

**JOINT HEARING BEFORE THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
SUBCOMMITTEE ON HEALTH CARE, BENEFITS
AND ADMINISTRATIVE RULES AND
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
U.S. HOUSE OF REPRESENTATIVES**

“Examining the IRS’s Customer Service Challenges”



**Testimony of
The Honorable J. Russell George
Treasury Inspector General for Tax Administration**

March 8, 2017

Washington, D.C.

TESTIMONY
OF
THE HONORABLE J. RUSSELL GEORGE
TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION
before the
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
SUBCOMMITTEE ON HEALTH CARE, BENEFITS
AND ADMINISTRATIVE RULES AND
SUBCOMMITTEE ON GOVERNMENT OPERATIONS
U.S. HOUSE OF REPRESENTATIVES

“Examining the IRS’s Customer Service Challenges”
March 8, 2017

Chairman Jordan, Chairman Meadows, Ranking Member Krishnamoorthi, Ranking Member Connolly, and Members of the Subcommittees, thank you for the opportunity to testify on the customer service challenges facing the Internal Revenue Service (IRS).

The Treasury Inspector General for Tax Administration (TIGTA) was created by Congress in 1998 and is mandated to promote integrity in America’s tax system. It provides independent audit and investigative services to improve the economy, efficiency, and effectiveness of IRS operations. TIGTA’s oversight activities are designed to identify high-risk systemic inefficiencies in IRS operations and to investigate exploited weaknesses in tax administration. TIGTA plays the key role of ensuring that the approximately 83,000 IRS employees¹ who collected more than \$3.3 trillion in tax revenue, processed more than 244 million tax returns, and issued more than \$400 billion in tax refunds during Fiscal Year (FY) 2016,² have done so in an effective and efficient manner while minimizing the risks of waste, fraud, and abuse.

TIGTA’s Office of Audit reviews all aspects of Federal tax administration and provides recommendations to improve IRS systems and operations; ensure the fair and equitable treatment of taxpayers; and detect and prevent waste, fraud, and abuse in tax administration. The Office of Audit places an emphasis on statutory coverage required by the IRS Restructuring and Reform Act of 1998 (RRA 98)³ and other laws, as

¹ Total IRS staffing as of January 7, 2017. Included in the total are approximately 16,200 seasonal and part-time employees.

² IRS, *Management’s Discussion & Analysis, Fiscal Year 2016*.

³ Pub. L. No. 105-206, 112 Stat. 685 (1998) (codified as amended in scattered sections of 2 U.S.C., 5 U.S.C. app., 16 U.S.C., 19 U.S.C., 22 U.S.C., 23 U.S.C., 26 U.S.C., 31 U.S.C., 38 U.S.C., and 49 U.S.C.).

well as on areas of concern raised by Congress, the Secretary of the Treasury, the Commissioner of Internal Revenue, and other key stakeholders.

TIGTA continues to review the IRS's efforts to provide quality customer service and recommend areas for improvement. Although the IRS has implemented recommendations to better assist the American taxpayer, significant challenges remain.

In this section of my testimony, I will briefly discuss the status of the 2017 tax return Filing Season⁴ and the IRS's efforts to provide customer service to taxpayers, including those who are victims of identity theft.

STATUS OF THE 2017 FILING SEASON

The annual tax return filing season is a critical time for the IRS because it is when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures. During Calendar Year 2017, the IRS expects to receive approximately 152 million (approximately 17.7 million paper and 134.3 million electronic) individual income tax returns. As of February 17, 2017, the IRS had received more than 42.5 million tax returns—more than 40.4 million (95.2 percent) of which were electronically filed and more than 2 million (4.8 percent) of which were filed on paper. The IRS has issued more than 32.9 million refunds totaling more than \$103.2 billion.

Implementation of tax law changes will continue to present challenges in the 2017 Filing Season. As in previous years, the IRS had to identify the tax law and administrative changes affecting the upcoming filing season. Once identified, the IRS had to revise its various tax forms, instructions, and publications and reprogram its computer systems to ensure tax returns are accurately processed. Problems with tax return processing may delay tax refunds, affect the accuracy of taxpayer accounts, and/or result in the generating of incorrect notices.

