

Most Serious Problems: At a Glance

Services Taxpayers Want and the Problems the IRS Faces in Delivering Them

This “At a Glance” section covers each of the ten Most Serious Problems we identify in this report. It summarizes the problems taxpayers face, notes why the problem is serious, and provides some key statistics. The section entitled, “what taxpayers want from the IRS” comes directly from the IRS-sponsored Comprehensive Taxpayer Attitude Survey regarding taxpayer attitudes and preferences.

IRS employees have worked admirably throughout the pandemic. However, the IRS still has much work to do including addressing processing delays, hiring and training employees to meet the growing volume of taxpayer needs and improve customer service, assisting more taxpayers by answering a significantly higher percentage of phone calls, being clear about delays and other problems, quickly addressing backlogs, increasing the functionality of online accounts, increasing digital communications with taxpayers, removing barriers to e-filing returns, better engaging low-income taxpayers in the audit process, and protecting low-income taxpayers from burdensome collection procedures.

The goal of At a Glance is to give the reader the ability to quickly glance over the material and grasp some of the impediments that must be overcome to improve service to taxpayers. I hope those who struggle with long government reports will appreciate this concise presentation of key taxpayer challenges – a front door of sorts into the report. For the issues that interest you, the full discussion provides a more complete picture.

Most Serious Problem: Processing and Refund Delays

What Taxpayers Want From the IRS

73%

trust the IRS to fairly enforce the tax laws as enacted by Congress and the President

Why This Is a Most Serious Problem: Taxpayers experience long delays waiting for the IRS to process their tax returns, issue refunds, and process and respond to written taxpayer correspondence. Unfortunately, the IRS received less than two-thirds of the money it needs to modernize systems to efficiently process documents and respond to taxpayers (e.g., \$223 million of the \$383 million of the projected funds needed by the IRS in FY 2021).

Key Statistics: The IRS had a backlog of over 35 million returns at the end of the 2021 filing season. Millions of returns and amended returns still remain unprocessed today. TAS case receipts concerning original processing issues increased by 189%, while receipts concerning amended returns increased by 173%.

Most Serious Problem: IRS Recruitment, Hiring, and Training

What Taxpayers Want From the IRS

69%

trust the IRS to help them understand tax obligations

Why This Is a Most Serious Problem: Budget cuts, an aging workforce, and complicated hiring processes have left the IRS severely understaffed. The IRS needs more employees to improve customer service and bring in additional tax revenue. Its current hiring is barely keeping up with employees who leave or retire.

Key Statistics: The employees of the IRS are responsible for bringing in 95 cents of every \$1 in gross revenue for the federal government. The IRS’s budget was reduced by about 20 percent in inflation-adjusted dollars from FY 2010 to FY 2021. In FY 2021, the IRS had 78,661 full-time equivalents, down from 94,711 in FY 2010. In FY 2021, the IRS lost about 14,500 employees due to retirement or separation but gained only about 12,500 external hires.

Most Serious Problem: Telephone and In-Person Service

What Taxpayers Want From the IRS

86%

want a toll-free number to have questions answered

76%

want office locations that can be visited and an IRS representative who will answer questions

71%

want community-based tax clinics at convenient locations

Why This Is a Most Serious Problem:

Problem: Taxpayers say they want to be able to call the IRS and get their questions answered. This past year, the volume of calls skyrocketed and overwhelmed the IRS. Many taxpayers are not getting answers to their questions and are frustrated.

Key Statistics: IRS assistors answered approximately 32 million out of 282 million calls (11%) in FY 2021. This means that only 1 out of 9 taxpayer calls was answered.

Most Serious Problem: Transparency and Clarity

What Taxpayers Want From the IRS

50%

want IRS tax sources on social media and blogs that provide information and assistance

Why This Is a Most Serious Problem: IRS tools and applications do not provide taxpayers the details they need. The last two filing seasons were very frustrating to taxpayers and tax professionals looking for information on the processing of their returns, refunds, and correspondence.

