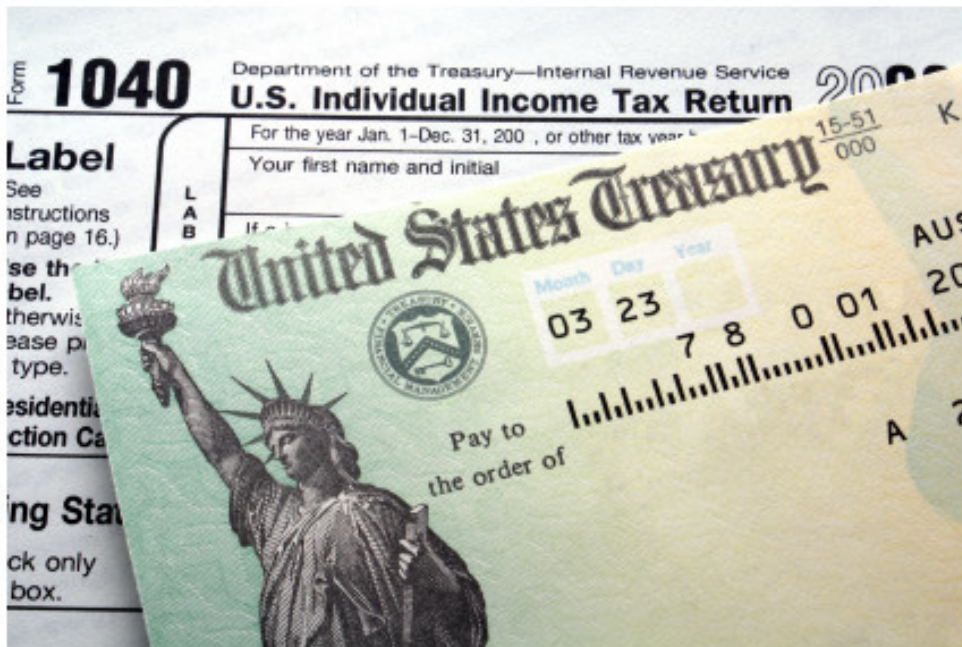


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that the IRS extend the 2021 income tax filing season, millions of Americans are still challenged by a backlog at the IRS of income tax returns from last year.

Feb. 25, 2021



Amid recent requests by the AICPA and National Association of Tax Professionals that the IRS extend the 2021 income tax filing season, millions of Americans are still challenged by a backlog at the IRS of income tax returns from last year.

Michigan resident Christanine Brodis gathered her tax paperwork in February including a 1099-G for state unemployment compensation and a W2-G for some gambling winnings at MGM Grand Detroit, the only bright spot in a money-losing 2020. But she's looking at taxable income now.

Brodis, 48, sent her forms to a tax preparer by encrypted email, talked on the phone

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"It's been over a year now," Brodis said. "They accepted my taxes last year on Feb. 7. It doesn't seem like it should go that slowly, but there's nothing I can do to speed it up."

The COVID-19 pandemic turned the tax season upside down last year, and even now millions of people are still dealing with the aftermath in 2021. The Internal Revenue Service said in mid-February that it had yet to process 6.7 million individual income tax returns for 2019, based on data through Jan. 30.

Getting those returns processed — and any refunds involved in hand — may require additional review, dealing with corrections and addressing some ID theft-related problems where the IRS will need to work with taxpayers, according to the IRS.

Most 2019 federal income tax returns have been processed. But the lingering problems are significant, enough that the House Ways and Means Committee is asking the IRS for answers and calling for the IRS to extend the tax return deadline for 2020 tax returns beyond April 15.

"One year later, another unique filing season is underway, and many of these same pandemic-related difficulties and challenges persist for taxpayers, practitioners, and the IRS," according to a letter dated Feb. 18 signed by U.S. Rep. Bill Pascrell Jr. (D-New Jersey), the chairman of the House Ways and Means subcommittee on oversight and others on the subcommittee. The letter was addressed to IRS Commissioner Charles Rettig.

