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**Watchdog Warns on Tax-Refund Delays Amid IRS Backlog Struggles**  
By Laura Davison  
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Watchdog Warns on Tax-Refund Delays Amid IRS Backlog Struggles

By Laura Davison 2021-03-24T14:48:11634-04:00  
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U.S. taxpayers face the risk of delayed refunds from the IRS in coming months as the agency struggles to work down a backlog of returns from last year, according to a watchdog report.

At the end of 2020, the Internal Revenue Service still had 11.7 million paper-filed individual and business returns that needed to be processed, the Treasury Inspector General for Tax Administration said in a report made public Wednesday. That backlog means some taxpayers have still not yet received their refunds from last year, and the delays "will continue to have a significant impact" on taxpayers, the report said.

"Of particular concern is the continued challenges in hiring sufficient staff needed to both continue to work backlog inventory and process Tax Year 2020 tax returns at the same time," the report said. "This could further affect taxpayers awaiting refunds and additional Recovery Rebate Credits associated with these Tax Year 2020 returns."

The IRS has not been able to keep pace with last year's refund issuance. The agency has processed about 16.7 million -- or 28% -- fewer of them as of March 12 compared with the same period in 2020, according to agency data.

Other delays have been logged in distributing the full \$1,200 or \$600 stimulus payments from last year's pandemic-relief bills. Those affected are able to claim the missing money on their tax returns this year.

#### 'Rejects' Backlog

This tax season has been one of the most consequential -- and chaotic -- in recent memory. In addition to the stimulus payments, Congress also passed a tax-law change earlier this month in the midst of the filing season that will allow as much as \$10,200 of unemployment benefits to be tax free. The IRS also delayed the filing deadline for personal tax returns to May 17 from April 15 to give people more time to submit their paperwork.

The watchdog predicted it will take the IRS until September to get through a backlog of rejected returns -- those that can't be processed, typically because of incomplete or missing information. As of late January, the IRS had almost 1.6 million returns in the rejects inventory, with more likely to be added during the current filing season, TIGTA said.

To process those returns, IRS examiners have to correspond with taxpayers to get the additional information they need. IRS Commissioner Charles Rettig has previously said many of the unprocessed returns from last year have been held up because the agency is waiting on responses from taxpayers.

--With assistance from Allyson Versprille.

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