



Internal Revenue Service Inflation Reduction Act Strategic Operating Plan

FY2023 – 2031

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The IRS 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.”



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

APRIL 5, 2023

MEMORANDUM FOR SECRETARY YELLEN

FROM: Daniel I. Werfel, Commissioner of Internal Revenue

SUBJECT: IRS Inflation Reduction Act Strategic Operating Plan

I am pleased to transmit the IRS Inflation Reduction Act Strategic Operating Plan.

In my short time as IRS Commissioner, I am already impressed with the dedication of the IRS workforce and the progress the agency has been making in delivering for the American people. I hope that through some of our recent efforts, such as an improved filing season this year and delivery of Economic Impact Payments during the pandemic, taxpayers see how our workforce makes a difference for the nation. We can do even more to deliver for taxpayers when sufficient resources are provided to the IRS.

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

1. Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible
2. Quickly resolve taxpayer issues when they arise
3. Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap
4. Deliver cutting-edge technology, data, and analytics to operate more effectively
5. Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers

Taken as a whole, the contents of the Plan provide a vision for the future of Federal tax administration, which can be summarized as follows:

- A world class customer service operation where taxpayers can engage with the IRS in a fully digital manner if they choose, where helpful tools for taxpayers to navigate the complexity of our tax laws are deployed and then refreshed and updated regularly based on taxpayer feedback, and where our customer service workforce is maintained at the right size and with the right resources and training to always be ready to meet the taxpayer demand for assistance.
- New capacities, including specialized skills, in place to unpack the complex filings of high income taxpayers and large corporations and partnerships so Americans have confidence that all taxpayers, regardless of means, are doing their part to meet their responsibilities under our tax laws.
- An organization and infrastructure rooted in modern technology that provides taxpayers increased confidence that data is secure and that we are prepared to more rapidly meet new requirements or responsibilities that may emerge in the future.

We will hold ourselves to achieving the Plan vision by regularly monitoring and reporting to Congress on our progress. We will also update the Plan details as we learn more about what works and as the

operating environment changes. More important than any detail in this Plan, however, is our responsibility to improve the customer experience we provide to the American people. The IRS looks forward to demonstrating how the actions under this Plan will translate into real improvements in how taxpayers engage with us and in the assistance we provide. The Plan articulates how, through both service and technology enhancements, the experience of the future will look and feel much different from the IRS of today.

Ensuring taxpayers file accurate returns and pay the taxes they owe is another important component of this Plan. For the first time, we will help taxpayers identify potential mistakes before filing and quickly fix errors that delay their refunds. We will focus IRA enforcement resources on hiring the accountants, attorneys, and data scientists needed to pursue high-income and high-wealth individuals, complex partnerships, and large corporations that are not paying the taxes they owe. All efforts will comply with your directive not to use IRA resources to raise audit rates on small businesses and households making under \$400,000 per year, relative to historic levels. Our efforts outlined in the Plan to provide better service to taxpayers, help them file accurately and resolve issues at filing, coupled with technology and data advances, will allow us to focus enforcement on taxpayers trying to avoid taxes, rather than taxpayers trying to pay what they owe.

I can't overstate the importance of sustained annual resources for IRS operating costs. To help put this issue in perspective, IRS funding has steadily declined over the last decade causing suboptimal staffing and investment. In 2010, for example, we operated with 95,370 FTE to meet the demands of the U.S. population (310 million). Today, the IRS is almost 20 percent smaller (80,006 FTE as of the end of FY 2022), whereas the U.S. population has increased by over 7 percent (334 million) and the tax law has grown more complex. To cover steady state operations, annual discretionary appropriations must be fully maintained at the FY 2022 level, including growth for inflation and pay raises. Any reduction in annual discretionary funds – including not providing for inflationary increases to maintain current levels – will require IRA funding to be shifted to general operations. This would be to the detriment of the service, technology, and compliance initiatives envisioned to transform the IRS. Diverting IRA funding to cover base discretionary enforcement needs would lead to more noncompliance, leading to decreased revenue collection and increased deficits. In rebuilding and sustaining our capacity and capabilities with discretionary and mandatory funding, we plan to focus on hiring and growing talent with the right skills to address the nation's increasingly complex tax system. By leveraging technology, automation, and other tools, we will enable higher staff efficiency than was historically achieved.

As we publish this Plan and work with stakeholders to obtain their feedback, we are also preparing to transmit supplemental budget materials in the weeks to come to the relevant Congressional committees outlining our preliminary spending plans by appropriation. These preliminary plans are in addition to the estimated spending outlined in the plan through FY 2024. We understand the expectation and responsibility for transparency in spending and will provide more details as they are available. We intend to work with these Committees as we have more details on our spending plans and will include updated estimated spending in future updates of the Plan and budget submissions. Specifically, we intend to share staffing information as we move forward and more detailed technology spending in advance of major technology investments.

I look forward to continued engagement with our employees and external stakeholders as we implement this Plan. I also look forward to continued work with you and your staff on this great opportunity to deliver the modernized tax administration system that the American people deserve.

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The Inflation Reduction Act creates a major opportunity

In August 2022, Congress enacted the Inflation Reduction Act (IRA), giving the Internal Revenue Service (IRS) a historic opportunity to transform the administration of the tax system and the services provided to taxpayers. The IRA provides us with approximately \$80 billion over the next decade to significantly improve the way we serve the public. We will transform service to taxpayers by using this long-term funding to update technology capabilities and invest in our employees with new tools, skills, and capabilities. These resources will also ensure the fairness of the tax system by addressing the tax gap—the difference between taxes due and taxes paid—most recently estimated at \$496 billion.

The IRS has been significantly underfunded for the past decade, with a budget reduction of 22% in real terms from 2010 to 2021, leaving us with outdated technology and a shrinking workforce in the face of an increasingly complex tax environment in which to administer the U.S. tax code. This lack of investment has led to low levels of service, paper-based processes, antiquated technology, and an overall experience for taxpayers that falls short of what we want to deliver. The IRA investment is already transforming our ability to improve service to taxpayers.

Shortly after enactment, the Department of the Treasury and the IRS initiated an effort to develop a Strategic Operating Plan, identifying the highest-priority opportunities to deliver transformational change for taxpayers. The planning process leveraged prior IRS planning efforts, including the Taxpayer First Act Report to Congress, new thinking around best practices and available technology capabilities, and current and past input from a wide range of stakeholders in tax administration. Additional context that shaped the development of this Plan is available in Part III and Part V.

Overview of the Plan

This Strategic Operating Plan (also referred to as the “Plan”) outlines how we will deploy the investments in the IRA to better serve taxpayers, tax professionals, and the broader tax ecosystem. We will improve the taxpayer experience through better customer service, clearer guidance on how to correctly file taxes, increased options for filing electronically, and robust online accounts to take care of business quickly and independently. We will utilize tailored solutions to meet the diverse needs and preferences of all taxpayer groups.

Congress has given us responsibility to administer, as effectively and efficiently as possible, more than 150 credits, deductions and other tax preferences in the tax law (generally referred to as “incentives” throughout this Plan). We know that many factors drive unintentional noncompliance and prevent taxpayers from claiming the incentives for which they are eligible. We will significantly improve the services we provide and tailor our compliance work in new ways. Taxpayers will have the tools, information and assistance needed to get their tax filings right – both in paying what they owe and claiming the incentives for which they are eligible. Our employees will likewise have the data, analytics, and tools to ensure compliance and fairness in the tax system.

Our work to improve service must also be coupled with efforts to improve compliance by those who choose not to meet their obligations. The IRA acknowledges that an adequately funded federal tax administration will generate significant revenue for the country. The federal government loses nearly half a trillion dollars each year due to taxpayer noncompliance. This investment will significantly improve the IRS’s ability to address the tax gap.

We will devote resources to enforcing the tax laws against taxpayers who attempt to avoid paying their tax obligations. All compliance efforts will be consistent with the Secretary of the Treasury’s August 10, 2022, directive that IRA resources are not used to increase the share of small businesses or households earning \$400,000 or less that are audited relative to historical levels. We will use

the additional resources provided under the IRA to address high-dollar compliance issues, such as those related to complex partnership structures, large corporations, and high-income individuals.

The Congressional Budget Office estimates that the additional \$80 billion provided to the IRS by the IRA will increase federal revenue by more than \$180 billion in the decade ahead, considering only direct enforcement revenue based on additional staffing.¹ We believe the actual increase will be greater, since all our efforts as outlined in this plan—including in the areas of service, issue resolution and effective enforcement—will increase overall tax compliance. We will also use data and technology to ensure our resources are focused on noncompliant taxpayers. Through both service and enforcement efforts, ensuring taxpayers get their taxes right will help address the tax gap over time. For a more detailed allocation of funds of the Plan, please see Part III.

To enable improved taxpayer services and compliance, we must deliver technology capabilities at a faster pace and bigger scale than we have achieved before. We will invest in new technology, building on contemporary foundational platforms, with modern architectures designed to meet our future needs. This will require careful coordination between delivering new capabilities and modernizing or retiring legacy platforms. It will also require shifting to an IT delivery model that better integrates business unit perspectives to deliver faster and better results to improve services to taxpayers. While ensuring the continued privacy and security of taxpayer data, we will enhance our use of data and analytics to drive operations and decision-making. Improved data analytics will better position us to optimize operations for taxpayers and employees alike.

We will work to attract and retain the best talent as we transition to being a modern, digitally capable, customer-centric agency. We will develop and support a workforce that has modern tools to do its job effectively, broad knowledge of complex tax issues, analytical capabilities to work efficiently and effectively, and the organizational culture

to deliver together. As we deliver on the data and technology aspects of our transformation, the necessary skill sets and composition of our workforce will change. This Plan envisions a modernized IRS that is focused on the customer experience and prefers digital to manual processes and prioritizes compliance efforts that focus on complex tax issues. Looking at transformations of a similar scope, we know that the work needs of the future will look different from those of today (e.g., analytical and technical skills). This plan provides our employees and stakeholders with the information they need to understand where we are going and how we intend to get there.

What we will deliver

IRA transformation vision

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

IRA transformation objectives

Objective 1

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

Objective 2

Quickly resolve taxpayer issues when they arise

Objective 3

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

Objective 4

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

Objective 5

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

The IRS that emerges from this Plan will deliver a best-in-class experience for taxpayers. U.S. tax administration of the future will look different in many ways:

- **Data-driven decision-making will be the core of our approach** to fundamentally shift how we manage operations and deliver services to taxpayers.
- **Taxpayers and tax professionals will be able to interact with us in the ways they prefer**, including expanded digital, phone, and in-person assistance options.
- **Taxpayers will have easy, secure access to their data**, as well as the tools to help them use it, to help them meet their tax obligations.
- **We will help taxpayers** both meet their tax obligations and receive the credits and deductions for which they are eligible.
- **Electronic filing and communication options** will be simpler and will make it easier to interact with the IRS.
- **We will offer notifications and proactive help** for taxpayers and tax professionals to find and correct mistakes earlier.
- **We will resolve filing issues** with clear notices and the fastest, simplest possible solution for the taxpayer.
- **We will use enhanced data and analytics** to assist in the selection of compliance cases based on the highest risk of noncompliance.
- **We will increase capacity and expertise for enforcement** to better address high-dollar noncompliance among complex filers.
- **We will retire outdated legacy IT systems and invest in new technology** to improve customer experience, to provide data-driven enforcement, and to carry out skill-building on technology and data across the IRS workforce, so employees are able to use real-time data and analytics to drive their work and improve productivity.

- **We will devote a larger share of employees to taxpayer-facing roles** as demand for manually processed paper returns and correspondence decreases and systems are automated.
- **We will recruit, train, and retain a workforce** with the skills and capabilities we need—people who put customer service first and are able to use our new technologies to work effectively.
- **We will improve the employee experience** and empower the workforce to drive better taxpayer experiences, with clearer career pathways that will improve retention and support career growth and opportunity.
- **We will ensure the privacy and security** of taxpayer data in all that we do.

In addition to the transformation funding for the IRS, the IRA also includes technical tax provisions designed to incentivize energy security and clean energy investment in the United States. We are actively working to implement these provisions. While most of this Plan focuses on our overall transformation, we will also describe how these broader efforts will equip us to better deliver the energy security and clean energy provisions that Congress provided in the IRA.

IRA Transformation Outcomes

As we move toward the future state described above, powered by the IRA investment and the initiatives outlined in this plan, we will measure the overall progress of the transformation according to the following transformation outcomes. In addition to these outcomes, we will monitor progress in several other indicators of success defined in Part II of this Plan. We will define detailed performance metrics for initiatives during implementation.

- **World-class service experience:** Improved customer satisfaction metrics
- **Digital-first organization:** Digital options for all taxpayer interactions with the IRS, alongside the continued option for taxpayers to interact in their preferred mode, such as phone or in person

- **Improved take-up of tax incentives by eligible taxpayers:** Increased eligible participation rate of credits and deductions, as well as decrease in inadvertent errors and improper payments
- **Effective enforcement:** Reduce the gap between taxes owed and paid
- **Employer of choice within government and industry:** Improved Federal Employee Viewpoint Survey results

Accountability to stakeholders and previous IRS strategies

The IRS will make this vision a reality and deliver on the commitments in this Plan by collaborating across the organization and engaging in disciplined and transparent accountability processes. This Plan outlines the framework that we will use to achieve the objectives in this Plan. While this Plan supersedes any previous IRS strategic planning documents, it is based in part on insights from those materials, including the 2022-2026 IRS Strategic Plan, and other planning efforts, including the Taxpayer Experience Roadmap; Business Unit strategic plans; Agencywide Equity, Diversity, Inclusion, and Accessibility (EDIA) Strategy and Roadmap; and the IRS Integrated Modernization Business Plan. The IRA gives the IRS the resources to turn our plans to improve the way we serve taxpayers into reality.

The IRS serves and partners with a broad range of stakeholders. We also recognize that many populations have unique needs, and we will implement new services, resources, and other initiatives outlined in this Plan with accessibility for all. For details on impacted stakeholders, see Part III: Stakeholders impacted by the Strategic Operating Plan.

Immediate actions we have taken to improve outcomes for taxpayers and employees

While we plan for the longer-term improvements we will make with IRA funding, we have already begun to deliver results. Over the past year, we have taken a range of actions to assist taxpayers, including:

- **Hiring over 5,000 new customer service representatives** to process correspondence and answer phone inquiries, and beginning the process of hiring approximately 650 new employees to work in our Taxpayer Assistance Centers across the country
- **Reducing the inventory of original individual returns** from 4.7 million waiting to be processed in January 2022 to pre-pandemic levels between 400,000 and 1 million in January 2023
- **Consistently achieving a level of service between 80% and 90% weekly** during the filing season, which includes phone calls answered by live customer service representatives
- **Preparing to scan and digitalize** millions of business and individual tax returns in 2023, with Form 940 scanning underway as of February 2023 and Form 1040 scanning underway as of March 2023
- **Providing customer callback option** for 75% of calls to IRS live assistance toll-free telephone lines, with plans to expand coverage to 95% of taxpayers calling for toll-free live assistance by the end of July 2023
- **Enabling direct-deposit refunds** for 1040X (amended) returns in February 2023; previously, these refunds were solely issued as paper checks
- **Giving taxpayers the option** to respond and upload documents electronically in response to a range of IRS notices

- **Launching Information Returns Intake System (IRIS)** for businesses to electronically file 1099-series forms in January 2023
- **Creating a tactical operations center** to increase hiring and onboarding speed and capacity, in tandem with campaigns to improve employees' access to critical supplies and equipment, pilots for increased flexibilities to compete with the private sector, and other efforts to improve the culture and value proposition of working at the IRS

Above Immediate Actions figures and timeframes as of March 2023

Part II: Objectives and initiatives

The Plan has five main objectives, which will be achieved through the completion of a set of initiatives:

Objective 1

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

Objective 2

Quickly resolve taxpayer issues when they arise

Objective 3

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

Objective 4

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

Objective 5

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

This Plan will serve as a guide for decision-making by IRS leadership and project managers. The Transformation and Strategy Office will coordinate detailed planning and execution efforts. See Part III for details on how implementation will be governed. The following describes the organization of this plan.

Elements in Part II

Transformation objective describes what we will do to make the vision a reality.

Initiatives outline strategic bodies of work that will drive transformation.

Key Projects are discrete, actionable efforts for each initiative. The projects in the Plan are not comprehensive of all projects an initiative will include.

Major Milestones will be tracked during implementation. The years provided in this Plan are best estimates. Timing will be updated as detailed planning proceeds

To be refined during detailed planning

Example

Objective 1: Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible

Initiative 1.2: Expand digital services and digitalization: Taxpayers will be able to file all documents securely and exchange correspondence electronically

Create digital forms

Expand digitalization

Create viewable digitized data

Milestone 1 (FY 20XX)

Milestone 2 (FY 20XX)

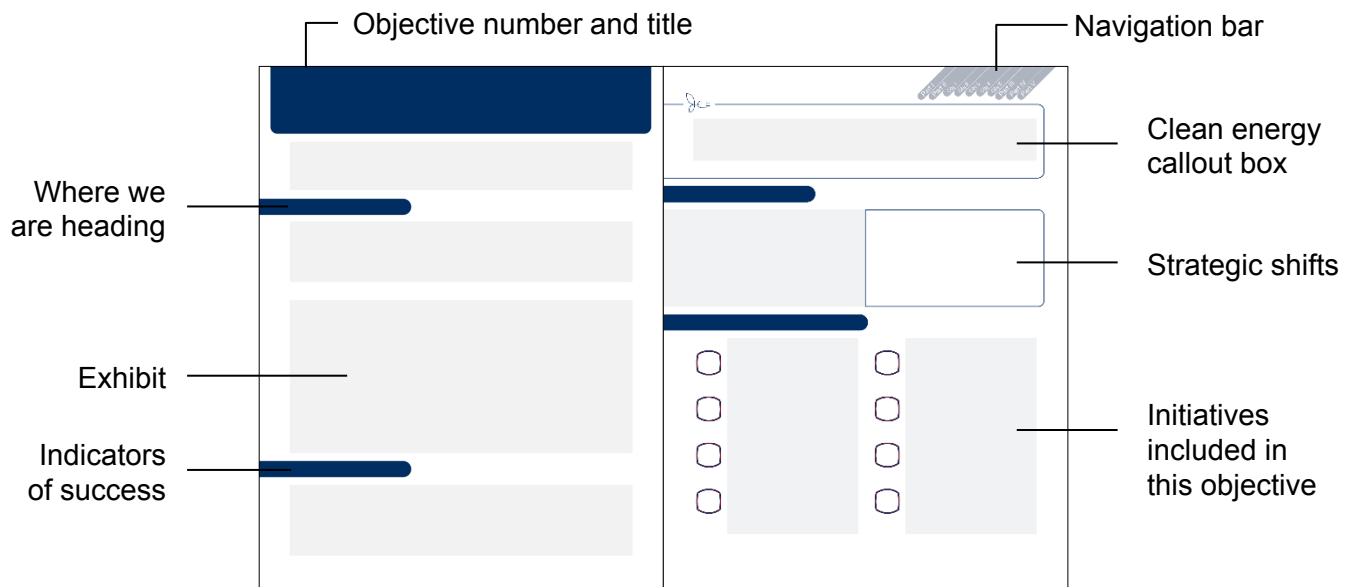
Milestone 3 (FY 20XX)

Milestone 4 (FY 20XX)

Milestone 5 (FY 20XX)

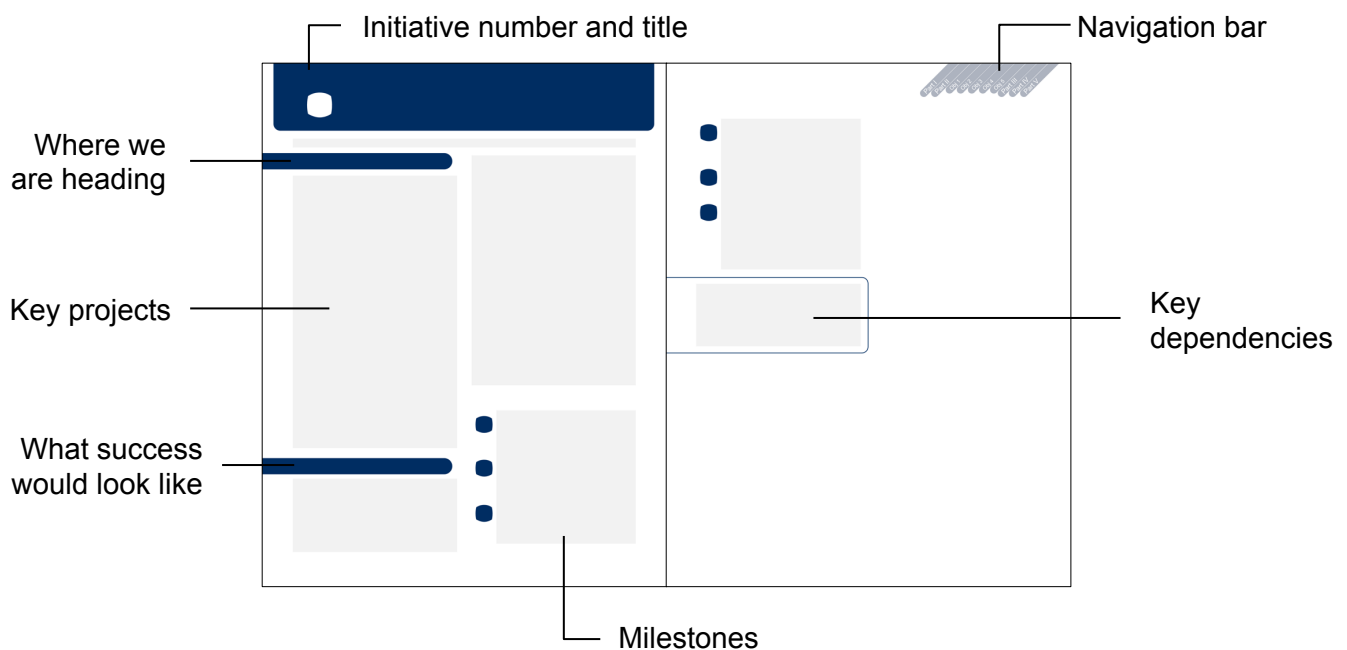
Objective pages

For each objective, the Plan includes the following information:



Initiative pages

Each objective is associated with a group of initiatives.
 For each initiative, the Plan includes the following information:



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

Filing taxes can be time-consuming and difficult, and we have not been able to meet all demands for taxpayer services. Taxpayers want a more seamless filing process, similar to the services available in other sectors. We will significantly improve our services by providing taxpayers, including individuals, businesses, and tax professionals, with tools, information, and assistance to make it easier to comply. Initially this will require us to increase the number of employees providing customer services, but over time many of these improvements will be made possible by the technology investments outlined in Objective 4.

Where we are heading

- We will make interactions with us easier and more convenient for taxpayers and tax professionals, on par with the experience they expect from best-in-class public and private organizations and tailored to their needs.
- We will improve our communications to taxpayers and invest in technology to provide them added digital options—in addition to in-person and paper options—for their interactions with us.
- We will provide taxpayers and practitioners with the data and tools they need to interact with us via their preferred communication channels, proactively notify them of changes and events that impact their filings, and help them more easily, accurately, and securely file their taxes and receive the incentives for which they are eligible.

What taxpayers could experience in the near future

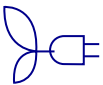


- A Taxpayer creates a secure Business Online Account at IRS.gov and lets us know which communications methods they prefer – email, paper mail or phone. The taxpayer selects email.
- They later receive an email explaining tax credits and deductions for which they may be eligible.
- Their online account gives them access to easy-to-read data to start this year's tax return.
- They have questions about how to file employment tax returns. A chatbot provides initial answers, and if they have specific questions, they can request a call from an agent.
- An agent calls them back, reviews their account history with them, and answers their questions. The taxpayers then prepare their own return.
- When they submit a return online, taxpayers get a real-time alert that shows easy-to-fix errors. They correct the errors and re-submit the return.
- After they file, they use their online account to track refund status and adjust preferences. They opt to receive their refund via direct deposit.

Visuals are illustrative

Indicators of success

- ✓ Increased service levels
- ✓ Increased taxpayer service options and increased access to, and accessibility of, those options
- ✓ Decreased filing burdens for taxpayers
- ✓ Wider array of digital options to help taxpayers and tax professionals interact with the IRS and have a more seamless customer experience
- ✓ Decreased percentage of returns filed with math errors or errors related to third-party information reported to the IRS
- ✓ Decreased difference between credits and deductions available versus those claimed, as well as fewer inadvertent errors and improper payments
- ✓ Higher proportion of taxpayers satisfied with the filing process
- ✓ Increased taxpayer satisfaction with IRS interactions and service
- ✓ Higher proportion of paperless processes and systems throughout the IRS, from intake to processing



How improving customer experience will further the energy security and clean energy provisions of the IRA

- Through enhanced education and assistance, we will help taxpayers understand for which energy security and clean energy credits they may be eligible, and how to claim them.
- Multichannel assistance will give taxpayers the ability to file and communicate with us through the channel of their choice.
- Taxpayers will be able to log into their online account to track the status of their account and claims.
- Consumers will be able to transfer their clean vehicle tax credit to a car dealer for an equivalent price discount starting in 2024.
- Mapping tools will help taxpayers identify potential eligibility for certain energy security and clean energy tax credits.

Strategic shifts

From	To
Taxpayers often must call the IRS to get help because self-service options are limited.	Taxpayers and tax professionals will be able to interact with us in the way they prefer, including expanded digital, phone, in-person assistance options.
Taxpayers lack convenient ways to access and use their tax data.	Taxpayers will have easy, secure access to their data, as well as the tools to help them use it, to meet their tax obligations.
Filing and communications are paper-based and inconvenient for taxpayers.	Electronic filing and communication options will be simpler and will make it easier to interact with the IRS.
Taxpayers get limited help navigating the tax system on their own.	We will help taxpayers both meet their tax obligations and receive the incentives for which they are eligible.

Initiatives included in this objective

1.1

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

1.2

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

1.3

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

1.4

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

1.5

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

1.6

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

1.7

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

1.8

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

1.9

Help taxpayers understand and claim appropriate credits and deductions:

Taxpayers, including individuals and small businesses, will receive education and assistance in claiming available incentives

1.10

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

1.11

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

1.12

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

Improve the availability and accessibility of customer service

Taxpayers will be able to receive on-demand customer service and schedule service ahead of time

Where we are heading

When taxpayers have questions or concerns, they need the right answers quickly in ways that work for them. Low levels of service and limited customer service options are especially challenging for low-income taxpayers, those with limited mobility or limited English proficiency, and those who do not have flexible schedules. In short, many of those who need help most do not get it, contributing to tax compliance issues and loss of trust in the tax system.

