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IRA STRATEGIC OPERATING PLAN

ANNUAL UPDATE SUPPLEMENT

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Message from the Commissioner of Internal Revenue Service



This is a historic time at the IRS. As laid out in our Strategic Operating Plan, our vision for a transformed IRS is that:

- All taxpayers can meet all of their responsibilities, including all interactions with the IRS, in a completely digital manner if they prefer
- Noncompliant taxpayers, in particular the largest and most complex filers, pay what they owe because the IRS has the workforce and advanced technology needed to enforce fairness in the tax system and narrow the tax gap

You will see in this document that we have made tremendous progress toward realizing the goals of the plan, and work continues to accelerate.

We have made fundamental changes that have improved taxpayer services, brought new fairness to compliance efforts, and launched important changes to our technology. We are making a difference to taxpayers and the nation, and the improvements at the IRS are just beginning.

The changes outlined in this report are a stark contrast to the years of under-funding that deteriorated taxpayer service and tax enforcement, frustrating taxpayers, the tax community and IRS employees alike. The funding provided by the Inflation Reduction Act (IRA) in August 2022 creates a unique opportunity to realize a future of tax administration that meets the evolving needs of taxpayers. This opportunity is important for the future of the IRS, the nation, and especially the taxpayers we serve.

The IRA provides the IRS with tens of billions of dollars during the next decade to significantly improve the way we serve the public, ensure fair enforcement of tax law, and generate the revenue needed to fund our country's vital activities. This funding enables the IRS to make meaningful investments in our employees and technology. We are transforming the American tax administration system into one that is modern, capable of adapting to this digital age, and serving the evolving needs of the taxpayers of our great nation.

As I consider the world in which we live and what we expect to do digitally—on our phones and tablets, without paper, from wherever we are in the world—I have come to realize that the modernization of the IRS is a generational imperative. And, ensuring that the IRS stays on pace with an ever-increasing digital world is just part of what we hope to achieve. Our race to catch up with the modern economy, if we can complete it with sustained funding, will unlock three critical results:

- It unlocks our ability to ensure access, engage in communities and make tax administration work better;
- It unlocks our ability to increase accountability for those that seek to inappropriately exploit the tax system; and
- It unlocks our ability to build trust and increase fairness in the IRS and the tax system.

We have an opportunity to build a 21st century tax agency to serve the American people in the manner they expect—and the level they deserve.

It is not lost on us that the decisions and actions of the IRS affect the lives of every American—directly and indirectly. Those are the stakes in this effort to solve what has, for too long, been unsolvable—to undertake the most important tech-enabled transformation of a government agency in U.S. history.

Catalyzed by historic funding—and guided by the commitment to help taxpayers—we can transform the IRS for the 21st century. We can meet taxpayers where they are, support them to meet their obligations and make tax administration work better. We can increase accountability for those who try to exploit the tax system, build trust and increase fairness. And, we can better serve the country and taxpayers in the years and decades to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel I. Werfel". The signature is fluid and cursive, with a large, stylized "D" and "W".

Daniel I. Werfel
Commissioner of Internal Revenue

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CONTEXT

Context for the Inflation Reduction Act and the Strategic Operating Plan

The funding provided by the Inflation Reduction Act (IRA) creates a unique opportunity for this nation to realize a future of tax administration that meets the evolving needs of taxpayers. Prior to the IRA, the Internal Revenue Service (IRS) had been significantly underfunded, with a budget reduction of 18% in real terms from 2010 to 2021. The IRA provides the IRS with tens of billions of dollars over a decade to significantly improve the way we serve taxpayers, ensure fair enforcement of tax law, modernize our technology, and collect hundreds of billions of dollars to fund our country's vital activities. This funding enables the IRS to finally make meaningful investments in our employees and technology, evolving the American tax administration system into one that is modern, capable of adapting to this digital age, and trusted by the public.

After the passage of the IRA, the U.S. Department of the Treasury and the IRS developed the Strategic Operating Plan (or the "Plan") to guide this large-scale transformation and transparently show the American public, Congress, and other stakeholders how we plan to use this funding. Published in April 2023, the Plan outlines five major objectives to carry forward this transformation. Through the course of implementing the Plan in the first year, the IRS further refined the vision and the near-term priority efforts to get there. A key component of this work was the development of plain language outcomes, aligned to the five objectives in the Plan, with priority efforts and key results to deliver over the next two years. These outcomes will be embedded throughout this update.

Objective 1	Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible	<ul style="list-style-type: none">• Enhance Live Assistance• Expand Online Services• Accelerate Digitalization• Improve Employee Tools
Objective 2	Quickly resolve taxpayer issues when they arise	<ul style="list-style-type: none">• Simplify Notices• Disrupt Scams
Objective 3	Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap	<ul style="list-style-type: none">• Ensure Fairness in Enforcement
Objective 4	Deliver cutting-edge technology, data, and analytics to operate more effectively	<ul style="list-style-type: none">• Modernize Foundational IT
Objective 5	Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers	<ul style="list-style-type: none">• Enhance Human Capital and Culture

The plan was published with a commitment from the IRS Commissioner to provide annual progress updates to the public. To meet that commitment, we have published the **IRA Strategic Operating Plan: Annual Update**, which is available in full in Appendix 1. This report provides additional detail on the future of the plan, across three major areas:

- Vision for a transformed IRS
- Priorities for Fiscal Year 2024 and Fiscal Year 2025
- Budget and staffing

In addition, more can be found regarding the Strategic Operating Plan ([IRS Inflation Reduction Act Strategic Operating Plan | Internal Revenue Service](#)), on the Treasury Inflation Reduction Act website ([Inflation Reduction Act | U.S. Department of the Treasury](#)), and regular reporting on IRS Inflation Reduction Act spending ([IRS financial reports | Internal Revenue Service](#)).

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VISION

Vision for a Transformed IRS

The Strategic Operating Plan laid out the following goals for the future of federal tax administration:

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 address noncompliance, using data and analytics to expand enforcement in certain segments. 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.

After a year of implementation and operationalization we have honed those goals into a clear and concise articulation of the future of taxpayer service. With the support of IRA funding, our vision for taxpayer service is that:

All taxpayers can meet all of their responsibilities, including all interactions with the IRS, in a completely digital manner if they prefer.

We arrived at this vision because it has become abundantly clear that to bring the IRS into the modern era, we need to become a digital-first agency. Digital-first processes and technologies will enable us to be more nimble in the administration of complex tax laws, and will enable us to evolve along with taxpayer needs and expectations. While the IRS will maintain non-digital options to ensure accessibility to all, we must meet taxpayers where most of them want to be – online. Many taxpayers want to interact with the IRS entirely digitally, as they can with commercial financial institutions. By simultaneously digitalizing internal processes, we will also reduce time-consuming, manual processes and free up employees to focus on more complex issues, such as helping victims of scams. Digitalizing also reduces errors, which is beneficial for both taxpayers and the IRS.

Our vision for fairness in enforcement, supported by IRA funding, is that:

Noncompliant taxpayers, in particular the largest and most complex filers, pay what they owe because the IRS has the workforce and advanced technology needed to enforce fairness in the tax system and narrow the tax gap.

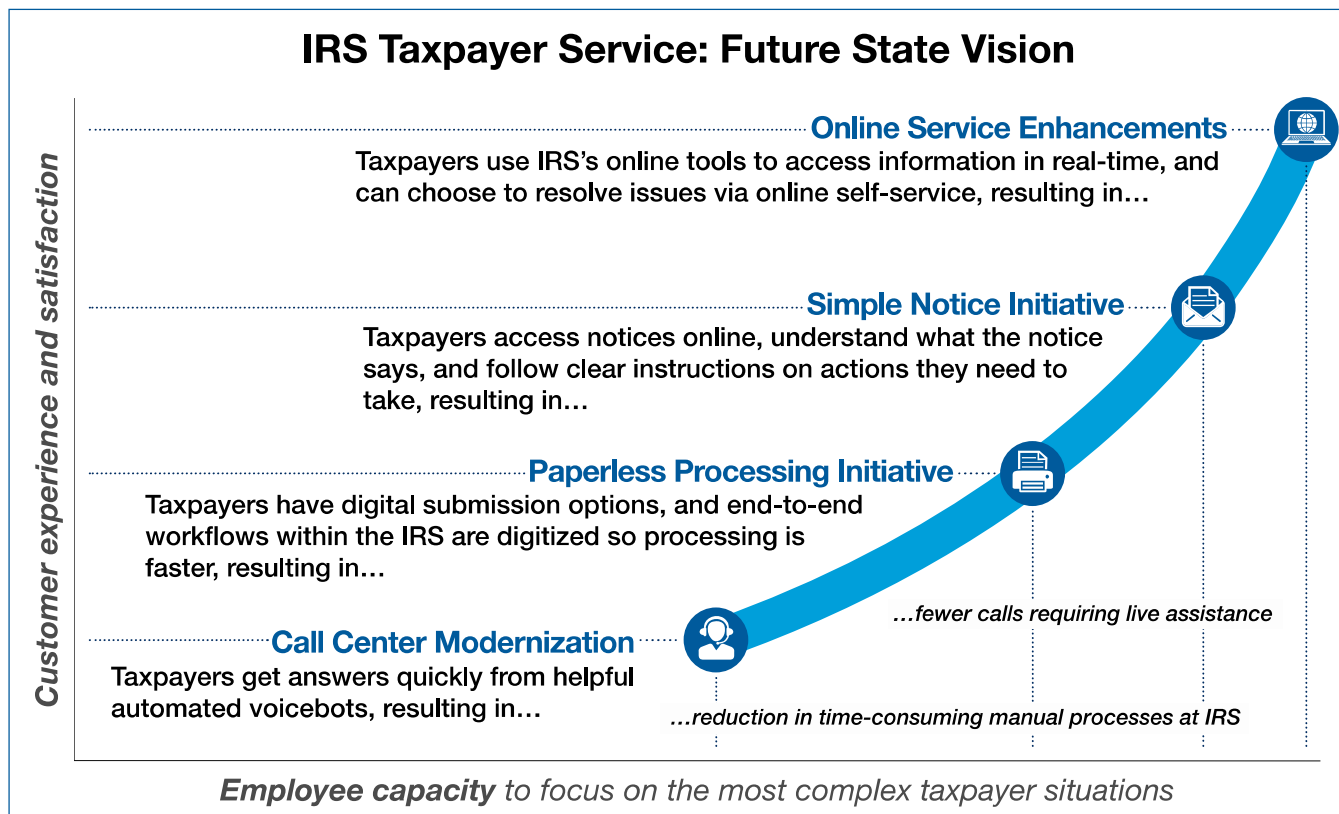
We arrived at this vision because, even with improved taxpayer service, some taxpayers do not pay what they owe. The rising breadth and complexity of tax administration, coupled with the sophisticated ways some taxpayers attempt to evade their obligations, have outpaced our resources and our ability to monitor compliance and narrow the gap between taxes owed and taxes collected. Achieving this vision means we will have the workforce and advanced analytics needed to select the right cases for enforcement action, ensure the proper amount of tax is paid, and promote future compliance. In line with Treasury's directive, small businesses and households earning \$400,000 or less will not see audit rates increase relative to historical levels.

In order to achieve our vision for taxpayer service and enforcement, we will need to continue investing in foundational capabilities and modernize our core IT components, in addition to transforming our human capital processes and technology, as part of our ongoing investment in the IRS workforce.

Vision for Taxpayer Service

We are making progress toward the ideal future state, thanks to funding from the IRA. The exhibit below visualizes key initiatives in taxpayer services that will make this a reality.

Exhibit 1: Transformation initiatives improve customer experience while freeing up employee capacity



Below are brief descriptions of each key initiative:

- Call Center Modernization:** Immediately after passage of the IRA, we used the funding to hire thousands of new customer service representatives to ensure that call centers were well-equipped to handle call volume. The results were almost immediate. The IRS was able to reduce wait times and increase the level of service on our main phone line to 84% during filing season in 2023, and in 2024 our service level again increased to 88%. This represents a five-fold increase from the phone service levels seen during the pandemic era period, when the level of service was at just 15% in 2022. In 2024, we are also focused on leveraging technology, such as voicebots, that will route calls based on human language to make the call centers even more efficient. Automated answering of calls frees up employees from answering basic questions addressed by bots, and allows taxpayers to obtain faster service.
- Paperless Processing Initiative:** Announced in August 2023, the Paperless Processing Initiative takes a major step toward the taxpayer service vision by giving taxpayers options to digitally submit correspondence to the IRS. Internally, we are also working to digitize paper processing end-to-end so that manual, paper-based workflows can be reduced or eliminated entirely. This will improve the speed of processing and deliver faster results for taxpayers.
- Simple Notice Initiative:** Announced in January 2024, the Simple Notice Initiative is simplifying notices to help taxpayers easily understand their situation and take action. We are also working to make notices available to taxpayers online and, if a taxpayer response is needed, offer a seamless process to digitally respond back to the IRS. Having digital versions of notices online will also help taxpayers verify that the notices they receive in the mail are legitimate.

- **Online Service Enhancements:** The IRS already has popular and convenient online tools that help taxpayers receive status updates, resolve issues, view historical records, and more. With IRA funding, we have made enhancements to tools such as Where's My Refund? and Online Accounts for individuals, businesses, and tax professionals. Our vision is to have online self-service options for all taxpayer needs. Future investments into our technology will further enable taxpayers to access their information in real-time.

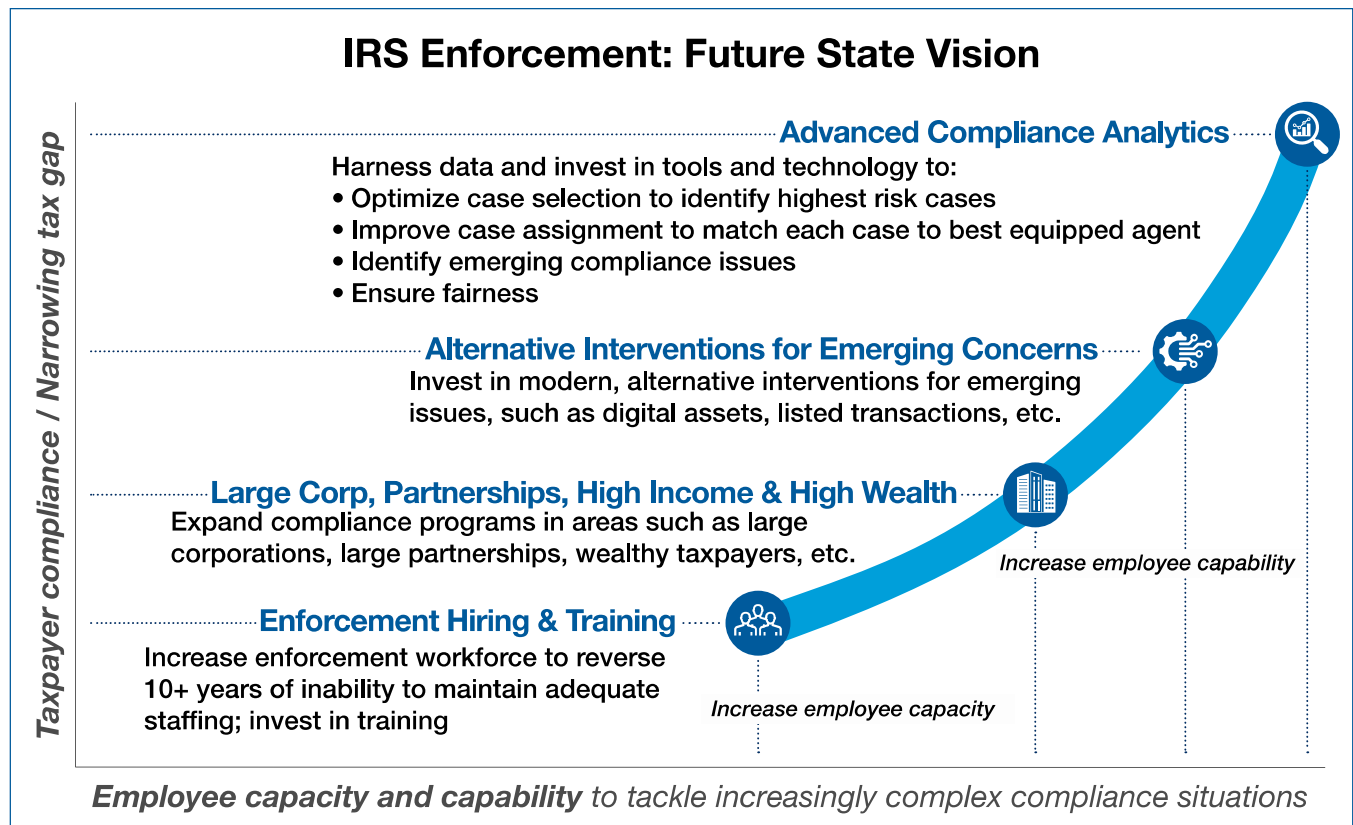
The result of achieving this vision is twofold:

- First, it will significantly improve **taxpayer experience, satisfaction** and ultimately **trust** in the IRS. Today, many taxpayers expect to handle all of their financial transactions online. While taxpayers will continue to have the option to file their tax returns on paper or reach the IRS by phone or mail, our vision is to offer a seamless and convenient digital experience to the large number of taxpayers that prefer online.
- Second, it will **increase employee capacity** for areas where taxpayers need the most help. As we provide taxpayers with the capability to engage with us online, call volume will decline. As we receive more information digitally and continue automating end-to-end processes, processing speeds will increase. This frees up employee capacity and allows the IRS to focus our resources on taxpayers with more complex issues who need the most help, especially in addressing tax scams and schemes, and claiming credits and deductions.

