

# United States Senate

WASHINGTON, DC 20510

July 18, 2022

The Honorable Charles P. Rettig  
Commissioner  
Internal Revenue Service  
1111 Constitution Avenue, N.W.  
Washington, D.C. 20224

Dear Commissioner Rettig,

We write to express our concern about the unprocessed tax return backlog, ongoing customer service challenges, and the effect of Internal Revenue Service (IRS) budget constraints on the agency's ability to serve taxpayers. While the vast majority of taxpayers, who were able to file electronically, received the refunds they were owed,<sup>1</sup> delayed refunds can pose a significant hardship for the millions caught in the backlog.

The Treasury Department warned in January that the IRS would face “enormous challenges” this tax-filing season and that it would be a “frustrating” time for taxpayers.<sup>2</sup> The reasons for these challenges are well-known. Budget cuts have shrunk the agency's funding by 20 percent since 2010.<sup>3</sup> In turn, overall staffing declined by 17 percent over the same period and customer service representatives, in particular, by more than 25 percent.<sup>4</sup> Meanwhile, the number of individual tax filers has grown by 19 percent.<sup>5</sup>

COVID-19 exacerbated these existing challenges. The IRS temporarily shut down its facilities to protect the health and safety of IRS employees, slowing tax return processing. Simultaneously, Congressional actions to provide financial relief to American families and businesses placed new demands on the IRS.<sup>6</sup> These combined challenges have led to a tax return backlog, which affects millions of Americans and small businesses.

In March 2022, the IRS announced a plan to tackle the tax return backlog.<sup>7</sup> The plan included hiring 10,000 new IRS employees, creating a 700-person surge team to process returns, requiring mandatory paid overtime for employees processing returns, and pursuing additional

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<sup>1</sup> “National Taxpayer Advocate Annual Report to Congress 2021,” Taxpayer Advocate Service, January 12, 2022, p. v, [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21\\_Full-Report.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_Full-Report.pdf).

<sup>2</sup> Jeff Stein, “Treasury warns of ‘enormous challenges’ this tax filing season that could delay refunds,” The Washington Post, January 10, 2022, <https://www.washingtonpost.com/us-policy/2022/01/10/treasury-irs-filing-season/>.

<sup>3</sup> “National Taxpayer Advocate Annual Report to Congress 2021,” p. 2.

<sup>4</sup> “National Taxpayer Advocate Annual Report to Congress 2021,” p.12.

“IRS Budget & Workforce”, the Internal Revenue Service, Table 32, <https://www.irs.gov/statistics/irs-budget-and-workforce>.

“Internal Revenue Service Data Book, 2010,” the Internal Revenue Service, p. 67, <https://www.irs.gov/pub/irs-soi/10databk.pdf>.

<sup>5</sup> “National Taxpayer Advocate Annual Report to Congress 2021,”p. 1.

<sup>6</sup> “Treasury and IRS Announce Aggressive Plan to End Pandemic Inventory Backlog This Year,” U.S. Department of the Treasury, March 10, 2022, <https://home.treasury.gov/news/press-releases/jy0648>.

<sup>7</sup> “Treasury and IRS Announce Aggressive Plan to End Pandemic Inventory Backlog This Year.”

support from contractors to speed IRS operations. The plan also included proactive taxpayer outreach to improve tax return accuracy and expanded in-person and online taxpayer assistance throughout the filing season.

You reported in March that the IRS was well-positioned to begin 2023 with near-normal inventory levels. To support these efforts, Congress provided the IRS with \$12.6 billion for Fiscal Year 2022, an increase of \$675 million over 2021, as part of the Consolidated Appropriations Act of 2022. This legislation also provided the IRS with new hiring authorities to help the agency scale staffing to meet these urgent challenges. We know that these limited resources, for just FY 2022, are not sufficient for the agency to provide taxpayers the service they deserve. We remain committed to working to secure stable, multi-year funding for the IRS going forward to support the critical work that you do on behalf of American taxpayers.

Perhaps unsurprisingly given the IRS's resource constraints, the National Taxpayer Advocate's recent *Objectives Report to Congress*, found that millions of taxpayers continue experiencing lengthy refund delays and IRS customer service challenges. The report found that at the end of May 2022, "the IRS had a larger backlog of paper tax returns than it did a year ago," and the pace of processing paper tax returns was "slowing."<sup>8</sup> The report also highlights ongoing customer service challenges. For instance, the agency's incoming call volume decreased by more than half compared to last filing season, but just ten percent of calls were answered – up only one percent from last year. Additionally, customer service wait times increased over the past year from 20 to 29 minutes.<sup>9</sup>

We have heard concerns from our constituents about how these processing delays affect their families and small businesses. As the National Taxpayer Advocate notes, many of these issues "snowball," further exacerbating inventory issues and processing delays. When taxpayers are required to send additional correspondence, whether to fix errors or verify their identity, it must usually be by mail, leading to additional refund delays and a larger backlog.

Given the National Taxpayer Advocate's findings, we write to check on the status of IRS efforts to address the paper tax return backlog and improve taxpayer services, and to inquire how additional funding could avoid these problems in the future. We request written answers to the following questions by August 5, 2022:

1. What is the current status of the tax return backlog? Do you still project that the IRS is well-positioned to begin 2023 with near-normal levels of inventory?
2. What is the status of implementing your March 2022 plan to tackle the tax return backlog? Specifically:
  - a. Since March 2022, how many new employees has the IRS hired?
  - b. Do you anticipate meeting your goal of hiring 10,000 new employees by the end of the year?
  - c. How have new hiring authorities in the Consolidated Appropriations Act of 2022 supported these efforts? Is additional authority required to help increase the agency's staffing capacity?

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<sup>8</sup> "National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2023," preface iii.

<sup>9</sup> "National Taxpayer Advocate Objectives Report to Congress Fiscal Year 2023," preface vii.

3. Given that delayed refunds create particular hardship for low-income filers, how is the IRS prioritizing outreach to these communities? What actions are currently underway to ensure low-income filers, in particular, receive timely refunds?
4. With the \$80 billion in long-term funding proposed in the *Build Back Better Act*, how could the IRS reduce the current tax return backlog and prevent future processing delays, improve taxpayer services, including the percentage of calls answered, invest in online tools to simplify filing, and modernize IRS processing technologies?

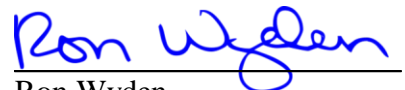
We are grateful for the IRS's continued efforts to address the tax return backlog and for providing Americans with timely financial assistance during this unprecedented time. We look forward to continuing to work with you to ensure the IRS has the necessary resources and authorities to provide taxpayers the service they deserve.

We appreciate your attention to this matter.

Sincerely,



Sheldon Whitehouse  
United States Senator



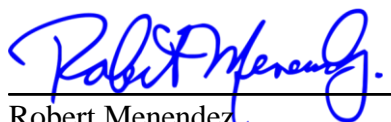
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United States Senator  
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Sherrod Brown  
United States Senator



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