We have dramatically increased the number of IRS employees providing customer service this filing season, but over the next few years we want to also dramatically improve technology-driven options for taxpayers. We will use enhanced data and analytics to forecast customer service demand and improve customer service access and options, staffing accordingly. We will enable taxpayers to schedule service through digital and in-person channels and develop a plan to provide estimated wait times and on-demand service through all channels, including at Taxpayer Assistance Centers (TACs). We will also ensure that communication channels for tax professionals, such as the Practitioner Line, are available and accessible.

We will equip the employees who interact with taxpayers with training and the authority they need to resolve issues at the lowest appropriate level. As discussed in other initiatives, we will provide a multichannel service experience and improved employee tools to improve service delivery. Customer service improvements will be comparable across diverse taxpayer segments, including those with disabilities and limited English proficiency.

What success would look like

Success for this initiative would include a larger share of taxpayers being satisfied with IRS customer service options and perceiving that the IRS is “here to help.” More taxpayers would feel they are receiving accurate and timely answers to questions in ways that meet their diverse needs. Levels of service across all channels would increase, wait times would fall, and compliance with tax obligations would increase. The accuracy of returns would also rise, including claims for credits and deductions.

Key projects

- 1. Expand service offerings across multiple service channels to meet the needs of taxpayers and tax professionals.** Use improved data and analytics to project demand, staffing, estimated wait and processing times, and service locations. Adjust policies, services offered, and locations to provide in-person, telephone, and digital services for all taxpayers and tax professionals, including those in rural and underserved areas. This includes expanding the services available through current customer service channels such as the TACs and phones.
- 2. Provide the public with accurate wait time estimates.** Include estimated wait times in customer service channels and processing times for high-volume returns and other forms.
- 3. Staff customer service functions to meet projected demand.** Use enhanced data and analytics to project demand for customer services and better allocate well-equipped employees to meet demand.
- 4. Improve appointment scheduling and on-demand capabilities.** Offer appointment scheduling and on-demand services across service channels.

5. **Develop policies and tools that support first-contact problem-resolution.** Develop policies and tools that support the immediate involvement of the right people to resolve taxpayer issues quickly, even when first-contact employees do not have the information or authority to resolve the issues.
6. **Enable equal access through equitable practices.** Provide equitable access to IRS services and opportunities for taxpayers. Meet the needs of rural populations, people with disabilities, those with limited English proficiency, other underserved communities, and small businesses. Explore creative opportunities for expanding the reach of live assistance.

Key dependencies

1.1 depends on projects in initiatives:

1.3, 1.4, 1.12, 4.5-4.7, 5.5-5.7

Initiatives dependent on projects in 1.1:

1.9, 2.6, 2.7, 5.8

Milestones

- 1 **FY 2023**
Expanded hours are available at the TACs for appointments and on-demand service with staffing to meet expected demand
- 2 **FY 2024**
Taxpayers and tax professionals can schedule service appointments via multiple channels, based on staff availability
- 3 **FY 2024**
Data and analytics capabilities are used to predict taxpayer demand and staffing needs for customer service and to project estimated processing time for certain returns and other forms
- 4 **FY 2024**
Increased service availability and services are offered in TACs and on phones to meet taxpayer demand
- 5 **FY 2025**
Data and analytics capabilities are used to develop real-time wait time projections for taxpayers seeking on-demand service

Taxpayers will be able to file all documents securely and exchange correspondence electronically

Where we are heading

Most taxpayers prefer to file IRS documents electronically when available, but the remaining paper-based filings have outsized effects on IRS operations. Paper filings take longer, cost more, and are more prone to errors, leading to a downward spiral in service quality. More issues create longer customer service wait times, which increase our support costs and the volume of issues we must work to resolve. We will enable secure electronic filing and processing for IRS documents, which will allow us to enhance our support for taxpayers who continue to file on paper, reducing the frequency of delays and errors in processing.

We will provide taxpayers the option to file documents electronically and securely. We will process all forms, returns, and certifications digitally regardless of how they are submitted, while maintaining paper submission options. We will ensure that taxpayers claiming credits are able to securely file digitally and are not unduly burdened during filing. We will scan and digitalize all incoming paper forms, returns, and communications to process them digitally. We will modernize forms and other documents to make them mobile-friendly, shifting away from the structure of traditional paper forms toward easy-to-use, interactive forms that can be easily updated and improved in response to changes in customer needs and tax laws. We will redesign service delivery, business processes, enterprise scanning, data intake, legacy systems, and case management systems to fully enable digital processing. We will become fully digital and modernize processes to improve the taxpayer experience and organizational efficiency; examples may include modernizing the Individual Tax Identification Number (ITIN) process, updating Tax Pro Account features to submit authorizations to assist clients, and fully digitalizing amended return processing.

What success would look like

Success for this initiative would include customers finding it easier to prepare and submit documents to the IRS. Processing times would fall for end-to-end digital processes. Backlogs in paper and manual processes would be eliminated. The accuracy of translation of return data would increase as we phase in digital (e-filed) and digitalized (paper converted to digital data) receipts. Digital tools would be accessible for people with disabilities and available in taxpayers' preferred languages. Expanding digitalization would also lessen the environmental impact of the IRS by reducing paper usage internally and by taxpayers, reducing the need for shipping and minimizing the amount of paper storage required.

Key projects

- 1. Create digital forms.** Modernize forms so they are easier to use, mobile-friendly, and take advantage of digital capabilities and interactive features that paper forms lack.
- 2. Expand digitalization.** Digitalize paper-submitted forms, returns, applications, certifications, correspondence, or remittances at the point of receipt. This includes scanning and extracting data from forms, images, barcodes, and other sources.
- 3. Enable digital data delivery throughout the IRS.** Clean and deliver data and images to the appropriate workflows for processing.
- 4. Reinforce secure storage and archiving practices.** Implement necessary data storage requirements and best practices to retain proof of receipt and of senders' identities. Archive materials as appropriate and required.
- 5. Create viewable digitized data.** Make an image or representation of the submitted content viewable after submission for employees and taxpayer Online Accounts, as appropriate.

6. **Enable and implement digital processing.** Replace and streamline case, account, and payment systems to incorporate more automation and digitally process data received from any submission. Create and implement a prioritization plan to digitalize end-to-end processing across the IRS based on need, impact, and feasibility.
7. **Evaluate which taxpayers are most burdened during filing and remove barriers to electronic filing.** Evaluate which taxpayers face barriers during filing, such as those who may be eligible for credits and deductions; those who need information quickly from the IRS, such as residency certificates; or those who are required to paper-file in certain circumstances. Prioritize creating and improving digital pathways for these taxpayers.

7

FY 2026-2027
 Additional forms, returns, and certifications available for electronic filing and digitalization based on prioritization plan

Key dependencies

1.2 depends on projects in initiatives:
4.1, 4.3-4.5, 5.5

Initiatives dependent on projects in 1.2:
1.4, 1.9, 1.11, 2.2, 2.7, 4.1, 4.5, 5.3, 5.8

Milestones

- 1 **FY 2023**
Certain documents, paper correspondence, and non-tax forms digitalized using the new Digital Enablement Platform launched in 2022
- 2 **FY 2023**
Enhanced scanning of key tax forms (e.g., Forms 940, 941, 1040)
- 3 **FY 2023**
Planning and prioritization to enable and implement digital processing and electronic filing
- 4 **FY 2024**
Highest-priority end-to-end digital processes implemented
- 5 **FY 2024-2025**
High-priority forms, returns, and certifications available for electronic filing and digitalization
- 6 **FY 2025**
Additional high-priority end-to-end digital processes implemented

Ensure employees have the right tools

Employees will have the right tools and information to quickly and effectively meet the needs of taxpayers

Where we are heading

Our workforce of dedicated public servants needs the right tools and information to deliver the customer experience that taxpayers and tax professionals deserve. Taxpayers need real-time answers and secure access to account data that is easy to understand and interpret, while employees need the authority to make appropriate decisions and help taxpayers understand and resolve issues.

We will create a simpler and more seamless experience for taxpayers by giving employees the tools to access and update taxpayer information and accounts. We will study employee needs holistically and create a centralized information system with appropriate tools to enable and empower them. We will train employees to use new systems and supporting tools.

We will consider the needs of all employees, not just those in formal customer service positions. For example, in addition to studying the needs of customer service representatives, we will assess whether compliance employees have the appropriate information, analytical skills, communications tools, and authorities to resolve certain account issues when engaging with taxpayers on compliance issues.

When an employee cannot resolve an issue, we will provide the taxpayer with quick access to IRS employees who can. We will put policies and systems in place to appropriately grant access and control employees' abilities to make account changes. Taxpayer privacy and security will remain paramount in all we do.

receive during customer service interactions. Employee morale and job satisfaction would increase as they get more of the tools they need to do their jobs. The workforce would become nimbler, easier to train, and able to deliver service to taxpayers more quickly and effectively.

Key projects

- 1. Build a holistic view of taxpayer accounts that employees can access.** Create a secure centralized information system that provides customer relationship management via a history of all interactions across channels (e.g., chat bot, live assistor, online self-service experiences) and holistic views of taxpayer data, information, and history.
- 2. Build analytical, communication-based, and other tools for employees.** Build tools so employees understand information more quickly, determine appropriate resolutions, and either resolve issues for taxpayers or immediately route them to the appropriate places for resolution.
- 3. Empower employees with the right information to answer questions and resolve issues during the first interaction.** Provide employees with job aids and guidance to resolve a wide range of issues and answer questions during the first contact.
- 4. Give employees appropriate authorities to resolve issues immediately or route the taxpayer appropriately for fast resolution.** Assess and expand the scope of resolutions employees can provide to taxpayers to empower employees to resolve issues effectively and efficiently at the lowest appropriate level.

What success would look like

Success for this initiative would include a rise in taxpayers' satisfaction with the information they

Milestones

- 1** **FY 2023**
 Partnership launched between IRS employees and the National Treasury Employee Union (NTEU) to study and build tools to help employees meet taxpayer needs more efficiently and effectively
- 2** **FY 2023**
 Comprehensive review and planning related to case management, customer relationship management, and data access, intake, and viewing capabilities to ensure employees have the tools they need to service taxpayers
- 3** **FY 2024**
 Delegations of authority studied and modified to empower employees to resolve issues at the lowest appropriate level
- 4** **FY 2024**
 Scope of services studied and modified to empower employees to resolve issues at the lowest appropriate level
- 5** **FY 2024-2025**
 Employee job aids and tools made accessible and searchable in a single place; training provided for employees on new tools, processes, and authorities
- 6** **FY 2024-2027**
 Additional capabilities launched based on prioritization plan

Key dependencies

1.3 depends on projects in initiatives:

4.4-4.7, 5.5, 5.7, 5.8

Initiatives dependent on projects in 1.3:

1.1, 1.4-1.6, 1.8, 1.10-1.12, 2.1-2.4, 2.7, 3.1-3.6, 5.3, 5.8

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

Where we are heading

Taxpayers and tax professionals should have easy, secure self-service options to get information and resolve issues. They should be able to interact with the IRS just as they would with most other customer-centric businesses and financial institutions.

We will expand Individual Online Accounts to enable taxpayers to capture and store preferences and profile information, access user-friendly tax data, schedule payments, view status-tracking tools, opt into certain notifications, communicate securely with the IRS, initiate customer service requests, and more.

We will build Business Online Accounts and enable business taxpayers to manage who can access company information and act on the entity's behalf while offering a modern suite of self-service options.

We will also offer options via online Tax Pro Accounts to manage authorizations, view client information, and take actions as authorized by clients. We will ensure employees can access and view online account information as appropriate to provide taxpayers and tax professionals a seamless customer service experience.

Taxpayer privacy and security will remain paramount in all we do.

What success would look like

Success for this initiative would include an increase in the share of taxpayers using self-service options. Customers would be satisfied with issue resolution times for self-service options. We would reduce need for live customer service as the primary issue resolution tool for customers

who use online accounts. Customer satisfaction with ease of use and availability of online account features would increase.

Key projects

- 1. Provide comprehensive secure online account services for individual taxpayers.** Add features to Individual Online Accounts, including the ability to schedule payments, save payment information, create and change payment plans, access user-friendly tax records, view the status of returns, refunds, and audits, opt into certain notifications, use secure messaging, and more.
- 2. Provide secure online account management for businesses.** Include features to let business taxpayers manage their profile and designees, view balance and payment history, make payments, view account history, and more.
- 3. Expand Online Tax Pro Accounts.** Enable tax professionals to manage their client authorizations online; view clients' balances, payment histories, and notices; and act on their behalf to make payments, set up payment plans, and complete other account updates as authorized.
- 4. Create taxpayer profiles that integrate with other IRS systems.** Incorporate taxpayer profiles into IRS accounts to holistically capture taxpayer preferences and payment information.
- 5. Give employees access to information to enable seamless customer service.** Provide employees the ability to access information available to taxpayers, as appropriate, so they can assist taxpayers when needed.

6. Enhance IRS.gov systems and content to support new digital tools, products, and services for taxpayers. Upgrade systems and improve content development to make sure IRS.gov supports the new capabilities and is accessible to taxpayers and stakeholders, including underserved and limited English proficient (LEP) populations.

Milestones

- 1** **FY 2023**
Full implementation plan for online account enhancements developed for Individual, Business, and Tax Pro Online Accounts
- 2** **FY 2023**
Enhancements to Individual Online Accounts and Tax Pro Online Accounts implemented
- 3** **FY 2023**
Business Online Accounts for taxpayers launched
- 4** **FY 2024-2026**
Enhancements to Individual and Business Online Accounts implemented to support capabilities that taxpayers and tax professionals need, based on the implementation plan

Key dependencies

1.4 depends on projects in initiatives:

1.2, 1.3, 1.12, 4.1, 4.4-4.6, 5.5

Initiatives dependent on projects in 1.4:

1.1, 1.6, 1.8, 1.10-1.12, 2.3, 2.7

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

Where we are heading

We will explore making it easier for many taxpayers to file returns for free with a question-based electronic service to prepare and file tax returns directly with the IRS. This service could lower barriers to claiming certain incentives.

Many other tax authorities have rolled out the ability to file taxes directly for free as part of their digital transformations. The IRA requires the IRS to study the design of an IRS-run direct file service. As the IRS examines the cost and feasibility of building a direct file option, as required by the IRA, it will also study taxpayer preferences for products. The results of the study will inform if and how the IRS should design such a service.

What success would look like

Success for this initiative would include high satisfaction rates among customers who use the direct file service, if pursued, and continued use of a direct file service by taxpayers from one year to the next.

Key projects

- 1. Study the feasibility of building a direct file service and the preferences of taxpayers.**
Ensure any direct file service is feasible, cost-effective, secure, and meets the needs of taxpayers.
- 2. If the outcome of the feasibility study warrants, create an additional option for how taxpayers can file their tax returns.**
Direct file would give eligible taxpayers a free, public electronic return-filing service option.

Milestones

1

May 2023

Congressionally mandated study on direct file issued

2

FY 2023

Feasibility and cost of releasing a direct file service determined based on direct file study results

3

FY 2023

Next steps determined and communicated to Congress and other stakeholders

Key dependencies

1.5 depends on projects in initiatives:

1.3, 4.4, 4.5, 4.7, 5.7

Initiatives dependent on projects in 1.5:

None

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Enable taxpayers to access their data

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

Where we are heading

We will enable taxpayers to securely access their own account data, including transcripts, account balances, payment and account histories, notices, service history, and more. More taxpayers will be able to understand the status of their accounts, identify and correct errors, and get their questions answered via self-service.

We will also help taxpayers get their returns right the first time by providing taxpayers and their authorized tax professionals with data and information to help them populate their tax returns based on prior-year returns and current-year information.

Providing taxpayers and authorized tax professionals with the option to begin tax returns using data the IRS already has will make the filing process easier. We will explore ways to help low-income taxpayers access and use IRS data to remove barriers to getting the information necessary to file returns and claim benefits to which they are entitled. The information will be provided in a format that can interact directly with return preparation software or can be taken to a return preparer when authorized by the taxpayer, while still ensuring protection of taxpayer privacy. This service will reduce the chance that taxpayers will accidentally make a mistake or omission that requires filing an amended return or correcting an error after filing.

What success would look like

Success for this initiative would include improving customer satisfaction by helping taxpayers access and understand data. Customer service calls asking for transcripts and other documents that are accessible through the new online tools would decrease. Taxpayers who use this data to begin their returns would have fewer document-matching issues and make fewer amended returns.

Key projects

- 1. Make transcripts and account data easier to read and understand.** Use plain language for IRS transcripts for all taxpayers and make them available in additional languages.
- 2. Offer user-friendly and portable views of taxpayer account and return data and information.** Provide taxpayers and tax professionals the ability to see or download account history to see payments, balances, notices, and other information, in line with similar interactions with financial institutions.
- 3. Help taxpayers start their tax returns with data that can go directly into return preparation software or to authorized return preparers based on taxpayer preference.** Provide taxpayers and their authorized tax professionals the ability to retrieve data from prior-year returns and current-year information in a format that can interact with return preparation software if preferred. Taxpayers will have options to question the accuracy of information and correct any information return discrepancies prior to filing.

Milestones

1

FY 2024

Current transcripts updated to be user-friendly and available in Spanish and other languages

2

FY 2024

Business transcripts made available online and in an easy-to-read format through Business Online Account

3

FY 2025

Mechanism developed to push data into return preparation software to help taxpayers prepare current-year tax returns

4

FY 2025

Online accounts upgraded to incorporate user-friendly views of account and return information (e.g., notices, letters, account history, payment history, balances due, etc.)

Key dependencies

1.6 depends on projects in initiatives:

1.3, 1.4, 4.1, 4.4-4.6

Initiatives dependent on projects in 1.6:

2.6

Taxpayers will have greater upfront clarity and certainty through additional guidance on tax issues

Where we are heading

To provide taxpayers with the information they need to understand and comply with tax obligations, the IRS and the Department of the Treasury work together to issue guidance and advice to ease filing burdens on taxpayers and practitioners, as well as to provide certainty about the positions the IRS takes on tax issues. With limited resources, however, the IRS has been able to provide this guidance only for priority issues, leaving many taxpayers unaware of how the IRS views the application of the law and whether certain positions will be accepted.

In coordination with the Office of Chief Counsel and the Department of the Treasury Office of Tax Policy, we will expand capacity to provide as much certainty on tax issues as possible. This will include issuing more legal guidance, interpreting the tax laws to address areas of uncertainty for all taxpayer segments, including current issues and those related to new legislation. We will emphasize early clarity—through formal or informal guidance—to address a wide array of taxpayer questions and reduce the need for subsequent enforcement actions. We will provide additional legal guidance to enable more taxpayers to meet their filing and tax obligations voluntarily, at the lowest cost. We will identify and implement new strategies to provide increased certainty for taxpayers. We will explore the best practices of other jurisdictions in providing taxpayers with early certainty in more timely ways, such as for risk stratification, safe harbors, or audit guidelines.

What success would look like

Success for this initiative would include a rise in voluntary compliance due to increased understanding. We would receive fewer requests from stakeholders and IRS employees for additional guidance and would be able to focus

more compliance resources on issues where there are true legal disputes.

Key projects

- 1. Expand capacity for addressing taxpayer issues through guidance interpreting the tax law.** Expand capacity in the Office of Chief Counsel and with the Department of the Treasury Office of Tax Policy to address more taxpayer questions proactively using both formal and informal legal guidance and rulings.
- 2. Explore new forms of informal guidance.** Pursue the use of additional guidance tools to address current challenges and, where possible, provide greater certainty for taxpayers. We will continue to devise ways to provide guidance that are helpful to all taxpayers.

Milestones

1

FY 2024 and ongoing

More guidance provided quickly to address tax compliance and taxpayer services issues

2

FY 2024

Priority areas for formal and informal guidance identified through consultation with external stakeholders and IRS data, in addition to expanding the annual Priority Guidance Plan process for published guidance

3

FY 2024

Additional legal specialists hired within the Office of Chief Counsel and the Department of the Treasury Office of Tax Policy to support expansion of formal and informal guidance

Key dependencies

1.7 depends on projects in initiatives:

None

Initiatives dependent on projects in 1.7:

None

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

Where we are heading

We want taxpayers—including businesses and the self-employed—to have the information they need to understand and comply with tax obligations, claim credits and deductions, and understand the impact of life changes on their tax situation (such as marriage or the birth of a child). Educating taxpayers about their eligibility for different options and making it easier to access those options will build trust in the tax system and help taxpayers make more informed choices.

We will use available data to create clear, informative, and personalized alerts that help taxpayers understand their obligations and the credits and deductions they may be eligible to claim. We will also give taxpayers the option to share life changes with us to learn about the potential tax impacts of those changes, and to opt into receiving notifications about potential life changes that we learn about from IRS data and partner data.

We will build a data environment to better utilize taxpayer-related data sources, including customer accounts, customer service, third-party information reporting, and partner data. Taxpayers who choose to participate will receive simple, easy-to-read notifications to help them understand how these life changes may impact their taxes. Taxpayers will be able to choose what types of information they receive, how often, and through what channels. We will use research-based education and outreach approaches to help taxpayers understand the benefits of enrolling in personalized alerts.

tax reporting and claims for appropriate incentives. We would see decreased penalties and interest and have shorter examination cycles for taxpayers who receive relevant alerts.

Key projects

- 1. Create options for taxpayers to receive informational and reminder alerts.** Allow taxpayers to choose the types of alerts they wish to receive and their preferred communication channels, which could include in-app notifications, secure messaging, or email. Electronic alerts will incorporate security and authentication measures to protect taxpayer privacy.
- 2. Personalize what information taxpayers include to inform their alerts.** Enable taxpayers to allow the IRS to use tax data to personalize alerts.
- 3. Build the capability for taxpayers to inform the IRS of major life changes and receive educational content.** Enable taxpayers to update their life changes through their channels of choice, which we will use to inform them of potential impacts to tax obligations, credits, and deductions.
- 4. Build a coordinated partnering strategy to inform taxpayers.** Partner with the Office of Management and Budget and other federal agencies working on life changes initiatives to develop and implement our part of an inter-agency strategy to provide comprehensive information to help customers make informed decisions and navigate the federal system during status changes.

What success would look like

Success for this initiative would include an increase in the accuracy of participating taxpayers'

Milestones

- 1** **FY 2024**
 Systems, data sources, and federal and state partnerships established to support personalized alerts
- 2** **FY 2025**
 Intake process built so taxpayers can opt into alerts and inform the IRS of life changes
- 3** **FY 2025**
 Alerts implemented for individual and business taxpayers and tax professionals, including putting customer service mechanisms in place to answer calls and questions related to the alert process and the alerts themselves

Key dependencies

1.8 depends on projects in initiatives:

1.3, 1.4, 4.1, 4.4-4.6

Initiatives dependent on projects in 1.8:

1.9

Help taxpayers understand and claim appropriate credits and deductions

Taxpayers, including individuals and small businesses, will receive education and assistance in claiming available incentives

Where we are heading

Over the course of the last several decades Congress has given the IRS responsibility for delivering certain incentives through tax credits and deductions, including to small businesses and individuals. We recognize that in order to deliver on this mandate from Congress, we must incorporate the appropriate delivery of these incentives into every aspect of the IRS. Several IRS education and outreach programs facilitate taxpayer access, but many taxpayers remain unaware of tax credits and deductions for which they are eligible or face other barriers that deter them from claiming appropriate credits and deductions. For example, the IRS estimates that 21% of all eligible taxpayers did not claim the Earned Income Tax Credit in TY 2019.²

We will remove barriers to claiming tax credits for eligible individuals and small businesses, including those who are not required to file tax returns, while maintaining robust measures to prevent inadvertent errors, fraud, and abuse. We will expand outreach, education, and partnerships to help taxpayers access appropriate tax credits and deductions and to coordinate credit and deduction delivery across the IRS. We will also review internal policies, processes and procedures to reduce barriers and burdens for taxpayers to claim appropriate credits and deductions. We will develop tools to measure uptake by eligible individuals and small businesses and estimate the share of eligible individuals and small businesses who do not claim their credits and deductions. Based on this analysis, we will improve efforts to help taxpayers receive the incentives for which they are eligible.

What success would look like

Success for this initiative would include an increase in the share of taxpayers successfully claiming incentives for which they are eligible. Taxpayers would also face fewer barriers to claiming credits and deductions they are eligible to receive as we redesign policies, processes and procedures to facilitate access. We would also see fewer inadvertent errors, as well as less fraud and abuse.

Key projects

- 1. Coordinate incentive delivery across initiatives.** Ensure that all the related initiatives under the Strategic Operating Plan include design choices and use data to help taxpayers understand and claim appropriate incentives. Facilitate collaboration across programs affecting credit and deduction delivery to improve the experience of those making claims.
- 2. Review and revise policies and processes to make the process for taxpayers to claim credits and deductions more efficient.** Examine pathways and programs for understanding and claiming incentives to improve accessibility for eligible taxpayers.
- 3. Improve understanding of the credits and deductions gap.** Use analytics to assess taxpayer uptake of credits, particularly those intended to benefit small businesses and underserved communities. Publish analyses on uptake of incentives, including overclaims and underclaims, and incorporate our findings into tax gap reporting.
- 4. Incorporate a “credits and deductions” search function in Online Accounts and improve relevant content on IRS.gov.** Improve self-service pathways for taxpayers to learn about credits and deductions for which they might be eligible.

5. **Expand the scale and scope of outreach and education forums.** Expand the availability and services offered and raise awareness of existing forums, including refundable credit summits, IRS education and outreach, Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE), Low-Income Taxpayer Clinics (LITCs), and webinars.
6. **Enhance and cultivate community-based relationships and improve direct outreach to taxpayers, including small businesses.** Expand relationships with taxpayer communities by developing a greater understanding of their needs and finding effective ways to provide information to different demographics in ways they will understand and trust, including distribution of educational materials using current and new social media platforms, podcasts, radio, television, community-based organizations, and other channels. Use a variety of platforms and messages to reach new demographics in cost-effective ways.
7. **Expand partnerships with government agencies, private institutions, and others to provide education and service.** As appropriate and legally permissible, partner with federal, state, and local government institutions, as well as Tribal governments, to share data and information to help taxpayers claim available credits and receive IRS service, particularly in under-resourced communities. Expand partnerships with public and private institutions, such as tax preparation service providers, software companies, VITA, low-income tax clinics, faith-based organizations, nonprofits, and libraries, to distribute educational materials on available credits and deductions.
8. **Support the IRS shift to a culture of service and continuous improvement.** Develop policies and procedures to help IRS employees look holistically at each taxpayer's individual situation and make sure the taxpayer is aware of the credits and deductions for which they are eligible.

