IRS

Congressional Budget Justification & Annual Performance Report and Plan

Fiscal Year 2021

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Section I – Budget Request

1A – Mission Statement

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.

1.1 – Appropriations Detail Table

Dollars in thousands

Internal Revenue Service Appropriated Resources	FY 2019 Operating Plan[1]		FY 2020 Enacted[2]		FY 2021 Enacted[3]		Change FY 2020 to FY 2021 Request		% Change FY 2020 to FY 2021 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Taxpayer Services	**28,531**	**$2,556,554**	**26,760**	**$2,535,554**	**25,678**	**$2,562,554**	**(1,081)**	**$27,000**	**-4.04%**	**1.06%**
Pre-Filing Taxpayer Assistance and Education	4,335	621,907	4,524	656,829	4,341	667,018	(183)	10,189	-4.05%	1.55%
Filing and Account Services	24,196	1,934,647	22,236	1,878,725	21,337	1,895,536	(898)	16,811	-4.04%	0.89%
Enforcement	**33,478**	**$4,677,600**	**35,388**	**$4,909,500**	**35,026**	**$5,071,260**	**(362)**	**$161,760**	**-1.02%**	**3.29%**
Investigations	2,833	595,686	2,971	654,285	2,933	675,533	(38)	21,248	-1.28%	3.25%
Exam and Collections	29,698	3,907,290	31,467	4,091,953	31,147	4,225,886	(320)	133,933	-1.02%	3.27%
Regulatory	947	174,624	950	163,262	946	169,841	(4)	6,579	-0.42%	4.03%
Operations Support	**10,277**	**$3,918,400**	**11,970**	**$3,885,000**	**12,140**	**$4,104,689**	**169**	**$219,689**	**1.41%**	**5.65%**
Infrastructure		891,140		881,654		895,071		13,417		1.52%
Shared Services and Support	4,181	900,287	4,947	1,012,155	5,023	1,063,984	76	51,829	1.54%	5.12%
Information Services	6,096	2,126,973	7,023	1,991,191	7,117	2,145,634	93	154,443	1.32%	7.76%
Business Systems Modernization	**445**	**$150,000**	**426**	**$180,000**	**517**	**$300,000**	**91**	**$120,000**	**21.36%**	**66.67%**
Subtotal New Appropriated Resources	**72,731**	**$11,302,554**	**74,544**	**$11,510,054**	**73,361**	**$12,038,503**	**(1,183)**	**$528,449**	**-1.59%**	**4.59%**
Other Resources:										
Reimbursables	642	124,559	978	170,726	1,027	179,262	49	8,536	5.01%	5.0%
Offsetting Collections - Non Reimbursables		9,749		31,781		33,370		1,589		5.0%
User Fees	96	319,023	75	530,230	1,520	549,930	1,445	19,700	1926.67%	3.72%
Recovery from Prior Years		7,515		11,386		11,339		(47)		-0.41%
Recoveries Paid				3,681		3,681				
Unobligated Balances from Prior Years	727	356,057	15	168,743	15	116,142		(52,601)	0.0%	-31.17%
Transfers In/Out		111								
Resources from Other Accounts										
Subtotal Other Resources	**1,465**	**$817,014**	**1,068**	**$916,547**	**2,562**	**$893,724**	**1,494**	**($12,730)**	**139.89%**	**-1.39%**
Total Budgetary Resources	**74,196**	**$12,119,568**	**75,612**	**$12,426,601**	**75,923**	**$12,932,227**	**311**	**$515,719**	**0.41%**	**4.15%**

[1]FY 2019 Operating Plan amount includes a $194.4 million interappropriation transfer from Enforcement to Operations Support to cover operations and maintenance requirements in FY 2019. FY 2019 amount also includes $77 million for the Section 112 Administrative Provision to implement requirements under the Tax Cuts and Jobs Act (Public Law 115-97). FY 2019 Other Resources and Full-time Equivalents (FTE) reflect actuals.

[2] FY 2020 Enacted assumes a proposed transfer of $100.5 million from Enforcement to Taxpayer Services ($24 million) and Operations Support ($76.5 million).

[3] FY 2021 Request does not include a $400 million Program Integrity Cap Adjustment.

Introduction

The Internal Revenue Service (IRS) fiscal year (FY) 2021 budget request provides $12 billion (a 5 percent increase) to administer the nation's tax system fairly, collect more than $3.6 trillion in gross taxes to fund the government, and strengthen tax compliance. The request includes a $400 million program integrity investment in FY 2021 that over 10 years will generate $79 billion in additional revenue and reduce the $381 billion net tax gap. The IRS is one of the best investments in the federal government with an overall return on investment (ROI) of about $5 for every $1 invested, excluding significant deterrence effects. The request provides:

- $452 million for inflation and labor investments to fund current activities and annualization of the 3.1 percent pay raise from Congress;
- $300 million for modernization to transform the taxpayer experience with new digital communications, online payment tools and reminders for individuals and tax professionals, and stronger data encryption to protect taxpayer information from billions of cyberattacks; and
- $106 million to implement the Taxpayer First Act of 2019 which will revamp customer service, introduce new taxpayer protections, and deliver new online service platforms to facilitate filing and payment for individuals and businesses.

The IRS is executing the largest tax reforms in 30 years with the Tax Cuts and Jobs Act and the Taxpayer First Act. We are also implementing an ambitious modernization plan, delivering the annual filing season, and conducting important criminal investigations. Even with the lapse in appropriations and implementation of tax reform, the IRS started the 2019 filing season as planned and issued nine out of ten refunds within 21 days. Systems maintained 100 percent uptime with no unscheduled outages, which ensured submission processing, fraud detection, and online payments continued without interruption.

The IRS recently received streamlined critical pay authority for technology positions, multiyear budget authority that will allow better execution of contracts, and new electronic filing requirements. These changes will improve IRS performance, reduce errors in tax returns that inconvenience taxpayers, and lower processing costs. We look forward to building on these efforts with the FY 2021 request, including working with Congress to implement important legislative reforms such as expanding error correction authority and providing Treasury explicit authority to set standards for paid preparers.

The IRS interacts with more Americans than any other institution. During the successful 2019 filing season, the IRS processed about 255 million federal tax returns and forms and issued more than 109 million federal tax refunds totaling over $300 billion. Nine out of 10 of those refunds were issued within 21 days, and the average refund per household was about $2,800. On April 15, 2019, the IRS processed the largest single-day filing volumes ever recorded (about 15.3 million returns) and observed record-breaking use of IRS Online Account and Direct Pay applications.

The IRS must serve taxpayers in a manner that facilitates voluntary compliance by providing proper levels of staffing and support at points of significant taxpayer interaction. The IRS is using advanced analytics every day to improve enforcement and encourage voluntary compliance.

> *In the year ahead, we have many exciting changes on the horizon. We are embarking on a journey about how best to provide our services and how we are currently organized, as we work to implement provisions in the Taxpayer First Act and help improve our working relationships with taxpayers and others. We will also work to put in place the concepts outlined in the IRS Integrated Business Modernization plan. We will continue to put taxpayers first, recognize the critical role our workforce plays in fulfilling our mission and make improvements across our operations. We also must work hard to enhance every perspective of the taxpayer experience while enhancing both civil and criminal enforcement efforts and numerous other priorities. We are making a difference, and we will not stop in the successful pursuit of our mission on behalf of the greatest country in the world.*[1]
>
> *Chuck P. Rettig*

Vision for the Future

The Internal Revenue Service (IRS) FY 2018 – 2022 Strategic Plan articulates the IRS vision and will guide the IRS's strategic decision-making. The plan includes six strategic goals:

- Empower and enable all taxpayers to meet their tax obligations.
- Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.
- Collaborate with external partners proactively to improve tax administration.
- Cultivate a well-equipped, diverse, flexible and engaged workforce.

[1] Internal Revenue Service Progress Update, Fiscal Year 2019, Putting Taxpayers First. December 2019. https://www.irs.gov/pub/irs-pdf/p5382.pdf

- Advance data access, usability and analytics to inform decision making and improve operational outcomes.
- Drive increased agility, efficiency, effectiveness and security in IRS operations.

The IRS is supporting multiple strategic initiatives including:

- Customer Experience Cross Agency Priority Goal: The IRS is leading the Office of Management and Budget (OMB) customer experience goal on behalf of the Department of the Treasury. As part of the goal and in response to the Taxpayer First Act, the IRS is undertaking a significant assessment of its approach to customer service, preparing improvement recommendations, and will develop a comprehensive customer service strategy.

- Fraud Prevention Agency Priority Goal: The IRS has set a goal to reduce the amount of unprotected identity theft tax refunds by an additional 1 percent annually through December 31, 2021. The IRS exceeded the FY 2018 and FY 2019 goal by reducing the amount of fraud refunds paid by an estimated 88 percent between processing year 2016 and 2018. The IRS successfully protected $6 billion in refunds in 2018. The opt-in Identity Protection Personal Identification Number (IP PIN) program will be expanded to 10 more states for the 2020 filing season. An IP PIN is a six-digit number assigned to eligible taxpayers that helps prevent the misuse of their Social Security number on fraudulent federal income tax returns.

- Electronic Payments Agency Priority Goal: The IRS and the Bureau of the Fiscal Service are leading the goal to reduce paper checks printed to 49 million by the end of FY 2021, compared with 54 million in FY 2019; and achieve an electronic payment rate of 96.1 percent by the end of FY 2021, compared with 95.6 percent in FY 2019. Tax checks continue to represent a significant portion (52 percent) of all federal paper checks delivered to taxpayers each year.

Reducing the Tax Gap

The IRS is one of the best investments the federal government makes, with an ROI of about $5 for every $1 invested. The net tax gap, which refers to the amount of taxes owed to the federal government that are not

collected, was estimated on average at about $381 billion per year between 2011 and 2013. The FY 2021 request includes resources to help target the tax gap and provide robust civil and criminal enforcement to protect against those who pursue overly aggressive tax positions, while ensuring honest taxpayers have access to the services they need, and includes legislative proposals to give the IRS more authority to address the tax gap.

Reducing the tax gap requires the IRS to maintain a robust enforcement program. The IRS's work is still labor intensive despite technological improvements. Operational efficiencies alone will not offset the cumulative effect of lost staff on the level and quality of services. This is most visible in enforcement activities. Reductions to enforcement staffing levels between FY 2010 and 2019 likely reduced total enforcement revenue collected (TERC) by around $70 billion.

Note: Losses would likely be greater but for recent improvements in automation, notices, and analytics.

While a portion of the unpaid tax obligations that make up the tax gap result from a lack of knowledge or ambiguity and complexity in tax law, willful evasion is a significant contributing factor. The IRS could help remedy this with investments funded by the program integrity cap adjustment, which includes targeted investments in enforcement activities that will increase revenue and lower the tax gap.

The request and legislative proposals provide the IRS with a blueprint to address various facets of the tax gap. The modernization plan will provide significant improvements in the taxpayer experience by increasing online service options and making it easier for taxpayers to find answers to their questions. IRS research demonstrates making it easier for taxpayers to meet their obligations with self-service tools and user-friendly customer service improves compliance. Modernizing operations and expanding data analytics throughout the organization – in part by replacing legacy systems – will assist the IRS in determining which tax returns need review for compliance questions. This means fewer honest taxpayers will face an interaction with the IRS that results in no change to the return and more IRS resources will be available for taxpayer assistance and for focusing on deliberate non-compliance.

Program Integrity Cap Adjustment

In addition to the base appropriations request of $12 billion request, the budget proposes a $400 million discretionary program integrity cap adjustment in FY 2021 to fund investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The budget proposes $280 million for the Enforcement account and $120 million for the Operations Support account. Additional adjustments are provided in future years to fund new initiatives and inflation. These investments will generate $79 billion in new revenue over 10 years and will cost $15 billion for net revenue of $64 billion over 10 years. This return on investment (ROI) is likely understated because it does not reflect the effect that enhanced enforcement has on deterring non-compliance. For example, under the proposal, the Criminal Investigations Division would expand personnel in seven locations and major cities where tax and cybercrimes are prevalent. The IRS will be able to enhance its overall coverage and decrease risk to the nation's voluntary tax compliance system. More information on the cap adjustment is available in Section 4.1 of the Appendix and in the Budget Process Chapter of the Analytical Perspective volume of the FY 2021 President's Budget.

1B – Summary of the Request

The IRS is responsible for administering the nation's tax system and meeting the needs of America's taxpayers by helping them understand their tax responsibilities and by enforcing the law with integrity and fairness. The IRS's core operations include collection of individual and corporate taxes, examination of returns, taxpayer assistance, and oversight of tax-exempt organizations, as well as administering multiple refundable tax credits and other specialized programs.

In FY 2019 the IRS collected $3.6 trillion in taxes (gross receipts before tax refunds) and generated 95 percent of the funding that supports the Federal Government's operations. With the U.S. tax base becoming more complex, one of the IRS's key responsibilities is to make it easier for taxpayers to understand and meet their tax obligations.

FY 2021 Budget Request and Priorities

The FY 2021 request is $12.039 billion, $528.5 million or 4.6 percent more than the FY 2020 enacted level of $11.510 billion. The base budget request provides funding to carry out the IRS mission.

Appropriation Account	**($ in Millions)**
Taxpayer Services	$2,562.5
Enforcement	5,071.3
Operations Support	4,104.7
Business Systems Modernization	300.0
Total Appropriated Resources	**$12,038.5**

This funding level includes a program increase of $220 million for modernization ($114 million) and implementation of the Taxpayer First Act ($106 million).

Tax Administration Challenges and Risks

Over the last few years, IRS workload and responsibilities increased. Operational efficiencies alone cannot fully compensate for the effect of lost staff on the level and quality of services provided. Substantially every taxpayer service and enforcement statistic has declined considerably since 2010. The following chart displays the dramatic reduction in FTE over the past 10 years. In FY 2019, the IRS was able to stop this decline, revamped its hiring efforts, has begun to see significant progress in hiring, and expects to make approximately 7,000 external hires between FY 2019 and 2020.

Section 113/112 refers to funding provided by Congress in the IRS administrative provisions for specific purposes in recent appropriations legislation. In FY 2016 and 2017, funds were provided for level of service, identity theft, and cybersecurity. In FY 2018 and 2019, funds were provided for implementing the Tax Cuts and Jobs Act. Similarly, Congress provided a separate appropriation (approximately $15 million) in FY 2009 – 2011 to implement the health insurance tax credit as part of the Trade Act of 2002.

Excludes Wage & Investment and Taxpayer Advocate in Taxpayer Services to avoid skewing data with seasonal hiring adjustments. Excludes over 900 additional hires through the IRS Forward (Recent Graduates) Program. Operations Support includes BSM hires. Operations Support hiring has increased alongside Enforcement hiring to facilitate onboarding and provide mission critical services including technology. Internal selections are excluded. Including internal and external selections, for example, Enforcement hiring in FY 2019 was more than 4,200.

Why Does the IRS Need Operations Support Funding?

What Operations Support Funds*	Percent
Information Technology	57.4%
Rent and Physical Security	21.3%
Human Capital Office	6.0%
Printing and Postage – Media and Publications	4.7%
Headquarters	4.4%
Facilities Management & Security Services	2.3%
Chief Financial Officer	1.5%
Privacy, Governmental Liaison and Disclosure	1.4%
Communications & Liaison	0.6%
Other	0.4%
Total	100.0%

** Based on FY 2019 Actual Obligations*

The Operations Support account currently funds multiple activities that have a direct tie to basic and critical IRS activities and directly ensure that IRS personnel funded in Enforcement and Taxpayer Service accounts can execute their mission. For example, while revenue agents are funded in the Enforcement account, the facilities (and the resulting rent and physical security) and the computer systems that they use to conduct their work are funded in the Operations Support account. Similarly, customer service representatives funded in Taxpayer Services use telephone lines, work on computer systems, and work in facilities funded through Operations Support. Without commensurate funding in Operations Support, these personnel would not be able to conduct their work to provide quality service and ensure taxpayers can meet their tax obligations.

As a part of the organizational and strategic work that the IRS is doing to respond to the Taxpayer First Act, the IRS is examining how and where these types of activities should be funded to provide a transparent and more accurate estimate of the cost of administering Taxpayer Services and Enforcement programs. The IRS looked first at rent and physical security costs and estimates that $235 million in Taxpayer Service costs and $392 million in Enforcement costs could be realigned from the Operations Support appropriations. The exhibit in the *Proposed Physical Security-Rent Adjusted Levels* provides a table of how costs could be realigned and more information.

Why is the Demand for IT Spending Growing?

Spending on information technology at the IRS has steadily increased in response to electronic filing, growing demand for online services, technological advances, and security concerns.

In FY 2019, considering all sources of funding (including user fees), 57.4 percent of Operations Support funding was spent on IT, up from 45.6 percent in FY 2010. There are several main reasons IT demand is growing:

- Taxpayers expect more electronic interactions, and the IRS strives to provide them;
- IT efficiencies that benefit the IRS overall sometimes increase costs in Operations Support. Electronic filing, for example, saves manual effort in Taxpayer Services but is funded in Operations Support. The savings occur in Taxpayer Services or Enforcement but costs to achieve those savings are expended from Operations Support;
- Modernization programs developed in the Business Systems Modernization account must have their IT operations and maintenance funded from Operations Support;

- As increasingly sophisticated fraud schemes threaten IRS systems, the IRS must increase IT security efforts (for example, the IRS spends around $330 million on cybersecurity and $450 million on identity theft); and
- New statutory requirements necessitate additional IT investment.

While IT spending at the IRS continues to increase consistent with trends in the private and public sector for comparable organizations, a 2018 benchmarking analysis conducted by the MITRE Corporation found that "higher IRS IT spend numbers, where present, seem consistent with the IRS size, significant number of outdated legacy systems, need to modernize, and new legislative requirements."[2] Basic operations and maintenance costs today exceed $2 billion per year, and without modernization, these costs are projected to grow at an unsustainable trajectory. Ultimately, modernization will allow the IRS to lower its operations and maintenance costs and direct more of its resources to new development, enforcement, and service.

The National Taxpayer Advocate has identified the need to replace antiquated technology systems as a top priority: "IRS performance already is significantly limited by its aging systems, and if those systems aren't replaced, the gap between what the IRS should be able to do and what the IRS is actually able to do will continue to increase in ways that don't garner headlines but increasingly harm taxpayers and impair revenue collection."

[2] "Information Technology Spend Profiles: Federal Agencies, Industry, and IRS IT Comparison." MITRE Study Team. August 9, 2018.

1.2 – Budget Adjustments Table

Dollars in thousands

Bureau: Internal Revenue Service Summary of Proposed FY 2021 Request	**FTE**	**Amount**
FY 2020 Enacted (Pre-IAT)	**74,174**	**$11,510,054**
Planned Interappropriation Transfer	370	
FY 2020 Enacted	**74,544**	**$11,510,054**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$452,085**
Pay Annualization (3.1% average pay raise)		67,757
Pay Raise (1.0% average pay raise)		66,080
FERS Contribution Increase		100,000
Non-Pay		55,344
Additional Required Labor Costs		162,904
Efficiencies/Savings:	**(1,536)**	**($143,795)**
Increase e-File Savings	(85)	(4,684)
Space Optimization		(6,200)
Personnel Savings	(1,451)	(132,911)
Subtotal FY 2021 Changes to Base	**(1,536)**	**$308,290**
FY 2021 Current Services	**73,008**	**$11,818,344**
Program Changes:		
Program Increases		
Integrated Modernization Business Plan	91	113,799
Implementing the Taxpayer First Act	262	106,360
Subtotal FY 2021 Program Increases	**353**	**$220,159**
Total FY 2021 Budget Request	**73,361**	**$12,038,503**

See footnotes in 1.1 -- Appropriations Detail Table

1C – Base Adjustment and Program Changes Description

Base Adjustment……$0 / +370 FTE

The FY 2020 enacted level of $11.510 billion assumes a $100.5 million interappropriation transfer (IAT) from Enforcement to Taxpayer Services ($24.0 million) and Operations Support ($76.5 million), which is included in the IRS FY 2020 Operating Plan. A total of 370 FTE will be added to Taxpayer Services to support delivery of a 60 percent Level of Service (LOS) and an estimated 65 percent LOS for the filing season (January through April) on the Accounts Management phone lines in FY 2020.

Maintaining Current Levels……..……..+$452,085,000 / 0 FTE

Pay Annualization (3.1%) +$67,757,000 / 0 FTE

Funds are requested for annualization of the January 2020 3.1 percent average pay raise.

Pay Raise (1.0%) +$66,080,000 / 0 FTE

Funds are requested for a 1.0 percent average pay raise in January 2021.

FERS Contribution Increase +$100,000,000 / 0 FTE

Funds are requested for the 1.3 percent increase to the Federal Employee Retirement System (FERS) contribution rates effective FY 2021, for a total employer contribution of 17.3 percent of base salaries. This amount is in addition to the 2.4 percent increase absorbed in FY 2020.

Non-Pay +$55,344,000 / 0 FTE

Funds are requested for inflationary increases in non-labor expenses such as travel, contracts, rent, supplies, and equipment. This amount is based on an OMB Circular A-11 inflation factor of 2.0 percent.

Additional Required Labor Costs +$162,904,000 / 0 FTE

Funds are requested to pay for increases in labor resulting from employees moving through career ladders, above journey level promotions, manager payband increases, and within-grade increases ($117.9 million). These funds will also pay for an increase in employee performance awards spending of 1.0 percentage point of non-SES/SL/ST salary spending per OMB Circular A-11.

Efficiencies / Savings……..…….……..-$143,795,000 / -1,536 FTE

Increase e-File Savings -$4,684,000 / -85 FTE

The IRS projects a total of 1,300,100 fewer returns filed on paper (623,000 individual and 676,500 business returns). As a result, the IRS would need 85 fewer FTE in submission processing, generating a savings of $4.7 million.

Space Optimization -$6,200,000 / 0 FTE

The IRS will reduce expenditures on rent and improve usage of office space across the country. Since 2013, the IRS released 3.7 million square feet, closing 115 buildings and reducing total rent costs by about 11 percent. For FY 2020, the IRS anticipates the release of 500,000 square feet with an estimated $10 million in annualized rent savings. The IRS will continue to consolidate space in FY 2021, projecting a release of 243,000 square feet for an estimated $6.2 million in annualized rent savings.

Personnel Savings -$132,911,000 / -1,451 FTE

Although the budget request increases staffing resources to support strategic priorities, the IRS must manage its personnel costs through limited attrition replacement and seasonal workforce adjustments across many operational areas. These adjustments are necessary to fund the $452 million in inflationary and labor cost increases for existing personnel, including annualization of the FY 2020 pay raise, the proposed FY 2021 pay raise, employee promotions, and employee retirement contributions. To achieve these savings, the IRS plans to:

- Fill critical vacancies only;
- Streamline the workforce by reducing administrative, analyst, and other support positions;
- Realign mission critical occupations by hiring employees who have the background and skills to support the IRS in meeting its strategic goals, objectives, and priorities.

Program Increases……..…….……..+$220,159,000 / +353 FTE

IRS Integrated Modernization Business Plan +$113,799,000 / +91 FTE

Position Type/Other Costs	FTE	Positions	$000
IRS Integrated Modernization Business Plan	**91**	**182**	**$113,799**
IT Specialist	91	182	11,279
Contractual Services			83,895
Hardware & Software			18,625
Total	**91**	**182**	**$113,799**

The modernization plan provides a roadmap for improving IRS systems and taxpayer services. Modernization is an IRS priority and a key driver of the President's Management Agenda. The plan will enable the IRS to provide consistently superior service to taxpayers and deliver long-term budget efficiencies as the IRS modernizes capabilities currently provided via legacy applications. The budget requests an increase of $113.8 million for an appropriated budget of $300 million in FY 2021. The IRS is working diligently to deliver Section 2101 of the Taxpayer First Act, which requires independent verification of Customer Account Data Engine 2 and Enterprise Case Management implementation. The IRS will also prepare its annual Key Insights report highlighting 2021 deliverables and funding allocation.

The request funds:

- *Web Applications ($25 million):* The IRS will expand the capability for taxpayers to use an online account, building on current capabilities to create and submit online installment agreements and make payments. The IRS will develop new Tax Pro capabilities for Power of Attorney and Disclosure Authorization. Tax Pro capabilities will provide taxpayers and tax professionals a digital service channel to establish and manage taxpayer/tax professional authority relationships.

- *Taxpayer Digital Communications Outbound Notification ($10 million):* The IRS will continue developing digital notices available through a secure online account for taxpayers who prefer that channel over mailed correspondence. The IRS has developed a metric to measure its short-term progress: the percentage of high-volume IRS notices available to be viewed by taxpayers digitally. This investment will increase taxpayer response rates to notices, reduce burden on taxpayers and the IRS, and promote more efficient interactions. This effort will reduce IRS costs over time – the IRS will spend approximately $185 million on postage costs in FY 2020.

- *Live Assistance ($15 million):* The investment funds the Live Assistance program to expand customer callback capabilities allowing taxpayers to keep their place in queue without remaining on the phone and the Live Chat capability that allows taxpayers to interact with assistors in a web-based chat session. The IRS will also deploy machine learning and natural language processing to quickly answer common taxpayer inquiries and improve call routing to deliver expert service to customers and empower taxpayers with real-time responses.

- *Customer Account Data Engine 2 (CADE2) ($100 million)*: Since the Individual Master File (IMF) was built almost 60 years ago, the IRS has made additions to legacy base code to reflect annual tax law changes. As a result, the base code of IMF includes embedded business logic written in outdated programming languages that only an extremely small number of IRS personnel understand. Funding will be used to continue re-engineering the IMF core components of posting, settlement, and analysis functions for individual taxpayer accounts by applying modern programming languages to the most complex areas of the IMF. This investment will:
    - Reduce the burden of ongoing maintenance and routine updates due to tax law changes through a common data model;
    - Enable enhanced data accessibility both within the IRS and for taxpayers, and security controls; and
    - Support business units to deploy advanced analytical capabilities addressing key issues of compliance, fraud, and identity theft.

  The IRS has set a goal of reducing the amount of legacy code in the IRS technology environment by 30 percent by FY 2021 and 75 percent by FY 2024.

- *Enterprise Case Management (ECM) ($64 million):* The ECM investment will modernize and consolidate more than 60 legacy case management applications. The investment will establish a common cloud infrastructure, automate business functions, and enable seamless case transfers,

promoting collaboration that will improve enforcement and facilitate a comprehensive customer experience for taxpayers. In FYs 2020-2021, ECM expects to deliver its first release. The IRS is currently running ECM pilots and anticipates the Tax Exempt and Government Entities division being the first target customer for migration to the new platform.

- *Robotic Process Automation (RPA) ($5 million):* RPA is the implementation of smart software designed to automatically perform high-volume, repeatable tasks that are normally labor intensive. These new tools will record the actions an employee takes to complete a computer-based task and then rapidly replicate those actions as many times as necessary with increased accuracy – allowing employees to focus on high value work. This investment will allow the IRS to scale an enterprise solution and onboard new projects that build off implementations completed for IRS procurement, monitoring offers-in-compromise, tax exempt referrals, and the internal IRS IT help desk.

- *Application Program Interface (API) ($5 million):* The IRS plans to expand the use of APIs. Using modern approaches for exchanging data, the IRS will provide expanded integration and data access to taxpayers and authorized third parties, such as business and government entities using APIs.

- *Cloud Execution ($5 million):* This investment will provide the IRS with convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be provisioned rapidly and released with minimal management effort or service provider interaction.