Vision for Fairness in Enforcement

The exhibit below shows key initiatives are already in flight to make this vision a reality.

Exhibit 2: Transformation initiatives narrow the tax gap while driving up employee capacity and capability



Below are brief descriptions of each key initiative:

- **Enforcement Hiring & Training:** Years of underfunding the IRS resulted in insufficient staff to address noncompliance. The IRS is already working quickly to expand its enforcement workforce through hiring in critical staffing positions, such as revenue agents, revenue officers, and tax specialists. Combined with investment in employee training and new technology and tools, our workforce will be better equipped to cover complex, high-dollar areas of taxation, including complex partnerships and wealthy non-filers.
- **Large Corporations, Complex Partnerships, High Income & Wealth:** Most taxpayers comply with their taxpaying responsibilities, with approximately 85% of taxes paid voluntarily and on time. However, budget cuts have prevented the IRS from keeping pace with increasingly complex issues and complex returns from those that do not comply. We have not had the resources to fully assess risks, such as those relating to large corporations, complex partnerships structures, and high-income and high-wealth individuals. The IRS is taking swift action to address this and ensure that taxpayers pay what they owe. For example, the IRS recently engaged 125,000 high-income non-filers who have failed to file federal income tax returns since 2017 and opened 76 new examinations of the largest partnerships in the U.S. A fully funded IRS can respond to noncompliant taxpayers more efficiently; such actions will also deter future potential noncompliance and encourage continued voluntary compliance.
- **Alternative Interventions for Emerging Concerns:** The IRS recognizes that traditional audits are just one way to enforce the tax law, and that we can encourage voluntary compliance through more novel, often more efficient means. For example, the IRS is sending out alternative interventions such as compliance alerts to large partnerships with balance sheet discrepancies, and to large corporations suspected of transfer pricing tactics. The future of enforcement will involve more of these non-audit measures to encourage voluntary compliance.
- **Advanced Compliance Analytics:** The IRS will use enhanced data and analytics capabilities to select compliance cases based on highest risk of noncompliance, focused on high-income individuals, large corporations, and complex partnerships, and choose enforcement actions for those populations predicted to be the most effective. The IRS will also use data and analytics to ensure fairness across all tax segments.

The result of achieving this vision is twofold:

- First, **we increase taxpayer compliance by boosting enforcement capacity.** Lack of funding over the last decade has caused the IRS to fall behind in some compliance areas. IRA funding is now enabling the rapid hiring of enforcement employees to rebuild the workforce. Specifically, we are hiring accountants, lawyers, data scientists, engineers, and other tax experts focused on high-income taxpayers, large corporations, and complex partnerships.
- Second, we **further rebalance our enforcement focus to boost enforcement capability for the most complex, high-income taxpayers.** Advanced compliance analytics will ensure the IRS is detecting high risk noncompliance effectively and will empower employees to work more efficiently. This will ensure the IRS has the capability needed to tackle new issues as the tax administration landscape continues to become more complex. We will also invest in training so that our workforce has the necessary capabilities to tackle increased complexity. Better analytics will also allow IRS to minimize auditing taxpayers where they are found to be compliant upon completion of the audit, avoiding time-consuming audits and focusing resources on noncompliance among complex, high-income taxpayers.

The initial steps of this vision are being carried out with the current IRA funding and tangible benefits for taxpayers have already been secured. However, sustained funding is the only way to achieve this complete vision and deliver taxpayer focused transformations into the future. Otherwise, the IRS must navigate tough choices around funding and prioritization that will slow progress.

Before IRA, the IRS's operating budget fell by 18% in inflation-adjusted dollars between 2010 and 2021 while the number of returns filed increased by 13%. This underfunding led to low levels of service and antiquated technology that failed to keep pace with the digital age. Taxpayers could not reach the IRS by phone or by other means. The lack of investment also resulted in a significant reduction in examination coverage and slowed the process of collecting taxes that were owed. Now, thanks to investments funded by the IRA, the IRS has made significant progress in improving taxpayer services, including being staffed sufficiently to answer the phone when taxpayers call during filing season. The IRS has also provided tools to allow taxpayers to resolve their own questions electronically if they prefer. By beginning to rebuild our collection workforce, the IRS has also already collected hundreds of millions in taxes from millionaires who willfully avoided paying what they owe and started examinations on thousands that failed to file correct returns or willfully failed to file at all.

Without sustained funding, the IRS will not be able to achieve the vision outlined in this report. As IRA appropriations are fully spent, the IRS faces multiple funding crises over the next several years, if inadequate levels of discretionary funding once again result in underinvestment and service gaps. Without help from Congress, taxpayers will have a difficult time finding someone at the IRS to talk to for help in FY 26. The consequences will be a return to the low levels of service, technology that does not fully reflect the digital world we live in, and a return to low audit rates that allow some taxpayers to avoid paying what they owe.

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PRIORITIES

Priorities for Fiscal Years 2024 and 2025

This section outlines the major outcomes and priority efforts for Fiscal Years 2024 and 2025 aligned to the five objectives of the Plan. However, it is not the exhaustive set of IRA-funded transformation activities. As our detailed planning and implementation process proceeds, we will adjust the timing and sequencing of delivery milestones as we identify additional work. The Exhibit below demonstrates some of the major steps over the next two years on the path to the IRS vision. Moreover, fully achieving this vision will take multiple years of steady annual budget funding, including funding for inflationary increases and pay raises (described as “maintaining current levels”). With the establishment of this outcome structure, the IRS will begin to measure progress against the successful delivery of the priority efforts and results associated with these outcomes.

Exhibit 3: The Path to a Transformed IRS

		Before IRA	FY24 Priorities	FY25 Priorities	Future state
Obj 1	Enhance Live Assistance	Taxpayers spend hours on hold listening to elevator music	During filing season reach an 85% level of service on main phone lines with an average wait time of <5 min, call back option for longer wait; 8,000 more hours of in-person assistance	Maintain FY24 level of service, improve efficiency in call centers with better forecasting and scheduling tools, expand voicebots and chatbots	When taxpayers need us, they can easily reach us for live assistance
	Expand Online Services	IRS far behind what taxpayers experience with other financial institutions (e.g., commercial banks)	Enhance payment options in Individual Account; Provide more detailed info in Where's My Refund; stand up Business Tax Account	Continue to expand Individual, Tax Professional, and Business Tax Accounts (e.g., additional two way messaging)	Taxpayers can complete all interactions with IRS online if they choose and see comprehensive up to date info on tax status
	Accelerate Digitalization	Unprocessed paper returns filling IRS hallways and cafeterias	Launch Document Upload Tool, giving taxpayers option to submit paper digitally to the IRS; replace aged scanning equipment	Scan at point of entry virtually all paper-filed tax and information returns; digitize priority processes from end-to-end	A paperless tax system end-to-end that speeds up processing time and puts an end to paper backlogs
	Improve Employee Tools	Workforce starved of resources and tools needed to meet taxpayer needs	Replace and update aging tools; define requirements for Taxpayer 360 (integrated view of taxpayer data)	Launch initial deployment of Taxpayer 360	Fully equipped, empowered, and engaged workforce ready to serve
Obj 2	Simplify Notices	Long and complex notices that are difficult to understand and action	Redesign at least 20 high volume notices	Redesign up to 200 notices, capturing 90% of all notice volume for individual taxpayers, using modern, user-friendly format and language	Simple, actionable notices for individuals and businesses; digital notices available in online accounts
	Disrupt Scams	Vulnerable populations on their own as scam artists seek to exploit them	Work with tax software providers to stop potential scams at time of filing	Enhance analytics to identify tax return scams prior to issuing refunds; improve victim assistance	Personalized and proactive notifications to dismantle scams and provide support for victims
Obj 3	Ensure Fairness in Enforcement	Insufficient funding limits ability to audit noncompliance	Hire revenue agents, revenue officers, and tax specialists to boost enforcement capacity	Continue to grow enforcement workforce; invest in employee training and better compliance analytics	Noncompliant taxpayers pay what they owe
Obj 4	Modernize Foundational IT, Expand Data & Analytics	Legacy systems running on antiquated coding language, data is difficult to access and analyze in real-time	Initiate modern individual core tax processing in parallel with Individual Master File. Ensure critical data is available for responsible use of advanced analytics and innovation	Process filing season 2025 individual tax returns using modern coding languages; establish centralized and linked access to near-real-time operational data	Technology is modern, scalable, and easy to maintain to meet IRS mission. Data is easily accessible and used in an innovative way
Obj 5	Enhance Human Capital & Culture	Budget limits ability to attract, retain, develop, and empower our people	Expedite time to hire; update onboarding and orientation programs; invest in training	Continue hiring for critical positions; invest in technology to strengthen workforce planning	Employer of choice in public and private sectors

Objective 1 | Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible

Enhance Live Assistance

The IRS is committed to improving overall service for taxpayers by applying IRA funding to enhance all available live assistance options. This will result in improved service for both call centers and in-person engagement facilities, including IRS Taxpayer Assistance Centers (TACs) and Volunteer Income Tax Assistance (VITA) locations. With the IRA funding currently available to the IRS, the agency estimates it can maintain the taxpayer services workforce at the level required to deliver exceptional service in FY 2025, but will not be able to sustain these efforts through FY 2026. Currently it is estimated that the 85% level of service target for the 2025 filing season will necessarily drop to less than 30% in FY 2026 once IRA resources are exhausted (absent additional future funding), meaning that less than three out of every 10 taxpayers will get through to the IRS when they call.

Outcome: When taxpayers call the IRS, they are able to reach an agent in a timely manner and have high levels of satisfaction with the interaction

Legend: ✓ Completed • Pending

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Maintain 85% Level of Service on the main taxpayer helpline during the filing season (achieved 88% Level of Service) ✓ Achieve average call wait time of <5 minutes on the main taxpayer helpline during filing season (achieved 3-minute average wait time) ✓ Provide a callback feature to 95% of callers on priority phone lines to reduce wait times 	<ul style="list-style-type: none"> • Maintain or improve Level of Service, call wait time and callback targets during filing season • Transition operations to a more efficient future state based on improved call volume forecasting, dynamic scheduling, and coordination across available live assistance options (e.g., phone, live online chat, and in-person support)

Outcome: Simultaneous to call center improvements, paper processing speeds are kept at high levels

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> • Reduce backlog of individual amended returns by 5% versus prior year 	<ul style="list-style-type: none"> • Continue improvement on amended returns processing speed and explore additional opportunities

Outcome: Taxpayers can schedule a timely appointment for face-to-face support across all geographies

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Increase staffing at more than 350 TACs across the nation to provide an additional 8,000 hours of in-person support (provided an additional 11,000 hours) 	<ul style="list-style-type: none"> • Maintain expanded staffing levels at TACs • Expand utilization of “Pop-up Live Assistance Centers” to serve rural areas and other areas not located near a TAC

Outcome: Taxpayers in underserved communities have increased access to IRS services

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Selected VITA sites will offer free tax return preparation assistance to taxpayers who participate in the “gig” or small business economies ✓ Increase the number of returns prepared by Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites by 200,000 ✓ Execute Direct File pilot, ensuring access for people with disabilities, Spanish speakers, and taxpayers using mobile devices 	<ul style="list-style-type: none"> • Expand service through VITA partnerships and provide free tax return preparation assistance through community partners • Leverage outreach channels to ensure taxpayers are fully aware of all available credits and benefits, increasing uptake for those eligible

A Closer Look: Helping taxpayers claim the credits and deductions for which they are eligible

The IRS is committed to helping taxpayers understand and claim the credits and deductions they are eligible for. Many taxpayers are unaware of tax credits and deductions for which they are eligible or face other barriers keeping them from claiming them. For example, the IRS estimates that in Tax Year 2020, there were 5.4 million eligible taxpayers who did not claim the Earned Income Tax Credit, resulting in an estimated 7.6 billion dollars left unclaimed.

To follow through on this commitment, the IRS has developed three principles to organize and motivate our work. As illustrated below, the IRS has also identified examples of successful past efforts consistent with these principles that the IRS will build on as it identifies and pursues additional ways to follow through on its commitments and improve access to crucial tax benefits.

1. Make it simpler and easier for eligible taxpayers to claim credits to which they are entitled

Where the IRS has the information and authority it needs to accurately make payments to eligible taxpayers without seeking additional information, consider doing so.

- **Example:** The American Rescue Plan, enacted in March 2021, legislated that the IRS exclude up to \$10,200 of unemployment compensation from income. The IRS reviewed returns filed before the ARP was enacted, determined the correct amount of unemployment compensation to be included in income, and paid necessary refunds automatically, reducing burden for both taxpayers and the IRS compared to requiring amended returns. The IRS paid nearly 12 million refunds with an average amount of \$1,232.
- **Example:** The IRS routinely makes adjustments during return processing that may increase a taxpayer’s refund and, if so, pays the higher refund automatically, again reducing both taxpayer and administrative burdens.

Where the IRS needs a small amount of additional information to automate payments, consider simplified procedures or modest form changes to collect that information.

- **Example:** In 2021, the IRS implemented the Child Tax Credit Update Portal to allow taxpayers to provide updated information that would allow the IRS to more accurately determine their Advance Child Tax Credit payments.
- **Example:** The CARES Act, enacted in March 2020, called upon the IRS to issue Economic Impact Payments “as rapidly as possible.” To enable this, the IRS established a non-filer tool to enable people who don’t normally file a tax return to register for Economic Impact Payments.

