

Most Serious Problems: At a Glance

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

This “At a Glance” 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 “Taxpayer Perspective” for each Most Serious Problem includes statistics primarily sourced 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 staffing challenges, removing barriers to e-filing returns, supporting taxpayers living overseas, hiring and training employees to meet the growing volume of taxpayer needs and improve customer service, addressing processing delays, increasing transparency, expanding the functionality of online accounts, improving digital communication with taxpayers, improving competency standards for return preparers, simplifying and modernizing the tax code, and assisting more taxpayers by answering a significantly higher percentage of phone calls.

Most Serious Problem: Processing Delays

Taxpayer Perspective

66%

of returns
resulted
in refunds

Why This Is a Most Serious Problem: The IRS is understaffed, has antiquated technology, and has an inventory backlog of nearly six million paper tax returns. Together with the pandemic, these issues have caused lengthy refund delays for millions of taxpayers, some lasting ten months or longer.

Key Statistics: At the end of filing season, the IRS had not finished processing about 29 million items that it will need to manually process while taxpayers continue to wait for their refunds.

Most Serious Problem: Complexity of the Tax Code

Taxpayer Perspective

33%

"completely" or
"mostly" disagree that
they trust the IRS to
help them understand
their tax obligations

Why This Is a Most Serious Problem: Simplifying the tax code means making it easy to understand, easy for the IRS to administer, and less burdensome on everyone, whether they are preparing tax returns or being audited. Simplifying the tax code is the most important step Congress can take to reduce taxpayer compliance burdens, increase voluntary compliance, and improve the processing efficiency and verification of annual tax returns.

Key Statistics: The IRC contains 9,834 code sections – many containing detailed subsections – and a six-volume set of corresponding regulations. An individual taxpayer is estimated to spend 13 hours and \$240 out-of-pocket costs just to prepare and file one annual tax return. For a small business, the amount of time and money spent on tax compliance is roughly 82 hours and \$2,900. Individual taxpayers spent a total of 897 million hours in FY 2022 just on recordkeeping. This is in addition to the 1.15 billion hours spent on tax preparation of individual returns. Business entities spent about 1.14 billion hours and \$48.3 billion on tax preparation in FY 2022.

“Taxpayer Perspectives” are preferences or attitudes expressed in the “Comprehensive Taxpayer Attitude Survey 2021,” IRS: Research, Applied Analytics, and Statistics.

Most Serious Problem: IRS Hiring and Training

Taxpayer Perspective

34%

do not trust the IRS to fairly enforce tax laws, the highest percentage since 2014

Why This Is a Most Serious Problem: Failure to hire and properly train employees harms taxpayer rights, erodes crucial taxpayer services, and undermines confidence in tax administration. Current hiring practices are barely keeping up with employees who leave or retire. The IRS needs more employees to provide the best possible customer service.

Key Statistic: An estimated 50,000 IRS employees are expected to be lost through attrition within the next six years.

Most Serious Problem: Telephone and In-Person Service

Taxpayer Perspective

88%

agree the IRS should focus on improving in-person and phone call assistance

81%

agree that it is important for the IRS to provide office locations with an onsite IRS representative

75%

agree that it is important to provide community-based tax clinics at convenient locations

Why This Is a Most Serious Problem:

Taxpayers need the IRS to increase staffing and technology and explore ways to improve the quality of service on phones and in person. Lack of sufficient service jeopardizes compliance, frustrates taxpayers, and impacts the taxpayers' *right to quality service*.

Key Statistics: In FY 2022, only about 15 percent of phone calls made to the IRS reached live assistance, a small improvement compared to 11 percent in FY 2021. The IRS serviced about 15 percent of the 10.8 million callers attempting to schedule a Taxpayer Assistance Center appointment in FY 2022.

Most Serious Problem: Online Access for Taxpayers and Tax Professionals

Taxpayer Perspective

84%

find a personal online account valuable

81%

want to be able to email questions to the IRS

Why This Is a Most Serious Problem: A robust online account and easy-to-use digital communication tools are highly desired among taxpayers, their representatives, and IRS employees. Taxpayers who cannot find an answer online may face long delays if they decide to phone the IRS, visit a Taxpayer Assistance Center, or send a letter.