- *NextGen Infrastructure (NGI) ($15 million):* This investment will allow the IRS to continue modernizing its infrastructure base (hardware, software, network resources, and services) and support agile software development and delivery practices.

- *Vulnerability and Threat Management ($20 million):* This investment will enable the IRS to improve security integration in system development and automate security testing; apply use cases to enhance security audit analytics and compliance; and enhance data protection through encryption.

- *Identity & Access Management ($12 million)*: This investment in user identity controls, privileged access protections, building access security, and software security configuration will help the IRS mitigate the risk of unauthorized access to tax data as the IRS delivers new online tools to taxpayers and the number of private sector data breaches increases.

- *Security Operations and Management ($14 million):* This investment will deliver a next generation secure operations center; improve incident analysis and forensic network investigation; and protect High Value Assets by blocking network access for unauthorized users.

As part of the modernization plan, the IRS committed to publishing performance measures evaluating cost, schedule, outputs, and outcomes associated with modernization and direct and indirect effects on service and enforcement as well as annual deliverables and funding allocations. While several measures are being updated for Taxpayer First Act performance measure requirements and revised funding levels for Business Systems Modernization ($180 million versus the FY 2020 request of $290 million), the IRS is committed to several goals as part of the modernization plan and the FY 2021 request:

Modernization Measures & Milestones

TAXPAYER EXPERIENCE				
Objective	**Measure**	**FY 2019 Baseline***	**Interim Progress**	**FY 2024 Target**
TRUST & CONFIDENCE Research indicates that an improved customer experience can lead to increased compliance, engagement, and trust.	**American Customer Satisfaction Index score**[1]	74 out of 100 (as of FY 2018)	Increase	Increase
DIGITAL ACCESS Increase use of digital self-help tools.	**Percent of interactions by taxpayers seeking services from the IRS that are completed through self-assistance**	79% (as of FY 2017)	82% in FY 2020	Increase

* FY 2019 baselines are as of the beginning of FY 2019, unless otherwise indicated.
Note: Integration of activities to implement the Taxpayer First Act and realization of a reduced budget could result in resequencing IRS Modernization Portfolio capabilities necessitating adjustments to measures.
[1] IRS will continue to identify better ways to measure customer satisfaction, including analyzing the IRS wide customer satisfaction surveys.

DIGITAL ACCESS Provide taxpayers with additional digital options for interacting with the IRS	**Number of taxpayer interaction types that have a digital alternative**[2]	18	In progress	35
DIGITAL ACCESS Give taxpayers access to their IRS notices online	**Percent of high-volume IRS notices available to be viewed by taxpayers digitally**[3]	0%	100% by the end of CY 2020	In progress
HELPFUL REMINDERS Give taxpayers access to their IRS notices online.	**Percent of taxpayers opting in to receive the monthly installment agreement notice digitally**	0%	10% by FY 2021	25%
PERSONALIZED SERVICE & CONTROL Offer customer callback where there is the highest demand for live assistance.	**Number of live assistance applications offering a callback option**	None	1 telephone application in FY 2019; Additional telephone applications each fiscal year	61 applications (accounting for 95% of taxpayer demand)

[2] Based on prioritized list of taxpayer interactions. This measure may be impacted by future work to improve digital services, in accordance with the 21st Century Integrated Digital Experience Act.
[3] These notices account for an estimated 35% of notice volume. This measure may be impacted by future work to improve digital services, in accordance with the 21st Century Integrated Digital Experience Act.

CORE TAXPAYER SERVICES & ENFORCEMENT				
Objective	**Measure**	**FY 2019 Baseline***	**Interim Progress**	**FY 2024 Target**
FRAUD PREVENTION Reduce fraudulent tax refunds resulting from identity theft.	**Amount of unprotected identity theft tax refunds paid**	In progress	Additional 1% reduction	Additional 1% annually by CY 2024
ANOMALY DETECTION Enhanced systemic identification of noncompliance and fraud will allow the IRS to expand taxpayer protection.	**Number of data sources (return types, schedules and datasets) screened for anomaly detection through Return Review Program**	40	Approximately 10 additional sources by FY 2021	60
EASE & SIMPLICITY Increase taxpayer usage of online identity verification services.	**Percent of taxpayers using the ID Verify tool**	14%	Increase 5% in CY2020	Increase 50% by CY 2024

MODERNIZED IRS OPERATIONS				
Objective	**Measure**	**FY 2019 Baseline***	**Interim Progress**	**FY 2024 Target**
COST CONTAINMENT According to the Government Accountability Office, federal spending on IT operations and maintenance has been steadily increasing. Until modernization progress is achieved, we expect this to continue to grow.	**Stabilize the cost of operations and maintenance**[4]	84%	N/A	80%

* FY 2019 baselines are as of the beginning of FY 2019, unless otherwise indicated.
Note: Integration of activities to implement the Taxpayer First Act and realization of a reduced budget could result in resequencing IRS Modernization Portfolio capabilities necessitating adjustments to measures.

* FY 2019 baselines are as of the beginning of FY 2019, unless otherwise indicated.
Note: Integration of activities to implement the Taxpayer First Act and realization of a reduced budget could result in resequencing IRS Modernization Portfolio capabilities necessitating adjustments to measures.

[4] IRS will continue to identify ways to address cost savings.

RELIABILITY & SECURITY Upgrading and maintaining IRS infrastructure in line with industry standards provides greater security, reliability, and business value.	**Percent of aged infrastructure**	45.5% (as of FY 2018)	30% by FY 2021	25%
OPERATIONAL AGILITY With millions of lines of code written in legacy programming languages (ALC and COBOL), the IRS must provide taxpayers with current data and keep pace with changes to tax laws, technology and business processes.	**Reduction of selected legacy code (via multiple methods: Retire, Re-write, Replace and Refactor)**	0%	30% by FY 2021	75%
SPEED & EFFICIENCY Automation tools can drastically reduce hours of manual labor and provide near-instant results. We introduced robotic process automation in 2019.	**Achieve efficiency gains on work processes where robotic process automation is applied**	0%	10% by FY 2020	75%
CYBERSECURITY & DATA PROTECTION				
Objective	**Measure**	**FY 2019 Baseline***	**Interim Progress**	**FY 2024 Target**
HIGH SERVICE AVAILABILITY The IRS is striving to ensure systems are available when customers need them.	**Service availability of critical systems at the appropriate level of redundancy**	24%	40%	100%

* FY 2019 baselines are as of the beginning of FY 2019, unless otherwise indicated.

Note: Integration of activities to implement the Taxpayer First Act and realization of a reduced budget could result in resequencing IRS Modernization Portfolio capabilities necessitating adjustments to measures.

CYBERSECURITY Enhancing cybersecurity protects taxpayer data and the nation's financial information from persistent and evolving threats.	**Percent of applications at the assessed level of risk or mitigated with compensating controls**[5]	100%	100%	100%

Key successes for the modernization portfolio in FY 2019 included:

- Deploying the ID Verify Tool to protect more taxpayers from identity theft by giving them an option to confirm their identity with the IRS online;
- Deploying callback technology on the Toll-Free Balance Due phone line to give taxpayers a callback option as an alternative to waiting on the phone;
- Taking critical steps to award a contract for an Enterprise Case Management system;
- Creating new models and filters within the Return Review Program to more effectively identify non-compliance in individual tax returns associated with withholding;
- Delivering all three planned testing scenarios for the CADE2 Transition State 2 program: Simple Single Filing to Testing, Subsequent Payment with Filing for Extension, Internal Balancing & Control;
- Completing all nine Modernized IRS Operations milestones including deployment of a critical vendor compliance check for a procurement process and development and validation of stack components; and
- Completing both Cybersecurity & Data Protection milestones including a strategy to improve the number and quality of IRS audit trails through improved security audit analytics and compliance.

[5] The IRS will continue to maintain 100 percent while implementing process improvements as they arise or are identified.

Implementing the Taxpayer First Act +$106,360,000 / +262 FTE

Position Type/Other Costs	FTE	Positions	$000
Establish an Independent Office of Appeals	**70**	**140**	**$7,679**
Analyst	70	140	7,679
Comprehensive Service and Training Strategy	**78**	**156**	**$12,837**
HR Specialist	76	152	11,607
Program Analyst	2	4	221
Contractual Services			1,009
IT Requirements	**94**	**188**	**$81,400**
IT Specialist	94	188	81,400
Whistleblower Reforms	**10**	**20**	**$1,173**
Analyst	6	12	707
Manager	1	2	118
Support Staff	3	6	348
Modernization of IRS Organizational Structure			**$1,254**
Contractual Services			1,254
Other Direct Costs	**10**	**20**	**$2,017**
Attorney	10	20	2,017
Total	**262**	**524**	**$106,360**

The Taxpayer First Act will change how the IRS engages with taxpayers, increase digital interactions, and require changes in the structure and functioning of the IRS. The FY 2021 request includes funding for:

- *Internet Platform for Form 1099 Filings ($30 million):* The IRS will create a new website that allows taxpayers to prepare, file, and distribute Forms 1099, and create and maintain taxpayer records. This platform should improve taxpayer compliance and reduce administrative burden for individuals and businesses filing information returns. Taxpayers filed over three billion 1099s in calendar year 2019, and 1099s are a critical tool in IRS income verification and document matching.

- *Mandatory e-filing by Exempt Organizations ($14.4 million):* The Taxpayer First Act mandates that all tax-exempt organizations electronically file statements or returns in the Form 990 series or Form 8872 (Political Organization Report of Contributions and Expenditures). This platform should improve exempt organization compliance and reduce administrative burden for organizations and the IRS.

- *Establish Independent Office of Appeals ($7.7 million):* Section 1001 requires the IRS to establish an independent office of appeals and share non-privileged case files with taxpayers at least 10 days prior to conference. Exam and collection case files can be thousands of pages and require sensitive reviews. Approximately 70 FTE are needed to make privilege determinations and format case files. This estimate includes labor, scanning equipment, and printing. Appeals receives

approximately 100,000 cases each year and currently has around 1,900 FTE, down 40 percent from FY 2010.

- *Comprehensive service and training strategy ($12.8 million)*: Section 1001 requires the IRS submit a comprehensive service strategy to Congress by July 2020 to include online services, callback technology, training for customer service employees, co-location with other federal service providers, self-service options, 10 year and five-year service improvements, and metrics for implementation. New training to fulfill the strategy is anticipated by July of 2021. These costs reflect the anticipated technology expenses necessary to fulfill the strategy.

- *Uniform Standards for the Use of Electronic Signature for Disclosure Authorizations ($9.2 million):* Section 2201 requires the IRS to implement uniform standards for accepting electronic signatures, specifically e-Signature for tax professionals to submit Power of Attorney and other disclosure authorizations required to communicate with the IRS on behalf of clients.

- *Authentication of Users of Electronic Services Accounts ($3.0 million):* Section 2304 requires the IRS to take additional steps to verify the identity of any individual opening an e-Services account. Authentication will need to be done in accordance with current guidance from the National Institute of Standards and Technology (NIST).

- *Payment of Taxes by Debit and Credit Cards ($3.0 million):* Section 2303 requires the IRS to charge a fee for those paying taxes by credit or debit card, which requires modifications to applications.

- *Whistleblower Reforms ($1.1 million):* Section 1405 requires the IRS whistleblower office to disclose to whistleblowers that their provided information has been referred for an audit or examination, the information provided has resulted in a tax payment, the status and stage of any investigation or action related to information provided, and the amount of any whistleblower award, including reasons for such determination, within a 60 day mandated window. Historically, the IRS generally provides limited notifications of status at preliminary award determination. The whistleblower office currently consists of approximately 35 FTE despite an increase in claims and awards in recent years. The program made 217 awards in 2018 for $312 million based on tax collections of $1.4 billion.

- *Technology Operations and Maintenance ($25.2 million):* Operations and maintenance costs for planned Taxpayer First Act technology and application deployments in FY 2020 based on trends observed in recent comparable system builds (approximately 20 percent of development costs).

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	$2,017	10.0	20	Provide support for increases in requests for legal advice, litigation assistance, and published guidance on issues raised in audits.
Total	**$2,017**	**10.0**	**20**	

1.3 – Object Classification (Schedule O) Obligations

Dollars in thousands

Internal Revenue Service Object Classification	FY 2019 Actuals	FY 2020 Enacted	FY 2021 Request
11.1 Full-Time Permanent Positions	5,682,279	6,057,059	6,202,252
11.3 Other than Full-Time Permanent Positions	86,595	91,508	92,158
11.5 Other Personnel Compensation	271,633	185,801	233,281
11.8 Special Personal Services Payments	29,145	20,494	20,807
11.9 Personnel Compensation (Total)	**6,069,652**	**6,354,862**	**6,548,498**
12.1 Personnel Benefits	2,128,057	2,353,298	2,461,677
13.0 Benefits to Former Personnel	29,240	34,678	35,210
Total Personnel and Compensation Benefits	**$8,226,949**	**$8,742,838**	**$9,045,385**
21.0 Travel	91,377	123,226	126,489
22.0 Transportation of Things	19,697	23,204	23,702
23.1 Rental Payments to GSA	581,764	579,517	585,262
23.2 Rent Payments to Others	11,576	11,712	11,947
23.3 Communications, Utilities, & Misc	309,793	327,965	335,164
24.0 Printing & Reproduction	28,851	30,985	31,677
25.1 Advisory & Assistance Services	910,061	740,392	905,518
25.2 Other Services	73,546	101,665	105,817
25.3 Purchase of Goods & Services from Govt. Accounts	166,616	165,198	169,321
25.4 Operation & Maintenance of Facilities	187,915	186,806	190,941
25.5 Research & Development Contracts			
25.6 Medical Care	14,301	14,516	14,865
25.7 Operation & Maintenance of Equipment	56,590	60,945	63,443
25.8 Subsistence & Support of Persons			
26.0 Supplies and Materials	29,942	47,862	48,949
31.0 Equipment	340,695	248,142	273,514
32.0 Land and Structures	39,367	50,851	52,152
33.0 Investments & Loans			
41.0 Grants, Subsidies	39,890	48,000	48,000
42.0 Insurance Claims & Indemnities	1,870	1,730	1,767
91.0 Unvouchered	1,986	4,500	4,590
Total Non-Personnel	**$2,905,837**	**$2,767,216**	**$2,993,118**
New Appropriated Resources	**$11,132,786**	**$11,510,054**	**$12, 038,503**
Appropriations:			
Taxpayer Services	2,553,595	2,535,554	2,562,554
Enforcement	4,592,859	4,909,500	5,071,260
Operations Support	3,861,879	3,885,000	4,104,689
Business Systems Modernization	124,453	180,000	300,000
New Appropriated Resources	**$11,132,786**	**$11,510,054**	**$12,038,503**
FTE	**72,731**	**74,544**	**73,361**

See footnotes in 1.1 -- Appropriations Detail Table.

Amounts include obligations of annually appropriated resources, carryover balances, reimbursables, and transfers. Table excludes user fee obligations, which can be found in the Treasury chapter of the FY 2021 Budget Appendix.

1D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
TAXPAYER SERVICES For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, [$2,511,554,000] *$2,562,554,000* of which not less than $11,000,000 shall be for the Tax Counseling for the Elderly Program, of which not less than $12,000,000 shall be available for low-income taxpayer clinic grants, of which not less than $25,000,000, to remain available until September 30, [2021] *2022*, shall be available for the Community Volunteer Income Tax Assistance Matching Grants Program for tax return preparation assistance, and of which not less than $209,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: Provided, That of the amounts made available for the Taxpayer Advocate Service, not less than $5,500,000 shall be for identity theft and refund fraud casework. ENFORCEMENT For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger	

motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, [$5,010,000,000] *$5,071,260,000*, of which not to exceed $250,000,000 shall remain available until September 30, [2021] *2022*; of which not less than $60,257,000 shall be for the Interagency Crime and Drug Enforcement program; and of which not to exceed $15,000,000 shall be for investigative technology for the Criminal Investigation Division: Provided, That the amount made available for investigative technology for the Criminal Investigation Division shall be in addition to amounts made available for the Criminal Investigation Division under the "Operations Support" heading: *Provided further, That of the funds provided under this paragraph, $5,071,260,000 is provided to meet the terms of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.*	
In addition, not less than $279,983,000 for tax activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such amount is additional new budget authority for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.	Language required for the proposed program integrity cap adjustment. More information about the cap adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and Budget Process Chapter of the FY 2021 budget.
OPERATIONS SUPPORT For necessary expenses of the Internal Revenue Service to support taxpayer services and	

enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; [$3,808,500,000] *$4,104,689,000*, of which not to exceed $250,000,000 shall remain available until September 30, [2021] *2022*; of which not to exceed $10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed $1,000,000 shall remain available until September 30, [2022] *2023*, for research; [of which not less than $10,000,000, to remain available until expended, shall be available for establishment of an application through which entities registering and renewing registrations in the System for Award Management may request an authenticated electronic certification stating that the entity does or does not have a seriously delinquent tax debt;] and of which not to exceed $20,000 shall be for official reception and representation expenses: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing [the cost and schedule performance for its major information technology investments, including the purpose and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and strategies the Internal Revenue	Please see the exhibit in the *Proposed Physical Security-Rent Adjusted Levels* for a discussion of the "rent" and "physical security" language.

Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter] *major information technology investments in the Internal Revenue Service Integrated Modernization Business Plan portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year:* Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year [2021] *2022*, a summary of cost and schedule performance information for its major information technology systems; *Provided further, That of the funds provided under this paragraph, $4,104,689,000 is provided to meet the terms of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.* *In addition, not less than $120,017,000 for tax activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such amount is additional new budget authority for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.* BUSINESS SYSTEMS MODERNIZATION For necessary expenses of the Internal Revenue Service's business systems modernization program, [$180,000,000] *$300,000,000*, to remain available until September 30, [2022] *2023*, for the capital	This change (and the corresponding change in Business Systems Modernization) makes reporting requirements across the two appropriations consistent and updates the report requirements to account for the Integrated Modernization Business Plan. Language required for the proposed program integrity cap adjustment. More information about the cap adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and Budget Process Chapter of the FY 2021 budget.

asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: *Provided*, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing [the cost and schedule performance for major information technology investments, including the purposes and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and the strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter] *major information technology investments in the Internal Revenue Service Integrated Modernization Business Plan portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year.* ADMINISTRATIVE PROVISIONS-INTERNAL REVENUE SERVICE (INCLUDING TRANSFER OF FUNDS) SEC. 101. Not to exceed 4 percent of the appropriation made available in this Act to the Internal Revenue Service under the "Enforcement" heading, and not to exceed 5 percent of any other appropriation made available in this Act to the Internal Revenue Service, may be transferred to	

any other Internal Revenue Service appropriation upon the advance approval of the Committees on Appropriations of the House of Representatives and the Senate. SEC. 102. The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with taxpayers, cross-cultural relations, ethics, and the impartial application of tax law. SEC. 103. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information and protect taxpayers against identity theft. SEC. 104. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1–800 help line service for taxpayers. The Commissioner shall continue to make improvements to the Internal Revenue Service 1–800 help line service a priority and allocate resources necessary to enhance the response time to taxpayer communications, particularly with regard to victims of tax-related crimes. SEC. 105. The Internal Revenue Service shall issue a notice of confirmation of any address change relating to an employer making employment tax payments, and such notice shall be sent to both the employer's former and new address and an officer or employee of the Internal Revenue Service shall give special consideration to an offer-in-compromise from a taxpayer who has been the victim of fraud by a third party payroll tax preparer.	

SEC. 106. None of the funds made available under this Act may be used by the Internal Revenue Service to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States. SEC. 107. None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs. SEC. 108. None of funds made available by this Act to the Internal Revenue Service shall be obligated or expended on conferences that do not adhere to the procedures, verification processes, documentation requirements, and policies issued by the Chief Financial Officer, Human Capital Office, and Agency-Wide Shared Services as a result of the recommendations in the report published on May 31, 2013, by the Treasury Inspector General for Tax Administration entitled "Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California" (Reference Number 2013–10–037). SEC. 109. None of the funds made available in this Act to the Internal Revenue Service may be obligated or expended– (1) to make a payment to any employee under a bonus, award, or recognition program; or (2) under any hiring or personnel selection process with respect to re-hiring a former employee; unless such program or process takes into account the conduct and Federal tax compliance of such employee or former employee. SEC. 110. None of the funds made available by this Act may be used in contravention of section 6103 of the Internal Revenue Code of 1986	

(relating to confidentiality and disclosure of returns and return information).	
SEC. 111. Unobligated balances of expired discretionary funds appropriated from the General Fund of the Treasury to the Internal Revenue Service by this Act may be transferred (not later than the end of the fifth fiscal year after the last fiscal year for which such funds are available for the purposes for which appropriated) into Operations Support heading; Provided that any funds so transferred shall remain available for obligation for five fiscal years after the fiscal year of such transfer, and in addition to such other funds as may be available for such purposes, for facilities and information technology expenses; Provided further, That transfer authority under this heading shall be in addition to any other transfer authority provided in this Act: Provided further, That amounts may be obligated only after the Committees on Appropriations of the House of Representatives and the Senate are notified at least 15 days in advance of the planned use of funds.	This change would allow the IRS to utilize unobligated, expired funds provided in this Act for high priority facility and technology investments. This is in addition to the Department's request for additional flexibility with the Treasury Capital Investments and Modernization Fund.
SEC. 112. Notwithstanding any Congressional notification requirements for a reprogramming of funds in this Act, funds provided in this Act for the Internal Revenue Service shall be available for obligation and expenditure through a reprogramming of funds that augments or reduces existing programs, projects, or activities by up to $10,000,000 without prior Congressional notification of such action. (Department of the Treasury Appropriations Act, 2020.)	Providing authority to reprogram up to $10 million within appropriations accounts without formal notification procedures. This increase will allow the IRS to allocate funds to highest priority needs at end of fiscal year, including infrastructure, and respond to workload and program demand changes.

Proposed Physical Security-Rent Adjusted Levels

	FY 21 Request (excludes PIC)	Proposed Security Adjustment*	Proposed Rent Adjustment*	Subtotal Adjustments	Adjusted Levels
Taxpayer Service	**2,562,554,000**	**57,027,414**	**177,463,822**	**234,491,237**	**2,797,045,237**
Pre-filing Taxpayer Assistance & Education	667,017,847	9,640,782	33,972,331	43,613,113	710,630,960
Filing & Account Services	1,895,536,153	47,386,632	143,491,491	190,878,124	2,086,414,277
Enforcement	**5,071,259,990**	**77,788,076**	**314,618,563**	**392,406,639**	**5,463,666,629**
Investigations	675,533,397	6,513,802	47,031,409	53,545,211	729,078,608
Exam & Collections	4,225,885,766	69,173,334	256,306,904	325,480,238	4,551,366,004
Regulatory	169,840,827	2,100,940	11,280,250	13,381,190	183,222,017
Operations Support	**4,104,689,010**	**(134,815,491)**	**(492,082,385)**	**(626,897,876)**	**3,477,791,134**
Infrastructure	895,071,621	(162,925,000)	(596,918,131)	(759,843,131)	135,228,490
Shared Services & support	1,063,983,643	11,155,413	53,215,527	64,370,940	1,128,354,583
Information Services	2,145,633,746	16,954,096	51,620,219	68,574,315	2,214,208,061
Business Systems Modernization	**300,000,000**				**300,000,000**
IT Investments	300,000,000				300,000,000
Grand Total	**$12,038,503,000**	**$0**	**$0**	**$0**	**$12,038,503,000**

*Although they are meant to be representative, if implemented, the IRS would need to perform a more detailed analysis to set these levels in the plan. FY 2021 is presented as a 2% inflation of FY 2019 levels, compounded twice.

Dollars for rent and physical security have not been realigned in the 2021 budget submission to give Congress an opportunity to evaluate the changes, but the table above shows how these costs would be shifted between the appropriations accounts. Executing this change would require moving the references to rent and physical security in the Operations Support. This would allow the IRS to execute these costs out of the two other accounts, while retaining authority and funding for a portion of these expenses in Operations Support for headquarters, technology, procurement, and other personnel. This change would increase transparency in the cost of operations and, along with the proposed increase in reprogramming authority to $10 million and the new authority for using expired balances, would also improve the IRS's ability to execute these resources efficiently.

In addition, the Department is proposing to create a Treasury-wide IT modernization fund, the Treasury Capital Investments and Modernization Fund, that would include new transfer authority to leverage existing funding and introduce further flexibility that would help Treasury to continuously modernize information technology infrastructure across the Department.

Sec. 126 Not to exceed 5 percent of any appropriation made available for the current fiscal year for the Department of the Treasury by this Act and unobligated balances of expired discretionary funds appropriated from the General Fund to the Department of the Treasury by this Act may be transferred (not later than the end of the fifth fiscal year after the last fiscal year for which such funds are available for the purposes for which appropriated) to the Treasury Capital Investments and Modernization Fund: Provided, That any funds so transferred shall remain available for obligation for five fiscal years after the fiscal year of such transfers for modernization of Treasury systems to increase cybersecurity and improve efficiency:

Provided further, That funds so transferred shall not be available for obligation until the Secretary submits to the Committees on Appropriations of the House of Representatives and the Senate a spending plan for such funds.

1E – Legislative Proposals

Provide the IRS with greater flexibility to address correctable errors: The budget would expand the IRS authority to correct errors on taxpayer returns. Current statute only allows the IRS to correct errors on returns in certain limited instances, such as basic math errors or the failure to include the appropriate social security number or taxpayer identification number.

This proposal would expand the instances in which the IRS could correct a taxpayer's return including cases where: (1) the information provided by the taxpayer does not match the information contained in Government databases or Form W-2, or from other third party databases as the Secretary determines by regulation; (2) the taxpayer exceeded the lifetime limit for claiming a deduction or credit; or (3) the taxpayer failed to include with his or her return certain documentation that is required to be included on or attached to the return. This proposal would make it easier for IRS to correct clear taxpayer errors, directly improving tax compliance and reducing EITC and other improper payments and freeing IRS resources for other enforcement activities.

Increase Oversight of Paid Tax Return Preparers: Paid tax return preparers have an important role in tax administration because they assist taxpayers in complying with their obligations under the tax laws. Incompetent and dishonest tax return preparers increase collection costs, reduce revenues, disadvantage taxpayers by potentially subjecting them to penalties and interest because of incorrect returns, and undermine confidence in the tax system. To promote high quality services from paid tax return preparers, the proposal would explicitly provide that the Secretary of the Treasury has the authority to regulate all paid tax return preparers.

Improve clarity in worker classification and information reporting requirements: The budget proposes to: (1) establish a new safe harbor that allows a service recipient to classify a service provider as an independent contractor and requires withholding of individual income taxes to this independent contractor at a rate of five percent on the first $20,000 of payments; and (2) raises the reporting threshold for payments to all independent contractors from $600 to $1,000, and reduces the reporting threshold for third-party settlement organizations from $20,000 and 200 transactions per payee to $1,000 without regard to the number of transactions. In addition, Form 1099-K would be required to be filed with the IRS by January 31 of the year following the year for which the information is being reported. The proposal increases clarity in the tax code, reduces costly litigation, and improves tax compliance.

Fund the Federal Payment Levy Program via Collections: This proposal would allow the Fiscal Service to retain a portion of the funds collected under the Bureau's Federal Payment Levy Program (FPLP) which processes and collects delinquent tax debts through the Treasury Offset Program (TOP). TOP currently recoups its costs from retained amounts from collected amounts for all its programs except for the FPLP but under current law, the IRS must pay these costs through annual reimbursement agreements under the Economy Act. This proposal would make the FPLP consistent with other TOP programs. Delinquent taxpayers will not be impacted by the proposal, because they will receive credit for the full amount collected. This proposal creates efficiencies, because it allows the Fiscal Service to recover its FPLP costs from the IRS in the same manner as other TOP programs.

