

CENTER FOR TAXPAYER RIGHTS

Reimagining Tax Administration: Social Programs Through the Tax Code

Workshop 7: *Proposals for Change.*

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2022 Filing Season

- Taxpayers and legal non-filers must file a 2021 return to claim the second half (or more) of the Advance CTC or to reconcile Rebate Recovery Credit.
- E-filed returns will be rejected if multiple taxpayers claim the same child
 - If the e-filed return is rejected, the taxpayer must file a paper return.
 - The paper return must be manually processed.
 - An audit will likely follow to determine which taxpayer is entitled to the CTC.
 - CTC and any other refund will be delayed.
- Returns may be stopped in any of the other filters
- **Delays in return processing will delay both any refund and any Advance CTC for 2022 (if enacted).**

RRC Math Error Notices

- From January 1 to July 15, 2020, IRS issued almost 629,000 math error notices.
- From January 1 to July 15, 2021, IRS issued 9 million math error notices.
 - 7.4 million were related to the RRC
 - 5 million did not include notice of 60-day deadline to contact IRS
- Even when complete, math error notices have problems:
 - 60-day deadline hidden on page 2
 - Do not (usually) specify what error the taxpayer made
 - One solution is to call the IRS. From Jan – June 2021, IRS answered 16% of phone calls (down from 40% in 2020).

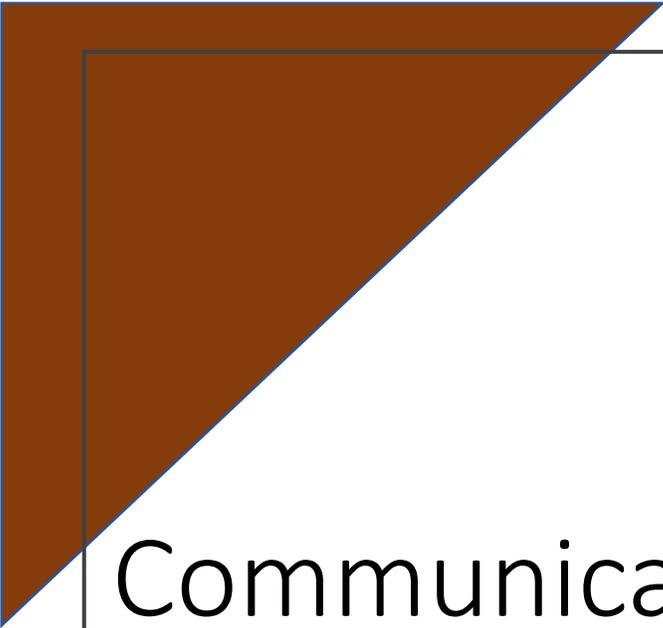
• <https://www.taxpayeradvocate.irs.gov/news/nta-blog-math-error-part-i/>

• <https://www.taxpayeradvocate.irs.gov/news/nta-blog-math-error-part-ii-math-error-notices-arent-just-confusing-millions-of-notices-adjusting-the-recovery-rebate-credit-also-omitted-critical-information/>

TIGTA: EITC Compliance Strategy

- Recommendations:
 1. Consider EITC compliance in context of the Tax Gap
 2. Evaluate programming for selecting high risk cases
 3. Reassess scoring procedures to select highest risk cases
 4. **Increase and improve educational efforts in southern states**
- **IRS agreed with the three revenue collection recommendations, but it refused to adopt the benefits administration recommendation.**
 - IRS knows that the law is complicated
 - IRS relies on EITC Awareness Day, which only reaches 8% of taxpayers claiming EITC
 - No consideration of geographic or demographic differences
 - Refusal to educate allows taxpayers to make the same mistakes each year

- <https://www.treasury.gov/tigta/auditreports/2021reports/202130051fr.pdf>
- <https://www.eitc.irs.gov/partner-toolkit/eitc-awareness-day/eitc-awareness-day-2>



