



Fiscal Year **2025**

Congressional Budget Justification & Annual Performance Report and Plan

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Commissioner's Message

The IRS is embarking on a once-in-a-generation endeavor to envision and realize the future of tax administration. As the next few years will be crucial for this journey, we are focusing on several major goals, including:

- o Ensuring taxpayers can easily contact the IRS – whether in person, on the phone or online – and get help navigating complex tax laws and accessing the credits they deserve,
- o Identifying the growing number of taxpayers with complex returns – including certain wealthy individuals, large corporations, and complex partnerships – who are shielding income to evade their tax responsibility and collecting from them what is owed, and
- o Addressing the growing risk of tax scams and schemes by protecting honest taxpayers from them and rooting out the nefarious actors that perpetrate them.



The IRS has many other goals and objectives supporting this effort as part of our Strategic Operating Plan. This includes making dramatic improvements to our Information Technology (IT) infrastructure and design and delivering modern technology platforms that center around data and applications. These efforts will support all our transformation work.

Achieving this ambitious agenda will require that we rebuild areas in the IRS that have suffered from more than a decade of underfunding that preceded the Inflation Reduction Act. A critical change we are making involves providing our workforce with the right tools – including training, technology, and smarter processes – so we are ready now and, in the future, to meet our core mission of supporting taxpayers and the nation.

The Strategic Operating Plan outlines dozens of initiatives to achieve these goals – from call center modernization to enterprise digitization to protecting against emerging scams to revamping employee onboarding processes – and we have launched hundreds of associated projects to implement the plan.

These efforts are already starting to make transformational changes that will provide significant benefits over the next decade for taxpayers, tax professionals and the tax system. A few examples include:

- We cut phone wait times almost 90 percent (from 28 min to 3 min), answered 3 million more calls, and provided service to 140,000 more taxpayers in-person in Filing Season 2023 than in Filing Season 2022.
- We achieved a telephone Level of Service (LOS) of 87 percent throughout the 2023 filing season.
- We processed 750k+ more individual federal tax returns than in Filing Season 2022, scanned 225 times more forms than in 2022, made 51 additional forms and letters available for online response, and enabled a new direct-deposit refund option for taxpayers with amended returns.
- We opened or reopened 54 Taxpayer Assistance Centers.
- We cleared the backlog of unprocessed 2022 individual tax returns with no errors.

While We Seize this Moment, We Also Have to Look to the Future

The Fiscal Responsibility Act of 2023 (FRA) introduced uncertainty around our future funding by immediately rescinding \$1.4 billion of IRA appropriations funding and proposing an additional \$20.2 billion cut (assumed to be enacted in FY 2024 in this request). The IRS estimates this change will add to the United States' deficit by more than \$100 billion. Additional rescissions of IRA funding would further undermine the nation's financial strength.

I am also concerned with funding levels in Taxpayer Services. At the current pace, without the new investments from the proposed mandatory funding, the IRS will exhaust IRA Taxpayer Services funds by FY 2026, leaving a calamitously large Taxpayer Services funding gap. Additionally, failing to sustain the IRA investment in technology and enforcement would force the IRS to significantly scale back its progress, resulting in a less fair tax system and increasing the deficit by tens of billions of dollars annually.

Building on the Successes of IRA is Good for the United States

The substantial, multi-year funding provided in the IRA fueled our recent successes. For these improvements to continue and accelerate, however, a consistent, reliable funding stream remains critical for the agency – both for our annual appropriations and maintaining the IRA funding.

We are requesting new mandatory appropriations of \$104 billion over the 10-year budget window. This funding will allow us to fully realize the vision set forth in the IRA Strategic Operating Plan (SOP), sustain the dramatic improvements in taxpayer service we achieved in FY 2023, modernize our current IT portfolio, and sustain the rebuilding of our enforcement workforce. **This investment will pay for itself several times over, yielding an estimated \$341 billion in revenue** over the 10-year period with enhanced enforcement on high-income, high-wealth taxpayers. In addition to the mandatory funding request, the IRS is also seeking more flexibility with our resources. Most likely, it will require a combination of both to fully ensure we are most effectively serving taxpayers and meeting the objectives of the Administration.

