2024 Major Management Challenges

Treasury Inspector General for Tax Administration
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MEMORANDUM FOR SECRETARY YELLEN

FROM: Heather M. Hill
Acting Inspector General

SUBJECT: Management and Performance Challenges Facing the Internal Revenue Service for Fiscal Year 2024

The Reports Consolidation Act of 2000 requires that the Treasury Inspector General for Tax Administration (TIGTA) summarize, for inclusion in the annual Department of the Treasury Agency Financial Report, its perspective on the most serious management and performance challenges confronting the Internal Revenue Service (IRS).\(^1\)

Each year, TIGTA evaluates IRS programs, operations, and management functions to identify the most vulnerable areas in the Nation’s tax system. The passage of the Inflation Reduction Act of 2022 (IRA)\(^2\) on August 16, 2022, significantly impacted the IRS by providing the opportunity and funding to transform all aspects of its operations over the next decade. The IRS issued a long-term Strategic Operating Plan (SOP) on April 6, 2023, that outlines its vision for the future of tax administration. Achieving the five objectives reflected in the SOP, through a series of initiatives and projects, will be the central challenge confronting the IRS for the foreseeable future. These transformation efforts are a significant undertaking that impact all the management challenges discussed in this memorandum.

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For Fiscal Year (FY) 2024, we have identified the IRS’s top management and performance challenges as:

- Managing IRA Transformation Efforts;
- Tax Law Changes;
- Taxpayer Service;
- Human Capital;
- Information Technology Modernization;
- Protection of Taxpayer Data and IRS Resources;
- Tax Compliance and Enforcement;
- Tax Fraud and Improper Payments; and
- Taxpayer Rights.

The following information detailing the management and performance challenges is provided to promote the economy, efficiency, and effectiveness of the IRS’s administration of the Nation’s tax laws.
The IRA legislation appropriated almost $80 billion to the IRS through September 30, 2031, to improve taxpayer service, update its computer systems, and increase compliance and enforcement actions against high-income taxpayers and large corporations. After the passage of the IRA, the IRS was required to develop a SOP detailing how resources will be spent over the next decade. When it was released on April 6, 2023, the SOP indicated that the IRA created a historic opportunity for the IRS to transform the administration of the tax system. The SOP outlines the IRS’s transformation mission as:

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.

The SOP is structured to achieve five objectives, which will be accomplished through a series of initiatives and projects aligned to each objective.

Figure 1: IRS Objectives of its IRA Strategic Operating Plan

Managing the transformation efforts will be a significant challenge for the IRS because the SOP was predicated on the provision of sufficient annual funding. In addition, TIGTA has previously raised concerns about the many challenges the IRS has faced when implementing large-scale
transformation projects. The Commissioner of Internal Revenue stated that “the IRS’s plan for IRA implementation assumed the IRA funds will support the transformation efforts, while day-to-day operations would continue to be supported by annual appropriations.” However, within months of laying out its transformation vision, the IRS has already seen cuts to its funding.

With the passage of the Fiscal Responsibility Act of 2023, which increased the Federal debt limit, approximately $1.4 billion of the IRA funding available for enforcement was rescinded. In addition to this rescission, an agreement was reached to potentially reduce the IRS’s annual appropriations in FYs 2024 and 2025 by $10 billion each year. This change would represent a 79 percent reduction relative to the Congressional Budget Office’s projection of the IRS’s discretionary budget authority over those two fiscal years. The reduction in funding, which appears possible based on an agreement reached with passage of the Fiscal Responsibility Act, will impact the IRS’s ability to use IRA funds as intended and instead force the IRS to shift these funds to maintain current operations.

If the IRS continues to receive reductions to its funding over the next decade, it will have to make difficult decisions on what to prioritize when making improvements to its operations and the way in which it serves taxpayers. The IRS has historically struggled to fulfill long-term plans to transform the organization. While some of this can be attributed to the continually changing budget environment, the IRS has also not effectively managed the process. For instance, in 2015, the IRS laid out its vision for the Future State of the IRS, with six stated themes to achieve its goals before merging the Future State into the IRS’s strategic plan in 2018. At the request of Congress, the Government Accountability Office reviewed the Future State and found that it was unclear how implementation of the Future State via the IRS Strategic Plan would occur or when it would be completed.

The IRS has also had difficulty implementing large scale projects within the Information Technology function, leading to cost overruns, late deliverables, and inefficient use of funds. For example, the IRS’s Customer Account Data Engine 2 (CADE 2) program involves major changes to core IRS tax processing systems. The IRS began developing CADE 2 in 2009; however, the Government Accountability Office reported that the IRS’s CADE 2 development has taken much longer and cost significantly more than originally planned.

The implementation of the IRA will challenge the IRS to ensure the proper balance of improving services to taxpayers, expanding enforcement, and modernizing its information technology. In addition, the IRS will need to ensure that it uses this increased funding in the most effective manner. TIGTA will continue to provide oversight work that addresses all five of the previously mentioned IRA SOP objectives. The oversight work conducted will provide external stakeholders insight into how well the IRS is achieving each of its stated goals over the next 10 years.

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3 Public Law No. 118-5 137 Stat. 10.
Tax Law Changes

The annual filing season is a critical time for the IRS because it is when most individuals file their income tax returns and contact the IRS if they have questions about specific tax laws or filing procedures. Errors in the IRS's tax return processing systems may delay tax refunds, affect the accuracy of taxpayer accounts, or result in incorrect taxpayer notices. One of the continuing challenges that the IRS faces each year in processing tax returns is the implementation of new tax law changes as well as changes resulting from expired tax provisions. Legislative actions generating the changes often occur late in the year, shortly before the filing season begins.

For example, the IRA contains 36 tax provisions that affect individual and business taxpayers. Twenty of these tax provisions required the IRS to implement changes related to tax return processing for Processing Year 2023. This required the IRS to create or revise tax forms, instructions, and publications; update computer programming to process tax returns affected by the provisions; and communicate and provide guidance to taxpayers and tax professionals on the tax law changes.5

The IRS used several established processes to immediately begin the task of tracking and implementing the 36 tax provisions. This included creating an implementation oversight office to work across the IRS overseeing the implementation efforts. Additionally, the IRS created the IRA 2022 Tax Provision Implementation Office, which is primarily responsible for overseeing the implementation of the tax provisions. As of May 2023, the IRS created or revised 71 tax products impacting Processing Year 2023.

