

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

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February 16, 2022

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Ave., NW
Washington, D.C., 20224

Dear Commissioner Rettig:

We write to request information about the Internal Revenue Service's (IRS) preparations for the current tax filing season, which the Treasury Department is warning will be "frustrating" for both taxpayers and tax preparers due to processing delays and backlogs.¹ Despite its reliance on decades-old legacy technology systems and the fact that the majority of IRS workers continue to telework remotely, Americans expect their tax returns to be processed in a timely and efficient manner. We therefore write to conduct oversight over the IRS's ability to complete its critical mission and request information on what steps the IRS has taken to overcome obstacles presented by the COVID-19 pandemic and reliance on outdated technologies.

Americans rely on the IRS to process tax returns in a timely manner. In Fiscal Year 2020 alone, the IRS processed more than 240 million tax returns and issued approximately 122 million refunds.² For many Americans, their tax refund can equal six weeks of take-home income.³ The volume of tax returns and refunds completed each year shows the far-reaching impact that processing delays could have for the average American. Processed returns are also essential for those who may be entitled to apply for other government benefits such as loans administered by the U.S. Small Business Administration. It is therefore imperative that the IRS take steps to mitigate any processing delays, which can delay refunds and access to economic relief programs.

In addition to processing delays, we are concerned about the impact COVID-19 mitigation strategies may have had on public-facing customer service operations at the IRS. In a January 10, 2022, briefing the Treasury Department acknowledged that, "the I.R.S. would struggle to promptly answer telephone calls from taxpayers...and that a lower level of service should be expected."⁴ In 2021, the IRS answered less than one-third of the calls it received.⁵ Demonstrating the impact this reduced level of customer service and processing delays had on

¹ Michael Schnell, *Treasury warns of delayed tax refunds due to 'enormous challenges'*, THE HILL (Jan. 10, 2022).

² *Returns Filed, Taxes Collected & Refunds Issued*, THE IRS DATA BOOK (June 24, 2021)

<https://www.irs.gov/statistics/returns-filed-taxes-collected-and-refunds-issued>

³ Juliana Kaplan and Joseph Zeballos-Roig, *A historically underfunded IRS is preparing for a rough tax season and only has 1 person for every 16,000 calls it gets*, BUSINESS INSIDER (Jan. 11, 2022).

⁴ Alan Rappeport, *The I.R.S. is warning of a messy tax season*, THE NEW YORK TIMES (Jan. 10, 2022).

⁵ Aimee Picchi, *Here's how long it will take to get your tax refund in 2022*, CBS NEWS (Jan. 12, 2022).

the public, Americans visited the IRS's "Where's My Refund?" page 632 million times in 2021, a dramatic increase from the 369 million times recorded in 2019.⁶

Compounding the potential for processing delays and poor service is the fact that the IRS is beginning the year with a larger backlog than normal.⁷ Currently, the IRS has more than 8.5 million pieces of backlogged work; in a typical year, the IRS has about one million pieces of backlogged work.⁸ The slow processing of tax returns and refunds is a troubling development over the last few years, with 2019 tax returns not fully cleared until June 2021.⁹ Furthermore, in June 2021, an independent watchdog reported that the IRS ended the 2020 filing season with more than 35 million individual and business tax returns *not* processed, a fourfold increase from 2019.¹⁰ Recognizing the potential for even more delays, the IRS is encouraging taxpayers to file their returns electronically and opt for direct deposits to speed processing.¹¹

These backlogs may be partly attributable to the fact that the IRS relies on a legacy software system built in the 1960s, the Individual Master File, and has struggled to modernize that system in a timely manner.¹² The IRS has not acquired modern scanning technology and too often relies on employees to manually open mail and enter information into its system.¹³ The IRS also shut down many of its offices and posts of duty in response to the COVID-19 pandemic, and the majority of IRS workers continue to work remotely.¹⁴ As we have seen at other agencies such as the National Personnel Records Center, we are concerned that COVID-19 related telework policies for IRS workers may have compounded these delays and backlogs, and contribute to reduced levels of public-facing customer service overall.