The decision about whether to adequately fund the agency comes down to a fundamental choice: Whether or not we will have an IRS that:

- taxpayers can easily interact with to meet their tax responsibilities or resolve issues if they arise,
- ensures fairness in the tax system through its enforcement activities,
- quickly and effectively addresses tax scams that exploit vulnerable populations, and
- has updated IT infrastructure and modern technology platforms capable of supporting our transformation work.

The IRS is a very different place from a year ago because of IRA. With the stable funding base, mandatory proposal, and additional flexibilities included in this request, much more is on the way. With Congress's support, I am confident that we can meet our ambitious goals and transform our agency to be the tax administrator the American people deserve.

-Danny Werfel
Commissioner

Section I – Budget Request

A – Mission Statement

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

1.1 – Appropriations Detail Table

Dollars in Thousands

Appropriated Resources	FY 2023		FY 2024		FY 2025		FY 2024 to FY 2025			
	Operating Plan ^{1,2}		Annualized CR		Request		Change		% Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources										
Taxpayer Services	27,880	\$2,880,606	24,737	\$2,780,606	23,961	\$2,780,606	(777)		-3%	
Pre-filing Taxpayer Assistance and Education	4,447	763,472	4,200	749,814	4,076	749,814	(124)		-3%	
Filing and Account Services	23,433	2,117,134	20,538	2,030,792	19,885	2,030,792	(653)		-3%	
Enforcement	31,963	\$5,165,741	30,576	\$5,437,622	29,765	\$5,437,622	(811)		-3%	
Investigations	3,076	730,488	2,822	757,402	2,773	757,402	(49)		-2%	
Exam and Collections	27,988	4,263,263	26,926	4,489,141	26,212	4,489,141	(714)		-3%	
Regulatory	899	171,990	828	191,079	780	191,079	(48)		-6%	
Technology and Operations Support ³	11,175	\$4,122,707	10,443	\$4,100,826	10,282	\$4,100,826	(161)		-2%	
Infrastructure		894,403		919,454		919,454				
Shared Services and Support	5,173	1,157,249	4,327	1,111,964	4,166	1,111,964	(161)		-4%	
Information Services	6,002	2,071,055	6,115	2,069,408	6,115	2,069,408				
Business System Modernization	116	\$150,000								
Subtotal New Appropriated Resources	71,134	\$12,319,054	65,756	\$12,319,054	64,008	\$12,319,054	(1,749)		-3%	
Other Resources⁴										
Reimbursables	699	168,000	652	176,400	685	211,050	33	34,650	5%	20%
Offsetting Collections (Non-reimbursable)		33,836		35,625		50,556		14,931		42%
User fees	86	31,827	71	603,100	56	303,100	(15)	(300,000)	-21%	-50%
Recoveries from Prior Years		53,633		53,635		61,589		7,954		15%
Unobligated Balances from Prior Years	1,843	884,175		259,000		263,880		4,880		2%
IRA Funding Usage ^{5,6,7}	13,661	3,396,142	16,314	7,244,826	25,719	9,313,255	9,405	2,068,429	58%	29%
Transfers In/Out		119		119		104		(15)		-13%
Resources from Other Accounts ⁸	717	161,471	918	270,538	469	270,538				-49%
Subtotal Other Resources	17,006	\$4,729,203	17,955	\$8,643,243	26,929	\$10,474,072	9,423	\$1,830,829	50%	21%
Total Budgetary Resources	88,140	\$17,048,257	83,711	\$20,962,297	90,937	\$22,793,126	7,674	\$1,830,829	9%	9%

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$272 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

² FY 2023 Enacted may differ slightly from the amounts reported in the IRS FY 2023 Operating Plan due to timing of legislative actions and agency decisions.

³ The IRS is requesting to rename the Operations Support appropriation to Technology and Operations Support, as this title more accurately reflects its critical role of funding IRS technology, which now represents the single largest component of the appropriation.

⁴ FY 2023 Other Resources represent actuals.