For the 2017 Filing Season, tax law changes include the continued implementation of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010⁵ (collectively referred to as the Affordable Care Act or ACA), and provisions from the Protecting Americans from Tax Hikes Act of

⁴ The period from January 1 through mid-April when most individual income tax returns are filed.

⁵ Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the Internal Revenue Code and 42 U.S.C.), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

2015 (PATH Act)⁶ specifically intended to reduce fraudulent and improper refundable credit claims.⁷ For example, these provisions modify the filing dates for income and withholding documents to January 31st.

The law further mandates that no refund based on claims for the Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC) may be made to a taxpayer before February 15th. These provisions will provide the IRS with additional time to review refund claims based on the EITC and ACTC at the time tax returns are processed to validate income reported to support the amount claimed. In September 2014, TIGTA identified 677,000 Tax Year 2012 tax returns for which third-party Forms W-2, *Wage and Income Statement*, were not sent to the IRS by the employer for either the taxpayer and/or spouse listed on the tax return. These tax returns claimed EITCs totaling more than \$1.7 billion.

In response to the January 20, 2017, Affordable Care Act Executive Order directing Federal agencies to exercise authority and discretion available to them to reduce potential burden on taxpayers, the IRS changed its processes and procedures on February 3, 2017. These changes now will allow electronic and paper-filed tax returns to be accepted for processing in instances in which taxpayers do not indicate their health care coverage status. At the start of the filing season, processes and procedures were developed to reject electronically filed tax returns from taxpayers that did not claim an exemption from insurance coverage or self-report a Shared Responsibility Payment (SRP).⁸ For those taxpayers that filed a paper tax return, the IRS would hold their tax return and correspond with the taxpayer. If the taxpayer did not respond or provide adequate documentation, the IRS would assess the SRP.

For the 2017 Filing Season, as of February 23, 2017, the IRS has processed 1.3 million tax returns that reported \$4.9 billion in Premium Tax Credits⁹ that were either received in advance or claimed at the time of filing. In addition, the IRS has received approximately 36.5 million tax returns reporting that all members of the taxpayer's family maintained minimum essential coverage as required by the ACA, with

⁶ Consolidated Appropriations Act of 2016, Pub. L. No. 114-113, Div. Q, (2015).

⁷ A refundable credit allows taxpayers to reduce their tax liability to below zero and thus receive a tax refund even if no income tax was withheld or paid.

⁸ A payment based on each month that individuals or their dependents are without Minimum Essential Coverage and do not qualify for an exemption. Minimum Essential Coverage is health insurance coverage that contains essential health benefits including emergency services, maternity and newborn care, and preventive and wellness services. Minimum Essential Coverage also includes doctor visits, hospitalization, mental health services, and prescription drugs.

⁹ A refundable tax credit to assist individuals and families in purchasing health insurance coverage through an Affordable Insurance Exchange.

more than 1.5 million tax returns reporting shared responsibility payments totaling \$986 million for not maintaining the required health insurance coverage. During the 2016 Filing Season, as of March 3, 2016, a total of 2.7 million taxpayers self-reported SRP payments totaling \$1 billion.

INCREASED DEPENDENCE ON TECHNOLOGY-BASED ASSISTANCE SERVICES

For the 2017 Filing Season, taxpayers have multiple options to choose from when they need assistance from the IRS, including assistance through the toll-free telephone lines,¹⁰ face-to-face assistance at the Taxpayer Assistance Centers (TAC) or Volunteer Program sites, and self-assistance through IRS.gov and various other social media channels (e.g., Twitter, Facebook, and YouTube). However, the IRS is continuing its trend towards increasing dependence on technology-based services and external partners by directing taxpayers to the most cost-effective IRS or partner channel available to provide the needed service. The IRS notes that this approach allows it to focus limited toll-free and walk-in resources on customer issues that can be best resolved with person-to-person interaction.

Self-assistance options can be accessed 24 hours a day, seven days a week. For example, the IRS offers IRS2Go, which is a mobile application that lets taxpayers interact with the IRS using their mobile device to access information and a limited number of IRS tools. As of February 11, 2017, the IRS reports that the IRS2Go application had 1.78 million active users.