Nobody ever wants to wait up to a year for a federal income tax refund. It's money that many people often use to cover holiday bills, winter utilities and even going to the doctor after delaying visits because they don't have the money.

But the backdrop of economic uncertainty surrounding the pandemic makes things even more troublesome for those who lost a job and had expected extra tax refund

cash many months ago.

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One small problem? Many of those taxpayers did file their 2019 tax returns promptly last year, but the IRS has not yet processed them. Oops. Later the IRS issued a statement that essentially said don't panic or respond to the CP59 notice, if you did file a 2019 return.

"Due to pandemic related shutdowns, the IRS has not completed processing all 2019 returns at this time," the IRS noted in its statement.

"Therefore, the CP59 notices should not have been sent because some portion of the recipients may actually have filed a return that is still being processed."

"There is no need to call or respond to the CP59 notice because the IRS continues to process 2019 tax returns as quickly as possible. The IRS regrets any confusion caused by this mailing."

Naturally, many taxpayers who received these notices were nervous, according to Lori Moore, principal in the wealth management tax department for Plante Moran in Southfield, Mich. Her clients, she said, knew they filed a 2019 federal income tax return last year back in April or earlier, so it was unsettling to hear otherwise.

Moore said the notices are automatically generated by the IRS systems, but taxpayers would want to consult with their tax advisers to confirm if their notice was sent in error, as many returns were sent but not processed.

"They're in the IRS system in some way, shape or form," Moore said.

COVID-19 sent IRS agents home

The IRS, like many businesses, had to quickly figure out ways to work remotely during the pandemic. But many things didn't go very smoothly. "I do think COVID-19 has had a huge impact on 2019 returns," Moore said.

IRS processing centers shut down early in the pandemic last year. Piles of paperwork

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Even CPAs see trouble

“They’re calling, like ‘Hey, can you check on the status of my refund?’ ” said Antonio Brown, a CPA in Flint, Mich., whose firm prepares about 300 tax returns a year.

Brown, who is chief executive officer of John L Financial Services, said one client is due a federal income tax refund for the 2019 return of around \$2,300 and another married couple is waiting for nearly \$6,500 in a federal income tax refund.

“I’ve never experienced someone waiting 10 to 11 months for a refund from the IRS, and I’ve been doing this for a while,” said Brown, who has been preparing taxes for 16 years and is a member of the Michigan Association of CPAs.

The taxpayer who was owed \$2,300 had e-filed but later received a letter in November requesting that he authenticate his identity, Brown said. The information was sent but still no refund by mid-February.

The married couple owed nearly \$6,500; both work — he is self-employed and she has a job with a W-2 — and have taxes withheld from their paychecks. They filed by paper because of an earlier issue, but the IRS claimed a while back to have never received their tax return. Another return had to be filed. Still no refund money.

In some cases, Brown said, people aren’t finding the information they need when they go online to IRS.gov and try to check the status of their refund online. “The IRS website will say (the) return is in process,” Brown said, “but it’s been in process for months.”

People might expect an eight week to 12 week delay relating to a refund when there is an issue, but going on months on end is highly unusual, he said. “It’s unfortunate. It’s a tough thing for the American people. You tell them to file timely. You tell them

to square up with the IRS.” Yet, he said, money isn’t arriving promptly when it’s time

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“We’re just seeing delays across the board with the IRS,” said Lisa Pohl, principal and director for state and local tax for Rehmann in Grand Rapids.

If, for example, the IRS sends a notice on a matter, she said, it could take 60 days to 90 days longer than usual now to get a matter resolved. “Everything is delayed,” Pohl said.

She speculated that the IRS seems to have shifted some of its resources last year to working with employers who needed to file amended returns to take advantage of some new coronavirus-relief rules that could put more cash into the employers’ hands. Such efforts, she said, might have diverted resources that normally could have helped some individuals.