Require a social security number (SSN) that is valid for work to claim child tax credit (CTC), earned income tax credit (EITC), and credit for other dependents (ODTC): The Administration proposes requiring an SSN that is valid for work to claim the EITC, CTC (both the refundable and non-refundable portion), and/or the ODTC for the taxable year. For all credits, this requirement would apply to taxpayers (including both the primary and secondary filer on a joint return) and all qualifying children or dependents. Under current law, taxpayers who do not have an SSN that is valid for work may claim the CTC if the qualifying child for whom the credit is claimed has a valid SSN. Furthermore, the ODTC, created by the *Tax Cuts and Jobs Act*, allows taxpayers whose dependents do not meet the requirements of the CTC, including the SSN requirement, to claim this non-refundable credit. This proposal would ensure that only individuals who are authorized to work in the United States could claim these credits by extending the SSN requirement for qualifying children to parents on the tax form for the CTC and instituting an SSN requirement for the ODTC. While this SSN requirement is already current law for the EITC, this proposal also would close an administrative gap to strengthen enforcement of the provision.

Program Integrity Cap Adjustment

In addition to the base appropriations request of $12 billion request, the budget proposes a $400 million discretionary program integrity cap adjustment in FY 2021 to fund investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The budget proposes $280 million for the Enforcement account and $120 million for the Operations Support account. Additional adjustments are provided in future years to fund new initiatives and inflation. These investments will generate $79 billion in new revenue over 10 years and will cost $15 billion, for net revenue of $64 billion over 10 years. This return on investment (ROI) is likely understated because it does not reflect the effect that enhanced enforcement has on deterring non-compliance.

1F – IRS Use of Evidence and Evaluation

The IRS continues to improve program performance by using data and analytics to develop evidence that informs innovation and improves program delivery.

Significant Accomplishments in FY 2019

Compliance Data Warehouse Knowledge Graph Environment (CKGE): CKGE provides over 2,300 users across the IRS with a powerful tool for exploring and understanding relationships between entities in the tax ecosystem including taxpayers, businesses, return preparers, and even personal devices. The IRS Research, Analysis, and Statistics division (RAAS) is working to design and develop a corporate graph database to assist with comparing changes in corporate structures pre and post-Tax Cuts and Job Act.

Centralized Authorization File (CAF)/Power of Attorney (POA) Analysis: The CAF is a computer database containing information on the authority of taxpayer representatives. RAAS has delivered 15 recommendations to Accounts Management (AM)/CAF to improve processing of Power of Attorney requests and mailed 1,500 letters to better understand schemes used by fraudsters.

Conservation Easements: RAAS continues to partner with IRS business units on efforts to address tax avoidance schemes through conservation easements. These schemes are estimated to involve billions of dollars in lost revenue. RAAS has provided data to the Department of Justice (DOJ) for a pending court case involving 96 conservation easement syndicates resulting in over $2 billion of tax deductions from overvalued and improperly qualified conservation contributions.

Criminal Investigation Employment Study: RAAS continues to partner with the IRS Criminal Investigation (CI) division to develop data-driven approaches to case selection and development. As a result of this partnership, CI and RAAS:

- Referred 42 criminal employment tax cases, with an average potential tax loss of $3.3 million per case.
- Initiated a project to identify US Citizens living abroad who are not paying income tax on their earnings.
- Initiated a project to leverage text analytics for improving the process of reviewing Suspicious Activity Reports.
- Coordinated with the Tax-Exempt/Government Entities (TE/GE) business unit to identify potential criminal cases.

Exam Planning Scenario Tool: The Exam Planning Scenario Tool (EPST) employs a data-driven approach to generate and evaluate optimal, executable tax return examination plans and improve business outcomes through incorporation of predictive analytical models. IRS business units used EPST to prepare a revised FY 2019 exam plan to assess the effect of the lapse in appropriations on examination starts and closures. EPST allowed planners to complete the process in just days, a substantial time saving from a

manual process that historically took weeks. The tool also allowed leadership to consider multiple strategies for optimizing exam plans, where previously the manual process only allowed one strategy.

Identity Theft: During FY 2017, the IRS prevented about 95 percent of known tax refund identity theft from being paid out to fraudsters. Known unprotected identity theft is about $300-$600 million annually. RAAS developed models and filters selected 228,000 returns for potential identity theft, protecting $716 million in refunds from being issued until the legitimate filer could authenticate through the Taxpayer Protection Program (TPP) that the return was legitimately filed. This effort supports the Treasury Fraud Prevention Agency Priority Goal to reduce the amount of unprotected identity theft tax refunds paid by 2 percent by December 31, 2019 (based on data reporting lag), and by an additional 1 percent annually through December 31, 2021 under the new FY 2020-2021 goal. The IRS exceeded the FY 2018-2019 goal by reducing the amount of unprotected identity theft tax refund paid by an estimated 88 percent between processing year 2016 and 2018. The IRS successfully protected between $6.03 billion and $6.08 billion in identity theft refunds in 2018.

Implementing 2019 Legislation and Executive Order: Passage of the Foundations for Evidence-Based Policymaking (Evidence Act) and the Executive Order on Improving Free Inquiry, Transparency, and Accountability at Colleges and Universities (Executive Order), as well as the recently enacted Taxpayer First Act of 2019 increase RAAS's responsibilities for planning and leading research and statistical activities. The Statistics of Income (SOI) Division has been working with the OMB Interagency Council on Statistical Policy to implement Title III of the Evidence Act, which focuses on policies and practices to improve Federal statistics.

Large Business & International (LB&I) Line Anomaly Recommender (LAR): LAR is a new and innovative approach based on unsupervised learning to find potentially anomalous cases, and specific line items for those cases, from LB&I's filing population. Analysis of the distribution of LB&I filters for LAR cases showed that the top 5 percent LAR-ranked cases are not often identified by filters, confirming the potential opportunity for identifying previously undetected anomalous cases.

Nonfiler: RAAS worked with Collection to construct a training set that replicated Inventory Delivery System (IDS) data and improved an expanded suite of predictive models meant to allow downstream systems greater flexibility in prioritization and routing. Back-test results indicate that prioritizing inventory based on these models can lead to a 30 percent increase in enforcement revenue over legacy models.

Passport Study: The Fixing America's Surface Transportation (FAST) Act authorizes the IRS to certify individual taxpayers with "seriously delinquent tax debt" to the Department of State to use as a factor for issuing new or renewed passports. A randomized controlled trial allowed the IRS to show that the Passport program has produced an estimated total of $623 million in additional dollars collected and increased the number of taxpayers making a payment within 90 days by 13,000.

RAAS Tax Cuts and Jobs Act of 2018 Response: Passage of the Tax Cuts and Jobs Act significantly increased RAAS's work. RAAS has provided IRS leadership with an improved and updated tax reform

statistics placemat and, on the TaxStats pages of IRS.gov, posted detailed SOI filing season statistics that reflect the effects of tax reform.

Collection Notice Redesign and Inventory Case Selection: RAAS has an initiative to redesign certain notices sent to taxpayers who owe outstanding tax debts using behavioral insights. RAAS and the Collection office developed a model to help Collection identify notice recipients who were more likely to fully pay. The model realized a rate of full payment 7.92 percent higher than the control group, while also increasing overall collections and decreasing phone calls from notice recipients by 2 percent (using previously tested re-designed notices).

SB/SE Issue Recommender: The IRS pulls revenue agents from regular audit work to review returns flagged for audit, determine what employees to assign to each return, and indicate which lines should be worked during an audit. This initiative focuses on using artificial intelligence to automate the classification process. SB/SE has approved the use of RAAS's model, saving weeks of work and classification time. The algorithm also can identify training returns.

Statistics of Income (SOI) Highlights:

- SOI released more than 500 tables, public-use datasets, and PDF documents on the TaxStats pages of IRS.gov. This information is designed to help the public learn more about the tax system.
- For the first time, SOI released data by congressional district. SOI also works with other Federal agencies and outside researchers on efforts that benefit the public and improve its understanding of tax administration.
- SOI's Joint Statistical Research Program uses tax data to evaluate a broad range of research questions that can assist in improving tax administration. In 2019, 29 proposals were selected for inclusion in the program.

TE/GE Compliance Initiatives: RAAS is partnering with TE/GE to provide analytic support to enhance noncompliance identification and case selection for high priority areas within Exempt Organizations, Employee Plans, and Government Entities/Indian Tribal Governments workstreams. By partnering with RAAS, TE/GE conducts "test and learn" compliance strategies targeted at these high priority areas.

Section II – Budget and Performance Plan

Treasury Strategic Objectives and Agency Priority Goals

The budget supports the following Department of the Treasury Strategic Objectives for FY 2018 – FY 2022 and Agency Priority Goals for FY 2020- FY 2021 for all appropriations:

- **Strategic Goal 1**: Boost U.S. Economic Growth, Strategic Objective 1.1: Tax Law Implementation: Administer tax law to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system.
- **Strategic Goal 4**: Transform Government-wide Financial Stewardship, Strategic Objective 4.1: Financial Data Access and Use: Increase the access and use of federal financial data to strengthen government-wide decision-making, transparency, and accountability.
- **Strategic Goal 5**: Achieve Operational Excellence, Strategic Objectives 5.1 – 5.3:
  - 5.1 Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish the mission.
  - 5.2 Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury's infrastructure.
  - 5.3 Customer Value and Experience: Enhance the experience of interacting with Treasury by providing high quality products and services and by delivering excellent customer service.
- **Agency Priority Goal(s):** IRS leads the Fraud Prevention Agency Priority Goal and supports the Bureau of Fiscal Service's Reduce Paper Checks Agency Priority Goal for FY 2020 – FY 2021.
  - Fraud Prevention (aligned to strategic objective 1.1): Reduce the amount of unprotected identity theft tax refunds paid by two percent by December 31, 2019, and by an additional one percent annually through December 31, 2021.
  - Bureau of Fiscal Service Reduce Paper Checks (aligned to strategic objective 5.3): Create a modern, seamless, and cost-effective payment experience for Americans that results in a reduction in the number of paper checks issued by Treasury to 49 million and achievement of an electronic payment rate of 96.1 percent by the end of FY 2021.
- **Cross-Agency Priority Goal on Customer Experience:** In FY 2019, OMB designated IRS as one of several government-wide High Impact Service Providers. The IRS reports to Treasury and OMB on a quarterly and annual basis on its "highest-impact" customer transaction survey data, and on efforts to improve the customer experience.

Taxpayer Services

Appropriation Description

The Taxpayer Services appropriation provides funding for taxpayer service activities and programs. This includes printing forms and publications, processing tax returns and related documents, offering filing and account services, taxpayer assistance, and providing taxpayer advocacy services.

The Taxpayer Services budget request for FY 2021 is $2,562,554,000 in direct appropriations and 25,678 FTE, excluding the proposed program integrity cap adjustment. This amount is an increase of $27,000,000, or 1.06 percent, and a decrease of 1,082 FTE from the FY 2020 enacted level (after transfer) of $2,535,554,000 and 26,760 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Taxpayer Services Summary of Proposed FY 2021 Request	**FTE**	**Amount**
FY 2020 Enacted (Pre-IAT)	**26,390**	**$2,511,554**
Planned Interappropriation Transfer	370	24,000
FY 2020 Enacted	**26,760**	**$2,535,554**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$107,929**
Pay Annualization (3.1% average pay raise)		18,078
Pay Raise (1% average pay raise)		17,631
FERS Contribution Increase		26,523
Non-Pay		4,058
Additional Required Labor Costs		41,639
Efficiencies/Savings:	**(1,082)**	**($80,929)**
Increase e-File Savings	(85)	(4,607)
Personnel Savings	(997)	(76,322)
Subtotal FY 2021 Changes to Base	**(1,082)**	**$27,000**
FY 2021 Current Services	**25,678**	**$2,562,554**
Total FY 2021 Budget Request	**25,678**	**$2,562,554**

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Object Classification (Schedule O) Obligations

Dollars in thousands

Taxpayer Services Object Classification	FY 2019 Actuals	FY 2020 Enacted	FY 2021 Request
11.1 Full-Time Permanent Positions	1,556,489	1,549,224	1,546,081
11.3 Other than Full-Time Permanent Positions	52,468	52,143	51,901
11.5 Other Personnel Compensation	129,622	55,107	67,766
11.8 Special Personal Services Payments	7		
11.9 Personnel Compensation (Total)	**1,738,586**	**1,656,474**	**1,665,748**
12.1 Personnel Benefits	612,696	642,458	655,652
13.0 Benefits to Former Personnel	28,605	33,725	34,241
Total Personnel and Compensation Benefits	**$2,379,887**	**$2,332,657**	**$2,355,641**
21.0 Travel	11,679	13,832	14,186
22.0 Transportation of Things	672	722	740
23.3 Communications, Utilities, & Misc	1,517	1,350	1,386
24.0 Printing & Reproduction	9,158	9,630	9,865
25.1 Advisory & Assistance Services	34,759	41,196	42,275
25.2 Other Services	12,418	22,563	23,154
25.3 Purchase of Goods & Services from Govt. Accounts	59,000	58,409	59,939
25.7 Operation & Maintenance of Equipment	61	249	256
26.0 Supplies and Materials	3,924	6,227	6,374
31.0 Equipment	230	270	277
41.0 Grants, Subsidies	39,890	48,000	48,000
42.0 Insurance Claims & Indemnities	400	449	461
Total Non-Personnel	**$173,708**	**$202,897**	**$206,913**
New Appropriated Resources	**$2,553,595**	**$2,535,554**	**$2,562,554**
Budget Activities:			
Pre-filing Taxpayer Assistance & Education	614,204	656,829	667,018
Filing & Account Services	1,939,391	1,878,725	1,895,536
New Appropriated Resources	**$2,553,595**	**$2,535,554**	**$2,562,554**
FTE	**28,531**	**26,760**	**25,678**

See footnotes in 1.1 -- Appropriations Detail Table

FY 2019 amounts include obligations of annually appropriated resources, carryover balances, reimbursables, and transfers.

2.3 – Appropriation Detail Table

Dollars in thousands

Taxpayer Services Appropriated Resources	FY 2019 Operating Plan		FY 2020 Enacted		FY 2021 Request		Change FY 2020 to FY 2021 Request		% Change FY 2020 to FY 2021 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Pre-Filing Taxpayer Assistance and Education	4,335	621,907	4,524	656,829	4,341	667,018	(183)	10,189	-4.05%	1.55%
Filing and Account Services	24,196	1,934,647	22,236	1,878,725	21,337	1,895,536	(898)	16,811	-4.04%	0.89%
Subtotal New Appropriated Resources	**28,531**	**$2,556,554**	**26,760**	**$2,535,554**	**25,678**	**$2,562,554**	**(1,081)**	**$27,000**	**-4.04%**	**1.06%**
Other Resources:										
Reimbursables	507	37,964	862	65,650	905	68,932	43	3,282	4.99%	5.0%
Offsetting Collections - Non Reimbursables										
User Fees	96	5,870	60	3,900	1,510	99,900	1,450	96,000	2416.67%	2461.54%
Recovery from Prior Years				47				(47)		-100.0%
Unobligated Balances from Prior Years	234	18,606		1,000				(1,000)		-100.0%
Transfers In/Out Resources from Other Accounts										
Subtotal Other Resources	**837**	**$62,440**	**922**	**$70,597**	**2,415**	**$168,832**	**1,493**	**$98,235**	**161.93%**	**139.15%**
Total Budgetary Resources	**29,368**	**$2,618,994**	**27,682**	**$2,606,151**	**28,093**	**$2,731,386**	**412**	**$125,235**	**1.49%**	**4.81%**

See footnotes in 1.1--Appropriations Detail Table

2A – Pre-Filing Taxpayer Assistance and Education ($667,018,000 in direct appropriations, and an estimated $213,000 from reimbursable programs). This budget activity funds direct labor and some non-labor expenses to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services. The program activities include:

- Pre-Filing Services Management supports headquarters staffing and support for Taxpayer Advocate Service and Customer Assistance Relationship and Education (CARE) program activities. CARE provides pre-filing taxpayer assistance and education.
- Taxpayer Communication and Education researches customer needs; develops and manages educational programs; establishes partnerships with stakeholder groups; and disseminates tax information to taxpayers and the public through a variety of media, including publications and mailings, websites, broadcasting, and advertising.
- Media and Publications develops and produces notices, forms, and publications for printed and electronic tax materials, and provides media production services to taxpayers.
- Taxpayer Advocacy provides advocate services to taxpayers by identifying the underlying causes of taxpayer problems and participating in the development of systematic and/or procedural remedies.

- Account Management and Assistance – Field Assistance provides face-to-face assistance, education, and compliance services to taxpayers. It includes return preparation, answering tax questions, resolving account and notice inquiries, and supplying forms and publications to taxpayers.
- Taxpayer Advocate Case Processing provides advocate services to taxpayers to resolve taxpayer problems through prompt identification, referral, and settlement.
- Wage and Investment (W&I) HQ Management and Administration provides staffing, training, and direct support for W&I management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion, business modernization, and embedded training.
- Taxpayer Services Research provides resources to support taxpayer services by conducting taxpayer behavioral studies, data analysis, and uses advanced analytics to deliver results and conclusions to inform business decisions to improve IRS products and services.
- National Distribution Center processes orders for IRS forms and publications received from individual taxpayers, tax practitioners, and IRS tax return preparation partners.

Description of FY 2019 Performance

In FY 2019, the Timeliness of Critical Individual Filing Season (CIFS) Tax Products to the Public (i.e. tax forms, schedules, instructions, and publications) was 92.6 percent (88 out of 95 products delivered timely), exceeding the FY 2019 target of 85 percent by 8.9 percent. These results were achieved due to preparation for tax reform changes that started in October 2017. Several working groups were established which allowed for the timely identification and approval of changes needed. Prioritization of critical products ensured that key forms, instructions, and publications necessary for the completion of income tax returns were available to the public by the January 28 start of filing season. The IRS expects to achieve a target of 89 percent for both FY 2020 and FY 2021.

In FY 2019, the IRS Timeliness of Critical Tax TE/GE and Business Filing Season Tax products to the Public was 96.1 percent, exceeding the target of 85 percent. The IRS achieved these results through workload planning and prioritization of critical products, which ensured that 73 of the 76 total key forms, instructions, and publications necessary for the completion of income tax returns were available to the public by the January 28 start of filing season. The IRS will continue to collaborate with stakeholders for timely identification of affected tax products, prioritize critical products over eminent products, and create and execute effective workload planning and monitoring, including the judicious use of overtime as needed. The IRS expects to achieve a target of 89 percent for both FY 2020 and FY 2021.

The FY 2019 Enterprise Self-Assistance Participation Rate (ESAPR) was 85.4 percent. This is due, in part, to increases in Get Transcripts Online by 30 percent, "Where's My Refund?" by more than 19 percent, and Transcript Delivery Service by almost 31 percent. Compared to FY 2018, total services increased by 12.4 percent, self-assisted services increased 17.1 percent and assisted services fell 8.5 percent due, in part, to the lapse in appropriations as assistors were not available. As the IRS provides new self-assistance applications to the public, the IRS will add them to the calculation. The IRS continues to improve taxpayer services by developing and improving self-assistance tools and traditional services. In response to taxpayer preferences, the IRS also continued expanding secure digital communication options. The IRS measures progress toward improvement to taxpayer service by its ESAPR metric. The ESAPR FY 2020 and FY 2021 target is set at 82 percent, recognizing the decrease in FY 2019 to assisted services was due to the lapse in appropriations and should not repeat in FY 2020.

FY 2021 Changes by Budget Activity

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FTE	Amount
FY 2020 Enacted (Pre-IAT)	**4,524**	**$656,829**
Planned Interappropriation Transfer		
FY 2020 Enacted	**4,524**	**$656,829**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$27,807**
Pay Annualization (3.1% average pay raise)		4,407
Pay Raise (1.0% average pay raise)		4,298
FERS Contribution Increase		5,982
Non-Pay		1,053
Additional Required Labor Costs		12,067
Efficiencies/Savings	**(183)**	**($17,618)**
Personnel Savings	(183)	(17,618)
Subtotal FY 2021 Changes to Base	**(183)**	**$10,189**
FY 2021 Current Services	**4,341**	**$667,018**
Program Increases:		
Subtotal FY 2021 Program Increases		
Total FY 2021 Request (Before Cap)	**4,341**	**$667,018**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	(183)	$10,189
Percent Change FY 2021 Request over FY 2020 Enacted	-4.05%	1.55%

2.1.1 – Budget and Performance Report and Plan

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$609,196	$609,445	$594,962	$640,379	$621,907	$656,829	$667,018
Reimbursable Resources[2]	51	13	4	260	118	203	213
User Fees[2]	4,141						
Budget Activity Total	**$613,388**	**$609,458**	**$594,966**	**$640,639**	**$622,025**	**$657,032**	**$667,231**

[1]The FY 2015 - FY 2019 appropriated resources represent the approved operating plan including any inter-BAC transfers and interappropriation transfers.

[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	FY 2020 Target	FY 2021 Target
Timeliness of Critical Filing Season Tax Products to the Public (Ot)[1]	89.0%	92.5%	93.1%	59.6%	92.6%	85.0%	89.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (Ot)[1]	92.6%	98.0%	96.7%	100.0%	96.1%	85.0%	89.0%	89.0%
Enterprise Self Assistance Participation Rate (E) (L)[2]	88.7%	89.0%	79.0%	82.0%	85.4%	82.0%	82.0%	82.0%

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Strategic Goal Measure

[1]Modified for FY 2019

[2] Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure (renamed to Enterprise Self Assistance Participation Rate) to include additional self-service channels including Get Transcript and payment applications such as Direct Pay and Online Payment Agreements. As new self-assistance applications are provided to the public, they will be added to the methodology.

2B – Filing and Account Services *($1,895,536,000 in direct appropriations, $68,719,000 from reimbursable programs, and $99,900,000 from user fees)*: This budget activity funds direct labor and non-labor expenses that provide filing and account services to taxpayers, process paper and electronically-submitted tax returns, issue refunds, and maintain taxpayer accounts. The public continues to file more returns electronically (more than 90 percent of individual returns were filed electronically during the 2018 filing season). The program activities include:

- *Filing and Account Services Management* administers filing and account services programs.
- *Submission Processing* processes paper and electronically-submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- *Account Management and Assistance – Electronic/Correspondence Assistance* provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.

- *Electronic Products and Services Support (EPSS)* provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- *Electronic Tax Administration (ETA)* markets and administers electronic tax administration products and services.
- *Health Care Tax Administration* provides funds to administer the health insurance tax credit portion of the Trade Adjustment Assistance Reform Act of 2002.
- *Joint Operations Center (JOC)* provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative (CSR) accuracy; and management of the enterprise telephone database.

Description of FY 2019 Performance

Millions of business taxpayers file their returns electronically. The IRS achieved a 57.8 percent business e-file rate in FY 2019, just missing the target of 58 percent. The IRS processed 29 million business returns electronically, a five-year high and a 5.8 percent increase from FY 2018. Employment tax returns (Form 941, *Employer's Quarterly Federal Tax Return*), continue to increase as a share of business returns filed from 38 percent in FY 2015 to 41 percent in FY 2019. The IRS will continue to promote the benefits of e-filing (i.e. faster refunds, greater accuracy, secure and confidential submission, and quick confirmation). The business e-file target will be increased to 60 percent for FY 2020 and FY 2021.

In FY 2019, Customer Accuracy – Tax Law was 91.6 percent, 0.4 percent below the target of 92 percent. The delay in training before the filing season started affected the accuracy results. The IRS will continue to monitor results through data driven analysis of reports obtained from the Embedded Quality Review

System (EQRS) to ensure achievement of future goals. Ongoing efforts have and will continue to focus on production meetings with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. For FY 2020 and FY 2021, the IRS set a tax law accuracy target of 92 percent.

For Customer Accuracy – Accounts (Phones), the IRS correctly answered 94.3 percent of account questions over the telephone, exceeding the FY 2019 target of 94 percent. The IRS will continue to monitor Account Telephone Customer Accuracy results through data driven analysis of reports obtained from EQRS to achieve future goals. Ongoing efforts have and will continue to focus on production meetings with field sites, promoting coding consistency of product reviews and providing training to managers and employees to ensure quality service to customers. For FY 2020 and FY 2021, the IRS expects to achieve an accounts (phones) accuracy rate of 94 percent.

The CSR level of service (LOS) measures the relative success rate of taxpayers wanting to speak with a CSR. CSR LOS includes telephone lines answered by Accounts Management CSRs only (31 phone lines total). These telephone lines service 78 percent of all telephone traffic. In FY 2019, the CSR LOS exceeded the target of 63 percent, reaching 65.4 percent. For filing season, LOS was 66.9 percent, an increase of 1.9 percentage points over the target of 65 percent. While the target was met, the LOS dropped 10.5 percentage points from FY 2018 due, in part, to the lapse in appropriations. Overall, the number of FY 2019 toll free callers was 15.7 percent lower compared to FY 2018 as more taxpayers use IRS.gov to obtain information. The IRS monitors demand in real time and allocates down to the half hour between telephones and paper processing to achieve the planned goals and avoid downtime. In FY 2019, the ending paper correspondence inventory was 1.1 million. In FY 2020, the IRS will continue to create detailed forecasts of expected telephone and correspondence demand and adjust staffing accordingly. The LOS target is set at 60 percent for FY 2020, which assumes assistors calls answered of a projected 20 million and paper correspondence estimated at 1.1 million. The IRS projects that the filing season LOS will be slightly higher at 65 percent. The FY 2021 LOS target is projected to be 60 percent with a projected 20 million assistor calls answered with a project paper correspondence inventory estimated at 1.1 million.

FY 2021 filing season LOS is projected to be 65 percent. Both targets for FY 2021 assume $96 million in user fees to help offset mandatory labor cost increases.

The Taxpayers Satisfied with the IRS indicator – the All Individual Tax Filers Score, is based on the annual American Customer Satisfaction Index (ACSI) Survey, which is the only uniform, cross-industry/government measure of customer satisfaction with the quality of goods and services available to U.S. residents. The measure is calculated as a weighted combination of the ACSI Individual Electronic Tax Filer and Individual Paper Tax Filer Customer Satisfaction Index scores based on a 100-point scale. After remaining steady for three years, the measure dropped one point in 2019 to 73, due to declines in both electronic and paper filers scores. The government shutdown that ended in early 2019 likely affected these scores by impacting the timeliness of IRS customer service and the ease of getting filing information for certain tax filers.

FY 2021 Changes by Budget Activity

Dollars in thousands

Filing and Account Services	FTE	Amount
FY 2020 Enacted (Pre-IAT)	**21,865**	**$1,854,725**
Planned Interappropriation Transfer	370	$24,000
FY 2020 Enacted	**22,236**	**$1,878,725**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$80,122**
Pay Annualization (3.1% average pay raise)		13,671
Pay Raise (1.0% average pay raise)		13,333
FERS Contribution Increase		20,541
Non-Pay		3,005
Additional Required Labor Costs		29,572
Efficiencies/Savings	**(899)**	**($63,311)**
Increase e-File Savings	(85)	(4,607)
Personnel Savings	(814)	(58,704)
Subtotal FY 2021 Changes to Base	**(899)**	**$16,811**
FY 2021 Current Services	**21,337**	**$1,895,536**
Program Increases:		
Subtotal FY 2021 Program Increases		
Total FY 2021 Request (Before Cap)	**21,337**	**$1,895,536**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	(899)	$16,811
Percent Change FY 2021 Request over FY 2020 Enacted	-4.04%	0.89%

2.1.2 – Budget and Performance Report and Plan

Dollars in thousands

Filing and Account Services Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$1,550,027	$1,564,488	$1,712,511	$1,872,175	$1,934,647	$1,878,725	$1,895,536
Reimbursable Resources[2]	28,555	30,147	34,905	62,794	37,846	65,447	68,719
User Fees[2]	160,342	40,553	69,987	3,900	5,870	3,900	99,900
Budget Activity Total	**$1,738,924**	**$1,635,188**	**$1,817,403**	**$1,938,869**	**$1,978,363**	**$1,948,072**	**$2,064,155**

[1]The FY 2015 - FY 2019 appropriated resources represent the approved operating plan including any inter-BAC transfers and interappropriation transfers.

