

Historical Highs: The IRS Finished the Filing Season With Over 35 Million Tax Returns Awaiting Manual Reviews

This year, the IRS is dealing with an unprecedented number of returns requiring manual review, slowing the issuance of refunds. The IRS finished the filing season with a backlog of over 35 million individual and business income tax returns that require manual processing — meaning that employee involvement is generally required before a return can advance to the next stage in the processing pipeline. The backlog includes about 16.8 million paper tax returns waiting to be processed; about 15.8 million returns suspended during processing that require further review; and about 2.7 million amended returns awaiting processing.

Of the 15.8 million returns suspended, approximately 10.3 million were in suspense in the Error Resolution System (ERS) unit as of May 22, 2021. Once the IRS identifies a return as having a potential error, it sends it to ERS, where an employee must manually review it to address the identified error(s). During a typical filing season, ERS can quickly determine if an error was made and move the return through the process, but this filing season was anything but typical, leading to long delays in processing.

In particular, large numbers of returns were sent to ERS where (i) there was a discrepancy between the amount of the Recovery Rebate Credit (RRC) a taxpayer claimed and the amount for which IRS records indicated the taxpayer qualified and (ii) a taxpayer elected to use 2019 earnings (rather than 2020 earnings) for purposes of claiming the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC). In these and other circumstances, employees needed to review the return and either manually release the refund or confirm the error. Reduced staffing combined with the high volume of returns sent to ERS has forced the IRS to “suspend” returns (essentially placing them into a work queue) until ERS is able to work them.

If the IRS does not have math error authority to automatically correct an identified error, it will send the return to its “Processing Rejects” unit. For example, taxpayers may submit returns where a schedule is missing or where the taxpayer has omitted Form 8962, Premium Tax Credit, and Form 1095-A, Health Insurance Marketplace Statement, both of which are necessary to reconcile the Premium Tax Credit with the Advance Premium Tax Credit. As of May 22, 2021, there were approximately 1.4 million returns in the Processing Rejects unit.

The next possible detour for a taxpayer’s return that cannot be processed is the “Unpostables” unit. Unpostable tax returns commonly result from entity problems with the taxpayer’s identification number, name, or both. As of May 22, 2021, there were approximately 2.0 million returns in the Unpostables unit.

Returns flagged as having potentially been filed by an identity thief are referred for manual review to the Taxpayer Protection Program (TPP), requiring taxpayers to authenticate their identities over the phone, online, or by visiting a Taxpayer Assistance Center (TAC) prior to the processing of the return. From January 1, 2021, through May 22, 2021, the IRS selected about 3.7 million returns for TPP review, of which

[Check Your Refund Status](#)

1.4 million have been verified as non-identity theft, leaving at least 2.1 million suspected identity theft returns in inventory.³

These processing backlogs matter greatly because most taxpayers overpay their tax during the year by way of wage withholding or estimated tax payments and are entitled to receive refunds when they file their returns. Moreover, the government uses the tax system to distribute other financial benefits. So far for tax year 2020, in addition to repaying overpayments of tax, the IRS issued about 20 million refunds that included EITC benefits⁴ worth up to \$6,660⁵ and about 15 million refunds that included ACTC benefits⁶ worth up to \$1,400 per qualifying child.⁷ This year, over eight million taxpayers also may be eligible to receive RRCs.⁸

PATIENCE IS A VIRTUE

The IRS's historically high number of returns requiring manual review means that most individual taxpayers in this group and many business taxpayers will not receive timely refunds and will have to wait until the IRS eventually processes their returns. For taxpayers who can afford to wait, the best advice is to be patient and give the IRS time to work through its processing backlog. But particularly for low-income taxpayers and small businesses operating on the margin, refund delays can impose significant financial hardships. Not everyone can afford to be patient.

Historical Highs and Historical Lows: The IRS Received Over Four Times as Many Telephone Calls as in 2020, Resulting in Historically Poor Service, With Telephone Assistors Answering Only About Seven Percent of Taxpayer Calls

The IRS received more telephone calls during the 2021 filing season than it had ever received in a full fiscal year.⁹ During the height of the filing season, the IRS at one point received telephone calls at the rate of about 1,500 per second.¹⁰ Needless to say, IRS employees could not handle this massive volume of calls. The IRS reported a "Level of Service" on its Accounts Management telephone lines of 15 percent, with only seven percent of taxpayer calls reaching a telephone assistor.¹¹ The most frequently called toll-free number is the "1040" line for individual income tax services. It logged about 85 million calls, and only three percent of calls (*i.e.*, three out of 100) reached a Customer Service Representative (CSR).¹²

The IRS is struggling to hire, which means a massive backlog of tax returns and refunds, government watchdog says

As the May 17 filing deadline nears, the agency is dealing with broken printers and copiers along with staffing shortages — which might be why you haven't received your refund

By [Michelle Singletary](#)

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Still waiting for your tax refund? Blame the processing backlog on an IRS staff shortage. And broken printers.

During a [recent online discussion](#) about the upcoming May 17 tax deadline, many readers submitted questions expressing frustration about returns not yet processed and refunds delayed much longer than usual.

