

Internal Revenue Service Inflation Reduction Act Strategic Operating Plan

FY2023 - 2031

Volume 3 of 5



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Objective 3

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

Even with improved taxpayer service, some taxpayers will not comply. The rising breadth and complexity of tax administration, coupled with the sophisticated ways that some taxpayers attempt to evade tax, have outpaced our resources and ability to monitor compliance and close the gap between taxes owed and collected. We will improve our efforts to help ensure that the proper amount of tax is paid and to promote future compliance. Pursuant to Treasury's directive,

small businesses and households earning \$400,000 or less will not see audit rates increase relative to historical levels. We will increase our focus on segments of taxpayers with complex issues and complex returns where audit rates are minimal today, such as those related to large partnerships, large corporations, and high-income and high-wealth individuals. Modern data analysis tools can greatly streamline these efforts, and the technology investments from Objective 4 will enable this work.

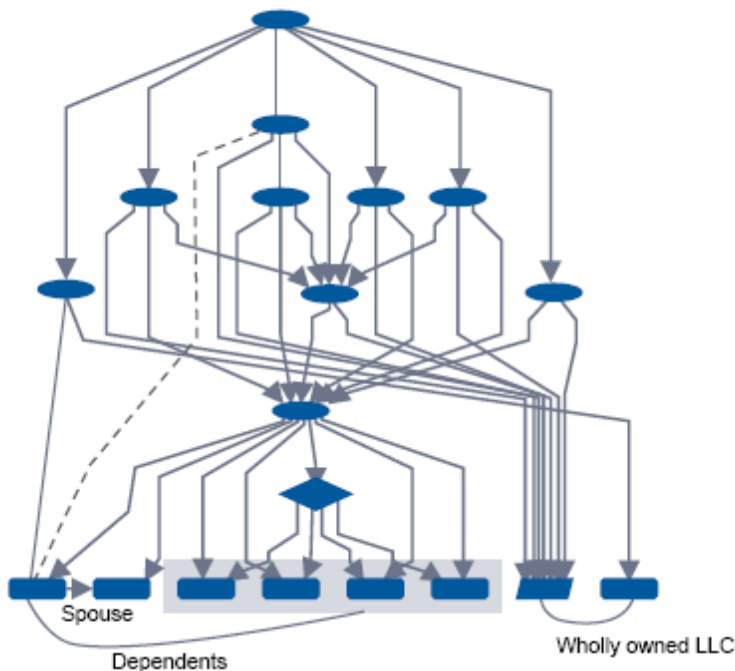
Where we are heading

- We will increase compliance coverage in areas with complex issues and complex returns where we have not had the resources to fully assess risks, such as those relating to complex partnership structures, large corporations, and high-income and high-wealth individuals.

- We will improve enforcement and risk identification through better use of data analytics, technology, and centralized operations.
- We will increase the expertise and capacity necessary to examine highly complex returns and issues more effectively.

Large business filings and examinations can require a variety of expertise and significant resources

Business structures can be complex



Related entities can include hundreds of investors in multiple tiers.

Complex taxpayer filings are long and time- consuming to examine



Some returns are thousands of pages long, requiring hundreds of staff hours to effectively review.

Many specialists and resources are needed to examine these filings



Complex returns require many specialists, including data scientists, auditors, counsel, international and financial products specialists, economists, and engineers.

Visuals are illustrative

Indicators of success

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



How expanded enforcement will further the energy security and clean energy provisions of the IRA for consumers, small businesses, communities, and industries

- We will quickly identify and address noncompliant activity, including fraud, to

ensure credits are properly claimed by eligible taxpayers.

Strategic shifts

From	To
Enforcement efforts underutilize risk analytics to identify high-priority segments.	We will use enhanced data and analytics to select compliance cases based on highest risk of noncompliance, and to choose enforcement actions predicted to be most effective.
Enforcement is resource-constrained, with coverage rates for complex filings and high dollar noncompliance at historical lows.	We will increase capacity and expertise for enforcement to better address high-dollar noncompliance among complex filers.

Initiatives included in this objective

3.1 Employ centralized, analytics-driven, risk-based methods to aid in the selection of compliance

cases: The IRS will use improved analytics to aid in the selection of cases predicted to be at risk of noncompliance, choosing enforcement treatments that maximize opportunities to improve and sustain taxpayer compliance while ensuring fairness in selection

3.2 Expand enforcement for large corporations: The IRS will increase enforcement activities to help ensure tax compliance of large corporate taxpayers

3.3 Expand enforcement for large partnerships: The IRS will increase enforcement activities to help ensure tax compliance of large partnerships



Expand enforcement for high-income and high-wealth

individuals: The IRS will increase enforcement activities to help ensure tax compliance of high-income and high-wealth individuals



Expand enforcement in areas where audit coverage has declined to levels that erode

voluntary compliance: The IRS will increase enforcement activities in other key areas where audit coverage has declined while complying with Treasury's directive not to increase audit rates relative to historical levels for small businesses and households earning \$400,000 per year or less



Pursue appropriate enforcement for complex, high-risk and emerging issues:

The IRS will enhance detection of noncompliance and increase enforcement activities for complex, high-risk, and novel emerging issues,

including digital assets, listed transactions and certain international issues



Promote fairness in enforcement activities: The IRS will help promote fairness for all taxpayers by addressing noncompliance appropriately in a balanced manner

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Employ centralized, analytics-driven, risk-based methods to aid in the selection of compliance cases

The IRS will use improved analytics to aid in the selection of cases predicted to be at risk of noncompliance, choosing enforcement treatments that maximize opportunities to improve and sustain taxpayer compliance while ensuring fairness in selection

Where we are heading

Compliance prioritization and case selection are currently decentralized across the IRS organization. Some teams use risk analytics and workload-selection models, but they do not work in unison. We will develop a centralized, integrated approach to assess

risk to inform the selection of cases and appropriate treatments.