Milestones

- 1 **FY 2023**
Key tax credits and deductions identified as the focus of initial efforts; outreach and community partnership plans developed, including key details such as communication channels, partnership opportunities and messaging
- 2 **FY 2023**
Policies and procedures identified and prioritized for revision to reduce taxpayer burdens
- 3 **FY 2024**
Certain policies and procedures updated according to prioritization plan and feasibility
- 4 **FY 2024**
First new set of scaled outreach and engagement programs launched
- 5 **FY 2024**
Enhanced training including updated guidance on education and outreach for taxpayer-facing employees
- 6 **FY 2024**
Methodology and estimate of selected credits and deductions gap developed
- 7 **FY 2024**
Pilot completed for expanded partnership programs with government agencies and private partners; effective programs refined and scaled up
- 8 **FY 2025**
New contacts launched for lawful non-filers who may be eligible for a credit or deduction to ensure they are aware of their eligibility and have the tools and assistance necessary to claim appropriate credits or deductions

9

FY 2025

Outreach efforts scaled to include broader list of tax credits and deductions for individuals and small businesses

10

FY 2025

Additional updates to policies and procedures to reduce taxpayer burdens

Key dependencies

1.9 depends on projects in initiatives:

1.1, 1.2, 1.8, 2.1, 2.6, 4.5-4.8, 5.1, 5.6-5.8

Initiatives dependent on projects in 1.9:

None

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Taxpayers will be able to make payments more easily and seamlessly through all service channels

Where we are heading

Taxpayers expect to have the same quick and easy payment options with the IRS that they have with other businesses, including online, by phone and in person. The IRS should apply payments to the appropriate tax accounts with full transparency about when and how the payments are applied.

We will modernize payment systems and give taxpayers the payment options they expect to make it easier for them to pay the IRS seamlessly and easily. We will expand features in online accounts so that individuals, businesses, tax professionals and payroll processors will be able to make, manage, and view payments. We will also improve and expand options for online payments without registration, and enable payments over the phone, through IRS employees, and from international taxpayers.

What success would look like

Success for this initiative would include a rise in the share of timely payments and declines in accruals of interest and penalties. Customer satisfaction regarding the ease and transparency of payment processes would increase.

Key projects

- 1. Enable payments through online accounts.**
Allow taxpayers and third parties to make payments through online accounts, with options to pay by bank account, credit or debit card, or digital wallet.
- 2. Improve and expand guest payments.**
Allow individual and business taxpayers to pay without registration.
- 3. Give payors options to pay through IRS employees, over the phone—including on automated phone lines—and in person.**

- 4. Provide payment options to taxpayers abroad and foreign governments.** Allow those with foreign bank accounts and foreign currency to make and receive payments.

Milestones

- 1 FY 2023**
Online Account payment features expanded so taxpayers can schedule payments, cancel scheduled payments, and save bank information
- 2 FY 2024**
Business Online Account and Tax Pro Account payments plus Direct Pay enhancements implemented
- 3 FY 2024**
Payment capabilities over the phone and through employees launched
- 4 FY 2025**
Business Online Account and Tax Pro Account enhancements implemented (e.g., batch payments, save and manage bank information)
- 5 FY 2026**
Integrated payment capability by card and digital wallet developed

Key dependencies

1.10 depends on projects in initiatives:

1.3, 1.4, 4.4-4.6

Initiatives dependent on projects in 1.10:

1.11, 2.7

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Build status-tracking tools for taxpayers

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

Where we are heading

The IRS will provide taxpayers with access to personalized, real-time status updates on returns, refunds, and other IRS processes and decisions. These tools will help taxpayers identify the causes of delays or issues, get answers via self-service, and understand what to expect and what actions they need to take, if any.

We will update existing online status tools and build capabilities into online accounts to enable this personalized status tracking. We will improve status categories and messaging to clarify next steps, integrate data and analytics to provide real-time personalized information and estimates, connect information across systems, and ensure employees have access to all the relevant information for consistency across service channels.

What success would look like

Success for this initiative would include more accurate projections for process and decision timeframes. Customer satisfaction with IRS status-tracking tools would increase, including improved satisfaction with accuracy, ease of use, and value of information provided. We would receive fewer calls related to tracking the status of tax returns, refunds, audits, and other IRS processes.

Key projects

1. **Provide real-time status updates on taxpayer refund and return processing, audits, and other service interactions.** Create status-tracking tools that show more details about processes, incorporate data and analytics into messaging about estimated processing times, and provide clear instructions for next steps when appropriate.

2. **Build access to status-tracking information within Online Account and Business Online Account for business and individual taxpayers.** Allow taxpayers to find all their personalized status-tracking information in one spot.
3. **Provide status information regardless of service channel chosen.** Ensure that self-service online tools provide the same details via the phone and other channels by allowing IRS employees to see what the taxpayer sees online.
4. **Allow tax professionals to view status information for their clients.** Give taxpayers the ability to authorize tax professionals to track status for them through the online Tax Pro Account platform.
5. **Give taxpayers the option to receive notifications when their refunds, returns, or payment status changes.** Provide status notifications to help taxpayers trust that they have the most up-to-date information without constantly checking online tools.

Milestones

1

FY 2023

Current refund and amended return status-tracking tools refined in Online Accounts to provide more transparent messaging for taxpayers that explains processing status, errors and issues, and next steps

2

FY 2024

Improved taxpayer status-tracking tools in online accounts for filing season 2024

3

FY 2025

New status tracking enhancements implemented in Business Online Accounts

4

FY 2025

Real-time processing estimates launched with data analytics to provide more accurate status messaging

5

FY 2024-2027

Audit status and other process-tracking launched and enhanced based on prioritization plan

Key dependencies

1.11 depends on projects in initiatives:

1.2-1.4, 1.10, 4.1, 4.2, 4.4-4.7

Initiatives dependent on projects in 1.11:

2.6, 5.8

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

Where we are heading

We will deliver taxpayers and tax professionals two-way communication options that are secure and easy to navigate. The IRS will manage interactions in ways that minimize customer burdens and make it easy to get information and resolve issues.

We will offer taxpayers more options for communicating securely with us through multiple channels after proving their identity. We will add initial identity-proofing options, establish methods for linking identity information to all service channels, and ensure taxpayers can communicate back and forth with the IRS across all service channels. We will enable information about each customer's history and current service interaction to follow the customer, allowing employees to understand what has happened so far and to seamlessly help the customer take the correct next steps, while appropriately protecting taxpayer data.

What success would look like

Success for this initiative would include higher rates of first-contact resolution for a larger share of issues. Taxpayers would resolve more issues through self-service and automated channels and require live customer service channels less often. Customer satisfaction rates would increase related to the ease of communicating with the IRS and of escalating customer service issues through different channels.

Key projects

1. Offer a secure initial identity-proofing option for all taxpayers. Offer identity-proofing options that meet the unique needs of different taxpayers.

- 2. Allow taxpayers to use their initial identity-proofing event for both digital and non-digital service options.** Provide non-digital service options for taxpayers to link initial identity-proofing events to non-digital service interactions.
- 3. Provide taxpayers with different digital two-way communication service options.** Give taxpayers secure online options to talk with IRS employees, view and send messages to the IRS, and upload documents.
- 4. Manage customer histories so that employees can view past and current interaction data in real time.** In a related initiative, build tools that give employees access to customer service histories and minimize duplication, as customers should not have to repeat information.

Milestones

1

FY 2023

Digital options built and implemented to allow taxpayers to communicate back and forth with the IRS across different channels, including enhanced options to submit documents online

2

FY 2023

Number of credentialing service providers for identity-proofing expanded, more services made available to authenticated taxpayers, and access expanded for certain types of taxpayers, such as ITIN holders and international taxpayers

3

FY 2023

Technology tested to link identity information between certain service channels

4

FY 2023-2024

Certain employee views of customer histories delivered and enhanced, such as with customer relationship management tools

5

FY 2024

Additional online options available for identity-proofing for individuals and businesses

Key dependencies

1.12 depends on projects in initiatives:

1.3, 1.4, 4.4-4.6, 5.5

Initiatives dependent on projects in 1.12:

1.1, 1.4, 2.7, 5.6, 5.8

2 Quickly resolve taxpayer issues when they arise

Millions of taxpayers make simple mistakes when completing their returns, and millions fail to properly claim tax incentives for which they are eligible. Resolving these and other simple mistakes can be a prolonged process. Through investments in our data management and taxpayer communication tools, we will work to resolve these issues more quickly and prevent their recurrence. The initiatives that support this objective will leverage a multichannel outreach approach.

Where we are heading

- When taxpayers make filing errors, we will reach out to them faster and offer clearer, more accessible ways to resolve issues.
- We will help taxpayers who reach out to us get the help they need more quickly, addressing their concerns and fixing any problems they have.
- Informed by data and enabled by improved technology, we will reach out to taxpayers when they may owe taxes and when they may have missed credits or deductions.

How we will tailor solutions to taxpayers

The most effective, least burdensome approach appropriate based on the taxpayers' specific circumstances

Digital alerts for simple mistakes



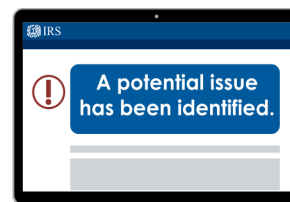
Notice for eligible individual who missed a credit



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



Inquiry for potential misreporting



Visuals are illustrative

Indicators of success

- ✓ Increased notice response rate
- ✓ Decreased repeat noncompliance rate
- ✓ Increased share of credits and deductions claimed by those who are eligible
- ✓ Decreased average days between return filing and contacting taxpayers with issues
- ✓ Faster resolution of compliance issues after filing
- ✓ For taxpayers with the ability to pay, increased percentage of new balance-due cases closed within one year of assessment



How faster resolution of issues will further the energy security and clean energy provisions of the IRA for consumers, small businesses, communities, and industries

- We will flag issues with claimed credits at the time of filing so that taxpayers can correct them, if necessary, and promptly get the credits for which they are eligible.
- Clear and transparent notices will promptly notify taxpayers claiming energy security and clean energy tax incentives when issues arise and will provide information for the simplest pathways to resolution.

Strategic shifts

From	To
Taxpayers do not have tools to easily identify potential mistakes and correct them before filing.	We will offer notifications and proactive help for taxpayers to find and correct mistakes earlier.
Taxpayers learn of issues via paper notices that can be difficult to understand and can be resolved only via inconvenient, paper-based processes.	Electronic filing and communication options will be simpler and will make it easier to interact with the IRS.
Simple filing mistakes and larger inaccuracies may require lengthy issue resolution processes.	We will resolve filing issues with clear notices and the fastest, simplest possible solutions for taxpayers.

Initiatives included in this objective

2.1

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

2.2

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

2.3

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

2.4

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

2.5

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

2.6

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

2.7

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

Identify issues during filing

The IRS will send taxpayers notifications about potential issues as they file returns to help them correct errors and claim credits and deductions for which they are eligible

Where we are heading

The IRS will notify taxpayers and tax professionals about potential issues and allow them to make corrections at the point of filing, reducing the need to resolve errors after filing. We will also offer real-time checks and notifications to help taxpayers claim any credits or deductions for which they may be eligible but have missed on their returns.

We will advance our ability to systematically check each electronically filed return for errors in real time, match it against available third-party and internal data, and evaluate the taxpayer's eligibility for credits and deductions.

We will explain each potential issue in plain language in notifications that could be delivered to taxpayers or preparers directly or through their tax software. Each notification will include instructions on how to correct the issue and resubmit the return. If the return is not corrected, the IRS will follow its normal processes to reject or accept it. If the return is accepted, the taxpayer will still have opportunities to resolve errors later.

2. **Send notifications for each issue identified.** Include details of the issue and instructions on how to get further explanations, correct it, or dispute it.
3. **Integrate notifications with filing software or systems.** Make notifications available to taxpayers and preparers through their software and through any potential IRS direct file system.

Milestones

1

FY 2024

Taxpayers and preparers notified of mismatches for simple types of income (W2s and 1099 NECs) and processing errors

2

FY 2025

Taxpayers and preparers notified of potential filing issues including tax credits related to children and other dependents, other missed or erroneous credits and deductions, and other issues to be determined

What success would look like

Success for this initiative would include rejecting fewer returns and sending fewer returns to error resolution for taxpayers who receive these notifications. For taxpayers who receive notifications about credits and deductions, claims for appropriate credits and deductions would increase.

Key projects

1. **Enhance systemic checks for return completeness and consistency.** Identify issues at the point of filing such as math errors, missing forms, or missing income reported by third parties.

Key dependencies

2.1 depends on projects in initiatives:
1.3, 4.1, 4.4-4.7, 5.7

Initiatives dependent on projects in 2.1:
1.9, 2.5, 2.6

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Deliver early and appropriate treatments for issues

The IRS will provide taxpayers with timely and tailored post-filing treatments to resolve issues and omissions on their tax returns

Where we are heading

Most taxpayers want to be compliant. When issues are identified after filing, the IRS must help the taxpayer to become compliant as quickly and simply as possible. We will address issues identified after filing that require IRS intervention promptly and in ways tailored to the specific circumstances of the taxpayer, such as a soft notice to encourage self-correction instead of an audit, modes of delivery such as an electronic notice rather than an in-person visit, and pathways toward increased review. Notification could start with a soft notice, for example, and move to an audit if no action is taken or the issue remains unresolved. This approach will give taxpayers who want to comply with simpler ways to correct issues identified after filing and help to prevent unnecessary audits. For issues unresolved by this process, the IRS will move to audits. We will also streamline procedures so that issues can be resolved more quickly, with less burden on the taxpayer, when the taxpayer is being audited or affected by any other compliance contact.

What success would look like

Success for this initiative would include helping taxpayers resolve compliance issues more quickly, a higher incidence of correcting or self-correcting issues using less intrusive treatments when appropriate, a reduction in repeat noncompliance, and a higher incidence of taxpayers paying what they owe. Earlier contacts as appropriate will also improve the effectiveness of overall IRS compliance actions by focusing enforcement efforts on high-priority issues and cases with significant evidence of noncompliance.

Key projects

- 1. Develop treatments tailored to taxpayers based on our assessment of the relevant issues.** Based on a taxpayer's unique circumstances and issue-specific level of risk, use advanced analytics to identify the most appropriate treatment to address potential noncompliance. Tailored treatments will help the taxpayer to establish and maintain compliance and minimize the burdens on that taxpayer. IRS treatments will be easy to understand and use multiple modes of communication, including texts and email.
- 2. Develop tailored treatments to help taxpayers claim missed incentives for which they are eligible.** Take a comprehensive approach to detecting and helping taxpayers claim any incentives for which they are eligible. Establish tailored approaches addressing unique constraints and employ various methods of delivery. By applying advanced analytics, identify situational trends and appropriate treatments to alert taxpayers to credits and deductions they may qualify for but did not claim on their return.
- 3. Increase focused outreach in underserved communities.** Engage with taxpayers, including small business taxpayers, in underserved rural and urban communities to deliver education and technical tools that directly address issues or opportunities identified on filed returns. Use communications specific to the demographic to help them understand.
- 4. Refine current treatments to make them more efficient and effective.** Use enhanced data, analytics and digital tools to improve efficiency and resolve cases sooner. Identify opportunities to minimize taxpayer burden by improving enterprise-wide planning and coordination. Ensure communications are easy

to understand so that taxpayers can take corrective action. Explore ways to reduce the burdens on taxpayers affected by correspondence audits.

5. Integrate data and analytics to increase the timeliness of treatments. Provide treatments as close to the time of filing as possible so that taxpayers can address issues sooner and avoid repeating them in subsequent years.

6. Improve the administration of penalties. Evaluate and improve the administration of taxpayer penalties and consider reasonable cause exceptions where applicable to encourage voluntary compliance and resolve issues faster when appropriate.

Key dependencies

2.2 depends on projects in initiatives:

1.2, 1.3, 2.5, 3.1, 4.5-4.7, 5.5-5.7

Initiatives dependent on projects in 2.2:

None

Milestones

1

FY 2023

New research identified to foster our understanding of prevalent issues and the most effective treatments for those issues

2

FY 2024

Refined methodology for assigning optimal treatments and appropriate follow-up treatments to taxpayers, developed through data-driven analysis and research; taxpayer indicators and behavioral characteristics identified that will help determine the most effective treatment for each taxpayer archetype

3

FY 2024-FY 2026

Current treatments (e.g., correspondence and field audits, soft notices, education letters) refined to be more efficient and effective (first set of refinements deployed in FY 2024; improvements from digitization and analytics deployed in FY 2026)

4

FY 2025-FY 2027

New tailored treatments developed and piloted based on data and analytics (FY 2025); additional treatment options piloted as new IT capabilities become available throughout FY 2027

Develop taxpayer-centric notices

The IRS will send taxpayers notices they can understand, delivered in ways they prefer, with clear explanations of issues and steps to resolution

Where we are heading

We must make it easier for taxpayers and tax professionals to understand the nature of potential tax issues and how to resolve those issues.

We will redesign and update all notices for clarity, simplicity, and plain language, and allow for personalized notices in place of boilerplate language. At the same time, we will improve the process of redesigning and reviewing notices, adjust underlying systems and software to make updating notices easier, and ensure that the review process focuses on using simple, clear language. For those who prefer, we will make all notices available to taxpayers, tax professionals, and IRS employees online, even if they are also required by law to be mailed. We will enable taxpayers to respond to notices electronically and make all notices available in Spanish; translation into other languages will be added based on taxpayer needs. As the IRS expands available communication channels with taxpayers, they may be able to elect how they receive their notices.

What success would look like

Success for this initiative would include increased response rates and compliance rates among taxpayers who receive improved notices. Taxpayers would understand what information must be provided to claim credits and deductions. Their rate of using self-service options to resolve issues would likewise increase. Customer satisfaction measures would increase due to clearer notices and easier response processes.

Key projects

- 1. Revise notices by simplifying the language.**
Update the notice review process and redesign all notices so that they clearly, briefly state the issues and required actions, and that they are

personalized and consistent with IRS messaging. Reduce notices' length by providing embedded links to additional content.

- 2. Add digital copies of all notices to online accounts.** Create digital copies of all notices so that taxpayers and authorized third parties can access them online.
- 3. Improve technology so notices can be updated without coding or system changes.** Use new technology to accelerate updates and digitalize the content of notices, with the aim of increasing the current rate of five to seven notices per year to as many as 500 per year.
- 4. Expand digital response options.** Build two-way communication channels so that taxpayers can respond to notices online. Include information about digital options in redesigned and digitalized notices.
- 5. Prioritize work on notices based on needs.** Develop a long-term plan that reduces competing priorities, translates only redesigned notices, and includes all IRS notices and letters.
- 6. Translate notices written in plain language to the top eight languages used by taxpayers.** Ensure that notices written in other languages are as simple and accessible as plain-English documents.

Milestones

1

FY 2023

Prioritization plan developed for revising and implementing updated digitalized notices

2

FY 2024

72 notices added to individual Online Account



FY 2024-2026

Capabilities launched for taxpayers and tax professionals to receive and respond to additional notices electronically

Key dependencies

2.3 depends on projects in initiatives:

1.3, 1.4, 4.2, 4.4-4.6

Initiatives dependent on projects in 2.3:

2.5, 2.6

Expand tax certainty and issue resolution programs

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

Where we are heading

Pre-filing programs, in which the IRS and taxpayers work together to resolve complex issues before a tax return is filed, are not broadly available and are mainly focused on large business taxpayers.

We will improve and expand tax certainty programs so that other segments of taxpayers can determine their tax obligations more quickly and with finality. These tailored pre-filing programs will provide more tax certainty to taxpayers who face complex issues. We will also work to adequately staff existing programs that have under-delivered to taxpayers due to resource constraints. In tandem with greater emphasis on early formal and informal legal guidance, this step will allow more taxpayers to reach tax certainty sooner. We will also prioritize providing clear answers earlier to a wide array of taxpayer questions, which will reduce the need for later compliance contacts. These steps will enable more taxpayers to voluntarily meet their filing and tax obligations right the first time, at the least cost.

how to participate and articulating the programs' benefits to eligible taxpayers.

- 2. Refine programs to address current challenges and, where possible, provide more tax certainty to program participants.** Continue to refine current pre-filing and tax certainty programs to make them more streamlined and efficient for taxpayers.
- 3. Develop additional, tailored tax certainty programs.** Create new programs to provide tax certainty to additional taxpayers who face complex tax issues or need to resolve outstanding errors. Develop these programs based on IRS and taxpayer experience, in close consultation with external stakeholders.
- 4. Consider removing user fees from programs where appropriate.** Make these programs more accessible to taxpayers—particularly for small and mid-sized businesses—who could benefit from them. Further digitalize and improve our pre-filing programs to make it easier for these taxpayers to apply, upload documents, and correspond with us digitally.

What success would look like

Success for this initiative would include increased participation in tax certainty programs, faster resolution of taxpayers' complex tax issues, and a reduction in post-filing compliance activities for participating taxpayers.

Key projects

- 1. Expand capacity, eligibility and accessibility for current pre-filing programs where appropriate.** Enable more taxpayers who face complex tax issues to use our tax certainty programs. Increase efforts to make taxpayers aware of these programs, including describing

Milestones

1

FY 2023

Outreach and campaigns expanded to increase awareness of tax certainty programs and their benefits to taxpayers with complex issues

2

FY 2024

Pilot program launched to invite taxpayers to participate in pre-filing programs

3

FY 2024

Priority areas identified for new, tailored tax certainty programs through consultation with external stakeholders and IRS data, especially after assessing common issues that emerge following an increase in compliance coverage

4

FY 2026
Additional specialists hired and onboarded to support expansion of current tax certainty programs

5

FY 2027
Additional specialists trained and current employees reskilled to support expansion of current tax certainty programs

Key dependencies

2.4 depends on projects in initiatives:
1.3, 4.5, 5.1, 5.4, 5.6, 5.7

Initiatives dependent on projects in 2.4:
None

The IRS will proactively offer taxpayers appropriate options for past-due payment resolution

Where we are heading

More than 10 million taxpayers have past-due balances.³ Many want to pay what they owe, and many have filed their tax returns but are facing hardships that hinder them from paying their full tax balances on time. While it is taxpayers' responsibility to pay their taxes or make alternative arrangements, those experiencing hardship may not be able to easily set up a payment arrangement, such as an installment agreement or offer in compromise. In some cases, fees apply to taxpayers who enter these arrangements.

We will simplify available options for taxpayers who are seeking to resolve their past-due balances or to make payment arrangements with the IRS. We will also reach out to taxpayers who have failed to make payments and offer them options. For some taxpayers, we will offer potential resolutions, such as short-term payment plans, installment agreements, or a temporary delay of collection, with terms appropriate for the taxpayer's circumstances. In other situations, we will alert taxpayers to all balance resolution options available and the processes for enrolling. This outreach will be timely; we will contact taxpayers as soon as payments are missed so that they can address their past-due balance as quickly as possible to reduce the accumulation of interest.

What success would look like

Success for this initiative would include increased voluntary compliance with an increase in the number of taxpayers who willingly enter arrangements to address their past-due balances in ways that are suited to their circumstances. Other markers include reductions in the overall amount of tax debt, the number of taxpayers with past-due balances, and accumulated interest, since taxpayers will be able to address past-due balances more quickly.

Key projects

- 1. Develop analytics to identify the repayment options best suited to each taxpayer's circumstances.** Leverage IRS data and analytics to develop solutions tailored to taxpayers' circumstances. For example, we will proactively offer short-term payment plans or installment agreements to eligible taxpayers.
- 2. Create processes for real-time identification of taxpayers who miss payments and contact them through the channel of their choice.** Develop and refine processes to quickly identify accounts that miss payments so that taxpayers can be contacted immediately via the channel of their choice (e.g., phone, email, text, or letter). Expand our capacity to provide customer support to taxpayers who seek to understand their options and choose the most appropriate resolution.
- 3. Leverage IRS data and analytics to notify and help taxpayers avoid repeat delinquency.** Leverage IRS data and analytics to identify potential repeat delinquency. Proactively contact taxpayers with information about the consequences of missing a payment and explain the options available to them.
- 4. Evaluate options for reducing or waiving fees.** Consider various options for eliminating fees or expanding the use of fee waivers for certain taxpayers who enter arrangements with the IRS to resolve their past-due balances.
- 5. Refine resolution options to be more effective at reducing debt and easier for taxpayers to use.** Incorporate offer in compromise eligibility checks and enrollment applications into online accounts. Develop and improve tools for online installment agreements.

Milestones

- 1** **FY 2023**
Improvements to online installment agreement portal launched
- 2** **FY 2024**
Evaluation conducted of fees for payment arrangements
- 3** **FY 2025**
Enhanced analytics launched for predicting where a proactive resolution may be appropriate
- 4** **FY 2026**
Capability launched for taxpayer access to a broader range of self-service debt repayment tools through online accounts

Key dependencies

2.5 depends on projects in initiatives:

2.1, 2.3, 2.7, 3.1, 4.6

Initiatives dependent on projects in 2.5:

2.2, 2.7

The IRS will provide early, tailored outreach to taxpayers who do not file on time

Where we are heading

Individuals and entities who are required to file tax returns but fail to do so on time are known as delinquent non-filers. Many are not intentionally avoiding taxes but fail to file for simple reasons, such as being unaware of their obligation to file taxes, forgetting to file, not knowing how to file, missing the deadline to request an extension, or attempting to file but failing to ensure that their return reaches the IRS. Today, IRS notices to non-filers are delayed and are not tailored to the common reasons taxpayers do not file. Delinquent non-filers may be subject to penalties when the IRS assesses their tax obligations, and they may even miss credits and deductions for which they are eligible.

We will expand outreach to individuals and entities as soon as they miss a filing deadline and provide more options to help them become compliant. These options will be simple, easy to understand, and reflect common reasons why individuals and entities do not file on time. We will explore options such as: (1) prompting taxpayers to file a simple request for an extension; (2) allowing certain individuals to indicate that they have only wage income and would like the IRS to complete their returns based on reported information; (3) informing individuals who are not required to file returns about tax credits they may be eligible for; and (4) proactively offering payment agreements to taxpayers who may not be able to pay in full immediately. Communications will provide clear information about the consequences of not filing and help taxpayers become compliant. We will also enhance our use of data and analytics to identify and contact more non-filers in a timely manner.

What success would look like

Success for this initiative would include an increase in non-filers who are detected and contacted in a timely manner so they can voluntarily comply; an increase in simple options that reflect the reasons why individuals and entities do not file, thus improving the taxpayer experience; an increase in the number of taxpayers who self-correct (i.e., pay on their own without intervention); and a reduction in the number of taxpayers who face additional penalties.

Key projects

- 1. Develop tailored non-filer treatments that are simpler for taxpayers and address common issues that cause taxpayers not to file.** Explore more options to help taxpayers become compliant that are simple, easy to understand, and reflect common reasons why individuals and entities fail to file.
- 2. Build enhanced analytics to detect more non-filers sooner.** Use improved data and expand the use of analytics to detect more non-filers as soon as they miss deadlines.
- 3. Build treatments tailored for non-filers who are not required to file returns but may be eligible for tax credits.** Develop analytics to better identify lawful non-filers who may be eligible for a credit or deduction. Explore simple tools and contacts to help them access tax credits for which they are eligible.
- 4. Expand capacity and resources for our non-filer and return-delinquency programs.** Increase capacity and resources for non-filer programs so that we can proactively contact all appropriate non-filing individuals and entities identified, thereby providing exceptional customer service to non-filers who need assistance in becoming compliant.