[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	FY 2020 Target	FY 2021 Target
Percent of Business Returns Processed Electronically (Oe)	47.0%	50.0%	52.9%	55.6%	57.8%	58.0%	60.0%	60.0%
Customer Accuracy - Tax Law (Phones) (Ot)	95.0%	96.4%	96.7%	95.5%	91.6%	92.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones) (Ot)	95.5%	96.1%	96.0%	96.1%	94.3%	94.0%	94.0%	94.0%
Customer Service Representative Level of Service (Oe)[1,2]	38.1%	53.4%	77.1%	75.9%	65.4%	63.0%	60.0%	60.0%
Taxpayers Satisfied with the IRS (based on a 100-point scale)[3,4]	73	74	74	74	73	Indicator	Indicator	Indicator

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Long Term Goal

[1]CSR LOS includes telephone lines answered by Accounts Management Customer Service Representatives only. These telephone phone lines service 78% of all telephone traffic.

[2]The FY 2019 level of service target was calculated at the FY 2019 Enacted level.

[3]New measure added for FY 2019

[4]Based on the American Customer Satisfaction Index (ACSI) survey; the All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer customer satisfaction index scores; available on an annual basis at the end of January and computed on a 100-point scale.

Enforcement

Appropriation Description

The Enforcement appropriation provides funding for the examination of tax returns, both domestic and international; administrative and judicial settlement of taxpayer appeals of examination findings; technical rulings; monitoring of employee pension plans; determination of qualifications of organizations seeking tax-exempt status; examination of tax returns of exempt organizations; enforcement of statutes relating to detection and investigation of criminal violations of the internal revenue laws; identification of underreporting of tax obligations; securing of unfiled tax returns; and collection of unpaid accounts.

The Enforcement budget request for FY 2021 is $5,071,260,000 in direct appropriations and 35,026 FTE, excluding the proposed program integrity cap adjustment. This amount is an increase of $161,760,000, or 3.29 percent, and 362 FTE fewer than the FY 2020 enacted level (after transfer) of $4,909,500,000 and 35,388 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Enforcement Summary of Proposed FY 2021 Request	**FTE**	**Amount**
FY 2020 Enacted (Pre-IAT)	**35,388**	**$5,010,000**
Planned Interappropriation Transfer		(100,500)
FY 2020 Enacted	**35,388**	**$4,909,500**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$207,089**
Pay Annualization (3.1% average pay raise)		35,236
Pay Raise (1% average pay raise)		34,364
FERS Contribution Increase		52,345
Non-Pay		7,258
Additional Required Labor Costs		77,886
Efficiencies/Savings:	(454)	**($56,589)**
Personnel Savings	(454)	(56,589)
Subtotal FY 2021 Changes to Base	**(454)**	**$150,500**
FY 2021 Current Services	**34,934**	**$5,060,000**
Program Changes:		
Program Increases		
Implementing the Taxpayer First Act	92	11,260
Subtotal FY 2021 Program Increases	**92**	**$11,260**
Total FY 2021 Budget Request	**35,026**	**$5,071,260**

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Object Classification (Schedule O) Obligations

Dollars in thousands

Enforcement Object Classification	FY 2019 Actuals	FY 2020 Enacted	FY 2021 Request
11.1 Full-Time Permanent Positions	2,976,718	3,129,874	3,198,737
11.3 Other than Full-Time Permanent Positions	28,520	33,337	33,992
11.5 Other Personnel Compensation	121,867	110,921	135,557
11.8 Special Personal Services Payments	28,969	20,456	20,769
11.9 Personnel Compensation (Total)	**3,156,074**	**3,294,588**	**3,389,055**
12.1 Personnel Benefits	1,136,199	1,251,401	1,309,907
13.0 Benefits to Former Personnel	418	590	600
Total Personnel and Compensation Benefits	**$4,292,691**	**$4,546,579**	**$4,699,562**
21.0 Travel	64,375	92,711	94,702
22.0 Transportation of Things	5,799	8,568	8,740
23.2 Rent Payments to Others	311	311	318
23.3 Communications, Utilities, & Misc	2,063	2,176	2,219
24.0 Printing & Reproduction	2,216	2,625	2,685
25.1 Advisory & Assistance Services	128,541	121,691	125,390
25.2 Other Services	31,815	49,188	50,174
25.3 Purchase of Goods & Services from Govt. Accounts	34,886	35,434	36,222
25.4 Operation & Maintenance of Facilities	1	5	5
25.6 Medical Care	35	8	8
25.7 Operation & Maintenance of Equipment	1,076	1,545	1,576
26.0 Supplies and Materials	17,517	31,867	32,531
31.0 Equipment	8,389	11,283	11,509
32.0 Land and Structures	3	1	1
42.0 Insurance Claims & Indemnities	1,155	1,008	1,028
91.0 Unvouchered	1,986	4,500	4,590
Total Non-Personnel	**$300,168**	**$362,921**	**$371,698**
New Appropriated Resources	**$4,592,859**	**$4,909,500**	**$5,071,260**
Budget Activities:			
Investigations	587,235	654,285	675,533
Exam & Collections	3,841,166	4,091,953	4,225,886
Regulatory	164,458	163,262	169,841
New Appropriated Resources	**$4,592,859**	**$4,909,500**	**$5,071,260**
FTE	**34,478**	**35,388**	**35,026**

See footnotes in 1.1 -- Appropriations Detail Table

Amounts reflect obligations of annually appropriated resources, carryover balances, reimbursables, and transfers.

2.3 – Appropriation Detail Table

Dollars in thousands

Enforcement Appropriated Resources	FY 2019 Operating Plan		FY 2020 Enacted		FY 2021 Request		Change FY 2020 to FY 2021 Request		% Change FY 2020 to FY 2021 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Investigations	2,833	595,686	2,971	654,285	2,933	675,533	(38)	21,248	-1.28%	3.25%
Exam and Collections	29,698	3,907,290	31,467	4,091,953	31,147	4,225,886	(320)	133,933	-1.02%	3.27%
Regulatory	947	174,624	950	163,262	946	169,841	(4)	6,579	-0.42%	4.03%
Subtotal New Appropriated Resources	**33,478**	**$4,677,600**	**35,388**	**$4,909,500**	**35,026**	**$5,071,260**	**(362)**	**$161,760**	**-1.02%**	**3.29%**
Other Resources:										
Reimbursables	45	28,401	62	40,076	65	42,080	3	2,004	4.84%	5.0%
Offsetting Collections - Non Reimbursable		9,749		31,781		33,370		1,589		5.0%
User Fees		42		30		30				
Recovery from Prior Years		3,110		30		30				
Recoveries Paid				3,408		3,408				
Unobligated Balances from Prior Years	6	12,832		69,043		28,400		(40,643)		-58.87%
Transfers In/Out		111								
Resources from Other Accounts										
Subtotal Other Resources	**51**	**$54,245**	**62**	**$144,368**	**65**	**$107,318**	**3**	**($37,050)**	**4.84%**	**-25.66%**
Total Budgetary Resources	**33,529**	**$4,731,845**	**35,450**	**$5,053,868**	**35,091**	**$5,178,578**	**(359)**	**$124,710**	**-1.01%**	**2.47%**

See footnotes in 1.1--Appropriations Detail Table

2C – Investigations ($675,534,000 *in direct appropriations, an estimated $40,734,000 from reimbursable programs, and an estimated $33,370,000 from non-reimbursable programs)*: This budget activity funds the Criminal Investigation (CI) programs that explore potential criminal and civil violations of tax laws; enforce criminal statutes relating to violations of tax laws and other financial crimes; and recommend prosecution as warranted. The program activities include:

- *General Management and Administration* supports the headquarters management activities of strategic planning, communications, finance, and human resources for CI activities.
- *Identity Theft,* through CI's collaboration with internal and external business partners, combats the inherent risks of Stolen Identity Refund Fraud (SIRF) by focusing on significant tax investigations, prosecutions to maximize deterrence, and preventing the IRS from issuing fraudulent refunds.
- CI supports the enforcement of criminal statutes relating to violations of internal revenue laws and other financial crimes. CI investigates cases of suspected intent to defraud involving both legal and illegal sources of income and recommends prosecution as warranted. This includes the investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.

- *Criminal Tax Legal Support* provides legal advice and support from IRS Counsel to CI.
- *International Investigations* supports international investigations involving U.S. citizens residing abroad, non-resident aliens, expatriates (U.S. citizens living abroad who have renounced their citizenship), and investigations involving other international issues, including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- *Cybersecurity* supports CI's cyber-efforts around inherent risks to CI's networks and systems, while focusing enforcement and investigative actions on the criminals that pose those threats. This activity also supports security program management that protects the safeguarding of all data and systems within CI while adhering to all federal regulatory security compliance mandates and local security policies.

Description of FY 2019 Performance

The CI division serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. CI uses the following measures to evaluate its success in achieving its mission.

In FY 2019, CI completed 2,797 criminal investigations, an 8.3 percent decrease compared to FY 2018, falling just short of the year-end target of 2,800. Overall performance in FY 2019 continued to be affected by a steady decrease in the number of special agents and was affected by the mix of cases, where if CI has more traditional tax cases, which tend to have a longer cycle time, the total number of investigations will go down. Cases of a Legal, Illegal and Narcotics nature decreased 1.2 percent, 13.2 percent, and 12.6 percent respectively, compared to FY 2018. Legal source cases include people that earn their income legally, but willfully violate the tax laws (i.e. tax evasion). Illegal cases include income from sources such

as embezzlement, mortgage fraud, telemarketing fraud, money laundering, etc. Narcotics cases are like illegal, these cases are specific to profit, and financial gains of organized drug groups involved in narcotics trafficking and/or narcotics/money laundering. The target is currently projected at 2,700 for FY 2020 and FY 2021. It is based on the number of recent hires, estimated attrition levels, and current performance trends.

The FY 2019 conviction rate of 91.2 percent was slightly below the year-end target of 92 percent. The average number of acquittals and dismissals remained comparable to previous years while the overall number of convictions decreased 7.7 percent from FY 2018, contributing to the slight drop in the conviction rate. Appropriate case selection and effective field performance continue to positively affect the quality of cases. The FY 2020 and FY 2021 targets will remain at 92 percent, based on historical averages while the number of convictions is projected to be 1,600 for both years due to lower than expected inventory levels. In addition, projected decreases in the judicial process (pipeline) inventory will influence the number of convictions in future years. Additional factors such as unforeseen legislative and prosecutorial priorities, as well as resources at the Department of Justice and U.S. Attorney's offices to prosecute CI cases, will also influence future performance.

FY 2021 Changes by Budget Activity

Dollars in thousands

Investigations	FTE	Amount
FY 2020 Enacted (Pre-IAT)	**2,971**	**$688,733**
Planned Interappropriation Transfer		($34,449)
FY 2020 Enacted	**2,971**	**$654,284**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$27,132**
Pay Annualization (3.1% average pay raise)		4,437
Pay Raise (1.0% average pay raise)		4,327
FERS Contribution Increase		7,809
Non-Pay		1,635
Additional Required Labor Costs		8,925
Efficiencies/Savings	**(38)**	**($7,138)**
Personnel Savings	(38)	(7,138)
Subtotal FY 2021 Changes to Base	**(38)**	**$19,995**
FY 2021 Current Services	**2,933**	**$674,279**
Program Increases:		
Implementing the Taxpayer First Act		1,254
Subtotal FY 2021 Program Increases		**$1,254**
Total FY 2021 Request (Before Cap)	**2,933**	**$675,533**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	(38)	$21,249
Percent Change FY 2021 Request over FY 2020 Enacted	-1.28%	3.25%

2.1.3 – Budget and Performance Report and Plan

Dollars in thousands

Investigations Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$601,665	$591,449	$589,295	$581,680	$595,686	$654,285	$675,533
Reimbursable Resources[2]	29,957	29,053	33,618	28,295	27,749	38,794	40,734
User Fees[2]							
Budget Activity Total	**$631,622**	**$620,502**	**$622,913**	**$609,975**	**$623,435**	**$693,079**	**$716,267**

[1]The FY 2015 - FY 2019 appropriated resources represent the approved operating plan including any inter-BAC transfers and interappropriation transfers.

[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursables and user fees.

Investigations Measures	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	FY 2020 Target	FY 2021 Target
Criminal Investigations Completed (Ot)	4,486	3,721	3,089	3,051	2,797	2,800	2,700	2,700
Conviction Rate (Oe)	93.2%	92.1%	91.5%	91.7%	91.2%	92.0%	92.0%	92.0%

Key: Oe - Outcome Measure, Ot - Output/Workload Measure

2D – Exam and Collections *($4,225,886,000 in direct appropriations, an estimated $495,000 from reimbursable programs, and an estimated $30,000 from user fees)*: This budget activity funds programs that enforce the tax laws and increase compliance through examination and collection programs that ensure proper payment and tax reporting. This budget activity also includes campus support of the Questionable Refund program and appeals, and litigation activities associated with exam and collection. The program activities include:

- *Compliance Services Management* supports management associated with exam and compliance program activities.
- *Payment Compliance – Correspondence Collection* supports IRS collection activities by initiating contact and collecting delinquent taxpayer liabilities through written notices and other means.
- *Automated Collections and Support* initiates contact and collects delinquent taxpayer liabilities through the centralized Automated Collection System (ACS).
- *Payment Compliance – Field Collection* conducts field investigations and collection efforts associated with delinquent taxpayer and business entity liabilities, including direct taxpayer contact and outreach programs to protect the interest of the federal government in delinquent tax liability situations.
- *Tax Reporting Compliance – Document Matching* supports the Automated Underreporter (AUR), Combined Annual Wage Reporting (CAWR), Federal Unemployment Tax Act (FUTA), and other document matching programs.

- *Tax Reporting Compliance – Electronic/Correspondence Exam* initiates written correspondence with taxpayers related to tax issues arising from claims on their tax returns.
- *Tax Reporting Compliance – Field Exam* compares taxpayer income levels and corresponding tax liabilities to ensure the accuracy of taxpayer returns.
- *Fraud/Bank Secrecy Act* enforces the anti-money laundering provisions of the *Bank Secrecy Act of 1970* (BSA) and the *USA Patriot Act of 2001*. It examines non-bank financial institutions for compliance with these laws, receives and processes more than 15 million financial reports annually, and manages a centralized database of that information for the Financial Crimes Enforcement Network. The Fraud program follows the money trail to support the criminal investigation of tax evasion operations. Fraud technical advisors and revenue agents supply investigative leads and referrals to federal, state, and local law enforcement agencies.
- *Appeals* supplies an administrative review process that provides a channel for impartial case settlement before a case is docketed in a court of law.
- *Litigation* provides legal support for the IRS in litigation of cases, including interpretation of the tax law.
- *Specialty Programs – Exams* examines federal tax returns of businesses and individuals responsible for the filing and payment of employment, excise, estate, and gift taxes.
- *International Collection* supports international field collection efforts associated with delinquent taxpayer and business entity liabilities from U.S. citizens residing abroad, non-resident aliens, expatriates (U.S. citizens living abroad who have renounced their citizenship), and those involving other international issues (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion).
- *International Exams* supports the international exam program involving U.S. citizens residing abroad, non-resident aliens, expatriates, and other examinations involving other international issues including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- *Enforcement Research* provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful treatments of taxpayer non-compliant behavior.
- *Unit General Management and Administration* provides staffing, training, and direct support for headquarters management activities of strategic planning, communication and liaison, finance, human resources, equity, diversity and inclusion, business system planning, and embedded training.
- *EITC Management and Administration* supports headquarters management associated with EITC.

- *Integrity & Verification Operations* supports civil fraud detection and prevention efforts in a pre-refund environment including monitoring performance and developing policy, procedures, and guidance for processing civil revenue protection programs.
- *ID Theft Victim Assistance* has end-to-end responsibility and accountability for identity theft victim assistance policy and operations, which includes paper inventories from tax-related ID theft, the Identity Theft Protection Specialized Unit, and Return Preparer Misconduct.
- *Whistleblower Office* provides staffing, training, and direct support to process, assess, and analyze tips from individuals who identify tax problems in the course of their daily business, regardless of where encountered (including workplace).
- *Communications and Liaison* coordinates local government and liaison relationships; manages congressional, state, and national stakeholder relationships and issues; coordinates crosscutting issues, including audit management and legislative implementation; manages national media contacts and local media relationships; and ensures compliance with disclosure and privacy laws.
- *Return Integrity, Verification & Program Management* provides policy and program oversight of revenue protection efforts such as detection, prevention, and treatment of improper refunds (identity theft and non-compliance), including managing systemic solutions regarding payment of valid refund claims and the development of innovative technology solutions supporting IRS-wide revenue protection strategies.

Description of FY 2019 Performance - Exam

The Examination program provides taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness.

In FY 2019, *Individual Exam Coverage* was 0.45 percent, below the target of 0.50 percent. This measure tracks the number of individual audits closed in a given fiscal year. While meaningful over time, the measure does not reflect in real time ongoing open audit activities or the effectiveness of exams; exam selection and effectiveness should continue to increase due to data analytics and system improvements. For example, audits of high-income individuals generally take longer and are therefore more likely to remain open for a significant period of time. The IRS has continued to increase audits in the category of total positive income (TPI), or the sum of all positive amounts shown for various sources of income reported on the individual tax return excluding losses, of $10 million and over. At the end of FY 2018, the IRS had 5,220 audits open in this TPI grouping and has increased the number of open audits in this TPI grouping. Many of these exams would not show up in Individual Exam Coverage until closed, which may take several years.

Closures were short of plan because of delays in enforcement hiring due to the lapse in appropriations. Significant staffing losses also adversely affected closures. IRS Operating Divisions will monitor resources, starts, and work-in-process to ensure FY 2020 targets are met. For FY 2020 the target is 0.48 percent and the FY 2021 target is being raised to 0.55 percent. The proposed program integrity cap adjustment would significantly improve performance for this metric in future years.

The *Examination Coverage – Business (Assets > $10 million)* measure is calculated by taking the total number of LB&I returns with assets of more than $10 million, including all partnerships examined and closed by LB&I during the current fiscal year, divided by total filings for the prior calendar year. In FY 2019, Business Examination Coverage was 1.6 percent, below the target of 2.2 percent. Actual attrition has exceeded the attrition rate factored into the closure plan for FY 2019. Closures of corporate returns in the highest asset classes are well below plan in anticipation of the transition from the traditional coordinated industry case program to the new large corporate compliance program. The FY 2020 target is 1.7 percent and the FY 2021 target is 1.1 percent. The decrease in FY 2021 target is a result of reassigning

more than 100 revenue agents from normal casework to serve as on-the-job-instructors for recent hires and limited hiring in FY 2021.

In FY 2019, *Exam Efficiency - Individual* (the number of closures divided by the total Exam FTE) was 109, below the target of 122 and down 16.8 percent from FY 2018. Efficiency is below the 12-month target due to the five-week lapse in appropriations, resumption activities, and unplanned staffing loses to other business units. In addition, the amount of overtime worked, with no additional closures, added to the workplan, and reduced exam efficiency. The FY 2020 Exam Efficiency – Individual is 115 and the FY 2021 target is 120.

The *AUR Coverage* measure is calculated by taking the total number of contact closures divided by total prior calendar year individual filings. In FY 2019, AUR Coverage was 1.3 percent, below the target of 1.6 percent. Manpower was short of plan because of the shutdown and resumption activities, including delays in the enforcement hiring timeline. New hires that were originally scheduled for March were not on board until August. The IRS will monitor resources, work in process, and planned starts to ensure it meets future targets. The target in FY 2020 is 1.7 percent for FY 2019 and 1.8 percent for FY 2021.

The *Time to Start Compliance Resolution* is a new measure currently under development. This measure will be used as an indicator in FY 2020. It is the percentage of all individual income tax enforcement cases started within six months of the return posting date. It will reflect the effect of expedited issue detection and more integrated enforcement approaches. It supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and data and analytics to improve issue identification and treatment choice.

The *Time to Resolve Compliance Issue After Filing* is a new measure currently under development. This measure will be used as an indicator in FY 2020. It measures the average time (in days) it takes to close all individual income tax enforcement cases. This measure reflects the complete life cycle from return filing to resolution. It will reflect the effect of process enhancements, such as new self-correction capabilities, including Online Account. It supports expedited document matching and enhanced anomaly detection, which will lead to faster issue identification.

The *Repeat Non-Compliance Rate* is a new measure under development. The measure will be used as an indicator in FY 2020. It measures the percentage of individual taxpayers with repeat non-compliance two years after the first tax year for filing, payment, or reporting compliance. This measure supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and Enterprise Case Management. It also promotes improved customer service through expanded access to new self-correction capabilities and improved behavioral analytics. It allows the IRS to better understand and change non-compliant taxpayer behavior.

Time to Start, Time to Resolve, and Repeat Non-Compliance are new measures under development.

Description of FY 2019 Performance - Collection

The Collection program collects delinquent taxes, secures delinquent tax returns through the fair and equitable application of tax laws, and provides education to customers to promote future compliance. The performance goals that the IRS uses to gauge collection program performance are discussed below.

The *Collection Coverage* measure is calculated by taking the total volume of collection work disposed (i.e. completed) divided by total collection work available. In FY 2019, Collection Coverage was 41.3 percent, exceeding the target of 40.1 percent. Collection exceeded its overall disposition target by 3.3 percent, while available inventory grew slightly from the FY 2018 level. For FY 2020, Collection coverage is expected to meet the planned target based on the expected case closures calculated on the FY 2020 work and staffing plan. The IRS will set a target of 39.7 percent for FY 2020 and 38.8 percent in FY 2021.

The *Cost to Collect $100 (in cents)* measure is an existing metric that was not been reported in the budget prior to FY 2021 and will be used as an indicator in FY 2020. This measure is computed as total operating costs divided by gross collections multiplied by 100. The official number is usually released in March after the budget release. The FY 2018 Cost to Collect $100 was 34 cents. For FY 2019, IRS total operating costs were approximately $11.8 billion while gross collections were approximately $3.56 trillion. The FY 2019 Cost to Collect $100 was 33 cents. Operational efficiencies and economic activity contributed to the lower cost to collect.

FY 2021 Changes by Budget Activity

Dollars in thousands

Exam and Collections	FTE	Amount
FY 2020 Enacted (Pre-IAT)	**31,467**	**$4,152,837**
Planned Interappropriation Transfer		($60,884)
FY 2020 Enacted	**31,467**	**$4,091,953**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$172,969**
Pay Annualization (3.1% average pay raise)		29,693
Pay Raise (1.0% average pay raise)		28,959
FERS Contribution Increase		43,001
Non-Pay		5,211
Additional Required Labor Costs		66,105
Efficiencies/Savings	**(404)**	**($47,652)**
Personnel Savings	(404)	(47,652)
Subtotal FY 2021 Changes to Base	**(404)**	**$125,316**
FY 2021 Current Services	**31,063**	**$4,217,269**
Program Increases:		
Implementing the Taxpayer First Act	83	8,617
Subtotal FY 2021 Program Increases	**83**	**$8,617**
Total FY 2021 Request (Before Cap)	**31,147**	**$4,225,886**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	(321)	$133,933
Percent Change FY 2021 Request over FY 2020 Enacted	-1.02%	3.27%

2.1.4 – Budget and Performance Report and Plan

Dollars in thousands

Exam and Collections Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$4,018,292	$3,945,578	$3,901,041	$3,875,098	$3,907,290	$4,091,953	$4,225,886
Reimbursable Resources[2]	640	456	450	3,289	240	471	495
User Fees[2]		36			42	30	30
Budget Activity Total	**$4,018,932**	**$3,946,070**	**$3,901,491**	**$3,878,387**	**$3,907,572**	**$4,092,454**	**$4,226,411**

[1]The FY 2015 - FY 2019 appropriated resources represents the approved operating plan including any inter-BAC transfers and interappropriation transfers.
[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursables and user fees.

Exam and Collections Measures	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	FY 2020 Target	FY 2021 Target
Examination Coverage - Individual (Oe)	0.8%	0.7%	0.6%	0.6%	0.45%	0.5%	0.48%	0.55%
Examination Coverage - Business (Assets > $10 million) (Oe)	3.9%	3.0%	2.5%	2.2%	1.6%	2.2%	1.7%	1.1%
Examination Efficiency - Individual (E)	148	143	121	131	109	122	115	120
Automated Underreporter (AUR) Coverage (E)	2.3%	2.3%	2.2%	2.0%	1.3%	1.6%	1.7%	1.8%
Time to Start Compliance Resolution (E, L)[1]					TBD	N/A	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (E)[1]					TBD	N/A	Indicator	Indicator
Repeat Non-Compliance Rate (Ot)[1]					TBD	N/A	Indicator	Indicator
Collection Coverage - Units (Ot)	46.3%	43.4%	42.2%	41.6%	41.3%	40.1%	39.7%	38.8%
Cost to Collect $100 (E)[1]	$0.35	$0.35	$0.34	$0.34	$0.33	Indicator	Indicator	Indicator

Key: Oe - Outcome Measure, E - Efficiency Measure, L - Strategic Plan Goal, Ot - Output/Workload Measure
[1]New measure added for FY 2019

2E – Regulatory (*$169,841,000 in direct appropriations and an estimated $851,000 from reimbursable programs)*: This budget activity funds the development of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The activities include:

- *Tax Law Interpretation and Published Guidance* interprets tax law through published guidance, technical advice, and other technical legal services.
- *General Legal Services* provides advice to the IRS on non-tax legal issues, including procurement, personnel, labor relations, equal employment opportunity, fiscal law, tort claims and damages, ethics, and conflict of interest.

- *Rulings and Agreements* applies the tax law to specific taxpayers in the form of pre-filing agreements, determination letters, advance pricing agreements, and other pre-filing determinations and advice.
- *International Regulatory Legal Support* supports Counsel's work in tax law interpretation and rulings and agreements related to international issues.
- *Return Preparer Strategy* provides staffing, training, and direct support associated with the Return Preparer Strategy.
- *Office of Professional Responsibility* identifies, communicates, and enforces *Treasury Circular 230* standards of competence, integrity, and conduct of those who represent taxpayers before the IRS, including attorneys, Certified Public Accountants (CPAs), enrolled agents, enrolled actuaries and appraisers, and other professionals.

Description of FY 2019 Performance

In FY 2019, IRS published 213 items: 147 Priority Guidance Plan (PGP) projects and 66 ministerial rulings. Ministerial projects are publications that only involve ministerial matters (such as applicable federal interest rates and monthly bond factor amounts). They are usually published on an annual basis. Many items published in FY 2019 involved complex and novel issues. For example, six of the published items pertain to a deduction created by the Tax Cuts and Jobs Act allowing owners of pass-through businesses to deduct up to 20 percent of their qualified business income from their tax returns. Another four items addressed the new Opportunity Zone provisions of the Tax Cuts and Jobs Act, which provide preferential tax treatment to investments made in economically-distressed communities. Two items addressed the new global intangible low-taxed income provisions that reduced the incentive for multinationals to shift profits on intangible assets (patents, copyrights, trademarks, etc.) to low tax jurisdictions. The 2019-2020 PGP, published on October 8, 2019 and covering the period, July 2019 through June 2020, lists 202 projects.

