⁰ During the week of May 22, 2021, the LOS was less than ten percent for over 600,000 attempted calls. It is not surprising that only 530,393 taxpayers successfully authenticated their identities as of May 20, 2021.⁷¹

Backlog in Processing Third-Party Authorizations

Taxpayers and third parties experienced significant delays with the IRS processing authorizations, including Form 2848, Power of Attorney and Declaration of Representative, and Form 8821, Tax Information

69 TPP Combined Report 3 (May 20, 2021); TPP Combined Report 3 (July 16, 2020); TPP Combined Report 3 (Apr. 18, 2019). The IRS released an additional 878,812 returns in 2021; 107,946 returns in 2020; and 11,116 returns in 2019 due to receipt of additional Information Returns Processing data or filter reprogramming.

70 IRS, JOC, Taxpayer Protection Program Snapshot (week ending May 22, 2021).

71 TPP Combined Report 3 (May 17, 2021).

Authorization.⁷² This issue has persisted since the 2020 filing season. The IRS has taken several actions to address the issue:

- *Paperless Fax Capabilities.* In October 2020, the Wage and Investment Division worked with IRS Information Technology (IT) to deploy paperless fax capabilities in the Centralized Authorization File (CAF) Unit to allow employees to process CAF applications using their laptops and desktops at telework locations.⁷³
- *Electronic Submission of Authorizations.* In January 2021, the IRS launched a new online tool for professionals to provide the ability to remotely obtain signatures from individual and business clients and submit Forms 2848 and 8821 electronically. The new Submit Forms 2848 and 8821 Online tool provides a secure platform to upload the forms signed by taxpayers and tax professionals either electronically or in ink. The uploaded documents are then sent to the CAF Unit for standard review and processing.⁷⁴
- *Tax Pro Account.* The IRS plans to launch an online account application for professionals called Tax Pro in July 2021. The application will facilitate the online execution and filing of Forms 2848 and 8821 and will interface with the online account of the tax professional's individual taxpayer clients. Uploaded authorizations will transmit directly to the CAF Unit.⁷⁵

The CAF Unit is working to reduce the backlog of authorizations and is processing submissions received by mail, fax, and the new online submission platform in the order in which they were received.⁷⁶

Lack of Working Printers and Copiers Exacerbate Backlog Issues

The Treasury Inspector General for Tax Administration (TIGTA) reported that the lack of working printers and copiers in several IRS Tax Processing Centers exacerbated the agency's backlog problems. As of March 30, 2021, approximately 42 percent of the printers and copiers of IRS Submission Processing functions were unusable or broken. This issue significantly affects the Return and Income Verification Services functions that process requests for tax return and account information transcripts, verification of non-filing, and requests for wage and income information. The IRS assured TIGTA that IRS IT was resolving the issue and had started to replace malfunctioning devices.⁷⁷

Closure of the Federal Records Center

The IRS stores tax returns and other tax records at FRC locations.⁷⁸ Like many federal agencies, FRC closed at the beginning of the national emergency in March 2020. FRC started to address emergency requests in

72 IRS, IRS Operations During COVID-19: Mission-Critical Functions Continue, <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue> (last visited Apr. 30, 2020).

73 W&I, Business Performance Review Q1 FY 2021, at 19 (Feb. 2021).

74 IRS Deputy Commissioner Services and Enforcement, IRS Source, News and Events, IRS to Offer Electronic Signature Solutions for Third-Party Authorization Forms (Oct. 30, 2020); IRS, Submit Forms 2848 and 8821 Online, <https://www.irs.gov/tax-professionals/submit-forms-2848-and-8821-online> (last visited Apr. 30, 2021).

75 W&I, Business Performance Review Q1 FY 2021, at 4 (Feb. 2021).

76 IRS, IRS Operations During COVID-19: Mission-Critical Functions Continue, <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue> (last visited Apr. 30, 2021); IRS SERP Alert 21A0105, Authorization Form Timeframe (Mar. 3, 2021).

