

**IRS actions are a warning to taxpayers who would abuse the first-time homebuyer credit [GAO-10-349]:** IRS has taken strong strides to mitigate the abuse of provisions of the American Recovery and Reinvestment Act of 2009 (ARRA) related to the first-time homebuyer credit (FTHBC), the Government Accountability Office (GAO) said in a report released on Feb. 10. According to GAO, as of Feb. 1, IRS had frozen some 140,000 refunds pending civil or criminal examination. In addition, as of Dec. 2, 2009, the agency had identified 175 “criminal schemes” and had 123 criminal investigations open. “Although IRS addressed some challenges with the FTHBC in these ways, it still needs to finalize a way to identify individuals who fail to report home sales and might be required to repay part of the credit because their homes ceased to be their principal places of residence within 3 years of purchase,” GAO said. The report found that IRS had not taken definitive action to ensure that employers stop claiming the credit for COBRA (Consolidated Omnibus Budget Reconciliation Act) premium subsidies when former employees lose their eligibility. “A cost-effective option to help IRS with unresolved compliance issues exists—expanding a planned project to determine if employers are claiming the subsidies for longer than allowed,” the report said. “If they are, IRS could send all employers letters reminding them of their obligations and urging them to correct any errors they have made,” it added. GAO praised IRS for responding quickly to the challenges posed by the 54 tax-related provisions of the ARRA. Some of those provisions affected the 2009 filing season, with the bulk affecting the 2010 and 2011 filing seasons. Within six months of the ARRA's enactment, the agency had issued guidance or instructions for more than 80% of the provisions, the report noted. “However, responding quickly entailed trade-offs, such as not making some computer changes to collect data, and subsequent improvements were required,” GAO said. The full report is available at <http://www.gao.gov/new.items/d10349.pdf>.