In addition to the significant increase in work due to the Tax Cuts and Jobs Act, the IRS undertook new work on return preparers. It established a team to develop a return preparer strategy. This team evaluated the current activities around return preparer compliance, identified gaps and associated risks with current initiatives, and developed recommendations for a comprehensive and coordinated IRS return preparer strategy. The IRS added new language to letters sent to return preparers who are not in tax compliance to clarify that the IRS had previously provided details to the recipient about alleged tax noncompliance. Also, the IRS worked with Treasury Inspector General for Tax Administration's (TIGTA) Office of Investigations to update the referral criteria for return preparers who misrepresent their professional credentials. The IRS currently prepares a quarterly report to track and analyze progress on Compliance

Initiative projects using the Preparer Risk Identification Scoring Model feature of the Return Preparer Database.

Also in FY 2019, the Office of Professional Responsibility (OPR) obtained a new Case Source, Compliance Data Warehouse (CDW). The CDW allows the OPR to independently identify potential cases of practitioner misconduct that are not being referred to the OPR by other business units. The OPR partnered with Criminal Investigation (CI) and the shared cases that met OPR criteria with CI to determine whether potential criminal conduct exists, and CI initially elected to keep 291 cases for further investigation, leaving the OPR with 900 cases. In May 2019, the OPR began the review process, focusing on the remaining cases. The OPR anticipated the cases to be consistently complex and significant, involve multiple tax years and violations, and will provide staff with more challenging cases with less routine fact patterns. This allows OPR to focus resources on a variety of case types to provide broad deterrent effect. The OPR plans to monitor the intake function to refine the queries or case selection as needed and use their triage function to monitor the selection of these cases to ensure that case selection and investigative results are consistent.

FY 2021 Changes by Budget Activity

Dollars in thousands

Regulatory	FTE	Amount
FY 2020 Enacted (Pre-IAT)	**950**	**$168,430**
Planned Interappropriation Transfer		(5,167)
FY 2020 Enacted	**950**	**$163,262**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$6,988**
Pay Annualization (3.1% average pay raise)		1,106
Pay Raise (1.0% average pay raise)		1,078
FERS Contribution Increase		1,536
Non-Pay		412
Additional Required Labor Costs		2,856
Efficiencies/Savings	**(12)**	**($1,798)**
Personnel Savings	(12)	(1,798)
Subtotal FY 2021 Changes to Base	**(12)**	**$5,189**
FY 2021 Current Services	**938**	**$168,452**
Program Increases:		
Implementing the Taxpayer First Act	8	1,389
Subtotal FY 2021 Program Increases	**8**	**$1,389**
Total FY 2021 Request (Before Cap)	**946**	**$169,841**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	(4)	$6,578
Percent Change FY 2021 Request over FY 2020 Enacted	-0.44%	4.03%

2.1.5 – Budget and Performance Report and Plan

Dollars in thousands

Regulatory Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$147,605	$137,245	$131,662	$170,222	$174,624	$163,262	$169,841
Reimbursable Resources[2]	363	202	160	593	412	811	851
User Fees[2]	18,485	9,233	9,537				
Budget Activity Total	**$166,453**	**$146,680**	**$141,359**	**$170,815**	**$175,036**	**$164,073**	**$170,692**

[1]The FY 2015 - FY 2019 appropriated resources represent the approved operating plan including any inter-BAC transfers and interappropriation transfers.

[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursables and user fees.

Operations Support

Appropriation Description

The Operations Support appropriation provides funding for overall planning, direction, and support for the IRS, including shared service support related to facilities services, rent payments, printing, postage, and security. This appropriation funds headquarters policy and management activities such as corporate support for strategic planning; communications and liaison; finance; human resources; equity, diversity, and inclusion; research and statistics of income; and necessary expenses for information systems and telecommunication support, including development, security, and maintenance of the IRS's information systems.

The Operations Support budget request for FY 2021 is $4,104,689,000 in direct appropriations and 12,140 FTE, excluding the proposed program integrity cap adjustment. This is an increase of $219,689,000, or 5.65 percent, and 170 FTE more than the FY 2020 enacted level of $3,885,000,000 (after transfer) and 11,970 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Operations Support Summary of Proposed FY 2021 Request	**FTE**	**Amount**
FY 2020 Enacted (Pre-IAT)	**11,970**	**$3,808,500**
Planned Interappropriation Transfer		76,500
FY 2020 Enacted (Pre-IAT)	**11,970**	**$3,885,000**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$130,866**
Pay Annualization (3.1% average pay raise)		13,896
Pay Raise (1% average pay raise)		13,552
FERS Contribution Increase		20,143
Non-Pay		41,840
Additional Required Labor Costs		41,435
Efficiencies/Savings:		**($6,277)**
Increase e-File Savings		(77)
Space Optimization		(6,200)
Subtotal FY 2021 Changes to Base		**$124,589**
FY 2021 Current Services	**11,970**	**$4,009,589**
Program Changes:		
Program Increases		
Implementing the Taxpayer First Act	170	95,100
Subtotal FY 2021 Program Increases	**170**	**$95,100**
Total FY 2021 Budget Request	**12,140**	**$4,104,689**

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Object Classification (Schedule O) Obligations

Dollars in thousands

Operations Support	FY 2019	FY 2020	FY 2021
11.1 Full-Time Permanent Positions	1,091,508	1,324,130	1,393,126
11.3 Other than Full-Time Permanent Positions	5,064	5,976	6,212
11.5 Other Personnel Compensation	19,569	19,306	28,906
11.8 Special Personal Services Payments	169	38	38
11.9 Personnel Compensation (Total)	**1,116,310**	**1,349,450**	**1,428,282**
12.1 Personnel Benefits	361,284	443,204	475,856
13.0 Benefits to Former Personnel	217	363	369
Total Personnel and Compensation Benefits	**$1,477,811**	**$1,793,017**	**$1,904,507**
21.0 Travel	15,102	16,230	16,937
22.0 Transportation of Things	13,226	13,914	14,222
23.1 Rental Payments to GSA	581,764	579,517	585,262
23.2 Rent Payments to Others	11,265	11,401	11,629
23.3 Communications, Utilities, & Misc	306,213	324,439	331,559
24.0 Printing & Reproduction	17,477	18,730	19,127
25.1 Advisory & Assistance Services	700,752	485,090	560,937
25.2 Other Services	29,313	29,897	32,409
25.3 Purchase of Goods & Services from Govt. Accounts	72,730	71,349	73,151
25.4 Operation & Maintenance of Facilities	187,914	186,801	190,936
25.6 Medical Care	14,266	14,508	14,857
25.7 Operation & Maintenance of Equipment	55,442	57,941	59,205
26.0 Supplies and Materials	8,501	9,751	10,022
31.0 Equipment	330,424	221,292	227,500
32.0 Land and Structures	39,364	50,850	52,151
42.0 Insurance Claims & Indemnities	315	273	278
Total Non-Personnel	**$2,384,068**	**$2,091,983**	**$2,200,182**
New Appropriated Resources	**$3,861,879**	**$3,885,000**	**$4,104,689**
Budget Activities:			
Infrastructure	891,987	881,654	895,071
Shared Services & Support	892,920	1,012,155	1,063,984
Information Services	2,076,972	1,991,191	2,145,634
New Appropriated Resources	**$3,861,879**	**$3,885,000**	**$4,104,689**
FTE	**10,277**	**11,970**	**12,140**

See footnotes in 1.1 -- Appropriations Detail Table

Amounts reflect obligations of annually appropriated resources, carryover balances, reimbursables, and transfers.

2.3 – Appropriation Detail Table

Dollars in thousands

Operations Support Appropriated Resources	FY 2019 Operating Plan		FY 2020 Enacted		FY 2021 Request		Change FY 2020 to FY 2021 Request		% Change FY 2020 to FY 2021 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Infrastructure		891,140		881,654		895,071		13,417		1.52%
Shared Services and Support	4,181	900,287	4,947	1,012,155	5,023	1,063,984	76	51,829	1.54%	5.12%
Information Services	6,096	2,126,973	7,023	1,991,191	7,117	2,145,634	93	154,443	1.32%	7.76%
Subtotal New Appropriated Resources	**10,277**	**$3,918,400**	**11,970**	**$3,885,000**	**12,140**	**$4,104,689**	**169**	**$219,689**	**1.41%**	**5.65%**
Other Resources:										
Reimbursables	90	58,194	54	65,000	57	68,250	3	3,250	5.56%	5.0%
Offsetting Collections - Non Reimbursables										
User Fees		223,398	15	423,995	10	450,000	(5)	36,098	-33.33%	8.51%
Recovery from Prior Years		3,338		8,732		8,732				
Recoveries Paid				13		13				
Unobligated Balances from Prior Years	472	194,976		70,652		57,500		(13,152)		-18.62%
Transfers In/Out										
Resources from Other Accounts										
Subtotal Other Resources	**562**	**$479,906**	**69**	**$568,392**	**67**	**$584,495**	**(2)**	**$26,196**	**-2.90%**	**4.61%**
Total Budgetary Resources	**10,839**	**$4,398,306**	**12,039**	**$4,453,392**	**12,207**	**$4,689,184**	**167**	**$245,885**	**1.39%**	**5.52%**

See footnotes in 1.1--Appropriations Detail Table

2F – Infrastructure *($895,071,000 in direct appropriations and an estimated $784,000 from reimbursable programs)*: This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment. The program activities include:

- *Building Delegation* oversees and manages the IRS GSA-delegated buildings, including cleaning, maintenance, utilities, protection, administrative, and recurring and one-time repair costs.
- *Rent* provides resources for all IRS rent needs.
- *Space and Housing/Non-IT Equipment* provides management of all IRS building services, maintenance, space alterations, guard services, custodial overtime, utility service needs, and non-IT equipment.
- *Security* covers all physical security costs, including guard services, security equipment and maintenance, countermeasures, Homeland Security Presidential Directive 12 (HSPD-12) and Treasury Enterprise Identity Credential and Access Management (TEICAM).

Description of FY 2019 Performance

The Rentable Square Feet per Person indicator is the amount of rentable square feet the IRS maintains per person requiring space. The IRS continues to reduce its total office space. Through FY 2019, the Rentable Sq. Ft. per Person was 298 compared to 301 in FY 2018. The IRS continued to release excess office space through building closures and consolidations; nearly one million rentable square feet has been released since FY 2017. In FY 2019, the IRS released 449,500 square feet of space, including closing nine buildings, saving $10.6 million. The IRS expanded the number of offices that incorporate hoteling or shared workspace for employees and contractors who do not require full-time space. To achieve more effective space utilization, the IRS incorporated a more detailed account of employees' out-of-office status in its planning to increase workspace sharing and reduce quantity of leased space required. The IRS is also looking to incorporate new hires into existing space, where possible. These and other actions will help limit projected rent cost increases. The IRS plans to use this measure as an indicator for FY 2020.

Security

Security of taxpayer data and providing a secure environment for employees are of utmost importance to the IRS. In FY 2019, the IRS:

- Strengthened internal controls to protect the physical security of IRS facilities against internal and external threats and to safeguard taxpayer information.
- Continued improvements to authentication by deploying phase 2 of the Identity Verify (IDVerify) tool, which assists taxpayers selected by the Taxpayer Protection Program to provide identity and return verification information online rather than by calling a live assistance telephone line or visiting a Taxpayer Assistance Center. As of September 30, 2019, 134,200 eligible taxpayers have logged in and verified their identity since the application launched for the 2019 filing season.
- Continued to make strides in detecting and preventing fraudulent activity in IRS information systems. For example, the IRS adapted its processes to reject fraudulent electronically-filed tax returns and prevent the issuance of millions in fraudulent tax refunds and increased the number of business return identity theft filters. Also, in FY 2019, the IRS detected and mitigated 2,534 phishing and malware sites and identified and responded to 147 cyber incidents, 104 of which involved common threats such as removable media, email, and web-based activity. The IRS also implemented 12,527 content filtering restrictions to mitigate internet content deemed a security risk to IRS information systems.

The IRS worked on several initiatives related to the Security Summit, a collaborative effort between the IRS, state tax administrators, and private-sector tax partners. In FY 2019, the IRS:

- Held its annual Security Summit meeting in December 2018. The Security Summit continues to demonstrate the strength of the public-private partnership to combat identity theft.
- Conducted the fourth National Tax Security Awareness Week, with events across the country to remind taxpayers about the importance of data security and featured a daily series of national news releases and 36 press conferences and partner events.
- Held an annual summer awareness campaign for tax professionals focusing on the "Taxes-Security-Together" Checklist, describing how to protect their tax clients' sensitive tax data. The effort included a six-week series of news releases and continuing education sessions for tax professionals at the five major IRS Nationwide Tax Forums.

FY 2021 Changes by Budget Activity

Dollars in thousands

Infrastructure	FTE	Amount
FY 2020 Enacted (Pre-IAT)		**$881,654**
Planned Interappropriation Transfer		
FY 2020 Enacted		**$881,654**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$17,633**
Pay Annualization (3.1% average pay raise)		
Pay Raise (1.0% average pay raise)		
Non-Pay		17,633
Efficiencies/Savings		**($6,200)**
Space Optimization		(6,200)
Subtotal FY 2021 Changes to Base		**$11,433**
FY 2021 Current Services		**$893,087**
Program Increases:		
Implementing the Taxpayer First Act		1,984
Subtotal FY 2021 Program Increases		**$1,984**
Total FY 2021 Request (Before Cap)		**$895,071**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted		$13,417
Percent Change FY 2021 Request over FY 2020 Enacted		1.52%

2.1.6 – Budget and Performance Report and Plan

Dollars in thousands

Infrastructure Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$833,846	$838,048	$856,655	$870,360	$891,140	$881,654	$895,071
Reimbursable Resources[2]	928	626	634	662	681	746	784
User Fees[2]					999		
Budget Activity Total	**$834,774**	**$838,674**	**$857,289**	**$871,022**	**$892,820**	**$882,400**	**$895,856**

[1]The FY 2015 - FY 2019 appropriated resources represent the approved operating plan including any inter-BAC transfers and interappropriation transfers.

[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursables and user fees.

Infrastructure Measure	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	FY 2020 Target	FY 2021 Target
Rentable Square Feet per Person (Ot, L)			297	301	298	Indicator	Indicator	Indicator

Key: Ot - Output/Workload Measure L - Strategic Plan Goal

2G – Shared Services and Support *($1,063,984,000 in direct appropriations, and an estimated $45,514,000 from reimbursable programs):* This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, security, legal services, and procurement. The program activities include:

- *National Headquarters Management and Administration* directs the management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion programs, business systems planning, embedded training, and the Treasury Franchise Fund. It sets policies and goals, provides leadership and direction for the IRS, and builds partner relationships with key stakeholders (Congress, GAO, and OMB). It provides policy guidance for conducting planning and budgeting strategies, conducting analyses of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.
- *Facilities Management & Security Services* provides facilities and security services to deliver a safe, secure and optimal work environment to IRS employees.
- *Procurement* supports the procurement function of the IRS.
- *Equity, Diversity and Inclusion Field Services* provides staffing, training, and direct support to plan and manage the IRS's Equity, Diversity and Inclusion program.
- *Communications and Liaison* coordinates local government and liaison relationships; handles congressional, state, and national stakeholder relationships and issues; coordinates cross-cutting

issues, including managing audits and legislative implementation; handles national media contacts and local media relationships; and ensures IRS-wide compliance with disclosure and privacy laws.

- *Employee Support Services* plans and manages financial services, including relocation, travel, purchase cards, corporate express, and employee clearances.
- *Treasury Complaint Centers* plan and manage the Treasury Complaint centers.
- *Shared Support not provided by Facilities Management & Security Services* provides resources for shared cross-functional support, such as postage meters, shredders, courier services, and post office boxes.
- *Printing and Postage – Media and Publications* provides operating divisions with printing and postage, including shipping of taxpayer and internal-use materials.
- *Statistics of Income* provides resources for researching annual income, financial, and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- *Research* provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful strategies to address taxpayer noncompliance behavior.
- *Protection of Sensitive Information* manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, and assets, and the protection and proper use of identity information.
- *W&I Business Modernization Support* provides staffing, training, and support for W&I's enterprise-wide business modernization efforts, including re-engineered business processes.

Description of FY 2019 Performance

Through support activities that include management and administration of human resources and research, Operations Support continues to provide shared services to all IRS programs.

Human Capital

The future of the IRS depends on a workplace culture that empowers employees to improve the taxpayer experience and uphold the tax code fairly. In FY 2019, the IRS:

- Helped the IRS business units execute more than 2,400 external hiring actions.
- Implemented the Leadership Engagement Action Plan to enhance workplace morale and retention.
- Fostered a robust IRS knowledge management effort to enhance succession planning and knowledge transfer for employees, which received multiple awards and recognitions.

- Worked to ensure employees were provided training and developmental opportunities to meet their job obligations and career aspirations.
- Implemented a performance management module for executives in the Treasury-wide Integrated Talent Management (ITM) system. The IRS implemented a learning module in early FY 2020 and will implement modules in the future for employee performance management, workforce planning, and succession planning.

Research

The IRS invests in research projects to help its leaders make data and evidence-driven improvements to IRS operations and taxpayer services. In FY 2019, the IRS:

- Updated its *Enterprise Research Plan*, which describes the IRS's most critically important research initiatives.
- Expanded and formalized its data and analytics governance structure overseeing the coordination, decision-making, and alignment of data and analytics initiatives across the IRS.
- Created a Learning Agenda Working Group to implement new requirements from the *Foundations for Evidence-Based Policy Act*. These include determining which policy questions and data are required to build the "evidence" needed for the IRS to make better decisions and policies that meet the changing needs and expectations of taxpayers and members of the tax community who serve taxpayers.
- Developed and deployed a graph analytics database environment supporting nearly 3,300 users across the IRS, including field revenue agents and officers. The IRS is using this graph environment to explore and analyze relationships between taxpayers, businesses, return preparers and personal devices to identify taxpayer noncompliance indicators that support IRS enforcement and identity theft efforts.

FY 2021 Changes by Budget Activity

Dollars in thousands

Shared Services and Support	FTE	Amount
FY 2020 Enacted (Pre-IAT)	**4,947**	**$1,012,154**
Planned Interappropriation Transfer		
FY 2020 Enacted	**4,947**	**$1,012,154**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$40,068**
Pay Annualization (3.1% average pay raise)		5,120
Pay Raise (1.0% average pay raise)		4,993
FERS Contribution Increase		7,553
Non-Pay		7,031
Additional Required Labor Costs		15,371
Subtotal FY 2021 Changes to Base		**$40,068**
FY 2021 Current Services	**4,947**	**$1,052,222**
Program Increases:		
Implementing the Taxpayer First Act	76	11,762
Subtotal FY 2021 Program Increases	**76**	**$11,762**
Total FY 2021 Request (Before Cap)	**5,023**	**$1,063,984**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	76	$51,830
Percent Change FY 2021 Request over FY 2020 Enacted	1.54%	5.16%

2.1.7 – Budget and Performance Report and Plan

Dollars in thousands

Shared Services and Support Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$1,126,230	$1,090,192	$964,702	$920,283	$900,287	$1,012,155	$1,063,984
Reimbursable Resources[2]	17,126	19,443	19,194	27,995	30,360	43,347	45,514
User Fees[2]	1,768	1,000	1,000	1,000			
Budget Activity Total	**$1,145,124**	**$1,110,635**	**$984,896**	**$949,278**	**$930,647**	**$1,055,502**	**$1,109,498**

[1]The FY 2015 - FY 2019 appropriated resources represent the approved operating plan including any inter-BAC transfers and interappropriation transfers.

[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursables and user fees.

2H – Information Services *($2,145,634,000 in direct appropriations, $21,952,000 in reimbursable resources, and $450,000,000 from user fees)*: This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. This includes the design and operation of security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems. The program activities include:

- *Enterprise Program Management Office (EPMO)* provides oversight and project integration into daily IT processes for large-scale development, modernization and enhancement projects. It enables a coordinated, cross-functional project planning, implementation and performance assessment effort aimed at improving IT systems quality, cost and delivery schedule.
- *Security Services* ensures effective security policies and programs to safeguard taxpayer records, IRS employees, facilities, business processes, systems and other resources. The program is responsible for corrective action efforts to establish adequate IRS-wide security, including Security Policy Support and Oversight, Mission Assurance, and Modernization Security.
- *IT Executive Oversight* provides support to the immediate Office of the Chief Information Officer, and the Stakeholder Management (including program oversight). The program provides executive direction for the IT organization, enabling IT to be a customer-focused supplier of IT solutions that is responsive to customer business priorities and meets functional and operational needs effectively.
- *Application Development* performs the analysis, design, development, testing, and implementation of about 85,000 application programs supporting critical tax processing, management information reporting and financial management support systems for the IRS. This program also supports external trading partner data exchanges with federal government agencies, state and local

governments, and other third-party entities. The program controls application source code and deploys applications to the production environment.

- *Enterprise Operations* provides efficient and reliable computing services for all IRS business entities and taxpayers including the deployment and maintenance of infrastructure that supports critical tax processing, management information reporting, and financial management support systems for the IRS. It also includes a comprehensive disaster recovery capability to ensure continued operations in the event of a major interruption of service.

- *Enterprise Network* provides telecommunications service delivery to all customer segments, including management of day-to-day operations of the telecommunications environment. This includes the operation of equipment and services to meet business user needs and the execution of routine changes for scheduled and unscheduled modifications to the telecommunications infrastructure and applications. It addresses all phases of engineering, acquisition, implementation, and operation of telecommunications systems and services, including voice, video, and data communications.

- *Enterprise Services* (ES) plans and manages service and delivery methods used across the IT organization, including defining the current and target technology architecture and developing the transition strategy towards the target environment. ES shares in the responsibility that translates enterprise and project objectives into targeted, actionable investments to provide the framework and direction for cohesive, successful modernization across the IT enterprise. ES also provides systems engineering services that promote standards-based, enterprise technology solutions and serves as the enterprise testing authority partnering with customers to improve the quality of IT systems, products and services. Also, ES provides shared infrastructure that leverages reusable engineering design patterns and best practices for standardized, virtual, and secure environments. These environments allow multiple BSM projects to develop, test, deploy, operate, and monitor in a common approach.

- *End User & Network Services* maintains the IRS automated business processes at headquarters and field sites, effectively allowing the IRS to fulfill its mission. The support includes technical systems and applications software support to end users, maintaining legacy operations, local and corporate systems administration activities, email and domain user account maintenance. This activity monitors IRS network and systems administration by utilizing automated management tools. It performs asset management activities, and maintenance of the voice and data infrastructure at the territory offices.

- *Strategy and Planning* provides the management and oversight of investments in IT, demand analysis, project reporting, portfolio management, strategic planning, financial management, acquisition planning, and other IT operational priorities. It also provides expertise for requirements guidance, processes, procedures, and tools that allows for transformation of the IT enterprise.

- *Information Technology Security Certification and Accreditation* provides design and operations of security controls and the technical mechanisms used by the IRS systems and applications as part of the development of the system security plan, system risk assessment, and IT contingency plan. It also supports security testing and evaluation as part of the certification process, including time preparing system documentation, interviewing contractors, and responding to information requests.
- *Disaster Recovery* supports activities related to Enterprise Disaster Recovery planning, including testing, evaluations, plan development, and technical and business assessments.
- *Infrastructure Currency (IC)* funds the upgrade or replacement of outdated and aged technology solutions related to the IT hardware, software and applications development product portfolio.
- *IT Infrastructure* centralizes the resources achieved through efficiencies in various parts of IT to ensure that replacement of the aging infrastructure is addressed corporately.

Description of FY 2019 Performance

The Percent of Aged Hardware measure shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use. The IRS reduced the percentage of aged hardware within the IT environment from 45.5 percent at the end of FY 2018 to 31 percent at the end of FY 2019. This is a reduction of nearly 36,000 aged assets during the fiscal year through efforts such as refreshing employee workstations, upgrading aged server operating systems and related aged hardware, and phasing out old equipment.

For FY 2020 and FY 2021, the IRS will lower the target to 30 percent, as the IRS continues to dedicate funding to reducing the backlog. The IRS will monitor progress against FY 2020 aged hardware replacement targets. The industry standard for aged hardware is in the range of 20 – 25 percent.

FY 2021 Changes by Budget Activity

Dollars in thousands

Information Services	FTE	Amount
FY 2020 Enacted (Pre-IAT)	**7,023**	**$1,914,691**
Planned Interappropriation Transfer		76,500
FY 2020 Enacted	**7,023**	**$1,991,192**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$73,165**
Pay Annualization (3.1% average pay raise)		8,775
Pay Raise (1.0% average pay raise)		8,558
FERS Contribution Increase		12,590
Non-Pay		17,178
Additional Required Labor Costs		26,064
Efficiencies/Savings		**($77)**
Increase e-File Savings		(77)
Subtotal FY 2021 Changes to Base		**$73,088**
FY 2021 Current Services	**7,023**	**$2,064,280**
Program Increases:		
Implementing the Taxpayer First Act	94	81,354
Subtotal FY 2021 Program Increases	**94**	**$81,354**
Total FY 2021 Request (Before Cap)	**7,117**	**$2,145,634**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	94	$154,442
Percent Change FY 2021 Request over FY 2020 Enacted	1.34%	7.76%

2.1.8 – Budget and Performance Report and Plan

Dollars in thousands

Information Services Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$1,641,360	$1,883,667	$1,950,191	$2,390,357	$2,126,973	$1,991,191	$2,145,634
Reimbursable Resources[2]	24,262	19,660	35,307	40,600	27,153	20,907	21,952
User Fees[2]	373,610	263,250	201,584	204,032	222,399	423,995	450,000
Budget Activity Total	**$2,039,232**	**$2,166,577**	**$2,187,082**	**$2,634,989**	**$2,376,525**	**$2,436,093**	**$2,617,586**

[1]The FY 2015 - FY 2019 appropriated resources represent the approved operating plan including any inter-BAC transfers and interappropriation transfers.

[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursables and user fees.

Information Services Measures	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	FY 2020 Target	FY 2021 Target
Percent of Aged Hardware (Ot, L)	56.5%	52.2%	52.3%	45.5%	31.0%	43.8%	30.0%	30.0%

Key: Ot - Output/Workload Measure L - Strategic Plan Goal

Business Systems Modernization

Appropriation Description

The Business Systems Modernization (BSM) appropriation provides resources for the planning and capital asset acquisition of IT to modernize the IRS business systems.