Most IRA tax provisions affect future tax years. However, a small number of provisions affected individual tax filers for Tax Year (TY) 2022. Figure 2 identifies the three provisions most relevant to the 2023 Filing Season and provides the estimated tax impact for each provision for Calendar Years 2023 through 2026.6


### Figure 2: Summary of IRA Provisions Affecting the 2023 Filing Season

<table>
<thead>
<tr>
<th>Provision</th>
<th>Overview of Related Provisions</th>
<th>Tax Impact Calendar Years 2023 - 2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Efficient Home Improvement Credit (13301)</td>
<td>Renamed and replaced the existing Nonbusiness Energy Property Credit and extended the credit through December 31, 2032.</td>
<td>$5.9 billion</td>
</tr>
<tr>
<td>Residential Clean Energy Credit (13302)</td>
<td>Renamed and replaced the existing Residential Energy Efficient Property Credit and increased the credit rate to 30 percent for property placed into service beginning in TY 2022.</td>
<td>$6.9 billion</td>
</tr>
<tr>
<td>Clean Vehicle Credit (13401)</td>
<td>Renamed and replaced the existing Qualified Plug-In Electric Drive Motor Vehicle Credit. For TY 2022, transition rules for the requirement that qualifying vehicles must undergo final assembly in North America apply for vehicles placed into service on or after August 16, 2022.</td>
<td>$1.8 billion</td>
</tr>
</tbody>
</table>

*Source: The IRA and the Joint Committee on Taxation JCX-18-22.*

Actions are underway to implement the 16 tax provisions of the IRA that become effective during Processing Years 2024 through 2028. As of June 2023, the IRS had identified 68 tax products affected for future processing years related to these provisions, including 25 tax forms, 41 instructions, and two publications. The actions include efforts to implement processing controls for the clean vehicle credits and elective payments for energy property and electricity produced from certain renewable resources. TIGTA plans to continue to monitor the implementation during Processing Year 2024.

The 2023 Filing Season was also impacted by several tax provisions in the Consolidated Appropriations Act, 2021 and the American Rescue Plan Act of 2021 (ARPA) that expired at the end of Calendar Year 2022.\(^7\) The ARPA modified several credits, including the Child and Dependent Care Credit (CDCC) and Child Tax Credit (CTC). The ARPA expanded the CTC to provide taxpayers the ability to receive up to one half of the estimated TY 2021 CTC in advance payments between July and December 2021.

TIGTA reported that the IRS created an automated process to recalculate the CTC, including the amount of advance payments posted to a taxpayer’s tax account.\(^8\) This process identified 3.8 million tax returns that contained a discrepancy between the IRS calculated CTC amount and the amount claimed by the taxpayer that required resolution. Further, the IRS developed a process in response to TIGTA’s concerns to identify undeliverable advance payments that

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occurred after taxpayers filed their TY 2021 tax return. As of October 2022, the IRS reissued payments to 7,877 taxpayers totaling $5.4 million.

The ARPA also temporarily expanded the CDCC, making it fully refundable for taxpayers whose main home was in the United States for more than one-half of the year. The legislation also temporarily expanded the eligibility rules and the amount of Earned Income Tax Credit (EITC) for taxpayers with no qualifying children. In 2022, TIGTA reported on a number of weaknesses in the controls over the processing of CDCC claims.9 In a follow-up audit, TIGTA determined that IRS management needs to take additional actions to address prior agreed to recommendations.10 As a result, TIGTA made additional recommendations for the IRS to improve its processing of the CDCC and EITC.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act11 contains numerous tax-related provisions impacting individuals and businesses and appropriates approximately $750 million in additional funding to the IRS to administer and oversee these provisions. The CARES Act allows employers, including self-employed taxpayers, to defer deposits of the employer’s share of Social Security tax. Employers can defer the full amount of the employer’s share of the Social Security tax while self-employed taxpayers can defer 50 percent of the total Social Security tax. TIGTA determined that the IRS developed processes to systemically identify tax accounts with an unpaid December 2021 Social Security tax deferral and manually adjust the tax accounts.12 However, due to limited resources, the IRS was unable to develop programming to adjust accounts systemically that did not timely pay the Social Security tax deferral. As a result, TIGTA estimates $108 million in potential penalties and interest were not assessed on approximately 67,000 tax accounts.

The implementation of significant legislative mandates will continue to be a challenge for the IRS to address when preparing for the processing of tax returns during future filing seasons.

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Voluntary tax compliance is closely linked to the customers’ experience and the services provided, and survey results reported in Calendar Year 2019 showed that the IRS’s customer service lags behind service provided by other Government agencies and the private sector.\(^{13}\)

The Taxpayer First Act (TFA), signed into law on July 1, 2019, required the IRS to submit a written comprehensive customer service strategy to Congress.\(^{14}\) In January 2021, the IRS submitted its Taxpayer Experience Strategy (TXS) and its plans for the creation of the Taxpayer Experience Office (TXO). TIGTA reported that the IRS developed plans to implement the TXS but can more effectively monitor its progress in its implementation.\(^{15}\) IRS management indicated its ability to hire staff for the new office was materially limited until the FY 2022 Federal budget was passed in March 2022. As of February 2023, the TXO was not fully staffed, and it had not tracked and monitored the implementation of TXS capabilities; developed a detailed implementation plan for the top prioritized TXS capabilities; updated the TXS Roadmap; or developed performance measures.

The IRS business units continue to implement many initiatives that make up the TXS capabilities, but the TXO has not overseen the organization’s progress. According to TXO management, their goal was to be fully staffed by March 2023, at which time they planned to establish details of the day-to-day operations and the oversight of the implementation of the TXS. However, TXO management stated that the TXO’s future direction could change based on the IRS’s implementation of the IRA, and that it may take until the end of Calendar Year 2023 to be fully staffed.

The IRS has long recognized that improving customer service to taxpayers in underserved communities is a key component of a voluntary tax system and began taking steps to make improvements as an organizational priority before the enactment of the TFA. Some of these efforts were designed to assist taxpayers in specific underserved communities, while other efforts are more broadly focused on larger segments of the taxpayer population, which often include taxpayers in underserved communities. Figure 3 lists the underserved communities identified in the TXS.