“Any idea when the IRS may issue me my tax refund for 2019?” one taxpayer asked. “I was unable to apply that refund to my 2020 tax liability. They have kept my money for over a year but want me to send them more money for 2020. It's unsettling.”

Another wrote: “Our return was digitally filed in late February. Last year our return was flagged for potential identity fraud, so this year we included a personal PIN. We still haven't received our refund and are trying to figure out if it is just a delay or whether it's likely our return was flagged again.”

“I had H&R Block prepare my taxes,” another desperate reader wrote. “The return was electronically filed on March 18 with direct deposit information. I received the state refund within 10 days, but have yet to receive the Federal. When I go to ‘Where's My Refund,’ I am told it is being processed. How much longer do I wait before I contact the IRS, if that is even an option?”

Many just wanted to know whether it was something they did.

It's not you. It's the backlog and staffing shortage at the IRS and broken copiers and printers at the agency's processing centers. In some cases, printers are just out of ink or the waste cartridge container is full.

Long before the 2021 tax season started, we knew there would be problems, because the pandemic shut down IRS offices. Then the agency had to send out [tens of millions of stimulus payments](#).

So, it came as no surprise when an [interim report](#) about the 2021 filing season from the Treasury Inspector General for Tax Administration (TIGTA) office found that more than 8.3 million individual tax returns and transactions remained to be processed at the end of 2020, representing more than a 1,200 percent increase from a normal filing season.

Including current-year returns, as of April 30, the IRS said it had 17.1 million unprocessed individual returns in the pipeline.

Add the staffing shortage, and that's why your refund may not have arrived yet, even if you filed electronically and indicated you wanted your money sent straight to your bank account, which in a typical year would take about three weeks.

As of March 5, the IRS had 4,434 processing positions that were vacant or filled by employees who were not working for various reasons, according to TIGTA.

"The IRS continues to be faced with significant challenges in hiring staff as well as in managing its workload as the number of employees reporting for work fluctuates from day to day as a result of the ongoing pandemic," TIGTA acknowledged in its report.

Much of the workforce at the agency is teleworking. However, some tasks can't be done remotely. Employees have to be on-site to receive, sort and distribute mail and to process paper returns. Many returns require manually inputting information into the IRS systems or correcting errors. And although processing centers are open, they can't operate at full capacity, because of social distancing requirements.

The TIGTA report also highlighted a complaint from IRS staffers alleging that a lack of functioning printers and copiers has contributed to the backlog. As of March 30, IRS management estimated that 42 percent of the machines used for processing functions were unusable. Others were broken but still functioning.

Some of the machines were just out of ink. The service contract for the devices ended in September, and the replacement contractor "may not have been coming into the sites to replace the old printers due to COVID-19 concerns," according to the TIGTA report.

The lack of working copiers has made it difficult to prepare training packages for new hires, according to TIGTA.

"Many of these new hires are not provided a computer, and hard copies of the training material are the main training resource available," the report noted.

TIGTA said it discussed the issue with IRS management in March, and the agency said it has started replacing the broken machines.

There you have it, folks — some of the main reasons your returns are still being processed and your refunds have been delayed.

There's not much you can do to speed up the process. Definitely don't file a second return, which can cause an even longer delay. Don't bother calling the IRS about the timing of your refund.

Unless the IRS is requesting documents or more information, there's nothing you can do but wait and keep checking the "Where's My Refund" tool at [irs.gov](https://www.irs.gov).

If you haven't filed yet, do your best to check and then double-check the accuracy of your return, reducing the chance it'll end up in processing purgatory.

Tax refund delays could continue as backlog of tax returns is growing, tax advocate says

Aimee Picchi

8-10 minutes

Backlog of income tax returns is growing, delaying refunds to millions

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The IRS is falling behind in processing millions of income tax returns, potentially delaying refunds for many Americans.

According to the Taxpayer Advocate Service, an independent arm of the IRS focused on tax filers' rights, the agency is holding almost 31 million returns for manual processing just ahead of the May 17 tax filing deadline. That backlog has grown by 2 million returns since mid-April, National Taxpayer Advocate Erin M. Collins told CBS MoneyWatch.

"I was hoping it would go down, but I'm not that optimistic," she said of the logjam. "Taxpayers will continue to experience unusually long delays. I don't think anyone wants to hear that, but that is the case."

Collins had flagged the issue in an [April 22 blog post](#), when the number of tax returns held up for manual processing had reached about 29 million. Some of those returns are paper tax filings from 2019, which the IRS got behind in processing due to the [coronavirus pandemic](#) last year. But much of the backlog also consists of 2020 tax returns, which are still flowing into the IRS.

Some of those newly filed tax returns are getting flagged by the IRS because of issues related to recent tax changes and federal stimulus checks, Collins said. One of those relates to the "Recovery Rebate Credit," the line on Form 1040 that allows people to adjust their stimulus payments if they didn't receive all the funds to which they were entitled. Some people are incorrectly filling out that line, typically by claiming the incorrect amount on the form.

In such instances, the IRS flags the return for review — that requires an employee to check the return against the agency's record of stimulus payments. All that can add time to processing a tax return, which, in turn, means delays for taxpayers in getting their refunds.