In addition, the IRS uses various forms of social media, including YouTube, Twitter, Tumblr, and Facebook, to provide customer service and outreach. As of February 11, 2017, there have been 675,537 views of IRS YouTube videos and a total of 157,879 Twitter followers. In an effort to redirect taxpayers to online services, the IRS continues to expand its online tools available on IRS.gov. The IRS advises that its website is the best source for answers to their tax questions. The IRS reports more than 98.6 million visits to IRS.gov this filing season, as of February 11, 2017.

However, as we have reported, the risk of unauthorized access to tax accounts increases as the IRS expands its focus on delivering online tools. The increasing number of data breaches in the private and public sectors means more personal information than ever before is available to unscrupulous individuals. Many of these data are detailed enough to enable circumvention of most authentication processes.

¹⁰ The IRS refers to the suite of 29 telephone lines to which taxpayers can make calls as “Customer Account Services Toll-Free”.

Therefore, it is critical that the methods the IRS uses to authenticate individuals' identities provide a high level of confidence that tax information and services are provided only to individuals who are entitled to receive them.

The IRS's goal is to eventually provide taxpayers with dynamic online account access that includes viewing their recent payments, making minor changes and adjustments to their accounts, and corresponding digitally with the IRS. In November 2015, TIGTA reported that, although the IRS recognizes the growing challenge it faces in establishing effective authentication processes and procedures, the IRS had not established a Service-wide approach to managing its authentication needs.¹¹ As a result, the level of authentication the IRS uses for its various services was not consistent. The existence of differing levels of authentication assurance among the various access methods increased the risk of unscrupulous individuals accessing and obtaining personal taxpayer information and/or defrauding the tax system.

In response to TIGTA recommendations, the IRS has undertaken a number of steps to provide for more secure authentication, including strengthening application and network controls. However, we continue to have concerns about the IRS's logging and monitoring abilities over all connections to IRS online systems. We are currently assessing the IRS's efforts to improve its authentication. This includes evaluating whether the IRS has properly implemented secure eAuthentication in accordance with Federal standards for public access to IRS online systems and effectively resolved identified control weaknesses. We expect to issue the final report in September 2017.

TRADITIONAL SERVICES CONTINUE TO BE ELIMINATED OR REDUCED

Despite other available options, most taxpayers continue to use the telephone as the primary method to contact the IRS about their account. The IRS is projecting a 75 percent Level of Service¹² for the 2017 Filing Season with an overall projected Level of Service for FY 2017 of 64 percent. For the 2017 Filing Season, as of February 11, 2017, the IRS reports that there were approximately 12.6 million attempts to contact the IRS by calling the various customer service toll-free telephone assistance lines. Assistors answered approximately 2.5 million calls and provided an 82.1 percent Level of Service with a 7.1 minute Average Speed of Answer.¹³ The reported Level of Service for the 2016 Filing Season as of February 13, 2016 was

¹¹ TIGTA, Ref. No. 2016-40-007, *Improved Tax Return Filing and Tax Account Access Authentication Processes and Procedures Are Needed* (Nov. 2015).

¹²The primary measure of service to taxpayers. It is the relative success rate of taxpayers who call for live assistance on the IRS's toll-free telephone lines in reaching an assistor.

¹³ The average amount of time for an assistor to answer the call after the call is routed to a call center.

76.1 percent.

In addition, the IRS's ability to timely process taxpayer correspondence remains a challenge. As of May 7, 2016, the IRS reported 1 million cases in its over-aged inventory. This inventory includes, but is not limited to, amended tax returns, responses to taxpayer notices, and identity-theft cases. Inventory greater than 45 calendar days is generally considered over-aged. Staff responsible for working taxpayer correspondence are divided between working taxpayer correspondence and staffing the customer service telephone lines. IRS management stated that the reduction in available staff is the most significant factor in the increasing over-age inventory.

To address congressional inquiries regarding the IRS's allocation of resources to taxpayer service, we reviewed the IRS's Taxpayer Services appropriation¹⁴ for FY 2013 to FY 2016. In December 2016, we reported that, overall, the IRS's appropriation to Taxpayer Services increased \$198 million from FY 2013 to FY 2016.¹⁵ However, the amount of user fee receipts¹⁶ the IRS used to supplement its annual Taxpayer Services appropriation was only about \$40 million of the total \$421 million user fee receipts in FY 2015. This \$40 million is a 79 percent decrease in the supplemented amount to the annual Taxpayer Services appropriation since FY 2013.