Mail delays in general did not help speed things up.

Matt Hetherwick, the director of individual tax programs for the Accounting Aid Society in Detroit, said all of the initial correspondence by the IRS to taxpayers is through the U.S. Postal Service. In addition, the taxpayer responds to those notices by mail.

Delays in processing tax returns were exacerbated to some degree, Hetherwick said, by the delays with the U.S. Postal Service.

He noted that the IRS’s fraud detection filters were flagging returns that required written correspondence, too.

“These letters that the IRS sends out can be for many reasons, but often times can be just for verification of certain things such as identity (18%) or accuracy of information (i.e. income verification 25%) included in the tax return,” he said.

“Although frustrating to the taxpayer, this is done to protect us all from individuals

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Where are IRS workers now?

The IRS office that worked with some taxpayers by appointment in Detroit was closed nearly an entire year, from March 2020 through Feb. 1, 2021, due to COVID-19 restrictions. But the Detroit office is now open and taxpayers can make appointments.

But elsewhere, other Taxpayer Assistance Centers remain closed. The IRS said more offices will open when resources are available and restrictions lift. See [IRS.gov/help/contact-your-local-irs-office](https://www.irs.gov/help/contact-your-local-irs-office) for information.

Taxpayers who continue to wait for refunds and face other headaches also can reach out to the Taxpayer Advocate Service, an independent organization within the IRS that helps taxpayers with problems they can't resolve with the IRS.

“We are operating in the most efficient way possible considering the health of the public, our employees and the resources we have,” said Luis Garcia, an IRS spokesperson in Detroit.

“Using a wide range of precautions,” Garcia said, “we have safely brought employees back to do mission-critical work where people must be physically in the building.”

The IRS stated online as of Feb. 19 that its operations are open to process mail, tax returns, payments, refunds and correspondence.

However, the IRS stated that COVID-19 continues to cause delays in some services, including live phone support, processing tax returns filed on paper, answering mail from taxpayers and reviewing tax returns, even for returns filed electronically.

The IRS said online: “We're processing all responses in the order we received them. While we are opening mail within our normal timeframe, processing these responses

is taking longer than usual due to social distancing and resource restrictions.”

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centers, with 61% of those in office either part-time or full-time.

“In recent months, we have continued to resume our important operations in our facilities while still maintaining maximum telework wherever possible,” Garcia said.

Late last month, he said, the IRS began recalling employees who have nonportable work and have previously been eligible for weather and safety leave since March 2020.

“The vast majority of these employees work in our campus facilities,” he said.

“The decision to recall these nontelework employees was made after extensive discussions on the need to balance serving taxpayers and ensuring employees’ safety in the workplace.”

He continued: “All IRS offices have safety measures in place, and we are following CDC guidelines to clean and disinfect socially distanced IRS-occupied space. Employees entering IRS facilities must self-assess daily to help keep everyone safe, and wear face coverings when in IRS workspaces.”

The IRS is providing much information to taxpayers online. It has indicated: “Once you’ve answered the notice, you don’t need to answer it again. We’re working through all taxpayer replies on a first-come, first-served basis and will process your reply as of the date it was received. We appreciate your patience.”

‘I still don’t have my money’

Patience is something many people ran short of long ago now that they’ve been waiting roughly a year for sizable sums of money.

Brodis isn’t sympathetic to the IRS’s problems. She’s frustrated that she doesn’t have the money she needs to pay her bills, such as what turned out to be a high-cost

financing arrangement taken out to cover a car repair.

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In the fall, the IRS sent her a letter that asked her to prove that her daughter, who is 18 and on the autism spectrum, lived with her all of 2019. She said she received a confirmation in February that the IRS received her paperwork in December.

Brodis even had the postal service try to confirm that that IRS received that information and they couldn't confirm it earlier.

