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IRS Paid \$3 Billion In Tax Credit Mistakes Plus \$5.8 Billion In Erroneous Refunds

The Treasury Inspector General for Tax Administration is an official Treasury Department watchdog that reports on the IRS. In the last few years, that is a big job. There has been no shortage of scandals, from targeting to lavish spending, to bonuses, and more. This time, the Inspector General has issued a [new report](#) revealing some big errors involving tax credits.

The report reveals that the IRS doled out \$3 billion in erroneous business tax credits to corporations that did not qualify. The tax credits are for business taxpayers, and covered such varied activities as providing childcare for their employees' children. In 2013, corporations claimed more than \$93 billion worth of tax credits, the report reveals. But it turns out many of those credits were wrong. In over 3,000 electronically filed corporate tax returns, there were potentially erroneous credits.



In some cases the credits had expired but were claimed anyway. In others, the IRS failed to catch the erroneous credits so allowed them despite the mistakes. “Given the amount of potential tax revenue at risk, it is imperative that the IRS improve its processes to ensure that corporations accurately claim carry-forward general business credits,” Inspector General [J. Russell George](#) said in the report.

Only a few months ago there was another daunting [report](#) by the Government Accountability Office. That [report](#) was about alarming incidences of [identity theft](#). The GAO [report](#) notes that the IRS is trying hard to centralize its efforts to authenticate taxpayers. On the good side, the IRS estimates it prevented \$24.2 billion in fraudulent identity theft refunds in 2013.

Still, the IRS actually paid out \$5.8 billion in fraudulent refunds that it realized were fraudulent only later. Also, there may be fraudulent refunds not included in these numbers. The IRS may never know just how many dollars of fraudulent refunds it has paid. And now for virtually every problem the IRS can trumpet the budget cuts that the agency say make many actions impossible.

Late last year, Congress slashed the IRS budget by \$346 million for 2015. The IRS's budget is now approximately \$10.9 billion, approximately \$1 billion less than in 2010. The Government Accountability Office report states that the government made \$124.7 billion in improper payments, a 17% increase over the prior year's \$105.8 billion.

The Obama administration and Congress have tried to crack down on improper payments. Agencies aim to document the number of improper payments they make each year through each specific program, as well as how much it costs the government. The IRS is wracked by budget cuts, and has all the usual tax season issues of seasonal employees and technical problems.

This year, it was made far worse by the enormous additional burdens of [implementing Obamacare](#), coupled with a sharp uptick in identity fraud filing problems. It's not a pretty picture. Government reports make clear that change is needed.

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