Communication: Outreach

- IRS Refundable Credits Summit
 - Plan focuses on awareness that refundable credits may be available to taxpayers
 - Plan does NOT consider:
 - Geographical differences
 - Demographic differences
 - Data collection and research
 - **The IRS wants taxpayers to become aware that benefits exist; but it has no plan for what will happen once taxpayers are aware.**

Communication: Notices

- **Letters and notices from the IRS should be clear, notify the taxpayer of the problem and how to fix it, and instruct the taxpayer how to avoid the problem in the future.**
- 2016 TAS EITC Letter study:
 - Depending on what test failed for claiming a qualifying child, taxpayers in the sample received a letter explaining the problem and how to fix it. The envelope accompanying the letter was clearly from TAS/IRS, and contained a large print, bold statement that it contained important tax information.
 - Recipients of the TAS letter were less likely to repeat the problem in the future.
 - Lessons from the study and parallels to AdvCTC:
 - Plain English, single-page letter, signed by NTA
 - Explain the specific issue
 - Clearly and simply explain the law
 - Envelope is clear
 - Timing of letter
 - Separate phone line helpful in improving compliance

- https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/11/ARC17_Volume2_02_StudySubsequent.pdf
- https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/11/ARC16_Volume2_02_StudySubsequent.pdf
- https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2020/11/ARC19_Volume1_TRRS_01_SubsequentCompliance.pdf

Communication: Notices

FIGURE 4.1.4

Three-Year Reduction in Repeating the Error of Not Meeting the Relationship Test

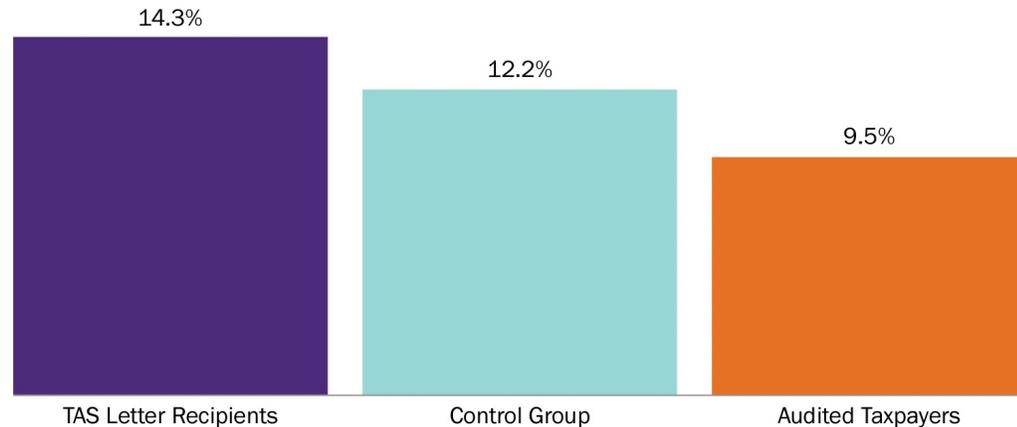


FIGURE 4.1.6

Frequency With Which Taxpayers in the Study Groups Repeated Their Error When the Residency Test Was Apparently Not Met



In a 2019 follow-up study, TAS found that taxpayers who had received the TAS letter were less likely to repeat their error in subsequent years, and those who had access to a specialized phone line were even less likely to repeat the error.

Recommendations

- Revise and simplify notices to alert taxpayers to deadlines, why they received the notice, and what can be done to remedy
- Improve audit procedures, especially for EITC and CTC
- Improve phone lines
 - More staff
 - Access to account information
 - Focus on role as benefits administrator, not as revenue collector
- Hire more employees in each area where a return can be stopped while processing
- Assign one employee to an audit
- Use data collection for benefits administration in addition to revenue collection
- Limit offsets of EITC and Advance CTC
- **Congress will give the IRS billions of dollars – this appropriation should be used to improve and increase education and communication efforts beginning with the 2022 filing season.**