IRS officials stated that the reason for the decrease in the amount of user fee receipts supplementing the Taxpayer Services annual appropriation in FY 2015 was that the Operations Support appropriation¹⁷ continued to be reduced despite funding needs to implement legislative obligations. The implementation of these laws requires the use of funding from the Operations Support appropriation. These include the ACA, Foreign Account Tax Compliance Act¹⁸ and the implementation of the Health Coverage Tax Credit. Each of these laws requires funding over several years to implement; however, the IRS did not receive additional funding to implement them.

¹⁴ Funds used to provide support for programs that focus on helping taxpayers understand and meet their tax obligations.

¹⁵ TIGTA, Ref. No. 2017-40-013, *Analysis of Resources Allocated to Taxpayer Services* (Dec. 2016).

¹⁶ The IRS has statutory authority to supplement its annual appropriations with user fee receipts received from various services provided to taxpayers. For example, the IRS charges taxpayers a user fee when taxpayers do not have the funds necessary to fully pay their taxes and instead enter into an installment agreement with the IRS.

¹⁷ Funds used to provide support for functions that are essential to the overall operation of the IRS, such as infrastructure and information services.

¹⁸ Pub. L. No. 111-147, §§ 501-541, 124 Stat 71, *96-116 (2010) (codified in scattered sections of 26 U.S.C.).

Our review also identified that the overall number of Full-Time Equivalent (FTE)¹⁹ allocated by the IRS to the functional area that works taxpayer correspondence and provides telephone assistance steadily decreased from FY 2013 to FY 2015. Specifically, the overall number of FTEs decreased by about 11 percent (14,757 to 13,157 FTEs) between FYs 2013 and 2015. Moreover, of the reduced FTEs allocated to this functional area, the IRS continued to allocate a higher percentage of them to working correspondence rather than answering the telephones. These actions resulted in 38.1 percent Level of Service in FY 2015.

In FY 2016, Congress appropriated an additional \$290 million for key areas that directly support taxpayers. This additional funding was the first significant increase to the IRS budget in six years. In its spending plan for these funds, the IRS informed Congress that \$178.4 million would be used to increase telephone Level of Service. The IRS reported a toll-free telephone Level of Service of 53.4 percent for FY 2016, including a 72.1 percent Level of Service for the filing season. In total, the IRS's Taxpayer Services appropriation was approximately \$2.3 billion of its total \$11.2 billion budget in FY 2016. In addition, the IRS also increased the amount of user fee receipts to \$66.4 million used to supplement its annual Taxpayer Services appropriation.

Besides telephone or correspondence assistance, each year many taxpayers seek assistance from one of the IRS's 376 walk-in offices (TACs). Although the IRS reports 376 TACs for the 2017 Filing Season, 24 TACs are not opened because they have not been staffed. The IRS estimates that the number of taxpayers it will assist at its TACs will continue to decrease. IRS plans to assist more than 3.4 million taxpayers at its TACs in FY 2017, an approximately 22.5 percent decrease from FY 2016. The IRS indicated that budget cuts and its strategy of appointment service at TACs, along with continued promotion of alternative service options, will result in the reduction of the number of employees to assist taxpayers at the TACs.

In June 2014, TIGTA reported that the IRS eliminated or reduced services at TACs.²⁰ For example, the IRS eliminated providing assistance with preparing tax returns. The IRS indicated that its strategy of not offering services at TACs that can be obtained through other service channels, such as the IRS's website, is the reason that the IRS plans to assist fewer taxpayers at the TACs. However, in making its decision, the IRS did not perform the required evaluation to assess the additional burden on

¹⁹ A measure of labor hours. One FTE equals eight hours multiplied by the number of compensable days in a fiscal year. For FY 2016, one FTE was equal to 2,096 staff hours.

²⁰ TIGTA, Ref. No. 2014-40-038, *Processes to Determine Optimal Face-to-Face Taxpayer Services, Locations, and Virtual Services Have Not Been Established* (June 2014).

taxpayers most likely to visit a TAC (such as low-income, elderly, and limited-English-proficient taxpayers). Between FY 2014 and FY 2016, the IRS reduced the number of taxpayers it assisted by 18 percent.