⁵ 96 percent of the IRA funded estimated FY 2023 FTE levels support non-Enforcement activities. FY 2023 IRA Funding Usage includes amounts for Taxpayer Services (\$889 million and 10,518 FTE), Enforcement (\$299 million and 495 FTE), Technology and Operations Support (\$1,474 million and 2,317 FTE), Business Systems Modernization (\$723 million and 327 FTE), and Direct eFile (\$12 million and 4 FTE).

⁶ 84 percent of the IRA funded estimated FY 2024 FTE levels support non-Enforcement activities. FY 2024 IRA Funding Usage includes amounts for Taxpayer Services (\$969 million and 7,279 FTE), Enforcement (\$1,047 million and 4,088 FTE), Technology and Operations Support (\$3,258 million and 2,944 FTE), Business Systems Modernization (\$1,789 million and 193 FTE), and Energy Security tax credits (\$180 million and 1,810 FTE).

⁷ 72 percent of the IRA funded estimated FY 2025 FTE levels support non-Enforcement activities. FY 2025 IRA Funding Usage includes amounts for Taxpayer Services (\$1,323 million and 12,562 FTE), Enforcement (\$2,317 million and 7,239 FTE), Technology and Operations Support (\$3,565 million and 3,808 FTE), Business Systems Modernization (\$1,929 million and 300 FTE), and Energy Security tax credits (\$180 million and 1,810 FTE).

⁸ Resources from Other Accounts reflect planned spending from Private Collection Agency retained earnings.

Introduction

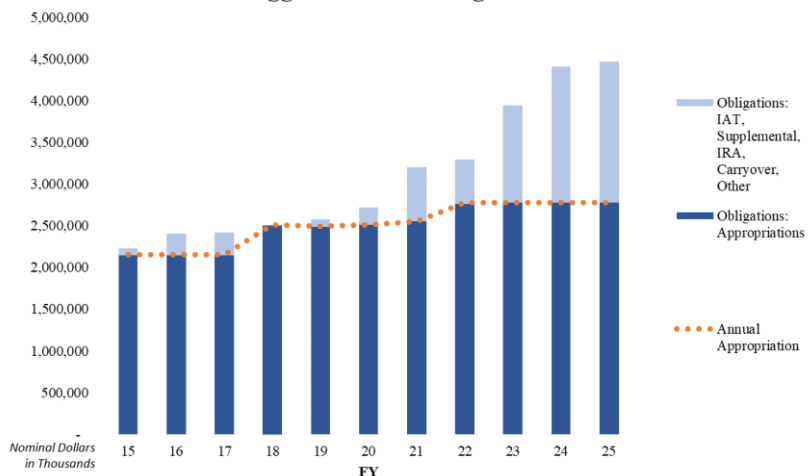
The IRS Fiscal Year (FY) 2025 Budget Request (Budget) is \$12.3 billion, in annual appropriations, equal to a potential FY 2024 Annualized Continuing Resolution (CR) and the FY 2023 Enacted level. The IRS is implementing its plans for transformative change with the significant resources provided by IRA. To support ongoing transformative efforts funded through the IRA, annual discretionary appropriations need to provide sufficient recurring “base” resources. Without additional funding, telephone level of service (LOS) is expected to see a drastic decline in FY 2026, when only about one in every ten taxpayers will be able to have their calls answered. The budget includes proposals to expand the IRS’s transfer authority and extend IRA resources through FY 2034 to sustain completed improvements.

The IRA is already yielding tangible benefits for taxpayers. During filing season 2023, the IRS was able to achieve an 87 percent level of service on its main customer phone line, a dramatic reversal from 15.5 percent the year before. Wait times to speak with a customer service agent fell to 3 minutes on average, compared to 28 minutes in filing season 2022. Since the beginning of 2023 the IRS opened or reopened 54 Taxpayer Assistance Centers (TACs) to provide more in-person help to taxpayers, with more service improvements being implemented in filing season 2024. In addition, the IRS launched the Paperless Processing Initiative (PPI), which has allowed taxpayers to digitally submit all correspondence and responses to notices, and the Simple Notice Initiative, which will ensure the 170 million notices it sends to taxpayers each year are easier to understand. In addition, the IRS has collected more than \$500 million from high-income individuals who were delinquent on their tax debt and launched new enforcement initiatives to ensure large corporations and complex partnerships pay taxes owed. These are just a few of the significant improvements made possible by the combination of IRA funding and IRS base funding.

