



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 7, 2017

Ms. Nonie Manion
Executive Deputy Commissioner
Department of Taxation and Finance
William A. Harriman State Campus
Building 9, Room 217
Albany, NY 12227

Re: Report 2016-1A-001

Dear Ms. Manion:

This report summarizes the findings resulting from our Office's examination¹ of Department of Taxation and Finance (Department) personal income tax refunds processed during the calendar year January 1, 2016 through December 31, 2016. The objective of our examination was to determine whether refunds approved by the Department for payment were appropriate and processed in accordance with applicable New York State tax laws and regulations.

During our examination period, the Department submitted 7.6 million refunds totaling \$9.6 billion. From this population, we examined 29,136 refunds totaling \$571.1 million. We returned 12,335 questionable refunds totaling about \$43.9 million to the Department for follow up evaluation and appropriate action (see Attachment A). We recognize the Department's own efforts to identify and stop inappropriate refunds and look forward to our continued collaborative relationship.

We thank the management and staff of the New York State Department of Taxation and Finance for the courtesies and cooperation extended to our auditors.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

cc: Ed Chaszczewski, Deputy Commissioner
James Brunt, Director of Internal Audit
Joseph Carzo, Director of Audit Division
Diane Rynski, Director of Personal Income Tax

¹ We performed our examination in accordance with the State Comptroller's authority set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

**Questionable Refunds Returned to Department of Taxation and Finance
January 1, 2016 through December 31, 2016**

Reason for Stopping Refunds	Refunds	
	Number	Dollars
Taxpayer claimed ineligible refundable credits (e.g., fake or inflated number of dependents or understated income)	9,875	\$ 32,144,145
Tax preparer submitted returns with refundable credits based on incorrect information	1,468	4,803,844
Taxpayer failed to claim correct income	604	4,389,218
Other	235	2,154,774
Taxpayer claimed incorrect wages and withholding tax	98	180,448
Taxpayer had questionable itemized deductions	55	267,850
Total Refunds Stopped	12,335	\$ 43,940,279