Where the IRS rules or practices create frictions and burdens, such as requiring paper filing, evaluate and work on changes to those rules.

- **Example:** As part of the Paperless Processing Initiative, the IRS has made additional forms eligible for electronic filing, including forms 4626, 7203, 7205, 7207, 7208, 7210, 8332, 8936, 8985, and 8986.

Move to simpler eligibility requirements, documentation, and filing processes where legally allowable.

- **Example:** In 2021, the IRS established a simplified filing procedure to facilitate take-up of the Advance Child Tax Credit, third-round Economic Impact Payments, 2020 Recovery Rebate Credit, and Additional 2020 Recovery Rebate Credit.

2. Track success in increasing credit uptake by eligible filers

Calculate the credits gap, including across demographic and geographic disparities. Determine metrics for efforts to narrow the credits gap.

- **Example:** In 2024, the IRS is estimating for the first time the credits gap for the Child Tax Credit, the Premium Tax Credit, and others. Previously, the IRS has focused exclusively on the Earned Income Tax Credit gap.

3. Increase awareness

Where the IRS has strong reason to suspect a taxpayer is eligible for a credit or deduction, conduct proactive outreach through different modes of communication that meet taxpayers where they are.

- **Example:** In October 2022, the IRS sent letters to more than 9 million individuals and families who appeared to be eligible for the 2021 Recovery Rebate Credit, the Child Tax Credit, or the Earned Income Tax Credit.
- **Example:** In November 2023, the IRS sent over 1.8 million reminder letters to individuals who received the advanced Child Tax Credit but did not file a 2021 return and could be eligible to claim the other 50% of the expanded Child Tax Credit.

Continue to expand partnerships with tax software companies, paid preparers, philanthropies, employers, state and local governments, and others to increase awareness of eligibility for tax credits and deductions.

- **Example:** In January 2024, the IRS launched a new annual Tax Professional Awareness initiative to educate tax professionals on refundable credit eligibility requirements and inform them of their due diligence requirements to help taxpayers receive credits.
- **Example:** The IRS has a data sharing program with states that have state Earned Income Tax Credits to inform potentially eligible taxpayers about the Earned Income Tax Credit. The IRS will partner with any states that have EITC programs and are interested in conducting additional outreach to eligible taxpayers who have received initial IRS notices.

Expand Online Services

Today's taxpayers expect and deserve a level of online capabilities similar to what they receive from their banks and financial institutions. Enhancing IRS online capabilities, coupled with the Live Assistance efforts, will enable the IRS to provide taxpayers improved options to voluntarily comply with their tax obligations, improve IRS efficiency in processing their tax returns and other tax documents, and ensure taxpayers receive information in ways that meet their needs. Specifically, Individual taxpayers, business taxpayers, and tax professionals will all be provided access to secure online accounts and self-service tools that will allow them to view account and profile information, make changes, interact with the IRS, and manage preferences for payments, refunds, and communications. The IRS will continue prioritizing privacy and security, first and foremost, as we enhance online services.

Outcome: Individual taxpayers can perform most of their required interactions with the IRS through their Individual Online Account

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Execute Direct File pilot • Assess impact of Direct File pilot <p>Expand capabilities of Individual Online Account:</p> <ul style="list-style-type: none"> ✓ Schedule and cancel payments ✓ View cancelled and returned payments ✓ Notification of undeliverable mail ✓ Expand and revise payment plans ✓ Adding additional 25+ features, improving online functionality <p>Improve Where's My Refund? tool:</p> <ul style="list-style-type: none"> ✓ Allow taxpayers to see more detailed refund status messages in plain language ✓ Ensure Where's My Refund? works seamlessly on mobile devices 	<p>Consider expansion of Direct File based on lessons learned and feedback from 2024 pilot</p> <p>Continue expansion of Individual Online Account capabilities:</p> <ul style="list-style-type: none"> • View digital copies of most notices and letters • Allow individual taxpayers to access digital, mobile, and adaptive forms • Provide status updates, such as changes in refund status • Expand secure two-way messaging • View last year's tax return forms and information returns

Outcome: Businesses can perform most of their required interactions with the IRS through their Business Online Account

2024 Priority Efforts	2025 Priority Efforts
<p>Expand capabilities of the Business Tax Account:</p> <ul style="list-style-type: none"> ✓ Enable sole proprietorship access and activities like: viewing business balance due, business tax records, viewing select digital notices, requesting a tax compliance check, and giving account access to their employees ✓ Allow businesses to register for clean energy credits (if eligible) ✓ Allow partnerships and S-Corps to use this online account ✓ Enable the viewing of certain digital notices and letters 	<p>Continue expansion of capabilities:</p> <ul style="list-style-type: none"> • View digital copies of additional notices and letters online • View and manage payments • Enable authorization of third-party access to accounts for filing purposes • Enable Single Member LLC access and activity • Add additional functionality for both Partnerships and S-Corps • Allow a sole proprietor to take additional actions such as viewing business balance due, business tax records, requesting a tax compliance check, and giving account access to their employees • Allow businesses to view their transcripts

Outcome: Tax professionals can perform most of their required interactions with the IRS through their Tax Professional Online Account

2024 Priority Efforts	2025 Priority Efforts
<p>Expand capabilities of the Tax Pro Account:</p> <ul style="list-style-type: none"> ✓ Individual tax professionals can initiate Power of Attorney (POA) / Tax Information Authorization (TIA) for business clients ✓ View balance due for authorized clients • View payment activity pending, scheduled and post payment • Make payments on behalf of individual clients 	<p>Continue expansion of capabilities:</p> <ul style="list-style-type: none"> • Link to a business Centralized Authorization File (CAF), enabling tax professionals to access their clients' data and take action on behalf of a client • Initiate POA/TIA for individual clients • Enable authorized tax professionals to make payments on behalf of a sole proprietor • Enable authorized tax professionals to make and modify payments on behalf of individual clients • Provide status updates (e.g., changes in refund status) • Make payments and set up payment plans on behalf of their clients

A Closer Look: Direct File

In March, following weeks of successful testing, the IRS launched the new Direct File Pilot to the general public.

Direct File provided a free, secure option for taxpayers with simple tax situations in 12 states to file their taxes directly with the IRS. Direct File is designed to be easy to use and works as well on a smartphone as it does on a laptop, tablet, or desktop computer. The software details the math involved so that taxpayers can be sure that their return is accurate, and live customer service support (including both live chat with customer service representatives and chatbots) is available.

While Direct File supported limited tax situations this Filing Season, 19 million taxpayers were eligible to use the tool this Filing Season. Examples of taxpayers who were eligible to use Direct File this Filing Season include:

- A parent with W-2 income that claims the Earned Income Tax Credit and Child Tax Credit.
- A recent graduate with W-2 income, who pays student loan interest.
- A retired senior citizen with Social Security income.

Over a hundred thousand taxpayers have successfully used the system, and early results have indicated that taxpayers like the ease and convenience of the tool. Through this pilot, we have learned valuable lessons about what people expect in a digital service and how we can better serve them in the years ahead.

Accelerate Digitalization

A significant lever for transforming tax administration is the shift to a digital experience and a paperless IRS. By providing taxpayers opportunities to submit forms and documents to the IRS electronically, digitizing the paper IRS continues to receive at point of receipt, and enabling better data extraction and downstream processing, the IRS will greatly enhance the taxpayer experience, while enabling efficiencies for both taxpayers and IRS employees.

Outcome: Taxpayers have easy to use digital channels for receiving information from and submitting information to the IRS in line with commercial expectations (e.g., banks, insurers)

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Taxpayers can digitally submit virtually all correspondence, non-tax forms, and responses to a notice they receive from the IRS ✓ Taxpayers can e-file over 10 new tax forms, including but not limited to: 4626, 7203, 7205, 7207, 7208, 7210, 8332, 8936, 8985, and 8986. • 20 priority non-tax forms will have modern, mobile-friendly formats that makes them easy to complete or file electronically 	<p>Continue expansion of capabilities:</p> <ul style="list-style-type: none"> • 150 additional non-tax forms will be available in digital mobile formats, allowing taxpayers to easily complete and file their forms electronically on their computers and mobile phones

Outcome: Paper that taxpayers choose to send to IRS is digitized at the point of receipt

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Replace aged scanning equipment and the automated mail sorters in high volume locations 	<ul style="list-style-type: none"> • Scan at point of entry virtually all paper-filed tax and information returns (99.9%—about 76M annually) • Scan for digital processing up to 50% of paper-submitted correspondence, non-tax forms, and notice responses (about 125M annually) • Digitally extract data from priority scanned tax return forms for processing

Outcome: Once digitized, information is processed throughout the IRS in a digitally optimized manner

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> • Digitally transform a small set of priority IRS internal processes (5-10), including but not limited to digital intake, inventory management, and data redaction 	<ul style="list-style-type: none"> • Expand efforts to similar processes to scale impact across IRS operations

***A Closer Look:* Clean Tax Credit and CHIPS Accomplishments**

The Inflation Reduction Act (IRA) and Creating Helpful Incentives to Produce Semiconductors (CHIPS) enacted in August 2022 represent the most significant actions taken on domestic manufacturing, clean energy and climate change in United States history. Since enactment, the IRS and Treasury have collaboratively worked to implement the 34 clean energy provisions included in these two pieces of legislation that impact both individual and business taxpayers. The IRA with its associated funding, gave the IRS the opportunity to transform taxpayer services – creating new, fully electronic processes and systems, updating legacy systems, and improving compliance and fraud mitigation. These efforts have involved close coordination among the business units across the IRS and, on certain provisions, the IRS has also worked extensively with the Department of Energy (DOE) to stand up application processes and other tools.

In November 2023, the IRS successfully launched IRS Energy Credits Online (IRS ECO), which is used for multiple clean energy IRA provisions. IRS ECO is part of the larger effort underway to make improvements for the taxpayer experience and transform operations at the IRS. IRS ECO provides a fully electronic way for users to register for a Clean Vehicle (CV) or Elective Payment/Transfer Election (EP/TE) account. Within IRS ECO, users can submit CV Time-of-Sale reports, request advance payments, and register facilities and properties. As of April 1, 2024:

- More than 12,500 clean vehicle dealers have successfully registered using the IRS ECO tool.
- Nearly 70,000 Time-of-Sale reports have been submitted for the new clean vehicle credits and over 13,500 for used clean vehicles.
- Approximately 69,000 CV advance payments totaling \$469M have been distributed.
- 725 entities have registered nearly 50,000 facilities and properties for an elective payment or transfer of credit.

In addition, the IRS and DOE partnered on implementation efforts for credits for two energy projects:

- Allocated \$4 billion in tax credits to advanced energy projects in the first allocation round for the 48C tax credit, including \$1.5 billion to historic energy communities with closed coal mines or coal plants.
- Approved more than 45,000 Low-income Communities Bonus Credit program applications for eligible solar and wind projects, allocating more than 1,100 megawatts of capacity.

The IRS has also developed new ways to engage end-users and share messaging on IRA clean energy credits, to include implementing a specialized customer service model that provides personalized services so taxpayers can receive prompt assistance with applying for clean energy credits. Promoting the IRA clean energy credits through communications channels has helped the IRS to share accurate and timely information with taxpayers on the credits for which they may be eligible, and how to claim those credits.

Improve Employee Tools

IRS employees play a pivotal role in transforming the IRS. IRS employees are dedicated to effective tax administration, however in many cases, they lack modern tools necessary for the seamless experience they strive to deliver. In this area, the focus is to provide employees the tools they need, including basic equipment, easy access to data, and intuitive systems to manage accounts.

Outcome: IRS employees have the hardware, software, and supplies needed to deliver effective and efficient results to taxpayers

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Replace or update aging individual tools (e.g., laptops, phones, office supplies) ✓ Replace aging capital equipment (e.g., mail sorters, bulk scanners) • Develop and integrate high priority software tools into operations (e.g., advanced tax calculators, modern case management software) 	<ul style="list-style-type: none"> • Continue to work closely with National Treasury Employee Union (NTEU) to ensure involvement and coordination in the implementation of the Plan • Make prioritized filing information available in a modern case management system • Pilot improvements designed to enable employees to provide better service by more quickly and accurately reviewing taxpayer information through the initial deployment of Taxpayer 360 capabilities

Objective 2 | Quickly resolve taxpayer issues when they arise

Simplify Notices

Notices and notifications issued via mail or, more recently via online accounts, remain one of the most critical methods the IRS has for engaging taxpayers. With IRA funding, the IRS is focused on improving communications with taxpayers by making IRS notices easier to understand and providing online access to those who choose to engage with the IRS electronically.

Outcome: Taxpayer notices are easy to understand and meet taxpayer needs

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Redesign at least 20 high volume notices 	<ul style="list-style-type: none"> • Redesign up to 200 notices, capturing 90% of all notice volume for individual taxpayers, using modern, user-friendly format and language • Initiate technology and business process changes necessary to flexibly generate notices

Outcome: IRS Business Units and Office of Taxpayer Correspondence can quickly customize content and recipients of notices via improved technical solutions and streamlined clearance processes

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> • Increase the number of notices viewable for individual taxpayers in their online account 	<ul style="list-style-type: none"> • Initiate technology and business process changes required to flexibly generate notices

Disrupt Scams

Protecting taxpayers from scams continues to be a top priority for the IRS. We are focused on expanding efforts to protect taxpayers by preventing scams before they happen or identifying them at the point of filing. The IRS is also providing assistance to those that fall victim to scams. In addition, we are working to detect and disrupt tax scams through data analytics and private sector partnerships.

Outcome: IRS uses advanced analytics, government and external partner expertise to proactively identify and rapidly minimize the impact of tax scams

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> • Coordinate with partners such as tax software providers, to protect taxpayers from scams by identifying scams and victims at point of filing • Use advanced analytics to measure success and find areas of vulnerability • Improve victim assistance for those that fall victim to tax scams 	<ul style="list-style-type: none"> • Continue to partner with tax software providers to identify taxpayers at risk and further disrupt scams and schemes • Continue the process of analyzing IRS-sourced information to identify tax return scams prior to issuing refunds, reducing improper payments and improving the taxpayer experience

Objective 3 | Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap

Ensure Fairness in Enforcement

The IRS will increase fairness for all taxpayers and address the tax gap by focusing more resources on high-priority taxpayer segments, including large partnerships, large corporations and high-income and high-wealth individuals, that disproportionately contribute to the tax gap. We are also working to improve enforcement in areas of non-income taxation (excise, employment tax, and estate and gift) and emerging issues such as digital assets. Additionally, the IRS is researching and developing tools to assess and reduce the presence of demographic bias in audit selection models, to ensure the tax law is enforced fairly.

Success is dependent upon a significant increase in enforcement personnel who are highly skilled and trained in complex, high-dollar areas of taxation. Our swift, thorough enforcement actions for those who willfully evade taxes will serve as an incentive for all taxpayers to comply with the nation's tax laws, as well as ensure our system is fair.