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TIGTA reported that the TXS included details about how the IRS would implement service improvements for two of the eight underserved communities, but the IRS has not yet developed detailed plans to address the other six communities, nor has it created a comprehensive agencywide strategy to implement and monitor service improvements. The TXS included service improvement strategies for taxpayers with limited English proficiency and international taxpayers. However, the TXS strategies for the remaining six communities were all similarly generically worded to conduct focused research to learn more about the communities and to work with partners.

There is a risk that the IRS will not use resources optimally when assisting underserved communities because the IRS could duplicate its efforts if it does not determine how communities overlap. Additionally, initiatives focused solely on specific underserved communities may not be as effective in increasing voluntary compliance or reducing taxpayer burden because they may address only one issue for taxpayers that have multiple common issues.

In December 2022, we reported that the IRS inventories of unprocessed tax returns would not return to pre-Coronavirus Disease 2019 (COVID-19) pandemic levels by the end of Calendar Year 2022 and subsequently reported that backlogs of tax returns and account work remained for the 2023 Filing Season.

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16 The taxpayers with disabilities community includes taxpaying populations needing special assistance due to sight, hearing, dexterity, limited mobility, and cognitive challenges.
17 The IRS defines elderly taxpayers as those who are age 60 or older.
18 Low-income taxpayers generally make $60,000 or less per year.
19 Rural communities are populations of 500 or less persons per square mile.
20 TIGTA, Report No. 2023-15-027, Services to Underserved Communities Have Been Ongoing; However, an Agencywide Strategy Has Not Been Developed (May 2023).
Further, in May 2023, TIGTA identified the following contributing factors to the remaining backlogs in the Accounts Management function, which is responsible for assisting individual and business taxpayers with tax law and tax account inquiries, including making adjustments to taxpayer accounts when necessary.

![Figure 4: Factors Contributing to Remaining Inventory Backlogs](image)

While the employees assigned to the Accounts Management function Surge Team contributed to the additional closures of its inventory, there were fewer employees available than anticipated. In addition, the loss of employees from other IRS functions resulted in an estimated $2.6 billion in potential lost or delayed revenue, due to fewer examination and collection cases being worked.

Further, the Form 1040-X, *Amended U.S. Individual Tax Return*, Surge Team’s closure rates were less than one-half of the normal employees’ closure rates. Automating the processing of these amended returns would reduce the burden on taxpayers waiting for their amended returns to be processed, and the benefits far outweigh the associated costs. For example, TIGTA estimated that the IRS would potentially save more than $322 million in yearly processing costs by automating the processing of Forms 1040-X. This is in addition to any interest saved.

During the 2023 Filing Season, the IRS made significant progress to reduce tax return inventories closer to pre-pandemic levels. For example, more than 2 million individual tax returns and transactions remained in inventory as of the end of Calendar Year 2022, compared to more than 8.4 million as of the end of Calendar Year 2021. IRS management stated that for the first time since the pandemic began, individual tax return processing and related activities were returning to normal timeliness goals. The IRS cleared the carryover inventory of unprocessed individual tax returns received during Calendar Year 2022 by February 2023. However, as of July 2023, the IRS had more than 1.3 million individual and business paper returns received in Calendar Year 2023 waiting to be processed.

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The IRS assists millions of taxpayers via its website (IRS.gov), telephone, and social media platforms as well as face-to-face assistance at its Taxpayer Assistance Centers (TAC), Volunteer Income Tax Assistance sites, and Tax Counseling for the Elderly sites. During the 2023 Filing Season, the IRS saw improvement in its Level of Service (i.e., how many of those who call are able to speak to a Customer Service Representative) and wait times for its toll-free telephone lines when compared to the 2022 Filing Season. Figure 6 shows a comparison for Calendar Years 2022 and 2023.

In addition to providing service to taxpayers over the telephone, the IRS also plans to assist approximately 2.7 million taxpayers at its TACs in FY 2023. This is an increase of 97 percent from the number of taxpayers the IRS assisted during FY 2022. Figure 7 shows the number of contacts by product line at the TACs for FYs 2022 and 2023.

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23 The Level of Access is computed by taking the sum of Assistor Calls Answered and Automated Calls Answered divided by the Total Dialed Number Attempts Open Hours. TIGTA developed this metric; it is not an official IRS statistic. As noted in TIGTA, Report No. 2019-40-041, *Telephone Performance Measures Do Not Provide an Accurate Assessment of Service to Taxpayers* (June 2019), the IRS’s Level of Service measure does not reflect overall call demand for telephone assistance. We also reported that the IRS’s measure was not consistent with access measures reported by other types of organizations that operate toll-free help lines, such as the Social Security Administration and tax agencies in the States of California, Georgia, and New York.

### Figure 7: TAC Contacts for FYs 2022 and 2023

<table>
<thead>
<tr>
<th>Contacts/Product Lines</th>
<th>Fiscal Year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2022 Actual</td>
<td>2023 Projections</td>
<td></td>
</tr>
<tr>
<td>Tax Account Contacts</td>
<td>745,000</td>
<td>1,801,000</td>
<td></td>
</tr>
<tr>
<td>Form Contacts</td>
<td>52,000</td>
<td>61,000</td>
<td></td>
</tr>
<tr>
<td>Other Contacts</td>
<td>552,000</td>
<td>790,000</td>
<td></td>
</tr>
<tr>
<td>Tax Law Contacts</td>
<td>8,000</td>
<td>18,000</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1,357,000</strong></td>
<td><strong>2,670,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: IRS management information reports. Numbers shown are rounded.

However, insufficient staffing continues to result in the TACs not being open to provide taxpayer assistance. As of May 2023, the IRS reported that 22 of the 363 TACs were closed due to a lack of staffing. IRS management cautioned that the operating status of the TACs can vary day-to-day due to illness, staff leaving, or staff taking other positions within the IRS. For example, as of May 2023, 157 of the 363 TACs the IRS operated were staffed with one or two IRS employees. Similar to prior filing seasons, the IRS continues to use its appointment service for all TACs. However, in February 2023, in an effort to further assist taxpayers, the IRS announced special Saturday hours at more than 40 locations for face-to-face help between February and May with no appointments required.

In addition, digital communications have the potential to allow the IRS to more efficiently and effectively communicate with taxpayers. The Taxpayer Digital Communication (TDC) program is intended to enable taxpayers and tax professionals to interact with the IRS electronically. It is designed to facilitate quick and secure sharing of files and documents online by IRS employees and taxpayers, instead of waiting for physical mail, traveling to pick up documents, or requiring in-person interactions. Accordingly, the use of digital communications should allow IRS employees to resolve taxpayer issues more efficiently.