However, with no anticipated discretionary increases for inflationary requirements in FY 2024 and FY 2025, the IRS will be required to further extend its reliance on IRA resources to fund base needs. IRA resources are limited, and the IRS will likely use them entirely before the funding expires in FY 2031. In addition, the authorizing language does not provide the flexibility to realign the IRA funds across appropriations. This will have the most immediate impact on the Taxpayer Services

(TS) appropriation, with IRA TS resources expected to run out completely by FY 2026. As the figure illustrates, the IRS is spending much more on Taxpayer Services than is provided in annual appropriations, with IRA funding heavily supplementing telephone and in person service. Without additional funding or additional flexibility to realign between appropriations, LOS is expected to see a drastic decline in FY 2026 and fall even further in FY 2027. In this scenario, the vast

IRS Taxpayer Services appropriations have consistently lagged below funding needs



majority of taxpayers would be unable to reach an IRS representative for assistance and millions of pieces of correspondence would not be answered timely.

To address this issue, the Budget also includes a mandatory proposal that will avert the IRA funding “cliffs,” after which IRA funds are exhausted for a given appropriation and will extend IRA funding through FY 2034. This proposal would provide \$104 billion over the 10-year budget window and is estimated to generate an additional \$341 billion in revenue. It will ensure that the IRS’s transformation efforts to improve service, modernize technology, and ensure high-income taxpayers, large corporations, and complex partnerships pay the taxes they owe, as described in the Strategic Operating Plan, can continue.

Technology and Operations Support

With this Budget, the IRS requests Congress change the name of the “Operations Support” appropriation to “Technology and Operations Support.” In part this is an acknowledgement of the current reality – that IT is the largest component of “Operations Support.” It is also an adjustment to reflect the fact that technology work which may previously have been funded through discretionary appropriations for Business Systems Modernization (BSM) will now be funded in the new Technology and Operations Support (TOS) appropriation. Due to Business Systems Modernization discretionary funding constraints in FY 2023, the IRA became the primary source of BSM funding. Though the IRA BSM resources were substantial, they alone are not sufficient to fulfill the planned requirements for IRS technology transformation through FY 2031. When the IRA BSM funding is exhausted, the TOS resources will be the sole funding source for both operations and maintenance (O&M) and IT transformation. If BSM funding is not approved, as requested in the Mandatory Proposal, TOS appropriations would have to provide an additional \$3 billion for modernization through FY 2031. IRA is already supplementing TOS discretionary resources by roughly \$1 billion per year for O&M (greater than \$7 billion through FY 2031).

Absent the mandatory proposal, these pressures on TOS funding will only allow the IRS to partially modernize, leaving a sizeable legacy technology footprint that will prevent the IRS from enabling a real-time tax processing system that provides taxpayers with instant account updates, faster refund processing and payment posting, and near real-time status updates. Outdated legacy technology will operate inefficiently and with greater risks of outages affecting taxpayers and IRS employees, while the cost of operating and maintaining IRS technology will continue to rise as the IRS continues to manage both modern and legacy systems.

This Budget Addresses IRS’s Operational Risks

In addition to steady discretionary resources, this budget requests Congress expand transfer authority to allow IRS to mitigate many of these issues. The flexibility provided by a transfer authority change will allow the IRS to allocate its existing resources to fill funding gaps, as well as make the IRS more nimble in responding as issues arise in the future. Addressing the potential exhaustion of IRA resources requires a combination of supportive discretionary funding and enhanced flexibility for transfers.