Outcome: IRS expands enforcement for priority taxpayer segments by increasing total trained staff and making compliance work more efficient with new tools and processes

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> Expand enforcement presence through hiring in critical staffing areas such as revenue agents, revenue officers, and tax specialists, including those dedicated to high income earners and large and complex partnerships ✓ Stand up dedicated team to focus on structure of new organization to work complex partnerships and pass through entities Expand efforts involving digital assets, including work through the John Doe summons effort and the release of proposed regulations on broker reporting Continue examinations of 76 of the largest partnerships in the U.S. that represent a cross section of industries including hedge funds, real estate investment partnerships, publicly-traded partnerships, large law firms, and other industries Continue to explore alternative interventions including “soft” notices such as compliance alerts sent to large partnerships with balance sheet discrepancies 	<ul style="list-style-type: none"> Identify and implement strategic options for rapidly increasing enforcement activities, including non-audit activities, to supplement hiring and training activities Pilot refined approaches and treatments for priority taxpayer segments (e.g., large corporations, complex partnerships, high-income and high wealth individuals) Continue hiring and upskilling of newly hired workforce High-income non-filers receive tailored, proactive outreach before receiving automated assessments or penalties

Outcome: Taxpayers receive improved fairness in enforcement through new, dedicated programs and improved analytics

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> Establish a team and develop workplan to evaluate key enforcement programs for fairness Invest IRA resources into research that can help identify any disparities across dimensions of race, ethnicity, age, gender and geography, and refine our approaches to compliance and enforcement. In 2024 we will deploy two pilot models which aim to both improve audit outcomes and reduce racial disparity 	<ul style="list-style-type: none"> Apply improved data and analytics practices to design and implement enforcement practice enhancements aimed to improve fairness Develop and implement enhancements to enforcement practices to improve fairness and equity

Outcome: IRS uses a centralized, data-backed case selection and compliance planning function to more effectively identify and act upon high-priority compliance cases

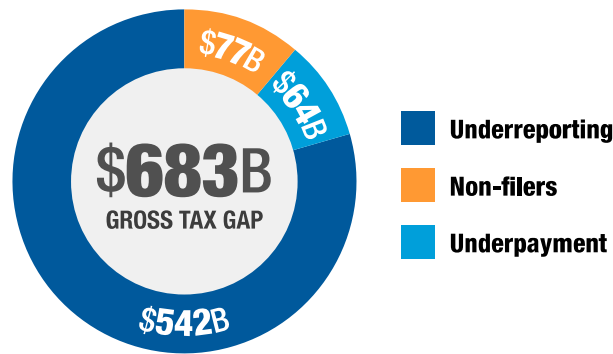
2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> Develop data and research approach to inform and continuously refine compliance strategy needed to promote voluntary compliance Establish at least one minimum viable product for advanced case selection of priority taxpayer segment such as high income – high wealth 	<ul style="list-style-type: none"> Begin to identify potential high-risk compliance cases using new analytical approaches Expand use of advanced case selection platform to use with additional taxpayer segments

A Closer Look: Restarting collection notices for high income non-filers

In the continuing effort to improve tax compliance and ensure fairness, the IRS used IRA funding to initiate efforts in early 2024 to reduce the number of high-income non-filers. This work is directly in line with the IRS vision to minimize attempts at tax evasion by complex filers, but it is the type of work that the IRS had to suspend due to resource constraints before the IRA. The IRS estimates indicate approximately \$77B (approximately 12% of the total tax gap) is due to non-filers. The IRS’s new efforts are focused on high-income taxpayers who have failed to file federal income tax returns in more than 125,000 instances since 2017. The new initiative involved sending out IRS compliance letters to the priority non-filer population. These mailings include more than 25,000 to those with more than \$1 million in income, and over 100,000 to people with incomes between \$400,000 and \$1 million between tax years 2017 and 2021.

Exhibit 4: Efforts to address non-filer population is key step to narrowing \$600 billion+ tax gap

The IRS restarted collection activities paused during the pandemic by sending compliance letters to high-income non-filers. Letters were sent to high-income filers who did not file a return between 2017 and 2021, including 25,000 taxpayers with incomes of greater than \$1M, and 100,000 taxpayers with incomes between \$400,000 and \$1M.



Objective 4 | Deliver cutting-edge technology, data, and analytics to operate more effectively

Modernize Foundational IT and Expand Data and Analytics Capabilities

The IRS is a “technology shop” in that every aspect of delivering tax administration is enabled by technology and data. The foundational technology infrastructure, data, systems, and network are critical to enabling services and enforcement efforts, while ensuring core IRS operations remain resilient and secure. We will modernize our legacy footprint (which includes aged programming) from the point of intake of tax returns and information systems through processing and ultimately retention. Data access and security will be integrated in each instance to ensure we retain the integrity of the tax system and secure taxpayers’ information. However, because Business Systems Modernization (BSM) activities were zeroed out in FY 2023 and FY 2024 appropriations, the IRS is currently reliant on IRA funds for Digitalization and other technological innovations and in the absence of discretionary BSM funding, estimates it is currently underfunded by nearly \$3 billion through FY 2031. The IRS estimates BSM funds provided by the IRA will be exhausted by FY 2026 at which point: automation solutions will be scaled back leaving taxpayers without the ability to have up-to-date account information when they want it; cyber and cloud work will be truncated, increasing the risk for failure of IRS systems and cyber-attacks; and work on digital solutions including Taxpayer 360, expanded payment functionality, and other important modernization efforts will be stopped.

Outcome: IRS foundational IT systems are modern, scalable and easy to maintain to meet the IRS mission

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> Initiate modern individual tax processing to be run in parallel with the legacy Individual Master File (IMF) Continue to develop an enterprise data platform for use across taxpayer service and compliance functions with easily consumable services Replace high-volume manual processes through the delivery of “bots” built using robotic process automation (RPA) Expand the functionality of the new free Information Returns filing portal (Information Returns Intake System – IRIS) 	<ul style="list-style-type: none"> Process filing season 2025 individual tax returns using modern coding languages, allowing for the retirement of 60+ year old legacy code Deliver the first increment of a modernized Business Master File (BMF) database, enabling taxpayers to access and update data via Business Tax Accounts Make data from Business, Individual and Information Returns available to e-filing applications through application programming interfaces (API)

Outcome: Leverage technology to improve implementation of the Clean Energy Inflation Reduction Act and CHIPS legislation and Science Act

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> Partner with the Department of Energy (DOE) to enhance and develop their clean energy credit online tools; develop statistics of credit uptake; and ensure data and analytics are available for fraud detection and compliance 	<ul style="list-style-type: none"> Continue implementation of the Clean Energy Inflation Reduction Act and CHIPS legislation and Science Act. This includes enhancements based on user feedback to improve the taxpayer experience of IRS Energy Credits Online (IRS ECO) and DOE clean energy credit online tools, while continuing to develop and refine statistics of credit uptake, and enhancing data and analytics available for fraud detection and compliance

Outcome: IRS uses an operating model that delivers technology products in a timely, transparent, and collaborative manner to meet business and operational needs

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> Implement a new operating model, with increased partnership between the IT team and the rest of the IRS organization, allowing the IRS to more quickly deliver better products, tools, and improvements 	<ul style="list-style-type: none"> Shift technology development efforts to a product-and-platform model to accelerate delivery of critical technology The IRS has modernized infrastructure that enables innovation, research, analysis, prototyping, algorithm development and testing, while responsibly accelerating successfully tested innovations into operations

Outcome: Technology meets all required security standards to ensure data is secure

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> Enhance protection of IRS data through cybersecurity enhancements including multifactor authentication and data-at-rest encryption 	<ul style="list-style-type: none"> Expand cybersecurity to protect IRS data by implementing enhanced security audit trails and advanced logging Advanced cybersecurity monitoring, cyber fraud analytics, and incident response capabilities to reduce risk and ensure high availability of IRS systems, applications, and protected information

Outcome: Data is available for operations and innovation

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> Ensure critical data is available for responsible use of advanced analytics and innovation to improve enforcement, taxpayer services, and operations Evaluate future access models for responsible use of 3rd party data and complete pilot integration of corporate registry data into IRS data platforms Create synthetic data to share with external partners to improve insights 	<ul style="list-style-type: none"> IRS personnel and leaders have centralized and linked access to near-real-time operational data to inform decision-making and improve outcomes in taxpayer service, enforcement, and operations Continually assess, acquire access, create, and otherwise appropriately make available high-quality data in machine readable formats to support new opportunities for innovation, research, and operational improvements. AI models and systems, as well as models developed using other advanced analytics and statistical methods, are trustworthy and benefit tax administration. Data is managed and governed to be interchangeable, secure, and of high quality. When third-party data is needed, it is thoughtfully accessed in the most appropriate way, either through limited access and use, or through bulk purchase or other acquisition. Work with external users of Tax Data to determine and, as necessary, support capacity building for modernizing data exchange processes.

Objective 5 | Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers

Enhance Human Capital and Culture

We will assess and reshape our workforce to meet future requirements by modernizing how we attract, retain, develop, and empower our people. We will also focus on efforts to ensure IRS employees have the tools, training, and culture they need to perform at their best, collaborate effectively, and build meaningful connections within and across teams. Through these efforts, we will foster a positive and enhanced employee experience and create a workplace that reflects the diversity of the taxpayers we serve.

Outcome: Employees are enabled with the skills and tools needed for career development and growth

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Expand training provided to managers to increase their ability to support their employees and the IRS mission • Launch IRS University (IRSU) proof of concepts and finalize the IRSU organizational structure to improve IRS employees' access to developed curricula, "just-in-time" courses, continuous learning, and professional development opportunities 	<ul style="list-style-type: none"> • Update Customer Service Representative and Revenue Agent training programs

Outcome: Expand the IRS's workforce using streamlined, efficient methods for workforce planning, recruiting, hiring, and onboarding quality applicants that represent the American taxpayers

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Mature IRS workforce planning capabilities by enhancing hiring plans to include additional position requirements to perform critical work • Continue to leverage direct hire authority (e.g. direct hire events) to increase scale and speed of hiring for enforcement positions, including those responsible for high-income, large corporation, and complex partnerships • Develop an IRS Employer Value Proposition to highlight how employees can grow their careers, serve the public, and thrive in their personal life • Expedite the average time to hire and support the Agency's hiring targets in critical staffing areas such as taxpayer service, enforcement, data analytics, and IRS operations • Establish innovative approaches to reach and develop new pipelines of talent in underserved and underrepresented communities 	<ul style="list-style-type: none"> • Continue the process of unifying legacy personnel systems and enhancing and automating HR Service delivery into a single, modernized platform (or single end-user experience) • Continue to explore new mechanisms to support hiring of mission critical occupations

Outcome: A culture and workplace environment that provides an excellent employee experience, empowers employees, and fosters diversity and inclusion

2024 Priority Efforts	2025 Priority Efforts
<ul style="list-style-type: none"> ✓ Update onboarding and orientation pilot programs ✓ Launch Health of the Workforce dashboard, to monitor workforce trends at different levels and teams within the IRS • Reduce volume of Reasonable Accommodation Request Inventory that has exceeded internal processing targets by 50% 	<ul style="list-style-type: none"> • Expand and scale onboarding efforts • Expand Health of the Workforce dashboard

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TRANSFORMATION

Funding the Transformation

The IRS has proven it can deliver results for the American people with IRA funding in addition to its annual discretionary appropriations.

Accomplishments to support the taxpayer service vision that have been made possible through IRA funding include:

- Increasing the IRS level of service on its main phone line to more than 88% with taxpayers waiting an average of three minutes for help, exceeding our goal
- Providing 11,000 more hours of in-person help at TACs nationwide and assisting 170,000 more taxpayers than in 2023
- Launching additional tools to give taxpayers options to submit paper digitally to the IRS
- Increasing efforts to stop potential scams at the time of filing
- Piloting the Direct File service that allows certain taxpayers in 12 states to file their taxes directly with the IRS, online and for free
- Simplifying notices making it easier for taxpayers to understand tax laws
- Expanding use of callback options to 95% of phone lines this filing season, allowing the IRS to call back over 4 million taxpayers this tax season, more than double the calls in 2023.

Modernizing the IRS IT environment underpins all of the service and enforcement improvements described in this update. The IRS IT workforce grew by more than 1,300 staff since the IRA was enacted, bolstering the IRS's ability to retire and replace legacy IT systems and deliver taxpayer-focused online tools that save taxpayers time and money. These staff are responsible for updating the IRS Individual Online Account with more features for taxpayers, like the ability to schedule and cancel payments and revise payment plans; developing new voice and chatbots to help taxpayers bypass the need to call the 1-800 number; and launching the first ever IRS Business Tax Account to help certain entities view digital notices and letters.

With the funding provided by the IRA, the IRS has already begun to rebuild capacity and deliver results to improve tax fairness, including collecting over half a billion dollars from millionaires with delinquent tax debt and examining the returns of large partnerships with questionable balance sheets. This has been made possible by an increase in enforcement staff of more than 4,000 since the passage of the IRA, bringing total enforcement staffing to nearly 39,000, boosting enforcement capacity to ensure high-income individuals, large corporations, and complex partnerships pay what they legally owe, and disrupt tax scams that prey on families, small businesses, and other taxpayers. The IRS is proposing (in the Green Book) to extend IRA funding through FY 2034. This \$104 billion proposal will generate approximately \$341 billion in revenue while averting the IRA funding "cliffs" that could start as early as FY 2026 when all resources in the IRA Taxpayer Services and Business Systems Modernization accounts will be exhausted.

Table 1 shows IRS actual and planned spending from FY 2022–2025 for both its discretionary annual funding provided by Congress and the IRA resources by budget activity.

Table 1: FY 2022–2025 IRA & Discretionary Spending/Plan by Appropriation & Budget Activity

(\$ in Millions)	FY 2022			FY 2023			FY 2024 Plan			FY 2025 President's Budget		
	Disc.	IRA	Total	Disc.	IRA	Total	Disc.	IRA	Total	Disc.	IRA	Total
Taxpayer Services	2,789	1	2,790	2,851	889	3,740	3,257	969	4,226	2,781	1,323	4,103
Prefiling Taxpayer Assistance and Education	678		678	733	17	750	776	122	898	750	167	917
Filing and Account Services	2,111	1	2,112	2,118	872	2,990	2,481	847	3,328	2,031	1,156	3,186
Enforcement	5,119		5,119	5,045	299	5,343	5,165	1,048	6,213	5,438	2,317	7,754
Investigations	675		675	720	35	755	751	201	952	757	444	1,201
Exams and Collections	4,268		4,268	4,197	261	4,458	4,256	812	5,068	4,489	1,796	6,286
Regulatory	176		176	127	3	131	159	35	193	191	77	268
Operations Support	4,042	61	4,103	4,072	1,474	5,545	3,897	3,258	7,155	4,101	3,565	7,666
Infrastructure	913		913	891	100	991	912	176	1,088	919	179	1,099
Shared Services and Support	1,142	12	1,154	1,134	107	1,240	1,234	298	1,532	1,112	607	1,719
Information Services	1,988	49	2,037	2,047	1,267	3,314	1,750	2,785	4,535	2,069	2,778	4,848
Business Systems Modernization	228	44	272	50	723	773		1,789	1,789		1,929	1,929
Energy Security								180	180		180	180
Direct File Study					12	12						
Total	12,179	106	12,285	12,017	3,396	15,413	12,319	7,245	19,564	12,319	9,313	21,632

Notes: Energy Security represents costs paid for by Sec.13802 of P.L. 117-169. The IRA includes provisions that provide tax credits for individuals and business. In FY 2024, IRS anticipates funding staff to address increased telephone, correspondence, and face-to-face demands as a result of these provisions, but to date has not made charges to this appropriation. Direct File represents costs paid for by Sec. 10301(1)(B) of P.L. 117-169, which appropriated funding for the IRS to create a task force to evaluate the feasibility of a Direct File option for taxpayers. IRS obligated \$11.6 million from these funds which expired at the end of FY 2023

Depletion of IRA Funding Threatens Service and IT Improvements

With the funding currently appropriated to the IRS, the agency can maintain the taxpayer services workforce at the level required to deliver exceptional service in FY 2025, but will not be able to support these efforts through FY 2026. The 85% level of service target for the 2025 filing season will necessarily drop to less than 30% in FY 2026 as Taxpayer Services staff needed to support taxpayers who need help will be underfunded by more than 33% meaning that less than three out of every 10 taxpayers will get through to the IRS when they call.