Collins expressed concern that the returns-processing backlog will continue to grow ahead of the May 17 filing deadline. So far, about 121 million tax returns have been filed out of the more than 160 million that are expected.

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With more than 40 million taxpayers yet to file, it's likely a portion of those returns will end up flagged for review — leaving those taxpayers with an unknown wait for their refunds, rather than the usual three-week turnaround.

"My tax person said he was shocked if I wouldn't see my refund in 10 days, and it's been over two months," said Hillary Osborne, 41. She filed her 2020 tax return on February 27. So far, nothing. "I check 'Where's My Refund?,' and it says it's still being processed — I called the IRS after 21 days, and you can't get through to anyone."

Osborne, a single mother who works as a project administrator in Tennessee, said her refund should amount to more than \$4,400, which will cover about four months of rent. She said her taxes are fairly simple, but she wondered if something about the stimulus checks have tied up her return.

For now she remains in limbo, with Osborne telling CBS MoneyWatch she's been unable to reach anyone at the IRS. "I'm not happy," she said. "I depend on that money."

In limbo for a year

Some taxpayers are still in the dark due to tax returns filed last year, when the IRS shut down its offices as the pandemic took hold. Paper tax returns filed for the 2019 tax year were stored in trailers until IRS employees could get to them. As of March, the agency still [had a backlog of 2.4 million paper returns](#) from the 2019 tax year to process.

The IRS also must cope with the unprecedented health crisis with significantly fewer employees and less funding compared with a decade ago. The number of operations staff has fallen by almost a third since 2010, while overall funding has declined by more than 20%, [according](#) to the Center on Budget and Policy Priorities.

The IRS said the agency is now opening mail within "normal

timeframes," and noted that it's making progress on processing tax returns that were filed last year. As of April 23, it had a backlog of 1.3 million individual returns filed before 2021 to finish processing, an IRS spokesman told CBS MoneyWatch in an emailed statement.

One of those taxpayers is Eileen Mahoney, 63, an American who lives in London and who mailed her paper tax forms last year. She's still waiting for her tax return to be processed. Although Mahoney said she wasn't due a refund, she worries the issue is holding up her second and third stimulus checks — \$600 and \$1,400, respectively — which she has yet to receive.

"It is money I could well do with," Mahoney said, noting that she was laid off from her job as a paralegal before COVID-19 hit. The stimulus checks would allow her and her husband to fix up their home in London and list it for sale, achieving a dream of moving to Galway, Ireland. She's reached out to lawmakers and spent four hours and about \$60 in overseas telephone charges to try to get through to the IRS, but hasn't been able to find out where her 2019 tax return is, or when it might be processed.

"The fact I might have to wait 12 to 18 months for it is driving me insane," Mahoney said. "This is not my fault — it's the IRS'."

Other taxpayers who spoke with CBS MoneyWatch about their return-processing delays also expressed frustration. Many have been unable to reach an IRS employees, an issue that's carried over from last year, when only [one in four callers got through to an actual person](#).

All expressed a desire to get two questions answered: Where is my tax return, and when will it be processed? Knowing some

information — even if it's learning that their tax return wouldn't be processed for several months — is better than nothing, they said.

Collins of the Taxpayer Advocate Service agreed. "The IRS should do a better job of being more transparent even if it's bad news," she said. "Being in limbo is worse."

Avoiding manual review?

Taxpayers who have yet to file should heed the issues that millions of taxpayers are currently facing, tax experts say. For one, file electronically if possible, which is something the IRS is also urging taxpayers to do given their backlog of paper tax returns.

If you have to file via paper — a requirement for people who live outside the U.S., as well as in some other cases — make sure to send it via certified mail with a required signature, said Lisa Greene-Lewis, a certified public accountant and TurboTax tax expert. Without that, you may not know whether the IRS received your return, she added.

People who are filing for the Recovery Rebate Credit should also check their records to make sure they are accurately noting the amount they received, Greene-Lewis said. If you can't find the letters the IRS sent to confirm payment (forms 1444 and 1444-b), then check your bank and deposit records, she recommended.

"One thing I would tell folks is if they haven't yet filed is to make sure: a) file electronically, b) please review for errors, and c) if you are doing the Rebate Recovery Credit, go back and look at bank deposits to make sure that Line 30 is consistent with IRS records," Collins said. "We are seeing people put in the wrong amount," and that will get a tax return flagged for review.

But some issues may be harder for taxpayers to control. Returns are getting flagged due to the Earned Income Tax Credit and the Child Tax Credit, partly because the government stimulus package signed into law in December came too late for the IRS to adjust its forms and computer systems. The stimulus package's provisions allows taxpayers to claim the credits based on their 2018 income instead of their 2019 income if that proves more favorable to them — but such "look backs" require IRS employees to verify 2018 incomes.

"A human has to go back, pull the info, and verify it," Collins noted.

The IRS has said the backlog will likely improve later this summer, she added, but until then taxpayers may need to brace themselves for longer waits.

"There is no guarantee the money is coming tomorrow," Collins said. "They should plan accordingly for continuing delays."