Milestones

- 1** **FY 2023**
Pilot program for new non-filer treatments launched
- 2** **FY 2024**
Successful pilot treatments scaled
- 3** **FY 2024**
Analytics for detecting non-filers shifted for use immediately after filing deadline
- 4** **FY 2025**
All appropriate non-filers receive tailored, proactive outreach before receiving automated assessments or penalties

Key dependencies

2.6 depends on projects in initiatives:

1.1, 1.6, 1.11, 2.1, 2.3, 4.5, 4.6

Initiatives dependent on projects in 2.6:

1.9

Use improved data and analytics to tailor timely collections contacts

The IRS will provide early, tailored contacts to all taxpayers with past-due balances, and will only escalate to more intensive treatments when appropriate

Where we are heading

When taxpayers do not file or fully pay their taxes on time, resolving their tax obligations becomes increasingly difficult as time progresses. Early contact gives the IRS an opportunity to assist these taxpayers in resolving their underlying problems so that they can avoid additional liabilities.

We will use more data and better analytics to reach out to taxpayers earlier, with more options to address their unpaid balances quickly and simply. We will shift to a collection approach that treats all accounts individually, with a customized approach that reflects the cause of the current tax debt, considers appropriate collection alternatives and enables the taxpayer to comply. We will accelerate attempted resolution by basing the first compliance contact on the most likely ultimate resolution of that case.

What success would look like

Success for this initiative would include a higher percentage of new balance-due cases closed within one year of assessment, and a higher number of communication methods used to contact taxpayers based on their preferred channels, including text, telephone and email. Taxpayers would also resolve past-due tax balances more quickly.

Key projects

- 1. Hire, onboard and train the workforce needed to assist taxpayers and address balance-due accounts more quickly.** Replenish the collection workforce by hiring specialists and developing the current workforce's skills to reach the desired collection coverage, to address high-priority segments, and to assist taxpayers in compliance options.

Increase staff in the Independent Office of Appeals to facilitate the resolution of collection matters, as well as in the Office of Chief Counsel to support collection and appeals and to litigate cases when necessary.

- 2. Develop improved analytics models to better inform taxpayer contacts.** Predict which accounts are unlikely to self-correct so that we may prioritize contacts to these accounts using real-time data. Build models to predict the ultimate resolution of each balance-due case to ensure that the case is treated appropriately.
- 3. Refine collection communications to make them more efficient and effective.** Redesign current notices and other communications to make them clearer and to help the taxpayer understand directions and a seamless way to resolve the issue.
- 4. Develop and pilot new collection treatments based on data and analytics.** Develop new collection treatments by leveraging new data and IT capabilities, such as digital communications channels.

Milestones

1

FY 2024

Analytics models used earlier in the collection process, so taxpayers receive tailored communications immediately after the first notice that balance is due

2

FY 2025

Analytics models refined to better predict which taxpayers will self-correct and the likely resolution of each balance-due case to better inform taxpayer contacts

3

FY 2025

New collection treatments piloted and developed based on data and analytics

4

FY 2026

Workforce needed to achieve collection coverage levels hired, onboarded and trained

5

FY 2024-FY 2026

Notices refined to make them more efficient and effective (first set of refinements deployed in FY 2024; improvements from digitalization and analytics deployed in FY 2026)

Key dependencies

2.7 depends on projects in initiatives:

1.1-1.4, 1.10, 1.12, 2.5, 3.1, 4.5-4.7, 5.1, 5.5

Initiatives dependent on projects in 2.7:

2.5

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

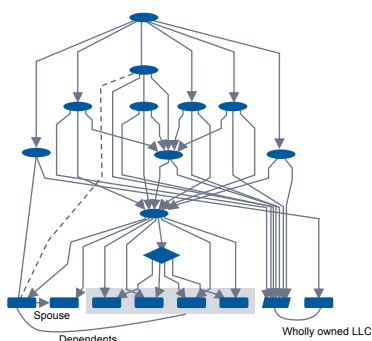
Even with improved taxpayer service, some taxpayers will not comply. The rising breadth and complexity of tax administration, coupled with the sophisticated ways that some taxpayers attempt to evade tax, have outpaced our resources and ability to monitor compliance and close the gap between taxes owed and collected. We will improve our efforts to help ensure that the proper amount of tax is paid and to promote future compliance. Pursuant to Treasury's directive, small businesses and households earning \$400,000 or less will not see audit rates increase relative to historical levels. We will increase our focus on segments of taxpayers with complex issues and complex returns where audit rates are minimal today, such as those related to large partnerships, large corporations, and high-income and high-wealth individuals. Modern data analysis tools can greatly streamline these efforts, and the technology investments from Objective 4 will enable this work.

Where we are heading

- We will increase compliance coverage in areas with complex issues and complex returns where we have not had the resources to fully assess risks, such as those relating to complex partnership structures, large corporations, and high-income and high-wealth individuals.
- We will improve enforcement and risk identification through better use of data analytics, technology, and centralized operations.
- We will increase the expertise and capacity necessary to examine highly complex returns and issues more effectively.

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

Business structures can be complex



Related entities can include hundreds of investors in multiple tiers.

Complex taxpayer filings are long and time-consuming to examine



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

Many specialists and resources are needed to examine these filings



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

Visuals are illustrative

Indicators of success

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



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

- We will quickly identify and address noncompliant activity, including fraud, to ensure credits are properly claimed by eligible taxpayers.

Strategic shifts

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

Initiatives included in this objective

3.1

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

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

3.2

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

3.3

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

3.4

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

3.5

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

3.6

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

3.7

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

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

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

Where we are heading

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

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

What success would look like

Success for this initiative would include centralized adoption of enhanced risk analytics by a more agile IRS organization to respond more effectively to emerging compliance issues with more appropriate, less burdensome compliance treatments for taxpayers.

Key projects

1. Establish a centralized function for compliance planning and strategy. Create a centralized compliance-planning function to set strategic compliance priorities and route select cases for compliance treatments.

Develop and enhance tools to enable centralized routing of taxpayer cases for compliance treatments.

- 2. Build a unified compliance organization that enhances centralized case-planning and strategy and enables us to refine business processes.** Rather than relying on historical structures, redesign and unify the compliance organization to achieve IRA compliance priorities.
- 3. Establish a dynamic model for workforce allocation.** Explore ways to make the workforce more flexible to address changing compliance priorities.
- 4. Centralize compliance analytics and develop a process to regularly model the population of tax returns.** Incorporate all existing models and analytical tools for detecting noncompliance into one centralized platform. Develop a process to apply all analytical models to the relevant population of tax returns to holistically detect noncompliance. Use risk analytics to inform resource allocation in alignment with enterprise-wide priorities.
- 5. Develop a process for continually refining compliance analytics models based on feedback and new information.** Continually update analytic models as the IRS receives more data and learns more about noncompliance and the efficacy of compliance treatments. Establish a structure for incorporating feedback and ensuring that the analytics we use continue to evolve.
- 6. Develop and implement a plan to improve the IRS Whistleblower Program.** Increase capacity to use high-value whistleblower information effectively, rewarding whistleblowers fairly and as soon as possible, keeping whistleblowers informed of their claims' status and the basis for IRS decisions on claims, and strengthening our collaboration with stakeholders in the Whistleblower Program.

Milestones

- 1 **FY 2024**
Enterprise review of current organizational structure conducted and proposal for organizational changes developed
- 2 **FY 2024**
Data and research approach implemented to inform and continuously refine compliance coverage levels needed to promote voluntary compliance
- 3 **FY 2024**
Centralized compliance planning and strategy function established to identify potential high-risk compliance cases using existing systems and analytics
- 4 **FY 2026**
Taxpayer compliance cases selected by centralized compliance planning function using new analytics systems and refined risk-based case selection and routing

Key dependencies

3.1 depends on projects in initiatives:

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

Initiatives dependent on projects in 3.1:

2.2, 2.5, 2.7, 3.2-3.7

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

Where we are heading

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

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

What success would look like

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

Key projects

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

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

Milestones

1

FY 2023

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

2

FY 2025

Refined approaches and treatments piloted for large corporate enforcement

3

Ongoing

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

Key dependencies

3.2 depends on projects in initiatives:

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

Initiatives dependent on projects in 3.2:

None

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

Where we are heading

The IRS has not had the resources in recent years to sufficiently address the significant growth of partnerships. The number of partnerships increased by 32% in just a decade, from 3.2 million in tax year 2010 to 4.3 million in 2020. Partnerships with assets exceeding \$5 million grew even more, by 75%.⁵ Many of these partnerships are complex, with many tiers and sometimes thousands—or even hundreds of thousands—of partner entities, each of which can be a legally recognized entity such as an individual, corporation, foreign entity or another partnership. Because of their size and complex structure, partnerships require specialized capabilities and often significant resources to audit. In 2019, the audit rate for partnerships was 0.05%.⁶

We will increase compliance coverage for large partnerships to help ensure that their partners are paying the taxes they owe. We will improve our tools and processes for auditing and enforcement actions for large partnerships. We will hire specialized compliance employees and train other employees to help ensure the compliance of pass-through entities, with a particular focus on enforcement for large partnerships. We will use data and analytics to improve our understanding of these complex structures. We will pursue noncompliance through a variety of mechanisms, including audit and non-audit treatments.

What success would look like

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

Key projects

- 1. Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates.** Strategically focus on hiring and training to ensure appropriate resources to address the variety of skill sets needed. Increase staff in the Independent Office of Appeals to resolve tax controversies arising from enhanced compliance efforts. Increase staff in the Office of Chief Counsel to support both compliance and appeals and to litigate cases when necessary. Hiring and training efforts will focus on specialized enforcement for large partnerships.
- 2. Develop approaches and new treatments for large partnership enforcement by leveraging data and analytics.** Explore and pilot new compliance treatments for large partnerships and refine existing tools and processes for auditing them. Use improved analytics to identify the most appropriate treatments to address potential noncompliance, given the issue-specific level of risk. Deploy appropriate contacts to help these taxpayers resolve their compliance issues while also applying sufficient approaches to promote compliance.

Milestones

1

FY 2023

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

2

FY 2025

Refined approaches and treatments piloted for large partnership enforcement

3

Ongoing

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

Key dependencies

3.3 depends on projects in initiatives:

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

Initiatives dependent on projects in 3.3:

None

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

Where we are heading

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

We will increase enforcement for high-income and high-wealth individuals to help ensure they are paying the taxes they owe. Given the size and complex nature of these tax filings, this work often requires specialized approaches, and we will make these resources available. We will use data and analytics to improve our understanding of the tax filings of high-wealth individuals. We will pursue noncompliance through a variety of mechanisms, including audits and non-audit contacts.

What success would look like

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

Key projects

1. Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates. Strategically focus on hiring and training to ensure appropriate resources to address the variety of skill sets needed. Focus on hiring employees with the education and experience to examine high-income and high-wealth taxpayers. Increase staff in the Independent Office of Appeals to resolve tax controversies arising from enhanced compliance efforts. Increase staff in the Office of Chief Counsel to support both compliance and appeals and to litigate cases when necessary.

2. Refine approaches to high-income and high-wealth enforcement and use data and analytics to explore new treatments.

Leverage advanced analytics to identify optimal interventions to address potential noncompliance, given issue-specific risks. Deploy appropriate interventions to help taxpayers resolve compliance issues, while also applying sufficient enforcement to promote compliance.

Milestones

1

FY 2023

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

2

FY 2025

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

3

Ongoing

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

Key dependencies

3.4 depends on projects in initiatives:

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

Initiatives dependent on projects in 3.4:

None

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

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

Where we are heading

Maintaining appropriate compliance coverage and enforcement across all taxpayer segments helps to ensure that all taxpayers comply with tax laws. Robust compliance enforcement also sends a strong message that the IRS will detect and address noncompliance, which will encourage voluntary compliance. Recent resource limitations, however, have reduced audit coverage in some areas to levels that erode voluntary compliance.

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

What success would look like

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

Key projects

- 1. Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates using all available treatments tools.** Strategically focus on hiring and training to ensure appropriate resources to address the variety of skill sets needed. Increase staff in the Independent Office of Appeals to resolve tax controversies arising from enhanced compliance efforts. Increase staff in the Office

of Chief Counsel to support both compliance and appeals and to litigate cases when necessary.

- 2. Develop enforcement approaches and compliance treatments tailored to each area where enforcement will be expanded.** Explore and pilot new treatments for excise tax, employment tax, and estate and gift taxes. Refine the tools and processes for auditing key areas. Use improved analytics to identify patterns of noncompliance and to deliver the most appropriate treatments to address potential noncompliance.

Milestones

- 1 FY 2023**
First wave of specialists hired and onboarded to work toward increasing compliance coverage rates for key segments
- 2 FY 2025**
Refined approaches and treatments piloted for enforcement in key segments
- 3 Ongoing**
Workforce hired and onboarded to achieve compliance coverage rates for key segments, including specialists and experienced hires

Key dependencies

3.5 depends on projects in initiatives:
1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8

Initiatives dependent on projects in 3.5:
None

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

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

Where we are heading

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

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

What success would look like

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

Key projects

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

listed transactions, certain international issues and any other key issues that emerge.

2. **Improve, expedite and scale detection of emerging issues, including building stronger feedback processes from all parts of the IRS.** Reinforce and expand the IRS's strategic detection of issues and develop pathways for providing feedback on important emerging issues.
3. **Establish processes to respond more rapidly to emerging issues and develop treatments that can be deployed quickly and integrated into enforcement efforts.** Develop and deploy new digital tools and analytics capabilities to respond to and enforce tax laws pertaining to emerging issues. Explore and pilot enforcement treatments for specific emerging issues. Refine existing tools and processes, such as audits, to adapt to a changing landscape and account for key emerging issues. Use improved analytics to identify patterns of noncompliance and apply the most appropriate treatment to each taxpayer situation.
4. **Hire, onboard and train the staff needed to achieve appropriate compliance coverage rates.** Identify the optimal mix of employee skills and strategically focus hiring and training efforts to build a compliance workforce capable of detecting and responding to key emerging issues. Implement rapid, focused hiring and skills development to cover key issues for enforcement.

Milestones

1

FY 2024

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

2 **FY 2025**
 New approaches and treatments piloted for detection and enforcement of key emerging issues

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

Key dependencies

3.6 depends on projects in initiatives:
 1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8

Initiatives dependent on projects in 3.6:
 None

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

Where we are heading

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

We will use research and data to help us enforce the tax laws as they apply to all taxpayers and curtail any potential disparities in tax administration. We will improve compliance among taxpayer groups whose activities and finances are legally complex or where we have historically had less compliance coverage. We will do so while ensuring that the additional funds provided by the IRA are not used to increase the share of small businesses or households below the \$400,000 threshold that are audited relative to historical levels.

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

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

Key projects

- 1. Develop procedures to regularly evaluate the fairness of systems, selection tools and programs, compliance strategies and treatments.** We will conduct research and partner with others to understand any potential systemic bias and identify disparities across dimensions including age, gender, geography, race and ethnicity.
- 2. Improve enforcement practices to help ensure fairness in compliance and enforcement.** We will continually refine our approaches to compliance and enforcement to improve fairness in tax administration and maintain accountability to taxpayers as informed by our research.
- 3. Hire, onboard and train staff who enable enforcement strategies that match risk and degree of noncompliance.** We will ensure IRS employees have the right skills to address noncompliance so that the full taxes owed are paid. We will develop training and tools for analytical staff to enable them to identify and address any possible bias in data and analytics. We will increase staff in business operations to ensure taxpayers have the support they need to understand enforcement actions—including in the Independent Office of Appeals to resolve tax controversies arising from enhanced compliance efforts, and in the Office of Chief Counsel to support both enforcement and appeals and to litigate cases when necessary.

What success would look like

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

Milestones

- 1 **FY 2024**
Team established to evaluate whether key enforcement programs and selection tools are promoting fair treatment, and develop an initial work plan
- 2 **FY 2024**
Statistical data improved to support equity analyses developed in partnership with other federal agencies and incorporating strong safeguards to protect individual privacy
- 3 **Ongoing by FY 2025**
Appropriate reforms to enforcement practices continuously developed and implemented to improve fairness and equity
- 4 **Ongoing**
Workforce hired and onboarded to help ensure fair enforcement, including hires in the Independent Office of Appeals and the Office of Chief Counsel

Key dependencies

3.7 depends on projects in initiatives:

3.1, 4.5-4.7, 5.4-5.8

Initiatives dependent on projects in 3.7:

3.1-3.6

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

Technology improvements at the IRS must always be driven by what will improve customer service and enforcement and in a way that secures taxpayer information. The key dependency for many initiatives in the Plan is the modernization of our core IT infrastructure, which now includes some of the oldest information systems in the federal government. We currently cannot get the full value of the data we have because we do not standardize or store it in a single environment. Until the passage of the IRA, the IRS lacked the resources to bring our technology infrastructure into the current era. In addition, the inability to plan for stable funding led to a start-and-stop approach that did not allow for sustained progress.

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

Where we are heading

We will retire legacy applications and adopt modern systems. We will deliver new technology capabilities faster, at a larger scale and with better reliability and cybersecurity built in, so taxpayers can seamlessly access their data and rest assured that their data is protected and secure. IRS employees and taxpayers use more than 600 applications today, many of them over 20 years old. Most applications are custom-built and loosely integrated, requiring employees to use multiple systems for similar tasks. We will consolidate dozens of core applications into secure, commercial, cloud-based platforms to provide employees and taxpayers with new services faster and with less technical knowledge, onboarding time and operating costs required. As we modernize, we will streamline software development by incorporating modular designs and reusability, including micro-services and application programming interfaces (APIs). We will move from a batch- to event-driven processing model. Historically, the IRS designed its tax return pipeline using legacy programming languages to manage stacks of paper arriving at regional service centers. We will change the underlying logic and processing to post transactions to a database—a modern approach that will allow taxpayers and employees to update accounts, send payments and resolve enforcement actions, often via self-service, and to see the changes

in near-real time. This will provide taxpayers with greater transparency into the status of their returns, refunds, payments, etc., while also enabling those who choose to leverage online services to do so, thereby reducing demand across other service channels for those who need them.

We will modernize IT Infrastructure. We will implement leading technology architecture, software development, infrastructure, cloud, network and data practices while replacing critical legacy processing systems. This will automate and standardize many of the manual processes we use today and bring the rest of our technology infrastructure into the current era. Our vision for infrastructure operations is to work in an “always-on” mode with redundancy built into mission-critical systems. We will design all applications and core platforms to have built-in resiliency, visibility and security to recover seamlessly in the event of a mistake, outage or disaster—with minimal impact to taxpayers or employees. We will improve our ability to detect and address issues before they interrupt services. As we automate and standardize the environment across cloud and vendor environments, we will provision new secured, monitored and fully configured servers on demand. This change will allow us to reliably scale service, such as provisioning

computing resources during filing season, and then reclaim that capacity when no longer needed. The network links our workforce, customers and partners to IRS applications, data and services. Network connectivity demands will rise as we provide employees and taxpayers “any device, anytime, anywhere” access and move applications to software-as-a-service and platform-as-a-service delivery models. With these enhancements, taxpayers will be able to rely on online self-service tools when and where they choose. Investments in resiliency and scalability will negate concerns over “peak” demand periods, again providing more flexibility to taxpayers to engage with the IRS.

We will consolidate and improve access to and use of data with data privacy and security as a top priority. We will bring together taxpayer account, case and operational data in a platform accessible to appropriate employees and applications, subject to controls and protections to help ensure security and privacy. Instead of data locked in siloed applications, each with potential synchronization and data integrity issues, the platform will have authoritative data on a state-of-the-art, secure platform to enable reporting, self-serve analytics, customer service, application development and external sharing where appropriate. We will manage data across its lifecycle, including use, archiving and destruction. If required by law or for legal compliance purposes, we will be able to intake new data streams using scalable, fast and resilient cloud tools. Taxpayers will be able to access their own data more easily when they need it, and employees will be able to better assist taxpayers who reach out for help.

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

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

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

We will harness data and analytics to drive operations and decision-making. Data will inform every aspect of our operations and decision-making, enabling taxpayers to get information faster and allowing us to focus more enforcement resources on those most likely to owe large amounts of taxes. Adhering to strict data protection safeguards, we will leverage the data platform to use data as appropriate to support operational needs. Improved data analytics will better position us to optimize operations for taxpayers and employees alike. For taxpayers, secure access to their own data will enhance voluntary compliance and improve the taxpayer experience by giving them a fuller picture of their account and tax obligations. Meanwhile, applying new analytical approaches to better understand taxpayer journeys will generate organizational insights into the barriers and pain points that frustrate taxpayers. Millions of taxpayers may call the IRS to ask the same question; analytics will allow the IRS to determine the root cause and prevent the taxpayer issue in the first place. Expanding the use of data and analytics will also support compliance and enforcement by helping us to better identify high-dollar noncompliance

cases while minimizing audits of compliant taxpayers. Internally, improved personnel and performance data will support strategic workforce planning. For example, the human capital function will use advanced analytics to provide insights on internal performance, such as predictive models of attrition and demand-driven hiring and analysis of external labor trends, to inform enterprise decisions and help ensure, for example, that customer service capacity can meet taxpayer demands.

We will work differently and improve our processes to enable the above aspects of our IT and data transformation strategy. Teams in IT will work with business partners and the Transformation and Strategy Office to formalize decision-making and demand management processes for technology investments (and broader resource allocation and business process change) that include the right stakeholders and leadership sponsors. Joint business and IT transformation teams will agree upon requirements, design, and business and technology changes to satisfy customer needs

and agency priorities. We will draft multi-year roadmaps and execute more frequent, less constrained release schedules instead of start-stop planning based on an unpredictable budget cycle, “must-do” legislative changes, maintenance calendars and filing season risk periods.

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

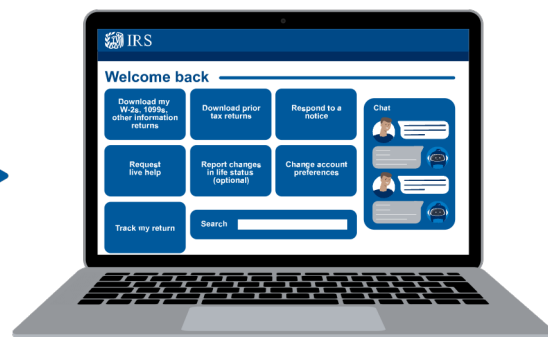
Transforming our infrastructure will allow us to plan, design and execute large-scale transformational projects with no pause in ongoing operations. We will empower cross-functional teams that include user experience designers, architects, engineers, developers, business experts and security practitioners,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

Enhanced data and technology will help taxpayers and IRS employees

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



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



Visuals are illustrative

Indicators of success

- ✓ Faster issue resolution for taxpayers as a result of better data storage and access
- ✓ Improved abilities to detect and address noncompliance
- ✓ Data and methodology to measure and reduce the gap between taxpayer uptake and taxpayer eligibility for credits and deductions, as well as to reduce inadvertent errors and prevent fraud
- ✓ Expanded detail and better ability to capture emerging issues in tax gap measurement
- ✓ Expanded use of analytics to inform tax administration and improve data management and governance throughout the organization
- ✓ Faster changes in technology, including adding features that help the IRS respond more quickly to legislative and internal changes and deliver new functionality to taxpayers more rapidly
- ✓ Consolidated total core systems into fewer applications in large domains, advancing our mission to centralize data and improve access to operational and taxpayer account information



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

- Modern IT delivery will enable energy security and clean energy investments by state, local, tribal, and other non-profit organizations and credit transfers through a modern interface and experience.
- Improved data and analytics will help identify credit underutilization as well as effectiveness of overall uptake.

Strategic shifts

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

Initiatives included in this objective

4.1

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

4.2

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

4.3

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

4.4

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

4.5

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

4.6

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

4.7

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

4.8

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

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Transform core account data and processing

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

Where we are heading

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

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

What success would look like

Success for this initiative would include a lower volume of programming code in outdated languages as we transform the code to current languages. A consolidated enterprise platform would mitigate the need to build custom applications for specific functions. More data would be available for taxpayers, analytics, and system-to-system integrations. Data and online engagement options would improve taxpayers' and employees' experiences.

Key projects

- 1. Update the programming language in legacy master files.** Rewrite legacy systems in modern development language.
- 2. Replace legacy databases.** Retire outdated databases including Individual Master File (IMF) and Business Master File (BMF). Replace legacy databases with a modern, flexible system that will be more timely, accurate and complete for both taxpayers and employees.
- 3. Standardize data processing systems.** Retire legacy data processing systems, including information return processing systems. Standardize data processing systems so that they can validate, clean and process taxpayer transactions in near-real time.
- 4. Implement a standard case management platform.** Consolidate disparate case management systems onto one standard platform. This upgrade will make managing the foundational technology more efficient and help employees to help taxpayers resolve issues.
- 5. Deliver the capabilities needed to enable the initiative.** Support significant technology procurement, testing and development as required by this initiative.

Milestones

1

FY 2023

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

2

FY 2024

Information Returns platform enhanced to support digital asset reporting

- 3 **FY 2024**
IRS systems improved to streamline access to individual taxpayer data for service and compliance purposes via secure, standardized APIs
- 4 **FY 2025**
Enterprise Case Management (ECM) platform modernized to host all compliance workflows, thereby enabling the decommissioning of many legacy applications
- 5 **FY 2025**
Individual, core tax processing modernized to simplify and replace legacy IMF processes
- 6 **FY 2027**
IMF data modernized for improved access and distribution, including the retirement of over 700 individual taxpayer outputs for the eventual retirement of IMF
- 7 **FY 2027**
Business taxpayer account information modernized, and legacy systems decommissioned to support eventual retirement of BMF
- 8 **FY 2027**
BMF retired with systems and data migrated to modern solution
- 9 **FY 2027**
Generalized Mainline Framework (GMF) decommissioned by establishing a modern, event-driven transaction process to enable near-real-time data
- 10 **FY 2027**
ECM platform capabilities built to support 90% of case management workflows and to enable the decommissioning of associated legacy applications
- 11 **FY 2028**
IMF retired with systems and data migrated to modern solution

Key dependencies

4.1 depends on projects in initiatives:
1.2, 4.3

Initiatives dependent on projects in 4.1:
1.2, 1.4, 1.6, 1.8, 1.11, 2.1, 4.5-4.7

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

Where we are heading

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

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

What success would look like

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

Key projects

- 1. Set guiding principles.** A mix of leadership and outside experts will use the current model (which already has elements of the planned model) to set a baseline and a vision for the design principles and guardrails of the end-state.

2. Design the products and platforms.

“Products” in this model refer to end-to-end user journeys where technology can facilitate desired business outcomes. Cross-functional teams will work together to define these journeys and develop a selection of appropriate products and platforms for the organization.

- 3. Deploy frontrunners.** A central team will govern a set of pilot product teams to deliver critical new functionality and gather the knowledge needed to refine the operating model and playbook.

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

Milestones

1

FY 2023

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

2

FY 2024

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

Key dependencies

4.2 depends on projects in initiatives:
None

Initiatives dependent on projects in 4.2:
1.11, 2.3, 4.6, 4.7, 5.1

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

Where we are heading

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

We will build flexible platforms that support all these new tools and capabilities. A new service management approach, for example, will require a modern standard platform, data infrastructure and high-fidelity network. Addressing the core capabilities and performance of the IT function will help us deliver the resilient, dependable services that taxpayers deserve.