77 TIGTA, Ref. No. 2021-40-038, *Interim Results of the 2021 Filing Season 8* (May 6, 2021).

78 IRS, Records Control Schedules, Document 12990 (Nov. 2017).

March 2021⁷⁹ and reopened with limited staffing (50 percent or less) on May 28, 2021.⁸⁰ The limited staffing of FRC will significantly impact IRS operations. For example, Submission Processing functions need tax records to fulfill requests for copies of tax returns and some IRS functions need tax records to timely work assigned inventory.⁸¹

Limited FRC operations have also provided another use for some of the trailers once used to store unopened IRS mail at tax processing centers. As of March 31, 2021, IRS tax processing centers were using about seven trailers to store documents waiting to be sent to FRC.⁸²

Face-to-Face Service at Taxpayer Assistance Centers

The IRS provides face-to-face assistance to taxpayers in the 50 states, the District of Columbia, and Puerto Rico at TACs. Over the past decade, the IRS has reduced the number of TACs from 401 (in 2011) to 358.⁸³ As of the week of May 3, 2021, only 287 TACs were open, as 71 locations were unstaffed or closed due to COVID-19-related issues for the 2021 filing season.⁸⁴

The IRS continued its policy of requiring taxpayers to schedule an appointment to receive assistance at any of its TACs.⁸⁵ To schedule an appointment, taxpayers are to call the TAC Appointment line, where an assistor determines the taxpayer's need and directs the taxpayer to resources where he or she may find answers to his or her questions.⁸⁶ This filing season, there were 351,000 scheduled appointments for face-to-face assistance at TACs, a decrease of 43 percent compared to the 2018 filing season.

79 IRS SERP Alert 21A0142, Files Areas – Status of Operations (Mar. 18, 2021) (emergency requests include those supporting the carrying out of the constitutional duties of the Congress and the President, law enforcement activities, health and safety of life or property of the government, response to natural or man-made disasters, or similar necessary implications of supporting continuing federal activities).

80 IRS SERP Alert 21A0174, Files Area / FRCs; Status of Operations (May 28, 2021).

81 TIGTA, Ref. No. 2021-40-038, *Interim Results of the 2021 Filing Season 10* (May 6, 2021).

82 TIGTA, Ref. No. 2021-40-038, *Interim Results of the 2021 Filing Season 8* (May 6, 2021).

83 See Government Accountability Office (GAO), GAO-12-176, *Processing Gains, but Taxpayer Assistance Could Be Enhanced by More Self-Service Tools* (Dec. 2011); *Review of the FY 2020 Budget Request for the U.S. Department of Treasury: Hearing Before the S. Subcomm. on Financial Services and General Government of the S. Comm. on Appropriations*, 116th Cong. (2019) (written statement of Charles P. Rettig, Commissioner of Internal Revenue).

84 Data from IRS systems and W&I (May 21, 2021). TAC data as of the week of May 3, 2021.

85 IRS, IR 2019-67, IRS.gov: Best Place to Get Last-Minute Tax Tips and Resources (Apr. 9, 2019), <https://www.irs.gov/newsroom/irsgov-best-place-to-get-last-minute-tax-tips-and-resources>.

86 IRM 21.1.1.3, Customer Service Representative (CSR) Duties (Oct. 1, 2018).

FIGURE 9, Face-to-Face Assistance, Filing Seasons 2018-2021⁸⁷

	Filing Season 2018 (Through April 20, 2018)	Filing Season 2019 (Through April 19, 2019)	Filing Season 2020 (Through July 17, 2020)	Filing Season 2021 (Through May 21, 2021)	% Change 2018 to 2021
Face-to-Face Appointments (scheduled by AM phone calls)	619,000	536,000	364,000	351,000	-43%
Walk-in Exceptions (no scheduled appointment)	60,000	87,000	37,000	1,964	-97%

In limited instances, taxpayers may receive assistance from a TAC without an appointment. This filing season, 1,964 taxpayers were assisted at TACs without an appointment because of openings in the day's calendar or as staffing permitted, down 97 percent from the 2018 filing season.⁸⁸ The appointment-only approach can negatively impact taxpayers who need assistance urgently and cannot wait to obtain an appointment.⁸⁹ TAS is pleased that the IRS's guidance to employees includes managerial discretion to assist taxpayers without appointments if the taxpayer has a hardship or can be assisted without affecting other scheduled appointments.⁹⁰ However, serving taxpayers without appointments remains an exception.

Prior to the COVID-19 pandemic, the IRS began an initiative to virtually assist taxpayers through web-based software. The IRS resumed this pilot program on October 30, 2020, ramping up to 16 assistors during the 2021 filing season. As of March 5, 2021, 521 taxpayers had participated in this virtual assistance program.⁹¹ While we are pleased the IRS has undertaken this pilot, it will have to be ramped up considerably to meet the needs of a broader segment of taxpayers.

Online and Self-Service Tools

Online tools have become a more significant part of the filing season experience. Broadly speaking, there are two categories of online tools: general access tools and taxpayer account tools.

