

Unveiling the Power of Pre-Refund Verification: A Comprehensive Guide to Stronger Tax Administration

Executive Summary

In the ever-evolving landscape of tax administration, the Internal Revenue Service (IRS) has a pivotal role in ensuring compliance and safeguarding the integrity of the tax system. In this comprehensive report, the Government Accountability Office (GAO) delves into the IRS's Pre-Refund Verification Program, offering valuable insights and proposing innovative strategies to enhance its effectiveness.

Strengthening the Pre-Refund Verification Program

The Pre-Refund Verification Program is a cornerstone of the IRS's efforts to combat tax fraud and protect taxpayer funds. By verifying the accuracy of tax returns before refunds are issued, the IRS can prevent erroneous payments and identify fraudulent claims.



TAX FRAUD AND NONCOMPLIANCE: IRS Can Strengthen Pre-refund Verification and Explore More Uses (GAO - DOTreasury) by Robert Keller

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To strengthen the program, GAO recommends that the IRS:

- **Enhance data matching capabilities:** Leverage advanced data analytics and external data sources to improve the detection of mismatches and potential fraud.
- **Develop risk-based screening criteria:** Identify higher-risk returns based on specific characteristics or indicators, allowing for targeted verification efforts.
- **Streamline verification processes:** Automate and simplify verification procedures to reduce delays and improve efficiency.
- **Increase outreach and communication:** Educate taxpayers about the importance of the program and provide clear guidance on what to expect during the verification process.

Exploring Additional Uses of Pre-Refund Verification

Beyond its primary role in preventing erroneous refunds, the Pre-Refund Verification Program holds potential for additional uses that can enhance tax administration.

GAO proposes exploring the following possibilities:

- **Tax debt collection:** Identify taxpayers with outstanding tax liabilities and initiate collection efforts before refunds are issued.

- **Identity theft detection:** Use verification mechanisms to detect fraudulent returns filed using stolen taxpayer information.
- **Tax credit and payment eligibility:** Verify eligibility for tax credits and payments, such as the Earned Income Tax Credit, to ensure accurate payments.
- **Fraud risk assessment:** Utilize verification data to assess the overall risk of fraud within the tax system and inform policy decisions.

Key Observations and Recommendations

GAO's analysis of the Pre-Refund Verification Program yielded several key observations:

- The program is effective in preventing erroneous refunds, saving taxpayers billions of dollars annually.
- There is room for improvement in data matching capabilities and risk-based screening criteria.
- Additional uses of the program could further enhance tax administration and protect taxpayer funds.

Based on these observations, GAO recommends that the IRS:

- **Implement the recommended enhancements:** Strengthen the Pre-Refund Verification Program by incorporating the proposed strategies.

- **Explore the additional uses:** Evaluate the feasibility and potential benefits of using the program for tax debt collection, identity theft detection, and other purposes.
- **Monitor and evaluate progress:** Regularly assess the effectiveness of the program and make adjustments as needed to ensure its continued success.

The Pre-Refund Verification Program plays a crucial role in safeguarding taxpayer funds and promoting compliance within the tax system. By strengthening the program and exploring additional uses, the IRS can further enhance its effectiveness and contribute to a more equitable and efficient tax administration.

GAO's recommendations provide a roadmap for the IRS to take the Pre-Refund Verification Program to the next level, delivering greater benefits to taxpayers and the nation as a whole.



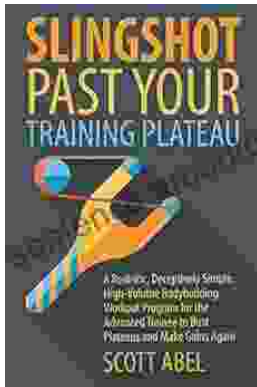
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