The BSM budget request for FY 2021 is $300,000,000 in direct appropriations and 517 FTE, excluding the proposed program integrity cap adjustment. This amount is an increase of $120,000,000, or 66.7 percent, and 91 FTE more than the FY 2020 enacted level of $180,000,000 and 426 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Business Systems Modernization Summary of Proposed FY 2021 Request	**FTE**	**Amount**
FY 2020 Enacted (Pre-IAT)	**426**	**$180,000**
Planned Interappropiation Transfer		
FY 2020 Enacted	**426**	**$180,000**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$6,201**
Pay Annualization (3.1% average pay raise)		547
Pay Raise (1% average pay raise)		533
FERS Contribution Increase		989
Non-Pay		2,188
Additional Required Labor Costs		1,944
Subtotal FY 2021 Changes to Base		**$6,201**
FY 2021 Current Services	**426**	**$186,201**
Program Changes:		
Program Increases		
Integrated Modernization Business Plan	91	$113,799
Subtotal FY 2021 Program Increases	**91**	**$113,799**
Total FY 2021 Budget Request	**517**	**$300,000**

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Object Classification (Schedule O) Obligations

Dollars in thousands

Business Systems Modernization Object Classification	FY 2019 Actuals	FY 2020 Enacted	FY 2021 Request
11.1 Full-Time Permanent Positions	57,564	53,831	64,308
11.3 Other than Full-Time Permanent Positions	543	52	53
11.5 Other Personnel Compensation	575	467	1,052
11.9 Personnel Compensation (Total)	**58,682**	**54,350**	**65,413**
12.1 Personnel Benefits	17,878	16,235	20,262
Total Personnel and Compensation Benefits	**$76,560**	**$70,585**	**$85,675**
21.0 Travel	221	453	664
25.1 Advisory & Assistance Services	46,009	92,415	176,916
25.2 Other Services		17	80
25.3 Purchase of Goods & Services from Govt. Accounts		6	9
25.7 Operation & Maintenance of Equipment	11	1,210	2,406
26.0 Supplies and Materials		17	22
31.0 Equipment	1,652	15,297	34,228
Total Non-Personnel	**$47,893**	**$109,415**	**$214,325**
New Appropriated Resources	**$124,453**	**$180,000**	**$300,000**
Budget Activities:			
IT Investments	124,453	180,000	300,000
New Appropriated Resources	**$124,453**	**$180,000**	**$300,000**
FTE	**445**	**426**	**517**

See footnotes in 1.1 -- Appropriations Detail Table

Amounts reflect obligations of annually appropriated resources, carryover balances, reimbursables, and transfers.

2.3 – Appropriation Detail Table

Dollars in thousands

Business Systems Modernization							Change		% Change	
Appropriated Resources	FY 2019 Operating Plan		FY 2020 Enacted		FY 2021 Request		FY 2020 to FY 2021 Request		FY 2020 to FY 2021 Request	
New Appropriated Resources:	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**	**FTE**	**AMOUNT**
Business Systems Modernization	445	150,000	426	180,000	517	300,000	91	120,000	21.36%	66.67%
Subtotal New Appropriated Resources	**445**	**$150,000**	**426**	**$180,000**	**517**	**$300,000**	**91**	**$120,000**	**21.36%**	**66.67%**
Other Resources:										
User Fees		89,713		102,305				(102,305)		-100.0%
Recovery from Prior Years		1,067		2,577		2,577				
Recoveries Paid				260		260				
Unobligated Balances from Prior Years	15	129,643	15	28,048	15	30,242		2,194		7.82%
Subtotal Other Resources	**15**	**$220,423**	**15**	**$133,190**	**15**	**$33,079**		**($100,111)**		**-75.16%**
Total Budgetary Resources	**460**	**$370,423**	**441**	**$313,190**	**532**	**$333,079**	**91**	**$19,889**	**20.63%**	**6.35%**

See footnotes in 1.1--Appropriations Detail Table

2I – Business Systems Modernization (*$300,000,000 in direct appropriations)*: This budget activity funds the planning and capital asset acquisition of information technology to modernize IRS business systems and processes, including labor and related contractual costs, in support of the IRS mission.

The IRS is implementing its multiyear modernization plan to address the long-term sustainability and affordability of its technological environment, eliminating organizational silos and driving efficiencies and cost savings throughout the enterprise. The plan defines the scope of capabilities, sets timelines and targets, describes milestones, and includes outcome measures for each investment.

Funding for the third year (FY 2021) of the plan is reflected in four pillars (Taxpayer Experience; Core Taxpayer Services and Enforcement; Modernized IRS Operations, and Cybersecurity and Data Protection), and two supporting projects (Architecture Integration and Management and Core Infrastructure).

Taxpayer Experience: $50 million / 124 FTE

Web Applications (WebApps) ($25 million / 88 FTE) – WebApps delivers a secure, unified online experience, accessible through a single online account. It provides taxpayers and business users with accurate account information, transparent explanations, and next steps to resolve tax-related issues, along with full-service payment options. This allows taxpayers to resolve more issues online with fewer direct interactions with the IRS over the telephone and in person. In FY 2021, WebApps will continue to develop the capability for taxpayers to create and submit online installment agreements and make payments directly from their online account. In addition, in FY 2021, Web Apps will develop new Tax Pro capabilities for Power of Attorney and Disclosure Authorization. Tax Pro capabilities will provide taxpayers and tax professionals a digital service channel to establish and manage taxpayer/tax professional authority relationships.

Expected Benefits:

- Enable taxpayers to view payment plan status and determine eligibility for payment plans within online account, which is the first step towards allowing taxpayers to create a payment plan for taxes owed;
- Enable taxpayers to view details for all electronic payments that are pending and scheduled for future dates in their online account;
- Establish, in near real-time, a taxpayer/ tax pro authorization record without the need for manual review; and,
- Enable multi-faceted views to both parties of the taxpayer/tax pro authorized relationship coupled with the ability to revoke/withdraw from the relationship, to allow the parties to proactively manage data access and representational rights as well as potentially mitigate exposure to fraud.

Taxpayer Digital Communications Outbound Notification ($10 million / 18 FTE) – Taxpayer Digital Communications Outbound Notification (TDC-ON) will improve the taxpayer experience with easier, more efficient interactions with the IRS through the development of reliable, user-friendly, secure online services. Funding will be used to develop digital notices and make them available through the online account for taxpayers who prefer that channel over mailed correspondence.

Expected Benefits:

- Increase taxpayer response rate to notices;
- Lower the burden on taxpayers and the IRS for tax compliance and enforcement; and,
- Provide easier, more efficient interactions with the IRS.

Live Assistance ($15 million / 18 FTE) – Live Assistance will improve the taxpayer experience in the IRS contact center environment by providing enhanced capabilities and adding new channels to interact with the IRS. The Live Assistance program will expand Customer Callback capability allowing taxpayers to keep their place in queue without remaining on the phone. The Live Chat capability will allow taxpayers to interact with assistors in a web-based chat session. Other capabilities may include: machine learning and natural language understanding to provide a capability to quickly answer common taxpayer inquiries and improve call routing and agent assist to ensure all IRS assistors are able to deliver enhanced expert service to customers, empowered with improved relevant information for skilled, real-time responses. Funding in FY 2021 will build an enterprise callback solution to support Live Assistance capabilities and expand callback capacity to support the new channels in support of toll-free taxpayer demand.

Expected Benefits:

- Reduce taxpayer burden by providing a call back option for services instead of waiting on the phone for an assistor to become available;
- Modernize the IRS contact center infrastructure and expanded Live Assistance capabilities like call back, live chat, natural language processing and automated chat, machine learning and natural language processing; and
- Enhancing the speed and accuracy of customer experience and allowing faster resolution to taxpayer inquiries.

Core Taxpayer Services and Enforcement: $164 million / 303 FTE

Customer Account Data Engine 2 (CADE2) ($100 million) / 203 FTE) – Since the Individual Master File (IMF) was built almost 60 years ago, the IRS has made additions to legacy base code to reflect annual tax law changes. As a result, the base code of IMF includes embedded business logic written in outdated programming languages that only an extremely small number of IRS personnel understand. Funding will be used to re-engineer the IMF core components of posting, settlement and analysis functions for individual taxpayer accounts by applying modern programming languages to the most complex areas of the Individual Master File.

Expected Benefits:

- Simplify the modernized logic by eliminating obsolete functionality;
- Reduce the burden of ongoing maintenance and routine updates due to tax law changes through a common data model;
- Enable enhanced data accessibility both within the IRS and for taxpayers, while implementing state of the art financial requirements and security controls;

- Support business units to deploy advanced analytical capabilities addressing key issues of compliance, fraud, and identity theft; and
- Complete foundational modernization necessary to enable future technology enhancements to improve the taxpayer experience by enabling real-time processing and digital services updates such as immediate update to balances after payment is made.

Enterprise Case Management ($64 million / 99 FTE) – Enterprise Case Management (ECM) will modernize, upgrade, and consolidate existing case management capabilities. The IRS has more than 60 legacy case management systems built on aging platforms. These legacy systems have limited connectedness to enable the transfer and sharing of case information, resulting in taxpayer and IRS employee frustration as they must often work with multiple offices/systems to work and resolve cases. The ECM platform will have a common cloud infrastructure, automated business functions and services that will allow for transfer of cases across business units. In FYs 2020-2021, ECM expects to deliver its first release, centering on delivering the ECM technical foundation and initial case management capabilities to support modernized business processes. ECM anticipates moving Tax Exempt & Government Entities (TE/GE) as its first business unit.

Expected Benefits:

- Provide taxpayers with better service as ECM will empower employees to resolve cases more rapidly in a simplified technical environment designed to drive efficiency and collaboration.
- Reduce process redundancies to improve transparency and timeliness, and to reduce the risk of systems failure impeding revenue collection.
- Increase process and case management efficiencies by creating one solution for all case types, treatment streams, and operating divisions.
- Increase integration among existing case management programs, migrate legacy system users to a standardized enterprise-wide solution for case management, and reduce fragmentation of both business and IT processes across legacy applications.
- Standardize system design for increased taxpayer information security and shortened development milestones.
- Modernize data collection and retrieval capabilities and processes for faster authorized access to case information.
- Enable retirement of components of legacy case management systems.

Modernized IRS Operations: $30 million / 29 FTE

Robotic Process Automation ($5 million / 6 FTE) – Robotic Process Automation (RPA) is the implementation of smart software designed to perform high-volume, repeatable tasks that are normally labor intensive. The software would be capable of navigating across different IT systems, mimicking the way staff perform certain work functions. These new tools will record the actions an employee takes to complete a computer-based task and then rapidly replicate those actions as many times as necessary, with increased accuracy. This will allow IRS staff to focus on other work.

Expected Benefits:

- Achieve a 10 percent efficiency gain on work processes where robotic process automation is applied;
- Make labor resources available for more complex, value-add activities;
- Increase self-service options for employees;
- Enhance business processes to ensure better accuracy; and
- Enhance speed and accuracy of business process execution results leading to improved taxpayer service.

Application Program Interface (API) ($5 million / 6 FTE) – APIs are a set of protocols, routines, functions and/or commands that programmers use to develop software or facilitate interaction between distinct systems. In response to growing demands to integrate systems internally and externally, the IRS plans to expand the use of APIs. Using modern approaches for exchanging data, the IRS will provide expanded integration and data access to taxpayers and third parties, such as business and government entities using APIs. API is standard reusable services where interfaces built once can be reused for other future development efforts. API will allow the IRS to reduce the complexity within the infrastructure environment, improve management and monitoring, improve security of systems to systems interfaces, versus the current model of creating, managing, and sending stored data extracts.

Expected Benefits:

- Improve data exchange capabilities with growing external demand for IRS data;
- Enable increased innovation;
- Enhance security posture for internal and external data sharing; and
- Reduce complexity.

Cloud Execution ($5 million / 3 FTE) – Enterprise Cloud Program (EnCP) refers to the implementation of the IRS cloud strategy, leveraging a defined roadmap and process to ensure an effective and accelerated transition to the cloud.

Expected Benefits:

- Improve time-to-market;
- Increase operational efficiency and resilience;
- Enable increased innovation; and
- Enhance or maintain appropriate security posture.

NextGen Infrastructure (NGI) ($15 million / 14 FTE) – NGI addresses the infrastructure base (i.e. hardware, software, network resources and services) at the foundation of IRS critical systems. NGI is focused on the identification, evaluation, and selection of new and emerging technologies and services to support a resilient, scalable, and secure infrastructure. Infrastructure improvements are necessary to effectively operate a large-scale hybrid on-premise/cloud environment, support agile software development and delivery practices, and support comprehensive and robust security practices.

Expected Benefits:

- Reduce the infrastructure footprint;
- Increase the speed of provisioning of infrastructure and software;
- Increase system availability and reliability; and
- Improve time-to-delivery of business capabilities.

Cybersecurity and Data Protection: $46 million / 30 FTE

The IRS defends against more than one million cyberattacks daily and has operated strong network perimeter defenses to mitigate threats, detect vulnerabilities, and monitor network security. This investment will fund:

Vulnerability and Threat Management ($20 million / 10 FTE) – The effectiveness of vulnerability and threat management depends on the organization's ability to keep up with current security threats and trends. Investment in this area allows for expanded capabilities and improved execution for the identification and mitigation of vulnerabilities across the disparate, geographically dispersed, IRS technology infrastructure.

Expected Benefits:

- Implement processes to improve the integration of security into the system development lifecycle and automate security testing;
- Proactively identify emerging insider threats using real-time intelligence information;
- Apply use cases to enhance security audit analytics and compliance;
- Enhance data protection through the implementation of encryption for data collection, cleansing, and events management; and
- Reduce risk of data leaks.

Identity & Access Management ($12 million / 11 FTE) – The risk of unauthorized access to tax accounts continues to grow as the IRS focuses its efforts on delivering online tools to taxpayers. The IRS must control information about users on computers, including information that authenticates the identity of a user and information that describes information and actions they are authorized to access and/or perform.

In addition, the IRS must ensure appropriate access to resources. This covers issues such as how users gain an identity, the protection of that identity, and the technologies supporting that protection (e.g., network protocols, digital certificates, passwords, etc.).

Expected Benefits:

- Provide user identity control, privileged access protection, and critical data security;
- Provide security compliance for building access;
- Develop new Digital Identity Risk Assessment components for transactions that will accept Federated Identities; and
- Ensure identification of authorized hardware and software assets to continuously ensure they are properly configured with vulnerabilities mitigated.

Security Operations and Management ($14 million / 9 FTE) – The IRS engages in a collection of associated security activities that maintain the ongoing security posture. It consists of the monitoring, maintenance and management of the security aspects of the IT environment, its people, and its processes.

Expected Benefits:

- Deliver a Next Generation Secure Operations Center (SOC) to increase synergies and enhance rapid response activities;

- Improve incident analysis and forensic investigation through increased capabilities for capturing network activity;
- Restrict network access to only approved users and devices; and
- Protect High Value Assets (HVA) by blocking network access for unauthorized users.

Supporting Projects: $10 million / 31 FTE

Architecture Integration and Management (AIM) ($6 million / 19 FTE) – AIM provides engineering management capabilities essential to delivering a program of BSM's magnitude and complexity. It also delivers IRS systems strategy, architecture, and engineering capabilities for the major modernization projects across all technology platforms; IT infrastructure, business applications, data management, and IT security. The AIM program translates enterprise and project objectives into targeted, actionable investments to provide the framework and direction for cohesive, successful modernization.

Core Infrastructure (CORE) ($4 million / 12 FTE) – Core Infrastructure provides mission-critical services for designing, engineering, testing, and deploying standardized, consolidated, virtual, and secure modernized development and production environments for use by projects in the BSM portfolio.

Note: Effective FY 2021, enterprise-wide costs for Architecture, Integration, and Management and Core Infrastructure will be paid from the Operations Support appropriation. BSM-specific projects receiving services from Core and AIM will continue to be funded from the BSM appropriation.

Description of FY 2019 Performance

The IRS's modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity. In FY 2019, IRS delivered 19 modernization portfolio milestones at approximately $291 million. IRS also made incremental progress on 27 additional milestones, which will continue to be worked and delivered into FY 2020 and beyond. Achievements for FY 2019 include:

- Completing three scenario-based deliveries for the CADE2 program, which validates the agency's overall approach to modernizing this critical functionality;
- Reduced caller wait times as 77 percent of customers chose the callback option on the IRS Balance Due application;
- Provided quick service as tax chat assistors handled 100k text chats;
- Adopted first steps of using standard technology stacks;

- Implementing the strategy for Next Generation Enterprise Security Audit Trails;
- Delivered a strategy to convert legacy code targeting a scope of 10 million source lines of code;
- Strengthened the agency's fraud detection capabilities through the Return Review Program by protecting $2.08B of revenue from attempted fraud between January and September 2019; and
- Deployed the Procurement Vendor Compliance Bot lead to aggregate time savings of up to 17,625 hours per year.

In FY 2019, the IRS's key accomplishments included three completed Taxpayer Experience milestones:

- WebApps - ID Verify Tool: This tool provides an online option for taxpayers whose return has been selected as a potential identity theft return by the IRS's Taxpayer Protection Program. With the ID Verify Tool, taxpayers can provide additional identity verification information online rather than on the phone or in person. From February 1 through August 29, 2019, over 131,000 taxpayers successfully logged in and more than 111,000 (85 percent) of unique users were able to resolve their account issue online.
- Live Assistance – Callback - External Application - Balance Due: This feature gives taxpayers on the IRS Toll-Free Balance Due line a callback option when calling to discuss or pay a balance due rather than having to wait on the phone for an IRS CSR. When offered, approximately 77 percent of taxpayers chose to receive a call back and over 90 percent of callbacks successfully reconnected the taxpayer with an IRS CSR.
- Live Assistance - Callback - Internal Application - IRS IT Help Desk: This new feature saves staff time by providing a callback option for IRS employees calling the internal help desk for IT assistance with their workplace technology.

The 2020 and 2021 targets, which are 90 percent of major IT investments for both BSM and non-BSM projects, will be within 10 percent of the cost variance and the schedule variance.

Major IT (BSM and Non BSM) Investments		
Fiscal Year	Percent within +/- 10% Cost Variance	Percent within +/- 10% Schedule Variance
2019	**88.9%**	**88.9%**

Percent of Major IT Investments within +/- 10 percent Cost Variance at the Investment Level: 16 of 18 major investments (88.89 percent) were within the cost variance threshold at the close of the fourth quarter. Shown below are the investments falling short of the cost variance target.

- **Account Management Services (AMS):** The cost underrun was caused by the Account Management Services project redirecting funds from October 2018 to January 2019 to support tax reform and subsequently, required less labor than what was allocated for the July mid-year Release project.
- **Foreign Account Tax Compliance Act (FATCA):** The cost underrun was because the project was ahead of schedule as contractors faced fewer problems than expected.

Percent of Major IT Investments within +/- 10 percent Schedule Variance at the Investment Level: 16 of 18 major investments (88.89 percent) were within the schedule variance threshold at the close of the fourth quarter. Shown below are the investments falling short of the 90 percent schedule variance target.

- **FATCA:** The schedule variance is showing ahead of schedule due to no priority defects which would have required additional time and resources to resolve. Improvements in the quality of Enterprise Life Cycle documentation pre-work activities, and the improved MS4b process to finalize the Cybersecurity Concurrence Memo also aided in the early completion.
- **IRS End User Systems and Services:** The ahead of schedule variance is due to the scanners and workstations refresh projects combining resources from multiple organizations to achieve a faster than projected deployment.

The IRS will continue to closely monitor cost and schedule reporting for investments in FY 2020 and FY 2021 to improve current performance levels for this measure.

FY 2019 - FY 2021 IRS Integrated Modernization Business Plan

Pillar	Business Systems Modernization *Dollars in thousands*	Funding Category[1]	FY 2019 Actual Spend	FY 2020 Funding and Projected Spend	FY 2021 President's Budget Request
	FY 2019 Appropriation / FY 2020 Appropriation / FY 2021 President's Budget		150,000	180,000	300,000
	Carryover balances		133,530	30,000	0
	User Fees		99,000	102,300	0
	Total Funding		**$382,530**	**$312,300**	**$300,000**
		Capital	264,584	222,950	213,201
		Support	544	742	1,123
		Labor	79,745	76,608	85,676
	Subtotal Spend		***344,873***	***300,300***	***300,000***
	Management Reserve		0	12,000	0
	FTE		*459*	*461*	*517*
	Total Spend		**$344,873**	**$312,300**	**$300,000**
Taxpayer Experience	**Web Applications**		**$24,081**	**$25,000**	**$25,000**
	Providing easy access to taxpayer information via digital channels. Funding will drive the IRS transition to digital government and support the long-term vision of migrating services from expensive traditional channels to the internet. To keep pace with the ever changing state of web technology and increasing taxpayer demand for IRS service, the IRS must create and enhance online self-service capabilities for taxpayers, tax practitioners, and internal IRS stakeholders.	Capital	9,210	9,777	9,732
		Support	269	350	395
		Labor	14,602	14,873	14,873
		FTE	*88*	*88*	*88*
	Taxpayer Digital Communications Outbound Notification (TDC-ON)		**$5,360**	**$3,000**	**$10,000**
	Providing digital notices through the secure messaging platform to taxpayers who prefer that channel over mailed correspondence.	Capital	5,269	2,500	6,617
		Support	0	0	150
		Labor	91	500	3,233
		FTE	*1*	*3*	*18*
	Live Assistance		**$5,000**	**$200**	**$15,000**
	Implementation of Call Center technologies to improve the taxpayer experience. This includes both taxpayer-facing capabilities and infrastructure improvement to support the capabilities. Live Assistance capabilities may include callback, live chat, automated chat, natural language processing, etc.	Capital	4,889	0	12,431
		Support	0	0	26
		Labor	111	200	2,543
		FTE	*1*	*1*	*18*
	Taxpayer Experience - Subtotal		**$34,441**	**$28,200**	**$50,000**
	FTE		***90***	***92***	***124***
Core Taxpayer Services and Enforcement	**Customer Account Data Engine (CADE 2)**		**$80,878**	**$100,000**	**$100,000**
	Providing modernized individual tax processing. CADE 2 will continue work on completion of Java code conversion to modernize Individual Master File core components. The modernization: enables enhanced data accessibility across the organization and for online taxpayer services; implements the latest financial requirements and security controls; and, supports business units to deploy advanced analytical capabilities addressing key issues of compliance, fraud, and identity theft.	Capital	57,640	66,188	66,188
		Support	45	72	72
		Labor	23,193	33,740	33,740
		FTE	*133*	*203*	*203*
	Enterprise Case Management		**$59,531**	**$66,200**	**$64,000**
	Providing a modernized case management platform. Working cases more efficiently so taxpayer burden is lessened and employee productivity is increased. ECM is a business-driven transformation program that addresses the need to modernize, upgrade, and consolidate case management systems with similar functionality in the IRS environment. Continuously deliver incremental capabilities and features that allow Business Operating Divisions (BODs) to drive migration of users to the new ECM platform in order to improve taxpayer service. In FY 20/21, ECM expects to deliver its first release, centering on delivering the ECM technical foundation and initial case management capabilities to support modernized business processes. Subsequent releases in FY 2021 and beyond will deliver integration with data sources critical to case management and delivery of additional case management capabilities to users in all Business Operating Divisions.	Capital	46,081	50,000	47,160
		Support	204	200	300
		Labor	13,246	16,000	16,540
		FTE	*76*	*96*	*99*
	Return Review Program		**$34,682**	**$0**	**$0**
	Providing leading-edge technologies to advance the IRS effectiveness in detecting, addressing, and preventing tax refund fraud in protecting U.S. Treasury revenue.	Capital	27,353	0	0
		Support	5	0	0
		Labor	7,324	0	0
		FTE	*41*	*0*	*0*
	Core Taxpayer Services and Enforcement - Subtotal		**$175,091**	**$166,200**	**$164,000**
	FTE		***250***	***300***	***303***

FY 2019 - FY 2021 IRS Integrated Modernization Business Plan (Continued)

Pillar	Business Systems Modernization *Dollars in thousands*	Funding Category[1]	FY 2019 Actual Spend	FY 2020 Funding and Projected Spend	FY 2021 President's Budget Request
Modernized IRS Operations	**Robotics Process Automation**		**$5,121**	**$1,000**	**$5,000**
	Robotic Process Automation (RPA) has emerged as an effective enabling technology to gain efficiencies by automating repetitive, rule-based, manual tasks and mitigating human error risks. Combining RPA with Artificial Intelligence (AI) has further enhanced opportunities to empower organizations to take on more complex processes and gain value through cognitive automation. The goal of the RPA program is to build the capability (i.e.; technology, people, and processes) for IRS to take advantage of these emerging technologies. Toward this goal, IRS is pursuing a multiyear investment plan that would prove the value through execution of strategically selected pilot projects, establish an initial operating capability through FY 2021 and, scale services to provide full enterprise-wide operational capability in FY 2022.	Capital	4,792	500	3,931
		Support	5	0	25
		Labor	324	500	1,044
		FTE	*2*	*3*	*6*
	Application Program Interface (API)		**$0**	**$0**	**$5,000**
	APIs are a set of protocols, routines, functions and/or commands that programmers use to develop software or facilitate interaction between distinct systems. In response to growing demands to integrate systems internally and externally, the IRS plans to expand the use of APIs across its ecosystem.	Capital	0	0	3,904
		Support	0	0	9
		Labor	0	0	1,087
		FTE	*0*	*0*	*6*
	Cloud Execution		**$5,394**	**$2,500**	**$5,000**
	Cloud Execution will result in improved "time to market" agility, increased operational efficiency and resilience, increased innovation, and enhanced or maintained security posture by migrating workload to cloud platforms and services.	Capital	4,998	2,000	4,451
		Support	3	0	5
		Labor	393	500	544
		FTE	*2*	*3*	*3*
	Next Generation Infrastructure		**$9,821**	**$300**	**$15,000**
	A series of packaged initiatives to support a more efficient, scalable, and flexible architecture implemented through advanced IT infrastructure tools and technologies (e.g., Standard Stacks, Enterprise Storage Solution). Implementing the Next Generation Infrastructure initiative encompasses transformation of compute, network, and storage activities—along with DevOps—to automate software delivery and infrastructure changes. IRS will also continue to convert legacy code to modern languages.	Capital	9,315	0	12,442
		Support	3	0	21
		Labor	503	300	2,537
		FTE	*3*	*2*	*14*
	Modernized IRS Operations - Subtotal		**$20,336**	**$3,800**	**$30,000**
	FTE		***6***	***8***	***29***
Cybersecurity and Data Protection	**Vulnerability and Threat Management**		**$21,389**	**$34,400**	**$20,000**
	Enable proactive threat and vulnerability identification using real-time intelligence information and analytics, enhance security testing and process automation, protect sensitive data at rest through encryption, and enhance both application and infrastructure audit capabilities to detect breaches and mitigate internal and external threats effectively.	Capital	21,389	32,765	18,365
		Support	0	50	50
		Labor	0	1,585	1,585
		FTE	*0*	*10*	*10*
	Identity and Access Management		**$18,994**	**$16,000**	**$12,000**
	Prevent compromises to taxpayer and other sensitive data by establishing trusted and streamlined access to information through implementing Identity Access Management, Infrastructure Integrity, and Privilege Management capabilities. Conduct Digital Identity Risk Assessments and provide identity proofing and authentication in compliance with NIST 800-63-3.	Capital	18,994	14,080	10,080
		Support	0	20	20
		Labor	0	1,900	1,900
		FTE	*0*	*11*	*11*
	Security Operations and Management		**$20,970**	**$14,600**	**$14,000**
	Enhance ability to secure taxpayer data and systems through investing in data collection, management, and analysis capabilities to achieve a level of situational awareness that enables us to understand both our current environment and known threats, while accurately predicting and responding to future threats. Block network access for unauthorized users and devices.	Capital	20,970	13,040	12,900
		Support	0	50	50
		Labor	0	1,510	1,050
		FTE	*0*	*9*	*9*
	Cybersecurity and Data Protection - Subtotal		**61,353**	**65,000**	**46,000**
	FTE		***0***	***30***	***30***
Supporting Projects	**Architecture, Integration, and Management [2]**		**$35,639**	**$26,500**	**$6,000**
	Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.	Capital	27,020	23,500	3,000
		Support	10	0	0
		Labor	8,609	3,000	3,000
		FTE	*48*	*19*	*19*
	Core Infrastructure [2]		**$18,013**	**$10,600**	**$4,000**
	Provide shared infrastructure that leverages reusable engineering design patterns and best practices for standardized, virtual, and secure environments. These environments allow multiple BSM projects to develop, test, deploy, operate, and monitor in a common approach.	Capital	6,664	8,600	2,000
		Support	0	0	0
		Labor	11,349	2,000	2,000
		FTE	*65*	*12*	*12*
	Subtotal Supporting Projects		**$53,652**	**$37,100**	**$10,000**
	FTE		**113**	**31**	**31**

[1] Capital Investment funding: capital and contractor labor costs. Support funding: training, travel, supplies costs. Labor funding: IRS employee pay and benefits costs. FTE: FY 2021 Initiative FTEs are costed at 1/2 year hiring, which equates to 0.5 FTEs per position.

