System for Dealing with Unidentified Payments Needs Improvement

Cross References

- TIGTA Report Number: 2026-400-024, May 21, 2026

The IRS receives trillions of dollars in federal tax revenue annually via cash, paper, or electronic payments.

Missing or incomplete payment information (e.g., the check or money order does not include the taxpayer's name, identification number, form type, or tax period) can impact the IRS's ability to apply payments to the correct taxpayer account.

The Treasury Inspector General for Tax Administration (TIGTA) recently performed an audit to determine the effectiveness of the IRS's efforts to identify and resolve missing and misapplied payments.

As of December 2025, the IRS reported that it received more than 302.6 million payments totaling over $5.4 trillion in Calendar Year 2025. Of the total, there were approximately 41.4 million paper payments and 261.2 million electronic payments.

If taxpayers contact the IRS because their payment is missing, and the IRS employee receiving their inquiry cannot locate the payment, their case will be sent to one of the three Accounting Operations within the IRS Tax Processing Centers. This process is referred to as a "hardcore payment tracer. "

A March 2025 executive order mandated all payments to and from the federal government be electronic. Increasing the use of electronic payments will reduce or eliminate the factors that contribute to paper-based unidentified payments. However, taxpayer errors, such as transposed bank account numbers, can still occur with electronic payments.

What TIGTA found. For Fiscal Years 2022 through 2024, the IRS had approximately $3.2 billion in unidentified payments. They successfully applied $2.3 billion to taxpayer accounts. However, program management controls are not sufficient to assess unidentified payment and hardcore payment tracer referral program effectiveness (i.e., timeliness and evaluative metrics associated with receipts, rejections, closures).

For example, the unidentified payment inventory is not centrally managed in a case management system. Rather, the IRS manages unidentified payments as three separate inventories through each Tax Processing Center's accounting system. Additionally, unidentified payments are assigned and monitored manually. Therefore, the IRS does not have the ability to efficiently evaluate program results, such as the timeliness of case resolution.

The IRS also does not distribute the inventory of work at its Tax Processing Centers based on available resources. For example, the Unidentified Remittance unit in the Ogden, Utah Tax Processing Center had the same number of staff as the Kansas City, Missouri Tax Processing Center. However, Ogden accounted for 40 percent of unidentified payment inventory compared to 11 percent in Kansas City.

TIGTA also identified inefficiencies in the handling of hardcore payment tracers. Three Accounting Operations track these requests manually in spreadsheets and handle inventory management inconsistently across the operations. Inefficiencies in resolving these payments can increase the burden on taxpayers and result in additional taxpayer calls, letters, and visits to the IRS. Implementing an electronic case management system would enable the IRS to:

- Oversee and evaluate unidentified payment and hardcore payment tracer inventories.
- Create consistency and reduce employee error in case documentation.
- Enable the IRS to work electronic case files.

What TIGTA recommended. TIGTA recommended that the IRS:

- Develop an electronic case management system and associated internal controls to collectively manage inventory streams across the IRS's Accounting Operations,
- Develop an interim process to track hardcore payment tracers until an electronic case management system is established, and
- Establish evaluative metrics to help assess the efficiency and effectiveness of the IRS's processes to identify and address unidentified payments and hardcore payment tracers.

The IRS agreed with all recommendations and implemented an interim process for tracking hardcore payment tracers until a system is established.

Author's Comment

The report states that a paper check or money order that does not include the taxpayer's name, identification number, form type, or tax period can result in an unidentified payment. The report makes no mention of whether this is true if a paper check is accompanied by a payment voucher that includes the taxpayer's name, identification number, form type, and tax period. Presumably, this would not be a problem unless the paper check gets separated from the payment voucher prior to being processed.