Similarly, Business System Modernization (BSM) funds were zeroed out in FY 2023 and FY 2024 appropriations. The IRS is currently reliant on IRA funds for Digitalization and other technological innovations and in the absence of discretionary BSM funding, estimates it is currently underfunded by nearly \$3 billion through FY 2031. The IRS estimates BSM funds provided by the IRA will be exhausted by FY 2026 at which point: automation solutions will be scaled back leaving taxpayers without the ability to have up-to-date account information when they want it; cyber and cloud work will be truncated, increasing the risk for failure of IRS systems and cyber-attacks; and work on digital solutions including Taxpayer 360 and expanded payment functionality. IRA Operations Support appropriations are projected to be fully exhausted in FY 2030, at which point in time the IRS will be unable to fund the operations and maintenance costs to support newly enhanced and deployed technology.

IRS Will More than Double Audit Rates on the Wealthiest Taxpayers, While Protecting Small Businesses and Everyday Families from Additional Audit Scrutiny, But Additional Funding Will be Needed

Continual underfunding from 2010 through 2021 meant the IRS was significantly understaffed across all of its work streams – most notably in the IRS’s compliance offices where overall staffing declined 30% since 2010. At the time of the IRA’s passage, the IRS had only 8,400 revenue agents, down from 14,600 in 2010, while the number of large corporate, large partnership, and high-income individual filings grew rapidly over time. As a result, the audit rate for the largest corporations fell to a low in tax year (TY) 2019 of 8.8% (down from 28.5% in TY 2010), and the audit rate for multi-millionaires decreased by nearly 50% from TY 2010 to TY 2019. Moreover, the number of large partnerships grew by 70% from TY 2010 to TY 2019, but the IRS was only able to audit 0.1% of these partnerships.

The IRS is using the enforcement funding provided by the IRA to hire accountants, engineers, economists, data scientists, attorneys, and tax experts with the specialized skills to examine the complex returns of large corporations, complex partnerships, and high-income individuals. The IRS will not increase audit rates relative to historical levels for small businesses and households making under \$400,000 per year.

As noted above, with the funding provided by the IRA, the IRS has already begun to rebuild capacity and deliver results to improve tax fairness. Such results include collecting over half a billion dollars from millionaires with delinquent tax debt and examining the returns of large partnerships with questionable balance sheets. New enforcement staff will allow the IRS to double audit rates on the wealthiest taxpayers, reversing the sharp decline in audit rates over the 2010s. More specifically, the IRS will:

- ***Nearly triple audit rates on large corporations*** with assets over \$250 million
- ***Increase audit rates by nearly ten-fold on large, complex partnerships*** with assets over \$10 million
- ***Increase audit rates by more than 50% on wealthy individual taxpayers*** with total positive income over \$10 million
- ***Not increase audit rates for small businesses and taxpayers making under \$400,000***, relative to historical levels

Table 2: Audit Rates Coverage Over Time

Taxpayer Segment	Past TY10	Present TY19	Future with IRA TY26
Corporations >= \$250M in assets			
Tax Year (TY) Filings	7,900	9,600	9,300
Estimated TY Coverage Rate	28.5%	8.8%	22.6%
Fiscal Year (FY) FTE	2,081	1,115	1,500
Individuals >= \$10M in total positive income			
TY Filings	13,300	24,500	37,100
Estimated TY Coverage Rate	21.5%	11.0%	16.5%
FY FTE	69	180	1,100
Passthroughs >= \$10M in assets			
TY Filings	174,100	297,400	469,800
Estimated TY Coverage Rate	3.8%	0.1%	1.0%

Notes:

1. Tax Year (TY) Filings and coverage rates for TY10 and TY19 are from the IRS Data Book, Table 17, Examination Coverage and Recommended Additional Tax After Examination, by Type and Size of Return, Tax Years (2010)–2020 for corporations and individuals. Coverage rates are preliminary and will be updated if necessary, upon publication of the FY 2023 IRS Data Book.
2. TY10 and TY19 filings for passthrough entities are based on data from the Research, Applied Analytics, and Statistics (RAAS) office. TY26 filings are projections from the IRS Statistics of Income division within RAAS.
3. TY Coverage Rate represents total returns examined (closed and in-process) for each taxpayer segment, as a percentage of the total number of returns filed for the tax year for that taxpayer segment.

Even with the tremendous impact of the IRA resources, expected coverage rates in these segments are not expected to exceed the rates for TY 2010 for two reasons. First, as shown in Table 2, the number of filings by large corporations, complex partnerships, and high-income individuals have grown rapidly since TY 2010 and are expected to continue to grow. Second, even within these groups, the IRS is focusing its attention on the largest corporations, the most complex partnerships, and individuals with complex international wealth holdings. These types of returns have become more complex over time and are the most time and resource-intensive audits. They're worked by teams of accountants, economists, data scientists, and others and often take many hundreds of hours to complete.

These higher audit rates on large corporations, complex partnerships, and wealthy individuals are made possible by additional staff hired with IRA funds. However, these gains are at risk without additional funding. Without additional funds, the IRS will be forced to reduce its Enforcement staff by more than 50% in FY 2030, severely hampering our ability to perform complex audits. Since lower-income taxpayers are more likely to have simple tax returns, this lack of funding will likely translate into a higher share of audits falling on low- and middle-income taxpayers, while examination coverage rates for high-income and large corporate taxpayers will severely decline.

On the other hand, extending the IRA's enforcement funding for the IRS would raise hundreds of billions of dollars in additional revenue. The President's FY 2025 Budget proposal to extend the IRA funding through FY 2034 is estimated to raise \$341 billion in enforcement and deterrence revenue.

The tables below show the estimated spending of IRA funds between now and FY 2031, including the \$20.2 billion in rescissions included in the Further Consolidated Appropriations Act of 2024 (P.L. 118-47) and the FTE that will be funded with IRA funds between now and FY 2031. Note that IRA funds expire in FY 2031.

Table 3: Estimated IRA Spending through FY 2031

IRA Spending (\$ in Millions)	FY22 Actual	FY23 Actual	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY22– FY31 Total
Taxpayer Services	1	889	969	1,323							3,182
Enforcement		299	1,048	2,317	3,339	4,582	6,045	6,418			24,048
Operations Support	61	1,474	3,258	3,565	3,564	3,543	3,883	4,293	1,686		25,326
BSM	44	723	1,789	1,929	265						4,751
Energy Security			180	180	140						500
Direct File Study		12									12
Total	106	3,396	7,245	9,313	7,308	8,125	9,928	10,711	1,686		57,818

Table 4: Estimated FTE Funded with IRA through FY 2031

Appropriation	FY22 Actual	FY23 Actual	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
Taxpayer Services		10,518	7,279	12,562						
Enforcement		495	4,088	7,239	17,300	24,100	31,900	33,000		
Operations Support		2,317	2,944	3,808	5,000	4,900	5,300	5,500	3,600	
BSM		327	193	300						
Energy Security			1,810	1,810	1,400					
Direct File Study		4								
IRA Funded FTE	0	13,661	16,314	25,719	23,700	29,000	37,200	38,500	3,600	
Discretionary/Other FTE	79,070	69,329	72,097	64,008	64,000	64,000	64,000	64,000	64,000	64,000
Total FTE	79,070	82,990	88,411	89,727	87,700	93,000	101,200	102,500	67,600	64,000

Notes:

1. FY 2022 Discretionary/Other FTEs include 72,648 FTE funded with annual discretionary appropriations; 483 FTE funded with multi-year funding from prior-year annual discretionary appropriations; 5,854 FTE funded with supplemental appropriations (American Rescue Plan - 5,852 FTE; no Surprises Act - 2 FTE); and 85 FTE with user fees. FY 2023 Discretionary/Other FTEs include 68,705 FTE funded with annual discretionary appropriations; 465 FTE funded with multi-year funding from prior-year annual discretionary appropriations; 77 FTE funded with supplemental appropriations (American Rescue Plan - 53 FTE; Ukraine - 23; No Surprises Act - 1 FTE); and 82 FTE with user fees. FY 2024 Discretionary/Other FTEs include an estimated 65,756 FTE funded with annual discretionary appropriations and 6,341 FTE with user fees. The FY 2024 Operating Plan will not be finalized until mid-May and as a result these estimates may change.
2. FTE estimates assume FY 2025 appropriations consistent with the FY 2025 IRS Budget Request, with inflationary increases covered thereafter. Any reduction in annual discretionary funds—including not providing for inflationary increases to maintain current levels—will impact these estimates.
3. Direct File Study represents FTE associated with developing the report to Congress that evaluated the feasibility of a Direct File option for taxpayers. FTE associated with the Direct File pilot are shown in the appropriation from which they are funded including: Taxpayer Services, Operations Support and BSM. Energy Security FTE reflect the need for additional customer service representatives who would handle questions from taxpayers on energy credits.

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APPENDICES

APPENDIX 1: 2024 IRA Strategic Operating Plan: Annual Update

Since the passage of the Inflation Reduction Act (IRA), the IRS has made significant progress in enhancing the services we provide to taxpayers and increasing fairness in enforcement. IRA funding has allowed us to make substantial investments in the way we serve the public, ensure fair enforcement of tax law, deliver new digital tools, modernize our underlying technology, and generate the revenue needed to fund our country's vital activities and institutions.

Today, taxpayers can reach us when they need us. This past filing season, our call centers answered a million more calls than the previous year, and saved taxpayers 1.4 million hours of hold time. All our walk-in centers are open, fully staffed, and expanding around the country to serve taxpayers in-person if needed. We are processing paper returns and other forms faster and more efficiently. We have launched more digital tools in the last two years than we were able to launch in the previous 20, while also enhancing existing tools on IRS.gov that continue to grow in popularity and use, and creating a Direct File pilot for taxpayers in 12 states who can file their tax returns online, directly with the IRS, for free. These accomplishments have enabled the IRS to provide better service to taxpayers, and this filing season the IRS exceeded the benchmark for customer trust established by the Office of Management and Budget (OMB).

These successes would not have been possible without the tireless effort of the IRS' dedicated employees, who designed, led, and executed projects that have improved the experience of millions of taxpayers and increased the integrity and fairness of our tax system. Our employees are the fundamental driver of the improvements laid out in the Strategic Operating Plan, and we will continue to invest in our workforce to ensure that all employees have the tools, training, and support they need.

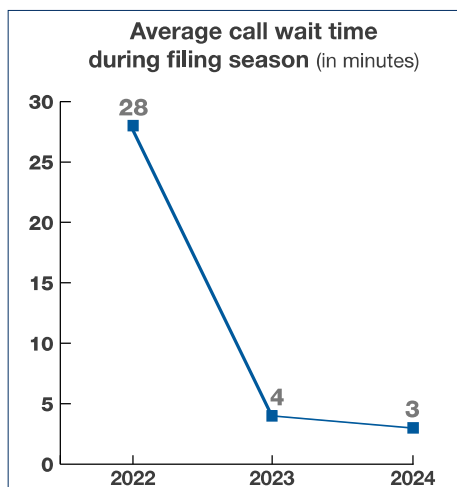
However, we have much more work to do in order to deliver the tax administration system that the nation deserves. We must stay on pace with an increasingly digital world and leverage the benefits that technology can provide for both taxpayers and our employees. The Inflation Reduction Act has allowed the IRS to make major investments in the people, programs, and technology needed to deliver on this vision. But continuing this progress is at risk without ongoing stable funding.

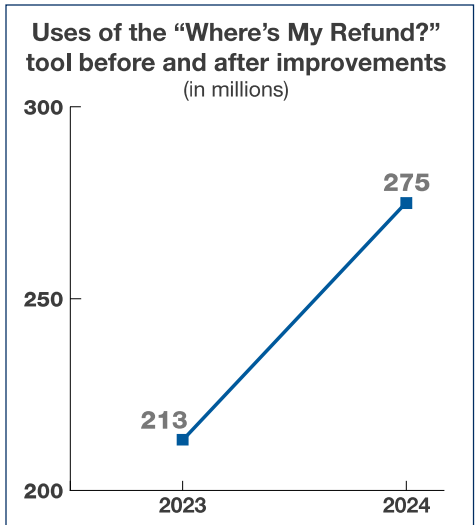
Achievements from Year One of the Strategic Operating Plan

Enhancing Live Assistance: Over One Million More Calls Answered, Wait Times Reduced to Three Minutes

Immediately after passage of the IRA, we hired thousands of new customer service representatives to ensure that call centers could effectively handle the millions of calls that the IRS receives annually. The improvement to taxpayer service was immediate. This filing season, we have answered more than one million phone calls than last year, while increasing our level of service (the percentage of callers that speak to a Customer Service Representative) and reducing the average call wait time from 28 minutes in 2022 to an average of three minutes this year.

This year, we also added a call back option on our main phone line, so taxpayers are not required to stay on long holds. This has saved taxpayers an estimated 1.4 million hours of being on hold. We are also starting to roll out conversational voice technology, available in both English and Spanish, that can route calls based on what a taxpayer says.





We also improved service at Taxpayer Assistance Centers (TACs) across the country, and in 2024 the IRS added extended hours at 242 TAC locations across the nation, generating more than 11,000 extra service hours for taxpayers during the 2024 filing season. In addition to extended service hours, IRS also offered taxpayer assistance on Saturdays in more than 70 locations. These evening and Saturday hours made it more convenient for thousands of hard-working taxpayers to get help.

Expanding Online Services: Enhancing Online Tools

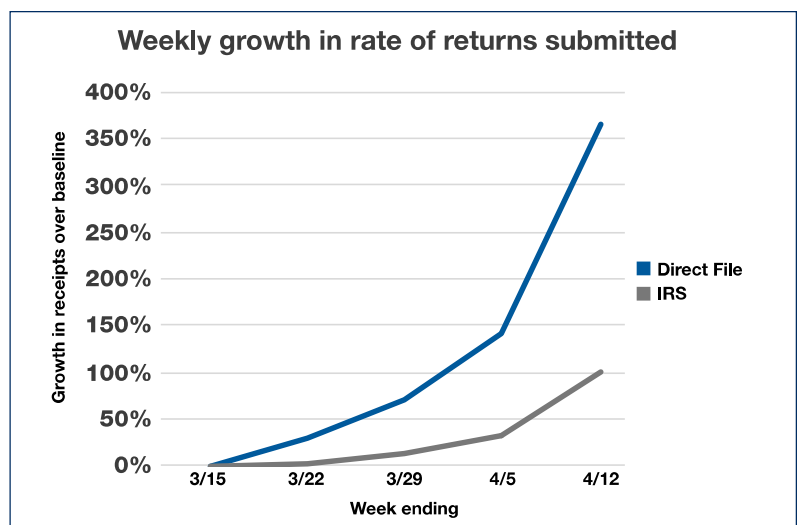
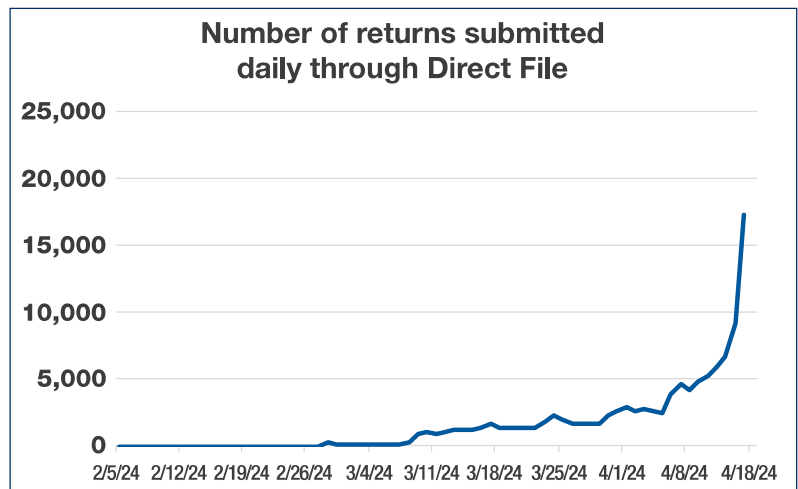
Using IRA funding, we have enhanced and created popular and convenient online tools that save taxpayers time and money, while also reducing phone calls, paper processes, and other burden on IRS employees. For example, in filing season 2024, we updated the Where's My Refund? tool to provide more detailed refund status information in plain language, increasing use by nearly 30%.

