



Internal Revenue Service

The IRS is transforming to become more helpful, efficient and effective

FY 2023-2031

The IRS Mission

“Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all”

A cornerstone of our government and economy

By ensuring taxpayers pay what they owe and receive the credits and deductions for which they are eligible, the IRS both collects funds to run the government, and administers economic incentives pursuant to laws enacted by Congress.



IRS collects about \$4.9 trillion per year, roughly 96% of the nation's gross revenue

The tax law includes more than 150 credits, deductions and other tax preferences which the IRS administers

Unmet taxpayer needs from underinvestment

The IRS budget decreased 22% in real terms since 2010¹ and staffing levels are nearly identical to those in 1974.

A shrinking workforce has made it more difficult for taxpayers to get the service they deserve

For 35 years, IRS staffing increases remained relatively consistent with GDP growth. But since 1995, real GDP has increased by 76% while IRS staffing fell by 32%



- **Taxpayers struggle to reach us:** We answered only 19% of calls in FY2022, with a 22-minute average wait time
- **Taxpayers struggle to get it right:** We sent 13 million math error notices, and 21% of eligible taxpayers didn't claim the EITC in 2021

Outdated technology slows down internal processes and makes it hard to meet taxpayer expectations

The IRS has been forced to freeze technology investment while large financial institutions have steadily increased theirs



- **Slow processing and inventory backlog:** 4.6 million returns waiting to be processed in January 2022
- **Limited digital filing options:** 93% of taxpayers prefer e-filing, but 22% of filings were still submitted on paper in 2021

Increasingly complex tax administration and limited enforcement ability lead to growing tax gap

Taxpayer segments more likely to have opaque sources of income have grown. While total return filings increased by 13% from 2010-2021, filings by passthrough entities increased by 26%



- **Minimal enforcement in priority segments:** The IRS audited 4.4% of passthrough entity returns for tax year 2010, but only 0.1% for tax year 2017,² and audit rates have continued to decrease
- **Growing tax gap:** About \$540 billion in 2017-2019, and is expected to increase if status quo is maintained

1. After accounting for inflationary increases and mandatory pay raises
2. Most recent Tax Year with nearly all audits closed

Our vision for taxpayers

As we move forward, we will be more oriented towards helping taxpayers get things right.

We will make it easier for taxpayers to meet their tax responsibilities and receive tax incentives for which they are eligible. We will adopt a customer-centric approach that dedicates more resources to helping taxpayers get it right the first time, while addressing issues in the simplest ways appropriate. We will appropriately address noncompliance, using data and analytics to expand enforcement in certain segments.¹ We will become an employer of choice across government and industry. These changes will enable us to serve all taxpayers more equitably and in the ways they want to be served.

1. There will be no increase in audit rates relative to historic levels for small businesses and households earning \$400,000 or less annually

Tax administration of the future

A world class customer service operation where taxpayers can engage with the IRS in a fully digital manner if they choose, where helpful tools for taxpayers to navigate the complexity of our tax laws are deployed and then refreshed and updated regularly based on taxpayer feedback, and where our customer service workforce is maintained at the right size and with the right resources and training to always be ready to meet the taxpayer demand for assistance.

New capacities, including specialized skills, in place to unpack the complex filings of high income taxpayers and large corporations and partnerships so Americans have confidence that all taxpayers, regardless of means, are doing their part to meet their responsibilities under our tax laws.

An organization and infrastructure rooted in modern technology that provides taxpayers increased confidence that data is secure and that we are prepared to more rapidly meet new requirements or responsibilities that may emerge in the future.