Without implementing these approaches, including the mandatory funding proposal, the IRS will experience a series of avoidable crises over the next several years as discretionary funding once again becomes the primary source for the IRS’s expanding requirements. The consequences of

not solving these problems cannot be overstated: taxpayers would ultimately find it next to impossible to contact the IRS for live assistance, millions of taxpayer calls would go unanswered, refund processing would be slowed, and fewer taxpayers would be able to get in-person help. In addition, IRA resources have allowed the IRS to increase its Enforcement staffing, for example, from 33,183 FTE in FY 2023 (actuals) to a targeted 37,004 FTE in FY 2025. This additional staff will allow the IRS to ensure large corporations, complex partnerships, and high-income individuals pay the taxes they owe. An abrupt and severe decline in the IRS's Enforcement budget beginning in fiscal year 2030, however, would force the IRS to significantly scale back these efforts. Returning to low audit rates for high-end taxpayers would mean a less fair tax system, while increasing the deficit by tens of billions annually. Tax scams and cheating would become more widespread, and crucial technology improvements to improve data security, create efficiencies, and deliver new tools for taxpayers would be stalled. The Administration's mandatory proposal, especially, addresses these issues.

1.2 – Inflation Reduction Act Implementation

The IRS Inflation Reduction Act (IRA) SOP, published in April 2023, guides the IRS’s resources, programs, and operational decisions. The table below outlines IRS actual and planned spending of IRA funding. These funds are being used to strategically add staff, especially for service and compliance priorities, fund IT transformation, cover base shortfalls due to limited discretionary levels, and allow the IRS to undertake a wide variety of projects to transform how the IRS performs its mission.

Dollars in Thousands

Internal Revenue Service	FY 2022		FY 2023		FY 2024		FY 2025		
Budgetary Resources	FY 2022 Enacted*	Actual Obligations	Actual Obligations	Actual Obligations	Estimated Obligations	Estimated Obligations	Estimated Obligations	Estimated Obligations	
	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Taxpayer Services	\$3,181,500	\$1,073	10,518	\$888,540	7,279	\$969,303	12,562	\$1,322,584	
Enforcement	\$44,247,875		495	\$298,990	4,088	\$1,047,639	7,239	\$2,316,841	
Operations Support	\$25,326,400	\$60,965	2,317	\$1,473,849	2,944	\$3,258,486	3,808	\$3,564,800	
Business Systems Modernization	\$4,750,700	\$43,924	327	\$723,159	193	\$1,789,398	300	\$1,929,000	
Direct eFile	\$15,000		4	\$11,603					
Energy Security	\$500,000				1,810	\$180,000	1,810	\$180,000	
Total Budgetary Resources	\$78,021,475	\$105,962	13,661	\$3,396,142	16,314	\$7,244,826	25,719	\$9,313,225	

*Reflects the \$1.4 billion rescission per the Fiscal Responsibility Act, P.L. 118-5.

Note: While Taxpayer Services and BSM funding are expected to run out in FY 2025 or shortly thereafter, Enforcement and Operations Support IRA spending is expected to continue into the future.

More information on the SOP can be found on page 20.

More information on IRA Taxpayer Services can be found on page 22.

More information on IRA Enforcement can be found on page 36.

More information on IRA Operations Support can be found on page 54.

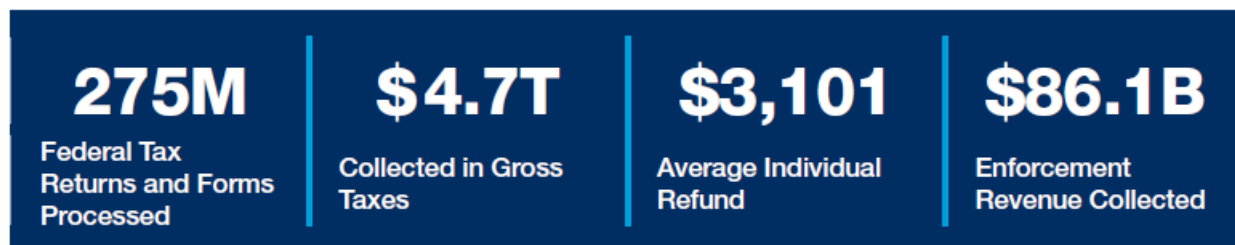
More information on IRA Business Systems Modernization can be found on page 69.

B – Summary of the Request

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

In FY 2023, the IRS collected more than \$4.7 trillion in taxes (gross receipts before tax refunds), nearly all the revenue that supports the Federal government’s operations. With the U.S. tax base becoming more complex, one key responsibility of the IRS is to make it easier for taxpayers to understand and meet their tax obligations.

