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to revise the ubiquitous Form 1040, the form used by individual taxpayers to report their annual income.

**Isaac M. O'Bannon** • Jul. 10, 2014

A new report by the agency that oversees the Internal Revenue Service says it's time to revise the ubiquitous Form 1040, the form used by individual taxpayers to report their annual income. The point in the revision would be to allow for corrections to original tax return filings and expand e-filing to include amended tax returns, says the Treasury Inspector General for Tax Administration (TIGTA).

Taxpayers currently file Form 1040X, Amended U.S. Individual Income Tax Return, to correct previously filed income tax returns. Claims filed on an amended tax return can relate to any item of income, loss, exclusion, deduction, or credit and may result in a tax refund. The IRS received more than four million amended tax returns in Fiscal Year (FY) 2012.

This audit was initiated because previous TIGTA audits have identified problems with IRS processes for verifying claims on amended tax returns. The objective of this review was to determine whether the IRS has controls in place to ensure that claims for refunds on amended tax returns are appropriate.

TIGTA found that the IRS could reduce erroneous refunds, processing costs, and taxpayer burden by revising the Form 1040, U.S. Individual Income Tax Return, to allow for corrections to original tax return filings and expand e-filing to include amended tax returns. TIGTA's review of a statistical sample of 259 amended tax returns claiming tax refunds of \$500 or more in FY 2012 identified 44 (17 percent) tax returns for which the IRS issued potentially erroneous tax refunds totaling \$103,270.

Based on the sample results, TIGTA estimates the IRS may have issued more than

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“The IRS’s current process for filing and processing amended income tax returns creates unnecessary burden on taxpayers and increases the potential for erroneous tax refund payments,” said J. Russell George, Treasury Inspector General for Tax Administration.

TIGTA recommended that the Commissioner, Wage and Investment Division, revise Form 1040 to enable taxpayers to amend their original tax return using this form, expand e-filing to include amended tax returns, and conduct a review of the 44 amended tax returns TIGTA identified for which potentially erroneous refunds were issued to determine the proper tax liability.

The IRS agreed with two of TIGTA’s recommendations and disagreed with one recommendation. Although the IRS disagreed with revising Form 1040, the IRS plans to consider changing the format and appearance of Form 1040X. The IRS also plans to consider e-filing of amended tax returns based on available funding and resources. The IRS reviewed the 44 potentially erroneous refund returns and generally agreed that procedures were not correctly followed for those identified as having processing errors.

[Read the report.](#)

Income Tax • IRS

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