What success would look like

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

Key projects

- 1. Implement zero-trust authentication security on the IRS network.** Prepare the IRS network to support modernized technology, digital communications and increases in staffing.
- 2. Streamline system connections.** Streamline connections among systems, services, and infrastructures, such as those that process international and business tax balances, to decrease delays and enhance reliability.
- 3. Migrate to cloud architecture.** Continue our migration to modern cloud architecture so that advanced capabilities may be developed.

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

Milestones

1

FY 2023

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

2

FY 2023

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

3

FY 2024

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

4

FY 2024

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

5

FY 2025

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

6

FY 2026

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

Key dependencies

4.3 depends on projects in initiatives:

None

Initiatives dependent on projects in 4.3:

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

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

Where we are heading

Taxpayer privacy and the cybersecurity of taxpayer data continue to be of utmost importance to the IRS. The agency must invest in cybersecurity enhancement to meet current and future needs, strengthen the IRS's security stance and preserve trust in the tax system.

As we become a digital-first agency, we will ensure strong cybersecurity protections of the technology ecosystem and guard against threats to taxpayer data. Enhanced authentication capabilities will allow us to deliver a user-friendly experience in which taxpayers can easily and confidently verify their identity to access services while we guard against threats and vulnerabilities.

With these security enhancements, we will be better positioned to protect tax data, proactively combat identity theft and refund fraud, and quickly identify and mitigate attempts to compromise IRS data. We will also enhance systems availability and modernize our network to ensure that best-in-class IT services are reliable, available, and scalable. With this foundation in place, customers and employees will have secure access to digital services and data on demand, anytime from anywhere, as they have come to expect from industry-leading technologies.

What success would look like

Success for this initiative would include ensuring the continued evolution of protections afforded to taxpayer data. The IRS would remain one step ahead of increasingly sophisticated cyberattacks. Leading-edge technology would ensure that every action taken or system accessed is appropriate and authorized. All taxpayer data would be internally encrypted and segmented to limit exposure to threats and compliant with all federal standards and guidelines.

We will coordinate efforts with the Department of the Treasury in timely ways to maintain cybersecurity while also complying with federal mandates and guidelines.

Key projects

- 1. Continue to implement best practices in cybersecurity.** Implement industry and federal best practices in cybersecurity—network security, identity and access management, vulnerability and threat management, and zero-trust architecture, for example—to protect IRS data from all cyber threats.
- 2. Continue to ensure best practices in insider threat protections.** Continue to implement and strengthen controls that limit access to authorized personnel for authorized purposes. Expand on internal monitoring and audit logging of all activities regarding taxpayer information or other personally identifiable information.
- 3. Enhance Digital Identity Management.** Continue to expand and ensure the Secure Access Digital Identity (SADI) platform's effectiveness with new system and processes. The IRS implemented the modern SADI platform in 2021; the identity-proofing and authentication solution for public-facing IRS applications will replace the legacy platform, Secure Access eAuthentication.

Milestones

1

FY 2023

Malicious activity prevention enhanced to include connecting continuous-monitoring devices to the IRS network and detecting and responding to anomalous traffic and threat patterns

- 2 **FY 2024**
Capabilities implemented for continuous identification of all assets and users on the IRS network
- 3 **FY 2024**
Multi-factor authentication implemented to improve access controls to IRS systems containing federal tax information
- 4 **FY 2024**
Data-at-rest encryption implemented for the full portfolio of IRS critical systems to strengthen data protections and prevent unauthorized access
- 5 **FY 2025**
Micro-segmentation used to improve control and visibility of network access for IRS high-value assets
- 6 **FY 2025**
To ensure continued protection of taxpayer data, internal audit capabilities modernized to better prevent and detect the misuse of government equipment, violations of security policies, and unauthorized access or attempts to access sensitive data
- 7 **FY 2026**
Digital-rights-management policies and protections implemented to safeguard digital content and data
- 8 **FY 2026**
Fraud-monitoring and investigation capabilities enhanced to support new identity-proofing solutions for taxpayer-facing applications

Key dependencies

4.4 depends on projects in initiatives:
4.3

Initiatives dependent on projects in 4.4:
1.2-1.6, 1.8, 1.10-1.12, 2.1, 2.3, 4.5

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

Where we are heading

The IRS's data is not uniformly accessible in an organized, digital format. Data is stored across a range of legacy systems, and most taxpayer-facing staff have limited access to data sources. To bring data together that is now distributed across legacy systems, we will need to upgrade our foundational enterprise capabilities such as data standards, metadata standards and data stewardship. This unified approach to data management will not only facilitate quality control and data organization but will also strengthen data security.

We will organize and improve the availability and completeness of high-quality and timely data to support access for appropriate purposes, including operational needs, analytics, business intelligence reporting, and research. To achieve this, we will identify which data are needed for business purposes, ingest the right data in timely ways, ensure that it is complete and accurate, and put mechanisms in place to allow appropriate access to data while protecting taxpayer privacy. We also need the infrastructure to allow the dissemination of data to support IRS operations across the enterprise while preserving data security and taxpayer privacy.

What success would look like

Success for this initiative would include having high-quality, complete data for strategic decision-making. Data would be available for analytics to help clarify taxpayer needs, better identify emerging compliance issues, increase operational effectiveness and innovation, and ensure fair and equitable treatment of taxpayers. IRS employees would be able to access appropriate data in a usable format to fulfill their responsibilities and serve taxpayers. Enterprise data platforms would expand taxpayers' access to their own data.

Key projects

- 1. Make appropriate data available and accessible to users.** Make data from legacy and modernized systems—including mission and support data—digitally available and readily accessible to approved users as necessary and appropriate to deliver effective tax administration and a high-quality taxpayer experience.
- 2. Develop a process for proactively identifying gaps in data.** Continually evaluate the completeness and accuracy of the data the IRS collects and generates to identify any gaps affecting key use cases of the IRS mission.
- 3. Develop a process to regularly evaluate opportunities to leverage external data.** Develop a governance process for appropriately using external and commercial data sets to improve tax administration.
- 4. Establish comprehensive data platforms.** Create enterprise-wide platforms and supporting tools to efficiently bring together data, improve organization and streamline dissemination.
- 5. Reinforce enterprise-wide data governance.** Transform data governance at the enterprise level to facilitate effective application of data to mission goals. Create enterprise data and meta-data standards. Create an enterprise-wide data catalog and taxonomy. Implement an enterprise-level data stewardship program. Develop policies to ensure that all data access complies with privacy and security standards.

Milestones

1

FY 2023

Process created for establishing enterprise data and meta-data standards

- 2 **FY 2023**
Data stewardship pilot program launched
- 3 **FY 2023**
Initial enterprise data catalog published, to be updated annually
- 4 **FY 2023**
Initial inventory of the IRS's data assets conducted to support planning and change management for migrating authoritative data stores and rebuilding essential functionality into the Enterprise Data Platform (EDP), to be updated as needed
- 5 **FY 2024**
Completed evaluation of data gaps and readiness for operational use aligned to business needs
- 6 **FY 2024**
External data procured to support better understanding of large business mergers, acquisitions, and terminations
- 7 **FY 2025**
Near-real-time taxpayer service data made available to IRS data scientists and analysts via modern analytical tools
- 8 **FY 2025**
Operational staff users given access to self-service data analysis and report-building tools

Key dependencies

4.5 depends on projects in initiatives:

1.2, 4.1, 4.3, 4.4

Initiatives dependent on projects in 4.5:

1.1-1.6, 1.8-1.12, 2.1-2.4, 2.6, 2.7, 3.1-3.7, 4.6-4.8, 5.6

IRS employees will use data and insights to enhance delivery of tax administration and improve the taxpayer experience

Where we are heading

IRS employees are frequently unable to use data and analytics tools to support operational processes and improve our mission's outcomes. Data systems are not interoperable today, and even available data is not always effectively linked or delivered to operational employees. Program management and front-line personnel do not have the standardized tools and processes they need to use data to inform and improve tax administration operations, such as customer service and compliance contacts.

We will maximize the value of our data by using it to improve delivery of the IRS's mission. To provide a better taxpayer experience, we will integrate data from multiple sources to assemble a holistic picture of a taxpayer's interactions with the IRS. Employees will then have the information they need to prevent and resolve taxpayer issues quickly. We will use new analytic models, such as compliance risk analytics, to reduce burdens on compliant taxpayers by improving case selection and tailoring taxpayer contacts. We will regularly evaluate and improve data, tools and governance processes to help ensure that models are working as intended and not subject to unobserved biases.

What success would look like

Success for this initiative would include more tailored and effective interactions with taxpayers across IRS programs. Employees would be better equipped to understand taxpayer problems and provide appropriate and comprehensive service. Compliant taxpayers would be less likely to be selected for compliance treatments, reducing their burdens. Taxpayers with compliance issues would benefit from more expedient resolution of their cases as employees would be better equipped with all information relevant to their case.

Key projects

- 1. Incorporate real-time analysis.** Use available data to conduct real-time checks to help taxpayers meet their tax obligations and identify credits and deductions for which they are eligible.
- 2. Make individual taxpayer data fully available.** Deliver comprehensive taxpayer account data in near-real time by creating a 360-degree view of taxpayer data for employees and providing taxpayers access to their relevant account data, as well as information to help them meet their tax obligations.
- 3. Use data to improve the taxpayer experience.** Use analytical approaches—including those that identify social, language and cultural barriers—to better understand and address the taxpayer experience.
- 4. Supply linked data to agents.** Deliver case-building insights to compliance and criminal investigation personnel by using data-driven tools that provide a holistic understanding of interconnected tax entities and financial transactions.
- 5. Enable real-time visibility into operations.** Provide managers with real-time visibility and insight into operational data to improve program management.

Milestones

1

FY 2023-2025

Data delivered to support a "Taxpayer 360°" holistic view based on business need and the prioritization established during the development of taxpayer service tools

- 2** **FY 2024**
Methodology developed and tested for applying information-reporting to enable the expansion of at-filing checks
- 3** **FY 2024**
Customer experience analytics improved to identify taxpayers' pain points
- 4** **FY 2025**
Comprehensive, coordinated case-selection methods researched and tested
- 5** **FY 2026**
Risk-analytics capability developed and tested to direct cases to the most effective treatment options

Key dependencies

4.6 depends on projects in initiatives:

4.1, 4.2, 4.3, 4.5

Initiatives dependent on projects in 4.6:

1.1, 1.3, 1.4, 1.6, 1.8-1.12, 2.1-2.3, 2.5-2.7, 3.1-3.7, 5.8

Strategically use data to improve tax administration

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

Where we are heading

The IRS has a centralized research function and pockets of data and analytics expertise throughout the organization. We are conducting numerous experiments with advanced analytics techniques to improve decision-making and the measurement of voluntary compliance and the taxpayer experience, to anticipate emerging issues, and to allocate resources. However, we need to allocate additional resources to these activities to ensure sufficient capacity, appropriate staff expertise, and the ability to scale and transition innovative solutions into operational workflows—all while keeping up with the evolution of analytical methods and technologies.

We must keep pace in an ever-evolving landscape that includes changes in tax policy and taxpayer behavior, emerging tax compliance issues and an increasingly global business and financial world. Innovative, responsible uses of data and advanced analytics can help the IRS meet these challenges by better understanding taxpayer behavior, including voluntary compliance and uptake of credits and deductions, and by delivering meaningful insights to decision-makers.

We will enhance our strategic planning, decision-making and compliance measurement using innovative analytic approaches, assessing new uses of data, and exploring emerging technologies. We will encourage research and explore emerging techniques, including advanced analytics. We will maintain guardrails so that data and analytics are used responsibly and transparently, respecting and protecting taxpayer privacy and civil liberties, and develop processes for operational innovation.

What success would look like

Success for this initiative would include better informed, data-driven decision-making and planning, which would allow the IRS to deploy staff more effectively where they are most needed. Innovation in customer service would increase taxpayers' responsiveness. Data-driven resource allocation and strategic planning would enhance organizational effectiveness and performance.

Key projects

- 1. Better understand the tax gap.** Use new data and enhanced analytics to improve our understanding of voluntary compliance by enhancing the timeliness, granularity and comprehensiveness of tax-gap measurement.
- 2. Expand data-driven resource allocation.** Expand our use of data and analytics to allocate resources effectively to meet the needs of enforcement and customer service activities throughout the organization.
- 3. Deliver data and analytics for decision-making.** Enhance senior-level decision-making with a suite of tools, dashboards and software across a broad range of data analytics use cases.
- 4. Develop best-in-class advanced analytics.** Continuously experiment with advanced analytics techniques to identify and address complex and emerging tax administration challenges. This effort may include exploring deep learning to address complex tax structures; using natural language processing (NLP) methods to extract, consolidate and categorize narrative text from tax forms, external reporting, and taxpayer interactions; and using techniques such as machine translation to improve taxpayer interactions in languages other than English.

- 5. Pursue leading-edge tools and techniques.**
Expand market research to identify leading-edge advanced analytics tools and techniques that are appropriate for tax administration enhancement.
- 6. Establish trustworthy analytics practices and policies.** Establish and implement trustworthy analytics practices and policies—such as guiding principles, risk management frameworks and governance—to ensure that traditional statistical and advanced analytics methods yield transparent, explainable, fair outcomes.
- 7. Improve our ability to receive and use data from foreign jurisdictions.** Optimize use of data related to activities outside the United States to effectively pursue non-compliant persons subject to taxes in the U.S.
- 8. Accelerate innovation in operations.** Streamline the transition of innovations and accelerate experimentation to improve operational workflows.

- 5 FY 2024**
New methodologies formulated to enhance and expand the estimation of tax gaps
- 6 FY 2025**
Additional data-driven methods developed for enterprise-wide optimization of resource allocation for enforcement

Key dependencies

4.7 depends on projects in initiatives:
4.1, 4.2, 4.5

Initiatives dependent on projects in 4.7:
1.1, 1.3, 1.5, 1.9, 1.11, 2.2, 2.7, 3.1-3.7, 5.6, 5.8

Milestones

- 1 FY 2023**
Enhanced governance strategy for advanced analytics defined
- 2 FY 2024**
New advanced analytics methods developed to better identify tax noncompliance among high-priority taxpayer segments, including high-income, high-wealth taxpayers and partnerships
- 3 FY 2024**
New analytics-enabled capabilities developed to support digital asset compliance
- 4 FY 2024**
Operating model created for enterprise data-analytics development and deployment spanning research, operations, and IT

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

Where we are heading

Throughout the government, data reflects the realities of Americans' lives: employment, family structures, benefits eligibility and uptake, and demographics. Safe, privacy-preserving statistical findings derived from tax data offer more insights into the well-being of our population and economy, which may help other government agencies design and evaluate policies and programs that assist the whole population, including those who are underserved or vulnerable. However, this can only be achieved in an environment that ensures the highest level of protection to taxpayer information. We will leverage new technical and analytical methods to develop tools to meet this need.

We seek to increase and strengthen partnerships with government agencies and external researchers to improve the rigor of our research and support evidence-based policymaking and program implementation throughout the government. The IRS has long partnered with external academic partners in foundational research, using advanced analytics and statistical techniques to solve complex tax administration problems. That said, necessary restrictions on data-sharing can hinder our ability to generate insights from government agencies and data sources. However, new methods provide an opportunity to safely collaborate on issues that are important to taxpayers while preserving taxpayer privacy protections to generate insights and advance research priorities that benefit the American people.

What success would look like

Success for this initiative would include the IRS and other government agencies benefiting from the ability to collaborate while providing state-of-the-art data protections.

In so doing, they will be able to gain new insights that inform policy and program priorities to improve constituent services. The IRS will benefit from the development of innovative ways to address tax administration challenges, enhanced rigor in validating methods and findings, and continuous learning.

Key projects

- 1. Establish strategic plans and document research priorities.** Enhance accountability and transparency in research planning by developing strategic plans and documenting research priorities for agencies and departments.
- 2. Strengthen and create research partnerships.** Foster research partnerships to inform research, advance analytical methods, build employee skills and ensure the validity of findings.
- 3. Develop new privacy-preserving analytic methods.** In partnership with privacy experts, develop new, rigorous privacy-preserving methods for sharing analytical insights while increasing the security of taxpayer information.
- 4. Support government-wide program evaluation and evidence-building.** Develop new capacity for using aggregated and anonymized information derived from tax data to inform policy and program decisions beyond the IRS.

Milestones

1

FY 2023

To support research and evidence-building, new statistical data incorporating state-of-the-art privacy protections produced and publicly released

- 2

FY 2023
 New Office of Management and Budget standard application process adopted to annually facilitate the engagement of non-IRS researchers in high-value tax administration-related projects

- 3

FY 2023
 Statistical service established to safely support production of special tabulations and reports to aid the Department of the Treasury and other agencies in evidence-building and program evaluation, as permitted under law

- 4

FY 2024
 Methods researched for automating or streamlining the production of high-value, customized statistics

Key dependencies

4.8 depends on projects in initiatives:
 4.5

Initiatives dependent on projects in 4.8:
 1.9

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

To offer taxpayers world-class service, we will invest in attracting, developing and retaining exceptional talent. People are the heart of the IRS and our most valued asset. Despite momentous challenges including funding, technology and staffing constraints, our employees remain resilient and are vital to implementing the strategies and pursuing the priorities to meet all Plan objectives.

We will invest in and focus on people, equipping and empowering them with the technology, equipment, training and tools they need to be successful. We will assess and reshape the workforce to meet future requirements, foster a positive employee experience, and create a workplace that reflects the diversity of the taxpayers we serve and the unique talents of each person. We will modernize how we attract, retain, develop, and empower our people. Employees will have the modern tools and upgraded facilities they need to perform at their best, collaborate effectively and build meaningful connections within and across teams.

In the future, IRS employees will require a broader foundation of core competencies. We will need curious problem-solvers who are technology- and data-savvy to power new ways of operating. Through training, the workforce will transform from one where thousands of people process paper in cumbersome, manual processes to a greater share of employees who provide high-quality services to taxpayers. To become a data-centric organization, we expect the number of data scientists to grow significantly, and IRS compliance functions will rely on specialized teams who respond to increasingly complex filings. In addition to technical skills, we will seek out, cultivate and value skills like problem-solving, communication and collaboration that are critical to excellent taxpayer and employee experiences. These changes will allow us to work in more agile, innovative and proactive ways. We will embrace the increasing diversity of our growing workforce and strive to be a more inclusive and accessible place where all employees can thrive.

Where we are heading

- We will grow our workforce to meet the mission of the agency after years of shrinkage and declines in service to taxpayers and to ensure adequate enforcement of the tax law.
- We will adopt strategies and technologies to keep pace and evolve with changes, enabling new ways of working while ensuring our people are engaged, agile and highly skilled, including in data and analytics, and have access to the information they need to work effectively. This will empower employees to deliver a better taxpayer experience.
- We will modernize our technologies, policies and processes to deliver an employee experience that helps employees focus on the mission.
- We will build recruiting capabilities to attract and retain a broader and more diverse workforce motivated by our mission and the opportunity for public service, with a focus on diverse and talented people in historically underreached and underrepresented communities to reflect the diverse population that the IRS serves.
- We will create flexible development opportunities and a workplace experience that fosters inclusion and professional growth for current and future employees.

We will grow and develop our talent while operating more efficiently

Who does the work

Types of skills

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

Types of workers

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

When and where we work

Schedules and locations

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

How we work

Tools

Automation, integrated systems, advanced analytics

Mindsets

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



Visual is illustrative

Indicators of success

- ✓ Increased proficiency across the workforce in critical skills, such as technology, data analytics, inclusive leadership, and knowledge of tax administration
- ✓ Increased employee retention, engagement and developmental opportunities
- ✓ Increased number of qualified applicants and quality of hires
- ✓ Increased headcount that reflects future mission staffing requirements
- ✓ Decreased time-to-hire
- ✓ Expanded opportunities for employee developmental opportunities, including increased training, internal and external rotational assignments, coaching and mentoring
- ✓ Workforce composition that more closely reflects the taxpayers we serve, including an increased demographic representation of historically underrepresented and underserved communities at each level and segment of the IRS
- ✓ Increased agility and flexibility, moving staff to align with business needs



How a highly skilled and diverse workforce will further the energy security and clean energy provisions of the IRA consumers, small businesses, communities, and industries:

- We will grow expertise in the skill sets necessary to adequately serve taxpayers and tax administration.
- Enhanced customer experience, IT and data analytics capabilities will support energy security and clean energy implementation, the customer experience, and service delivery.

Strategic shifts

From	To
Ineffective and outdated policies, technologies and processes make it challenging to attract, onboard and retain the talent we need.	We will recruit, train and retain a workforce with the skills and capabilities we need—people who put customer service first and are able to use our new technologies to work effectively.
Employees are constrained by limited resources and growth opportunities.	We will improve the employee experience and empower the workforce to drive better taxpayer experiences, with clearer career pathways that will improve retention and support career growth and opportunity.

Initiatives included in this objective

5.1

Redesign hiring and onboarding:

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

5.2

Attract a talented and diverse workforce:

The IRS will build new talent pipelines and attract a workforce that reflects the diversity of the people we serve

5.3

Improve the employee experience:

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

5.4

Help employees grow and develop:

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

5.5

Develop a data-savvy workforce:

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

5.6

Elevate workforce planning strategy:

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

5.7

Improve organizational structures and governance:

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

5.8

Build a culture of service and continuous improvement:

The IRS will build a customer-centric culture by empowering employees and leaders to put the customer first and rewarding outstanding service

The IRS is committed to a diverse and inclusive workplace culture that embraces diverse strategies that support tax administration with integrity and fairness for all. We are committed to a workplace where employees are respected, valued, trusted and appreciated because of their differences. Creating a workplace environment that taps into the unique talents and strengths of different employees improves employee satisfaction and productivity and our ability to serve the American public and achieve our mission. We will incorporate equity, diversity, inclusion and accessibility (EDIA) throughout the initiatives below.

Redesign hiring and onboarding

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

Where we are heading

Today, hiring at the IRS is difficult, causing challenges throughout operations and hindering service to taxpayers. Unpredictable funding has resulted in operational inefficiencies and limited strategic and long-range planning, forecasting, and hiring. Confusing, multi-step application and qualification processes can cause qualified candidates to disqualify themselves accidentally, or to opt for other opportunities with organizations that have faster, simpler, more transparent hiring. Furthermore, onboarding processes can be unwelcoming and slow; some new hires wait for months to receive the tools and training they need to become productive.

To meet demand-based hiring projections, improve accountability and compliance, and acquire the right talent, we will make our hiring processes more flexible and predictable, improve systems and automation to shorten hiring timelines, reduce unnecessary requirements for candidates, and prioritize the applicant experience. A modernized applicant experience will seamlessly and transparently move applicants from one point to the next to encourage them to stay in the process. We will automate portions of application processing to improve speed and reduce errors, paying careful attention to eliminating any bias in the process design. A forward-looking hiring plan will establish clear expectations regarding time-to-hire, include best practices for expediting competitive hiring, and maximize the benefits of direct hiring authority. We will help streamline the applicant matching and review process by digitizing candidate assessments to screen for technical skills and more intrinsic predictors of success, which will alleviate strains on hiring capacity and help applicants smoothly find their best-fit roles. Throughout improvements to the hiring and onboarding processes, we will strengthen accountability, compliance with applicable laws and risk management.

What success would look like

Success for this initiative would include improving the end-to-end hiring process and reducing the time-to-hire, regardless of the type of vacancy. All hiring actions would proceed more smoothly and quickly due to process improvements that maximize efficiency while retaining meritocratic principles. As we improve our ability to identify candidates with the skills required to fulfil the duties of a position, newly hired employees would experience a measurable increase in satisfaction.

Key projects

- 1. Create a renewed hiring process.** Optimize our hiring process for speed, efficiency and candidate experience. Identify actions that can be accomplished by additional outsourcing—such as personnel security or specialized recruiters—and automation.
- 2. Increase flexibility in hiring processes.** Make it easier to reach and hire qualified candidates by publishing rolling announcements of frequently hired roles and grouping job announcements by skills to consider applicants' suitability for multiple roles. Explore new and expanded hiring authorities while ensuring that internal candidates are not disadvantaged under these authorities.
- 3. Consider geographic flexibility in our hiring models.** Hire the best candidates in more geographic locations as business processes allow. As we continue to evolve into a digital agency, we will expand our footprint into additional locations, underrepresented and underserved communities, and Tribal lands while still meeting IRS operational needs.

4. **Engage in best-in-class candidate assessment.** Reduce barriers to entry, improve the application experience and reduce skills deficiencies by moving to digital-based skills assessments. These assessments will focus on skills that correlate with success in a particular role.
5. **Simplify the hiring experience for candidates.** Simplify and streamline the application process by building an applicant-facing status tracker, creating a job-matching aptitude test to help applicants find the right roles more quickly, and developing a new, user-friendly, easily navigable application website that increases accessibility.
6. **Streamline the onboarding process for new hires.** Ease barriers to smooth onboarding through a standardized, improved welcome experience for new employees, provide new employees with access and technology more quickly, and offer more flexible training.
7. **Strategically automate and outsource operations to increase capacity when necessary.** Explore technology options and determine where contracting firms can be engaged for work surges to support rapid onboarding or automated processing when necessary.
8. **Review all position descriptions and job requirements.** Working with the Office of Personnel Management and the Department of the Treasury, review and update position descriptions and qualification requirements, such as education and years of experience; use analytics where possible, based on the latest best practices; and identify where we may be excluding potentially strong, suitable talent.

- 3 **FY 2024**
Position description (PD) review conducted, and most critical PDs updated to include plain language and commensurate compensation
- 4 **FY 2024**
Asynchronous interviews and digital customer-service assessments for hiring integrated as standard for customer-service representatives
- 5 **FY 2024**
Digital candidate assessments used as part of the candidate selection process for all roles
- 6 **FY 2024**
Redesigned hiring processes to improve applicant experience and talent matching implemented
- 7 **FY 2025**
Hiring status-tracker developed to increase transparency in recruiting

Key dependencies

5.1 depends on projects in initiatives:
4.2, 4.3

Initiatives dependent on projects in 5.1:
1.9, 2.4, 2.7, 3.2-3.6, 5.2, 5.4

Milestones

- 1 **FY 2023**
Hiring plan driven by business demand delivered
- 2 **FY 2023**
Additional geographic options for hiring pursued

The IRS will build new talent pipelines and attract a workforce that reflects the diversity of the people we serve

Where we are heading

To rebuild its workforce and diversify its talent pipeline amid increasing demands for labor, the IRS must find new sources of qualified talent. As 63% of the IRS workforce becomes eligible for retirement in the next six years, and a new generation enters a uniquely competitive labor market, the IRS must do more to seek out, cultivate and bring in talent from new sources that reflect the diversity of the American people.