A centralized planning function will use risk analytics to prioritize and assign cases. We will continuously refine risk analytics, informed by compliance work and taxpayer outcomes, tested for disparate impacts, and enabled by data capabilities. We will select taxpayer compliance cases centrally to make the most appropriate compliance contact, with escalation to a more intensive treatment if needed. To help ensure optimal workload delivery, we will consider redesigning the compliance organization to a more centralized approach to enable dynamic allocation of the workforce and to most effectively address high-dollar noncompliance and complex compliance issues.

What success would look like

Success for this initiative would include centralized adoption of enhanced risk

analytics by a more agile IRS organization to respond more effectively to emerging compliance issues with more appropriate, less burdensome compliance treatments for taxpayers.

Key projects

1. Establish a centralized function for compliance planning and strategy.

Create a centralized compliance-planning function to set strategic compliance priorities and route select cases for compliance treatments. Develop and enhance tools to enable centralized routing of taxpayer cases for compliance treatments.

2. Build a unified compliance organization that enhances centralized case-planning and strategy and enables us to refine business processes. Rather than relying on historical structures, redesign

and unify the compliance organization to achieve IRA compliance priorities.

3. Establish a dynamic model for workforce allocation. Explore ways to make the workforce more flexible to address changing compliance priorities.

4. Centralize compliance analytics and develop a process to regularly model the population of tax returns. Incorporate all existing models and analytical tools for detecting noncompliance into one centralized platform. Develop a process to apply all analytical models to the relevant population of tax returns to holistically detect noncompliance. Use risk analytics to inform resource allocation in alignment with enterprise-wide priorities.

- 5. Develop a process for continually refining compliance analytics models based on feedback and new information.** Continually update analytic models as the IRS receives more data and learns more about noncompliance and the efficacy of compliance treatments. Establish a structure for incorporating feedback and ensuring that the analytics we use continue to evolve.
- 6. Develop and implement a plan to improve the IRS Whistleblower Program.** Increase capacity to use high-value whistleblower information effectively, rewarding whistleblowers fairly and as soon as possible, keeping whistleblowers informed of their claims' status and the basis for IRS decisions on claims, and strengthening our collaboration with stakeholders in the Whistleblower Program.

Milestones



FY 2024

Enterprise review of current organizational structure conducted and proposal for organizational changes developed



FY 2024

Data and research approach implemented to inform and continuously refine compliance coverage levels needed to promote voluntary compliance



FY 2024

Centralized compliance planning and strategy function established to identify potential high-risk compliance cases using existing systems and analytics



FY 2026

Taxpayer compliance cases selected by centralized compliance planning function using new analytics systems and refined risk-based case selection and routing

Key dependencies

3.1 depends on projects in initiatives:

1.3, 3.7, 4.5-4.7, 5.5, 5.7, 5.8

Initiatives dependent on projects in 3.1:

2.2, 2.5, 2.7, 3.2-3.7

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Expand enforcement for large corporations

The IRS will increase enforcement activities to help ensure tax compliance of large corporate taxpayers

Where we are heading

Due to constrained resources, large corporate enforcement activities have decreased in recent years, with the audit rate falling from 10.5% in 2011 to 1.7% in 2019.⁴ Large corporations have complicated, voluminous tax filings that involve a variety of tax issues such as cross-border activities, financial product issues and transfer-pricing transactions. Ensuring that large corporations pay the taxes they owe is a complex endeavor and requires significant resources and a range of specialists.

We will increase audit rates and other compliance treatments, focusing on the largest corporate taxpayers where audit rates have been too low. We will use data and analytics to improve our understanding of these complex tax filings. We will pursue noncompliance through a variety of mechanisms, including audits and non-audit contacts.

What success would look like

Success for this initiative would include an increase in audit coverage and other types of enforcement of large corporate taxpayers to improve voluntary compliance.

Key projects

- 1. Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates.**

Strategically focus on hiring and training to ensure appropriate resources to address the variety of skill sets needed.

Increase staff in the Independent Office of Appeals to resolve any tax controversies arising from enhanced compliance efforts. Increase staff in the Office of Chief Counsel to support both compliance and appeals and to litigate cases when necessary.

- 2. Refine approaches for large corporate enforcement and explore new treatments using data and analytics.** Use advanced analytics to identify the most appropriate compliance treatments to address potential noncompliance given issue-specific levels of risk. Deploy appropriate treatments to help taxpayers resolve compliance issues—while applying sufficient treatments to promote compliance.

Milestones



FY 2023

First wave of specialists hired and onboarded to work toward increasing compliance coverage rates for large corporations



FY 2025

Refined approaches and treatments piloted for large corporate enforcement



Ongoing

Workforce hired and onboarded to achieve compliance coverage rates for large corporations, including specialists and experienced hires

Key dependencies

3.2 depends on projects in initiatives:

1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8

Initiatives dependent on projects in 3.2:

None

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Expand enforcement for large partnerships

The IRS will increase enforcement activities to help ensure tax compliance of large partnerships

Where we are heading

The IRS has not had the resources in recent years to sufficiently address the significant growth of partnerships. The number of partnerships increased by 32% in just a decade, from 3.2 million in tax year 2010 to 4.3 million in 2020. Partnerships with assets exceeding \$5 million grew even more, by 75%.⁵ Many of these partnerships are complex, with many tiers and sometimes thousands—or even hundreds of thousands—of partner entities, each of which can be a legally recognized entity such as an individual, corporation, foreign entity or another partnership. Because of their size and

complex structure, partnerships require specialized capabilities and often significant resources to audit. In 2019, the audit rate for partnerships was 0.05%.⁶

We will increase compliance coverage for large partnerships to help ensure that their partners are paying the taxes they owe. We will improve our tools and processes for auditing and enforcement actions for large partnerships.

