

Enforcement

INFORMATION REPORTING AND VERIFICATION

The IRS uses tools other than examinations to identify and resolve taxpayer errors. In addition to receiving taxpayers' self-reported income and tax on those tax returns that are filed, the IRS receives independent information about income received and taxes withheld on information returns, such as Forms W-2 and 1099 from employers and other third parties. With its Automated Underreporter Program, the IRS matches these information returns to tax returns and contacts taxpayers to resolve discrepancies. In the Automated Substitute for Return Program, IRS uses information returns to identify persons who failed to file a return, constructs tax returns for certain nonfilers based on that third-party information, and assesses tax, interest, and penalties based on the substitute returns. Table 14 provides information about these programs.

During the routine processing of tax returns, the IRS also checks for mathematical and clerical errors before refunds are paid. Table 15 shows the types of errors made on Tax Year 2005 returns processed during Calendar Year 2006.