We will extend the geographic reach of our recruiting and offer flexible work options to expand the pipeline of interested and available talent and to allow us to compete with other federal agencies and private industry. We will use talent analytics tools to help identify high-potential candidates working elsewhere, in schools, and across communities nationwide. We will also create opportunities for historically underrepresented and underserved groups to help ensure that the IRS workforce reflects the taxpayers we serve. Combined with longer-term strategic workforce planning, better hiring processes and an upgraded value proposition to employees, recruiting efforts will strengthen the IRS's ability to attract the right diverse talent to serve American taxpayers.

What success would look like

Success for this initiative would include an increased number of qualified, diverse applicants in response to external job searches in an expanded talent pipeline. We would convert a larger share of applicants to employees as we refine and improve our recruiting efforts. Candidates and hires would better reflect the diversity of the United States as we reach out to historically underserved and underrepresented communities with compelling, accessible opportunities.

Key projects

- 1. Articulate the value proposition of working at the IRS.** Articulate why the IRS is an appealing place to work and describe the types of people who thrive here. Revise agency branding and recruitment messaging to help applicants understand why they should join the IRS and which areas would best fit their qualifications and preferences.
- 2. Review compensation and explore alternative pay and performance-based personnel systems.** Review the compensation system to assess its competitiveness and offer pay that is commensurate with the skills needed, including for management positions. Ensure that high-potential leaders have incentives to take on increasing responsibilities. Where we identify gaps, explore tailored compensation reform and pay and performance-based systems, including expanded pay bands and alternative personnel systems, to go beyond today's defined pay schedules.
- 3. Build new pipelines of talent.** Attract new, more diverse talent by developing student pipeline programs, graduate fellowships, pre-hire skills development "bootcamps" and private-sector talent rotations (e.g., secondments) coupled with outreach to applicants in new geographic areas and in underserved and underrepresented groups.
- 4. Evaluate and improve equity and diversity in recruiting and onboarding.** Support and advance diversity in recruitment, hiring and onboarding by emphasizing equitable processes in workforce planning and generating a more diverse selection of candidates to make sure the IRS reflects the diversity of the taxpayers we serve.

5. Cultivate interest among top recruits for critical roles. Elevate the recruiting experience for critical roles with personalized touchpoints and contacts, such as specialized recruiters. These personal contacts will act as liaisons who guide candidates through the recruiting process.

Key dependencies

5.2 depends on projects in initiatives:
5.1, 5.3, 5.4, 5.6, 5.7

Initiatives dependent on projects in 5.2:
5.8

Milestones

- 1 FY 2023**
Unified, enterprise-wide recruiting strategy developed
- 2 FY 2023**
Revamped IRS career page goes live online
- 3 FY 2023**
Pilot of “Lifting Communities Up” talent hub successfully launched
- 4 FY 2023**
Recruiters engaged to guide recruits through the application process
- 5 FY 2024**
Student pipeline programs launched at initial round of schools
- 6 FY 2024**
Plan developed for assessing and monitoring representation, stratification and employment patterns related to diversity in the IRS workforce
- 7 FY 2024**
First group of graduates from pre-hire bootcamp (or similar outreach program) onboarded as IRS employees
- 8 FY 2024**
Pilot of private-sector talent rotations launched
- 9 FY 2026**
“Lifting Communities Up” talent hubs established in additional underserved communities

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

Where we are heading

Responses to the Federal Employee Viewpoint Survey (FEVS) and other employee feedback suggest that the IRS employee experience has fallen behind that of other government agencies and the private sector. Employees and candidates alike increasingly value flexibility, yet flexible options are comparatively limited. Inclusion and a sense of belonging vary across the agency, and a lack of modern supplies, tools, and facilities perpetuate feelings of scarcity and frustration by many employees.

We will improve the employee experience by making employees feel more supported, offering more flexibility when consistent with business needs, cultivating a more inclusive environment, and providing employees what they need to do their jobs effectively.

We will adopt a working model that values employees' participation and includes more opportunities to work in various times, places and manners that allow us to fulfill our mission. We will create an IRS-wide flexibility strategy to allow us to meet business needs and shift the workforce between high-demand filing season and normal operations. We will use similar strategies to meet the needs of employees and attract new talent who expect workplace flexibility.

As the IRS enables more digital tools and transitions away from processing paper, flexibility will become possible for more roles. In a nation where many people in the workforce identify as independent or "gig" workers, a more flexible IRS working model could attract new sources of talent in the future when traditional staffing is not sufficient. We will take advantage of employee preferences for flexibility to attract and retain talented staff all over the country to meet taxpayer needs. We will ensure that all employees have the tools, supplies and facilities they need to do their jobs effectively.

What success would look like

Success for this initiative would include higher employee satisfaction and retention rates. Employees' perception of workforce flexibilities, work-life balance, workplace inclusion and leadership culture would improve. All offices would have needed supplies, and facilities would meet standards to foster a professional atmosphere.

Key projects

- 1. Develop an enterprise-wide strategy for increased employee flexibility.** To ensure we can attract the top talent and meet our missions, explore new ways teams and individual employees can benefit from more creative and flexible working models, such as flexible work hours and geographic flexibility.
- 2. Assess opportunities for new ways to serve at the IRS.** Review options for work arrangements that appeal to new types of workers and tap into additional talent pipelines when traditional hiring is challenged. This may include flexibilities such as part-time, seasonal, phased retirement, independent workers, surge or stand-by teams, and mission-focused telework or remote work when consistent with taxpayer and business needs.
- 3. Enable workplace engagement and inclusion.** Foster a work environment that is grounded in respectful, equitable and inclusive conversations and actions—free of discrimination, harassment and reprisal—with opportunities to build relationships across the IRS and demonstrate appreciation for each other.
- 4. Provide employees with the tools and other resources they need.** Provide employees with what they need to do their jobs comfortably and capably, complementing our culture and mentorship efforts in other initiatives.

Workplace policies, systems and structures will be more equitable and accessible, and we will review them to make sure all employees can operate authentically in their roles.

- 5. Improve IRS-wide recognition and individual incentive programs.** Empower managers to meaningfully recognize employee actions that embody our desired culture through customer service and special contributions to specific projects. Invest in the operations necessary to confer monetary awards more quickly after recognized actions.
- 6. Invest in the facilities and supplies employees need to succeed.** Modernize office spaces, re-equip hoteling spaces and proactively restock tools and supplies to help employees work more effectively.

Milestones

- 1 FY 2023**
Flexible work options piloted across various roles
- 2 FY 2023**
Most significant facility investments addressed
- 3 FY 2023**
Plan designed for delivering new employee awards and educating managers about reward options and procedures
- 4 FY 2024**
Plan implemented for awards tied to performance or process improvements

Key dependencies

5.3 depends on projects in initiatives:

1.2, 1.3, 5.7, 5.8

Initiatives dependent on projects in 5.3:

5.2, 5.4

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

Where we are heading

This Plan envisions an IRS that prefers digital to manual processes and compliance efforts that focus on complex tax issues. Reaching these goals will require new skills in problem-solving, customer service and technology, along with specialized tax knowledge. Employees want to learn and advance in their careers—one of the top five reasons people joined the IRS in each of the last five years, in line with a desire among government employees for more learning opportunities.⁸ Managers must accomplish more with limited resources and other constraints, creating ripple effects among employees, many of whom say they get too little on-the-job mentorship and have little interest in taking on management roles.

We will offer employees more ownership of their career development with best-in-class development and modern training, straightforward and more flexible career paths, and cross-functional rotational programs. We will adapt our training methodology, provide employees with dedicated training time, and upgrade the quality of technical and foundational skills training. We will broaden our career paths to include traditional upward growth, lateral transitions between functions, internal job rotations, external detail and internship programs, temporary assignments and post-retirement career tracks. We will emphasize developing managers' leadership skills and cultural competency to ensure that fulfilling growth opportunities are available, and to equip managers to be the inspiring, skilled and positive leaders we rely upon.

These investments will improve our value proposition to new talent and the overall employee experience by making the IRS a great place to grow.

What success would look like

Success for this initiative would include a marked increase in participation in and satisfaction with training, rotational, and learning programs. The number of offerings and how often we update them would likewise increase. As new career paths open, we would retain more people in high-priority, high-turnover populations. Improving managerial jobs would boost the number of applications for manager roles and increase satisfaction rates among managers. Employee proficiency in core knowledge and skills—including basic data analysis, problem-solving, cultural competency, leadership, and the fundamentals of tax administration—would rise, allowing employees to take end-to-end ownership of issue resolution. Because mentorship is a significant part of the learning process, we would expect all employees in leadership roles to participate in a mentorship program, and mentorship scores should rise in FEVS and other employee surveys.

Key projects

1. Create pathways for growth and development for every IRS employee.

Create straightforward career paths for all roles, establish formal rotation programs to encourage hands-on skill-building and career exploration, and reinstitute a Career Resource Center as a hub for professional development resources. Focus on creating career pathways for groups who are underrepresented in leadership to create a diverse pipeline of current and future leaders.

2. Support management with coaching and career and talent advice.

Launch management coaching and offer advice related to careers and talent via a consolidated, in-house program and/or a third party. Inform managers about development opportunities,

build employee confidence in management and improve communication of career development priorities.

3. Update the value proposition of managerial roles. Redesign managerial roles to provide compelling growth opportunities for top performers. Deliver a better experience for supervisors at all levels by assessing compensation, training, coaching, resourcing, independence and flexibility. Identify managerial roles that have high turnover or are hard to fill and develop plans to support them better.

4. Scale the IRS University enterprise-wide as a standard-bearer for training excellence. Build an accessible and multi-modal set of best-practice training programs that emphasize core competencies—such as analytical thinking, managing in hybrid and remote environments, and customer service—while preparing employees with the skills to succeed in the digital environment of the future.

5. Build a culture of mentorship and apprenticeship that celebrates skills development and knowledge-sharing. Update mentorship and apprenticeship programs—such as peer-to-peer coaching—and dedicate time for people to invest in these critical, people-oriented activities.

6. Give employees more inclusive opportunities to learn, grow, and thrive at the IRS. Grant employees opportunities to reach their full potential through career planning, performance management and new learning opportunities. Expand opportunities for cross-functional development to make it easier to change roles throughout the IRS. Monitor workforce diversity at all levels of leadership to help build an IRS that looks like the communities we serve and to promote equitable treatment of all employees.

7. Establish a flexible, case-based training model. Develop a case-based training model flexible enough to meet individual employees' needs that encourages a shift to ongoing, collaborative learning.

8. Refresh and promote our framework for leadership competency. Establish a leadership model to evaluate employees and build a common understanding of what it means to be a leader at the IRS. Identify and develop the skills needed for inspiring, strategic team leadership.

9. Reinstitute basic competency training in foundational skills. Deploy and refresh core-competency training for all employees, including research and writing skills, basic analysis and logic capabilities, critical thinking and problem-solving abilities, customer service, cultural competency and leadership skills. Implement competency assessments for these foundational skills to evaluate and continually refresh this foundational training.

Milestones

- 1 FY 2023**
IRS-wide leadership, mentorship, and coaching programs established
- 2 FY 2024**
Capabilities of the centralized learning platform enhanced
- 3 FY 2024**
IRS University launched enterprise-wide
- 4 FY 2024**
Core competency models and career paths for all employees developed
- 5 FY 2024**
Leadership competency framework launched and implemented across the IRS

Key dependencies

5.4 depends on projects in initiatives:
4.3, 5.1, 5.3, 5.5

Initiatives dependent on projects in 5.4:
2.4, 3.2-3.7, 5.2, 5.5

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

Where we are heading

To achieve its organizational goals, the IRS needs a workforce that seeks insights in data and values data-driven decisions, but the agency does not have enough statisticians, economists or researchers to meet all its needs for data and analytics expertise. We need to increase hiring for these highly skilled positions and to retain those employees once they have been hired. In addition to these specialized positions, a wide range of leaders and operational staff regularly interact with data as they help taxpayers, enforce the tax code and help operations function smoothly. These employees need to understand the value of data and how to use it to make data-driven decisions. To this end, the IRS has initiated efforts to enhance data literacy, but expanded data literacy training is needed for employees at all levels.

We will expand focused training and education to build a data-savvy workforce who can use data to support mission-based outcomes. Strengthening employees' data capabilities enterprise-wide will require hiring and retaining high-quality data talent and supporting employees with training and skills development.

What success would look like

Success for this initiative would include a more data-driven, data-minded IRS, where employees at all levels have opportunities to grow their data literacy and apply their data knowledge. A data-savvy workforce would make better decisions, whether they are front-line staff resolving taxpayer issues or leaders confronting operational challenges. Data and analytics capabilities would support efforts to enhance the taxpayer experience, reduce taxpayer burdens and improve mission outcomes.

Key projects

- 1. Recruit and retain specialized data employees.** Develop ways to augment and retain a data-savvy workforce, including expanding the designation of mission-critical jobs that fall under direct-hire authority, cultivating internal talent, partnering with external organizations to attract early-career data scientists and developing data-centric career tracks.
- 2. Promote a data-driven culture via organizational planning.** Develop and implement an organizational plan for integrating data specialists, subject-matter experts and operational staff across the enterprise.
- 3. Enable data-literacy learning.** Develop and provide access to resources that enhance data literacy and promote a data-driven mindset for leadership and operational staff enterprise-wide.
- 4. Broadcast data resources.** Create a communications plan to raise awareness of existing data resources.

Milestones

1

FY 2023

Recruitment and hiring plan developed

2

FY 2024

Assessment of education and training needs conducted

3

FY 2024

Training plans and resources developed for building analytic skills among current and new employees

Key dependencies

5.5 depends on projects in initiatives:

5.4

Initiatives dependent on projects in 5.5:

1.1, 1.3, 1.4, 1.12, 2.2, 2.7, 3.1-3.7, 5.4, 5.6-5.8

Elevate workforce planning strategy

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

Where we are heading

Given historical budget and staffing constraints, the IRS has not had enough staff to meet taxpayers' service needs or its enforcement goals. As the IRS grows its workforce to realize the vision the IRA makes possible, increasing and aligning talent to needs will be critical in fulfilling the business strategy. Developing a strategic workforce planning approach that brings aboard the talent needed will be an important step in how we meet the future talent needs of the IRS while improving the taxpayer experience. We will meet the challenges of growing our workforce with a comprehensive, data-driven approach to planning that aligns and evolves with business needs. We will forge partnerships between the human capital function and the internal customers it serves, including finance and program functions, using increasingly holistic analytics capabilities to forecast trends and workforce needs. These trends and needs will include hiring demand, attrition, new skills, office location strategy, workforce culture, program efficacy, predictors of employee success, external labor trends, and more. Translating these insights into action is a critical enabler of the IRA's goals and can improve business decisions and human capital planning.

What success would look like

Success for this initiative would include the use of talent analytics to improve human capital operations and outcomes at all stages of the employee lifecycle. Robust forecasting will facilitate more predictable and prioritized hiring, predictable attrition rates, and a prioritized, demand-based annual hiring plan. Putting analytics to use beyond forecasting will yield a range of human capital enhancements, including attrition reduction and higher performance among new hires.

Key projects

- 1. Upgrade the strategic workforce-planning function.** Increase the purview, stature and scale of the workforce-planning function with new tools and capabilities.
- 2. Collect and analyze full data on hiring demand.** Collect unlimited demand data, rather than capacity-limited requests, in partnership with stakeholders and use it to inform strategic workforce planning and identify creative staffing models.
- 3. Use workforce planning to prioritize bringing on the talent needed to deliver the IRA transformation.** Collaboratively identify the key roles that will have the largest impact and return on investment for delivering the IRA transformation and the IRS's mission. Prioritize the placement and training of top talent in these roles.
- 4. Continuously assess our geographic footprint.** Reevaluate where our people should be located to best serve taxpayer needs and reach a more diverse set of talent pipelines on an ongoing basis.
- 5. Unify legacy personnel systems into a single modular platform.** Combine over 100 legacy systems into one platform to streamline the management of employee data. Enable and use more advanced workforce analytics and provide a more consistent employee experience through technology.
- 6. Strengthen strategic partnership between the Human Capital Office (HCO), business units (BUs) and the Office of EDI.** Create business-partner roles to link BUs and HCO and EDI leadership to better position HCO and EDI to align, integrate and inform business strategy.

Milestones

- 1 **FY 2023**
Human capital business partners integrated into process for informing human capital strategy
- 2 **FY 2025**
Legacy systems for strategic workforce planning joined into one technology platform for streamlined management of employee data and use of advanced workforce analytics

Key dependencies

5.6 depends on projects in initiatives:

1.12, 4.3, 4.5, 4.7, 5.5

Initiatives dependent on projects in 5.6:

1.1, 1.9, 2.2, 2.4, 3.2-3.7, 5.2

Improve organizational structures and governance

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

Where we are heading

Processes, organizational structures and incentives are essential in reforming a culture. Now, with the resourcing and mandate of the IRA, the IRS can shift to an organizational structure and governance model that supports a culture of accountability, people-first mentality, innovation, and collaboration. We will rely on performance and culture diagnostics to identify where new governance, structures or ways of working are necessary, and enable these tenets with leadership support and systems.

Benefitting from new structures will require significant shifts in mindsets. Everyone at the IRS will need to put the mission and taxpayer needs first, which can happen only if resources are available to support these priorities and performance metrics are adjusted accordingly.

The benefits of such a restructuring are clear. Excess hierarchies in an organization hinder cross-functional knowledge-sharing, slow decisions and reduce flexibility. A transformation of the magnitude we envision will be possible only if we all work toward the same goals in a one-agency approach.

What success would look like

Success for this initiative would include a more unified, simpler structure that enables employees to serve taxpayers and tax professionals better and to provide them with an improved experience. Taxpayers will benefit from improvements in IRS internal operations, especially when they need to address complicated issues that require coordination across IRS teams.

Key projects

- 1. Assess the existing organizational structure and develop a plan for optimization.** Create a baseline of today's organizational challenges and identify opportunities to improve. Develop recommendations to share with IRS leadership and create a transformation plan as appropriate. The new organizational structure will reflect an inclusive culture of accountability, collaboration, flexibility and performance.
- 2. Assess existing governance and develop a plan for optimization.** Set a baseline for today's governance challenges and identify opportunities for improvement. Develop recommendations to share with IRS leadership, as well as a transformation plan as applicable.
- 3. Clarify and redistribute decision rights to empower employees; streamline governance.** Develop a decision-making model for setting priorities and allocating resources. This model will enable transparent, confident decision-making at the appropriate organizational level, encourage continuous learning and allow employees to seize opportunities for efficiency.
- 4. Embed equity, diversity, inclusion, and accessibility into the organization through an ecosystem of partners.** Taking this step will help the IRS create a workplace that better reflects the communities we serve throughout the country.

Milestones

1

FY 2023

Initial formal process and roles and responsibilities for decision-making established and implemented IRS-wide

2 **FY 2024**
Enterprise reorganization plan created, articulating a path to instilling modern management practices throughout the IRS and a structure designed to best serve taxpayers and tax professionals

3 **FY 2025-2027**
Priority redesigned organizational structures established

Key dependencies

5.7 depends on projects in initiatives:
1.3, 5.5, 5.8

Initiatives dependent on projects in 5.7:
1.1, 1.3, 1.5, 1.9, 2.1, 2.2, 2.4, 3.1-3.7, 5.2, 5.3

Build a culture of service and continuous improvement

The IRS will build a customer-centric culture by empowering employees and leaders to put the customer first and rewarding outstanding service

Where we are heading

IRS employees work diligently to meet customer needs and care deeply about customer service, but they do not always have the right tools, support, authority or incentives to deliver what customers need. In addition to providing the necessary tools, we will instill a culture of customer-centricity where employees can meet taxpayers' needs, often in a single interaction.

We will foster a culture that values the role of each employee through inclusion and empowerment. We will help employees see their roles in the transformation effort and the IRS mission and vision, and we will engage them in taking ownership of those roles. Our culture shift will start with creating space and support for change with thoughtful change-management strategies and the adoption of new governance models and organizational structures. We will delegate more decisions downstream and encourage collaboration that transcends organizational boundaries and barriers to provide excellent customer service.

We will drive change with performance management practices that give leaders new incentives and hold them accountable for supporting our culture shift. Leaders will explicitly acknowledge the state of the organization—including its challenges—and communicate a compelling vision for employees. Promoting diversity in our workforce and fostering an inclusive environment for all will remain critical components of this vision. Our tens of thousands of employees who provide service, compliance, business support and leadership will both drive and benefit from our culture-shifting efforts. They will share in the benefits of increased competitiveness in the labor market, stronger customer satisfaction and better business performance.

What success would look like

Success for this initiative would include adopting and implementing the right customer-service standards, governance, organizational structure, risk policies, decision rights, leadership performance commitments and process-improvement policies to support cultural change. As the culture shifts, trust in leadership will increase, driving a corresponding increase in employee satisfaction and feelings of empowerment. Taxpayer satisfaction regarding issue resolution would increase. Data gathered over time as cultural baselines are set and monitored will show shifts in culture toward IRS goals. Processes throughout the IRS will improve, reducing taxpayers' and employees' burdens and yielding gains in efficiency and effectiveness.

Key projects

- 1. Assess and continuously monitor culture, and act on employees' feedback.** Benchmark IRS culture against public- and private-sector standards, and use pulse and entrance and exit survey responses, FEVS results, and insights from NTEU and employee resource groups to evaluate the ongoing health of the organization. Design specific, focused interventions to proactively address challenges and influence cultural norms.
- 2. Support leaders and hold leaders accountable for modeling a new culture.** Coach leaders to demonstrate preferred behaviors and communication, encourage behavior shifts through performance evaluation, and hold leaders accountable through performance commitments focused on team-building, leveraging diversity, developing others, and conflict management. Model inclusion within the organization with leaders by amplifying and taking the lead on EDIA initiatives.

3. **Hold the organization accountable for creating the customer-centric, people-first culture to which it aspires.** Select culture “champions” throughout IRS leadership to steer the organization to an enterprise-wide culture designed to put customers first, communicate a compelling change story and monitor measures of culture and leadership.
4. **Adopt agency-wide customer service standards to help employees work together toward excellent service.** Incorporate customer-service standards to become a simpler, real-time, accessible, personalized and trusted service. Incorporate these standards across the IRS in organizational performance metrics, employee performance goals, decision-making processes, business processes, policy design, governance and other areas.
5. **Develop new policies and procedures that allow employees to improve processes to support empowerment and better ways of working.** Evaluate processes and delegations of authority, encourage employees to ask questions, challenge existing processes, and suggest, test, and enact process changes that improve the way we work to support our culture of service.
6. **Evaluate and communicate appropriate risk tolerances and risk appetites to support cultural change.** Empowering the workforce to serve customers, make decisions at lower levels and change processes to facilitate better ways of working must be enabled by appropriate risk tolerances and risk appetites. The IRS will adopt and enhance policies that tolerate appropriate risks to support culture change. This may mean, for example, focusing more on consistency of outcome rather than consistency of process, or shifting from minimizing agency risk to minimizing taxpayer risk.

Milestones

- 1 **FY 2023**
Cultural baseline assessment completed and focused interventions planned

- 2 **FY 2023**
Change management practices built into all initiatives and project plans and incorporated into measures of success as appropriate
- 3 **FY 2023**
Initial IRS policies revised and communicated to employees regarding risk tolerances and risk appetites for practices and behaviors that enable and support cultural change
- 4 **FY 2023**
Culture champions appointed to lead ongoing projects throughout the IRS to achieve, communicate and monitor the IRS’s cultural aims as part of the Transformation and Strategy Office
- 5 **FY 2024**
Leadership commitments developed to incentivize and hold leaders accountable for their roles in driving cultural change
- 6 **FY 2024**
Customer service standards created, implemented and measured IRS-wide
- 7 **FY 2024**
Programs and policies developed and implemented to support and monitor cultural health and the shift toward a culture of service
- 8 **FY 2024-2027**
Ongoing monitoring of cultural shift

Key dependencies

5.8 depends on projects in initiatives:
1.1-1.3, 1.11, 1.12, 4.6, 4.7, 5.2, 5.5

Initiatives dependent on projects in 5.8:
1.9, 3.1-3.7, 5.3, 5.7

Initiative and dependencies spread

Initiative	Initiative depends on projects in initiatives:	Initiatives dependent on projects in this initiative:
1.1 Improve availability and accessibility of customer service	1.3, 1.4, 1.12, 4.6, 4.7, 5.5-5.7	1.9, 2.6, 2.7, 5.8
1.2 Expand digital services and digitalization	4.1, 4.3-4.5, 5.5	1.4, 1.9, 1.11, 2.2, 2.7 4.1, 4.5, 5.3, 5.8
1.3 Ensure employees have the right tools	4.4-4.7, 5.5, 5.7, 5.8	1.1, 1.4-1.6, 1.8, 1.10-1.12, 2.1-2.4, 2.7, 3.1-3.6, 5.3, 5.8
1.4 Improve self-service options	1.2, 1.3, 1.12, 4.1, 4.4-4.6, 5.5	1.1, 1.6, 1.8, 1.10-1.12, 2.3, 2.7
1.5 Explore direct file	1.3, 4.4, 4.5, 4.7, 5.7	None
1.6 Enable taxpayers to access their data	1.3, 1.4, 4.1, 4.4-4.6	2.6
1.7 Provide earlier legal certainty	None	None
1.8 Deliver proactive alerts	1.3, 1.4, 4.1, 4.4-4.6	1.9
1.9 Help taxpayers understand and claim appropriate credits and deductions	1.1, 1.2, 1.8, 2.1, 2.6, 4.5-4.8, 5.1, 5.6-5.8	None
1.10 Make payments easy	1.3, 1.4, 4.4-4.6	1.11, 2.7
1.11 Build status tracking tools for taxpayers	1.2-1.4, 1.10, 4.1, 4.2, 4.4-4.7	2.6, 5.8
1.12 Streamline multichannel customer assistance	1.3, 1.4, 4.4-4.6, 5.5	1.1, 1.4, 2.7, 5.6, 5.8
2.1 Identify issues during filing	1.3, 4.1, 4.4-4.6, 5.7	1.9, 2.5, 2.6
2.2 Deliver early and appropriate treatments for issues	1.2, 1.3, 2.5, 3.1, 4.5-4.7, 5.5-5.7	None
2.3 Develop taxpayer-centric notices	1.3, 1.4, 4.2, 4.4-4.6	2.5, 2.6
2.4 Expand tax certainty and issue resolution programs	1.3, 4.5, 5.1, 5.4, 5.6, 5.7	None
2.5 Offer proactive debt resolutions	2.1, 2.3, 2.7, 3.1, 4.6	2.2, 2.7
2.6 Expand engagement with delinquent non-filers	1.1, 1.6, 1.11, 2.1, 2.3, 4.5, 4.6	1.9
2.7 Use improved data and analytics to tailor timely collections contacts	1.1-1.4, 1.10, 1.12, 2.5, 3.1, 4.5-4.7, 5.1, 5.5	2.5
3.1 Employ centralized, analytics-driven, risk-based methods to aid in the selection of compliance cases	1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8	None
3.2 Expand enforcement for large corporations	1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8	None
3.3 Expand enforcement for large partnerships	1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8	None

Initiative	Initiative depends on projects in initiatives:	Initiatives dependent on projects in this initiative:
3.4 Expand enforcement for high-income and high-wealth individuals	1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8	None
3.5 Expand enforcement in areas where audit coverage has declined to levels that erode voluntary compliance	1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8	None
3.6 Pursue appropriate enforcement for complex, high-risk, and emerging issues	1.3, 3.1, 3.7, 4.5-4.7, 5.1, 5.4-5.8	None
3.7 Promote fairness in enforcement activities	3.1, 4.5-4.7, 5.4-5.8	3.1-3.6
4.1 Transform core account data and processing	1.2, 4.3	1.2, 1.4, 1.6, 1.8, 1.11, 2.1, 4.5-4.7
4.2 Accelerate technology delivery	None	1.11, 2.3, 4.6, 4.7, 5.1
4.3 Improve technology operations	None	1.2, 4.1, 4.4-4.6, 5.1, 5.4, 5.6
4.4 Continue to ensure data security	4.3	1.2-1.6, 1.8, 1.10-1.12, 2.1, 2.3, 4.5
4.5 Maximize data utility	1.2, 4.1, 4.3, 4.4	1.1-1.6, 1.8-1.12, 2.1-2.4, 2.6, 2.7, 3.1-3.7, 4.6-4.8, 5.6
4.6 Apply enhanced analytics capabilities to improve tax administration	4.1-4.3, 4.5	1.1, 1.3, 1.4, 1.6, 1.8, 1.9-1.12, 2.1-2.3, 2.5-2.7, 3.1-3.7, 5.8
4.7 Strategically use data to improve tax administration	4.1, 4.2, 4.5	1.1, 1.3, 1.5, 1.9, 1.11, 2.2, 2.7, 3.1-3.7, 5.6, 5.8
4.8 Partner to expand insights	4.5	1.9
5.1 Redesign hiring and onboarding	4.2, 4.3	1.9, 2.4, 2.7, 3.2-3.6, 5.2, 5.4
5.2 Attract a talented and diverse workforce	5.1, 5.3, 5.4, 5.6, 5.7	5.8
5.3 Improve the employee experience	1.2, 1.3, 5.7, 5.8	5.2, 5.4
5.4 Help employees grow and develop	4.3, 5.1, 5.3, 5.5	2.4, 3.2-3.7, 5.2, 5.5
5.5 Develop a data-savvy workforce	5.4	1.1, 1.3, 1.4, 1.12, 2.2, 2.7, 3.1-3.7, 5.4, 5.6-5.8
5.6 Elevate workforce planning strategy	1.12, 4.3, 4.5, 4.7, 5.5	1.1, 1.9, 2.2, 2.4, 3.2-3.7, 5.2
5.7 Improve organizational structures and governance	1.3, 5.5, 5.8	1.1, 1.3, 1.5, 1.9, 2.1, 2.2, 2.4, 3.1-3.7, 5.2, 5.3
5.8 Build a culture of service and continuous improvement	1.1-1.3, 1.11, 1.12, 4.6, 4.7, 5.2, 5.5	1.9, 3.1-3.7, 5.3, 5.7



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Implementation and accountability

The IRS will make this vision a reality and deliver on the commitments in this Strategic Operating Plan by collaborating across the organization and engaging in disciplined and transparent accountability processes. Implementation will be coordinated by a newly formed Transformation and Strategy Office that will support IRS leadership by:

- Providing and maintaining a clear and efficient governance and accountability structure
- Facilitating real-time, transparent enterprise prioritization, performance monitoring and risk management
- Leading organization-wide capability-building and change management
- Supporting detailed execution-planning and project management
- Enhancing the IRS's culture and operations by implementing initiatives 5.7 and 5.8

How we will implement and track progress

The Transformation and Strategy Office will be led by a Chief Transformation and Strategy Officer (CTSO) who will report directly to the IRS Commissioner. The CTSO will coordinate an advisory committee to facilitate informed decision-making by the Commissioner on issues related to strategic alignment and problem-solving.