We will hire specialized compliance employees and train other employees to help ensure the compliance of pass-through entities, with a particular focus on enforcement for large partnerships. We will use data and analytics to improve our understanding of these complex structures. We will pursue noncompliance through a variety of mechanisms, including audit and non-audit treatments.

What success would look like

Success for this initiative would include an increase in audit coverage and other types of enforcement of large partnership taxpayers to improve voluntary compliance.

Key projects

1. Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates.

Strategically focus on hiring and training to ensure appropriate resources to address the variety of skill sets needed. Increase staff in the Independent Office of Appeals to resolve tax controversies arising from enhanced compliance efforts. Increase staff in the Office of Chief Counsel to support both compliance and appeals and to litigate cases when necessary. Hiring and training efforts will focus on specialized enforcement for large partnerships.

2. Develop approaches and new treatments for large partnership enforcement by leveraging data and analytics. Explore and pilot new compliance treatments for large partnerships and refine existing tools and processes for auditing them. Use improved analytics to identify the most appropriate treatments to address potential noncompliance, given the issue-specific level of risk. Deploy appropriate contacts to help these taxpayers resolve their compliance issues while also applying sufficient approaches to promote compliance.

Milestones



FY 2023

First wave of hires dedicated to large partnerships hired and onboarded to work toward increasing compliance coverage rates for large partnerships



FY 2025

Refined approaches and treatments piloted for large partnership enforcement



Ongoing

Workforce hired and onboarded to achieve compliance coverage rates for large partnerships, including specialists and experienced hires

Key dependencies

3.3 depends on projects in initiatives:

1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8

Initiatives dependent on projects in 3.3:

None

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Expand enforcement for high-income and high-wealth individuals

The IRS will increase enforcement activities to help ensure tax compliance of high-income and high-wealth individuals

Where we are heading

The IRS has not had sufficient resources to adequately increase enforcement and close the tax gap attributable to high-income and high-wealth taxpayers. Taxpayers earning \$1 million or more were subject to an audit rate of just 0.7% in 2019—a sharp decline from 7.2% in 2011.⁷

We will increase enforcement for high-income and high-wealth individuals to help ensure they are paying the taxes they owe. Given the size and complex nature of these tax filings, this work often requires specialized

approaches, and we will make these resources available. We will use data and analytics to improve our understanding of the tax filings of high-wealth individuals. We will pursue noncompliance through a variety of mechanisms, including audits and non-audit contacts.

What success would look like

Success for this initiative would include an increase in audit coverage and other types of enforcement of high-income and high-wealth taxpayers to improve voluntary compliance.

Key projects

1. Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates.

Strategically focus on hiring and training to ensure appropriate resources to address the variety of skill sets needed. Focus on hiring employees with the education and experience to examine

high-income and high-wealth taxpayers. Increase staff in the Independent Office of Appeals to resolve tax controversies arising from enhanced compliance efforts. Increase staff in the Office of Chief Counsel to support both compliance and appeals and to litigate cases when necessary.

- 2. Refine approaches to high-income and high-wealth enforcement and use data and analytics to explore new treatments.** Leverage advanced analytics to identify optimal interventions to address potential noncompliance, given issue-specific risks. Deploy appropriate interventions to help taxpayers resolve compliance issues, while also applying sufficient enforcement to promote compliance.

Milestones



FY 2023

First wave of specialists hired and onboarded to increase compliance coverage rates for high-income and high-wealth individuals



FY 2025

Refined approaches and treatments piloted for high-income and high-wealth enforcement



Ongoing

Workforce hired and onboarded to achieve compliance coverage rates for high-income and high-wealth individuals, including specialists and experienced hires

Key dependencies

3.4 depends on projects in initiatives:

1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8

Initiatives dependent on projects in 3.4:

None

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Expand enforcement in areas where audit coverage has declined to levels that erode voluntary compliance

The IRS will increase enforcement activities in other key areas where audit coverage has declined while complying with Treasury's directive not to increase audit rates relative to historical levels for small businesses and households earning \$400,000 per year or less

Where we are heading

Maintaining appropriate compliance coverage and enforcement across all taxpayer segments helps to ensure that all taxpayers comply with tax laws. Robust compliance enforcement also sends a strong message that the IRS will detect and address noncompliance, which will encourage

voluntary compliance. Recent resource limitations, however, have reduced audit coverage in some areas to levels that erode voluntary compliance.

We will increase enforcement in key areas where audit coverage has declined, including employment taxes, excise taxes and estate and gift taxes. We will improve tools and processes for auditing and other enforcement actions. We will hire specialized compliance employees and train employees to raise compliance across all prioritized areas. We will pursue noncompliance through a variety of robust mechanisms, including audits and non-audit contacts.

What success would look like

Success for this initiative would include an increase in enforcement and compliance coverage across all areas where coverage has been too low, including excise tax, employment tax, and estate and gift tax.