Launching Direct File: More Than 140,000 Returns Submitted Through Direct File – A New Pilot Program for Taxpayers to File for Free, Online, Directly with the IRS

For filing season 2024, we also launched Direct File, a pilot program where taxpayers in 12 states can file their tax returns online, directly with the IRS, for free. Direct File is one of many options that taxpayers have to file their taxes, including tax software and tax professionals.

More than 140,000 returns were filed using Direct File as of 04/20/2024, and initial reports of the user experience were overwhelmingly positive. Direct File is designed to be easy to use, was available in Spanish, and works as well on a smartphone as it does on a laptop, tablet, or desktop computer. The software details the math involved so that taxpayers can be sure that their return is accurate, and live customer service support (including both live chat with customer service representatives and chatbots) is available.

Taxpayer use of the service grew rapidly over time, and the number of returns submitted through Direct File grew at more than three times the general rate of return submission during the filing season. The IRS is currently evaluating the performance of the pilot based on feedback and lessons learned.



Clean Tax Credits & CHIPS Accomplishments: Implementing New Policies and Standing Up Online Tools

The Inflation Reduction Act (IRA) and Creating Helpful Incentives to Produce Semiconductors (CHIPS) which was enacted in August 2022 represent the most significant actions taken on domestic manufacturing, clean energy and climate change in United States history. Since enactment, the IRS and Treasury have collaboratively worked to implement the 34 clean energy provisions that impact both individual and business taxpayers. In November 2023, the IRS successfully launched IRS Energy Credits Online (IRS ECO), which is used for multiple clean energy IRA provisions. IRS ECO is part of the larger effort underway to make improvements for the taxpayer experience and transform operations at the IRS. IRS ECO provides a fully electronic way for users to register for a Clean Vehicle (CV) or Elective Payment/Transfer Election (EP/TE) account. Within IRS ECO, users can submit CV Time-of-Sale reports, request advance payments, and register facilities and properties. As of April 1, 2024:

- More than 12,500 clean vehicle dealers successfully registered using the IRS ECO tool.
- Nearly 70,000 Time-of-Sale reports have been submitted for the new clean vehicle credits and over 13,500 for used clean vehicles.
- Approximately 69,000 CV advance payments totaling \$469M have been distributed.
- 725 entities have registered nearly 50,000 facilities and properties for an elective payment or transfer of a clean tax credit.
- In addition, the IRS and DOE partnered on implementation efforts for credits for two energy projects, including \$4 billion in tax credits to advanced energy projects in the first allocation round for the 48C tax credit, and the approval of more than 45,000 Low-income Communities Bonus Credit program applications for eligible solar and wind projects (allocating more than 1,100 megawatts of capacity).

We have launched additional efforts to ensure that taxpayers can access additional credits that they may be eligible for, including:

- In November 2023, the IRS sent over 1.8 million reminder letters to individuals who received the advanced Child Tax Credit but did not file a 2021 return and could be eligible to claim the other 50% of the expanded Child Tax Credit.
- In January 2024, IRS launched a new annual Tax Professional Awareness initiative to educate tax professionals on refundable credit eligibility requirements and inform them of their due diligence requirements to help taxpayers receive credits.
- In 2024, the IRS is estimating for the first time the credits gap for the Child Tax Credit, the Premium Tax Credit, and others. Previously, the IRS has focused exclusively on the Earned Income Tax Credit gap.

Increasing Online Services and Accelerating Digitalization: Today, Almost All Taxpayers Can Interact with the IRS Digitally if They Choose

The IRS has articulated a vision for digital interactions with the IRS, that:

All taxpayers can meet all of their responsibilities, including all interactions with the IRS, in a completely digital manner if they prefer.

In support of that vision, we have achieved the following accomplishments in support of taxpayers who would prefer to interact with the IRS digitally:



Updated the Individual Online Account so individuals can save multiple bank accounts, validate bank account information, display their bank name, schedule and cancel payments, and expand and revise payment plans.



Launched first-ever IRS Business Tax Account, focused on small business owners, individual partners of partnerships, individual shareholders of S corporations, and sole proprietors with an employer identification number (EIN)—eligible entities can now view digital notices and letters.



Enhanced the Tax Pro Account to include the ability to manage active client authorizations with the Centralized Authorization File (CAF) database, view and manage active authorizations, and view their individual and business clients' tax information, including business balance due and canceled and returned checks for individuals.



Built capability for taxpayers to **digitally submit online all correspondence and responses to notices and letters** that do not have a filing or payment action. As a result, the IRS estimates more than 94% of individual taxpayers will no longer have to send mail to the IRS, potentially replacing up to 125 million paper documents per year.

The IRS is also enabling taxpayers to submit forms on their mobile devices, and launched the first four mobile-friendly forms at the end of calendar year 2023. This is an important milestone toward our goal of meeting taxpayers where they are. An estimated 15% of Americans rely solely on mobile phones for their Internet access—they do not have broadband at home—so it is important to make forms available in mobile-friendly formats.¹

Simplifying Notices: Reviewed, Redesigned, and Deployed 31 Notices

Announced in January 2024, the Simple Notice Initiative is redesigning IRS notices so taxpayers can easily understand why we are contacting them and take action as needed. We are also working to make notices available to taxpayers online and offer a seamless way to digitally respond back to the IRS. Making notices available digitally will also help address scams by enabling taxpayers to verify that a notice they receive in the mail is from the IRS. In the past year we:



Reviewed and redesigned 31 notices for the 2024 tax season. These include notices to taxpayers who may be eligible for tax deferment, including those who served in combat zones, notices reminding a taxpayer they may have unfiled returns, and notices reminding a taxpayer about their balance due and where they can go for assistance.

Disrupting Scams: More Than \$1 Billion Protected by IRS Efforts to Disrupt Scammers Targeting the Employee Retention Credit

In September 2023, the IRS announced a moratorium on processing new Employee Retention Credit (ERC) claims through at least the end of 2023. The IRS conducted enhanced compliance reviews of existing claims submitted before the moratorium to protect against fraud, and also to protect businesses and organizations from facing penalties or interest payments stemming from bad claims advertised by promoters. The IRS also offered a withdrawal

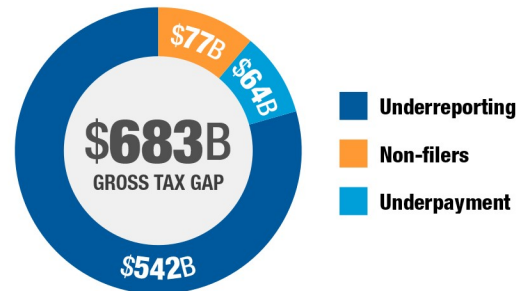
¹ Pew Research Center, Americans' Use of Mobile Technology and Home Broadband, <https://www.pewresearch.org/internet/2024/01/31/americans-use-of-mobile-technology-and-home-broadband/> (accessed 04/01/2024)

option to help small business owners and others who were pressured or misled by ERC marketers or promoters into filing ineligible claims. Claims that were withdrawn were treated as if they were never filed, and the IRS did not impose penalties or interest. The IRS has also partnered with the Department of Veterans Affairs to support the disruption of tax scams and schemes that specifically target US military veterans. These initiatives have protected more than \$1 billion.

Ensuring Fairness in Enforcement: 125,000 Letters Sent to People Making Over \$400,000 Who Have Not Filed Since 2017

The IRS is working to ensure large corporate, large partnership, and high-income individual filers pay the taxes they owe. Our vision for enforcement, supported by IRA funding, is that:

Non-compliant taxpayers, in particular the largest and most complex filers, pay what they owe because the IRS has the workforce and advanced technology needed to enforce fairness in the tax system and narrow the tax gap.



The IRS estimates that the tax gap is \$683 billion.² Prior to IRA, more than a decade of budget cuts prevented the IRS from keeping pace with the increasingly complicated set of tools that non-compliant taxpayers use to shelter or manipulate their income to avoid taxes. The IRS is now taking swift and aggressive action to improve tax compliance in areas where the agency did not have adequate resources prior to IRA funding, though small business and households earning \$400,000 or less will not see audit rates increase relative to historical levels.

Our achievements include:



Ramped up efforts to pursue high income, high wealth individuals who have either not filed their taxes or failed to pay recognized tax debt, concentrated among taxpayers with more than \$1 million in income and more than \$250,000 in recognized tax debt. **As of January 2024, this initiative has recovered \$520 million.**



Opened examinations of 76 of the largest partnerships in the U.S., representing a cross section of industries including hedge funds, real estate investment partnerships, publicly traded partnerships, large law firms and other industries. The selection of these returns is the result of **groundbreaking collaboration among experts in data science and tax enforcement.**



Expanded the large corporate compliance (LCC) program, focusing on non-compliance by **using data analytics to identify large corporate taxpayers for audit.** LCC includes the largest and most complex corporate taxpayers with average assets of more than \$24 billion and average taxable income of approximately \$526 million per year.



In February 2024, the IRS announced plans to begin dozens of audits **involving personal use of business aircrafts.** The audits will focus on aircraft usage by large corporations, large partnerships, and high-income taxpayers. We will examine whether the use of jets is being properly allocated between business and personal use.

² US Treasury, Return on investment: Re-Examining Revenue Estimates for IRS Funding, [U.S. Department of the Treasury, IRS Release New Analysis Showing the High Return on Investment from Inflation Reduction Act Resources | U.S. Department of the Treasury](#) (accessed April 2024)

Leveraging Data and AI: 60 Audits Started on Large Corporations with Average Assets over \$24 Billion

To support our vision for enforcement, the IRS is using artificial intelligence (AI) and advanced analytics to help select complex partnerships for audits. This is the result of groundbreaking collaboration among experts in data science and tax enforcement, who have been working side-by-side to apply cutting-edge machine learning technology to identify potential compliance risk in the areas of partnership tax, general income tax and accounting, and international tax. As of December 2023, the IRS had open examinations of 76 of the largest partnerships in the U.S. that represent a cross section of industries including hedge funds, real estate investment partnerships, publicly traded partnerships, large law firms, and other industries.

Addressing Racial Disparities in Enforcement

Above all, we are rebuilding trust in enforcement. When researchers from the U.S. Department of Treasury and several academic institutions published a study that found that Black taxpayers were three to five times more likely to be audited than other taxpayers, we dedicated resources to quickly evaluate the extent to which our exam priorities, automated processes, and the data we rely on contributed to this disparity. Our findings supported the conclusion that Black taxpayers are audited at higher rates than other taxpayers. We are overhauling compliance efforts to advance our commitment to fair, equitable, and effective tax administration and hold ourselves accountable to taxpayers we serve. We are investing IRA resources in research that can help identify disparities across dimensions of race, ethnicity, age, gender and geography, and we are using that research to continuously refine our approaches to compliance and enforcement.

Modernizing Underlying Technology

None of the improvements described above would be possible without investing in the IRS' underlying technology infrastructure and data analytics. Thanks to IRA investments, the IRS is deploying new technology to benefit taxpayers and making significant progress on modernizing IRS' foundational legacy IT systems. For example, in addition to the items mentioned above we have enabled bulk filings of Forms 1099, replaced decades-old mail sorting machines, and scanned millions of paper forms.

Fostering Positive Employee Experience

Employees are the underpinning of everything the IRS does – without a high-quality workforce, none of the improvements the IRS has made thus far would be possible. The IRS must also continue to invest in its employees to ensure we recruit and retain the top talent. Throughout 2023, the IRS worked to update aging equipment for employees, including laptops and phones, and increased access to supply stations and IT “Fix It” days.

In addition, we developed a robust recruiting and onboarding plan that attracts strong candidates and gets them to work quickly. Through mid-March 2024, we have increased the number of revenue agents by ~9% over last year, with more than 1,000 additional candidates working through the hiring process after receiving job offers. The IRS also increased the number of customer service representatives supporting taxpayers by 1,100 in 2023. With this influx of new staff, onboarding and training programs are more important than ever, and the IRS piloted a new approach to onboarding new hires, strengthening employee culture and improving employee experience. We will be scaling up this approach in 2024. The ongoing transformation journey will build on these foundational wins, as long as the IRS continues to have the critical funding it needs to keep investing into our employees and technology.

The Future of the IRS

The improvements outlined above are a stark contrast to the years of under-funding that deteriorated taxpayer service and tax enforcement, frustrating taxpayers, the tax community and IRS employees alike. This is changing following the funding provided by IRA, and these successes are just the beginning of what the IRS transformation can be. Long-term success is dependent on annual appropriations that include increases to maintain current funding levels, as well the mandatory funding proposed in the President's FY 2025 budget. With secure funding levels, the IRS will be able to continue to build on these early accomplishments and be empowered to use the remaining IRA funding as it was intended to transform the IRS.

APPENDIX 2: Shared Service Support for the Strategic Operating Plan

The IRS incurs costs for shared tasks that occur outside the purview of the IRA Strategic Operating Plan. These expenses could include ongoing activities which the IRS performs to fulfill statutory and regulatory requirements, effectively administer the tax system, and meet obligations to taxpayers. A shared cost would include a cost that supports the overall mission of the IRS. For example, the work done in the Office of the Chief Financial Officer supports the IRS in its mission but does not appear in one of the Plan objectives. For the purposes of recognizing and reporting this activity and spending, the IRS shared costs will be captured as “shared services support” in future reporting. Creating this objective allows for all IRS work to be recognized and reported. See Spending Summary, below, for detailed information.

Table 5: Cumulative (FY 2022–2024) IRA Spending by Objective through 03/31/2024

Transformation Objective (\$ in Millions)	Taxpayer Services	Enforcement	Operations Support	BSM	Direct Efile	Clean Energy	Total
1. Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible	1,346	30	204	346	12		1,937
2. Quickly resolve taxpayer issues when they arise	1	29	5				35
3. Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap		538	12	1			551
4. Deliver cutting-edge technology, data, and analytics to operate more effectively		21	413	962			1,395
5. Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers	33	72	480				585
Shared services support	2	2	65				69
Base			1,111	20			1,132
Total	1,381	691	2,291	1,329	12		5,704

APPENDIX 3: Budget and Performance Details

Examinations and Collections

As part of larger transformation effort, the Internal Revenue Service plans to increase the staffing of its Examination and Collection teams. The positions will be open in more than 250 locations nationwide and is part of a larger effort to add fairness to the tax system and expand tax enforcement involving areas of concern with high-income earners, partnerships, large corporations and promoters.

The Examination program helps taxpayers understand and meet their tax responsibilities and apply the tax law with integrity and fairness. Even with improved taxpayer service, some taxpayers will not comply, and the IRS will focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap. The IRS is committed to not increasing audit coverage for small businesses and households below the \$400,000 threshold a year compared to historic levels.

