

# **Barcode Automation for Revenue Collection to Organize Disbursement and Enhance (BARCODE) Efficiency Act of 2025**

**Sponsored by Senators Young & Warnock**

While the use of e-filing has grown exponentially over the past few decades, millions of taxpayers choose to file their returns each year on paper. The IRS is consistently overburdened by the significant amount of paper returns, often leading to extensive backlogs, processing lags, and delays in the distribution of refunds to taxpayers. Congress has looked for ways to improve the processing of paper returns in order to get refunds out the door more efficiently and conserve IRS resources. Today, there are two leading technologies that the IRS could implement to more efficiently process paper returns—2-D barcoding and optical character recognition (OCR). The National Taxpayer Advocate and the Government Accountability Office (GAO) have both previously called on Congress to require returns which are prepared electronically to include a scannable 2-D barcode that the IRS can scan and convert the return information to a digital format to more efficiently process paper returns. 2-D barcode technology has been used by more than a dozen state tax agencies for at least two decades and has been proven to be effective in accelerating the processing of tax returns.

Over the years, the IRS and Congress have deliberated how to best implement 2-D barcoding technology, but a solution never was fully realized. In recent years, the IRS moved forward with piloting OCR technology with encouraging results. With approximately 50 to 60 percent of paper returns being prepared electronically according to the Taxpayer Advocate Service (TAS), there is still great value in 2-D barcoding technology as this has been found to be the most accurate way to convert forms to digital (near 100 percent accuracy). That said, there are situations where 2-D barcoding would not work best and another technology, such as OCR, could be implemented to better process returns—including when the taxpayer made handwritten edits to an electronically prepared form, or where the barcode is misprinted, smudged, or otherwise unreadable by scanning.

Both 2-D barcoding and OCR scanning technologies have respective advantages and disadvantages. For example, OCR has slightly less accuracy than 2-D barcoding due to situations where handwriting may be misread by OCR, however, OCR can read *all* paper returns, not just those prepared electronically. In the end, OCR technology is still likely more accurate and efficient than manual transcription by an IRS employee. These two technologies can complement each other to improve the processing of paper returns.

## **Legislation**

To improve the processing of paper returns, conserve IRS resources, save time, and minimize processing errors, this legislation would:

- **Require 2-D barcodes on returns which are filed on paper and prepared electronically.**
- **Require the IRS to use 2-D barcoding technology to transcribe returns which are filed on paper and prepared electronically**, with noted exceptions below.
- **Require the use of OCR or any functionally similar technology** where a return is not prepared with software or if a barcode cannot be read.
- **Include an exception that allows for flexibility** if it is determined that using technology to transcribe a return is slower or less reliable than manual transcription, or if there is a faster or more accurate technology available for IRS use. This ensures the IRS would utilize future technological advancements.

The archaic, manual transcription process the IRS uses to process paper returns today results in substantial delays and imposes significant costs on the IRS. The IRS has been making progress to more efficiently process paper returns and clear the backlog, and this bill aligns with the agency's focus to continue modernizing processing protocols. The BARCODE Efficiency Act of 2025 was included as section 101 of the Crapo-Wyden Taxpayer Assistance and Service Act [discussion draft](#), released on January 30, 2025.