Key projects

1. **Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates using all available treatments tools.**

Strategically focus on hiring and training to ensure appropriate resources to address the variety of skill sets needed. Increase staff in the Independent Office of Appeals to resolve tax controversies arising from enhanced compliance efforts. Increase staff in the Office of Chief Counsel to support both compliance and appeals and to litigate cases when necessary.

2. **Develop enforcement approaches and compliance treatments tailored to each area where enforcement will be expanded.** Explore and pilot new treatments for excise tax, employment tax, and estate and gift taxes. Refine the tools and processes for auditing key

areas. Use improved analytics to identify patterns of noncompliance and to deliver the most appropriate treatments to address potential noncompliance.

Milestones



FY 2023

First wave of specialists hired and onboarded to work toward increasing compliance coverage rates for key segments



FY 2025

Refined approaches and treatments piloted for enforcement in key segments



Ongoing

Workforce hired and onboarded to achieve compliance coverage rates for key segments, including specialists and experienced hires

Key dependencies

3.5 depends on projects in initiatives:

1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8

Initiatives dependent on projects in 3.5:

None

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Pursue appropriate enforcement for complex, high-risk and emerging issues

The IRS will enhance detection of noncompliance and increase enforcement activities for complex, high-risk and novel emerging issues, including digital assets, listed transactions and certain international issues

Where we are heading

The IRS tracks many known, high-risk issues in noncompliance, such as digital asset transactions, listed transactions and certain international issues. These issues arise in multiple taxpayer segments, and data analysis shows a higher potential for noncompliance. Recent resource limitations have prevented the IRS from sufficiently examining these issues, while new issues that could significantly raise noncompliance and

fraud schemes emerge each year, especially as new tax laws are enacted.

For issues known to have high, ongoing risks of noncompliance or complexity, such as digital assets and listed transactions, we will prioritize resources to increase enforcement activities, including criminal investigation as appropriate. We will improve detection of emerging issues and gather feedback within the IRS to identify trends and risks. We will establish processes for responding to emerging issues more quickly with appropriate and tailored compliance treatments. For emerging issues, we will develop new treatments or adjust existing treatments accordingly.

What success would look like

Success for this initiative would include increased enforcement of known, high-risk issues and more timely detection of and response to emerging issues.

Key projects

- 1. Mobilize resources to focus on high-risk and emerging issues that have not received appropriate enforcement attention.**

Increase enforcement pertaining to digital assets, listed transactions, certain international issues and any other key issues that emerge.

- 2. Improve, expedite and scale detection of emerging issues, including building stronger feedback processes from all parts of the IRS.**

Reinforce and expand the IRS's strategic detection of issues and develop pathways for providing feedback on important emerging issues.

- 3. Establish processes to respond more rapidly to emerging issues and develop treatments that can be deployed quickly and integrated into enforcement efforts.** Develop and deploy new digital tools and analytics capabilities to respond to and enforce tax laws pertaining to emerging issues. Explore and pilot enforcement treatments for specific emerging issues. Refine existing tools and processes, such as audits, to adapt to a changing landscape and account for key emerging issues. Use improved analytics to identify patterns of noncompliance and apply the most appropriate treatment to each taxpayer situation.
- 4. Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates.** Identify the optimal mix of employee skills and strategically focus hiring and training

efforts to build a compliance workforce capable of detecting and responding to key emerging issues. Implement rapid, focused hiring and skills development to cover key issues for enforcement.

Milestones



FY 2024

Workforce trained and re-skilled with specialized capabilities to address complex and emerging issues



FY 2025

New approaches and treatments piloted for detection and enforcement of key emerging issues



Ongoing

Workforce hired and onboarded, including specialists and experienced hires, to achieve compliance coverage rates for complex, high-risk and emerging issues

Key dependencies

3.6 depends on projects in initiatives:

1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8

Initiatives dependent on projects in 3.6:

None



Promote fairness in enforcement activities

The IRS will promote fairness for all taxpayers by addressing noncompliance appropriately in a balanced manner

Where we are heading

The IRS has an obligation to administer the law in a fair manner. This is central to the agency's mission and essential to fostering public trust, as everyone must play by the same set of rules. Taxpayers must see that the IRS addresses all types of noncompliance and does not focus disproportionately on any particular area or population.

We will use research and data to help us enforce the tax laws as they apply to all taxpayers and curtail any potential disparities in tax administration. We will improve compliance among taxpayer groups whose

activities and finances are legally complex or where we have historically had less compliance coverage. We will do so while ensuring that the additional funds provided by the IRA are not used to increase the share of small businesses or households below the \$400,000 threshold that are audited relative to historical levels.

We will regularly assess whether IRS enforcement actions, their application and enforcement-related services are disproportionately burdening or advantaging specific demographic populations, geographies or customer categories, and we will make real-time and regular adjustments to our approach. This will build on the work already started by the Department of the Treasury and the IRS Research, Applied Analytics and Statistics Division to examine the tax system as part of OMB's Equitable Data Working Group.

What success would look like

Success for this initiative would include enforcement actions that appropriately reflect risk and level of noncompliance and address enforcement disparities.

This outcome would increase trust in the IRS and voluntary compliance as taxpayers gain confidence that the tax system is administered in a fair manner.

Key projects

- 1. Develop procedures to regularly evaluate the fairness of systems, selection tools and programs, compliance strategies and treatments.** We will conduct research and partner with others to understand any potential systemic bias and identify disparities across dimensions including age, gender, geography, race and ethnicity.