The Collection program collects delinquent taxes, secures delinquent tax returns through the fair and equitable application of tax laws, and provides education to customers to promote future compliance.

The performance metrics IRS uses to gauge the Examination and Collection program's performance are detailed below:

Table 6a: Exam and Collections Budget and Performance Plan

Exam and Collections Resource Level	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Enacted	FY25 Request
Appropriated Resources¹	\$3,907,290	\$3,933,597	\$3,987,323	\$4,447,716	\$4,263,263	\$4,489,141	\$4,489,141
Reimbursable Resources²	240	249	1,719	1,371	1,966	3,772	3,960
User Fees²	42	2,454					
Inflation Reduction Act Resources					261,300	812,287	1,796,363
Budget Activity Total	\$3,907,572	\$3,936,300	\$3,989,042	\$4,449,087	\$4,526,529	\$5,305,200	\$6,289,464

¹ The FY 2019 – FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation transfers. Inter-Appropriation transfers have not yet been approved for FY 2024 and FY 2025 and are not included in the table.

² The FY 2019 – FY 2023 columns represent realized resources for reimbursables and user fees.

Table 6b: Exams and Collections Budget Level Measures

Exam and Collections Measures	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY23 Target	FY24 Target	FY 25 Target
Exam Starts - High Income Individuals (new FY 2021) ^{1,2,3}	2,108	2,693	2,227	3,625	4,326	3,817	4,398	3,848
Exam Starts – Partnerships (new FY 2021) ^{1,2,4}	5,823	4,106	4,327	3,155	6,709	8,852	4,074	5,215
Exam Starts – Large Corporations (new FY 2021) ^{1,2,5}	2,009	1,700	1,490	1,365	1,400	1,121	1,250	1,375
Examination Efficiency – Individual	109	76	108	101	103	92	106	107
Time to Start Compliance Resolution (new FY 2020) ¹	60.9%	66.3%	66.0%	68.0%	72.0%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (new FY 2020) ¹	469	491	484	404	372	Indicator	Indicator	Indicator
Repeat Noncompliance Rate (new FY 2020) ¹	31.4%	35.6%	30.7%	28.1%	18.9%	Indicator	Indicator	Indicator
Collection Coverage	41.3%	34.9%	41.2%	38.3%	34.9%	33.4%	40.7%	39.1%
Cost to Collect \$100	\$0.33	\$0.35	\$0.33	\$0.29	\$0.34	Indicator	Indicator	Indicator

Note: FY 2024 and FY 2025 targets assume discretionary and IRA funding.

¹ Historical data provided for comparison.

² This measure was an indicator in FY 2022 and transitioned to a measure with a target starting in FY 2023.

³ Audits of high income individuals may take a revenue agent hundreds of hours to complete.

⁴ Due to the timing of hiring and the start date of the lengthy training cycle, the impact of hiring on performance is not immediate.

⁵ The impact of hiring on performance is not immediate due to required training for new Revenue Agents and the average case cycle time of about 36 months for these large corporations.

After FY 2025, the IRS will continue efforts to hire and train enforcement personnel, including establishing a robust training curriculum for revenue agents at all grade levels. The agency will continue to acquire and improve access to data sources for quicker, more proactive issue identification across compliance operations. This will include the thoughtful expanded use of AI in identifying noncompliance risks and better case selections while also maintaining and protecting taxpayers' rights to privacy. Enhanced training, technology and data will also be used to deliver alternative compliance treatments and issue resolution strategies tailored to the taxpayer, increasing the effectiveness and efficiency of tax administration.

Technology Improvements

The IRS is focused on critical work across our agency, including shoring up our core technology infrastructure to enable better functionality and improve overall data security. Modernized technology will significantly improve not just the underlying systems but ultimately customer service and the employee experience. With integrated data systems that update customer service representatives on customer questions in near real-time and through one system, taxpayers who reach out to the IRS will get prompt and near real-time information through the phone or digital solution that works best for them.

IRS will also use advanced analytics, new compliance treatments, and near real-time data to identify high-risk filings and pursue exams that are more likely to uncover tax evasion. Along with modernizing systems, IRS technology delivery will itself be transformed into a product- and platform-centric service.

This transformation enabled by resources provided through the Inflation Reduction Act (IRA) will ensure that the systems we are investing in today will remain persistently modern for many years to come.

In the absence of additional funding, the IRS estimates that its business systems modernization (BSM) account is currently short by nearly \$3 billion through FY 2031 which means the IRS will only partially modernize, leaving a sizeable legacy footprint that will prevent the IRS from enabling a near real-time tax processing system that provides taxpayers with instant account updates, faster refund processing and payment posting, and near real-time status updates. The cost to operate and maintain the IRS technology will continue to rise having to manage both modern and legacy systems, requiring tradeoffs that will likely impact taxpayers services and enforcement of the tax law. The legacy technology that remains will operate inefficiently and with greater risks of outages affecting access to taxpayers and IRS employees. The President's FY 2025 Budget proposal to extend the IRA funding through FY 2034 is critical to the IRS's ability to better serve taxpayers. With this additional funding, we'll be able to enable better functionality and improve overall data security.

Table 7 details IRA spending on information technology by objective and program through FY 2025. Additional costs for these areas will be incurred as functionality is expanded and corresponding operations and maintenance costs accrue. The IRS will provide additional updates with subsequent budget requests.

Table 7: FY 2023 – FY 2025 Business Systems Modernization (BSM) & Operations Support IRA Mandatory Funding

FY 2023-FY 2025 BSM & Operations Support IRA Mandatory Funding

IT IRA by Strategic Objectives and Initiatives (\$ in Thousands)	FY23 IRA Actuals			FY24 IRA			FY25 IRA		
	BSM	Operations Support	Total BSM and OS	BSM	Operations Support	Total BSM and OS	BSM	Operations Support	Total BSM and OS
Funding Category¹									
Capital	655,127	399,516	1,054,643	1,639,998	909,384	2,549,382	1,648,787	783,505	2,432,292
Support	361	56,099	56,460	450	35,000	35,450	500	40,000	40,500
Labor	67,671	11,586	79,257	130,986	103,090	234,076	279,713	335,478	615,191
IRA Total	\$723,159	\$467,200	\$1,190,359	\$1,771,434	\$1,047,474	\$2,818,908	\$1,929,000	\$1,158,983	\$3,087,983
IRA FTE Total	301	52	353	625	523	1,148	1,498	1,675	3,173
Strategic Objective 1: Better taxpayer experience	216,929	57,788	274,717	585,282	106,362	691,644	390,031	105,020	495,051
Strategic Objective 2: Faster issue resolution					29,000	29,000		39,000	39,000
Strategic Objective 3: Smarter Enforcement	129	5,842	5,971	80,000	50,000	130,000	180,000	50,000	230,000
Strategic Objective 4: Advanced Technology and Analytics to operate more effectively	506,101	299,489	805,590	1,056,152	497,567	1,553,719	1,308,969	620,123	1,929,092
Strategic Objective 5: Empowered Employees		104,081	104,081		339,545	339,545		319,840	319,840
Management Reserve				50,000	25,000	75,000	50,000	25,000	75,000
IRA Total	\$723,159	\$467,200	\$1,190,359	\$1,771,434	\$1,047,474	\$2,818,908	\$1,929,000	\$1,158,983	\$3,087,983
Accessibility	272		272		3,000	3,000	3,000		3,000
Live Assistance	27,613	19,992	47,605	40,516	34,000	74,516	40,000	34,000	74,000
Digitalization	74,753	4,961	79,714	109,766	29,000	138,766	50,000	40,000	90,000
Business Tax Account	33,031		33,031	130,000	9,600	139,600	70,000	10,520	80,520
Individual Online Account	55,538	651	56,189	162,000	2,500	164,500	75,000	2,500	77,500
Tax Professional Online Account	19,518		19,518	63,000	3,150	66,150	30,031	3,300	33,331
Direct File	1,339		1,339	50,000		50,000	75,000		75,000
Payments Modernization				10,000		10,000	17,000		17,000
Online Tools / Self-Service	4,865		4,865	20,000	3,500	23,500	30,000	4,000	34,000

¹ Capital Investment funding: capital and contractor labor costs. Support funding: training, travel, supplies costs. Labor funding: IRS employee pay and benefits costs.

FY 2023-FY 2025 BSM & Operations Support IRA Mandatory Funding

IT IRA by Strategic Objectives and Initiatives (\$ in Thousands)	FY23 IRA Actuals			FY24 IRA			FY25 IRA		
	BSM	Operations Support	Total BSM and OS	BSM	Operations Support	Total BSM and OS	BSM	Operations Support	Total BSM and OS
Authentication, Authorization, and Access (A3)		32,184	32,184		21,612	21,612		10,700	10,700
Subtotal Strategic Objective 1: Better taxpayer experience	\$216,929	\$57,788	\$274,717	\$585,282	\$106,362	\$691,644	\$390,031	\$105,020	\$495,051
Improve Penalty Administration					14,000	14,000		14,000	14,000
Modernized Correspondence, Notices, and Letters					15,000	15,000		25,000	25,000
Subtotal Strategic Objective 2: Faster issue resolution					\$29,000	\$29,000		\$39,000	\$39,000
Enterprise Case Selection	129	35	164	50,000		50,000	150,000		150,000
Legacy System Changes for Unified Compliance Organization	0	5,807	5,807		50,000	50,000		50,000	50,000
Digital Asset and Cryptocurrency				30,000		30,000	30,000		30,000
Subtotal Strategic Objective 3: Smarter Enforcement	\$129	\$5,842	\$5,971	\$80,000	\$50,000	\$130,000	\$180,000	\$50,000	\$230,000
Business Master File (BMF)	5,652		5,652	97,800		97,800	160,000	28,680	188,680
Enterprise Case Management (ECM)/Customer Relationship Management (CRM)	67,272		67,272	237,000	16,825	253,825	299,969	19,050	319,019
Unified Intake Tax Processing				70,000		70,000	100,000		100,000
Individual Master File (IMF)	213,053		213,053	265,000	1,200	266,200	265,000	2,800	267,800
Integrated Data Retrieval System (IDRS) Modernization				45,000		45,000	100,000		100,000
Information Returns Modernization (IR MOD)		38,668	38,668		109,400	109,400		120,625	120,625

FY 2023-FY 2025 BSM & Operations Support IRA Mandatory Funding

IT IRA by Strategic Objectives and Initiatives (\$ in Thousands)	FY23 IRA Actuals			FY24 IRA			FY25 IRA		
	BSM	Operations Support	Total BSM and OS	BSM	Operations Support	Total BSM and OS	BSM	Operations Support	Total BSM and OS
Advanced Analytics Platform	15,437		15,437	25,000		25,000	25,000	10,362	35,362
Common Enterprise Services	227		227	100,000		100,000	100,000		100,000
Enterprise Data Platform		53,178	53,178		80,014	80,014		95,676	95,676
Enterprise Tax Calculator System Provider (ETCSP)		4,553	4,553		20,000	20,000		22,030	22,030
IT Operations Transformation					15,800	15,800		15,800	15,800
IT Service Management (ITSM)		67,330	67,330		55,180	55,180		45,000	45,000
Network Modernization	3,000	83,760	86,760		113,468	113,468		120,800	120,800
Robotics Process Automation (RPA)	3,934	214	4,148	8,217	5,200	13,417	10,000	5,200	15,200
Portfolio Oversight/ Common Services	64,436	27,198	91,634	55,150	25,000	80,150	55,000	25,000	80,000
Vulnerability and Threat Management	43,798		43,798	43,832	18,900	62,732	50,000	27,800	77,800
Identity and Access Management	74,501	24,589	99,090	89,064	34,780	123,844	109,000	64,100	173,100
Security Operations and Management	14,791		14,791	20,089	1,800	21,889	35,000	17,200	52,200
Subtotal Strategic Objective 4: Advanced Technology and Analytics	\$506,101	\$299,489	\$805,590	\$1,056,152	\$497,567	\$1,553,719	\$1,308,969	\$620,123	\$1,929,092
Human Resource Information Technology (HRIT)		13,820	13,820		22,000	22,000		22,000	22,000
IRS Expansion		90,261	90,261		317,545	317,545		297,840	297,840
Subtotal Strategic Objective 5: Empowered Employees		\$104,081	\$104,081		\$339,545	\$339,545		\$319,840	\$319,840

Descriptions of Information Technology Programs, FY 2023 – FY 2025 BSM & Operations Support Funded Projects

Accessibility

Implements technology enhancements to enable equal access to information, services, and documents including establishing multilingual standards, multilingual application refactoring and development, multilingual forms and notices, and automated translation.

Live Assistance

Implements call center technologies to improve the taxpayer experience, this includes both taxpayer-facing capabilities and infrastructure improvement to support the capabilities. Enables real-time communication via a taxpayer's preferred channel and improves the experience through expanded self-service, using Natural Language Processing-enabled capabilities (e.g., chatbots and voicebots) that create efficiencies and improves both the taxpayer and employee experience. The target state will provide seamless omni-channel taxpayer interaction, while providing IRS assistors with additional tools and resources to enhance productivity (e.g., agent desktop modernization). Some examples of modernized call center technologies to improve taxpayer service are: cloud-based intelligent natural language processing voice automation services i.e., voicebots, new digital interaction services such as chatbots, live chat, click to call, and secure messaging services; and customer service agent tools to more effectively manage and address taxpayer service interactions.

Digitalization

Enables taxpayers to file documents securely and exchange correspondence electronically. Increases digital intake of returns, correspondence, and other forms with secure connections, such as Document Upload Tool and Modernized e-File (MeF) to back-end systems for faster processing and will enable the IRS to accept images of paper documents from taxpayers via mobile device or computer instead of by mail. Digitizes taxpayer correspondence via high-volume scanning, data extraction, and error correction. Enables access to data in a digital format following intake submission for workstreams and capabilities that are not yet digitally available. The IRS will continue moving towards "paperless" operations by enabling an increase in e-filing, expanding the digital submission of correspondence, notice responses and non-tax forms, increasing the scanning of paper returns, correspondence and forms, further digitizing historical documents, and expanding the digital data delivery throughout the IRS.

Business Tax Account

Provides business taxpayers with a secure, integrated and personalized online experience with self-service capabilities (e.g., preferences, tax records, notices, payments, messaging, document uploads) to more efficiently and effectively interact with the IRS as they would with other businesses and financial institutions. The implementation of additional enhancements in Business Tax Account will support capabilities that will be extended to businesses like accessing transcripts and digital notices.

Individual Online Account

Provides individual taxpayers with a secure, integrated and personalized online experience and self-service capabilities (e.g., preferences, tax records, notices, payments, messaging, document uploads) to more efficiently and effectively interact with the IRS as they would with other businesses and financial institutions.

Tax Professional Online Account

Provides tax professionals with a secure, integrated and personalized online experience with self-service capabilities (e.g., preferences, tax records, notices, payments, messaging, document uploads) to more efficiently and effectively interact with the IRS as they would with other businesses and financial institutions.

Direct File

Further expands the opportunity for taxpayers to file forms electronically through a common configurable Intake Platform and ability to electronically file directly with the IRS. Taxpayers will be provided with an expansion of secure electronic filing options for IRS documents that will speed processing and reduce paper filings as part of becoming fully digital and modernizing processes to improve the taxpayer experience and organizational efficiency.