Some key tax statistics in FY 2023 include:



Note: These statistics are from October 1, 2022, through September 30, 2023. The Average Individual Refund amount includes refunds issued in FY 2023 for all tax years.

FY 2025 Budget Request and Priorities

The FY 2025 discretionary budget request is \$12.3 billion, equal to the FY 2023 Enacted Budget level. It contains various proposals that will increase financial flexibility for the IRS and support hiring efforts as the IRS continues to implement its transformation plans with IRA resources.

These proposals include:

- Increase IRS transfer authority so all available resources can be used most effectively, and
- Expand Direct Hire Authority, which streamlines the hiring process, so that it can be used to accelerate hiring for new staff brought on to the IRS with IRA resources, and
- Extend the IRA investment into the future with a mandatory funding policy proposal

Collectively, these proposals will ensure that the IRS is making the best use of both its discretionary and IRA funding so that the IRS’s transformation efforts can have the greatest impact. In FY 2025, the IRS will utilize IRA resources to build on recent successes and deliver key results for taxpayers.

1.3 – Budget Adjustments Table

Dollars in Thousands

	FTE	Amount
FY 2024 Annualized CR	65,756	\$12,319,054
Changes to Base:		
Maintaining Current Levels (MCLs):		\$329,551
Pay Annualization (5.2% average pay raise)		\$118,950
Pay Raise (2.0% average pay raise)		\$139,036
Non-Pay (2.2% non-pay inflation)		\$71,565
Program Decrease	(1,748)	(\$329,551)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(1,748)	(\$329,551)
Subtotal Changes to Base	(1,748)	
FY 2025 Current Services	64,008	\$12,319,054
Total FY 2025 Request	64,008	\$12,319,054

See footnotes in 1.1 - Appropriations Detail Table.

C – Base Adjustment and Program Changes Description

Maintaining Current Levels..... +\$329,551,000 / 0 FTE

Pay Annualization (5.2%) +\$118,950,000 / 0 FTE

Funds are requested for annualization of the January 2024 5.2 percent average pay raise.

Pay Raise (2.0%) +\$139,036,000 / 0 FTE

Funds are requested for a 2.0 percent average pay raise in January 2025.

Non-Pay (2.2%) +\$71,565,000 / 0 FTE

Funds are requested for 2.2 percent increase in non-labor expenses such as travel, contracts, rent, supplies, and equipment due to inflation.

Program Decrease..... -\$329,551,000 / -1,748 FTE

Staff Attrition to Offset Unfunded FY 2025 MCLs -\$329,551,000 / -1,748 FTE

The IRS will be forced to use IRA supplemental funds to offset the cost of increased MCLs in the base discretionary budget. Using supplemental funds to pay for activities that should be funded from the base creates operational risk for the IRS.

1.4 – Object Classification (Schedule O) Obligations

Dollars in Thousands

Object Classification	FY 2023	FY 2024	FY 2025
	Operating Plan	Annualized CR	Request
11.1 - Full-time permanent	6,225,129	6,074,740	6,074,740
11.3 - Other than full-time permanent	65,702	92,754	92,754
11.5 - Other personnel compensation	443,566	384,296	384,296
11.8 - Spec. personal serv. paym'ts	56,072	99,204	99,204
11.9 - Personnel Compensation (Total)	6,790,468	6,650,994	6,650,994
12.1 - Personnel benefits	2,524,535	2,491,426	2,491,426
13.0 - Benefits for former personnel	12,522	12,483	12,483
Total Personnel and Compensation Benefits	\$9,327,525	\$9,154,903	\$9,154,903
21.0 - Travel and transportation of persons	128,166	124,511	124,511
22.0 - Transportation of things	25,137	25,548	25,548
23.1 - Rental payments to GSA	578,392	606,708	606,708
23.2 - Rental payments to others	1,146	1,019	1,019
23.3 - Communications, utilities, and miscellaneous	241,153	253,389	253,389
24.0 - Printing and reproduction	39,924	39,206	39,206
25.1 - Advisory and assistance services	983,205	988,882	988,882
25.2 - Other services from non-Federal sources	120,722	182,576	182,576
25.3 - Other goods and services from Federal sources	203,616	230,160	230,160
25.4 - Operation and maintenance of facilities	191,358	192,086	192,086
25.6 - Medical care	22,782	16,567	16,567
25.7 - Operation and maintenance of equipment	54,655	47,540	47,540
26.0 - Supplies and materials	26,978	37,100	37,100
31.0 - Equipment	237,351	267,587	267,587
32.0 - Land and structures	47,573	59,999	59,999
41.0 - Grants, Subsidies	79,000	79,000	79,000
42.0 - Insurance Claims & Indemn	2,371	4,273	4,273
91.0 - Unvouchered Expenses	8,000	8,000	8,000
Total Non-Personnel	\$2,991,529	\$3,164,151	\$3,164,151
New Budgetary Resources	\$12,319,054	\$12,319,054	\$12,319,054
FTE	71,134	65,756	64,008

