



# IRS Nationwide Tax Forum | 2023

## IRS – Strategic Operating Plan & Implementation

Rev. 06/29/2023

# The IRS Mission

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

# Cornerstone of our government and economy

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



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



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

# Unmet taxpayer needs from underinvestment

The IRS budget decreased 22% in real terms since 2010<sup>1</sup> and staffing levels are nearly identical to those in 1974.

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

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



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

Outdated technology slows down internal processes and makes it hard to meet taxpayer expectations

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



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

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

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



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

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

# Our vision for taxpayers

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

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

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

# Tax administration of the future

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

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

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

# Making tangible progress

While the IRS plans for the longer term, it's delivering results for taxpayers today. The IRS has recently<sup>1</sup> taken a range of actions to assist taxpayers, including:



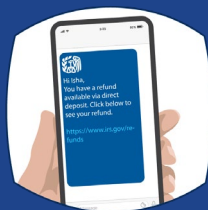
## Improved customer service experience

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



## Increased digital filing options

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



## Enabled more convenient refund options

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



## Reduced inventory

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



## Redesigning IRS hiring and onboarding

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

1. Above figures and timeframes accurate as of February 2023.

# Objectives to transform taxpayer service

## Objective 1

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

## Objective 2

Quickly resolve taxpayer issues when they arise.

## Objective 3

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

## Objective 4

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

## Objective 5

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



# Reshape the taxpayer experience to make it more convenient and easier to understand

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



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

# Objective 1

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

1.1

Improve the availability and accessibility of customer service: Taxpayers will be able to receive on-demand customer service or schedule service ahead of time.

1.2

Expand digital services and digitalization: Taxpayers will be able to file all documents securely and exchange correspondence electronically.

1.3

Ensure employees have the right tools: Employees will have the right tools and information to quickly and effectively meet the needs of taxpayers.

1.4

Improve self-service options: Taxpayers will have access to secure online accounts where they can view their account and profile information, make changes, interact with the IRS, and manage preferences for payments, refunds, and communications.

1.5

Explore direct file: The IRS will explore providing taxpayers the option to file certain tax returns directly with the IRS online.

1.6

Enable taxpayers to access their data: Taxpayers will be able to access, download, and seamlessly share their tax data and IRS history.

1.7

Provide earlier legal certainty: Taxpayers will have greater upfront clarity and certainty through additional guidance on tax issues.

1.8

Deliver proactive alerts: Taxpayers will be able to receive alerts to help them meet filing and payment obligations, understand opportunities to claim certain incentives and learn about life changes that could impact their taxes.

1.9

Help taxpayers understand and claim appropriate credits and deductions: Taxpayers, including individuals and small businesses, will receive education and assistance in claiming available incentives

1.10

Make payments easy: Taxpayers will be able to make payments more easily and seamlessly through all service channels.

1.11

Build status tracking tools for taxpayers: Taxpayers will be able to use new status tracking tools to see real-time status updates, next steps, and estimated time to process documents and resolve issues.

1.12

Streamline multichannel customer assistance: Taxpayers will be able to quickly, securely, and accessibly get the help they need, resolve more issues in a single contact, and experience minimal delays during interactions with us.

# When taxpayers make filing errors, they will hear from the IRS with clear, accessible ways to resolve issues

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



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

**Educate**  
underserved taxpayers on how to correct issues in filed returns

**Inquiry**  
for potential misreporting

**Notice**  
to eligible individual who may have missed a credit

**Pre-filing programs**  
offered for tax certainty programs

**Digital alerts**  
for simple mistakes

# Objective 2

Quickly resolve taxpayer issues when they arise.

2.1

Identify issues during filing: The IRS will send taxpayers notifications about potential issues as they file returns to help them correct errors and claim credits and deductions.

2.2

Deliver early and appropriate treatments for issues: The IRS will provide taxpayers with timely and tailored post-filing treatments to resolve issues and omissions on their tax returns.

2.3

Develop taxpayer-centric notices: The IRS will send taxpayers notices they can understand, delivered in ways they prefer, with clear explanations of issues and steps to resolution.

2.4

Expand tax certainty and issue resolution programs: Taxpayers will be able to resolve potential compliance issues up front through expanded pre-filing and tax certainty programs

2.5

Offer proactive debt resolutions: The IRS will proactively offer taxpayers appropriate options for past-due payment resolution.

2.6

Expand engagement with non-filers: The IRS will provide early, tailored outreach to taxpayers who do not file on time.

2.7

Use improved data and analytics to tailor timely collections contacts: The IRS will provide early, tailored contacts to all taxpayers with past-due balances, and only escalate to more intensive treatments when appropriate

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

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

Tailor the solution to the taxpayer:

Use risk analytics to tailor treatments



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



Swiftly identify and appropriately resolve non-compliance

# Objective 3

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

3.1

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

3.2

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

3.3

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

3.4

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

3.5

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

3.6

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

3.7

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

# Invest in technology to make IRS operations more effective and efficient

Enhanced data and technology will benefit IRS employees and taxpayers.



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



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

# Objective 4

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

4.1

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

4.2

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

4.3

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

4.4

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

4.5

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

4.6

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

4.7

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

4.8

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



# The IRS will transition to a different mix of workforce skills and capabilities

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

## Who does the work

### Types of skills

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

### Types of workers

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

## When and where we work

### Schedules and locations

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

## How we work

### Tools

Automation, integrated systems, advanced analytics.

### Mindsets

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

# Objective 5

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

5.1

Redesign hiring and onboarding: The IRS will implement fast, streamlined hiring processes that address challenges known today, use data to match candidates to the right jobs and deliver more effective onboarding programs.

5.2

Attract a talented and diverse workforce: The IRS will build new talent pipelines and attract a workforce that reflects the diversity of the people we serve.

5.3

Improve the employee experience: The IRS will improve the employee experience by offering more flexibility, building a more collaborative team culture, and better equipping personnel.

5.4

Help employees grow and develop: The IRS will deliver growth and learning opportunities by developing attractive career pathways for all employees, integrating training and skill-building, and better equipping managers to lead high-performing teams.

5.5

Develop a data-savvy workforce: The IRS will create hiring and training programs to build a data-savvy workforce that uses the improved data environment to serve taxpayers and meet mission goals more effectively.

5.6

Elevate workforce planning strategy: The IRS will leverage workforce planning best practices to forecast and meet hiring demand more effectively to avoid disruption and satisfy business needs.

5.7

Improve organizational structures and governance: The IRS will implement new organizational structures and distributed and transparent decision processes to support more collaborative, effective and efficient tax administration.

5.8

Build a culture of service and continuous improvement: The IRS will build a customer-centric culture by empowering employees and leaders to put the customer first and rewarding outstanding service.

# Measuring success through outcomes

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

- **World-class service experience**
  - Improved customer satisfaction metrics.
- **Digital-first organization**
  - Digital options for all taxpayer interactions with the IRS, alongside the continued option for taxpayers to interact in their preferred mode, such as phone or in-person.
- **Improved tax-up of tax incentives by eligible taxpayers**
- **Effective enforcement**
  - Reduce the gap between taxes owed and paid.
- **Employer of choice within government and industry**
  - Improved Federal Employee Viewpoint Survey results.