Payments Modernization

Establishes a modern Payments Platform to include all government approved payment options and a unified account experience for all taxpayers, entities and third parties to make payments under the IRS brand. Supports the ability to make payments through all channels with features such as scheduling future payments, saving payment information, and creating and revising payment plans. The IRS will enable taxpayers to make payments more easily and seamlessly through all service channels such as payment capabilities through the phone, with employees, and online for businesses and tax professionals.

Online Tools / Self-Service

Modernizes existing (e.g., Integrated Customer Communication Environment (ICCE) applications like Where's My Refund?) and builds new (e.g., accessing IRS data, expanded tracking/real-time status updates) online tools and self-service features integrated through Online Account. The IRS will modernize the back-end platforms for ICCE applications (e.g., Where's My Refund? & Amended Return, IP Pin, Get Transcript) and expand the information made available to taxpayers to provide better insights to the status of their engagement with IRS.

Authentication, Authorization, and Access (A3)

Delivers and maintains modernized Identity, Credentialing, and Access Management (ICAM) capabilities in alignment with enterprise efforts, industry standards, best practices, and conforming to Executive/Legislative directives. Modernizes IRS Digital Identity Services to decouple security from applications, implements Multi-Factor Authentication, and applies foundational Zero Trust Architecture capabilities.

Improve Penalty Administration

IRS will provide technology to improve penalty administration over return preparer and BBA (Bipartisan Budget Act of 2015) penalty assessments and correct estimated tax penalty assessments within legal limits while protecting an estimated \$3,000,000 in preparer penalties and BBA accuracy penalties and an average (over the last five years) of \$1 billion in erroneous estimated tax penalties per year.

Modernized Correspondence, Notices, and Letters

Establish a common service for digitally generating and distributing notices and letters to taxpayers. Generates correspondence, notices, and letters in print and digital formats. Transmit correspondences of all file type formats to downstream systems for printing or digital delivery and will be integrated with automated multilingual support.

Enterprise Case Selection

Leverages the power of a new centralized anomaly detection platform for the IRS to better identify potential noncompliance, fraud, and unclaimed benefits earlier and enable notifications and/or case routing to the most effective channels/workstreams. In FY 2025, the IRS will continue building out functionality to centralize case selection and anomaly detection capabilities into a modern cloud-based platform leveraging advanced analytic capabilities to improve the selection of compliance cases.

Legacy System Changes for Unified Compliance Organization

Deliver technology capabilities required to establish a Unified Compliance Organization (UCO), including determining changes to IT compliance applications and systems needed for UCO stand-up, implementing changes to legacy IT systems to accommodate the UCO structure (when modernized solutions are not possible within required timeframes), retiring select legacy systems aligned to current business operating divisions' compliance functions, and re-skilling IT employees supporting compliance applications as necessary.

Digital Asset and Cryptocurrency

Implements a technical solution to employ compliance processes, reporting requirements, and data analytics to properly report digital asset transactions and uncover transactions that crypto users assumed were hidden. In concert with IR Modernization cryptocurrency information reporting, the IRS will detect and deter cryptocurrency tax evasion with virtual currencies like Bitcoin and nonfungible tokens by employing data analytics and case selection for enforcement staff. The IRS will start to build the solution to leverage the digital asset data collected to identify potential noncompliance.

Business Master File

Delivers a modernized business taxpayer account enabling near real-time processing with a robust database for account posting, settlement and service-driven data access. Legacy BMF architecture (sequential batch processing) and code will be modernized through an event-driven architecture and near real-time processing and data access. BMF modernization will leverage an innovative approach informed by lessons learned from modernizing the IMF to deliver incremental modernized business tax account management capabilities such as event-driven near real-time processing and greater agility in addressing legislative changes.

Enterprise Case Management (ECM)/Customer Relationship Management (CRM)

Establishes a single, modernized, enterprise case management system with access to taxpayer data and standard business processes across the IRS, consolidating capabilities from over 60 disparate systems. Implements a customer relationship management platform to manage IRS interactions and relationships with taxpayers. ECM will modernize case management processes and systems in a simplified technical environment to provide top quality service while empowering employees to resolve cases. ECM leverages an enterprise solution, including a CRM platform, for streamlining case and workload management, digitizes case information, provides business automation, and increases resource alignment across IRS, resulting in improved customer service, reducing the timeframe for case resolution, and enabling the retirement of legacy case management systems.

Unified Intake Tax Processing

Transforms the legacy returns pipeline system (i.e., Generalized Mainline Framework – GMF, Error Resolution System - ERS, Generalized Unpostable Framework - GUF, Service Center Control File - SCCF) that validates and perfects tax returns, remittances, information returns and adjustments, to enable a common perfection and validation pipeline for tax returns and information returns to support near real-time tax processing. The IRS will start replacing legacy GMF functionality with modern common services to enhance the returns processing perfection functions and advance the IRS towards event-driven near real-time tax processing.

Individual Master File

Transforms the individual taxpayer account processing (i.e., update accounts, assess taxes, generate refunds) and data access. Enables more digital services for one-stop access to up-to-the-minute account information, improves access to individual taxpayer data and analytical capabilities, and provides more agility in delivering tax law changes and legislative mandates. This initiative completes the delivery of CADE2 to replace the IMF and the follow-on activities to replace the remaining components of IMF that deliver data throughout the IRS infrastructure.

Integrated Data Retrieval System (IDRS) Modernization

Modernizes the complex IDRS ecosystem that acts as a central hub for Customer Service and Case Management business functions and other common services such as generating notices and correspondence. As the legacy IDRS system is consolidated and retired, this program will coordinate with other initiatives and various systems (e.g., ECM, CADE 2, Enterprise Data Platform) to provide comprehensive, modern solutions and a digital experience for IRS employees. The IRS will start delivering an incremental approach to modernize the IDRS capabilities through common services and collaboration with the supporting modernization programs (e.g., ECM for case management functionality).

Information Returns Modernization (IR MOD)

Implements and maintains a modernized intake platform for the billions of information returns filed each year and expands 1099 reporting requirements to include cryptocurrency brokers. Modernizes the end-to-end Information Return (IR) processing pipeline which is made up of the legacy intake systems.

Advanced Analytics Platform

Implements a new platform to power advanced analytics and allow data scientists to create predictive models and algorithms to analyze data more efficiently with leading-edge trustworthy AI and other advanced analytics tools. Will enable IRS to adeptly apply data and analytics to strategically advance its mission capabilities, improve taxpayer service, and support voluntary compliance to narrow the tax gap. The outcome will enable the creation and deployment of different analytic use cases (e.g., high income and high wealth, partnerships, balance due) to identify noncompliance, appropriate treatments of noncompliance including interventions.

Common Enterprise Services

Builds secure, reusable, and standardized services (e.g., code, APIs, data access services) to deliver IRS mission specific (e.g., Update Taxpayer Account, TIN Check, Perfect Address) and foundational technology (e.g., Single Sign-On, Logging) capabilities that will modernize and replace embedded logic currently provided within legacy systems and data connections. The IRS will start to build out new common enterprise services and prioritizing those that support the delivery of IRS IRA SOP commitments.

Enterprise Data Platform

Establishes a state-of-the-art Data Integration, Data Access and Data Management platform which empowers business users, IT developers, and data scientists to gain rapid, secure access to reliable, integrated tax administration data for analytical and operational usage and to develop and deliver trustworthy advanced analytics and AI/ML models. In addition, EDP will support modernized IT solutions with transactional data storage. EDP will integrate tax administration data to create a holistic view of the taxpayer and provide data access services; provide end users self-service analytics to make effective and agile data driven-decisions, streamline data operations using a scalable common services-based architecture to reduce time-to-insight, enable development of advanced analytics models and deliver AI based on enterprise IRS data for general use cases.

Enterprise Tax Calculator System Provider (ETCSP)

Over time, consolidates over 100 distinct and duplicative calculators embedded in more than a hundred applications and processes. These calculators require support from multiple application development teams implementing annual legislative and filing season updates. The Enterprise Tax Calculator Service (ETCS) will provide: modernized, flexible, and scalable tax calculations for legacy and modernized processing systems; and accurate and consistent results to customers both internal and external and increased reusability using a Service Oriented Architecture.

IT Operations Transformation

Transitions IT Operations to a service-oriented model to introduce new services that align with customer expectations and business value. Establishes robust and dependable systems to consistently deliver services, achieves comprehensive visibility into performance from the customers' standpoint, and proactively identifies potential issues which adversely affect the user experience.

IT Service Management

Increases reliability of IT services through integrated IT platforms that provide a centralized, consistent view of IT and greater insights into root causes which expedites service restoration. The program will enrich the customer and workforce experience through increased self-service and improved timeliness and availability of relevant information. ITSM will equip the workforce with knowledge and tools that enable preventative actions and increase responsiveness to incidents and enhance IT planning, operations and decision making through intelligent automation & orchestration and improved quality and relationships between different types of data. The program will accelerate delivery through automation of workflows and discovery for repeatable tasks.

Network Modernization

Grows end user experience, enables auto remediation, and expands POD bandwidth: Automates recovery actions for the most common issues and actions based on severity, tracks effectiveness of remediations over time, enables incident automation. The long-term delivery strategy is to deploy the next generation network architecture supporting secure cloud communications. To establish the network resiliency, a future state architecture with Ultravailable Network (UVN) Ring to improve performance & resiliency across core networks will be implemented. Implements trusted access and secure communications by Future State Network Cloud Security Boundary with Enterprise Partner Zone (EPZ) Cloud to Cloud Secure Communication resulting in, “Secure Access Anytime, Anywhere, Any Device”

Robotics Process Automation (RPA)

Establishes a cloud-based robotics process automation (RPA) platform to implement automations of high-volume manual processes at scale. The IRS will implement additional RPA use cases through the cloud-based platform that will increase operational efficiency by automating manual processes and freeing up staff for more value-added activities.

Portfolio Oversight/Common Services

Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.

Vulnerability and Threat Management

Identifies and provides transparency for risks and potential threats to initiate remediation actions for proactive prevention of security incidents (e.g., security audit trails, data loss prevention). The IRS will improve its cyber threat response and remediation capabilities to reduce audit findings, complete the implementation of a new tool to automate the management of security assessments, project milestones, and risk posture reporting, enhance application security testing to identify and resolve vulnerabilities earlier in development, and expand automation for vulnerability detection and response.

Identity and Access Management

Modernizes processes, technologies and policies for managing digital identities and access controls for internal and external users resulting in continued protection of taxpayer data.

Security Operations and Management

Provides advanced monitoring, fraud analytics, and incident response capabilities to reduce risk and ensure high availability of IRS systems, applications, and protected information.

Human Resource Information Technology (HRIT)

Modernizes HR processes using a common platform with centralized HR information and new self-service, automation, and workflow capabilities consolidating legacy / siloed HR processes.

IRS Expansion

Ensures all IRS expansion needs for hardware, software, services, and associated modernization needs are delivered to the enterprise on-time to enhance experience. Delivers secure enterprise tools to enable real-time IRS workforce collaboration, such as Microsoft 365 integrated tools (e.g., Teams, OneDrive, SharePoint). This will support IRS workforce expansion as well as establish additional communication channels and a method for real-time collaboration thereby improving the employee experience.

APPENDIX 4: Implementation Roadmap for the Strategic Operating Plan

In order to implement the Strategic Operating Plan (SOP), the IRS created a 2023 Implementation Roadmap. The Roadmap expanded and refined the efforts detailed in the plan by creating Key Results for 2023 and 2024. As an example, the first Objective of the SOP is to “Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible.” The first initiative of this objective is to “Improve the availability and accessibility of customer service.” To implement this initiative, the Roadmap developed a 2023 Key Result of an average wait time for a phone call on the main line during tax filing season of less than five minutes.

The roadmap will be refreshed each year as Key Results are completed, and new Key Results are identified for future years. This roadmap does not reflect all we will accomplish but highlights some of the major goals. As our detailed planning and implementation process proceeds, we will adjust the timing and sequencing of delivery milestones as we identify additional work. Every Objective and Initiative detailed in the plan is included on the Roadmap, and is tied to the Department of Treasury’s Strategic Plan, as illustrated below:

Table 8: Treasury Goals and Objectives Aligned to IRA SOP Outcome Groupings

Treasury Goal	Treasury Objective	SOP Objective	Roadmap Outcome Grouping
Goal 1: Promote Equitable Economic Growth and Recovery	1.1 Enhance tax compliance and service; improve tax policy design:	Objective 1: Improve Services	<ul style="list-style-type: none"> Enhance Live Assistance Expand Online Services Accelerate Digitalization Improve Employee Tools
		Objective 2: Resolve Issues	<ul style="list-style-type: none"> Simplify Notices Disrupt Scams
		Objective 3: Expanded Enforcement	<ul style="list-style-type: none"> Ensure Fairness in Enforcement
		Objective 4: Modernized Technology	<ul style="list-style-type: none"> Modernize Foundational IT
Goal 2: Enhance National Security	2.1 Cyber Resiliency of Financial Systems and Institutions	Objective 4: Modernized Technology	<ul style="list-style-type: none"> Modernize Foundational IT
	2.4 Transparency in the Financial System	Objective 1: Improve Services	<ul style="list-style-type: none"> Enhance Live Assistance Expand Online Services Improve Employee Tools
		Objective 2: Simplify Notices	<ul style="list-style-type: none"> Simplify Notices
		Objective 3: Expanded Enforcement	<ul style="list-style-type: none"> Ensure Fairness in Enforcement
		Objective 4: Modernized Technology	<ul style="list-style-type: none"> Modernize Foundational IT
Goal 3: Protect Financial Stability and Resiliency	3.3 Financial Innovation, Encourage responsible financial sector innovation:	Objective 1: Improve Services	<ul style="list-style-type: none"> Expand Online Services
		Objective 4: Modernized Technology	<ul style="list-style-type: none"> Modernize Foundational IT

Treasury Goal	Treasury Objective	SOP Objective	Roadmap Outcome Grouping
Goal 5: Modernize Treasury Operations	5.1 Recruit and Retain a Diverse and Inclusive Workforce, Recruit and retain a diverse workforce that represents communities that Treasury serves:	Objective 5: Skilled and Diverse Workforce	<ul style="list-style-type: none"> Foster Positive Employee Experience
	5.2 Future Work Routines, Transform the department's work routines to support changing mission and workforce needs	Objective 1: Improve Services	<ul style="list-style-type: none"> Improve Employee Tools
		Objective 5: Skilled and Diverse Workforce	<ul style="list-style-type: none"> Foster Positive Employee Experience
	5.3 Better Use of Data: Increase timely access to and use of quality data and other types of evidence to inform decision-making:	Objective 1: Improve Services	<ul style="list-style-type: none"> Expand Online Services Accelerate Digitalization Improve Employee Tools
		Objective 3: Expanded Enforcement	<ul style="list-style-type: none"> Ensure Fairness in Enforcement
		Objective 4: Modernized Technology	<ul style="list-style-type: none"> Modernize Foundational IT
	5.4 Customer Experience Practices: Mature and embed strong customer experience practices across the department, establishing Treasury's reputation for consistently positive experiences	Objective 1: Improve Services	<ul style="list-style-type: none"> Enhance Live Assistance Expand Online Services Accelerate Digitalization Improve Employee Tools
		Objective 2: Resolve Issues	<ul style="list-style-type: none"> Simplify Notices Disrupt Scams
		Objective 3: Expanded Enforcement	<ul style="list-style-type: none"> Ensure Fairness in Enforcement
		Objective 4: Modernized Technology	<ul style="list-style-type: none"> Modernize Foundational IT
		Objective 5: Skilled and Diverse Workforce	<ul style="list-style-type: none"> Foster Positive Employee Experience

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