However, the IRS could do more to plan and implement a TDC program that meets taxpayers’ needs. For example, the IRS did not proactively identify IRS functions or operations for which digital communication may have provided sizable benefits for both taxpayers and IRS employees. Rather, any IRS program, function, or business unit wishing to explore a digital communication installation was allowed to express interest. TIGTA also reported that there is a need for the IRS to establish an office that can more readily provide oversight and coordination.
between the business units involved in the implementation and operation of the TDC installations and the Information Technology organization.\textsuperscript{25}

As the IRS implements initiatives related to the IRA, it must continue to focus its efforts on improving service to taxpayers, including innovative ways to simplify or eliminate processes that unnecessarily burden taxpayers.

\begin{center}
\textbf{Human Capital}
\end{center}

Human capital remains a serious, underlying issue with wide-ranging implications for both the IRS and taxpayers. From FYs 2010 to 2020, the number of IRS employees decreased significantly. During this period, the IRS’s budget decreased approximately $1 billion, or 8 percent, from $12.5 billion in FY 2010 to $11.5 billion in FY 2020, affecting its ability to hire employees to replace those who left. The IRS ended FY 2020 with slightly more than 80,000 employees, a 15 percent decline from just over the 94,000 employees in FY 2010. At a time when the IRS is taking on the enormous challenge of implementing the IRA, the recruitment of new employees and retention of existing employees are critical to ensuring a quality workforce capable of meeting the needs of the American public. As stated in its IRA SOP, IRS employees in the future will require a broader foundation of core competencies. The IRS envisions a greater number of data scientists as it becomes a data-centric organization. To address increasingly complex tax filings, the IRS indicated in the future its compliance functions will rely on specialized teams who respond to increasingly complex filings.

According to its IRA SOP, the IRS plans to hire approximately 29,500 employees in FYs 2023 and 2024 due to funding provided by the IRA. In its FY 2024 budget request, the IRS indicated it has experienced significant staff attrition over the past 10 years, with a loss of over 10,000 positions since 2012, predominantly within the compliance function. According to data provided by the IRS, approximately 15,000 employees had retired or separated during FY 2022. In addition, the IRS’s budget request stated that an estimated 63 percent of the IRS’s employees will be eligible for retirement in the next five years, and its current attrition rate is nearly 26 percent higher than the average for Federal agencies. The IRS indicated that approximately 21,000 employees will be eligible to retire by the end of FY 2023. These employees will take with them valuable knowledge of IRS systems, procedures, and information on day-to-day operations. The IRS will be challenged to recruit, quickly hire, onboard, and train the large number of individuals with the appropriate core competencies to replace both its planned staff attrition and increased staffing levels provided by the IRA.

Federal agencies can use special payment incentives to recruit and retain employees, and to fill mission-critical skill gaps. However, TIGTA reported that the IRS has used these incentives on

\textsuperscript{25} TIGTA, Report. No. 2023-30-003, \textit{More Should Be Done to Expand and Increase Use and Availability of the IRS’s Taxpayer Digital Communication Tools} (Nov. 2022).
only a limited basis.\textsuperscript{26} Between FYs 2019 and 2022, the IRS issued recruitment, retention, or relocation incentive payments to 1,466 employees from various non-IT organization business units, totaling just over $1.5 million. However, the vast majority of these payments, approximately $900,000, were retention incentives issued in FY 2020 to 1,435 employees returning to work during the start of the COVID-19 pandemic. As part of its expanded hiring efforts, the use of special payment incentives could assist the IRS to fill mission-critical positions and reduce the challenges of hiring and retaining employees.

In addition, the IRS piloted the use of Critical Position Pay Authority in response to prior TIGTA recommendations. Specifically, in March and June 2019, the IRS submitted six requests (through the Department of the Treasury) to the Office of Personnel Management to hire or retain Senior Executive Service positions designated as mission critical. It took almost three years from the initial drafting of the business case to receive approval for all six hiring requests. As a result, the IRS does not have plans to continue the use of Critical Position Pay Authority.

TIGTA also reported that the IRS can improve its process to help prevent the loss of mission-critical skills and knowledge due to attrition, reorganization, or promotional moves for experienced employees to share knowledge and experience with newer employees.\textsuperscript{27} In FY 2017, the IRS implemented the enterprise-wide Knowledge Management program to capture, share, and apply employee knowledge to enhance learning, performance, collaboration, and decision-making. TIGTA surveyed nearly 6,300 IRS employees to gauge the effectiveness of the enterprise-wide Knowledge Management program. Some of those surveyed expressed concerns about locating pertinent information on the program website. Also, some of the employees who located the site found the information hard to use and lacking in relevant information. Additionally, employees designated as subject matter experts were sometimes unhelpful due to their limited experience level. A successful Knowledge Management program allows experienced employees to share knowledge and experience with newer employees in a format that is effective and efficient. This will be an important tool for the IRS as it continues to onboard new employees.

The IRS will continue to be challenged to have the right people in the right place at the right time. Budget constraints, legislative changes, and economic shifts can create unforeseen challenges for the IRS in addressing its long-term human capital issues.


\textsuperscript{27} TIGTA, Report No. 2023-30-024, \textit{The Knowledge Management Program Will Benefit From Addressing User Concerns and Improving Performance Measures and Controls Over Employee Costs} (May 2023).
Successful modernization of systems and the development and implementation of new information technology applications are critical to meeting the IRS’s evolving business needs and enhancing services provided to taxpayers. Modernization is necessary to deliver efficient taxpayer services and enforcement with enhanced user experiences.\textsuperscript{28} The IRS uses different legacy case management systems that vary widely in complexity, size, and customization to support tax administration. According to the IRS’s IRA SOP, it uses some of the oldest information systems in the Federal Government. The IRS indicated that it uses more than 600 applications, many of them more than 20 years old.\textsuperscript{29} The IRS’s goal is to retire the Business and Individual Master Files by FYs 2027 and 2028, respectively.