The office will be responsible for monitoring and reporting progress, identifying and solving implementation challenges, enabling well-informed and fact-based decision-making, and managing enterprise-wide change efforts.

The CTSO, in consultation with the Commissioner and advisory committee, will identify and empower owners for each initiative. Initiative owners will identify and empower project managers within their

initiatives to deliver on executable projects. The Transformation and Strategy Office will provide support to initiative and project owners on project management, planning, implementation, integration with other related initiatives and change management.

How we will manage performance and risk

The Transformation and Strategy Office will be accountable for coordinating efforts and driving progress across all initiatives, setting key performance indicators and facilitating problem-solving, including risk identification and response. The governance process established and managed by the office will be the main conduit for disseminating, discussing and making decisions based on performance and risk information.

The Transformation and Strategy Office will coordinate an update of this plan annually based on lessons learned, progress made and a changing environment. This will, in turn, provide renewed and current guidance on strategic priorities to IRS leaders and employees. Progress updates will be provided at least annually to external stakeholders—including the Office of Management and Budget, Congress and the public—through existing reporting and review processes like the Annual Performance Plan and Report. The IRS welcomes the opportunity to discuss progress more regularly with Congress and other stakeholders.

How change management and stakeholder engagement will be delivered

We acknowledge that the IRS will require significant cultural change to execute this Strategic Operating Plan and successfully implement the initiatives and projects to create a more customer-centric organization. The Transformation and Strategy Office will design processes and structures to drive and reinforce the behaviors and mindsets needed to support this culture change. The Transformation and Strategy Office will also help IRS leaders throughout the organization become more active and visible change champions as they communicate a compelling vision and help colleagues understand and support transformational change.

Initiative leaders will incorporate change management practices to drive change within their portfolio of projects and ensure that projects are implemented in a way consistent with the culture we want to create.

To begin this work, we will first identify the cultural shifts we want to make and establish a baseline of our current culture and the organization's readiness for change. We will then monitor changes to gauge progress as we execute change management strategies. We will communicate with employees and gather feedback regularly as we seek to empower all leaders and employees to contribute to achieving our vision and reaching the desired future state.

We recognize that implementation of many improvements contemplated in this Plan will require formal negotiation with NTEU. The Transformation and Strategy Office will engage with and gather input and feedback on its transformation efforts from NTEU as a representative of employees, and from internal and external stakeholders on issues related to our transformation plans and progress. We intend to involve employees and external stakeholders in all stages of this work.

High-level roadmap

Achieving our transformation vision, objectives, and outcomes will require sustained efforts. The following highlights initial target milestones over the next five years. Additional milestones for each initiative are included in Part II. This roadmap does not reflect all we will accomplish but highlights some of our major goals. As our detailed planning and initial implementation proceeds, we will adjust the timing and sequencing of these milestones as well as identify additional milestones.

FY 2023-FY 2024

X.X: Initiative number **CE:** Climate and Energy **IA:** Immediate Actions

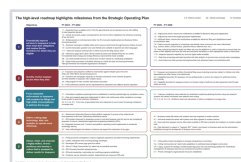
1.1	Expanded hours available at the TACs for appointments and on-demand service with staffing to meet expected demand
1.2	Certain documents, paper correspondence and non-tax forms digitalized and enhanced scanning of key tax forms
1.4	Enhancements to individual and online Tax Pro Accounts implemented and Business Online Accounts launched
1.6	Business transcripts available online and in easy-to-read format through Business Online Account
1.6	Current transcripts updated to be user-friendly and available in Spanish and other languages
1.11	Improved taxpayer tracking tools in online accounts for filing season 2024
CE	Information page about clean vehicle credits launched and detailed FAQs for tax credits for residential clean energy and energy efficiency improvements made available
CE	Tax credit transfer process to reduce price of clean vehicle at a dealership established
CE	Digital intake processes to facilitate claiming tax credits by state and local governments, tribal governments, and nonprofit organizations developed
2.1	Taxpayers and preparers notified for mismatches against simple types of income (W2s and 1099 NECs) and processing errors
2.4	Outreach and campaigns expanded to increase awareness of tax certainty programs and their benefits to taxpayers with complex issues
2.6	Pilot program for new non-filer interventions launched
IA	5,000 additional customer service representatives onboarded and callback options expanded
3.1	Centralized compliance planning function established to identify potential high-risk compliance cases
3.1	Data and research approach implemented to inform and continuously refine compliance coverage levels needed to promote voluntary compliance
3.2-3.5	First wave of specialists hired and onboarded to work toward increasing compliance coverage rates
4.1	Modernized Information Returns intake platform deployed to provide a free online portal for businesses to file Form 1099-series information returns
4.1	IRS systems improved to streamline access to individual taxpayer data for service and compliance purposes via secure, standardized application programming interfaces (APIs)
4.2	Integrated business and IT product-and-platform operating model implemented to accelerate technology delivery
4.7	New methodologies formulated to enhance and expand the estimation of tax gaps
5.1	Hiring processes redesigned to improve applicant experience and talent matching implemented
5.2	Unified, enterprise-wide recruiting strategy developed
5.2	Revamped IRS career page goes live online

FY 2023-FY 2024

- 5.2 Pilot of “Lifting Communities Up” talent hub successfully launched
- 5.4 IRS University launched enterprise-wide
- 5.4 IRS-wide leadership, mentorship and coaching programs established
- 5.8 Customer service standards created, implemented and measured IRS-wide

FY 2025-FY 2028

- 1.2 High-priority forms, returns and certifications available for electronic filing and digitalization
- 1.2 High-priority end-to-end digital processes implemented
- 1.2 Additional forms, returns and certifications available for electronic filing and digitalization based on prioritization plan
- 1.6 Online accounts upgraded to incorporate user-friendly views of account and return information (e.g., notices, letters, account history, payment history, balances due, etc.)
- 1.9 New contacts launched for lawful non-filers who may be eligible for a credit or deduction to ensure they are aware of their eligibility and have the tools and assistance necessary to claim appropriate credits or deductions
- 1.10 Integrated payment capability by card and digital wallet available
- 1.11 Real-time processing estimates launched with data analytics to provide more accurate status messaging
- 1.11 Audit status and other process-tracking launched and enhanced based on prioritization plan
- 2.1 Taxpayers and preparers notified of potential filing issues including incentives related to children and other dependents and other issues to be determined
- 2.3 Capabilities launched for taxpayers and tax professionals to receive and respond to additional notices electronically
- 2.6 Capability launched for taxpayer access to a broader range of self-service debt repayment tools through online accounts
- 3.1 Taxpayer compliance cases selected by centralized compliance planning function using new analytics systems and refined risk-based case selection and routing
- 3.2-3.6 Workforce hired and onboarded to achieve compliance coverage rates
- 4.1 Business master file retired with systems and data migrated to modern solution
- 4.1 Individual master file retired with systems and data migrated to modern solution
- 4.5 Near-real-time taxpayer service data made available to IRS data scientists and analysts via modern analytical tools
- 4.6 Data delivered to support a “Taxpayer 360°” holistic view based on business need and the prioritization established during the development of taxpayer service tools
- 5.1 Hiring status tracker developed to increase transparency in recruiting
- 5.2 “Lifting Communities Up” talent hubs established in additional disadvantaged communities
- 5.6 Legacy systems for strategic workforce planning joined into one technology platform for streamlined management of employee data and use of advanced workforce analytics
- 5.7 Priority redesigned organizational structures established



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Estimated allocation of funds

The IRA provided the IRS with \$79.4 billion in funding spread across four appropriations accounts. The following table compares the expected allocation of this funding to the transformation objectives included in our Plan. We expect that over time the mix of staffing and our business processes will change as we reap the benefits of our transformative technology investments. For this reason and several others, we note that allocations of funding against transformation objectives are preliminary; we will monitor and report specific IRA costs at the appropriation and program-activity levels in accordance with our current financial-reporting practices. As the transformation objectives are accomplished and efficiencies are gained from existing operations, actual costs will be reported in our annual budget submission and in an annual IRA update. See below for more detail.

With the IRA vision, objectives, and initiatives as context, we conducted cost analyses to understand—based on today’s best estimates—whether the long-term funding provided under the IRA would be sufficient to achieve the transformation required to deliver the drastically improved tax administration described in this plan. We expect that these estimates will need to be adjusted significantly over the next decade. In conducting the financial analysis to support this plan, we recognized that planning over a ten-year horizon involves considerable uncertainty stemming from a rapidly changing labor market, impact of productivity gains from overdue technological investments, and business process improvements. The ultimate cost of the initiatives outlined in this plan will be refined, and the specific estimates of the funding required to achieve our vision may change over time.

Despite this uncertainty over the exact impact of future productivity enhancements on the workforce or modernized operations, we have included our full aspirations in this plan. To the extent possible, we will work over the coming months and years to prioritize the funding available to achieve the objectives articulated in this plan. We will refine assumptions to update cost and the associated

delivery schedule over time as efficiencies are realized and new information becomes available, including:

- The scope, scale and pace of delivery of new capabilities across hundreds of projects associated with each transformation objective
- Synergies across related transformation initiatives
- Demands on steady-state operations
- Enacted discretionary budget allocations

We may need to adjust timelines and/or the breadth and depth of delivery for specific transformational initiatives—most notably in the areas of taxpayer service and technology, which, as described below, will require additional discretionary appropriations beyond what the IRA provided—as we learn more, but we will remain committed to the vision and outcomes articulated in this plan. The following table displays funds that we plan to spend by transformation objective and by appropriation, limited to what we have been appropriated—not what we estimate could be needed to fully transform the IRS as described in this plan based on today’s estimates.

The strategic operating plan for the IRA was built under the assumption that IRA funds will support transformation efforts but would not have to be used to support current “steady-state” IRS operations. To cover our steady state, annual discretionary appropriations must be fully maintained at the FY 2022 level and include growth for inflation. Any reduction in annual discretionary funds—including not providing for inflationary increases to maintain current levels—will require the use of IRA funding to cover steady-state operations, jeopardizing the service, technological and compliance initiatives in this plan. Diverting IRA funding to cover base discretionary enforcement needs would reduce revenue collection and significantly decrease the net deficit impact of the IRA.

IRA allocations financial summary – FY 2022-FY 2031 (\$ billion)

Appropriations account (\$ billion), rounded

Transformation objective	Taxpayer services	Enforcement	Operations support	Business systems modernization	Clean energy	Total proposed investment
1. Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible	1.5	0.1	2.1	0.7	0.0	4.3
2. Quickly resolve taxpayer issues when they arise	0.1	1.8	0.7	0.6	0.0	3.2
3. Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap	0.2	41.7	5.5	0.0	0.0	47.4
4. Deliver cutting-edge technology, data, and analytics to operate more effectively	0.0	0.1	9.2	3.1	0.0	12.4
5. Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers	0.2	0.7	6.9	0.4	0.0	8.2
Energy security	1.2	1.3	0.9	0.0	0.5	3.9
Total IRA allocations	3.2	45.6	25.3	4.8	0.5	79.4

Based on what we know today, we believe that we will need an ongoing investment on top of the allocated IRA funding to deliver all of the transformation objectives outlined in this Plan in taxpayer service improvements and information technology modernization. We will have a more significant shortfall in our ability to deliver transformational change if annually appropriated levels are limited to the enacted discretionary IRS budget of FY 2022 and not adjusted for inflation.

In the Taxpayer Service account, the IRS need for resources to address taxpayer inquiries has grown steadily for the last decade. Several factors drove these increases including legislative expansions of IRS authority and new tax law provisions. Our estimates suggest that if the appropriated funding levels for FY 2023 are maintained (including future

year inflationary adjustments), and our FY 2024 Program Increase is not funded, we will need to use 100 percent of IRA Taxpayer Service funds to provide acceptable levels of walk-in and phone assistance, and these funds would be fully exhausted in less than four years, with limited ability to deliver on other transformation projects that also require Taxpayer Service funding. This estimate is based on the investment required to restore the staffing of customer service representatives to acceptable levels, along with the new investments needed to maximize the impact of the energy security provisions included in the IRA (which was not fully funded separately in the legislation).

Funding for the IRA Strategic Operating Plan

IRA appropriations to fund

Delivery of IRA transformation objectives

Examples (non-exhaustive):

- Accelerated and expanded technology modernization
- Payroll expenses associated with above-base hires

Discretionary budgets to fund

Maintenance of current IRA capabilities

Examples (non-exhaustive):

- Operations and maintenance for existing technology platforms
- Payroll expenses associated with base staffing levels
- Pre-IRA pace of technology modernization

A second issue exists in the funding for information technology in both the Operations Support account and the Business Systems Modernization (BSM) account. The zeroing out of BSM in the FY 2023 Consolidated Appropriations Act, 2023, creates an additional significant challenge in that we will not be able to meet the IT modernization projects described in the Plan without restoration of that funding as requested in the FY 2024 President's Budget. The funding included in the Consolidated Appropriations Act, 2023 for operations support is insufficient to cover normal operations costs, which will require us to supplement our current funding needs with IRA funding.

Funding in the enforcement account will be used consistent with the Treasury directive that IRA resources are not used to increase the share of small businesses or households earning \$400,000 or less that are audited relative to historic levels. Any growth in staffing above historic levels will be limited to focusing on high dollar noncompliance such as large corporations, large partnerships and high-income individuals where current coverage does not promote taxpayer compliance.

The IRA Allocations Financial Summary table also illustrates how we will need approximately \$3.9 billion in funding, well above the specific \$500 million appropriation, for energy security to support the implementation of the energy tax incentives outlined in the IRA. These initial estimates were developed in close consultation with the U.S.

Department of Energy based on their past experiences in supporting the Treasury Department and the IRS in the implementation of energy tax credits and will be refined as part of future planning processes. These estimates include costs for necessary IT modernization efforts and for hiring staff to support the development of implementation guidelines, associated compliance efforts and anticipated customer-service needs. Successful implementation of these provisions is necessary to effect the energy security and clean energy policy goals included in the legislation.

As noted, we will monitor and report specific IRA costs quarterly at the appropriation and program-activity levels in accordance with our current financial-reporting practices. Actual costs will be reported in our annual budget submission and in an annual update to this Plan. The following includes our estimated spending through FY 2024.

Inflation Reduction Act Implementation, (\$ thousand, FTE)

Budgetary resources	FY 2022		FY 2022		FY 2023		FY 2024
	Enacted		Actual obligations		Estimated obligations		Estimated obligations
	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Taxpayer Services	\$3,181,500		\$1,073	7,394	\$837,735	6,489	\$815,966
Enforcement	\$45,637,400			1,543	\$371,767	7,239	\$1,408,470
Operations Support	\$25,326,400		\$60,965	727	\$1,017,758	3,810	\$2,380,097
Business Systems Modernization	\$4,750,700		\$43,924	357	\$580,000	197	\$1,034,000
Direct eFile	\$15,000				\$15,000		
Energy Security	\$500,000					1,810	\$180,000
Total budgetary resources	\$79,411,000		\$105,962	10,021	\$2,822,260	19,545	\$5,818,533

Note: Estimated obligations for a year represent estimated planned spending and associated full time equivalents, but do not translate into total hiring figures. Through the end of FY 2024, we estimate total growth of approximately 20,000 employees funded by the Inflation Reduction Act. Please refer to the President's Budget FY 2024 for further information on discretionary funding.

Stakeholders impacted by the Strategic Operating Plan

The IRS cannot achieve effective tax administration alone; we must include a broad ecosystem of stakeholders. This Strategic Operating Plan has been developed with our stakeholders' needs and partnership in mind. Successfully implementing the strategy outlined in this Plan will rely on partnership with and continuous feedback from all those impacted. Some of these stakeholder groups are described below.

Taxpayers and tax professionals

This Plan outlines how the IRS will transform to significantly improve service for the entire base of American taxpayers. Within this Plan, taxpayers are referred to broadly and include all people and groups whom we serve, including:

- Individuals and families
- Businesses large and small
- Charities and other tax-exempt organizations
- International taxpayers
- Federal, state, and local governments
- Tribal nations
- Tax professionals and others who assist and serve taxpayers

Within these groups, the IRS also recognizes that many populations have unique needs. We are committed to strengthening our relationships with those we serve to better understand and respond to their needs. The new services, resources and other initiatives outlined in this Plan will be implemented with accessibility for all, including taxpayers with disabilities, those with limited English proficiency, and any other historically underserved and underrepresented communities.

The tax community

Continued IRS partnership with tax professionals and others in the tax community is critical to the success of this Plan. The IRS partners with state tax administrations and with the tax industry—including software makers, payroll providers and others—to address issues and optimize progress. The IRS has a history of successful partnerships leveraging the knowledge and insight of the tax community. The IRS also works closely with groups formed by the Federal Advisory Committee Act, the Internal Revenue Service Advisory Council (IRSAC), the Treasury Tribal Advisory Committee (TTAC), and the Electronic Tax Administration Advisory Committee (ETAAC). The IRS will continue its strong relationship with the tax community in these ways and will seek to enhance services and experiences with the IRS to better support taxpayers, tax professionals and the overall tax community.

Current and future IRS employees

This Plan outlines how IRS employees and leaders should guide and prioritize their work based on the organization's vision, and how we plan to get there. This Plan also describes the transformational objectives that affect the work environment, skills and capabilities, and pace of change needed to transform the IRS workforce. For the National Treasury Employee Union (NTEU), it outlines the IRS's vision for the future workforce and opportunities for partnership to ensure that the IRS is an employer of choice.

All IRS employees and business units will be involved in and impacted by this Plan, and all business units and employees stand to benefit from improvements to systems, processes, technology, data, governance, human capital management, organizational structure and culture.

For example:

- Wage and Investment (WI), Small Business/Self-Employed (SB/SE), Large Business and International (LBI), Tax Exempt and Government Entities (TEGE), Criminal Investigation (CI), the Independent Office of Appeals, the Taxpayer Advocate Service (TAS), the Return Preparer Office (RPO), the Taxpayer Experience Office (TXO), the Office of Professional Responsibility (OPR) and the Whistleblower Office will lead, support and benefit from initiatives to improve the ways in which we serve customers, interact with those who prepare returns, select cases that need compliance work, improve work processes and enforce the tax laws.
- Information Technology (IT), Research, Applied Analytics and Statistics (RAAS), Online Services (OLS), Enterprise Digitalization, and Enterprise Case Management (ECM) will lead and support the design and development of cutting-edge data, analytics, systems and technology to enable transformation
- The Human Capital Office (HCO), Equity, Diversity, and Inclusion (EDI), and Facilities, Management, and Security Services (FMSS) will lead and support improvements to make the IRS a nimbler and more efficient organization that attracts, develops and supports an accessible, diverse and inclusive workforce
- The Office of Procurement and the Chief Financial Officer (CFO) will lead and support efforts to ensure the IRS appropriately plans and documents the allocation of resources to support the transformation.
- Privacy, Government Liaison, and Disclosure (PGLD), the Office of the Chief Risk Officer (OCRO), Communications and Liaison (C&L), Change Management practitioners and the Office of Chief Counsel will lead and support efforts to ensure that our transformation process engages and includes stakeholders in transformation efforts, follows laws and regulations meant to protect those stakeholders and thoughtfully incorporates risk analysis and risk mitigation.

Government leaders and other oversight bodies

This Plan describes what the IRS aims to accomplish for the American people with the additional funding provided. It can be used to hold the IRS accountable on delivering the progress we promise.

National, state, local, and other organizations

There is a wide variety of groups beyond the immediate tax community who have an interest in the IRS's transformation effort. These include charitable groups; small business organizations; community- and faith-based organizations; labor unions; climate, environmental, and other advocacy organizations; academic institutions and researchers; tribal organizations; and many other key partners. This Plan can be used as a benchmark for success as well as a basis to provide ongoing feedback on areas for growth.

Energy security and clean energy provisions of the IRA

Concurrently with our transformation efforts, we are working to implement the energy security and clean energy provisions included in the IRA. As we pursue the overall improvements outlined in this Plan, we are incorporating them in our current work. Our implementation efforts to date, and those planned in the future, illustrate the benefit to taxpayers in a more effective IRS.

In enacting these incentives, Congress gave the IRS new responsibilities for administering energy tax credits for consumers, small businesses, communities and industries. While we have experience with longstanding tax incentives in areas such as clean electricity production and investment, carbon sequestration, clean vehicles, and energy efficiency, the IRA energy security and clean energy provisions represent a significant expansion of the IRS's responsibilities in this space.

The five transformational objectives described in this document will each help better position us to administer the law effectively to further the goals of the legislation. The IRS will require significant investments, including the overall investments in modernization described in this Plan, as well as investments specific to implementing new tax provisions. The IRA includes approximately 20 new or revised energy security and clean energy-related tax incentives, along with several new cross-cutting provisions that impact the administration of multiple incentives.

One key area of focus is developing and communicating clear rules for the energy security and clean energy incentives, especially given changes in the IRA that allow the value of incentives to vary based on new factors. For example, depending on the specific energy security and clean energy incentive, the amounts available to taxpayers

can vary based on whether the taxpayer adheres to certain labor standards, locates activity in certain geographic areas, uses certain domestically produced content and/or meets certain greenhouse gas emissions thresholds in the production process. We are focused on developing clear, predictable and transparent approaches to administering these provisions so that taxpayers have the certainty they need to invest in energy security and clean energy projects.

The new mechanisms for taxpayers and other entities to monetize energy security and clean energy incentives are another important focus area for IRA implementation. One IRA provision enables tax-exempt organizations and government entities (including state, local and tribal governments) to receive energy security and clean energy tax credits in the form of elective payments from the IRS. Another provision allows certain entities to transfer energy security and clean energy credits they earn through their activity to other parties that may be better positioned to benefit from the incentives. These new incentive monetization mechanisms will significantly expand the range of actors undertaking energy security and clean energy investments and receiving associated benefits through the tax code.

In the months since the IRA was signed into law, we have already made considerable progress, beginning to draw on the implementation funding that Congress provided. To implement the IRA energy security and clean energy provisions, we stood up a dedicated office to devote the necessary resources and expertise. We have entered into partnerships with the U.S. Department of Energy to establish programs for competitive allocation of certain energy security and clean energy credits, including to spur energy security and clean energy

investment in low-income communities and coal communities. We have made significant progress developing processes to facilitate upcoming access to tax incentives by state, local, and tribal governments, as well as non-profit organizations. We have also focused on outreach and engagement, so that taxpayers understand the changes and are aware of the new benefits available under the IRA. Notably, we launched a clean vehicle consumer website and educational campaign to inform consumers, manufacturers and sellers about available credits for new, used and commercial clean vehicles.

Using IRA funding, the IRS will administer these energy security and clean energy incentives by leveraging new technology to make the process for claiming credits as seamless as possible while addressing the risk of potential fraud. As we continue to make progress on this Plan, notably in the areas of technology and data, taxpayers will see improvements in how we implement tax law changes, including the IRA's changes relating to energy security and clean energy tax incentives.