- 2. Improve enforcement practices to help ensure fairness in compliance and enforcement.** We will continually refine our approaches to compliance and enforcement to improve fairness in tax administration and maintain accountability to taxpayers as informed by our research.
- 3. Hire, onboard and train staff who enable enforcement strategies that match risk and degree of noncompliance.** We will ensure IRS employees have the right skills to address noncompliance so that the full taxes owed are paid. We will develop training and tools for analytical staff to enable them to identify and address any possible bias in data and analytics. We will increase staff in business operations to ensure taxpayers have the support they need to understand enforcement actions—including in the Independent

Office of Appeals to resolve tax controversies arising from enhanced compliance efforts, and in the Office of Chief Counsel to support both enforcement and appeals and to litigate cases when necessary.

Milestones



FY 2024

Team established to evaluate whether key enforcement programs and selection tools are promoting fair treatment, and develop an initial work plan



FY 2024

Statistical data improved to support equity analyses developed in partnership with other federal agencies and incorporating strong safeguards to protect individual privacy



Ongoing by FY 2025

Appropriate reforms to enforcement practices continuously developed and implemented to improve fairness and equity



Ongoing

Workforce hired and onboarded to help ensure fair enforcement, including hires in the Independent Office of Appeals and the Office of Chief Counsel

Key dependencies

3.7 depends on projects in initiatives:

3.1, 4.5-4.7, 5.4-5.8

Initiatives dependent on projects in 3.7:

3.1-3.6



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

Technology improvements at the IRS must always be driven by what will improve customer service and enforcement and in a way that secures taxpayer information. The key dependency for many initiatives in the Plan is the modernization of our core IT infrastructure, which now includes some of the oldest information systems in the federal government. We currently cannot get the full value of the data we have because we do not standardize or store it in a single environment. Until the passage of the IRA, the IRS lacked the resources to bring our

technology infrastructure into the current era. In addition, the inability to plan for stable funding led to a start-and-stop approach that did not allow for sustained progress.

IRA funding will enable us to make dramatic improvements to our IT infrastructure. The multi-year nature of the funding will allow us to successfully plan and deliver. We will design and deliver modern technology platforms that center around data and applications, with natively integrated protective and detective security controls. These platforms are embedded within Objectives 1, 2, 3 and 5, and will be built using enterprise platforms and services.

Where we are heading

We will retire legacy applications and adopt modern systems. We will deliver new technology capabilities faster, at a larger scale and with better reliability and cybersecurity built in, so taxpayers can

seamlessly access their data and rest assured that their data is protected and secure. IRS employees and taxpayers use more than 600 applications today, many of them over 20 years old. Most applications are custom-built and loosely integrated, requiring employees to use multiple systems for similar tasks. We will consolidate dozens of core applications into secure, commercial, cloud-based platforms to provide employees and taxpayers with new services faster and with less technical knowledge, onboarding time and operating costs required. As we modernize, we will streamline software development by incorporating modular designs and reusability, including micro-services and application programming interfaces (APIs). We will move from a batch-to event-driven processing model. Historically, the IRS designed its tax return pipeline using legacy programming languages to manage stacks of paper arriving at regional service centers. We will change the

underlying logic and processing to post transactions to a database—a modern approach that will allow taxpayers and employees to update accounts, send payments and resolve enforcement actions, often via self-service, and to see the changes in near-real time. This will provide taxpayers with greater transparency into the status of their returns, refunds, payments, etc., while also enabling those who choose to leverage online services to do so, thereby reducing demand across other service channels for those who need them.

We will modernize IT Infrastructure. We will implement leading technology architecture, software development, infrastructure, cloud, network and data practices while replacing critical legacy processing systems. This will automate and standardize many of the manual processes we use today and bring the rest of our technology infrastructure into the current era.

Our vision for infrastructure operations is to work in an “always- on” mode with redundancy built into mission- critical systems. We will design all applications and core platforms to have built-in resiliency, visibility and security to recover seamlessly in the event of a mistake, outage or disaster— with minimal impact to taxpayers or employees. We will improve our ability to detect and address issues before they interrupt services. As we automate and standardize the environment across cloud and vendor environments, we will provision new secured, monitored and fully configured servers on demand. This change will allow us to reliably scale service, such as provisioning computing resources during filing season, and then reclaim that capacity when no longer needed. The network links our workforce, customers and partners to IRS applications, data and services. Network connectivity demands will rise as we provide employees and taxpayers “any device, anytime,

anywhere” access and move applications to software-as-a-service and platform-as-a-service delivery models. With these enhancements, taxpayers will be able to rely on online self-service tools when and where they choose. Investments in resiliency and scalability will negate concerns over “peak” demand periods, again providing more flexibility to taxpayers to engage with the IRS.

We will consolidate and improve access to and use of data with data privacy and security as a top priority. We will bring together taxpayer account, case and operational data in a platform accessible to appropriate employees and applications, subject to controls and protections to help ensure security and privacy. Instead of data locked in siloed applications, each with potential synchronization and data integrity issues, the platform will have authoritative data on a state-of-the-art, secure platform to

enable reporting, self-serve analytics, customer service, application development and external sharing where appropriate. We will manage data across its lifecycle, including use, archiving and destruction. If required by law or for legal compliance purposes, we will be able to intake new data streams using scalable, fast and resilient cloud tools. Taxpayers will be able to access their own data more easily when they need it, and employees will be able to better assist taxpayers who reach out for help.