Modernizing the IRS’s computer systems has been a persistent challenge for many years and will likely remain a challenge for the foreseeable future. The IRA SOP calls for a modern data architecture with a common platform to be more technologically efficient and improve the IRS’s ability to resolve taxpayer issues. This is a significant challenge and requires updating programming and the replacing legacy systems. According to the IRS’s plan, the Enterprise Case Management (ECM) platform will be modernized by FY 2025 to allow for the decommissioning of many legacy applications. In its summary of the IRS’s IRA SOP, the Congressional Research Service stated that the IRS’s use of the $4.8 billion provided by the IRA for modernization is arguably central to the entire IRS strategic vision and serves as the foundation for planned improvements in taxpayer service and enforcement.\textsuperscript{30} In its IRA SOP, the IRS indicates that 35 of its 42 initiatives are dependent on its objective to deliver cutting-edge technology, data, and analytics.

While modernizing its systems to enhance the user experience, the IRS must incorporate operational security measures. Recent cybersecurity incidents underscore the importance of increased visibility before, during, and after an incident. Information from audit logs on Federal information systems is invaluable in the detection, investigation, and remediation of cyber threats. Failure to capture and review audit trails for all systems with access to sensitive data prevents the IRS from assuring it can safeguard taxpayer data. In addition, without fully operational audit trails, unauthorized accesses, misuse, and theft of taxpayer data and Personally Identifiable Information could be occurring in IRS applications without detection.

\textsuperscript{28} TIGTA, Report No. 2023-20-006, Annual Assessment of the IRS’s Information Technology Program for Fiscal Year 2022 (Apr. 2023).
\textsuperscript{29} Publication 3744, Internal Revenue Service Inflation Reduction Act Strategic Operating Plan FY 2023-2031, (Rev. 4-2023).
\textsuperscript{30} Congressional Research Service, The Internal Revenue Service’s Strategic Operating Plan to Spend $79 Billion in Inflation Reduction Act Funding (May 2, 2023).
The IRS’s ability to provide high-quality taxpayer service and maintain the integrity of the tax system requires modern, secure, and nimble operations as well as a sustained and talented workforce. Many emerging trends offer challenges and opportunities for the IRS, including changes in the taxpaying public and its expectations, technological disruptions, shifts in the workforce, and an increasingly globalized and interconnected world. Successful modernization of systems and the development and implementation of new information technology applications will continue to be a critical challenge for the IRS to meet its evolving business needs and enhance services provided to taxpayers.

Protection of Taxpayer Data and IRS Resources

The IRS relies extensively on computerized systems to support its financial and mission-related operations. Without effective security controls, computer systems are vulnerable to human errors or actions committed with malicious intent. People acting with malicious intent can use their access to obtain sensitive information, commit fraud and identity theft, disrupt operations, or launch attacks against other computer systems and networks. These threats to computer systems and related critical infrastructure can come from sources that are internal or external to an organization. Internal threats include equipment failures, human errors, and fraudulent or malicious acts by employees or contractors. External threats include the ever-growing number of cyberattacks that can come from a variety of sources, such as individuals, groups, and countries that wish to do harm to an organization’s systems or steal an organization’s data. The IRS indicated that it observes and mitigates more than 1.4 billion cyberattacks annually, including denial-of-service attacks, intrusion attempts, probes or scans, and other unauthorized connectivity attempts.31

According to the IRS, its future vision is to provide taxpayers and tax professionals access to information online to view their account; make changes; interact with the IRS; and manage preferences for payments, refunds, and communications.32 This future vision will challenge the IRS to ensure taxpayer privacy and security are safeguarded. Identity and access management is a fundamental and critical information technology capability ensuring that the right people have the right access to the right resources at the right time. If an unauthorized access occurs, it could result in substantial harm to systems and a loss of public confidence in the IRS.

In June 2021, for the first time ever, the IRS began outsourcing digital identity assurance by contracting with a private company under the Secure Access Digital Identity program. Since that time, the IRS has faced increased pressure to use a Government solution, specifically Login.gov, even though its service is not consistent with Digital Identity Guidelines provided under the National Institute of Standards and Technology. Accepting a reduction of standards

31 Publication 3744, Strategic Plan FY 2022-2026, (Rev.7-2022).
32 Publication 3744, Internal Revenue Service Inflation Reduction Act Strategic Operating Plan FY 2023-2031, (Rev. 4-2023).
for the sake of using a Government solution that does not currently provide the same level of
effectiveness as a private contractor could have significant, negative impacts in the public’s trust
in the security of their data with the IRS.

The IRS established a Continuous Diagnostics and Mitigation Program, which includes managing
“who is on the network” through identity and access management and privileged account
management tools. TIGTA identified areas of improvement related to the access management system.33 Specifically, TIGTA reviewed vulnerability scans for both on-premise and off-premise
cloud-based servers and determined that the off-premise server vulnerability scans had limited
risk severity (e.g., critical, high, medium, low) and no historical aging information, such as first
seen and last seen dates. In December 2022, TIGTA verified the cloud service provider upgraded
its server vulnerability reporting to include aging and risk severity level information.

TIGTA also found that the remediation of on-premise server vulnerabilities is not consistently or
accurately tracked with plans of action and milestones or risk-based decisions as required. The
IRS created two plans of action and milestones eight and 21 months after the vulnerabilities
were identified, instead of within 60 days from identification, as required. Errors in reporting
and tracking vulnerability remediation may further expose systems and data by allowing internal
and external actors more time to exploit known vulnerabilities.

The IRS’s ECM system is designed to modernize and consolidate legacy case management
systems across the IRS. The ECM system processes and stores sensitive information within the
IRS, providing restricted access to IRS employees via the Internet. The ECM system is a hybrid
cloud system, with components residing on IRS premises and in the cloud hosted by an outside
service provider.

However, TIGTA determined that the ECM system did not consistently meet cloud security
requirements. Specifically, the IRS did not timely prepare or fully prepare action plans to
address identified security risks.34 In addition, ECM system production servers residing in the
cloud lacked required malicious code protection. Further, the IRS did not timely remediate
24 high- and two medium-risk vulnerabilities for the ECM system. Control weaknesses within
the ECM system can pose a substantial risk to taxpayer records currently residing in the system.
The potential harm includes breach, unauthorized access, and disclosure of taxpayer
information.

