

Treasury and IRS Announce Aggressive Plan to End Pandemic Inventory Backlog This Year

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Today, Deputy Secretary of the Treasury Wally Adeyemo and IRS Commissioner Charles P. Rettig traveled to the IRS Campus in Philadelphia where they thanked employees for their tireless efforts and outlined an aggressive plan that will end the pandemic backlog this year.

“Since the pandemic began, IRS employees have been called on to go above and beyond for the American people, and they have met the moment. But they’ve had to do so without adequate resources and funding, which is why the agency faces the challenges that it does today. The Biden Administration is committed to getting the IRS the stable, long-term funding it needs to be able to serve the American people,” said Deputy Secretary Adeyemo.

This year, millions of taxpayers are awaiting the processing of their tax returns and receipt of their refunds. The backlog—unprocessed returns and correspondence sent to the IRS but yet unanswered—has created one of the most challenging tax filing seasons in our nation’s history.

“IRS employees have been working tirelessly to process backlogged returns and taxpayer correspondence. To ensure inventory is back to a healthy level for next filing season, we are leaving no stone unturned—taking an all-hands-on-deck approach to ensure as many employees as possible are dedicating time to return processing,” said Commissioner Rettig. “This includes bringing on new employees and reassigning current IRS employees to process inventory.”

The IRS’s backlog challenges today stem from two key sources.

First, the agency has been chronically underfunded for more than a decade, with its budget cut by nearly 20% since 2010. Today’s historically low level of funding means that the IRS isn’t equipped to provide the American people the service they deserve. This is all a result of resource constraints: The IRS workforce is the same size it was in 1970, though the U.S. population has grown by 60 percent and the complexity of the economy has increased

exponentially. In the first half of 2021, fewer than 15,000 workers handled nearly 200 million calls received, which translates to one person for every 13,000 calls.

Second, the pandemic created a unique set of new operational challenges for the IRS. The agency was called upon to support emergency relief for taxpayers, like distributing an unprecedented three rounds of Economic Impact Payments, totaling over \$830 billion, to 85% of American households. Including individual refunds, the IRS has distributed over \$1.5 trillion to Americans since the pandemic began. This was all done at a time when the IRS budget was at historic lows, and while adjusting operating protocols to ensure the IRS workforce was safe and healthy in the midst of the pandemic.

These circumstances have created significant challenges. Entering a normal filing season, the IRS typically has well under one million pieces of inventory. This year, the IRS entered the filing season with a backlog that is more than 15 times as large. This has a huge impact on people, and Commissioner Rettig has committed to addressing the backlog and returning to normal, healthy levels by the end of this year.

To meet this commitment, the IRS has laid out an ‘all-hands-on-deck’ approach:

HIRING AND SURGING THOUSANDS OF EMPLOYEES TO TACKLE THE BACKLOG

- **Hiring 10,000 new employees:** The IRS today announced plans to hold job fairs across the country in March in Kansas City (March 18-19), Austin (March 24-25) and Ogden (March 31-April 1) with the aim of filling 5,000 open positions in the coming months. Working with Treasury, the Office of Personnel Management, and the National Treasury Employees Union, the IRS recently secured direct hiring authority for these employees, as well as an additional 5,000 new hires to be made over the course of the next year. Congress also helpfully provided hiring flexibilities in the House-passed omnibus to further expedite hiring in critical positions. This will allow for onboarding and training new emergency teams which will begin working on inventory within just a few weeks.
- **Creating new 700-person surge team to process new returns:** The IRS is in the process of shifting approximately 700 employees at the Austin, Ogden, and Kansas City campuses to process original returns. These efforts will address the historically high inventories of paper tax returns. At full capacity, this surge will close millions of cases each month.
- **Maintaining initial surge team to process amended returns and taxpayer correspondence:** The second surge effort builds on efforts earlier in filing season, when

the IRS moved hundreds of existing employees with previous experience to address the backlog. The IRS currently has approximately 800 people on this team, which started in February.

- **Paying overtime to thousands of IRS employees:** The IRS has required mandatory overtime for the over 6,000 employees processing original returns. Overtime is also available for approximately 10,000 employees processing amended returns and taxpayer correspondence. In all three submission processing centers, employees are working night shifts to work on return and correspondence processing.
- **Supporting additional contractor support for inventory:** The IRS is quickly pursuing additional contracting options to help with original return processing, including mailroom operations, transcription, and input of paper returns into IRS systems.

