



## Treasury Inspector General for Tax Administration

### OPPORTUNITIES EXIST TO HELP SENIORS AND MANY OTHER TAXPAYERS THAT REPEATEDLY MAKE MISTAKES ON THEIR INDIVIDUAL INCOME TAX RETURNS

Issued on May 31, 2007

## Highlights

Highlights of Report Number: 2007-30-075 to the Internal Revenue Service Commissioner for Wage and Investment Division.

### IMPACT ON TAXPAYERS

Many taxpayers that are age 65 or over (seniors), taxpayers that have claimed the Earned Income Credit (EIC), and taxpayers that have computed self-employment tax have received repetitive math error notices (i.e., the taxpayers had received a notice addressing the same issue in the prior year). This condition may indicate that taxpayers do not understand or are repeatedly overlooking specific instructions provided by the Internal Revenue Service (IRS); taxpayers do not understand an area of tax law; or the current filing information available to the taxpayers, including notices, is inadequate. Notices should not only inform taxpayers of their errors but should also educate them on the issues, and be a means to ensure the errors do not occur in the future. Unclear or inadequate tax information and notices create additional burden on taxpayers and often result in additional work and expense for the IRS.

### WHY TIGTA DID THE AUDIT

This audit was initiated because a prior TIGTA audit determined that the IRS did not perform any type of trend analysis of math error notices.

The overall objectives of this review were to identify taxpayers that have repeatedly received the same math error notices and to determine whether the IRS could better address the issues causing these notices.

### WHAT TIGTA FOUND

Senior taxpayers repeatedly made two errors when computing their taxes: (1) miscomputing their taxable amounts of social security benefits and (2) claiming an incorrect standard deduction.

Also, taxpayers repeatedly made two errors related to the EIC. Most of these taxpayers made calculation

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errors, and others inappropriately claimed the EIC after having been prohibited from doing so and not recertifying that they were qualified for the EIC.

Taxpayers also made repetitive errors when computing or reporting their self-employment tax. Many of these taxpayers calculated the self-employment tax correctly but repeatedly carried the wrong amounts forward to their U.S. Individual Income Tax Returns (Form 1040). Other taxpayers calculated the self-employment tax incorrectly.

### WHAT TIGTA RECOMMENDED

TIGTA recommended that the IRS modify the math error notices that have been sent repeatedly to taxpayers, to provide a clearer and more informative explanation of the errors taxpayers are making. In addition, TIGTA recommended changes to the forms and instructions associated with those errors. Finally, TIGTA recommended that the IRS continue to explore ways to simplify tax preparation for senior taxpayers.

The IRS partially agreed to three of the seven recommendations and disagreed with four recommendations. The IRS agreed to continue to research ways to simplify tax preparation for seniors. Also, to address the EIC issues, the IRS plans to bold the filing status headings at the top of the EIC Tables and plans to perform additional analysis of EIC errors to determine the causes and implement solutions. However, the IRS believes that it is impractical to address in a notice all of the possible reasons taxpayers made the errors in the repetitive notices. The IRS also rejected the other changes TIGTA recommended to improve tax form instructions, including the use of CAUTION symbols, in some instances, citing a lack of data to substantiate whether making such changes to instructions or to notices would change taxpayer behavior or reduce these types of errors.

TIGTA believes that the IRS has overlooked opportunities to educate and inform taxpayers, reduce taxpayer burden, and simplify the filing process. Knowing the types of errors taxpayers make on a recurring basis, as pointed out in TIGTA's report, provides the IRS with a prime opportunity to help taxpayers avoid making the same error in the future. TIGTA also believes if the IRS has questions regarding the effectiveness of warnings or other recommended changes to notices and instructions, it has the responsibility to gather data regarding their effectiveness for itself.

### READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200730075fr.pdf>.

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