Our work to deliver service improvements to taxpayers will also translate into more effective implementation and administration of the IRA energy security and clean energy provisions. We will ensure that households, businesses, and other entities including governments and tax-exempt entities have the tools, data, and information they need to be aware of and claim energy security and clean energy credits and deductions. We are working to create a filer experience that is user-friendly, secure, seamless and efficient, with modern processes that allow users to correct errors and receive timely status information. We will address noncompliance, fraud and improper payments in manners that ensure energy security and clean energy incentives are properly claimed by eligible taxpayers.

The initiatives in this Plan will help to realize the goals of the IRA energy security and clean energy provisions, benefitting taxpayers and furthering the goals of policymakers.

Alignment with the U.S. Treasury Strategic Plan

Goals of the U.S. Treasury Strategic Plan

Goal 1: Promote equitable economic growth recovery

- 1.1 Tax administration and policy: Enhance tax compliance and service; improve tax policy design

IRS IRA SOP Objectives



Goal 2: Enhance national security

- 2.1 Cyber resiliency of financial systems and institutions: Harden assets and systems of Treasury and the broader financial system to promote financial system resiliency



- 2.4 Transparency in the financial system: Increase transparency in the domestic and international financial system



Goal 3: Protect financial stability and resiliency

- 3.3 Financial innovation: Encourage responsible financial sector innovation



Goal 5: Modernize Treasury operations

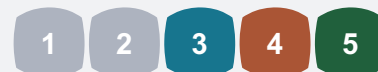
- 5.1 Recruit and retain a diverse and inclusive workforce: Recruit and retain a diverse workforce that represents communities that Treasury serves



- 5.2 Future work routines: Transform the department's work routines to support changing mission and workforce needs



- 5.3 Better use of data: Increase timely access to and use of quality data and other types of evidence to inform decision-making



- 5.4 Customer experience practices: Mature and embed strong customer experience practices across the department, establishing Treasury's reputation for consistently positive experiences



IRA transformation objectives

Objective 1

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

Objective 2

Quickly resolve taxpayer issues when they arise

Objective 3

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

Objective 4

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

Objective 5

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

Context and trends that shaped the development of this plan

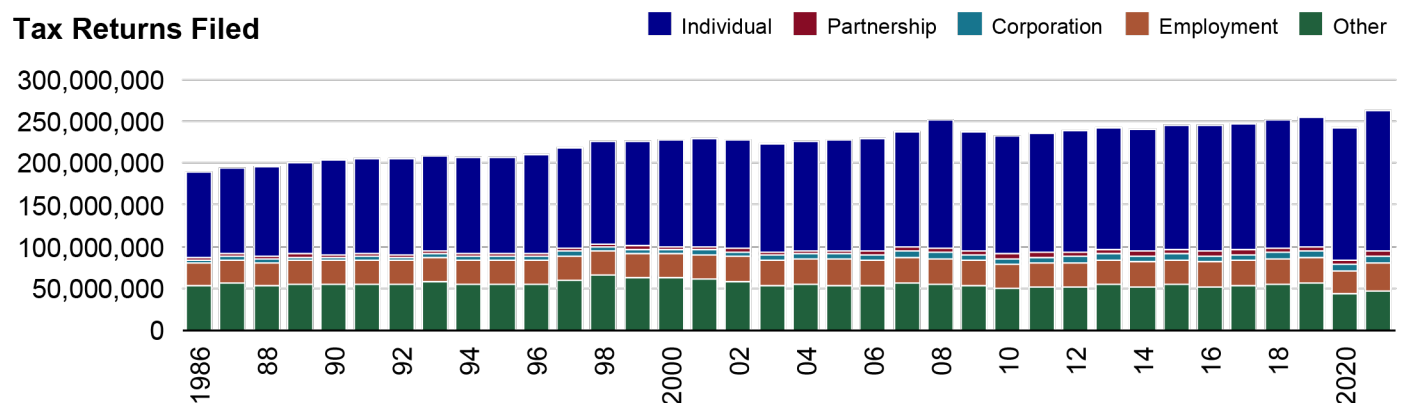
Analysis of the current state of the IRS and external trends led to the development of the five transformation objectives and their respective initiatives outlined in Part II. The following sections provide background on why each of these objectives is important

A historical lack of investment in the IRS has limited its ability to keep pace

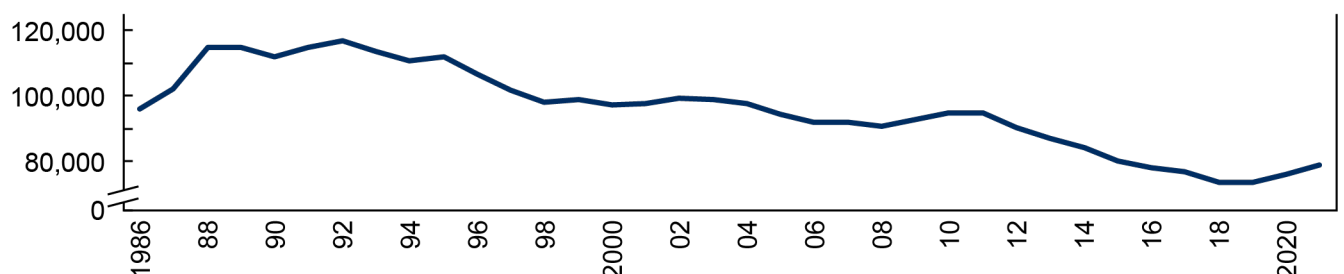
Investment in the IRS has historically lagged growth in demand for its services, making transformation a priority. Between 2010-2021, funding appropriated to the IRS declined by 22% in real terms. Even though filings increased by more than 8% between 2011-2019, the IRS workforce is now the same size as it was in the 1970s—with fewer auditors than at any time since World War II.⁹ Facing uncertain appropriations year after year, the IRS, which operates in similar ways to some of the world's largest financial institutions, has often been forced to freeze external hiring and pause innovation and technology investment, all while the largest financial institutions steadily increased their annual technology spending to approximately 3% of expenses between 2010-2019.¹⁰ While the IRS has worked hard to meet the needs of the nation despite limited resources, these resource constraints have eroded the level of service and caused the taxpayer experience to deteriorate.

Globally, tax authorities are using innovative ways to help taxpayers and suggest ways in which the IRS can ease the American taxpayer experience. They are utilizing technology to improve taxpayer services and compliance along all phases of the taxpayer journey: pre-filing, filing and post-filing. Improving the experience and service we provide taxpayers will increase our competitiveness on a global scale and help to address the tax gap.

Tax Returns Filed



FTEs Realized



Current processes make it difficult for taxpayers to file their taxes independently, and resource constraints limit the IRS's ability to monitor compliance, both of which contribute to the tax gap

- **Filing taxes is time-consuming and confusing.** The overwhelming majority of American taxpayers want to file their taxes correctly, and every year millions of taxpayers meet their obligations by submitting timely, accurate returns and payments. But for too many, this is not an easy process. Individual and business taxpayers have difficulty navigating complicated laws and filing processes, and they face challenges when interacting with the agency responsible for carrying out a complex tax code and processing 260 million tax returns each year. The average American spends 13 hours to file an individual income tax return, and the average large corporation's tax return is 6,000 pages.
- **The IRS is not always available to help taxpayers.** When taxpayers have questions or concerns, they can find it difficult to reach the IRS. In 2022, the IRS answered fewer than two of every ten calls and had an average wait time of 22 minutes. In the 2021 Taxpayer Experience Survey, only 63% of taxpayers reported being satisfied with the filing process, most often citing concerns with customer service and communications, long waiting times for processing and refunds, and the complexity of forms. Nearly 60% of taxpayers reported that they had an issue they needed the IRS to help with, but they had difficulty reaching the IRS.¹¹
- **Meanwhile, customer experience demands have evolved, and taxpayers want a more seamless filing process.** The stakes for delivering a service experience that taxpayers find easy and helpful are high: Americans' service interactions with the IRS strongly influence their level of satisfaction with government. Taxpayers expect the technology they use in their service interactions with tax authorities to be just as seamless and simple as what they encounter in the commercial world. Taxpayers expect the IRS to deliver seamless and simple tax filing, responsive

and clear communications and helpful information to prevent or solve problems. In the 2021 Taxpayer Experience Survey, over 70% of taxpayers said they were interested in receiving digital notices from the IRS.¹²

Digitalization investments, for example, have not kept pace with taxpayer demand. In FY 2021, 57.4 million returns were filed on paper (22% of total) even though 93% of taxpayers surveyed reported wanting e-file options.¹³

The IRS is working to make tax submissions more digital; the number of electronic returns filed grew to 78% over the past several years. However, many paper forms remain, including some that require handwritten signatures—a time-consuming process for taxpayers.

80%

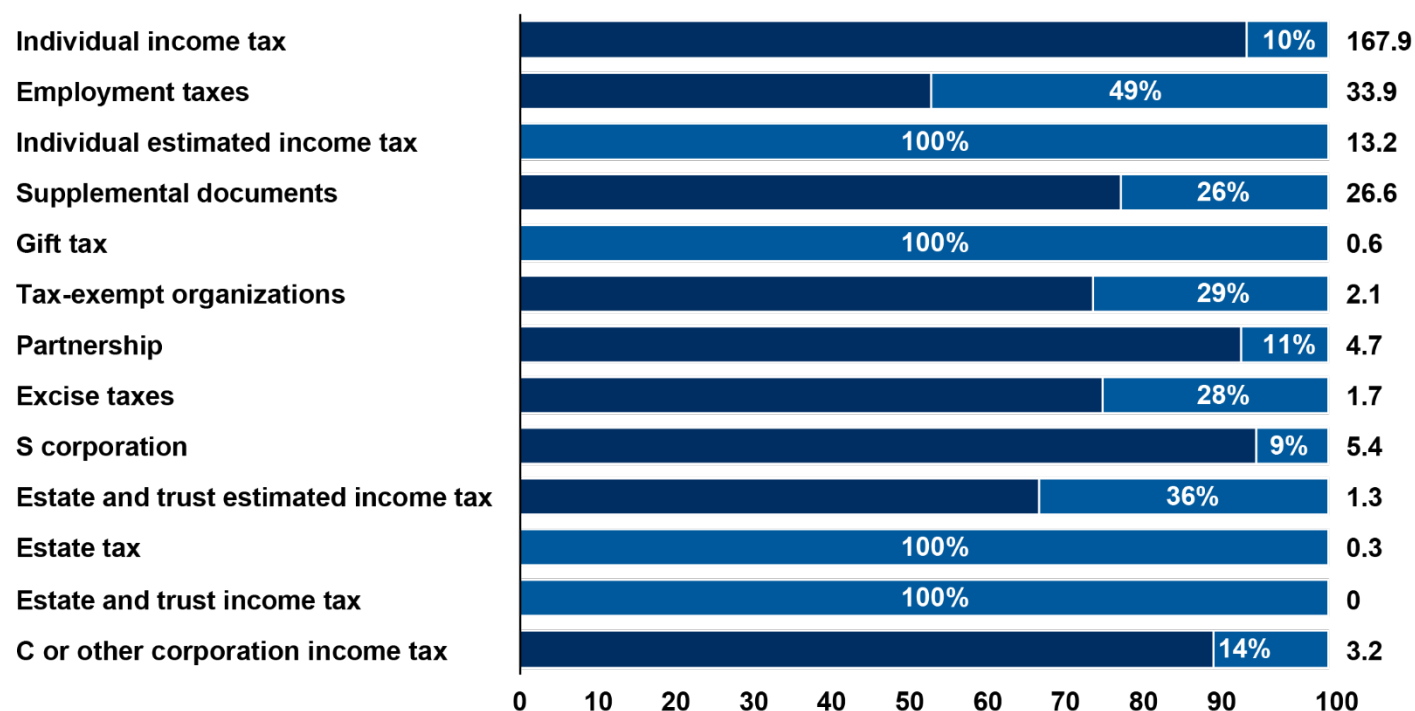
of consumers of public services use digital channels

90%

of consumers expect an immediate and seamless response to customer service needs

Tax returns filed with IRS, Total filed in 2021 by type (million)

■ Filed in paper ■ Filed electronically



- **Global tax authorities are using innovative ways to help taxpayers file correctly the first time.** Many advanced tax authorities share information about a taxpayer with that taxpayer as they start the filing process—and in some cases throughout the year—while protecting that data and the taxpayer's privacy. For example, multiple European tax authorities have rolled out simple and easy-to-use mobile filing opportunities that prompt taxpayers with information already on file.¹⁴ Many countries are also improving the integration of tax payments with the delivery of credits and deductions. For example, in Canada, new parents registering a child's birth at the hospital can have the information shared with the Canada Revenue Agency so that payment of the Canada Child Benefit can be automatically initiated.¹⁵ In Ireland, employers can establish a two-way connection between their payroll systems and the tax authority's system so that employees can claim credits in real time.¹⁶

When errors or issues arise in a taxpayer's filing, it can be difficult to identify and resolve them promptly

- **Millions of taxpayers who are trying to file correctly make simple mistakes and errors when completing their tax returns.** The federal tax system is complicated, and mistakes are inevitable. In FY 2021, the IRS sent taxpayers nearly 13 million notices of math errors.¹⁷
- **Millions of taxpayers fail to claim tax credits and deductions for which they are eligible.** The IRS estimates that approximately 21% of all eligible taxpayers in Tax Year 2019 did not claim the Earned Income Tax Credit.¹⁸ The failure of eligible taxpayers to claim tax credits and deductions to which they are entitled under the tax law not only harms the taxpayers, but results in those laws failing to achieve the policy goals they were enacted to achieve.

➤ **Resolving simple mistakes is often a lengthy process.** Current IRS compliance processes are frequently initiated well after the time of filing. Several years may go by after filing before the IRS contacts a taxpayer about an issue. For example, less than 1% of automated under-reporting cases—cases that involve under-reporting income or claiming too many deductions—and less than 40% of correspondence and field audits are started within six months of filing. On average, these cases are not resolved until more than 20 months after filing.¹⁹ In some cases, taxpayers may make the same mistake multiple years in a row before the original issue is addressed. This causes challenges, as taxpayers may no longer be able to remember their prior situation or may not have real-time access to the information they need.

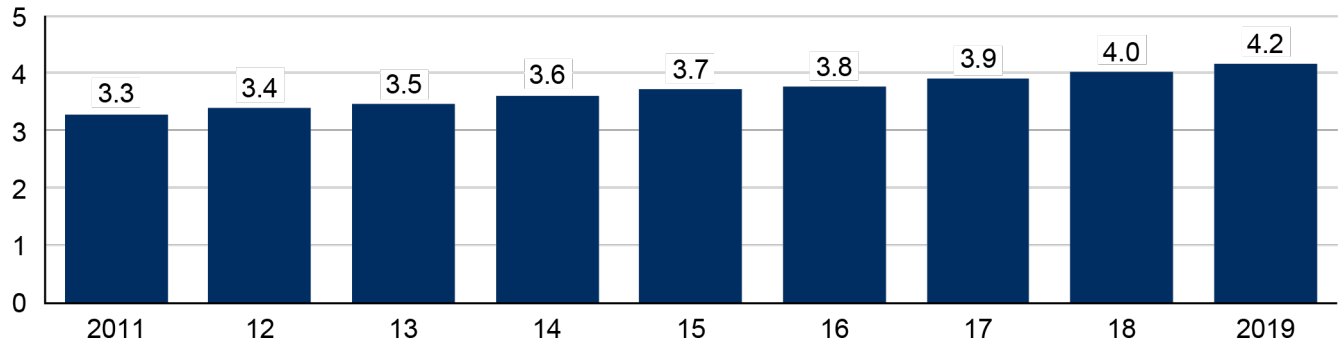
➤ **Global tax authorities are using innovative ways to help taxpayers correct their filings.** In the filing phase, there is a trend toward making it easier to direct-file and nudging taxpayers to self-correct potential issues. Australia's tax authority uses statistical techniques to flag potential risks in returns for filers based on an automated review of a return at the time of filing. The authority gives taxpayers the option to correct their returns before final submission.²⁰

Because the complexities of the tax-filing process result in errors, enforcement efforts are often spent on unintentional mistakes, rather than intentional noncompliance

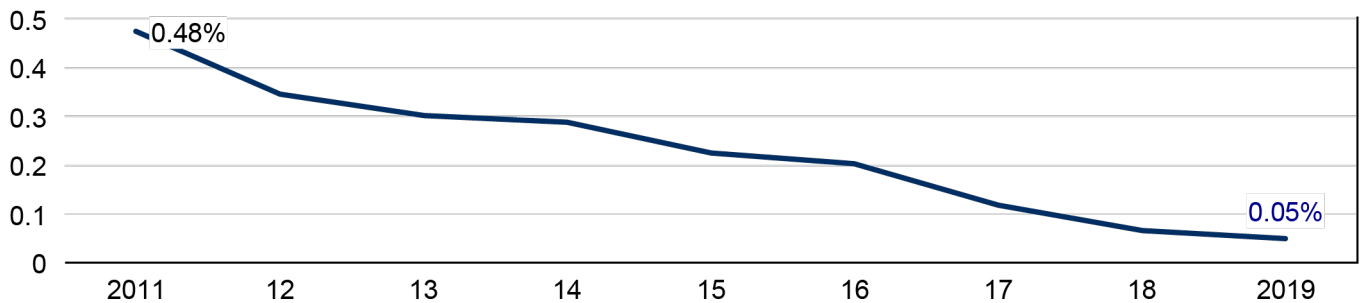
➤ **Even with improved taxpayer services, some taxpayers will not comply.** While most taxpayers voluntarily comply with the tax laws, even with improved help and service some taxpayers will continue to avoid paying what is due. The decline in IRS resources and staffing to address noncompliance affects taxpayer behavior and their willingness to meet their obligations voluntarily.

➤ **The rise in the breadth and complexity of tax administration has outpaced the IRS's ability to effectively monitor compliance, given its limited resources.** Over the last decade, the total number of annual tax return filings the IRS received has increased by more than 15 million. Over the same period, the number of revenue agents employed at the IRS has decreased by nearly 35%.²¹ As a result, the total number of audits has fallen to historical lows. The IRS has struggled to dedicate the resources necessary to proactively monitor compliance. The monitoring shortfall has been particularly pronounced among taxpayer groups with more complex income and returns as the economy has shifted. The IRS has noted significant growth in taxpayer segments more likely to have opaque sources of income or tax situations. For example, while total tax return filings increased by 13% from 2011 to 2021, filings by pass-through entities, including partnerships and S corporations, increased by 26% over the same period.²² However, monitoring the compliance of pass-through entities—particularly large and more complex ones—requires more IRS resources. As a result of funding limitations, the audit coverage rate has fallen. While the IRS audited 4.4% of pass-through entities in 2010, that number fell to 0.1% in 2017 (the most recent tax year with nearly all audits closed), and audits have continued to decrease.²³ Additionally, filings by taxpayers who report income higher than \$500,000 have grown by over 70% from 2011 to 2019, while the IRS's audit coverage rate for that income group has fallen by 76% over the same period.²⁴

Number of partnership filings, (million)



Examination coverage rate, (percent)



- **Monitoring shortfalls limit the IRS's ability to address the gap between taxes owed and collected.** The tax gap is currently estimated to be approximately \$496 billion and is expected to increase without significant investment.²⁵ In addition to the tax gap as currently measured, there is likely outstanding tax revenue attributable to higher-risk segments. The IRS has historically lacked the resources to address noncompliance in these segments. Because of limited compliance coverage in areas such as complex partnership structures and certain international tax issues, the IRS has fewer data points to accurately estimate the true size of the tax gap in these segments.
- **Global tax authorities are using innovative ways to focus enforcement on high-priority segments.** Post-filing, tax administrators in G-20 countries are increasingly introducing tailored treatments to address noncompliance, including, for example, predictive analytics to better understand which issues are likely to self-correct versus those that will likely require a more direct treatment to get resolved.²⁶

The IRS has been forced to operate with limited resources, limiting its ability to operate effectively

- **The IRS's foundational technology is outdated and limited in its ability to deliver.** Underfunding of the IRS over the last decade has made us unable to introduce contemporary technology tools and applications that would allow us to better serve taxpayers and enhance their experience. The funding available had to be prioritized to address more immediate and urgent projects rather than to enable the transformation that the IRS wanted, and taxpayers deserved.

These complex legacy systems pose challenges to modern technology enablement. Currently, many of these challenges stem from running the IRS with extremely complex legacy technology that is difficult to update, maintain and operate. Modern technologies that the IRS will develop and implement in coming years will address challenges with digital tax filing and

information, self-service changes and employee enablement. These changes will impact every interaction a taxpayer has with the IRS. IRS employees and taxpayers currently use over 600 applications to conduct the business of the IRS, many of which are custom-built and run on-premises in IRS data centers. The integrations among these applications—when they exist—usually use custom, single-use code to share data only between two applications, also known as point-to-point integrations. Because many of these applications were developed in different computing eras over the past 20 or so years, they rely upon a specific infrastructure configuration and complex development and deployment processes, which increase cost, risk and staff training time.

The core pipeline of incoming tax returns is designed to manage paper forms coming into regional service centers. Moving forward, the IRS will not only replace information systems that use legacy programming languages but will also change the underlying logic and processing to post transactions to a database—like any modern application—rather than using the sequential file process that happens today. These changes will enable self-service capabilities that will foster transparency for taxpayers (e.g., the ability to update accounts and track refund status).

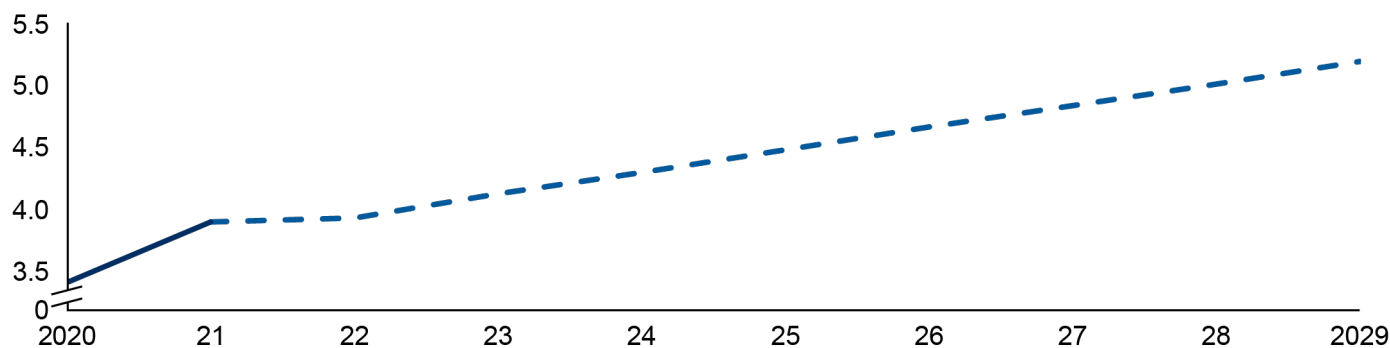
- **The IRS is not using data as effectively as it can to inform its operations.** The pace of data generation continues to accelerate. Effective use of data and analytics can produce tremendous value for organizations and customers. The IRS captures data through taxpayer filings and many types of third-party information returns, as well as the full range of operational interactions with taxpayers. As greater numbers of returns/forms are filed digitally, we can more fully capture relevant data elements, while scanning and digitalization provide new opportunities to capture data from paper interactions (including forms and other correspondence). Additionally, we can do more to identify appropriate external data sources that may add value by improving the taxpayer experience and informing compliance approaches.

The IRS has put into place organizational structures to promote and enhance the application of data and analytics solutions that will improve IRS operations and mission effectiveness, but these efforts are not fully integrated into all IRS work. Efforts to date include standing up the Data and Analytics Strategic Integration Board (DASIB) and the IRS Data Analytics Advisory Group (DAAG) to prioritize and govern data and analytics strategy and activities. Further, the IRS has established a Chief Data and Analytics Officer role to oversee data, analytics and advanced technology capabilities across the enterprise.

- **Global tax administrations use data and analytics to improve the taxpayer experience, compliance and operations to generate value and reduce burdens on taxpayers and the economy.** For example, Canada's tax authority directly administers CA\$24 billion in child benefit payments to 3.3 million eligible families upon receiving birth/custody data from hospitals, birth registration centers and taxpayers.²⁷ Australia's tax authority uses advanced analytics to improve compliance to compare business expenses to similar taxpayers; upon detecting an anomaly, taxpayers are prompted to self-correct. In 2020, 340,000 taxpayers (7.5% of online filers) were prompted to review their returns, resulting in pre-filing changes with an estimated annual revenue impact of A\$37 million.²⁸

Projections of Information and withholding returns to the IRS (billion)

— Actual — Projected



➤ **The IRS has not been able to staff its workforce sufficiently to fulfill its mission.**

As the IRS seeks to grow, much of today's talent is on the precipice of leaving. Nearly two-thirds of today's workforce will be eligible for retirement in the next six years, and a growing number of newer employees are voluntarily resigning.²⁹ Meanwhile, new talent is scarce. Like many organizations, the IRS faces internal and external human-capital challenges. There are 1.9 times more job openings in the U.S. than people seeking employment, creating intense competition for the right talent, especially in financial services and technology, where the IRS seeks to source talent.³⁰ For example, the number of data scientist jobs in the U.S. is projected to grow by 36% by 2031—much faster than the average occupational growth of 5%.³¹ Furthermore, complex hiring processes slow the pace of hiring. Limited investment over time in hiring functions like personnel security and IT has increasingly extended the time-to-hire—to an average of 145 days using the traditional hiring process—and made hiring less efficient. Expanding the workforce amidst these challenging circumstances will require more efficient operational foundations.

➤ **The current employee experience is limiting success.** Employees are not equipped with the resources they need. They often lack access to the right data at the right time to answer taxpayers' questions or to resolve taxpayer issues. Often, employees must access a variety of legacy systems to address an issue and may need to ask for help from various other IRS employees. Moreover, many employees lack the basic tools and supplies they need.

Underinvestment in tools, resources and leadership/professional development has led to a workforce that is less than satisfied. For example, while "career advancement" was among the top five reasons for employees' interest in working at the IRS from FY 2017 to 2021, less than 41% of employees are satisfied with the career and development opportunities available to them.³²

➤ **The IRS can leverage workforce trends that favor certain aspects of public-sector employment.** Based on research on what attracts and keeps employees at organizations, the IRS has a lot to offer. Eighty-four percent of employees in the public sector cite belief in the mission and purpose as a motivator.³³ The IRS can leverage its mission-oriented environment by emphasizing our important role in the American economy, and we can employ individuals who are passionate about helping American taxpayers meet their obligations and get the credits and deductions they deserve. We can use our digital transformation to enable flexibility for all employees. Sixty-eight percent of employees stay at their organizations when they have control over how and where work gets done.³⁴ We can improve our benefits. Employees may trade off direct compensation to gain the IRS's full suite of health insurance and time-off benefits. Eighty percent of public-sector employees who express a desire to stay in their role cite satisfaction with their benefits as a motivator.³⁵

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IRS IRA Strategic Operating Plan

FY 2023–2031



Publication 3744 (Rev. 4-2023) Catalog Number 31685B Department of the Treasury
Internal Revenue Service www.irs.gov