

Rocky tax season could lead to slow refunds for employees

There's a reason the IRS rolled out some new tools and beefed up some old tools on its website this filing season—it's still bogged down with last year's returns! Peoples' patience is running thin. The cause, of course, is the pandemic, plus comically tragic underfunding for well over a decade. The likely effect will be delayed tax refunds for taxpayers who file even minimally complex returns.

2021 Form 1040 tax filing stats so far

The IRS keeps track of tax filing statistics on a weekly basis when compared to the year before. For the week ending Feb. 25, 2022, (i.e., about four weeks into the tax season), it reports it received 45,413,000 returns, which is a 0.3% increase from 2021; it processed 43,818,000 returns, which is an 11.2% increase from last year.

Sounds good, but statistics can be spun any which way. What the IRS fails to note is last year's tax filing season opened on Feb. 12, while this year's opened on Jan. 24. By March 12, 2021—again, four weeks or so into the filing season—it had received 66,065,000 returns and processed 58,490,000 returns. So, a 0.3% increase turns out to be not very much.

It will get worse before it gets better. Last summer, a tool on the IRS' [Advance Child Tax Credit](#) web page allowed low-income taxpayers who don't file 1040s to apply for their advance payments. Now fearing chaos, the IRS has disabled this tool, probably until after April 18, which is the end of the filing season.

Upshot: These taxpayers must file 1040s to collect their payments or the difference between what they received last summer and what they're ultimately entitled to.

The best you can tell employees is to be patient. There is no way they can speed up their tax refunds. Remind them that text messages or emails purporting come from the IRS are scams. The IRS doesn't communicate with taxpayers via text or email.

What's up with Forms 941?

As of March 2, 2022, the IRS had 2.5 million unprocessed Forms 941 and 360,000 unprocessed Forms 941-X, some of which it can't process until the related 941s are processed. A portion of this backlog is due to pandemic-related payroll credits.

These returns are being worked on at two IRS campuses—Cincinnati and Ogden, Utah—where the IRS has employees who are trained to work on tax credits. Consolidating the processing of these forms in this manner is part of IRS Commissioner Charles P. Rettig's plan to return the IRS to something resembling normal.

The IRS recently suspended the mailing of many automated notices, including the mailing of automated collection notices normally issued when taxpayers owe additional tax and the IRS has no record of a taxpayer filing a tax return. These automatic notices will remain on hold until the IRS works through its backlog of 2021

returns.

For individual taxpayers, the following notices are now suspended:

- **Unfiled tax returns:** CP 80, 59, 516 and 518
- **Balance due:** CP 510, 503 and 504
- **Withholding compliance letter:** This letter is mailed to employees who the IRS believes aren't having enough withheld. This letter is a prelude to a lock-in if employees don't self-correct their withholding.

Suspended business notices include CP 259 and CP 518, both of which cover return delinquencies. However, if you owe taxes, penalties and interest continue to accrue. If you know your tax liability, it may be to your advantage to arrange for payment now.

You're hired!

To gain momentum over the stacks of still unopened mail, the IRS has scrapped closing a return processing center in Austin, Texas.

In addition, the IRS has received permission to fast-track the hiring of about 10,000 new entry-level employees. Bear in mind, however, its previous attempt to hire 5,000 customer service reps was underwhelming—it's been able to fill fewer than 200 positions. The problem, we've read, is low pay and low morale. Who would want to spend their days being browbeaten over the phone by angry taxpayers?

The latest hiring authority, however, may not be all it's cracked up to be. The pending omnibus spending bill increases the IRS' budget by 6%, to \$12.594 billion, but that figure is half of what it asked for.