The IRS is implementing initiatives in an effort to better assist those individuals seeking assistance from a TAC. For the 2017 Filing Season, the IRS has transitioned all TACs to appointment service. The IRS indicated that they initially began providing services at TACs by appointment, in an attempt to alleviate long lines that sometimes occur at many TACs and to help ensure that taxpayers' issues are timely resolved. In addition, when taxpayers contact the IRS to schedule an appointment, an IRS assistor will attempt to resolve the taxpayer's question or provide the taxpayer with information on alternative services. The IRS reports that during the first quarter of FY 2017, IRS employees answered over 500,000 calls resulting in approximately 260,000 that necessitated a TAC appointment. As of February 11, 2017, taxpayers had scheduled 452,934 appointments. The IRS notes that taxpayers that travel to a TAC without an appointment are assisted if there is availability. As of the first quarter of FY 2017, the IRS reported that they provided a walk-in exception to the requirement for an appointment to nearly 70,000 taxpayers.

The IRS also offers Virtual Service Delivery, which integrates video and audio technology to allow taxpayers to see and hear an assistor located at a remote TAC. For the 2017 Filing Season, the IRS offered Virtual Service Delivery at 28 partner site locations. It should be noted that of the 24 walk-in offices that do not have staff, the IRS is providing service through Virtual Service Delivery located at community partners at four of these locations. The IRS reports that 990 taxpayers had used the service as of February 11, 2017.

Finally, the IRS has an initiative to co-locate with the Social Security Administration to assist taxpayers who are victims of identity theft. For the 2017 Filing Season, the IRS has placed employees in four Social Security Administration locations. TIGTA is planning a follow-up audit to assess the IRS's efforts to expand customer service options to taxpayers seeking face-to-face assistance.

SIGNIFICANT RESOURCES CONTINUE TO BE ALLOCATED TO ASSIST VICTIMS OF IDENTITY THEFT

Identity-theft tax refund fraud occurs when an individual uses another person's name and Taxpayer Identification Number²¹ to file a fraudulent tax return. Unscrupulous individuals steal identities for use in submitting tax returns with false income and withholding documents to the IRS for the sole purpose of receiving a fraudulent tax refund. Tax-related identity theft adversely affects the ability of innocent taxpayers to file their tax returns and timely receive their tax refunds, often imposing significant financial and emotional hardships.

In addition to the legislation that requires income and withholding to documents to be provided to the IRS by January 31st to further enhance IRS fraud detection capabilities, the IRS initiated the W-2 Acceleration Program in Processing Year (PY)²² 2016. This initiative enables the IRS to receive Forms W-2 directly from reporting agents,²³ Federal agencies, and State governments to supplement the W-2 data received from the Social Security Administration with additional third-party data as early in the filing season as possible. The accelerated reporting of Forms W-2 information has proven to have an added benefit of allowing the IRS to exclude legitimate tax returns from identity theft treatment because the income information matched. For example, the IRS reports that the use of the accelerated income information in PY 2016, as of April 25, 2016, resulted in the IRS excluding 33,628 tax returns from identity theft treatment because the income information matched. This reduces the burden on taxpayers filing legitimate tax returns and their refunds being delayed.

However, TIGTA reviews have identified long delays in case resolution and account errors, and that not all identity-theft victims receive Identity Protection Personal Identification Numbers (IP PIN).²⁴ For example, in March 2015,²⁵ we reported that victims continue to experience long delays waiting for the IRS to resolve their cases

²¹ A nine-digit number assigned to taxpayers for identification purposes. Depending upon the taxpayer, the number can be an Employer Identification Number, a Social Security Number (SSN), or an Individual Taxpayer Identification Number.

²² The calendar year in which the tax return or document is processed by the IRS.

²³ A reporting agent is a payroll service provider that is authorized to perform certain acts on behalf of its clients' employees.

²⁴ An IP PIN is a six-digit number assigned to taxpayers that allows their tax returns/refunds to be processed without delay and helps prevent the misuse of their SSNs to file fraudulent Federal income tax returns.

²⁵ TIGTA, Ref. No. 2015-40-024, *Victims of Identity Theft Continue to Experience Delays and Errors in Receiving Refunds* (Mar. 2015).

and issue their refunds. Our review of a statistically valid sample of 100 identity theft tax accounts resolved by the IRS between October 1, 2012, and September 30, 2013, revealed that the IRS took an average 278 days to resolve the tax accounts. Our report also identified that IRS employees did not correctly resolve 17 of the 100 tax accounts. We reported that an estimated 25,565 (10 percent) of the 267,692 taxpayers whose accounts were resolved may have been incorrectly resolved, resulting in delayed issuance of refunds to victims or in some victims receiving an incorrect refund amount.

