



Robert W. Wood

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Is IRS Matching Program Failing?

Before you get excited that I'm talking about the IRS failing to catch you if you received a Form 1099 but didn't report it, relax. There's no suggestion the IRS is failing to match up taxpayer Social Security numbers and payments. In fact, the IRS is very good at matching.

You might think that with the recent [repeal](#) of some Form 1099 rules, the inevitable march toward more and more information reporting is slowing. Nope. Every year, there are more and more Forms 1099 required, and information matching is more important than ever.

However, there's at least one respect in which the matching doesn't work. The [Treasury Inspector General for Tax Administration](#)—sometimes called TIGTA by tax nerds—has released a [report](#) noting that some taxpayer payments were improperly transferred to the excess collection file. In other words, this is money the IRS has received but isn't sure where to apply it. Hey, who should get credit for the payment?

Taxpayer payments that cannot be applied to the proper taxpayer account are transferred to a so-called [Excess Collection File](#) (XSF). The Treasury watchdog office reviewed a statistically valid random sample of 86 small-dollar cases with transfers between \$50,000 and \$100,000. As the figures below reveal, many payments couldn't be matched with taxpayers. And this isn't just for these supposedly small dollar cases.

In fact, at the other end of the spectrum, TIGTA reviewed another random sample of 66 large-dollar cases in which the transfer to the XSF was more than \$1 million. That's some serious money.

TIGTA determined that the documentation was not sufficient in 135 (96%) of 140 requests (12 cases were not reviewable). TIGTA estimates that requests were not properly documented for 729 taxpayers with credits totaling more than \$604 million transferred from their accounts into the XSF.

For more, see:

[Audit: Some payments to IRS being improperly transferred](#)

[Incorrect tax return? That won't compute](#)

*Robert W. Wood practices law with [Wood & Porter](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009, [Tax Institute](#)), he can be reached at wood@woodporter.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*