Amounts reflect obligations of annually appropriated discretionary resources.
See footnotes in 1.1 - Appropriations Detail Table.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">TAXPAYER SERVICES</p> <p><i>For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$2,780,606,000, of which not to exceed \$100,000,000 shall remain available until September 30, 2026, of which not less than \$11,000,000 shall be for the Tax Counseling for the Elderly Program, of which not less than \$26,000,000 shall be available for low-income taxpayer clinic grants, including grants to individual clinics of up to \$200,000, of which not less than \$55,000,000, to remain available until September 30, 2026, shall be available for the Community Volunteer Income Tax Assistance Matching Grants Program for tax return preparation assistance, and of which not less than \$236,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: Provided, That of the amounts made available for the Taxpayer Advocate Service, not less than \$7,000,000 shall be for identity theft and refund fraud casework.</i></p> <p style="text-align: center;">ENFORCEMENT</p> <p><i>For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at</i></p>	

such rates as may be determined by the Commissioner, \$5,437,622,000; of which not to exceed \$250,000,000 shall remain available until September 30, 2026; of which not less than \$60,257,000 shall be for the Interagency Crime and Drug Enforcement program; and of which not to exceed \$35,000,000 shall be for investigative technology for the Criminal Investigation Division: Provided, That the amount made available for investigative technology for the Criminal Investigation Division shall be in addition to amounts made available for the Criminal Investigation Division under the "Technology and Operations Support" heading.

**TECHNOLOGY AND OPERATIONS
SUPPORT**

For necessary expenses to operate the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; \$4,100,826,000, of which not to exceed \$275,000,000 shall remain available until September 30, 2026; of which not to exceed \$10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed \$1,000,000 shall remain available until September 30, 2027, for research; and of which not to exceed \$20,000 shall be for

With the FY 2023 Enacted Budget not providing any BSM resources, the IRS remains committed to delivering the required technological portfolio that will foster modernization mandates.

official reception and representation expenses: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing major information technology investments in the Internal Revenue Service portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year: Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year 2026, a summary of cost and schedule performance information for its major information technology systems.

**ADMINISTRATIVE PROVISIONS-
INTERNAL REVENUE SERVICE
(INCLUDING TRANSFER OF FUNDS)**

SEC. 101. Not to exceed 8 percent of any funds available in this act or any other provision of law to the Internal Revenue Service may be transferred to any other Internal Revenue Service appropriation upon the advance notification to the Committees on Appropriations of the House of Representatives and the Senate.

SEC. 102. The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with taxpayers, cross-cultural relations, ethics, and the impartial application of tax law.

SEC. 103. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information and protect taxpayers against identity theft.

SEC. 104. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1-800 help line service for taxpayers. The Commissioner shall continue to make improvements to the Internal Revenue Service 1-800 help line service a priority and allocate resources necessary to enhance the response time to taxpayer communications, particularly with regard to victims of tax-related crimes.

SEC. 105. The Internal Revenue Service shall issue a notice of confirmation of any address change relating to an employer making employment tax payments, and such notice shall be sent to both the employer's former and new address and an officer or employee of the Internal Revenue Service shall give special consideration to an offer-in-compromise from a taxpayer who has been the victim of fraud by a third-party payroll tax preparer.