Key Statistics: Millions of taxpayers still have unprocessed returns and do not know the status of their returns. At the end of the 2021 filing season, the IRS's Error Resolution System inventory included 10.3 million individual and business returns, a 544% increase over the 2020 filing season. Further, approximately 16.8 million individual and business paper returns awaited processing, compared with 4.3 million paper returns at the end of the 2020 filing season – a 291% increase.

Most Serious Problem: Filing Season Delays

What Taxpayers Want From the IRS

86%

agree the IRS should be improving phone call assistance to taxpayers

69%

trust the IRS to help them understand tax obligations

Why This Is a Most Serious Problem: The IRS has inadequate resources and a growing workload. Millions of returns are still not processed. Together, the pandemic, antiquated systems, and added complexities with the filing season created many challenges.

Key Statistics: The IRS has not finished processing millions of original and amended returns from TY 2020, even though TY 2021 returns will soon arrive for processing.

Most Serious Problem: Online Accounts

What Taxpayers Want From the IRS

83%

want a personal online account to confirm identity and access information and transactions

Why This Is a Most Serious Problem: The current fragmented set of IRS systems makes it difficult to provide taxpayers the online features they want and need in one location. So far, only 7% of taxpayers are using an IRS online account. Taxpayers want more features (e.g., view all account activity, respond to correspondence, review payment options).

Key Statistics: During FYs 2020-2021, there were about 12 million unique users (taxpayers) who accessed an online account while more than 169 million individual returns were filed in 2021.

Most Serious Problem: Digital Communications

What Taxpayers Want From the IRS

90%

want a website that provides information

81%

want the ability to email questions directly to the IRS

70%

want IRS applications on mobile devices that provide tax information and assistance

Why This Is a Most Serious Problem: Many taxpayers want digital means (e.g., secure email), but the IRS use of these methods is largely confined to its compliance activities.

Key Statistics: The IRS currently has 4.75 million pieces of paper correspondence that have not been worked. This reflects the lack of digital communication options (e.g., secure email) that taxpayers can readily use.

Taxpayers would benefit from digital options.

Most Serious Problem: E-Filing Barriers

What Taxpayers Want From the IRS

93%

want opportunities for electronic filing of tax returns

Why This Is a Most Serious Problem: Taxpayers e-file because it is more efficient, more accurate, and faster (it also saves the IRS money). However, there are some tax forms, schedules, attachments, and other documents unavailable for electronic filing. Any taxpayer who happens to use one of these documents is unable to file electronically and misses out on related benefits (i.e., shorter processing times, fewer delays and errors).

Key Statistics: During the 2021 filing season, about 9 out of 10 individual and about 7 out of 10 business returns were electronically filed through October 23, 2021. Nonetheless, millions of taxpayers must still use forms that cannot be e-filed, or they have problems e-filing and must use paper forms.

Most Serious Problem: Correspondence Audits

What Taxpayers Want From the IRS

73%

trust the IRS to fairly enforce the tax laws as enacted by Congress and the President

Why This Is a Most Serious Problem: Lower income taxpayers are audited primarily through the mail, are not assigned a single point of contact, and have a hard time reaching the IRS. The IRS often closes its audits without any contact from the taxpayer. This creates additional downstream consequences for these taxpayers and the IRS.

Key Statistics: Of all the individual audits the IRS conducted in FY 2019, over half (53%) were completed on lower income taxpayers. Almost all (92%) of these audits were done through correspondence (i.e., the mail). In general, the IRS answered only about half of the calls from taxpayers with questions about their audits.

Most Serious Problem: Collection

What Taxpayers Want From the IRS

55%

agree having the option to pay tax in installments influences how honestly they report and pay taxes

Why This Is a Most Serious Problem: IRS Collection policies and procedures prevent low-income taxpayers from receiving relief Congress intended and from accessing relief the IRS can provide.

Key Statistics: The IRS fails to properly classify millions of taxpayers as low-income, to refund thousands of installment agreement user fees, and to adopt procedures for low-income taxpayers to easily request a collection pause or avert a refund offset.

"What Taxpayers Want From the IRS" are preferences or attitudes expressed in the "Comprehensive Taxpayer Attitude Survey 2020;" IRS: Research, Applied Analytics, and Statistics.