INCREASED TAXPAYER ASSISTANCE TO REDUCE PROCESSING DELAYS

- **Communicating directly with taxpayers to ensure accurate returns:** A large share of the backlog stems from small errors by millions of taxpayers on their tax returns, which then require manual review by IRS employees before they can be processed. By helping taxpayers file accurately, the IRS can ensure that refunds are issued quickly (an error-free electronic return is processed within 21 days). Accurate individual filings also proactively reduce inventory by decreasing the share of returns that require time-intensive manual attention by employees. Efforts help taxpayers file accurately include:
 - **Sending taxpayers more information than ever to prevent processing delays.** The IRS has sent more than 100 million letters to taxpayers to prevent delays in processing. In the letters, the IRS proactively calculates the amounts received by individual taxpayers in both third Economic Impact Payments and the advance Child Tax Credit to ensure more accurate returns.
 - **Providing online help.** The IRS created and expanded self-service portals for taxpayers, including for online payment agreements, requesting payment transcripts, requesting Identity Protection PINs, and updating personal information. In just the last year, 9.4 million taxpayers have accessed their online accounts, allowing for important information—on benefits received, notices, and taxpayer payment history—to be easily and securely accessed.

- **Providing in-person help.** The IRS has increased the availability of in-person support for taxpayers through extra hours (including weekends) at Taxpayer Assistance Centers throughout the filing season. It also awarded \$41 million of support to over 330 organizations across the United States, including Tax Counseling for the Elderly and Volunteer Income Tax Assistance organizations which provide free federal tax return preparation for the underserved.
- **Providing help on the phones.** The IRS has expanded customer callbacks to 70% of its toll-free lines. Already this fiscal year, an callback option has been offered to more than three million taxpayers, saving those preparing their taxes almost one million hours of wait time. Additionally, the IRS has deployed 2,000 contractors to respond to taxpayer questions about Economic Impact Payments and the advance Child Tax Credit. Since the summer of 2021, these contractors have answered over 40 million calls.

DEVELOPING AND DEPLOYING UPDATED TECHNOLOGY TO AUTOMATE FUNCTIONS

- **New automated tool to correct return errors:** Last filing season, any error on a tax return required manual review by an IRS processing employee, meaning that just a few dozen such returns could be processed each hour. For this filing season, the IRS developed an automated tool that dramatically expands efficiencies and has helped the IRS close 1.5 million error resolution cases in a single week.
- **Suspension of dozens of common notices to prevent inventory increases:** To provide relief for taxpayers, the IRS reconfigured its systems to temporarily halt sending approximately 40 form notices to taxpayers, including mailing automated collection notices that are normally issued when a taxpayer owes additional tax, and the IRS has no record of a taxpayer filing a return. This action provides important relief for taxpayers who otherwise could have received a notice for taxes already paid, but not processed due to the backlog. Importantly, this also results in less inventory since taxpayers won't contact the IRS to inquire about the notices received.
- **Improving automated tools for taxpayer assistance:** The IRS developed new automated support technology to help taxpayers, including online live assistance and new voice and chat bots (in English and Spanish) to quickly answer taxpayer queries. Taxpayers' use of automated services more than doubled in the last year. The improvement of automated phone assistance and other tools has allowed the IRS to

move many phone service representatives to work inventory given the exigencies of this filing season.

Ultimately, these approaches are short-term salves for 2022's tax season but don't address the much deeper structural problem at the IRS. Had Congress funded the IRS adequately for the past decade, it would have entered the pandemic with the resources it needed – and would not have millions of tax returns waiting to be processed. The IRS and Treasury have worked closely with legislators to highlight these needs, and this year's House-passed omnibus represents the largest funding increase for the agency in the last two decades. This is a meaningful step that will help the IRS hire thousands of new employees and secure contractor support that will expedite the processing of returns and correspondence.

But it is far from sufficient. The agency needs stable, long-term funding to be able to modernize outdated technological infrastructure and transition much of its manual work into automated processes that will be more efficient. IRS employees should not be hand-transcribing paper returns. Taxpayers should interact with the agency using state-of-the-art online tools. And every taxpayer who wants to call the IRS with a question should have their call and questions answered promptly. Providing the IRS the resources it needs to rebuild and modernize into the 21st century is critical to ensuring that the agency is able to serve the American people and the nation.