[2] Note: Effective FY 2021, enterprise-wide costs for Architecture, Integration, and Management and Core Infrastructure will be paid from the Operations Support appropriation. BSM-specific projects receiving services from Core and AIM will continue to be funded from the BSM appropriation.

FY 2021 Changes by Budget Activity

Dollars in thousands

Business Systems Modernization	FTE	Amount
FY 2020 Enacted (Pre-IAT)	**426**	**$180,000**
Planned Interappropriation Transfer		
FY 2020 Enacted	**426**	**$180,000**
Changes to Base:		
Maintaining Current Levels (MCLs)		**$6,201**
Pay Annualization (3.1% average pay raise)		547
Pay Raise (1.0% average pay raise)		533
FERS Contribution Increase		989
Non-Pay		2,188
Additional Required Labor Costs		1,944
Subtotal FY 2021 Changes to Base		**$6,201**
FY 2021 Current Services	**426**	**$186,201**
Program Increases:		
Integrated Modernization Business Plan	91	113,799
Subtotal FY 2021 Program Increases	**91**	**$113,799**
Total FY 2021 Request (Before Cap)	**517**	**$300,000**
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	91	$120,000
Percent Change FY 2021 Request over FY 2020 Enacted	21.36%	66.67%

2.1.9 – Budget and Performance Report and Plan

Dollars in thousands

Business Systems Modernization Resource Level	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Enacted	FY 2021 Request
Appropriated Resources[1]	$107,746	$190,945	$166,263	$110,000	$150,000	$180,000	$300,000
Reimbursable Resources[2]							
User Fees			25,464	77,418	89,713	102,305	
Budget Activity Total	**$107,746**	**$190,945**	**$191,727**	**$187,418**	**$239,713**	**$282,305**	**$300,000**

[1]The FY 2015 - FY 2019 appropriated resources represent the approved operating plan including any inter-BAC transfers and interappropriation transfers.

[2]The FY 2015 - FY 2019 columns represent realized resources for reimbursable resources and user fees.

Business Systems Modernization Measures	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2019 Target	FY 2020 Target	FY 2021 Target
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level (E)[1]	73.7%	76.2%	50.0%	72.2%	88.9%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level (E)[1]	89.5%	85.7%	88.9%	83.3%	88.9%	90.0%	90.0%	90.0%

Key: E - Efficiency Measure

[1] Starting in FY 2015, the measure includes all major investments (BSM and non-BSM).

Section III – Supplemental Information

3.1 – Summary of Capital Investments

Introduction

The IRS information technology organization is a key enabler of efficient and effective tax administration. IT provides critical support as the IRS faces an increasingly complex tax administration environment. IT works to address evolving taxpayer expectations, frequent tax law changes, growing challenges in combating refund fraud and identity theft, workforce shortages, while achieving program and cost efficiencies. Challenges including aging infrastructure, insertion of emerging technologies, and expanding cybersecurity threats, further complicate the IT operating environment.

In July 2019, Congress passed the Taxpayer First Act, a wide-ranging law that touches multiple parts of the IRS and includes provisions that are designed to improve taxpayer service and ensure the IRS continues to enforce the tax laws in a fair, impartial manner. Section 2101 requires the IRS Chief Information Officer to develop and implement a multiyear strategic plan for the IRS's information technology needs and the IRS expects to address the requirements in FY 2020.

In FY 2020, the IRS will publish the IT Strategic Plan, which aligns with the IRS Strategic Plan (FY 2018 - FY 2022), and the requirements of the Taxpayer First Act and the IRS Integrated Modernization Business Plan. It will articulate a vision to strengthen and modernize the IRS IT environment, while supporting business objectives and enhancing taxpayer services. The Capital Investment Strategy outlines the technology initiatives and IT investments undertaken to achieve the IRS's vision of a modern IT organization.

IRS Integrated Modernization Business Plan

The IRS Integrated Modernization Business Plan supports the IRS's mission to help America's taxpayers understand and meet their tax responsibilities, while enforcing tax laws to ensure integrity and fairness for all. The modernization plan establishes a multi-year modernization approach to provide effective, reliable, IT solutions for taxpayer support to fulfill their tax obligations. The April 2019 plan set out four pillars (Taxpayer Experience; Core Taxpayer Services and Enforcement; Modernized IRS Operations, and Cybersecurity and Data Protection) and two supporting projects (Architecture Integration and Management and Core Infrastructure). It includes specific projects with timeframes and deliverables and serves as a guiding document for IRS IT modernization efforts. The IRS will also examine how the Taxpayer First Act requirements will affect IT modernization and will update the plan accordingly.

MODERNIZATION PILLAR	KEY OBJECTIVES	KEY PROGRAMS & INITIATIVES
Taxpayer Experience: Deliver a service experience comparable to private industry	• Help taxpayers resolve issues quickly and efficiently • Empower taxpayers with information about their account, obligations, and payment options • Make services available to customers when they need them • Protect taxpayer information and data	• Web Applications (WebApps) • Taxpayer Digital Communications • Outbound Notifications (TDC—ON) • Live Assistance (Callback)
Core Taxpayer Services & Enforcement: Streamline and integrate IT programs that enable top- quality service	• Integrate tax processing systems to increase the cost effectiveness of operations • Enable real-time processing and increase transparency of returns status • Increase data usability and the use of data analytics to combat fraud	• Customer Account Data Engine (CADE) 2 Transition State 2 (TS2) • CADE 2 Target State • Enterprise Case Management (ECM) • Real-Time Tax Processing (RTTP) • Information Returns Processing
Modernized IRS Operations: Retire and decommission legacy systems in place of more sustainable infrastructure	• Reduce complexity of the technical environment • Leverage data to deliver secure, agile, and efficient applications and services • Strengthen organizational agility through automation and streamlining processes	• Robotics Process Automation (RPA) • Application Programming Interface (API) Management • Cloud Execution • Next Generation Infrastructure • Data Digitization • Universal Data Hub / Analytics Tools/Platform

Cybersecurity & Data Protection: Continue to protect taxpayer data and address emerging threats	• Establish trusted and streamlined access to information through identity and access management technologies • Proactively identify emerging threats and vulnerabilities through the use of real-time intelligence information and analytics • Protect taxpayer data and systems via end-to-end visibility and common platforms	• Vulnerability & Threat Management • Identity & Access Management (IAM) • Security Operations & Management

Figure 4 – IRS Modernization Portfolio and Pillars

A. Taxpayer Experience

- **Web Applications (Web Apps):** These programs and initiatives improve interactions and communications across taxpayers, employers, the IRS, and third parties by providing a broad range of self-service options, establishing secure information exchange options, and building internal capabilities. By enabling authorized third parties and taxpayers to interact digitally with the IRS, the investment will provide a better user experience, achieve significant savings by moving some service interactions to lower cost channels, and deliver consistent data and services through reusable Application Programming Interfaces (APIs). Web Apps will transform the way the IRS does business by delivering a digital service that allows taxpayers to track and receive information they need when they need it.

- **Taxpayer Digital Communications Outbound Notifications (TDC-ON):** The program will improve the user experience through reliable, user-friendly, secure online services. For example, the IRS will develop digital notices through the secure messaging platform that provides communications to taxpayers who prefer that channel over mailed correspondence, including digital chat.

- **Live Assistance – (Callback):** Taxpayers will receive customer callback, engage a redesigned customer voice portal, and experience improved identity verification. Future live assistance enhancements will broaden service channels to include live text chat, virtual assistant capabilities, and video chat assistance.

B. Core Taxpayer Services and Enforcement

- **CADE 2 Transition State 2 (TS2):** The CADE 2 TS 2 environment provides capabilities that will help modernize the taxpayer account processing environment and develop an integrated, near real-time processing environment to support tax returns, information returns, payments, and other transactions, and will allow direct visibility and access to taxpayer account detail on

a near real-time basis. A key project supporting CADE 2 TS 2 is the Individual Tax Processing Engine (ITPE) project, which will convert about 200,000 lines of legacy assembly language code to modern software language. This code conversion is a major milestone towards retiring the Individual Master File (IMF). The CADE 2 TS 2 will facilitate voluntary compliance and improve traceability of financial data from core accounting systems to IRS financial statements.

- **Enterprise Case Management (ECM):** This solution provides an IRS-wide solution for streamlining case and workload management processes. The solution digitizes case information, automates work selection, and improves resource alignment.

- **Real-Time Tax Processing (RTTP) (Starts in Phase 2):** The program will deliver independent and near real-time data processing, allowing the IRS to move away from batch processing, view returns dynamically, and understand the status of a return as it is processed. Currently, batch processing prevents a taxpayer from easily adjusting their individual return. Within certain parameters, RTTP will allow amendments to be processed directly, improving the overall taxpayer experience and level of confidence with multi-channel options to enable account access. It also improves at-filing compliance and communication with the IRS.

- **Information Returns System Processing (Starts in Phase 2):** The program consists of a modern intake database and applications that allow for improved document matching to improve intake consistency**.**

C. Modernized IRS Operations

- **Robotics Process Automation (RPA):** Enhancing business process execution, speed, and accuracy through smart software designed to perform high-volume, repeatable tasks.

- **Application Programming Interface (API) Implementation:** The API initiative incorporates efforts to drive internal and external API deployment. For example, authorized third parties will have easier access and a streamlined data exchange with the IRS on behalf of their clients through standard, reusable services and common programming code.

- **Cloud Execution:** Cloud Execution will result in improved "time-to-market" agility, increased operational efficiency and resilience, increased innovation, and an enhanced or maintained security posture by migrating workloads to cloud platforms and services.

- **Next Generation Infrastructure:** Next Generation Infrastructure involves a series of packaged initiatives to support a more efficient, scalable, and flexible architecture implemented through advanced IT infrastructure tools and technologies (e.g., Standard Stacks, Enterprise Storage Solution). Implementing the Next Generation Infrastructure initiative encompasses transformation of computer, network, and storage activities—along with

DevOps—to automate software delivery and infrastructure changes. IRS will also continue to convert legacy code to modern languages.

- **Data Digitization (Starts in Phase 2):** Electronic files will be enhanced, and the intake of paper forms and correspondence will be simplified and streamlined through the integration of scanned data and content management systems. This will improve processing of taxpayer paper submissions and create efficiencies from not having to manually process, transcribe, and store documents.

- **Universal Data Hub / Analytics Tools / Platform (Starts in Phase 2):** The program will support foundational architecture and technology elements that enable business capabilities like real-time processing, error correction, expanded online tools and data analytics capabilities, improved fraud detection, and other anomaly detection capabilities. The program will streamline data availability and will allow for more data-driven business decisions.

D. Cybersecurity and Data Protection

- **Vulnerability & Threat Management:** Enable IRS cybersecurity professionals to monitor servers in order to protect taxpayer data and systems, providing full visibility into endpoints.

- **Identity & Access Management:** Further prevent malicious or unintended access and disclosure of taxpayer and other sensitive data using a common platform for secure authorization and authentication services and encrypting sensitive data at rest as well as in transit.

- **Security Operations & Management:** Enhance the ability to secure taxpayer data and systems through full visibility of hardware and software on the network and enhance incident response and detection of internal threats to data and systems.

FY 2019 Modernization Portfolio Budget

Modernization Pillar	Programs	Planned Annual Budget[1] *($ in Millions)*	Revised Annual Budget[2] *($ in Millions)*	End of Year Actuals[3] *($ in Millions)*
Taxpayer Experience	WebApps[4]	25.00	24.70	24.10
	Taxpayer Digital Communications Outbound Notifications	5.00	5.40	5.40
	Live Assistance	5.00	5.00	5.00
Core Taxpayer Services & Enforcement	CADE2 TS2	85.00	85.00	80.90
	Enterprise Case Management (ECM)[5]	60.00	70.00	59.50
	Return Review Program (RRP)	35.00	35.00	34.70
Modernized IRS Operations	Robotics Process Automation (RPA)	5.00	5.00	5.10
	API Implementation	N/A	N/A	N/A
	Cloud Execution	5.00	5.00	5.40
	Next Generation Infrastructure	10.50	10.50	9.80
Cybersecurity & Data Protection	Vulnerability & Threat Management	19.50	23.10	21.40
	Identity & Access Management	20.00	20.20	19.00
	Security Operations & Management	25.00	21.20	21.00
	Subtotal:	**$300.00**	**$310.00**	**$291.20**
Core Infrastructure[6]		18.30	18.30	18.00
Architecture, Integration, and Management[6]		36.00	36.00	35.60
	Total:	**$354.30**	**$364.30**	**$344.80**

[1] Planned Annual Budget reflects figures as identified in the Business Plan published in April 2019.
[2] Revised Annual Budget reflects IRS adjustments based on FY 2020 appropriations and prioritization decisions.
[3] End of Fiscal Year includes end-of-year adjustments.
[4] IRS realigned $350,000 from WebApps to Taxpayer Digital Communications Outbound Notifications on September 26, 2019 to support critical development work.
[5] IRS increased the budget for Enterprise Case Management from $60 million to $70 million on July 22, 2019.
[6] Core Infrastructure (Core) and Architecture, Integration, and Management (AIM) represent enterprise staffing and planning costs necessary to deliver the Business Plan. Core Infrastructure provides mission-critical services for designing, engineering, testing, and deploying standardized, consolidated, virtual, and secure modernized development and production environments. AIM provides engineering management capabilities essential to delivering complex IT functions, and supports IRS systems strategy, architecture, and engineering capabilities. These costs were not identified in the Business Plan because they are not attributable to specific initiatives, but they were reflected in the FY 2020 President's Budget. For more information on Core and AIM, see page 71 of the FY 2020 Congressional Justification (March 18, 2019).

3.2 – Return on Investment (ROI) for IRS Major Enforcement Programs

The actual cost and actual revenue collected for FY 2013 through FY 2019 for the three major enforcement programs, Examination, Collection, and Automated Underreporter (AUR) are provided below. The activities included in these programs include:

Examination Program conducts examinations of tax returns of individual taxpayers, businesses, and other types of organizations to verify that the tax reported is correct. This includes examinations of individuals, small businesses, self-employed, large corporate businesses, partnerships, international, estate and gift, excise tax and employment tax-exempt organizations, qualified pension benefit plans, and government entities. The examination costs include the cost of the Field Exam, Correspondence Exam, IRS Chief Counsel, and Appeals functions.

Collection Program collects delinquent taxes and secures delinquent tax returns through the appropriate use of enforcement tools, such as lien, levy, seizure of assets, installment agreement, offer in compromise, substitute for return, summons, and IRC section 6020(b) (which allows the IRS to prepare returns if a taxpayer neglects or refuses to file), and provides education to taxpayers to enable future compliance. The cost of the Collection program includes Automated Collection System (ACS), Field Collection, and Payment Compliance/Correspondence Collection.

Automated Underreporter (AUR) Program matches payer information returns (Forms 1099, W-2, etc.) against data reported to the IRS on individual tax returns. The information is verified to identify any discrepancies. If a discrepancy is found, the case is given to a tax examiner for research and analysis. If the tax examiner is unable to resolve the discrepancy, the IRS issues a proposed notice and generates a proposed assessment.

ROI is calculated by dividing revenue by cost. This information provides an indication of the ROI for the three major enforcement programs over time. Enforcement revenue collected in a fiscal year includes tax, interest, and penalties from multiple tax years. Some enforcement activities take more than a year to close and may generate revenue over several years.

In addition, these data reflect the average return on investment for these programs and do not include the indirect effects of IRS enforcement activities on voluntary compliance. Net revenue is maximized only when resources are allocated according to marginal direct and indirect return on investment, but those ratios are much more challenging to estimate than the average ROI. As a result, the IRS will continue to allocate enforcement resources across a range of enforcement activities to ensure taxpayers pay the taxes they owe.

Return on Investment for IRS Major Enforcement Programs

Dollars in Millions

	FY 2015			FY 2016			FY 2017			FY 2018			FY 2019		
Enforcement Program	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI	Cost[1]	Revenue	ROI
IRS Total	$5,644	$54,203	9.6	$5,592	$54,291	9.7	$5,506	$56,914	10.3	$5,559	$59,366	10.7	$5,418	$57,523	10.6
Examination	3,974	13,320	3.4	3,782	12,023	3.2	3,693	15,102	4.1	3,716	15,017	4.0	3,568	10,877	3.0
Collection	1,419	35,740	25.2	1,576	37,259	23.6	1,600	36,498	22.8	1,635	38,985	23.8	1,625	41,793	25.7
Automated Underreporter (AUR)	251	5,143	20.5	234	5,009	21.4	214	5,314	24.9	208	5,364	25.7	225	4,853	21.6

[1]The cost of the enforcement programs was calculated using budget data from the IRS Integrated Financial System (IFS) and includes direct dollars and FTE from the Enforcement appropriation, Exam and Collections budget activity, and dollars from the Operations Support appropriation prorated using actual FTE realized for each major enforcement program.

3.3 – IRS Performance Measures Table

Performance Measures	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Target	FY2021 Target
Customer Service Representative Level of Service (LOS)[1]	38.1%	53.4%	77.1%	75.9%	65.4%	60.0%	60.0%
Customer Accuracy - Tax Law (Phones)	95.0%	96.4%	96.7%	95.5%	91.6%	92.0%	92.0%
Customer Accuracy - Accounts (Phones)	95.5%	96.1%	96.0%	96.1%	94.3%	94.0%	94.0%
Timeliness of Critical Filing Season Tax Products to the Public[2]	89.0%	92.5%	93.1%	59.6%	92.6%	89.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public[2]	92.6%	98.0%	96.7%	100.0%	96.1%	89.0%	89.0%
Percent of Business Returns Processed Electronically	47.0%	50.0%	52.9%	55.6%	57.8%	60.0%	60.0%
Enterprise Self-Assistance Participation Rate[3]	88.7%	89.0%	79.0%	82.0%	85.4%	82.0%	82.0%
Taxpayers Satisfied with the IRS (based on 100-point scale)[4,*]	73	74	74	74	73	Indicator	Indicator
Examination Coverage - Individual	0.8%	0.7%	0.6%	0.6%	0.45%	0.48%	0.55%
Examination Coverage - Business (Assets > $10 million)	3.9%	3.0%	2.5%	2.2%	1.6%	1.7%	1.1%
Examination Efficiency - Individual	148	143	121	131	109	115	120
Automated Underreporter Coverage	2.3%	2.3%	2.2%	2.0%	1.3%	1.7%	1.8%
Time to Start Compliance Resolution[4]					Under Development	Indicator	Indicator
Time to Resolve Compliance Issue After Filing[4]					Under Development	Indicator	Indicator
Repeat Non-Compliance Rate[4]					Under Development	Indicator	Indicator
Collection Coverage (Units)	46.3%	43.4%	42.2%	41.6%	41.3%	39.7%	38.8%
Cost to Collect $100 (in cents)[4]	0.35	0.35	0.34	0.34	0.33	Indicator	Indicator
Criminal Investigations Completed	4,486	3,721	3,089	3,051	2,797	2,700	2,700
Conviction Rate	93.2%	92.1%	91.5%	91.7%	91.2%	92.0%	92.0%
Rentable Square Feet per Person			297	301	298	Indicator	Indicator
Percent of Aged Hardware[5]	56.5%	52.2%	52.3%	45.5%	31.0%	30.0%	30.0%
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level[6]	73.7%	76.2%	50.0%	72.2%	88.9%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level[6]	89.5%	85.7%	88.9%	83.3%	88.9%	90.0%	90.0%

[1] CSR LOS includes telephone lines answered by Accounts Management Customer Service Representatives only. These telephone phone lines service 78% of all telephone traffic.
[2] Modified in FY 2019.
[3] Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure (renamed to Enterprise Self-Assistance Participation Rate) to include additional self-service channels including Get Transcript and payment applications such as Direct Pay and Online Payment Agreements. As new self-assistance applications are provided to the public, they will be added to the methodology.
[4] New measure added for FY 2019.
[5] This is an existing measure added for budget reporting; the measure definition changed in FY 2018, removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the calculation to more accurately define the inventory that's reflective of risk to the IT environment.
[6] Starting in FY 2015, the measure includes all major investments (BSM and non-BSM).
* Based on the American Customer Satisfaction Index (ACSI) survey; the All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer customer satisfaction index scores, available on an annual basis at the end of January and computed on a 100-point scale.

Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service	The number of toll-free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Customer Accuracy – Tax Law Phones	The percentage of correct answers given by a live assistor on Toll-free tax law inquiries.
Customer Accuracy – Customer Accounts (Phones)	The percentage of correct answers given by a live assistor on Toll-free account inquiries.
Timeliness of Critical Individual Filing Season Tax Products to the Public	The percentage of critical individual filing season tax products (tax forms, schedules, instructions, and publications required by many filers to prepare a complete and accurate tax return) available to the public in a timely fashion.
Timeliness of Critical TE/GE & Business Tax Products to the Public	Percentage of critical business tax products (tax forms, schedules, instructions, and publications used by a large number of TE/GE and Business filers to prepare a complete and accurate return or form) available to the public in a timely fashion.
Percent Business Returns Processed Electronically	The percentage of electronically filed business tax returns divided by the total business returns filed.
Enterprise Self Assistance Participation Rate	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Taxpayers Satisfied with the IRS	The percentage of taxpayers satisfied with the IRS according to the American Customer Satisfaction Index (ACSI) survey. The All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer Customer Satisfaction Index Scores. Based on a 100-point scale.
Examination Coverage – Individual (1040)	The sum of all individual 1040 returns closed by Small Business/Self Employed (SB/SE), Wage & Investment (W&I), Tax Exempt and Government Entities (TE/GE), and Large Business and International (LB&I) (Field Exam and Correspondence Exam programs) divided by the total individual return filings for the prior calendar year.
Examination Coverage – Business Assets >$10 Million)	The number of LB&I returns (C and S Corporations with assets over $10 million and all partnerships) examined and closed by LB&I during the current fiscal year divided by the number of filings for the preceding calendar year.
Examination Efficiency – Individual (1040)	The sum of all individual 1040 returns closed by SB/SE, W&I, TE/GE, and LB&I (Field Exam and Correspondence Exam programs) divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns.
Automated Underreporter (AUR) Coverage	A percentage representing the total number of W&I and SB/SE contact closures (a closure resulting from a case where SBSE and W&I made contact) divided by the total return filings for the prior year.
Time to Start Compliance Resolution	The percentage of all individual income tax enforcement cases started within six months of the return posting date.
Time to Resolve Compliance Issue After Filing	The average time it takes to close all individual income tax enforcement cases in days. This is an annual measure based on all cases closed in a fiscal year.
Repeat Non-Compliance Rate	The percentage of individual taxpayers in a fiscal year with additional non-compliance two years after the initial tax year that contains a filing, payment, or reporting compliance issue, compared to total taxpayers
Collection Coverage – Units	The volume of collection work disposed compared to the volume of collection work available.
Cost to Collect $100 (in cents)	The cost of collecting $100 is computed as total operating costs divided by gross collection divided by 100.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.

Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
Rentable Square Feet per Person	The amount of Rentable Square Feet the IRS maintains per Personnel requiring space. IRS will use this as an indicator for FY 2018.
Percent of Aged Hardware	This measure shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use.
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

3.4 – Summary of FY 2019 Savings Realized

Increase e-File Savings

FY 2019 Actual Savings: -$8,900,000 / -167 FTE

FY 2021 Projected Savings: -$4,684,000 / -85 FTE

The IRS realized savings of 167 FTE and $8.90 million in FY 2019 as a result of increases in electronically filed returns. The number of paper returns received by the IRS decreased by 2.1 million from FY 2018 to FY 2019 while the number of electronically filed returns increased by 4 million over the same period.

Rent

FY 2019 Actual Savings: $0

FY 2021 Projected Savings: -$6,200,000

Rent is one of the IRS's largest operating expenses. The IRS plans to release 243,000 square feet for an estimated $6.2 million in annualized rent savings. Although savings were projected, there were no savings in FY 2019 due to rent increases from lease renewal, delays in space release, and expansion of space needed to accommodate additional hiring.

Section IV – Appendix

4.1 Appropriations Detail Table with Program Integrity Cap Adjustment

In addition to the base appropriations request of $12 billion request, the budget proposes a $400 million discretionary program integrity cap adjustment in FY 2021 to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The budget proposes $280 million for the Enforcement account and $120 million for the Operations Support account. Additional adjustments are provided in future years to fund new initiatives and inflation. These investments will generate $79 billion in new revenue over 10 years and will cost $15 billion, for net revenue of $64 billion over 10 years. This return on investment (ROI) is likely understated because it does not reflect the effect that enhanced enforcement has on deterring non-compliance.

IRS Program Integrity Cap Adjustment FY 2021 – FY 2030

Description	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2021-2030
Base	$9,059	$9,154	$9,250	$9,348	$9,446	$9,545	$9,646	$9,747	$9,850	$9,953	$94,999
Cap	$400	$828	$1,173	$1,524	$1,879	$1,994	$1,995	$2,005	$2,015	$2,025	$15,838
Total	**$9,459**	**$9,982**	**$10,424**	**$10,872**	**$11,325**	**$11,539**	**$11,641**	**$11,752**	**$11,865**	**$11,979**	**$110,837**
Revenues	**$264**	**$542**	**$3,106**	**$5,158**	**$7,356**	**$9,682**	**$12,005**	**$12,974**	**$13,813**	**$14,495**	**$79,395**
Net Savings	**($136)**	**($286)**	**$1,933**	**$3,634**	**$5,477**	**$7,688**	**$10,011**	**$10,970**	**$11,798**	**$12,469**	**$63,557**

Table compares revenue receipts to budget authority. Outlays over ten years are projected to be $15.385 billion compared to budget authority of $15.838 billion for net savings of $64.010 billion.

Return on Investment (ROI) for FY 2021 Enforcement Investments

Enforcement efforts generate and protect revenue, as well as encourage voluntary compliance for taxpayers who would otherwise seek to avoid meeting their tax obligations under the law. The IRS calculates an ROI for both revenue generating and revenue protecting investments. Generated revenue is from compliance efforts that yield direct, measurable results through enforcement activities such as examination and collection returns. Protected revenue is revenue the IRS protects from being refunded erroneously. It is associated with activities that occur before issuing a taxpayer's refund, including the identification of fraud and questionable returns.

FY 2021 Revenue Generating Investments

The cap adjustment includes $351.5 million in investments for traditional enforcement and strategic revenue programs, such as examinations and collection activities, which are projected to generate more than $4.6 billion in revenue once the investments reach full potential in FY 2023 with an expected total ROI of $9.2 to $1. This request also includes $40.5 million to support strategic revenue producing investments, including increasing investigations related to cybercrimes, virtual currency, refund fraud, and

prosecution efforts. While these investments do not have an immediately measurable ROI, they have clear long-term positive revenue effects.