In July 2015, the IRS created the Identity Theft Victim Assistance (IDTVA) Directorate to combine the skills of employees working identity-theft cases in multiple functions into one directorate. The goal is to improve the taxpayer's experience working with the IRS to resolve his or her tax-related identity-theft case. Approximately 1,200 employees work in the IDTVA Directorate to resolve taxpayer-initiated identity-theft cases.²⁶ TIGTA's current review²⁷ of all taxpayer initiated refund cases closed from August 1, 2015, through May 25, 2016, identified improvements in case closure timeframes and a reduction in case closing errors in comparison to our prior audit completed before the IDTVA Directorate was created. The IRS's efforts to centralize operations under a unified leadership, along with its enhanced procedures and processes, have contributed to the improvements identified since our prior audit. We plan to issue our final report in April 2017.

To provide relief to identity-theft victims, the IRS began issuing IP PINs to eligible taxpayers in FY 2011. For PY 2016, the IRS issued more than 2.7 million IP PINs to taxpayers for use in filing their tax returns. TIGTA is currently assessing IRS actions to address prior recommendations regarding the administration of the IP PIN Program and determined that some improvements are needed.²⁸ Specifically, TIGTA identified that taxpayer accounts were not always consistently updated to ensure that IP PINs were generated for taxpayers as required. For example, the IRS did not generate an IP PIN for more than 2 million taxpayers for whom the IRS resolved an identity-theft case by confirming that the taxpayer was a victim. This results from inconsistent processes and procedures when closing resolved identity-theft cases. Without the

²⁶ A taxpayer-initiated identity theft case is created when taxpayers contact the IRS to report that after filing their tax return they received a notice indicating the return was rejected because someone (an identity thief) already filed a return using the same Social Security Number and name.

²⁷ TIGTA, Audit No. 201640015, *Identity Theft Victim Assistance Directorate*, report scheduled for April 2017.

²⁸ TIGTA, Audit No. 201640017, *Identity Protection Personal Identification Numbers (Follow-up)*, report scheduled for March 2017.

required marker on their account to generate an IP PIN, these taxpayers will experience delays when tax returns are subsequently filed.

Additionally, the PY 2016 IP PIN notice continues to contain inaccurate information. For example, the IRS mailed more than 2.7 million IP PIN notices to taxpayers for PY 2016 erroneously instructing them not to use their IP PIN if they are claimed as a dependent on a tax return. These instructions conflict with PY 2016 e-file programming, which requires the IP PIN assigned to a dependent to be used on a filed tax return. For those taxpayers that follow the erroneous instructions, their electronically filed returns without the assigned IP PIN listed for a dependent will be rejected.

Furthermore, we identified that the IRS's Opt-in Program was designed to focus on taxpayers in States and locations with the highest per capita rate of identity theft and offer them the opportunity to obtain an IP PIN before becoming a victim of tax-related identity theft. However, the IRS has not updated its identification of locations that may now have the highest per capita rate based on identity-theft complaints. In addition, taxpayers in Opt-in locations may not be aware of the option to obtain an IP PIN. TIGTA plans to issue its final report in March 2017.

In November 2016, TIGTA reported that additional actions can be taken to improve the accuracy and timeliness of processing tax return requests by victims of identity theft.²⁹ In 2015, the IRS changed its policy to allow identity-theft victims to receive, upon request, redacted copies of fraudulent tax returns filed using their names and SSNs. To process taxpayer requests, the IRS established a new program called the Fraudulent Return Request Program. According to the IRS, it has received, as of December 31, 2016, more than 7,200 requests for copies of fraudulent returns since the program's inception in November 2015.

While the IRS took prompt action to establish this program, TIGTA's review of a statistically valid sample of 130 taxpayer requests, from a population of 1,962 taxpayer requests as of March 11, 2016, identified 33 taxpayer requests with one or more processing errors. Based on the results of this sample, TIGTA projects that 498 taxpayers' requests could contain processing errors. These errors included not timely processing the request, not providing a copy of the fraudulent tax return, and not

²⁹ TIGTA, Ref. No. 2017-40-011, *Actions Can Be Taken to Improve Processes of a Newly Developed Program That Enables Victims of Identity Theft to Request Copies of Fraudulent Tax Returns* (Nov. 2016).

properly redacting all required information from the return, such as taxpayer names, street numbers of an address, and telephone numbers.

