

Oh my aching backlog: What tax pros tell clients about IRS delays

By [Jeff Stimpson](#) August 24, 2021, 9:00 a.m.

Many clients still have two questions: “Where’s my federal refund?” swiftly followed by, “Well, why haven’t they processed my return?”

“I’ve informed my clients of the backlog with the tax agencies. So my clients know that processing times are going to take much longer than normal,” said Robert Seltzer, a CPA at Seltzer Business Management in Los Angeles. “All we can do is check every couple months to get a status update.”

“We have many clients waiting a long time for their tax refunds, especially those who had to file an amended and/or paper returns,” said Gail Rosen, a CPA in Martinsville, New Jersey.

Manasa Nadig, an Enrolled Agent and owner at MN Tax and Business Services and a partner at Harris Nadig in Canton, Michigan, reports that a few of her clients are waiting for their federal return to be processed.

“One of them has been waiting since February. I and they have called the IRS, wait times on the [Practitioner Priority Service] line are notoriously long and most times you are kicked off the queue. Clients have reported similar problems,” Nadig said. “I’m not sure if the Taxpayer Advocate Service will help in this, but it is worth a shot.”

No time to adjust

The National Taxpayer Advocate’s midyear report to Congress, though lauding the Internal Revenue Service for the timely processing of most returns and issuing of most Economic Impact Payments despite the challenges of last season, also [pointed to problems](#); among them, a backlog of almost 17 million paper returns waiting to be processed.

At the end of the 2021 filing season, the IRS still had over 35 million individual and business tax returns requiring manual processing, meaning employee involvement is generally required before a return can advance to the next stage in the processing pipeline, the Taxpayer Advocate added. Unprocessed paper returns account for almost half the manual processing; returns suspended during processing account for the other half.

“With the Dec. 27, 2020, legislation, the IRS did not have time to adjust its systems for the 2021 filing season allowing the 2019 earnings to be systemically verified,” the Taxpayer Advocate said in [its report](#). “The IRS had to manually verify those returns where the taxpayer elected to use 2019 earned income to claim the EITC or the ACTC. Unlike prior years, the IRS had to deal with a large volume of returns requiring manual reviews.”

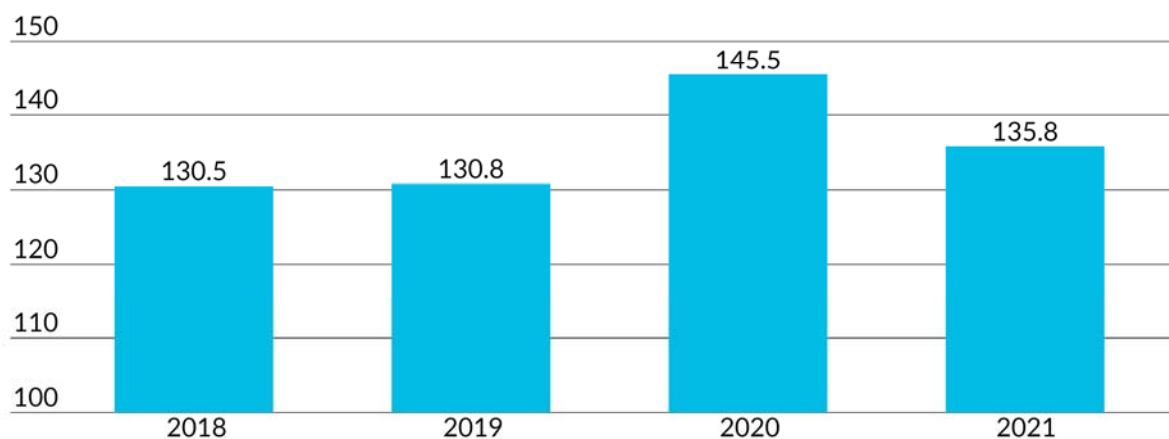
“According to the IRS website, as of July 31, there were approximately 13.8 million unprocessed individual income tax returns. This is down from 15.6 million as of July 17, so the backlog is being chipped away slowly but surely,” said James McGrory, a CPA and shareholder at Drucker & Scaccetti in Philadelphia.

“The backlog was initially caused since the IRS was forced to shut down during the pandemic. Then the IRS had to implement new tax initiatives including distributing three rounds of stimulus checks,” Rosen said. “The good news is that the IRS is required to pay interest to those who received their tax refunds late.”

“One amended return took about a year and half for our client to receive their refund,” Seltzer added.

A major decline

Individual income tax returns processed by Tax Day, in millions



Source: Taxpayer Advocate Service

‘The next millennium’

Clients are, of course, sometimes unfamiliar with why refunds might be delayed: an incomplete or erroneous return has errors; a flag of ID theft or fraud; the presence of an 8379; or even just claiming the EITC or the AOTC. Preparers are nevertheless left on the front lines of calming down taxpayers.

One problem for clients in this situation is the IRS kicking out computer-generated notices that don’t seem to correlate with what’s happening with the backlog. “In recent conversations we have had with the IRS,” McGrory said, “we learned that the tax returns for certain clients which had been electronically filed and accepted were being reported in the IRS computer system as having been unfiled [and] generating notices to this effect.”

Brian Stoner, a CPA in Burbank, California, reports that his clients' returns aren't held up in processing but those clients are awaiting refunds.

"I explained the refunds were delayed because they were owed stimulus and we applied for the Recovery Rebate Credit and the IRS is taking forever to process and confirm the credit allowed versus the credit we calculated," Stoner said. "Or delayed because we had to file a paper return and that extends the processing time — probably to the next millennium."

Some 15.8 million returns were suspended by the IRS during processing and required further review, the NTA's report said, while 2.7 million amended returns are awaiting processing, largely as a result of the pandemic-related evacuation order that restricted employee access to IRS facilities.

The IRS did process 136 million individual income tax returns and issue 96 million refunds totaling about \$270 billion during the 2021 filing season — closely matching the results of the last typical filing season in 2019, the NTA's report said.

But Congress also gave the IRS the task of issuing three rounds of stimulus payments, and it has made about 475 million payments worth \$807 billion to mitigate the impact of the pandemic on U.S. families and businesses.

(The Taxpayer Advocate did recommend that tax practitioners be given access to online accounts on behalf of their clients and that the IRS prioritize providing such a service to practitioners.)

Another wrinkle, according to the NTA: Despite most eligible taxpayers receiving their EIPs quickly, about 8 million potentially eligible taxpayers had not received their first EIP as of January 2021. Taxpayers who didn't receive the first or second rounds of EIP, or who received only a portion of the amount, claimed the missing funds as a recovery rebate credit on their 2020 return. If the amount claimed as the RRC contradicted IRS records, the federal return was snagged for verification.

Whatever the snag, while the economy recovers slowly for some who depend on their refund, the best advice seems to boil down to two words.

"Even with calling the IRS, there doesn't appear to be a way to speed up the process," McGrory said. "The best advice we can give clients is to promptly respond to any notices from the IRS — and be patient."