

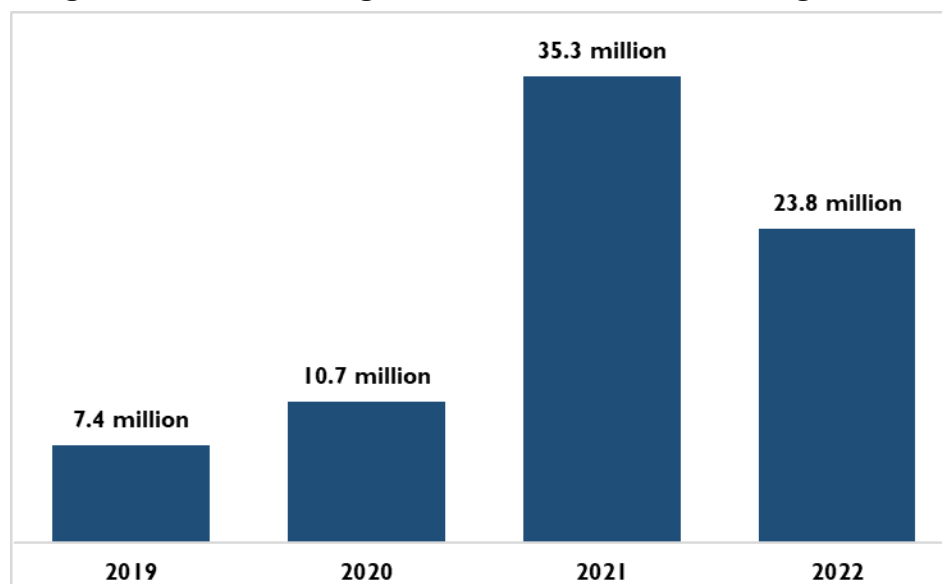


# The Tax Return and Correspondence Backlogs at the IRS

December 21, 2022

The IRS has faced exceptional backlogs of paper tax returns and correspondence awaiting processing since the onset of the COVID-19 pandemic (**Figure 1**). Paper returns include roughly 8% of individual tax returns, as well as many amended individual tax returns and business returns.

**Figure 1. Return Backlogs at the End of Recent Tax Filing Seasons**



**Source:** Taxpayer Advocate Service, *Annual Report, 2021*; *Objectives Report, 2022*

**Notes:** The tax filing season ended on April 15, 2019; July 15, 2020; May 15, 2021; and April 18, 2022. The 2020 figure does not include the unopened returns mailed to the IRS at the time. Figures include both business and individual returns, as well as both e-filed and paper returns.

As of December 2022, the IRS had processed all error-free individual returns received prior to April 2022. Those with errors faced even longer delays.

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The National Taxpayer Advocate (NTA) [said](#) that despite taking significant action to reduce the backlog, the IRS was “in about the same place that it was around the same time last year” as of October 2022. At that time, the IRS had roughly 8 million returns awaiting processing and 6 million with processing suspended as they awaited an employee’s review.

IRS field offices must also open and process taxpayer correspondence received by mail, which faces its own backlog. Taxpayers often respond to IRS notices or requests for information after the agency finds issues such as missing income, a math or clerical error, or a risk of identity fraud. While the IRS [ended](#) the 2019 filing season with 2 million pieces of correspondence awaiting response, it had 5.9 million at the end of the 2021 season and 4.5 million [as of November 2022](#).

In March 2022, the Treasury [said](#) the IRS aimed to get its paper backlogs down to “normal, healthy levels by the end of this year.” It said its 2019 end-of-year backlog was “well under” 1 million pieces total, suggesting this could reflect its standard for a normal level.

## Causes of the Backlogs

### Greater Workload

Congress administered several new social benefits through the tax code in response to the pandemic. These included expanded tax credits for families and three economic impact payments, or “stimulus checks.” Many taxpayers who tried to claim these new benefits made mistakes on their tax returns, which the IRS had to correct, and which sometimes required written correspondence with the taxpayer. In 2021, the IRS [sent](#) almost 14 million taxpayers math error notices (which can address clerical errors) through October, most of which concerned stimulus checks or the expanded child tax credit.

In March 2021, Congress retroactively exempted \$10,200 in state unemployment insurance benefits from taxation for tax year 2020. The IRS thus had to recalculate tax liability for [14 million returns](#) in the middle of the 2021 filing season, creating further confusion for some taxpayers and additional work for IRS staff.

Identity thieves have also tried to claim these benefits. IRS staff must review returns flagged for potential identity theft. The victim then has to mail the agency an affidavit. This process [now takes](#) approximately 360 days, and the agency [estimates](#) it will reach its goal of completing the process in an average of 120 days in October 2024.

### Thinly Spread Onsite Staff

The IRS [closed](#) all its offices for several months in 2020 in response to the COVID-19 pandemic. These closures disrupted return and correspondence processing. Staff returning to the office were to process tax returns for the 2019 tax year in socially distanced environments, which slowed processing. Additionally, customer service representatives (CSRs) at the IRS both process many forms of correspondence and answer telephone calls. The number of taxpayers calling these CSRs [surged](#) during the COVID-19 pandemic in large part because of the same issues that led to more correspondence, pulling CSRs away from processing correspondence.

### Inflexible Systems

IRS employees do this work through time-consuming processes that were hard to accelerate. While e-filed returns are processed automatically, paper returns require staff to sort through the return’s elements, correct missing information, check for missing items or outdated forms, and enter every element of the return into the computer system by hand. The IRS does not use any scanning technology in this process.

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## How the IRS Responded

The IRS tried to reduce its tax return backlog by requiring returns processing staff to work overtime from [February to April 2021](#), and again every other week from [January to June 2022](#). It also supplemented that workforce by moving two “surge teams” of staff at submission centers into positions processing original returns.

In late 2020, the agency had tax examiners check for errors remotely to maximize capacity while practicing social distancing. It eventually required staff without medical needs to return to the centers.

The agency [tried to hire](#) 4,000 CSRs and [did so](#) by October 2022, at which time it raised its goal to 5,000. The IRS [hired](#) 468 submissions processing staff from October 2021 to March 2022—9% of its goal. However, it ultimately hired over 6,000 tax examiners and clerks in FY2022 in large part because Congress granted it direct hiring authority through the Consolidated Appropriations Act, 2022 (P.L. 117-103). Direct hire authority generally lets agencies bypass the federal hiring process, which shortened the average hiring time for submissions processing staff from 167 days to 50 days.

Other steps taken include [automating](#) some functions, such as correcting certain return errors and providing taxpayer assistance, which the IRS [may expand further](#) for the 2023 season. E-filing was [made available](#) for some amended tax returns. The IRS also [suspended](#) many form notices, which it might soon [reintroduce](#).

## Potential Next Steps

Encouraging and simplifying electronic filing could reduce the demand for paper return processing in the future. Improving taxpayer services, as the law commonly known as the Inflation Reduction Act of 2022 (P.L. 117-169) [appropriated](#) \$3.2 billion through FY2031 to do, could also prevent some errors by helping taxpayers get answers to questions before filing.

The IRS could also digitize the processing of paper returns using technology such as scanners, as recommended by the [NTA](#) and [GAO](#). While the agency is studying how to scan typed paper returns, it [rejected an NTA directive](#) to plan to scan returns filled out by hand by the 2023 tax season.

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