We will ensure continued security and privacy of taxpayer data. Foundational to taxpayer service is protecting the data entrusted to the agency by confirming identities of employees, taxpayers and tax professionals in every interaction. We already prevent and block billions of unauthorized access attempts, scans attacks, and probes every year. Authentication and data security challenges will increase as we use more

taxpayer- and employee-facing digital technology and more accessible and powerful analytics and data, share more information, and interact more with taxpayers and tax professionals. We will improve and integrate secure authentication methods. Cybersecurity and data protection must keep pace with new threats, technologies and architectures. We already identify, assess and respond to security risks, but our efforts must increase to protect many more cloud vendors and solutions, taxpayer interaction types and employee data access capabilities. Similarly, our monitoring and threat management must grow to ingest more data from modern cloud services and platforms. We will shift to technologies that enforce authentication, authorization, accountability, and encryption whenever an IRS asset connects to an IRS information resource.

We will scale modern data encryption across dozens of systems to limit exposure of

taxpayer data. We will continue to espouse a continuous, proactive and adaptive security posture through a zero-trust model, which will allow us to reduce fraud and better protect the system from cyberattacks. Taxpayers can continue to trust that their information and identities are protected.

We will harness data and analytics to drive operations and decision-making.

Data will inform every aspect of our operations and decision-making, enabling taxpayers to get information faster and allowing us to focus more enforcement resources on those most likely to owe large amounts of taxes. Adhering to strict data protection safeguards, we will leverage the data platform to use data as appropriate to support operational needs. Improved data analytics will better position us to optimize operations for taxpayers and employees alike. For taxpayers, secure access to their own data will enhance voluntary compliance and

improve the taxpayer experience by giving them a fuller picture of their account and tax obligations. Meanwhile, applying new analytical approaches to better understand taxpayer journeys will generate organizational insights into the barriers and pain points that frustrate taxpayers. Millions of taxpayers may call the IRS to ask the same question; analytics will allow the IRS to determine the root cause and prevent the taxpayer issue in the first place. Expanding the use of data and analytics will also support compliance and enforcement by helping us to better identify high-dollar non-compliance cases while minimizing audits of compliant taxpayers. Internally, improved personnel and performance data will support strategic workforce planning. For example, the human capital function will use advanced analytics to provide insights on internal performance, such as predictive models of attrition and demand-driven hiring and analysis of external labor trends, to inform enterprise decisions

and help ensure, for example, that customer service capacity can meet taxpayer demands.

We will work differently and improve our processes to enable the above aspects of our IT and data transformation strategy.

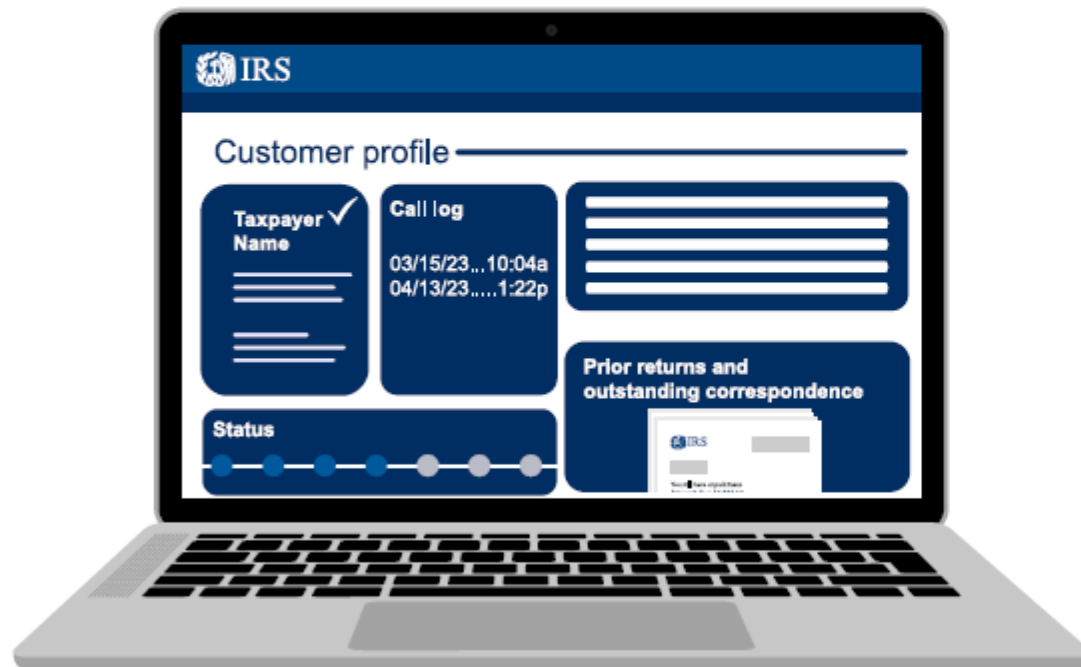
Teams in IT will work with business partners and the Transformation and Strategy Office to formalize decision-making and demand management processes for technology investments (and broader resource allocation and business process change) that include the right stakeholders and leadership sponsors. Joint business and IT transformation teams will agree upon requirements, design, and business and technology changes to satisfy customer needs and agency priorities. We will draft multi-year roadmaps and execute more frequent, less constrained release schedules instead of start-stop planning based on an unpredictable budget cycle, “must-do” legislative changes, maintenance calendars and filing season risk periods.

We will anticipate customer and employee needs and provide technology options and insights proactively. While the IRS deploys technology solutions quickly under intense scrutiny—such as during filing season, when millions of transactions happen every second— the timing and continuity of our system integration have been constrained.