Vulnerabilities that have been previously used to exploit public and private organizations are a
frequent attack vector for malicious cyber actors of all types. The Department of Homeland
Security issued a directive that focuses on vulnerabilities that are active threats and should be
Federal agencies’ top priority. However, TIGTA reported that from September through
December 2022, there were between 494 and 5,976 assets with known exploited vulnerabilities

33 TIGTA, Report No. 2023-20-013, The IRS Implemented the Business Entitlement Access Request System; However,
Improvements Are Needed (Mar. 2023).
34 TIGTA, Report No. 2023-20-018, The Enterprise Case Management System Did Not Consistently Meet Cloud
past the remediation period.\textsuperscript{35} TIGTA was unable to determine the status of each asset with a vulnerability because information in the IRS’s system is not reliable. In addition, the IRS is not following established guidance on isolating or removing all vulnerable assets from its network. Ineffective tracking and untimely remediation of known exploited vulnerabilities increases the risk to the overall security of IRS assets and allows affected assets to become targets of external exploitation with the intent to steal taxpayer data. In addition, failure to isolate or remove vulnerable assets from the network increases the risk of malicious attacks.

The IRS is required to create and store backups of both business and individual tax records to ensure that these records are available to conduct business, document IRS activities adequately, and protect the interests of the Federal Government and the American taxpayers. However, TIGTA reported significant deficiencies in the IRS’s handling of microfilm backup cartridges containing sensitive taxpayer data.\textsuperscript{36} Specifically, TIGTA reported that annual inventories have not been performed to account for microfilm cartridges. As a result of the lack of adequate inventory controls, the IRS cannot account for thousands of microfilm cartridges containing millions of sensitive business and individual tax account records. The personal taxpayer and tax information included on these backup cartridges is key information that can be used to commit tax refund fraud identity theft. In addition, these cartridges are not adequately safeguarded to limit access to this information.

In addition to safeguarding taxpayer data, the IRS also faces the daunting task of protecting its employees and facilities. Threats and assaults directed at IRS employees, facilities, and infrastructure impede the effective and safe administration of the Federal tax system and the IRS’s ability to collect tax revenue. TIGTA reviewed the IRS’s process for implementing security countermeasures for identified vulnerabilities and found that it did not ensure that minimum physical security countermeasures were tracked and considered.\textsuperscript{37} The IRS does not consistently use a centralized system to track physical security countermeasure recommendations, approvals, implementation actions, and associated costs. As a result, TIGTA was unable to determine the status of all current recommended physical security countermeasures in some of the IRS facilities reviewed.

Although threats over the past year have been at or below five-year averages, many of the provisions of the IRA that could generate additional threats, such as attempts to collect tax liabilities and additional enforcement contacts with taxpayers, have not yet been instituted by the IRS. After passage of the IRA, threats directed at the IRS and its employees received additional media attention. As a result, the Commissioner of Internal Revenue announced efforts to perform a comprehensive review of existing IRS safety and security measures. In

July 2023, the Commissioner announced a policy change that ended most unannounced visits to taxpayers by IRS personnel, in part to enhance the overall safety for IRS employees. Threats and assaults directed at IRS employees, facilities, and infrastructure impede the effective and safe administration of the Federal tax system and the IRS's ability to collect tax revenue.

Funding provided to the IRS by the IRA is expected to significantly increase IRS staffing levels over the course of the next 10 years. As a result, the IRS should anticipate the potential for increased employee misconduct allegations. The IRA also includes funding for the IRS to study the cost and feasibility of creating a free direct e-file program, which would expand the overall scope and control of the current IRS Free File Program. The implementation of such a system will create additional avenues for malicious actors looking to exploit the IRS network and its online portals.

Tax Compliance and Enforcement

One of the IRS's key responsibilities is to ensure that taxpayers comply with the tax law. Sustaining and improving taxpayer compliance is important because small declines in compliance cost the Nation billions of dollars in lost revenue and shift the tax burden from those who do not pay their taxes to those who pay their taxes on time every year. The difference between the estimated amount of tax legally owed by a taxpayer and the amount they voluntarily and timely pay for a tax year is known as the Tax Gap, which gives a broad view of the Nation’s compliance with Federal tax laws. The IRS estimated that the gross annual Tax Gap for TYs 2014 to 2016 was $496 billion per year, and projects that for TYs 2017 to 2019, it will increase to $540 billion per year.38 The IRS’s Tax Gap estimate for TYs 2014 through 2016 indicates that approximately 80 percent of the gross Tax Gap results from the underreporting of tax liabilities on filed returns, representing the highest potential for noncompliance.39 New and evolving issues, such as virtual currencies and abusive tax schemes, will also contribute to the Tax Gap.

However, the IRS does not use Tax Gap estimates to determine where its Examination functions should allocate resources in its work planning.40 IRS management informed TIGTA that ongoing research on complex areas of noncompliance and planned future changes to the Tax Gap methodology should make the Tax Gap more useful for informing resource allocation decisions through enterprise examination planning.

38 TIGTA, Report No. 2023-10-025, Planning Efforts to Hire Employees Who Conduct Audits of High Earners and Large Businesses Could Be Improved (June 2023).
Further, TIGTA reported that the IRS could take actions to improve Tax Gap estimates. For example, the IRS has not developed estimates for certain aspects of the Tax Gap, and some sources of noncompliance may not be reflected in the Tax Gap estimates. In addition, although the Tax Gap identifies certain known limitations, it does not identify what actions, if any, are being taken to address other excluded areas of noncompliance such as those associated with foreign activities and digital assets. The IRS also does not have formalized processes for internal or external review of its Tax Gap estimates. Internal reviews are performed at various points in the estimation process. However, these reviews are not documented and do not allow for any oversight. The absence of formal guidance for the internal and external review processes creates the potential for unidentified errors that could affect the quality of the estimates. Additionally, the lag time between the tax years used for the estimates and the year the estimates are published limits their usefulness.

Reductions to IRS enforcement function staffing levels over the last decade have also affected the total enforcement revenue collected. A reduction in the number of enforcement function employees may affect the IRS’s ability to maintain sufficient audit coverage of entities and individuals contributing the most to the Tax Gap and limit its efforts to collect the taxes taxpayers acknowledge they owe but have not paid.