General access tools allow taxpayers to obtain general information that is not case-specific. A few examples of what a taxpayer might accomplish on the IRS website (IRS.gov) include:

- Downloading tax forms, instructions, and publications;⁹²

87 IRS, 2019 Weekly Individual Filing Season Report, Cumulative Statistics Comparing Apr. 20, 2018 and Apr. 19, 2019; IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing July 19, 2019 and July 17, 2020; IRS, 2021 Weekly Individual Filing Season Report, Cumulative Statistics Comparing May 22, 2020 (Day 117 of 2020 Filing Season) and May 21, 2021 (Day 99 of 2021 Filing Season).

88 IRS, 2019 Weekly Individual Filing Season Report, Cumulative Statistics Comparing Apr. 20, 2018 and Apr. 19, 2019; IRS, 2020 Weekly Individual Filing Season Report, Cumulative Statistics Comparing July 19, 2019 and July 17, 2020; IRS, 2021 Weekly Individual Filing Season Report, Cumulative Statistics Comparing May 22, 2020 (Day 117 of 2020 Filing Season) and May 21, 2021 (Day 99 of 2021 Filing Season).

89 W&I, Business Performance Review Q2 FY 2019, at 15 (Apr. 30, 2019). The IRS will, in some circumstances, "double book" an appointment if the taxpayer has an urgent need. However, this will happen only when the taxpayer is able to explain the need, and the phone assistor is able to recognize the urgency. There are exception criteria for taxpayers who show up at a TAC without an appointment. Likewise, the taxpayer will need to explain the need, and a TAC employee needs to recognize the taxpayer should receive service.

90 IRM 21.3.4.2.4.2, TAC Appointment Exception Procedures (Oct. 1, 2018).

91 TIGTA, Ref. No. 2021-40-038, *Interim Results of the 2021 Filing Season 24* (May 6, 2021).

92 IRS, Forms & Publications, <https://www.irs.gov/forms-pubs> (last visited May 28, 2021).

- Locating the TAC nearest to where the taxpayer lives;⁹³ and
- Using the Interactive Tax Assistant to find answers to general tax law questions such as who may be claimed as a dependent or whether a taxpayer may deduct medical expenses.⁹⁴

Taxpayer account tools allow users to obtain account information or access personalized features. Taxpayers wishing to access account tools must pass “multi-factor authentication.” This security measure is intended to ensure the person requesting access is the true taxpayer and not an imposter. For example, to access an account transcript online for the first time, the taxpayer will need:

- His or her taxpayer identification number, date of birth, filing status, and mailing address from the latest tax return;
- An email account;
- An account number from a credit card, mortgage, home equity loan, home equity line of credit, or car loan; and
- A cell phone with the taxpayer’s name on the account (*i.e.*, not pay-as-you-go minutes).

After the user enters some initial information to validate his or her identity, the IRS will send a temporary security code via text message to the taxpayer’s cell phone.⁹⁵

Once authenticated, taxpayers can assess the following account tools:

- Get Transcript, where the taxpayer can view tax account information;⁹⁶
- Direct Pay, where the taxpayer can make payments to the IRS;⁹⁷ and
- Online Account, where the taxpayer may view payment history and remaining balance due for certain tax years.⁹⁸

Service Options for U.S. Taxpayers Living Abroad

For U.S. citizens or resident aliens, the rules for filing income tax returns and paying estimated tax are generally the same whether they are in the United States or abroad; worldwide income is subject to U.S. income tax, regardless of where they reside. Approximately nine million U.S. citizens live abroad.⁹⁹ There are also many international U.S. taxpayers who are neither residents nor citizens of the United States.

One particular challenge for taxpayers living abroad is the reduced services offered by the IRS to this community. Taxpayers living abroad generally cannot call U.S. toll-free telephone lines. In 2015, the IRS closed the last of its overseas tax attaché offices, which eliminated the last face-to-face option for U.S.

93 IRS, Contact Your Local IRS Office, <https://www.irs.gov/help/contact-your-local-irs-office> (last visited May 28, 2021).

94 IRS, Interactive Tax Assistant (ITA), <https://www.irs.gov/uac/interactive-tax-assistant-ita-1> (last visited May 28, 2021).

95 The taxpayer has the option of requesting that the activation code be mailed to the address of record. IRS, Secure Access: How to Register for Certain Online Self-Help Tools, <https://www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools> (last visited June 21, 2021). However, waiting ten days for mail delivery of the activation code hinders the taxpayer’s ability to immediately resolve the issue.

96 IRS, Welcome to Get Transcript, <https://www.irs.gov/individuals/get-transcript> (last visited May 28, 2021).

97 IRS, Direct Pay With Bank Account, <https://www.irs.gov/payments/direct-pay> (last visited May 28, 2021).

98 IRS, View Your Tax Account Information, <https://www.irs.gov/uac/view-your-tax-account> (last visited May 28, 2021).

99 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>.