Individuals can also learn that they are victims of employment identity theft if they receive a notification from the IRS of an income discrepancy between the amounts reported on their tax returns to the amount employers reported to the IRS. This can occur when an innocent taxpayer's stolen identity is used to gain employment. It can cause significant burden due to the incorrect computation of taxes and Social Security benefits based on income that does not belong to the taxpayer.

In August 2016, we reported that during the period February 2011 to December 2015, the IRS identified almost 1.1 million taxpayers who were victims of employment identity theft, but were not notified.³⁰ We have an ongoing audit that is evaluating the IRS's processes to identify and mark victims' tax accounts and notify the Social Security Administration to ensure that individuals' Social Security benefits are not affected by the misuse of their identities to gain employment.³¹ During our review, the IRS announced that it will notify victims of employment identity theft starting January 2017. The notification letter describes steps the taxpayers could take to prevent further misuse of their personal information, including reviewing their earnings with the Social Security Administration to ensure that their records are correct. TIGTA expects to issue its report in April 2017.

We at TIGTA take seriously our mandate to provide independent oversight of the IRS in its administration of our Nation's tax system. As a result, we plan to provide continuing audit coverage of the IRS's efforts to operate efficiently and effectively and to provide high-quality service to taxpayers.

Chairman Jordan, Chairman Meadows, Ranking Member Krishnamoorthi, Ranking Member Connolly, and Members of the Subcommittees, thank you for the opportunity to share my views.

³⁰ TIGTA, Ref. No. 2016-40-065, *Processes Are Not Sufficient to Assist Victims of Employment-Related Identity Theft* (Aug. 2016).

³¹ TIGTA, Audit No. 201640028, *Employment Related Identity Theft – Returns Processing*, report scheduled for April 2017.



J. Russell George

Treasury Inspector General for Tax Administration

Following his nomination by President George W. Bush, the United States Senate confirmed J. Russell George in November 2004, as the Treasury Inspector General for Tax Administration. Prior to assuming this role, Mr. George served as the Inspector General of the Corporation for National and Community Service, having been nominated to that position by President Bush and confirmed by the Senate

in 2002.

A native of New York City, where he attended public schools, including Brooklyn Technical High School, Mr. George received his Bachelor of Arts degree from Howard University in Washington, DC, and his Doctorate of Jurisprudence from Harvard University's School of Law in Cambridge, MA. After receiving his law degree, he returned to New York and served as a prosecutor in the Queens County District Attorney's Office.

Following his work as a prosecutor, Mr. George joined the Counsel's Office in the White House Office of Management and Budget, where he was Assistant General Counsel. In that capacity, he provided legal guidance on issues concerning presidential and executive branch authority. He was next invited to join the White House Staff as the Associate Director for Policy in the Office of National Service. It was there that he implemented the legislation establishing the Commission for National and Community Service, the precursor to the Corporation for National and Community Service. He then returned to New York and practiced law at Kramer, Levin, Naftalis, Nessen, Kamin & Frankel.

In 1995, Mr. George returned to Washington and joined the staff of the Committee on Government Reform and Oversight and served as the Staff Director and Chief Counsel of the Government Management, Information and Technology subcommittee (later renamed the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations), chaired by Representative Stephen Horn. There he directed a staff that conducted over 200 hearings on legislative and oversight issues pertaining to Federal Government management practices, including procurement policies, the disposition of Government-controlled information, the performance of chief financial officers and inspectors general, and the Government's use of technology. He continued in that position until his appointment by President Bush in 2002.

Mr. George also served as a member of the Integrity Committee of the Council of Inspectors General for Integrity and Efficiency (CIGIE). CIGIE is an independent entity within the executive branch, statutorily established by the Inspector General Act, as amended, to address integrity, economy, and effectiveness issues that transcend individual Government agencies and to increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the offices of the Inspectors General. The CIGIE Integrity Committee serves as an independent review and investigative mechanism for allegations of wrongdoing brought against Inspectors General.