The IRS estimates that, with existing hiring actions and expected attrition, the Large Business and International (LB&I) Division could hire approximately 450 positions and the Small Business/Self Employed (SB/SE) Division could hire approximately 2,300 positions without exceeding their authorized staffing levels. However, the hiring surge of 10,000 employees to assist in reducing the tax return filing backlog for the Wage and Investment Division’s Submission Processing and Accounts Management functions has prevented the LB&I and SB/SE Divisions from hiring more employees to increase audits of high earners. Further, the LB&I and SB/SE Divisions have not maintained their ideal staffing levels with normal attrition and the hiring of new employees to replace those who have left the business units. The IRS’s IRA SOP estimates that, through the end of FY 2024, approximately 8,700 of the approximately 29,500 employees funded by the IRA are planned for enforcement business units.

In addition, the SB/SE Division’s Fiscal Year 2023 Examination Plan showed no significant increase in the number of high-income individual audits. Additionally, the LB&I Division’s resource allocation plan is not detailed enough for TIGTA to assess the IRS’s intended efforts to examine high-income individuals with the increased enforcement funding.

Further, the IRS does not have a unified or updated definition for individual high-income taxpayers. The definition varies according to context as different programs are designed to address compliance coverage across different parts of the filing population.

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42 TIGTA, Report No. 2023-10-025, Planning Efforts to Hire Employees Who Conduct Audits of High Earners and Large Businesses Could Be Improved (June 2023).
The IRS’s current examination activity code uses $200,000 as the main threshold to measure high-income returns. Consequently, the IRS needs an updated high-income taxpayer definition and examination code to better identify and track examination results and manage examination priorities.

Research shows that audits have a strong, positive impact on reporting compliance. However, TIGTA reported that the IRS does not have a multiyear Examination Strategic Plan for allocating resources. The IRS has a general five-year strategic plan with broad goals for the agency; however, the strategic plan does not contain the detail needed for the compliance functions, such as Examination, to most effectively allocate resources. Creating a multiyear, comprehensive Examination Strategic Plan would provide IRS management with clear direction on how to allocate Examination resources.

Notably, the Secretary of the Treasury directed the Commissioner of Internal Revenue to ensure that small businesses and households earning $400,000 or less will not see audit rates increase relative to historical levels due to IRA funding. Instead, the IRS plans to use IRA funding to focus on high-dollar noncompliance. However, TIGTA reported that the IRS’s efforts for training new hires do not appear to be fully leveraging this expertise. The IRS treats this training as specialized and only offers it when necessary for employees auditing in this specialized area. Commensurate with the new funding, the IRS needs to change its training paradigm and expose new hires to the types of issues associated with high-income taxpayer returns. For example, the IRS indicated that the IRA funding will allow it to hire and train more specialists such as accountants, attorneys, engineers, economists and data specialists. According to the IRS, these resources will enhance its enforcement activities for emerging issues such as digital assets and international issues.

Increasing voluntary taxpayer compliance and reducing the Tax Gap will remain a persistent challenge facing the IRS. As such, the IRS will need to stay committed to a strong, visible, and robust tax enforcement presence to support voluntary compliance and protect the integrity of the tax system.

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The IRS continues to work diligently to combat various scams designed to steal taxpayers’
money or personal information. Compiled annually, the IRS’s “Dirty Dozen” lists a variety of
common scams that taxpayers may encounter. These scams involve the theft of a person’s
money and identity with bogus e-mails, social media posts, and unexpected telephone calls,
among other things. The scams can take a variety of forms, including using unemployment
information and fake job offers to steal money and information from people. All of these efforts
can lead to sensitive personal information being stolen, with scammers using it to try filing a
fraudulent tax return as well as harming victims in other ways.

Identity theft tax refund fraud involves the use of another person’s name and Taxpayer
Identification Number to file a fraudulent tax return reporting false income and withholding to
receive a fraudulent tax refund. The IRS continues to increase the number of fraudulent tax
returns detected and stopped from entering the tax processing system (i.e., rejecting e-filed tax
returns and preventing paper tax returns from posting). For the 2023 Filing Season, the IRS
used 260 filters to identify potential identity theft tax returns and prevent the issuance of
fraudulent refunds. In comparison, the IRS used 168 filters for the 2022 Filing Season. These
filters incorporate criteria based on characteristics of confirmed identity theft tax returns,
including amounts claimed for income and withholding, filing requirements, prisoner status,
taxpayer age, and filing history. Tax returns identified by these filters are held during processing
until the IRS can verify the taxpayer’s identity. As of May 2023, the IRS reported that it identified
nearly 2.4 million tax returns with refunds totaling approximately $13.8 billion for additional
review as a result of the identity theft filters. As of that same date, the IRS had confirmed
87,591 tax returns as fraudulent and prevented the issuance of $1.2 billion in fraudulent refunds.

Improper payments (i.e., payments that should not have been made, were made in an incorrect
amount, or were made to an ineligible recipient) continue to be a challenge facing the IRS.
TIGTA found that for FY 2022, the IRS was largely compliant with the reporting requirements
contained in the Payment Integrity Information Act of 2019. While largely compliant, the IRS
has not met the Act’s goal of reducing overall improper payment rates to less than 10 percent.
The IRS estimates it issued approximately $26 billion in potentially improper payments in
FY 2022. As shown in Figure 8, this represents a significant loss to the Federal Government.

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46 A nine-digit number assigned to taxpayers for identification purposes. Depending upon the nature of the
taxpayer, it can be an Employer Identification Number, a Social Security Number, or an Individual Taxpayer
Identification Number.


49 TIGTA, Report No. 2023-40-032, Fiscal Year 2022 Improper Payment Reporting Requirements Were Largely Met;
However, Improper Payment Estimates Are Less Precise (May 2023).
Figure 8: IRS Estimated FY 2022 Improper Payments and Rates\textsuperscript{50}

<table>
<thead>
<tr>
<th>Program</th>
<th>Estimated Improper Payment Rate</th>
<th>Total Payments</th>
<th>Estimated Improper Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earned Income Tax Credit (EITC)</td>
<td>32%</td>
<td>$57.5 billion</td>
<td>$18.2 billion</td>
</tr>
<tr>
<td>Additional Child Tax Credit (ACTC)</td>
<td>16%</td>
<td>$32.8 billion</td>
<td>$5.2 billion</td>
</tr>
<tr>
<td>American Opportunity Tax Credit (AOTC)</td>
<td>36%</td>
<td>$5.6 billion</td>
<td>$2.0 billion</td>
</tr>
<tr>
<td>Net Premium Tax Credit (Net PTC)\textsuperscript{51}</td>
<td>27%</td>
<td>$2.1 billion</td>
<td>$0.6 billion</td>
</tr>
</tbody>
</table>


The IRS has implemented a number of initiatives to help reduce refundable tax credit improper payment rates, yet rates remain persistently high. For example, estimates of improper payment rates have risen since FY 2020. Figure 9 shows the improper payment rates for EITC, ACTC, and AOTC for the last three fiscal years.

