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# IRA STRATEGIC OPERATING PLAN

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ANNUAL UPDATE

# Delivering the Inflation Reduction Act Strategic Operating Plan: Year One Progress Summary

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.

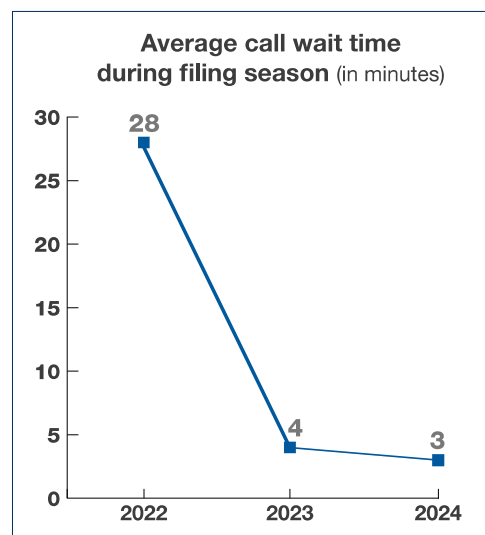
Below, we look back at achievements from the first year of delivering on the Inflation Reduction Act Strategic Operating Plan. In the [IRA Strategic Operating Plan Annual Update Supplement](#), we look to the future and lay out in more detail the vision, plan, and resources required to continue implementing the Strategic Operating Plan.

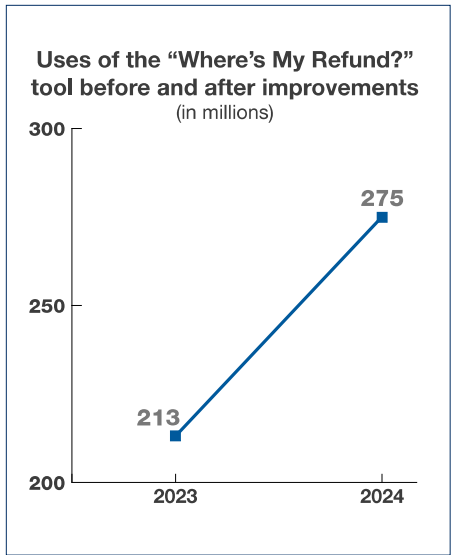
## Achievements from Year One of the Strategic Operating Plan

### 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

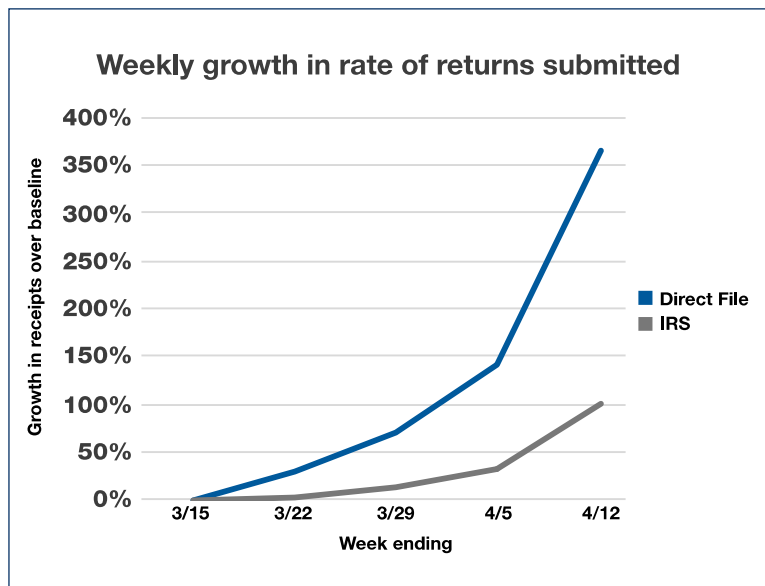
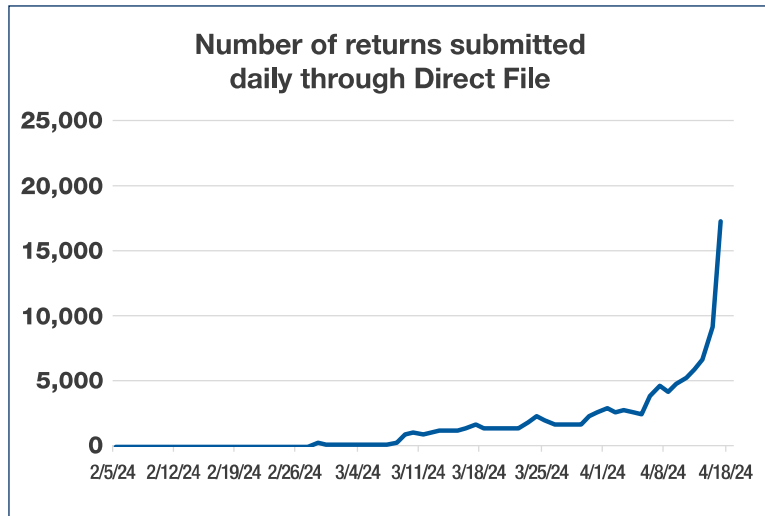
Using IRA funding, we have enhanced and created popular and convenient online tools that save taxpayers time and money, while also reducing phone calls, paper processes, and other burdens on IRS employees. For example, in filing season 2024, we updated the Where’s My Refund? tool to provide more detailed 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 smart-phone 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.

Introduced **new voicebots to help taxpayers** with a wide range of issues, including securing account transcripts, getting answers to questions about balances due, and getting help from the Taxpayer Advocate Service.



**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.<sup>1</sup>

### **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

<sup>1</sup> 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)

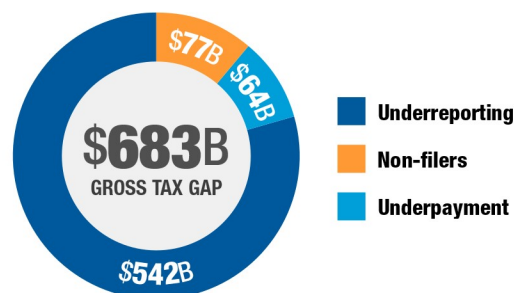


a withdrawal option to help small business owners and others who were pressured or misled by ERC marketers or promoters into filing ineligible claims. Claims that were withdrawn were treated as if they were never filed, and the IRS did not impose penalties or interest. The IRS has also partnered with 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.<sup>2</sup> 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.

<sup>2</sup> 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.