The IRS has already made tangible progress

While the IRS plans for the longer term, it is delivering results for taxpayers today. The IRS has recently¹ taken a range of actions to assist taxpayers, including:



Improved customer service experience

Hired over 5,000 new customer service representatives to process correspondence and answer phone inquiries and provided a customer callback option for 75% of calls to IRS live assistance toll-free telephone lines, with plans to expand coverage to 95% by July 2023



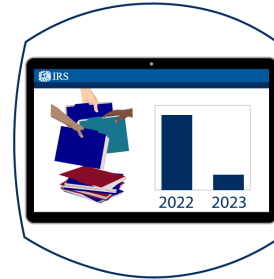
Increased digital filing options

Launched option giving taxpayers the option to respond and upload documents electronically in response to a range of IRS notices



Enabled more convenient refund options

Enabled direct-deposit refunds for 1040X (amended) returns in February 2023; previously, these refunds were solely issued as paper checks



Reduced inventory

Reduced the inventory of original individual returns from 4.6 million waiting to be processed in January 2022 to pre-pandemic levels between 400,000 and 1 million in January 2023



Began redesigning IRS hiring and onboarding

Created a team to rapidly increase hiring and onboarding speed and capacity

1. Above figures and timeframes accurate as of February 2023

Five objectives to transform our service to taxpayers

Objective 1

Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible

Objective 2

Quickly resolve taxpayer issues when they arise

Objective 3

Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap

Objective 4

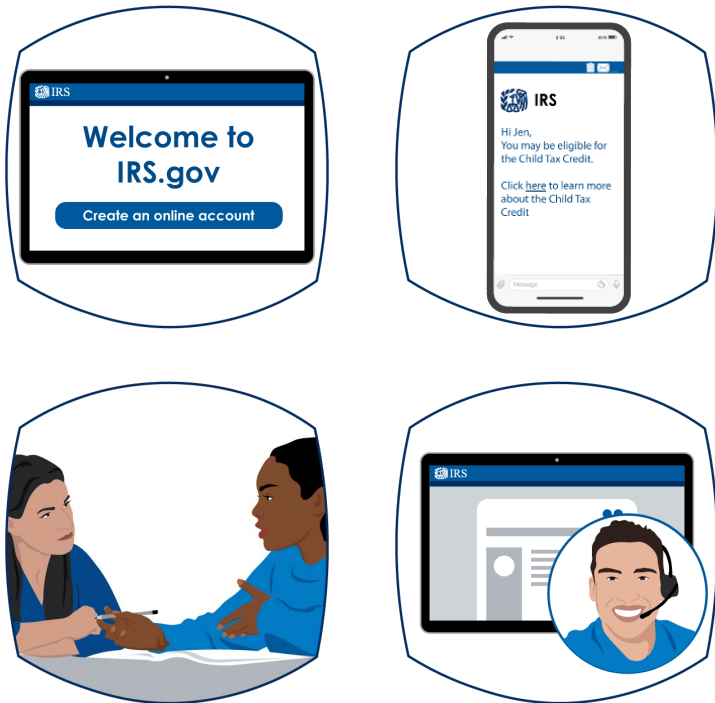
Deliver cutting-edge technology, data, and analytics to operate more effectively

Objective 5

Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers

We will reshape the taxpayer experience to make it more convenient and easier to understand

The way taxpayers engage with the IRS of the future will look different.



- ✓ **Taxpayers will have easy access** to their data and tools to help them use it
- ✓ **They will find it easier to interact with us** via electronic filing and communication options
- ✓ **We will provide more education, outreach, and proactive alerts** to help taxpayers meet obligations and claim appropriate credits and deductions
- ✓ **We will use a holistic approach** to help taxpayers meet their tax obligations and receive credits and tax incentives due
- ✓ **Employees will have the tools and information necessary** to quickly and effectively meet the needs of taxpayers
- ✓ **Taxpayers will be able to interact with us in the ways they prefer**, including expanded online accounts and phone, in-person, and chat assistance

Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible

- 1.1 Improve the availability and accessibility of customer service:** Taxpayers will be able to receive on-demand customer service or schedule service ahead of time
- 1.2 Expand digital services and digitalization:** Taxpayers will be able to file all documents securely and exchange correspondence electronically
- 1.3 Ensure employees have the right tools:** Employees will have the right tools and information to quickly and effectively meet the needs of taxpayers
- 1.4 Improve self-service options:** Taxpayers will have access to secure online accounts where they can view their account and profile information, make changes, interact with the IRS, and manage preferences for payments, refunds, and communications
- 1.5 Explore direct file:** The IRS will explore providing taxpayers the option to file certain tax returns directly with the IRS online
- 1.6 Enable taxpayers to access their data:** Taxpayers will be able to access, download, and seamlessly share their tax data and IRS history
- 1.7 Provide earlier legal certainty:** Taxpayers will have greater upfront clarity and certainty through additional guidance on tax issues
- 1.8 Deliver proactive alerts:** Taxpayers will be able to receive alerts to help them meet filing and payment obligations, understand opportunities to claim certain incentives and learn about life changes that could impact their taxes
- 1.9 Help taxpayers understand and claim appropriate credits and deductions:** Taxpayers, including individuals and small businesses, will receive education and assistance in claiming available incentives
- 1.10 Make payments easy:** Taxpayers will be able to make payments more easily and seamlessly through all service channels
- 1.11 Build status tracking tools for taxpayers:** Taxpayers will be able to use new status tracking tools to see real-time status updates, next steps, and estimated time to process documents and resolve issues
- 1.12 Streamline multichannel customer assistance:** Taxpayers will be able to quickly, securely, and accessibly get the help they need, resolve more issues in a single contact, and experience minimal delays during interactions with us

Dramatically Improve Service: Indicators of Success

- ✓ Increased service levels
- ✓ Increased taxpayer service options and increased access to, and accessibility of, those options
- ✓ Decreased filing burdens for taxpayers
- ✓ Wider array of digital options to help taxpayers and tax professionals interact with the IRS and have a more seamless customer experience
- ✓ Decreased percentage of returns filed with math errors or errors related to third-party information reported to the IRS
- ✓ Decreased difference between credits and deductions available versus those claimed, as well as fewer inadvertent errors and improper payments
- ✓ Higher proportion of taxpayers satisfied with the filing process
- ✓ Increased taxpayer satisfaction with IRS interactions and service
- ✓ Higher proportion of paperless processes and systems throughout the IRS, from intake to processing

When taxpayers make filing errors, they will hear from us faster with clear, accessible ways to resolve issues

The IRS will interact with taxpayers with greater transparency about the mistakes it finds and will give taxpayers manageable ways to correct those mistakes quickly and completely.



Installment agreement offered
to a taxpayer unable to pay taxes at time of filing

Educate
underserved taxpayers on how to correct issues in filed returns

Inquiry
for potential misreporting

Notice
to eligible individual who may have missed a credit

Pre-filing programs offered
for tax certainty programs

Digital alerts
for simple mistakes

Examples are illustrative

Objective 2

Quickly resolve taxpayer issues when they arise

- 2.1 Identify issues during filing:** The IRS will send taxpayers notifications about potential issues as they file returns to help them correct errors and claim credits and deductions
- 2.2 Deliver early and appropriate treatments for issues:** The IRS will provide taxpayers with timely and tailored post-filing treatments to resolve issues and omissions on their tax returns
- 2.3 Develop taxpayer-centric notices:** The IRS will send taxpayers notices they can understand, delivered in ways they prefer, with clear explanations of issues and steps to resolution
- 2.4 Expand tax certainty and issue resolution programs:** Taxpayers will be able to resolve potential compliance issues up front through expanded pre-filing and tax certainty programs
- 2.5 Offer proactive debt resolutions:** The IRS will proactively offer taxpayers appropriate options for past-due payment resolution
- 2.6 Expand engagement with non-filers:** The IRS will provide early, tailored outreach to taxpayers who do not file on time
- 2.7 Use improved data and analytics to tailor timely collections contacts:** The IRS will provide early, tailored contacts to all taxpayers with past-due balances, and only escalate to more intensive treatments when appropriate

Quickly Resolve Issues: Indicators of Success

- ✓ Increased notice response rate
- ✓ Decreased repeat noncompliance rate
- ✓ Increased share of credits and deductions claimed by those who are eligible
- ✓ Decreased average days between return filing and contacting taxpayers with issues
- ✓ Faster resolution of compliance issues after filing
- ✓ For taxpayers with the ability to pay, increased percentage of new balance-due cases closed within one year of assessment

Improved enforcement will devote more resources to high-dollar noncompliance to address the tax gap

We will use data more effectively to save the time and expense of examinations for compliant taxpayers. We will also use the least onerous interventions to collect outstanding payments.