Key Statistics: Only about 20 million unique taxpayers accessed their Online Account in FY 2022. The most used function within Online Account is viewing an account transcript. Users did not complete any actions beyond viewing basic account information in about 74 percent of sessions.

Most Serious Problem: E-File and Free File

Taxpayer Perspective

93%

rated e-filing tax returns as an important IRS service

Why This Is a Most Serious Problem: When taxpayers cannot e-file their tax returns and other IRS forms or schedules, they face delays in processing, the possibility of transcription errors, and longer waits for their refunds. Unlike paper returns, e-filing benefits taxpayers and the IRS by reducing errors and speeding up return processing and refund payments.

Key Statistics: Individual taxpayers e-filed approximately 92 percent of returns received by the IRS in 2022. However, those who e-filed experienced almost 34 million rejected e-file attempts, and roughly 31 percent of these taxpayers endured more than one rejection. In 2022, only two percent of all taxpayers used Free File even though approximately 70 percent of taxpayers qualify for Free File.

Most Serious Problem: IRS Transparency

Taxpayer Perspective

86%

agree that the more information and guidance the IRS provides, the more likely people are to correctly file their tax returns

Why This Is a Most Serious Problem: Transparency is critical to having a fair and effective tax administration. Congress has given the IRS substantial funding to improve tax administration, and the IRS should be transparent about how it plans to use the funding fairly, equitably, and prudently.

Key Statistics: There are nearly 41,000 webpages comprising IRS.gov, making it difficult for taxpayers to find answers to their questions. In FY 2022, the IRS only answered less than 15 percent of the calls received, and taxpayers had to wait on hold for an average of 24 minutes.

Most Serious Problem: Return Preparer Oversight

Taxpayer Perspective

88%

categorized paid tax professionals as a valuable source of getting tax advice or information

Why This Is a Most Serious Problem: Return preparers prepare over half of individual income tax returns and play a key role in tax administration. Return preparers without credentials are not required to pass any competency tests or take any educational courses on tax return preparation, and they are not subject to any ethical rules.

Key Statistics: Paid return preparers prepared 53 percent of individual income tax returns in 2021. Of those, approximately 58 percent were prepared by non-credentialed return preparers. Paid return preparers prepared about 79 percent of Earned Income Tax Credit returns, but over 92 percent of the total amount of audit adjustments occurred on returns prepared by non-credentialed return preparers.

Most Serious Problem: Appeals

Taxpayer Perspective

40%

feel too many resources are devoted to enforcement and not enough to customer service

Why This Is a Most Serious Problem: Taxpayers wishing to review their case by the IRS Independent Office of Appeals have been experiencing long delays, with the average case spending more than a year in Appeals' inventory.

Key Statistics: Once Appeals receives a case, it sits for an average of nearly seven weeks before being assigned to an Appeals Officer. Between FY 2010 and FY 2017, the number of Appeals employees fell by approximately 40 percent. Unsurprisingly, cycle times have increased by 111 percent from FY 2017 to FY 2022. Taxpayers with cases in Appeals can currently expect a resolution in an average of 379 days – over six months longer than in 2017.

Most Serious Problem: Overseas Taxpayers

Taxpayer Perspective

93%

want the ability to file taxes electronically

91%

want to read information on the IRS website

86%

want a toll-free number to ask questions

Why This Is a Most Serious Problem: Overseas taxpayers face more burdens and are less able to access IRS services by phone, online, or in person. Their e-file rates are significantly lower, and limited availability of tax products in languages other than English hamper their ability to understand their complex tax obligations.

Key Statistics: The U.S. Department of State estimates that there are approximately nine million U.S. citizens living abroad. In tax year 2020, over 260,000 overseas taxpayers claimed the foreign earned income and housing exclusion tax benefit and nearly 250,000 overseas taxpayers claimed the foreign tax credit. Overseas taxpayers lack access to affordable tax preparation services, with only 11 full service Volunteer Income Tax Assistance sites open overseas, all on U.S. military bases.