

United States Senate

WASHINGTON, DC 20510

August 1, 2022

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

Dear Commissioner Rettig:

I am writing to you regarding the longstanding issue of delayed processing of Wisconsin's tax returns. I wrote to you on July 26, 2021, seeking information about the IRS's backlog on returns.¹ I asked what the average time was to process 2018, 2019, and 2020 tax returns. Additionally, I asked what actions the IRS was taking to streamline the processing of tax returns and improve customer service. I appreciate your response on August 27, 2021. However, a year since my letter, I continue to receive hundreds of complaints from Wisconsin taxpayers waiting for their 2021 returns and now are still waiting on their 2022 returns.

My constituents' frustration is confirmed by watchdog and press reports that the IRS continues to struggle in processing returns in a timely and efficient manner.² In the August 27, 2021, response, the IRS reported a backlog of 15.9 million individual returns, of which 6.9 million were paper returns and 9 million were returns suspended for additional processing.³ Nearly a year later, on June 22, 2022, the National Taxpayer Advocate's annual report found that, as of May 27, 2022, the IRS had a paper backlog of 10.5 million individual returns and 7.4 million business returns.⁴ Additionally, the IRS still needed to classify 3.4 million returns as individual or business returns.⁵ As Politico reported, this report "contradicts the Biden administration's repeated claims that it is catching up on the filings."⁶ The National Taxpayer Advocate, Erin Collins, noted, "Over the past year, refund delays on paper-filed returns have generally exceeded six months, with delays of ten months or more common for many

¹ See Letter from U.S. Senator Ron Johnson to Charles P. Rettig, Commissioner, Internal Revenue Service (July 26, 2021)(on file with Senate staff).

² Brian Faler, *Backlog of unprocessed tax returns is growing, watchdog says*, Politico (June 22, 2022), <https://www.politico.com/news/2022/06/22/tax-return-backlog-00041318>

³ Letter from Charles P Rettig, Commissioner, Internal Revenue Service, to U.S. Senator Ron Johnson (Aug. 27, 2021) (on file with Senate staff).

⁴ Press Release, Taxpayer Advocate Service, *National Taxpayer Advocate issues mid-year report to Congress; expresses concern about continued refund delays and poor taxpayer service* (June 22, 2022), <https://www.taxpayeradvocate.irs.gov/reports/2023-objectives-report-to-congress/newsroom/>.

⁵ *Id.*

⁶ Brian Faler, *supra* note 2.

taxpayers.”⁷ According to Collins, pre-COVID pandemic, “the IRS typically delivered refunds to paper filers within four to six weeks.”⁸

On May 18, 2022, you testified before the House Appropriations subcommittee the IRS needed additional funding to improve its processing operations.⁹ However, Congress has already appropriated billions in additional funding over the last 18 months. In March 2021, the American Rescue Plan (ARPA) provided the IRS \$1.5 billion in additional funding.¹⁰ After that, the Fiscal Year 2022 (FY 22) omnibus bill further increased the IRS’s budget by an additional \$675 million.¹¹ Collins noted, “Had the IRS quickly used some of the \$1.5 billion of additional funds provided by [ARPA], which was enacted 15 months ago, to hire and train additional employees, it could have worked through the backlog, answered more taxpayer telephone calls and otherwise improved taxpayer service.”¹² Collins further elaborated, “Had the IRS implemented 2-D barcoding, optical character recognition or similar technology in time for the 2022 filing season, it could have reduced the need for employees to engage in the highly manual task of transcribing paper tax returns.”¹³ All of these missed opportunities reported by Collins occurred despite an increase in funding.¹⁴

The IRS does not hesitate to penalize and fine taxpayers for late filings and payments, yet it does not hold itself accountable when it does not process taxpayers’ returns in a timely manner. This is not acceptable to Wisconsinites and all taxpayers. Therefore, I request the following information:

1. Please provide the current data on the remaining unprocessed tax returns.
2. Does the IRS project a backlog in 2023? If yes, what are those projections?
3. How much funding appropriated to the IRS under ARPA remains unobligated?
4. How much of the funding appropriated under ARPA and the FY 22 omnibus did the IRS use for technology improvements to reduce backlog processing times?
5. How much of the funding appropriated under ARPA and the FY 22 omnibus did the IRS use to train and hire new employees?
6. What are the average processing times for the 2019, 2020, 2021, and 2022 tax filing seasons? Please specify the average times for paper tax returns as well.

⁷ Press Release, Taxpayer Advocate Service, *National Taxpayer Advocate issues mid-year report to Congress; expresses concern about continued refund delays and poor taxpayer service* (June 22, 2022), <https://www.taxpayeradvocate.irs.gov/reports/2023-objectives-report-to-congress/newsroom/>.

⁸ *Id.*

⁹ *The Filing Season and the IRS Budget: Hearing Before the H. Comm. on Appropriations Subcomm. on Financial Serv. and General Gov’t*, 117th Cong. (2022) (statement of Charles Rettig, Commissioner, Internal Revenue Service).

¹⁰ American Rescue Plan of 2021, Pub. L. No. 117-2, § 9601, 135 Stat. 4, 144 (Mar. 11, 2021)

¹¹ Consolidated Appropriations Act, 2022, Pub. L. No. 117-103, Division E, 136 Stat. 239 (Mar. 15, 2022)

¹² Taxpayer Advocate Service, *supra* note 4.

¹³ *Id.*

¹⁴ *Id.*

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Please provide this material as soon as possible but no later than 5:00 p.m. on August 15, 2022. Thank you for your attention to this urgent matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ron Johnson", with a stylized flourish extending to the right.

Ron Johnson
U.S. Senator