Experts say it could take the IRS a few months to deal with such correspondence, given the backlog.

"I got all that information immediately to them — and I still don't have all my money," said Brodis, who lost her job as a caregiver in July 2019. She was unable to find work after the pandemic hit.

"She lived with me all 18 years of her life, every day of her life," Brodis said.

"I've called the IRS, but they're giving me the runaround."

Brodis is now receiving tax resolution assistance through the Accounting Aid Society's Low Income Tax Clinic.

By filing a 2020 federal income tax return, she claimed the Recovery Rebate Credit for the two missing stimulus payments.

She also claimed the Earned Income Tax Credit, based on her 2019 earned income, thanks to a change in the rules that reflects ongoing unemployment for many lower income workers during the pandemic.

The IRS noted online this year that the EITC refund can be expected "as soon as the first week of March if you file your return online, you choose to get your refund by direct deposit and we found no issues with your return."

This year, she said, her estimated tax refund includes the \$1,800 in stimulus money.

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The IRS has caught up on the mail, but must deal with other issues that need clarification on individual returns, according to Ken Corbin, the new IRS chief taxpayer experience officer, a newly created position that is designed to better help the agency address taxpayer problems. Corbin also serves as commissioner for the IRS wage and investment division.

“Sometimes, there’s a math or consistency error or something doesn’t quite match our records,” Corbin said in a phone press conference.

“And we have a need to correspond with the taxpayer, either to get a missing schedule; get a corrected SSN, maybe for a dependent; get some information to help clarify that return so we can complete this processing,” Corbin said in that press call on Feb. 11.

“Those returns really are waiting on us to get information or work with taxpayers so we can resolve that issue,” he said.

When those 2019 returns are processed, he said, taxpayers would receive any refund owed as a paper check in the mail.

Taxpayers are encouraged to continue to check “Where’s My Refund?” at IRS.gov for their personalized refund status. But the site also notes some issues, such as a delay in some updates.

How long many people may have to wait for their 2019 tax refunds remains unknown.

“We are processing returns we received over the summer due to the extended July 15 tax filing due date,” Garcia said.

“We are rerouting tax returns and taxpayer correspondence from locations that are

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If we need more information or need you to verify that it was you who sent the tax return, we will write you a letter. The resolution of these issues depends on how quickly and accurately you respond, and the IRS staff trained and working under social distancing requirements to complete the processing of your return.”

When it comes to filing for tax year 2020, Corbin said, the IRS doesn't anticipate that this will cause a significant delay to the processing of those returns.

“The vast majority of returns that are filed, go right through,” he said.

The IRS is encouraging taxpayers to file their 2020 tax returns electronically and opt to have a tax refund directly deposited into a bank account to receive a tax refund as quickly as possible. About 90% of federal income tax returns are filed electronically.

Taxpayers once had to file paper returns when an amended return — or 1040-X — had to be submitted by mail to the IRS, but the IRS has started accepting some amended 2019 tax returns electronically last year, starting in August 2020.

Someone still may need to file a paper return if you're married and you're seeking relief as an injured spouse — say your spouse owes past-due taxes or a late child support payment. You might request injured spouse relief to hold onto your share of your income tax refund, while your spouse's share would go directly toward paying past debt.

And you could need to file a paper return if the IRS rejects your e-filed return because someone else already filed a tax return ahead of you and used your Social Security number or a Social Security number of a dependent.

“Anything that has to be completed by paper is just going to take more time,” warned Plante Moran's Moore.

Experts suggest that people start talking to their tax professionals and working on

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might owe. Filing for an extension doesn't extend the time for paying your taxes.

Could last year's tax woes impact how well the IRS does this year?

Tax professionals said it's not out of the question.

If the IRS is still behind on 2019 returns, experts said, it's logical that they're going to stay behind as they receive 2020 tax returns through the April 15 tax deadline.

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