Tailor the solution to the taxpayer

Use risk analytics to tailor treatments



Proceed with most effective and least burdensome approach appropriate for each taxpayer



Swiftly identify and appropriately resolve non-compliance

Objective 3

Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap

- 3.1** **Employ centralized, analytics-driven, risk-based methods to aid in the selection of compliance cases:** The IRS will use improved analytics to aid in the selection of cases predicted to be at risk of noncompliance, choosing enforcement treatments that maximize opportunities to improve and sustain taxpayer compliance while ensuring fairness in selection
- 3.2** **Expand enforcement for large corporations:** The IRS will increase enforcement activities to help ensure tax compliance of large corporate taxpayers
- 3.3** **Expand enforcement for large partnerships:** The IRS will increase enforcement activities to help ensure tax compliance of large partnerships
- 3.4** **Expand enforcement for high-income and high-wealth individuals:** The IRS will increase enforcement activities to help ensure tax compliance of high-income and high-wealth individuals
- 3.5** **Expand enforcement in areas where audit coverage has declined to levels that erode voluntary compliance:** The IRS will increase enforcement activities in other key areas where audit coverage has declined while complying with Treasury's directive not to increase audit rates relative to historic levels for small businesses and households earning \$400,000 per year or less
- 3.6** **Pursue appropriate enforcement for complex, high-risk, and emerging issues:** The IRS will enhance detection of noncompliance and increase enforcement activities for complex, high-risk, and novel emerging issues, including digital assets, listed transactions, and certain international issues
- 3.7** **Promote fairness in enforcement activities:** The IRS will help promote fairness for all taxpayers by addressing noncompliance appropriately in a balanced manner

Expanded Enforcement: Indicators of Success

- ✓ Decreased repeat noncompliance rates
- ✓ Decreased enforcement contact with the IRS for compliant taxpayers
- ✓ Appropriate compliance activities for priority segments that are sufficient to achieve voluntary compliance
- ✓ Decreased tax gap relative to the gap without the resources provided by the IRA

The IRS will transition to a different mix of workforce skills and capabilities to meet transformation objectives

The IRS will attract broad and more diverse talent who are motivated by our mission and the opportunity for service.

Who does the work

Types of skills

Technologists, data scientists, technical tax experts and specialists, customer service, project management

Types of workers

Full-time and part-time employees, independent workers, temporary workers, workers on rotation, interns/fellows

When and where we work

Schedules and locations

Flexible policies to allow us to compete for the best talent, including flexible schedules and locations, while effectively meeting business needs

How we work

Tools

Automation, integrated systems, advanced analytics

Mindsets

Data-driven, cross-functional collaboration, customer-first, problem solving

Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers

- 5.1 Redesign hiring and onboarding:** The IRS will implement fast, streamlined hiring processes that address challenges known today, use data to match candidates to the right jobs, and deliver more effective onboarding programs
- 5.2 Attract a talented and diverse workforce:** The IRS will build new talent pipelines and attract a workforce that reflects the diversity of the people we serve
- 5.3 Improve the employee experience:** The IRS will improve the employee experience by offering more flexibility, building a more collaborative team culture, and better equipping personnel
- 5.4 Help employees grow and develop:** The IRS will deliver growth and learning opportunities by developing attractive career pathways for all employees, integrating training and skill-building, and better equipping managers to lead high-performing teams
- 5.5 Develop a data-savvy workforce:** The IRS will create hiring and training programs to build a data-savvy workforce that uses the improved data environment to serve taxpayers and meet mission goals more effectively
- 5.6 Elevate workforce planning strategy:** The IRS will leverage workforce planning best practices to forecast and meet hiring demand more effectively to avoid disruption and satisfy business needs
- 5.7 Improve organizational structures and governance:** The IRS will implement new organizational structures and distributed and transparent decision processes to support more collaborative, effective, and efficient tax administration
- 5.8 Build a culture of service and continuous improvement:** The IRS will build a customer-centric culture by empowering employees and leaders to put the customer first and rewarding outstanding service