Transforming our infrastructure will allow us to plan, design and execute large-scale transformational projects with no pause in ongoing operations. We will empower cross-functional teams that include user experience designers, architects, engineers, developers, business experts and security practitioners, using vendors when necessary to support large bodies of specialized work.

Enhanced data and technology will help taxpayers and IRS employees

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



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



Visuals are illustrative

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Indicators of success

- ✓ Faster issue resolution for taxpayers as a result of better data storage and access
- ✓ Improved abilities to detect and address noncompliance
- ✓ Data and methodology to measure and reduce the gap between taxpayer uptake and taxpayer eligibility for credits and deductions, as well as to reduce inadvertent errors and prevent fraud
- ✓ Expanded detail and better ability to capture emerging issues in tax gap measurement
- ✓ Expanded use of analytics to inform tax administration and improve data management and governance throughout the organization
- ✓ Faster changes in technology, including adding features that help the IRS respond more quickly to legislative and internal

changes and deliver new functionality to taxpayers more rapidly

- ✓ Consolidated total core systems into fewer applications in large domains, advancing our mission to centralize data and improve access to operational and taxpayer account information



How transformed technology, data and analytics will further the energy security and clean energy provisions of the IRA for consumers, small businesses, communities, and industries

- Modern IT delivery will enable energy security and clean energy investments by state, local, tribal, and other non-profit organizations and credit transfers through a modern interface and experience.

- Improved data and analytics will help identify credit underutilization as well as effectiveness of overall uptake.

Strategic shifts

From	To
Data is too siloed, delayed, and underutilized to drive effective work and decision-making.	Decision-making based on data will be the core of our approach to fundamentally shift how we manage operations and deliver services to taxpayers.
Monolithic, legacy systems are barriers to improvement because they are difficult and expensive to update, maintain, and operate.	We will retire outdated systems and adopt new technology to improve customer experience and data-driven enforcement, and we will increase the productivity and

	efficacy of IRS employees to better serve taxpayers.
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Initiatives included in this objective

4.1 Transform core account data and processing: The IRS will modernize the systems used to access and process taxpayer data

4.2 Accelerate technology delivery: The IRS will deliver faster and better results by accelerating design, development and delivery of user- centered technology by shifting to a “product and platform” operating model that incorporates business and technology perspectives

4.3 Improve technology operations: The IRS will enhance core technology processes and platforms to support the delivery of expanded capabilities for taxpayers and employees



Continue to ensure data security: The IRS will continue to protect taxpayer data and IRS systems from cyber threats as we transform



Maximize data utility: The IRS will improve the storage and management of data to support improved taxpayer services and enforcement



Apply enhanced analytics capabilities to improve tax administration: IRS employees will use data and insights to enhance delivery of tax administration and improve the taxpayer experience



Strategically use data to improve tax administration: The IRS will use enhanced data and explore additional innovative analytic techniques to improve strategic planning, decision-making and compliance measurement



Partner to expand insights: The IRS will engage with external partners to develop new insights to generate value for taxpayers and policymakers



Transform core account data and processing

The IRS will modernize the systems used to access and process taxpayer data

Where we are heading

The IRS maintains most taxpayer data in systems designed to perform specific functions that are not interconnected or updated in real time. Much of the IRS's foundational technology architecture was developed many years ago—some as far back as the 1960s—and now maintains account data for 200 million taxpayers. It serves as the foundation for processing individual tax returns. However, system limitations prevent taxpayers and IRS employees who provide customer service from gaining a 360-degree view of the latest information about a taxpayer's interactions with the IRS across workstreams and functions. A modern data

architecture and system are critical to enabling all other initiatives.

Modernizing technology architecture will help the IRS improve operations and provide new tools throughout the taxpayer and customer-services experience. A common platform for managing taxpayer interactions will also improve the consistency of the taxpayer experience while helping IRS employees assist and resolve issues for taxpayers more efficiently. A common platform for case management will standardize both the technology and the business processes used to address taxpayer-related cases across all workstreams.

What success would look like

Success for this initiative would include a lower volume of programming code in outdated languages as we transform the code to current languages. A consolidated enterprise platform would mitigate the need

to build custom applications for specific functions. More data would be available for taxpayers, analytics, and system- to-system integrations. Data and online engagement options would improve taxpayers' and employees' experiences.

Key projects

- 1. Update the programming language in legacy master files.** Rewrite legacy systems in modern development language.
- 2. Replace legacy databases.** Retire outdated databases including Individual Master File (IMF) and Business Master File (BMF). Replace legacy databases with a modern, flexible system that will be more timely, accurate and complete for both taxpayers and employees.

- 3. Standardize data processing systems.** Retire legacy data processing systems, including information return processing systems. Standardize data processing systems so that they can validate, clean and process taxpayer transactions in near-real time.
- 4. Implement a standard case management platform.** Consolidate disparate case management systems onto one standard platform. This upgrade will make managing the foundational technology more efficient and help employees to help taxpayers resolve issues.
- 5. Deliver the capabilities needed to enable the initiative.** Support significant technology procurement, testing and development as required by this initiative.