Return on Investment (ROI) for IRS FY 2021 Enforcement Initiatives

Dollars in Millions

	First Year (FY 2021)			Second Year (FY 2022)			Full Performance (FY 2023)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
FY 2021 Revenue Producing Enforcement Initiatives	**$351.5**	**$738.3**	**2.1**	**$516.6**	**$3,557.5**	**6.9**	**$504.2**	**$4,654.6**	**9.2**
Cap Adjustment Enforcement Initiatives	**$351.5**	**$738.3**	**2.1**	**$516.6**	**$3,557.5**	**6.9**	**$504.2**	**$4,654.6**	**9.2**
Immediate and Directly Measurable Revenue-Producing Initiatives	**$311.0**	**$738.3**	**2.4**	**$476.1**	**$3,557.5**	**7.5**	**$463.7**	**$4,654.6**	**10.0**
Increase Audit Coverage	140.5	356.4	2.5	218.0	1,328.6	6.1	209.1	1,846.1	8.8
Increase Collection Coverage	170.5	381.9	2.2	258.1	2,228.9	8.6	254.6	2,808.5	11.0
Strategic Revenue-Producing Initiatives *(which do not have immediately measurable ROI, but clear long-term revenue effects)*	**$40.5**	**$0.0**	**0.0**	**$40.5**	**$0.0**	**0.0**	**$40.5**	**$0.0**	**0.0**
Expand Cyber and Virtual Currency Compliance Efforts	40.5	0.0	0.0	40.5	0.0	0.0	40.5	0.0	0.0

FY 2021 Revenue Protecting Investments

The benefits of IRS activities that prevent erroneous refunds are not captured in IRS's ROI calculations above. However, the IRS estimates that investment in these activities should protect $952.7 million in revenue that otherwise would need to be recovered from downstream enforcement actions for an estimated ROI of $14.7 to $1 by FY 2023. These investments also support IRS's Agency Priority Goal on Fraud Prevention, which is part of the Treasury Strategic Plan FY 2018-2022.

FY 2021 Revenue Protecting Enforcement Initiatives

Dollars in Millions

	First Year (FY 2021)			Second Year (FY 2022)			Full Performance (FY 2023)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
Revenue Protecting Initiatives *(which protect taxpayer information, prevents identity theft, and results in long-term revenue protection)*	**$48.5**	**$31.6**	**0.7**	**$64.8**	**$703.7**	**10.9**	**$64.7**	**$952.7**	**14.7**
Cap Adjustment Revenue Protecting Initiative	**$48.5**	**$31.6**	**0.7**	**$64.8**	**$703.7**	**10.9**	**$64.7**	**$952.7**	**14.7**
Increase Audit Coverage (revenue-protecting portion)	32.7	31.6	1.0	49.0	703.7	14.4	48.9	952.7	19.5
Expand Coverage in the Tax-Exempt Sector	15.8	0.0	0.0	15.8	0.0	0.0	15.8	0.0	0.0

Increase Audit Coverage +$173,180,000 / +1,333 FTE

Position Type/Other Costs	FTE	Positions	$000
Examination Coverage	**437**	**874**	**$68,571**
Tax Technician	110	220	14,828
Revenue Agent	315	630	52,581
Manager and Support Staff	12	24	1,162
Specialty Programs	**44**	**88**	**$8,600**
Tax Examiner	8	16	629
Revenue Agent	28	56	6,105
Attorney	8	16	1,866
Correspondence Examination	**451**	**902**	**$43,669**
Tax Examiner	426	852	41,281
Manager and Support Staff	25	50	2,388
Document Matching	**250**	**500**	**$24,505**
Tax Examiner	200	400	19,640
Support Staff	50	100	4,865
Other Direct Costs	**151**	**302**	**$27,835**
Appeals Officer	83	166	15,272
Paralegal	14	28	1,565
Attorney	30	62	5,983
Support Staff	24	48	5,015
Total	**1,333**	**2,666**	**$173,180**

The cap adjustment includes additional examination employees. The decline in staffing since FY 2010 has led to a decrease in the individual audit coverage rate from 1.1 percent in FY 2010 to 0.45 percent in FY 2019, which increases the risk to the integrity of the nation's voluntary tax compliance system. As audit coverage rates continue to decline, individuals and businesses may decide that the chance of the IRS auditing them is minimal, and take riskier positions on their tax reporting, especially since the IRS's audit coverage decline has been widely reported and is public. The additional resources will fund a broad range of compliance priorities and allow for earlier case assignment and resolution. This investment is expected to produce additional enforcement revenue of $1.3 billion annually (an ROI of $6.4 to $1) once the new hires reach full potential in FY 2023 and protect revenue of $952.7 million (a protected ROI of $14.7 to $1). These resources will help to:

- Improve the individual audit coverage rate by closing more than 41,000 individual field and specialty examination cases and 451,000 pre-refund and post-refund correspondence examination cases; and
- Expand the Automated Underreported (AUR) program to process more than 1,013,000 additional cases (document matching of individuals decreased by 42 percent from FY 2011 to FY 2019).

Enforcement ROI
$6.4 to $1
$4.5 to $1
$1.8 to $1
in millions
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
$137.6
$251.8
$204.0
$911.7
$198.9
$1,270.6
FY 2021
FY 2022
FY 2023
Cost
Enforcement Revenue

Revenue Protecting ROI
$14.7 to $1
$10.9 to $1
$1.0 to $1
in millions
$1,200
$1,000
$800
$600
$400
$200
$0
$32.7
$31.6
$64.8
$703.7
$64.7
$952.7
FY 2021
FY 2022
FY 2023
Cost
Enforcement Revenue

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$15,272	83	166	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	$7,548	44	88	Provide support for increases in requests for legal advice, litigation assistance, and published guidance on issues raised in audits.
Human Capital Office	$170	1	2	Handle the increase in front-line positions and the expectation that new managerial positions will be created.
SB/SE Operations Support	$2,184	16	32	Support hiring, training, human capital, technology needs, data analytics, and resource requirements for the business unit.
Privacy, Governmental Liaison and Disclosure	$862	7	14	Address the increase in Freedom of Information Act requests as a result of increased compliance activity.
Taxpayer Advocate Service	$507			Ensure the IRS follows appropriate procedures and does not create unnecessary burdens or compromise taxpayers' rights.
Customer Service Representative	$1,292			Support examination efforts by ensuring staffing is available to handle downstream impact in accounts management operations.
Total	**$27,835**	**151**	**302**	

Increase Collection Coverage +$170,506,000 / +1,342 FTE

Position Type/Other Costs	FTE	Positions	$000
Field Collection Coverage	**325**	**650**	**$51,500**
Revenue Officer	325	650	51,500
ACS & ACS Support	**555**	**1110**	**$56,265**
Customer Service Representative	437	874	44,724
Tax Examiner	78	156	7,641
Support Staff	40	80	3,900
Correspondence Collection (CSCO)	**166**	**332**	**$16,878**
Tax Examiner	158	316	15,714
Support Staff	8	16	1,164
Specialty Collection	**78**	**156**	**$8,818**
Tax Examiner	68	136	7,423
Manager and Support Staff	10	20	1,395
Other Direct Costs	**218**	**436**	**$37,045**
Attorney	46	92	7,756
Appeals Officer	148	296	24,819
Support Staff	24	48	4,470
Total	**1,342**	**2,684**	**$170,506**

The IRS is requesting additional resources to improve its capacity to work the collection inventory and answer taxpayer phone calls. Increased staffing will address the overall collection coverage rate, which has declined 18 percent from FY 2010 to FY 2019 as millions of collection cases available to work were not disposed of each year due to lack of staffing. This investment is expected to produce additional annual enforcement revenue of $2.8 billion (an ROI of $11 to $1) once the new hires reach full potential in FY 2023. These resources will help the IRS to:

- Provide 650 additional field collection staff to address non-filing and underpayment of taxes in order to handle more than 29,800 additional collection cases. Currently, there are more than one million cases with an aggregate assessed balance of more than $55.4 billion in the queue;
- Provide 874 additional Automated Collection System (ACS) staff to address an additional 422,000 ACS cases, including incoming calls generated by the issuance of levies, delinquent returns, and/or unpaid tax liabilities. Reduced ACS staffing has contributed to a substantial increase in unhandled cases and a 37 percent decline in level of service (LOS) to taxpayers; and
- Expand several Compliance Services Collection Operations (CSCO) programs that address non-filing and underpayment of taxes through the notice process by more than 509,000 notice dispositions and cases. More than 40,000 Offers in Compromise cases will also be closed, thereby enabling taxpayers another option to resolve their tax liability.

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$24,819	148	296	Support collection efforts and appropriately resolve these cases while providing a high level of customer service.
Chief Counsel	$7,756	46	92	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
SB/SE Operations Support	$2,184	16	32	Support hiring, training, human capital, technology needs, data analytics, and resource requirements for the business unit.
Accounts Management	$241			Support Collection efforts to address taxpayer communications in Accounts Management.
Privacy, Governmental Liaison and Disclosure	$616	5	10	Address the increase in Freedom of Information Act requests as a result of increased compliance activity.
Human Capital Office	$969	3	6	Handle the increase in front-line positions and the expectation that new managerial positions will be created.
Online Services and Equity, Diversity, and Inclusion	$460			Support service design/delivery for payment product improvements and taxpayer digital communications support. Provide sign language interpreters, special emphasis events, and reasonable accommodation.
Total	**$37,045**	**218**	**436**	

Expand Coverage in the Tax-Exempt Sector +$15,766,000 / +109 FTE

Position Type/Other Costs	FTE	Positions	$000
Expand Protection and Coverage of Small Business and Tax-Exempt Sponsored Plans	**29**	**58**	**$4,295**
Revenue Agent	25	50	3,893
Manager	3	6	257
Support Staff	1	2	146
Address EO Noncompliance with UBI	**47**	**94**	**$6,907**
Revenue Agent	40	80	6,228
Support Staff	3	6	291
Manager	4	8	388
Enhance Up-front Compliance for Applicant for Tax-Exempt Status	**15**	**30**	**$2,090**
Revenue Agent	13	26	1,850
Manager	1	2	144
Support Staff	1	2	96
Increase Voluntary Compliance	**16**	**32**	**$2,091**
Revenue Agent	10	20	1,557
Manager	1	2	97
Research Analyst	1	2	97
Support Staff	4	8	340
Other Direct Costs	**2**	**4**	**$384**
Attorney	1	2	292
Appeals Officer	1	2	92
Total	**109**	**218**	**$15,766**

Funding for this investment will allow the IRS to use a multi-faceted data-driven approach to enhance taxpayer education and compliance that will help protect the tax-exempt status of associated assets and revenue.

This investment supports the following efforts, which will increase taxpayer service and education and improve overall compliance and protection of funds:

- Enhance enforcement coverage of employee retirement plans, including but not limited to those sponsored by small businesses, exempt organizations, and governments, which make up almost half of all retirement plans in the United States;
- Address Exempt Organizations and Tax-Exempt Bond non-compliance to ensure adherence with complex and often confusing tax laws; and
- Increase voluntary compliance using low cost correction opportunities, to enhance taxpayer education and compliance.

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	$92	0.50	1	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	$292	1.50	3	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Total	**$384**	**2.0**	**4**	

Expand Cyber and Virtual Currency Compliance Efforts +$40,548,000 / +101 FTE

Position Type/Other Costs	FTE	Positions	$000
Expand Cyber and Virtual Currency Compliance	**87**	**174**	**$25,699**
Special Agent	54	108	21,465
Analyst	29	58	3,700
IT Specialist	4	8	534
Operational Technology Environment (OTE)	**6**	**12**	**$13,349**
IT Specialist	6	12	802
Contractual Services			12,547
Other Direct Costs	**8**	**16**	**$1,500**
Criminal Tax Legal Specialist	6	12	1,325
Criminal Tax Admin Specialist	2	4	175
Total	**101**	**202**	**$40,548**

Since 2016, the IRS Criminal Investigation (CI) division has seen a dramatic rise in the use and value of virtual currency, specifically cryptocurrency. With top coins like Bitcoin and Ethereum seeing increases well above 1,200 percent in recent years, this remains a large area of noncompliance and risk to the IRS. Internal statistics indicate that very few individuals filed tax returns showing gains generated from the sale or transfer of cryptocurrency, which indicates a large tax gap in this program area.

This additional funding would support the hiring of 108 special agents to conduct more criminal investigations related to cyber and virtual currency. As a result, about 450 additional criminal investigations are projected to be completed from FY 2023 – FY 2025 once the new hires reach full potential. Additionally, CI estimates that as a result of the additional special agents, CI will identify $197.3 million annually in tax revenues either not reported to the IRS or fraudulently refunded by the IRS.

Funding for this investment will strengthen CI's Refund and Cybercrimes efforts by:

- Enhancing several areas, to include supplementing special agent and investigative support resources, to combat cyber-criminals and develop a core group of subject matter experts in digital assets;
- Allowing further participation in multi-agency cyber taskforces to target large-scale criminal organizations and maximize compliance; and
- Expanding criminal investigations through the analysis of available data (open source intelligence and investigative data) and fund the build-out of CI's cybercrime sections.

Cybercrime continues to exploit stolen taxpayer personally identifiable information (PII) through sophisticated data breaches. This new evolution of cyber identity theft has unleashed new schemes, such as complex intrusions, business email compromises, synthetic identity theft, account takeovers, business/corporate identity theft and a host of dark web exfiltration. This activity undermines the tax system and coupled with the ability to use digital assets in their financial concealment only elevates the difficulty level for law enforcement.

Additional funding and resources dedicated to this area would allow CI to hire special agents with the skills to combat today's cybercriminals. Traditionally, CI focused on agents with accounting skills, but with cybercrime, agents will need a high technical knowledge of computing as well as the understanding of digital assets, such as cryptocurrency. These skills will better assist the agency in identifying, investigating, and mitigating known criminal activities and further assist other business units in addressing compliance.

The ever-evolving threats in this area require new approaches to the detection, investigation and prevention of these crimes. CI is employing its data strategy to approach these issues differently, seeking to identify patterns of non-compliance, focusing on high impact cases and developing predictive methods for new and emerging schemes. Past staffing and hiring plans which focused on special agents as the sole "investigators" need to be augmented with employees who are skilled in the specialized areas of cybercrime, virtual currency and data research/analytics.

CI is authorized to use a wide array of investigative techniques including, but not limited to, electronic surveillance, digital forensics, physical forensics and covert internet surveillance. The operational technology associated with these investigative techniques must be deployed outside the IRS enterprise IT infrastructure. This has resulted in CI supporting dozens of isolated systems and law enforcement applications. In order to increase IT oversight and compliance, CI will centralize these technologies in a new program area referred to as Operational Technology Environment (OTE). OTE will be responsible for deploying and supporting technology-based law enforcement solutions within a separate and secure framework.

If IRS Criminal Investigation successfully expands the Cyber and Digital Assets Compliance Program in FY 2021, Criminal Tax (CT) would place an additional attorney in each of its six CT geographic areas and

one attorney in the National Office, to support the build-out of the CI Cybercrime sections. For added client support, CT would strategically place attorneys in each of the major cities where the cyber investigations are more voluminous or active, and where Cybercrime Units (CCUs) are present, such as Washington, DC, New York, Los Angeles, and Miami. The additional attorneys would assist the case agents investigating cybercrimes or cyber-enabled investigations (including crypto currency), and also render advice to CCUs, thereby reducing the tax gap in this area.

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	$1,500	8	16	Support case agents investigating cybercrimes or cyber-enabled investigations (including crypto currency), and render advice to CCUs, thereby reducing the tax gap in this area.
Total	**$1,500**	**8**	**16**	

4.2 – Summary of IRS FY 2021 Request by Business Unit (including the Program Integrity Cap Adjustment)

	Taxpayer Services		Enforcement		Operations Support		BSM		Total	
By Business Unit:	**Dollars**	**% of TS Appropriation**	**Dollars**	**% of ENF Appropriation**	**Dollars**	**% of OS Appropriation**	**Dollars**	**% of BSM Appropriation**	**Dollars**	**% of Total Budget**
Information Technology					2,178,007,836	51.55%	300,000,000	100.0%	2,478,007,836	19.92%
Wage & Investment	2,177,104,640	84.96%	273,490,502	5.11%	241,308,722	5.71%			2,691,903,864	21.64%
Small Business/Self-Employed			2,493,886,566	46.60%					2,493,886,566	20.05%
Facilities Management and Security Services					1,098,144,548	25.99%			1,098,144,548	8.83%
Large Business and International	789,597	0.03%	854,253,606	15.96%	916,981	0.02%			855,960,184	6.88%
Criminal Investigation			671,111,327	12.54%	1,570				671,112,897	5.40%
Chief Counsel	20,697,637	0.81%	394,435,280	7.37%	132,172				415,265,089	3.34%
Human Capital Office					336,009,475	7.95%			336,009,475	2.70%
Tax Exempt & Government Entities	8,230,173	0.32%	247,185,007	4.62%					255,415,180	2.05%
Taxpayer Advocate Service	225,238,163	8.79%			205,647	0.00%			225,443,810	1.81%
Corporate Reserve and Payments	54,606,767	2.13%	50,975,137	0.95%	15,096,828	0.36%			120,678,732	0.97%
Appeals			231,367,479	4.32%					231,367,479	1.86%
Research, Applied Analytics, and Statistics	2,975,974	0.12%	53,453,759	1.00%	58,391,192	1.38%			114,820,925	0.92%
Chief Financial Officer			22,210,453	0.42%	71,583,623	1.69%			93,794,076	0.75%
Privacy, Governmental Liaison and Disclosure	14,944,877	0.58%	2,194,910	0.04%	73,802,239	1.75%			90,942,026	0.73%
Procurement					59,339,230	1.40%			59,339,230	0.48%
Communications & Liaison	17,559,935	0.69%	5,800,577	0.11%	30,368,016	0.72%			53,728,528	0.43%
Online Services	38,920,212	1.52%							38,920,212	0.31%
Return Preparer Office	714,701	0.03%	35,334,393	0.66%	176,926				36,226,020	0.29%
Equity, Diversity & Inclusion					31,270,902	0.74%			31,270,902	0.25%
Front Office[2]	771,324	0.03%	3,977,513	0.07%	25,449,775	0.60%			30,198,612	0.24%
Whistleblower Office			6,877,559	0.13%					6,877,559	0.06%
Office of the Chief Risk Officer					4,500,178	0.11%			4,500,178	0.04%
Office of Professional Responsibility			4,689,072	0.09%					4,689,072	0.04%
Total	**2,562,554,000**		**5,351,243,140**		**4,224,705,860**		**300,000,000**		**12,438,503,000**	

Note: These figures reflect full requirements before taking any proposed reductions (Operations Support Hiring Reduction/Delay, FMSS Physical Infrastructure/Security Reduction/Delay, IT Reduction/Delay).

[2] Includes Commissioner, Chief of Staff, DCOS, DCSE offices, and Project Management Offices for ACA/FATCA and Services & Enforcement.

4.3 – Summary of IRS FY 2021 Identity Theft Budget Request

Bureau: Internal Revenue Service	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
Summary of FY 2021 Request	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2020 Enacted	$264,457	118	$237,408	2,401	$8,920	42			$510,786	2,561
Changes to Base:										
Maintaining Current Levels (MCLs)	$10,786		$9,209		$416				$20,411	
Pay Annualization (3.1% average pay raise)	2,049		1,691		65				3,804	
Pay Raise (1.0% average pay raise)	1,998		1,649		63				3,710	
FERS Contribution Increase	3,160		2,639		99				5,898	
Non-Pay	3		385		11				399	
Additional Required Labor Costs	3,577		2,845		178				6,599	
Efficiencies/Savings			($2,747)	(31)					($2,747)	(31)
Personnel Savings			(2,747)	(31)					(2,747)	(31)
Subtotal FY 2021 Changes to Base	$10,786		$6,463	(31)	$416				$17,664	(31)
FY 2021 Current Services	$275,243	118	$243,871	2,370	$9,336	42			$528,450	2,530
Total FY 2021 Request (Before Cap)	$275,243	118	$243,871	2,370	$9,336	42			$528,450	2,530
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	$10,786		$6,463	(31)	$416				$17,664	(31)
Percent Change FY 2021 Request over FY 2020 Enacted	4.08%		2.72%	-1.28%	4.66%				3.46%	-1.20%

4.4 – Summary of IRS FY 2021 ACA Budget Request

Bureau: Internal Revenue Service Summary of FY 2021 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2020 Enacted	$250,885	14	$41,888	328	$33,320	189			$326,093	531
Changes to Base:										
Maintaining Current Levels (MCLs)	$10,193		$1,649		$1,501				$13,343	
Pay Annualization (3.1% average pay raise)	1,944		323		256				2,523	
Pay Raise (1.0% average pay raise)	1,896		315		249				2,460	
FERS Contribution Increase	2,972		480		371				3,823	
Non-Pay	1		3		6				10	
Additional Required Labor Costs	3,380		528		619				4,527	
Efficiencies/Savings			($534)	(4)					($534)	(4)
Personnel Savings			(534)	(4)					(534)	(4)
Subtotal FY 2021 Changes to Base	$10,193		$1,115	(4)	$1,501				$12,809	(4)
FY 2021 Current Services	$261,078	14	$43,003	324	$34,821	189			$338,902	527
Total FY 2021 Request (Before Cap)	$261,078	14	$43,003	324	$34,821	189			$338,902	527
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	$10,193		$1,115	(4)	$1,501				$12,809	(4)
Percent Change FY 2021 Request over FY 2020 Enacted	4.06%		2.66%	-1.22%	4.50%				3.93%	-0.75%

4.5 – Summary of IRS FY 2021 Cyber Security Budget Request

Bureau: Internal Revenue Service Summary of FY 2021 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2020 Enacted	$31,024	67	$31,579	162	$243,571	471	$35,000	30	$341,174	729
Changes to Base:										
Maintaining Current Levels (MCLs)	$1,020		$1,148		$7,094				$9,262	
Pay Annualization (3.1% average pay raise)	93		212		689				994	
Pay Raise (1.0% average pay raise)	91		207		672				969	
FERS Contribution Increase	131		354		1,000				1,485	
Non-Pay	499		84		3,094				3,677	
Additional Required Labor Costs	206		291		1,640				2,137	
Efficiencies/Savings			($351)	(1)					($351)	(1)
Personnel Savings			(351)	(1)					(351)	(1)
Subtotal FY 2021 Changes to Base	$1,020		$797	(1)	$7,094				$8,911	(1)
FY 2021 Current Services	$32,044	67	$32,376	161	$250,665	471	$35,000	30	$350,085	728
Program Increases:										
Integrated Modernization Business Plan							11,000		11,000	
Implementing the Taxpayer First Act										
Subtotal FY 2021 Program Increases							$11,000		$11,000	
Total FY 2021 Request (Before Cap)	$32,044	67	$32,376	161	$250,665	471	$46,000	30	$361,085	728
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	$1,020		$797	(1)	$7,094		$11,000		$19,911	(1)
Percent Change FY 2021 Request over FY 2020 Enacted	3.29%		2.52%	-0.62%	2.91%				5.84%	-0.14%
Cap Adjustment Program Increases										
Increase Audit Coverage					278				278	
Increase Collection Coverage					273				273	
Expand Coverage in the Tax-Exempt Sector					22				22	
Expand Cyber and Virtual Currency Compliance Efforts					20				20	
Subtotal FY 2021 Cap Adjustment Investments					$593				$593	
Total FY 2021 Request Including Cap Adjustment	$32,044	67	$32,376	161	$251,258	471	$46,000	30	$361,678	728
Dollar/FTE Change FY 2021 Request Including cap over FY 2020 Enacted	$1,020		$797	(1)	$7,687		$11,000		$20,504	(1)
Percent Change FY 2021 Request Including cap over FY 2020 Enacted	3.29%		2.52%	-0.62%	3.16%				6.01%	-0.14%

4.6 – Summary of IRS FY 2021 Budget Request

Bureau: Internal Revenue Service Summary of FY 2021 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	$000	FTE	$000	FTE	$000	FTE	$000	FTE	$000	FTE
FY 2020 Enacted (Pre-IAT)	$2,511,554	26,390	$5,010,000	35,388	$3,808,500	11,970	$180,000	426	$11,510,054	74,174
Planned Interappropriation Transfer	24,000	370	(100,500)		76,500					370
FY 2020 Enacted	$2,535,554	26,760	$4,909,500	35,388	$3,885,000	11,970	$180,000	426	$11,510,054	74,544
Changes to Base:										
Maintaining Current Levels (MCLs)	$107,929		$207,089		$130,866		$6,201		$452,085	
Pay Annualization (3.1% average pay raise)	18,078		35,236		13,896		547		67,757	
Pay Raise (1.0% average pay raise)	17,631		34,364		13,552		533		66,080	
FERS Contribution Increase	26,523		52,345		20,143		989		100,000	
Non-Pay	4,058		7,258		41,840		2,188		55,344	
Additional Required Labor Costs	41,639		77,886		41,435		1,944		162,904	
Efficiencies/Savings	($80,929)	(1,082)	($56,589)	(454)	($6,277)				($143,795)	(1,536)
Increase e-File Savings	(4,607)	(85)			(77)				(4,684)	(85)
Space Optimization					(6,200)				(6,200)	
Personnel Savings	(76,322)	(997)	(56,589)	(454)					(132,911)	(1,451)
Subtotal FY 2021 Changes to Base	$27,000	(1,082)	$150,500	(454)	$124,589		$6,201		$308,290	(1,536)
FY 2021 Current Services	$2,562,554	25,678	$5,060,000	34,934	$4,009,589	11,970	$186,201	426	$11,818,344	73,008
Program Increases:										
Integrated Modernization Business Plan							113,799	91	113,799	91
Implementing the Taxpayer First Act			11,260	92	95,100	170			106,360	262
Subtotal FY 2021 Program Increases			$11,260	92	$95,100	170	$113,799	91	$220,159	353
Total FY 2021 Request (Before Cap)	$2,562,554	25,678	$5,071,260	35,026	$4,104,689	12,140	$300,000	517	$12,038,503	73,361
Dollar/FTE Change FY 2021 Request over FY 2020 Enacted	$27,000	(1,082)	$161,760	(362)	$219,689	170	$120,000	91	$528,449	(1,183)
Percent Change FY 2021 Request over FY 2020 Enacted	1.06%	-4.04%	3.29%	-1.02%	5.65%	1.42%	66.67%	21.36%	4.59%	-1.59%
Cap Adjustment Program Increases										
Increase Audit Coverage			123,440	1,325	49,740	8			173,180	1,333
Increase Collection Coverage			119,737	1,334	50,769	8			170,506	1,342
Expand Coverage in the Tax-Exempt Sector			12,102	109	3,664				15,766	109
Expand Cyber and Virtual Currency Compliance Efforts			24,704	101	15,844				40,548	101
Subtotal FY 2021 Cap Adjustment Investments			$279,983	2,869	$120,017	16			$400,000	2,885
Total FY 2021 Request Including Cap Adjustment	$2,562,554	25,678	$5,351,243	37,895	$4,224,706	12,156	$300,000	517	$12,438,503	76,246
Dollar/FTE Change FY 2021 Request Including cap over FY 2020 Enacted	$27,000	(1,082)	$441,743	2,507	$339,706	186	$120,000	91	$928,449	1,702
Percent Change FY 2021 Request Including cap over FY 2020 Enacted	1.06%	-4.04%	9.00%	7.08%	8.74%	1.55%	66.67%	21.36%	8.07%	2.28%