Figure 9: FYs 2020 – 2022 Improper Payment Rates

\textsuperscript{50} For presentation purposes, the improper payment rates, total payments, and estimated improper payments as presented may be impacted by rounding. Further detail is available within the datasets found on www.paymentaccuracy.gov.

\textsuperscript{51} The Net PTC is the amount of Premium Tax Credit minus the amount of Advance Premium Tax Credit. This is the first year the IRS has reported an improper payment rate for the Net PTC.

However, refundable credit improper payments are not primarily the result of internal control weaknesses that the IRS can address. In addition to the lack of reliable, relevant, and timely third-party data, the Department of the Treasury Agency Financial Report indicates that eligibility rules differ for each credit and are often complex because they address complicated family relationships and residency arrangements to determine eligibility.

Other refundable credits, such as the Employee Retention Credit, present a unique risk to tax administration because taxpayers not only can have their tax reduced to zero but also receive a “refund” of excess credit. The unintended consequences of refundable credits are that they can result in the issuance of improper payments and can be the target of unscrupulous individuals. As such, they pose a significant risk as an avenue for those seeking to defraud the Government.
Although the IRS continues to improve and expand its fraud detection and prevention processes, it must remain diligent as new schemes emerge each year.

As the IRS seeks to transform its operations and the way in which it interacts with taxpayers, it will need to continue to work to ensure that all taxpayers are treated equitably. Concerns were previously raised about the equitable treatment of taxpayers, especially as it pertains to audit selection. In September 2023, the Commissioner of Internal Revenue acknowledged the disparity in a letter to the Chairman of the Senate Finance Committee, stating that the Treasury Department and IRS have validated recent research using race information, which demonstrates Black taxpayers are audited at three to five times the rate of non-Black taxpayers. The Commissioner in his letter further stated “we are making broad efforts to overhaul compliance efforts in a manner that robustly advances our commitment to fair, equitable, and effective tax administration.” The Commissioner also laid out specific actions that the IRS will take this filing season to address the equitable treatment of taxpayers, noting a commitment to publicly report on the IRS’s efforts.

Improper administration of the Internal Revenue Code can also result in increased taxpayer burden, especially for vulnerable taxpayers. For example, on December 4, 2015, the Fixing America’s Surface Transportation (FAST) Act was signed into law.\(^\text{52}\) The Act includes a provision that requires the IRS to use private collection agencies (PCA) to collect taxes on cases involving inactive tax receivables. On July 1, 2019, the TFA was signed into law, which amended some of the FAST Act requirements for the private debt collection program. The TFA contains adjustments to PCA case inventory intended to protect certain low-income taxpayers from being subject to PCA collections. However, TIGTA identified 14,141 taxpayers whose incomes fell beneath the threshold for PCA assignment after the law was put in place but whose accounts were not properly recalled. If the IRS does not recall the 14,141 low-income taxpayers from PCA inventory, it is potentially burdening these taxpayers by PCA attempts to collect on debts that are not legally collectible by the PCAs under the Internal Revenue Code.

The IRS must balance tax compliance activities to enforce the tax code while at the same time upholding taxpayer rights. The IRS continues to dedicate significant resources and attention to complying with the taxpayer rights provisions of the IRS Restructuring and Reform Act of 1998,\(^\text{53}\) which requires TIGTA to audit certain taxpayer rights provisions and report whether the IRS complied with those provisions. While overall compliance has improved, TIGTA continues to identify areas in which the IRS can improve. For example, TIGTA evaluated whether the IRS


complied with the filing of Notice of Federal Tax Liens and a taxpayer’s right to elect a Collection Due Process hearing. However, TIGTA found that enforcement actions were not always suspended while taxpayers had the right to request a Collection Due Process hearing or while the taxpayer’s appeal was pending.54 In addition, the IRS did not always send copies of lien notices to the taxpayers’ representatives as required.

Additionally, Collection Due Process hearing provisions are designed to give taxpayers an opportunity for an independent review to ensure that the levy action that has been proposed or the Notice of Federal Tax Lien that has been filed is warranted and appropriate. Similar to prior audits, TIGTA identified incorrect Collection Statute Expiration Date posting errors in sampled taxpayer cases. In some cases, the IRS incorrectly extended the time period, allowing the IRS additional time to collect delinquent taxes.55

TIGTA also reported that the IRS can better comply with legal guidelines when issuing levies to seize taxpayers’ assets.56 TIGTA reviewed levies issued by the IRS for more than 2 million taxpayers during the period July 1, 2021, through June 30, 2022, and identified approximately 11,200 instances of noncompliance resulting in violations of taxpayers’ rights and taxpayers being burdened.

When married taxpayers elect to file a joint income tax return, they are held jointly and individually responsible for the tax, interest, or penalties due on the joint return, even if they later separate or divorce (i.e., one spouse can be held responsible for payment of all the tax due). The Internal Revenue Code provides an exception to joint and several liability (often referred to as “innocent spouse” relief). However, TIGTA reported that the IRS did not always protect taxpayer rights when working innocent spouse claims.57 This included not fully developing the facts and circumstances in innocent spouse claims or providing specific guidance for employees related to equitable relief. In addition, the IRS did not timely close innocent spouse claims. Prior to the COVID-19 pandemic, innocent spouse claims already exceeded the IRS’s 240-day closure goal, taking approximately one year to close. However, after the COVID-19 pandemic restrictions, the IRS took an average of 557 days (over 18 months) to close these cases.

With the additional IRA funding available and its plans for increasing its compliance efforts, the IRS must continue to remain vigilant in safeguarding the rights of taxpayers and promoting tax fairness.

Conclusion

This memorandum is provided as our annual summary of the most serious major management and performance challenges confronting the IRS in FY 2024. TIGTA’s *Fiscal Year 2024 Annual Audit Plan* and *Fiscal Year 2024 Inspections and Evaluations Program Plan* contain our proposed reviews.

cc: Deputy Secretary of the Treasury  
Assistant Secretary for Management  
Deputy Chief Financial Officer  
Commissioner of Internal Revenue