Milestones



FY 2023

Modernized Information Returns intake platform deployed to provide a free online portal for businesses to file Form 1099- series information returns



FY 2024

Information Returns platform enhanced to support digital asset reporting



FY 2024

IRS systems improved to streamline access to individual taxpayer data for service and compliance purposes via secure, standardized APIs



FY 2025

Enterprise Case Management (ECM) platform modernized to host all compliance workflows, thereby enabling the decommissioning of many legacy applications



FY 2025

Individual, core tax processing modernized to simplify and replace legacy IMF processes



FY 2027

IMF data modernized for improved access and distribution, including the retirement of over 700 individual taxpayer outputs for the eventual retirement of IMF



FY 2027

Business taxpayer account information modernized, and legacy systems decommissioned to support eventual retirement of BMF



FY 2027

BMF retired with systems and data migrated to modern solution



FY 2027

Generalized Mainline Framework (GMF) decommissioned by establishing a modern, event-driven transaction process to enable near-real-time data



FY 2027

ECM platform capabilities built to support 90% of case management workflows and to enable the decommissioning of associated legacy applications



FY 2028

IMF retired with systems and data migrated to modern solution

Key dependencies

4.1 depends on projects in initiatives:

1.2, 4.3

Initiatives dependent on projects in 4.1:

1.2, 1.4, 1.6, 1.8, 1.11, 2.1, 4.5-4.7



Accelerate technology delivery

The IRS will deliver faster and better results by accelerating the design, development and delivery of user-centered technology by shifting to a “product and platform” operating model that incorporates business and technology perspectives

Where we are heading

Multiple industries are implementing product-and-platform operating models adapted from digital-native, high-tech companies. The IRS’s legacy delivery methods of new IT functionality create distance between the business and IT groups, which focus on projects that produce one-time deliverables rather than aligning with desired business outcomes.

The composition of new teams will remain consistent, and their objectives will link to business value, enabling continuous improvement. Teams will organize around “journeys” or experiences to give them the flexibility to build whatever technology is necessary to satisfy end-users’ needs rather than managing a static application. They will maintain multi-year roadmaps linked to business- and tech-aligned strategy. They will use modern engineering methods and technology talent, such as user-experience designers.

What success would look like

Success for this initiative would include the robust application of the product-and-platform operating model, with effective partnership between the IT team and the rest of the IRS organization. The IRS will deliver better products, tools and improvements more quickly.

Key projects

- 1. Set guiding principles.** A mix of leadership and outside experts will use the current model (which already has elements of the planned model) to set a baseline and a vision for the design principles and guardrails of the end-state.
- 2. Design the products and platforms.** “Products” in this model refer to end-to-end user journeys where technology can facilitate desired business outcomes. Cross-functional teams will work together to define these journeys and develop a selection of appropriate products and platforms for the organization.
- 3. Deploy frontrunners.** A central team will govern a set of pilot product teams to deliver critical new functionality and

gather the knowledge needed to refine the operating model and playbook.

- 4. Scale the model.** Adopt a methodology to train, stand up and govern new product teams across the organization and to track their progress. Install a mechanism for measuring the value delivered, assessing teams' maturity and continuing to improve the model.

Milestones



FY 2023

Product-and-platform operating model developed to incorporate perspectives from the IRS's business and IT teams into faster technology delivery



FY 2024

Integrated business and IT product-and-platform operating model implemented to accelerate technology delivery

Key dependencies

4.2 depends on projects in initiatives:

None

Initiatives dependent on projects in 4.2:

1.11, 2.3, 4.6, 4.7, 5.1

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Improve technology operations

The IRS will enhance core technology processes and platforms to support the delivery of expanded capabilities for taxpayers and employees

Where we are heading

The success of many of these IRA initiatives depends on updated data and digital and technical components. The technological tools and capabilities that enable services, compliance, and functions of the IRS are constrained today by IT platform limitations.

We will build flexible platforms that support all these new tools and capabilities. A new service management approach, for example, will require a modern standard platform, data infrastructure and high-fidelity network. Addressing the core capabilities and

performance of the IT function will help us deliver the resilient, dependable services that taxpayers deserve.

What success would look like

Success for this initiative would include the creation of modern, flexible technology processes and platforms that will allow the IRS to serve taxpayers better with ongoing data security, a more productive workforce, faster processing times with fewer errors, and faster adaptation to future needs.

Key projects

- 1. Implement zero-trust authentication security on the IRS network.** Prepare the IRS network to support modernized technology, digital communications and increases in staffing.
- 2. Streamline system connections.** Streamline connections among systems, services, and infrastructures, such as

those that process international and business tax balances, to decrease delays and enhance reliability.

3. Migrate to cloud architecture.

Continue our migration to modern cloud architecture so that advanced capabilities may be developed.

4. Enhance IT service delivery. Enhance the management and delivery of IT services such as helpdesk, inventory management asset management, and incident management services.

Milestones



FY 2023

Initial operating capabilities for multiple cloud environments delivered to enable opportunities to design, develop, test and deliver applications and services at scale

2**FY 2023**

Cloud-based robotic process automation (RPA) platform developed to automate high-volume, manual processes and onboard an initial use case, with additional use cases to follow in outyears

3**FY 2024**

Data platform with advanced analytics tools delivered for use across service, compliance and operations with easily consumable services

4**FY 2024**

Network upgraded and expanded to accommodate the anticipated increase in size of the IRS workforce and increased consumption patterns with our introduction of new digital services for taxpayers



FY 2025

Incremental improvements made to our API ecosystem such that we can reduce software delivery timelines and simplify operations and maintenance through easier integration



FY 2026

Initial set of capabilities provided to help automate network and security operations, which will speed response times to anomalous events or decrease the work required to perform common tasks

Key dependencies

4.3 depends on projects in initiatives:

None

Initiatives dependent on projects in 4.3:

1.2, 4.1, 4.4-4.6, 5.1, 5.4, 5.6

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