To assist Committee Republicans in conducting oversight of the IRS's efforts to timely process tax returns and provide adequate levels of customer service, please provide the following relevant documents and information no later than March 2, 2022:

1. An explanation of the steps the IRS is taking to facilitate the smooth filing and subsequent processing of tax returns;
2. A detailed explanation on how the IRS processes tax returns filed electronically as compared to its process for handling returns filed through the mail;
3. The average number of tax returns received by the IRS each day during tax season, disaggregated by returns filed electronically versus those filed in the mail;

⁶ Jeff Stein, *Americans visited IRS refund website 632 million times last year as challenges swamp tax agency 'in crisis'*, THE WASH. POST (Jan. 12, 2022).

⁷ Richard Rubin, *IRS Warns of Service Delays When 2021 Tax-Filing Season Opens on Jan. 24*, THE WALL STREET JOURNAL (Jan. 10, 2022).

⁸ *Id.*

⁹ Erin Doherty, *IRS "in crisis," government watchdog says*, AXIOS (Jan. 12, 2022).

¹⁰ Schnell, *supra* note 1.

¹¹ News Release, Internal Revenue Service, 2022 tax filing season begins Jan. 24; IRS outlines refund timing and what to expect in advance of April 18 tax deadline (Jan. 10, 2022).

¹² Emily Peck, *Tax season nightmare ahead for understaffed IRS*, AXIOS (Jan. 20, 2022); Natalie Alms, *A 60-year-old IRS IT system won't finish modernizing until 2030*, FCW (Oct. 20, 2021).

¹³ *Id.*

¹⁴ Information provided by the Treasury Inspector General for Tax Administration to congressional requestors (Feb. 4, 2022), *on file with committee staff*.

4. The number of individuals the IRS currently employs, how many of those employees are dedicated to processing returns, and the percentage of those employees who are currently working in the office versus remote teleworking;
5. Any assessment by the IRS on how remote telework impacts the ability of IRS employees to perform mission critical functions such as processing returns;
6. The number of IRS employees currently dedicated to performing public-facing customer service functions, and any plans by the IRS to utilize additional staff or technology solutions to answer phones or provide public-facing customer service;
7. An explanation of efforts being undertaken by the IRS to modernize the legacy Individual Master File system, including the timeline for completion of modernization efforts;

In addition, please make arrangements to schedule a staff-level briefing no later than February 23, 2022, on the IRS's preparations for the federal tax filing season and how the IRS intends to timely process its workload utilizing existing available resources. To schedule the briefing or ask any follow-up or related questions, please contact the Committee on Oversight and Reform Republican staff at (202) 225-5074.

The Committee on Oversight and Reform is the principal oversight committee of the U.S. House of Representatives and has broad authority to investigate "any matter" at "any time" under House Rule X. Thank you in advance for cooperating with this inquiry.

Sincerely,



James Comer
Ranking Member
Committee on Oversight and Reform



Jody Hice
Ranking Member
Subcommittee on Government
Operations



Glenn S. Grothman
Ranking Member
Subcommittee on National Security



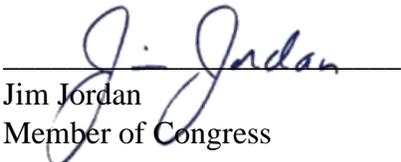
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Ranking Member
Subcommittee on Economic and
Consumer Policy



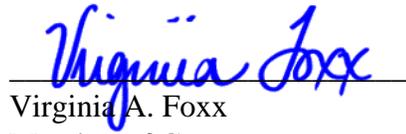
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Member of Congress



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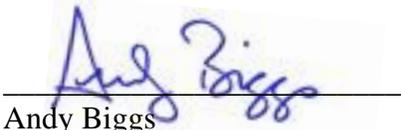
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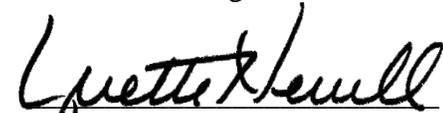
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Yvette Herrell
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Byron Donalds
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Commissioner Rettig

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cc: The Honorable Carolyn Maloney, Chairwoman
Committee on Oversight and Reform

The Honorable Gerald E. Connolly, Chairman
Subcommittee on Government Operations

The Honorable Stephen F. Lynch, Chairman
Subcommittee on National Security

The Honorable Raja Krishnamoorthi, Chairman
Subcommittee on Economic and Consumer Policy

The Honorable Ro Khanna, Chairman
Subcommittee on Environment

The Honorable Jamie Raskin, Chairman
Subcommittee on Civil Rights and Civil Liberties