



## IRS REVEALS 10-YEAR SPENDING PLAN FOR \$80 BILLION FUNDING

April 24, 2023

The Inflation Reduction Act enacted in August 2022 included \$80 billion in funding for the IRS over the next decade. On April 6, 2023, the IRS released its Strategic Operating Plan (the “SOP”) which outlines the IRS’s plan for using these funds. The Congressional Budget Office estimates that the additional \$80 billion provided to the IRS will increase federal revenue by more than \$180 billion over the next decade, considering only direct enforcement revenue based on additional staffing.

According to the SOP, the IRS intends to accomplish the following five objectives with the \$80 billion:

1. **Dramatically improve customer services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible.** This would include the creation of online business accounts which taxpayers could use to let the IRS know the communication methods they prefer, the hiring of more representatives to operating telephone lines and taxpayer assistance centers and the use of technology to allow taxpayers to access their account histories, make payments and obtain status updates for filings, all online.
2. **Quickly resolve taxpayer issues when they arise.** This would include flagging issues at the time of filing so that taxpayers can correct them, delivering early and appropriate treatment for issues, sending taxpayers notices they can understand and addressing taxpayer errors quickly and clearly by reaching out to taxpayers or helping them when they contact the IRS.
3. **Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap.** This would include the use of data analytics and technology to audit complex returns, the hiring of specialists focused on large companies, partnerships and high-income individuals and increased enforcement in areas in which audits have declined, including estate and gift, excise and employment taxes. Importantly, the new IRS commissioner has made it clear that all efforts would be made not to use IRS resources to raise audit rates on small businesses and households making under \$400,000 per year, relative to historic levels.
4. **Deliver cutting-edge technology, data, and analytics to operate more effectively.** This would include replacing aging computer systems, modernizing IT infrastructure, improving security and privacy of taxpayer data, and using cloud-based platforms to provide employees and taxpayers with new services faster and with less technical knowledge, onboarding time and operating costs.
5. **Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers.** This would include hiring specialized employees, recruiting from diverse and underrepresented talent pools, allowing employees to work from more locations and with flexible schedules to attract top-tier talent, and employing gig workers on an as needed

basis.

The purpose of the \$80 billion funding for the IRS under the Inflation Reduction Act is to allow the IRS to catch up with modern times and make it easier for businesses and individuals to interact with the IRS. However, the interdependency of the specific projects on each other complicates the ability to predict whether the goals articulated in the SOP will be realized. As a result, taxpayers should be prepared for an uncertain landscape in IRS service, enforcement, and technology.

If you have any questions regarding this alert, please contact your Cummings & Lockwood LLC Private Clients Attorney.