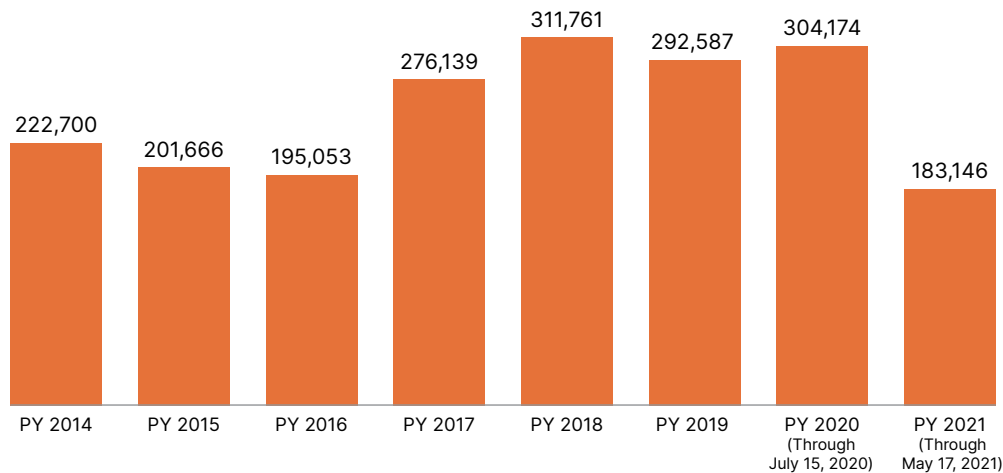
taxpayers living abroad, leaving these taxpayers with limited options for assistance.¹⁰⁰ The IRS has designated its Philadelphia office to provide international tax assistance Monday through Friday from 6 a.m. to 11 p.m. EST; international taxpayers may call 267-941-1000 (not a toll-free number).¹⁰¹ In addition, the IRS has posted an FAQs page to provide international taxpayers with basic information on its website.¹⁰²

One unintended disadvantage for taxpayers living abroad is the inability to access IRS services that require authentication, such as Online Account or the Identity Protection Personal Identification Number (IP PIN). The authentication process for both Online Account and IP PIN registration requires a valid U.S. phone number; taxpayers without a U.S. phone number may encounter difficulties authenticating.

An alien is any individual who is not a U.S. citizen or U.S. national. A nonresident alien is an alien who has not passed the green card test or the substantial presence test.¹⁰³ Nonresident aliens with a tax filing obligation file Form 1040-NR, U.S. Nonresident Alien Income Tax Return. Figure 10 shows the trend in the volume of Forms 1040-NR filed during processing years (PYs) 2014 to PY 2021.

FIGURE 10¹⁰⁴

**Forms 1040-NR, U.S. Nonresident Alien Income Tax Return,
Filed During the Filing Season for Processing Years 2014-2021**



¹⁰⁰ 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*).

¹⁰¹ IRS, U.S. Citizens and Resident Aliens Abroad, <https://www.irs.gov/individuals/international-taxpayers/us-citizens-and-resident-aliens-abroad> (last visited June 15, 2021).

¹⁰² See IRS, Frequently Asked Questions (FAQs) About International Individual Tax Matters, <https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-about-international-individual-tax-matters> (last visited June 15, 2021).

¹⁰³ IRC § 7701(b)(1)(B).

¹⁰⁴ IRS CDW, Individual Return Transaction File Form 1040-NR, U.S. Nonresident Alien Income Tax Return (PY 2014 returns filed through Apr. 24, 2014; 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 July 16, 2020; PY 2021 returns filed through May 20, 2021).

There has been a significant decrease in Forms 1040-NR received, from a high of 311,761 returns received in 2018, to 183,146 returns received this year — a decrease of 41 percent.¹⁰⁵ It is unclear why there has been such a steep drop-off. During the current and past filing seasons, the IRS has been slow in processing paper returns; also, COVID-19 affected individuals globally and may have had some effect in the timing of their filings. As of May 22, 2021, six million 2020 individual paper returns await processing.¹⁰⁶

¹⁰⁵ IRS CDW, Individual Return Transaction File Form 1040-NR, U.S. Nonresident Alien Income Tax Return (PY 2014 returns filed through Apr. 24, 2014; 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 July 16, 2020; PY 2021 returns filed through May 20, 2021). The IRS processed 183,146 Forms 1040-NR during the 2021 processing year through May 20, 2021 (including returns from earlier tax years than 2020), and processed 311,761 Forms 1040-NR during the 2018 processing year through April 26, 2018 (including returns from earlier tax years than 2017).

¹⁰⁶ Data from IRS systems and W&I.