Attract & Empower Employees: Indicators of Success

Increased proficiency across the workforce in critical skills, such as technology, data analytics, inclusive leadership, and knowledge of tax administration

- ✓ Increased employee retention, engagement and developmental opportunities
- ✓ Increased number of qualified applicants and quality of hires
- ✓ Increased headcount that reflects future mission staffing requirements
- ✓ Decreased time-to-hire

✓ Expanded opportunities for employee developmental opportunities, including increased training, internal and external rotational assignments, coaching and mentoring

✓ Workforce composition that more closely reflects the taxpayers we serve, including an increased demographic representation of historically underrepresented and underserved communities at each level and segment of the IRS

✓ Increased agility and flexibility, moving staff to align with business needs

We will know we succeeded through these transformative outcomes

In addition to indicators of success for each objective of the transformation, and key performance indicators for each initiative, high level success will look like:

1 World-class service experience
Improved customer satisfaction metrics

2 Digital-first organization
Digital options for all taxpayer interactions with the IRS, alongside the continued option for taxpayers to interact in their preferred mode, such as phone or in person

3 Improved take-up of tax incentives by eligible taxpayers
Increased eligible participation rate of credits and deductions, as well as decrease in inadvertent errors and improper payments

4 Effective enforcement
Reduce the gap between taxes owed and paid

5 Employer of choice within government and industry
Improved Federal Employee Viewpoint Survey results

We will invest in technology to make our operations more effective and efficient for employees and taxpayers

Enhanced data and technology will benefit IRS employees and taxpayers.



Taxpayers will have the tools they need to access their data and self-serve via online accounts

Employees will have the systems, technology, and access to data they need to effectively serve taxpayers

Objective 4

Deliver cutting-edge technology, data and analytics to operate more effectively

- 4.1 Transform core account data and processing:** The IRS will modernize the systems used to access and process taxpayer data
- 4.2 Accelerate technology delivery:** The IRS will deliver faster and better results by accelerating design, development, and delivery of user-centered technology by shifting to a “product and platform” operating model that incorporates business and technology perspectives
- 4.3 Improve technology operations:** The IRS will enhance core technology processes and platforms to support the delivery of expanded capabilities for taxpayers and employees
- 4.4 Continue to ensure data security:** The IRS will continue to protect taxpayer data and IRS systems from cyber threats as we transform
- 4.5 Maximize data utility:** The IRS will improve the storage and management of data to support improved taxpayer services and enforcement
- 4.6 Apply enhanced analytics capabilities to improve tax administration:** IRS employees will use data and insights to enhance delivery of tax administration and improve the taxpayer experience
- 4.7 Strategically use data to improve tax administration:** The IRS will use enhanced data and explore additional innovative analytic techniques to improve strategic planning, decision-making, and compliance measurement
- 4.8 Partner to expand insights:** The IRS will engage with external partners to develop new insights to generate value for taxpayers and policymakers

Operate Mode Effectively: Indicators of Success

- ✓ Faster issue resolution for taxpayers as a result of better data storage and access
- ✓ Improved abilities to detect and address noncompliance
- ✓ Data and methodology to measure and reduce the gap between taxpayer uptake and taxpayer eligibility for credits and deductions, as well as to reduce inadvertent errors and prevent fraud
- ✓ Expanded detail and better ability to capture emerging issues in tax gap measurement
- ✓ Expanded use of analytics to inform tax administration and improve data management and governance throughout the organization
- ✓ Faster changes in technology, including adding features that help the IRS respond more quickly to legislative and internal changes and deliver new functionality to taxpayers more rapidly
- ✓ Consolidated total core systems into fewer applications in large domains, advancing our mission to centralize data and improve access to operational and taxpayer account information

