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estimated 30 million paper-filed information return documents in March 2021."

Isaac M. O'Bannon • May. 13, 2022

The image displays a collage of several IRS tax forms, including:

- Form 1098 (Mortgage Interest Statement):** Shows fields for Recipient's name, address, and phone number, and Payer's name, address, and phone number. It includes a section for Mortgage interest paid.
- Form 1099-MISC (Miscellaneous Information):** Shows fields for Payer's name, address, and phone number, and Recipient's name, address, and phone number. It includes a section for Miscellaneous income.
- Form 1099-NEC (Nonemployee Compensation):** Shows fields for Payer's name, address, and phone number, and Recipient's name, address, and phone number. It includes a section for Nonemployee compensation.
- Form W-2 (Wage and Tax Statement):** Shows fields for Employer's name, address, and phone number, and Employee's name, address, and phone number. It includes a section for Wages, tips, other compensation, and Federal income tax withheld.

Updated: May 13, 2022: 2:15pm ET:

The American Institute of CPAs (AICPA) released a statement in response to reports of destruction of documents at the Internal Revenue Service (IRS) and their subsequent response. AICPA Vice President of Taxation, Edward Karl, CPA, CGMA commented:

“Considering the struggles the IRS has faced in keeping up with returns’ processing the last two years, the recent TIGTA report highlighting the revelation of the IRS’s destruction of 30

million documents last year has been concerning. IRS management's decision to destroy

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indicated that taxpayers and payors have and will not be subject to penalties. However, the AICPA believes that the IRS should be transparent with their remediation strategy to ensure that taxpayers who attempt to be in compliance, and payors who have been compliant with the information reporting requirements do not have penalties imposed on them in the future."

An audit by the Treasury Inspector General for Tax Administration (TIGTA) has found that the Internal Revenue Service made an intentional decision "to destroy an estimated 30 million paper-filed information return documents in March 2021." TIGTA says the agency did this because of its inability to catch up on backlogs of paper-filed returns.

The report does not say that actual 1040 income tax forms from filers were destroyed, but only that information returns used to support tax filings were. "The IRS uses these documents to conduct post-processing compliance matches to identify taxpayers who do not accurately report their income."

Common information returns include forms W-2, 1099 and 1098, among others.

With the supporting documents destroyed, the IRS will likely be missing many of the documents it requires to adequately screen for accuracy of returns, and may also end up lacking sufficient materials for tax audits. However, the IRS can request taxpayers provide relevant proof or copies of documents used to support their income tax returns, including copies of files the IRS may have destroyed.

TIGTA previously reported that there were actions the IRS could take to reduce paper filings and/or convert paper tax returns into an electronic format. In addition, TIGTA reported that, while the electronic filing (e-filing) of business tax returns continued

to increase, the e-filing rate still lags behind that of individual tax returns. Finally,

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1. Develop a service-wide strategy to prioritize and incorporate all forms for e-filing;
2. Develop processes and procedures to identify and address potentially non-compliant corporate filers;
3. Develop processes and procedures to ensure that penalties are consistently assessed against business filers that are non-compliant with e-filing requirements.

The report from the Treasury Inspector General for Tax Administration is at:<https://www.treasury.gov/tigta/auditreports/2022reports/202240036fr.pdf>

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