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Tax Processing Positives and Problems

Since the beginning of tax season, the IRS has been busy receiving and processing tax submissions from billions of taxpayers. The mountainous work of sifting through tax returns to check for accuracy, identify fraud and process refunds is still ongoing. As of early April, the IRS has processed about 96 million tax submissions and issued nearly 81 million tax refunds amounting to \$234 billion according to a report by the Treasury Inspector General for Tax Administration (TIGTA), the federal agency set up to provide independent oversight of the IRS.

Up to March 4, the IRS has been able to identify 335,341 fraudulent tax refund claims at a capture rate of 97%. This prevented a whopping \$1.8 billion in false claims from being issued. This is a remarkable accomplishment in view of the fact that last year's figure was only 119,484 fraudulent tax returns amounting to \$721 million in false claims. These figures also show that the number of fraudulent returns has significantly increased.

Arguably the greatest thorn in the flesh for the IRS is the troublesome \$7,000 first time home buyer's credit that is to be repaid over 15 years. Aside from this, there have also been a lot of problems with two other

home buyer credits worth \$8,000 and \$6,500 respectively. The TIGTA reported that the IRS may have granted more than \$513 million in first time home buyer credit to taxpayers, including some IRS employees, who probably did not qualify for it. The errors in processing this credit have resulted in thousands of taxpayers expressing their dissatisfaction in a Facebook page set up on this matter.

Another area of concern is the motor vehicle credit granted to those who bought a new vehicle in 2009 but opted to delay paying the sales or excise tax until 2010. This option was made available under the American Recovery and Reinvestment Act (ARRA) 2009 that allowed people to take a deduction for state and local sales and excise taxes paid on qualified new vehicles purchased after February 16, 2009, and before January 1, 2010. The non-business energy property credit was also subjected to erroneous claims. Under this program, if you made qualified energy-saving improvements to your home or purchased any residential energy property, you could take a credit of up to 30% of the costs paid or incurred in 2010. As of March 4, the TIGTA said their office had identified more than 50,000 individuals who had erroneously claimed \$34.4 million under this program.

And finally, the TIGTA report also highlighted the slow pace of receiving customer help from the IRS. During visits to 26 Taxpayer Assistance Centers between November and February, TIGTA auditors waited an average of 62 minutes before they received help.