SEC. 106. None of the funds made available under this Act may be used by the Internal Revenue Service to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States.

SEC. 107. None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs.

SEC. 108. None of funds made available by this Act to the Internal Revenue Service shall

be obligated or expended on conferences that do not adhere to the procedures, verification processes, documentation requirements, and policies issued by the Chief Financial Officer, Human Capital Office, and Agency-Wide Shared Services as a result of the recommendations in the report published on May 31, 2013, by the Treasury Inspector General for Tax Administration entitled "Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California" (Reference Number 2013-10-037).

SEC. 109. None of the funds made available in this Act to the Internal Revenue Service may be obligated or expended—
(1) to make a payment to any employee under a bonus, award, or recognition program; or
(2) under any hiring or personnel selection process with respect to re-hiring a former employee; unless such program or process takes into account the conduct and Federal tax compliance of such employee or former employee.

SEC. 110. None of the funds made available by this Act may be used in contravention of section 6103 of the Internal Revenue Code of 1986 (relating to confidentiality and disclosure of returns and return information).

SEC. 111. The Secretary of the Treasury (or the Secretary's delegate) may use funds made available to the Internal Revenue Service in this Act or any other provision of law to appoint, without regard to sections 3304 and 3309 through 3319 of Title 5, United States Code, qualified candidates to positions in the competitive service in occupations for which the Secretary of the Treasury (or the Secretary's delegate) ("the Secretary") has determined in writing that there is a critical hiring need or severe shortage of highly qualified candidates: Provided, That the

These changes will allow the IRS to utilize Direct Hire Authority (DHA) with IRA resources.

Secretary shall consult with the Office of Personnel Management (OPM) on the positions to recruit (including quantity), as well as candidate recruitment, assessment, and selection policies; issue guidance to human resources practitioners in the Internal Revenue Service on use of this authority; use OPM qualification standards in all appointments made; and exercise this authority consistent with the requirements in any collective bargaining agreement between the Internal Revenue Service and a labor organization which has been granted exclusive recognition under Chapter 71 of Title 5, United States Code: Provided further, That no later than 180 days after expiration of this authority, the Secretary shall, in consultation with the Director of OPM, provide a report to Congress that includes demographic data of individuals hired pursuant to this authority; salary information of individuals hired pursuant to this authority; and how IRS exercised this authority consistent with merit systems principles: Provided further, That the appointment authority under this section shall expire September 30, 2027.

SEC. 112. Notwithstanding section 1344 of title 31, United States Code, funds appropriated to the Internal Revenue Service in this Act may be used to provide passenger carrier transportation and protection between the Commissioner of Internal Revenue's residence and place of employment.

SEC. 113 The Secretary of the Treasury (or the Secretary's delegate) may use funds made available to the Internal Revenue Service in this Act or any other provision of law, subject to such policies as the Secretary (or the Secretary's delegate) may establish, to take such personnel actions as the Secretary (or the Secretary's delegate) determines necessary to administer the Internal Revenue Code of 1986, including (1) in addition to the

Streamlined Critical Pay authority gives the IRS a management tool to quickly recruit and retain employees with high levels of expertise in technical or professional fields that are crucial to the success of the IRS's transformative efforts by allowing for higher base salaries for these hires than would otherwise be possible. The current authority will expire in 2025.

authority under section 7812(1) of the Internal Revenue Code of 1986, appointing not more than 200 individuals to positions in the Internal Revenue Service under streamlined critical pay authority subject to the requirements and conditions under section 9503 of title 5, United States Code, except that subsection 9503(a)(3) of such title shall not apply; and (2) appointing not more than 300 individuals to positions in the Internal Revenue Service at any one time for which (A) the rate of basic pay may be established by the Secretary of the Treasury (or the Secretary's delegate) at a rate that does not exceed the salary set in accordance with section 104 of title 3, United States Code; and (B) the total annual compensation paid to an employee in such a position, including allowances, differentials, bonuses, awards, and similar cash payments, may not exceed the maximum amount of total annual compensation payable at the salary set in accordance with section 104 of title 3, United States Code: Provided, That the authority provided under this paragraph shall expire on September 30, 2031.

E – Legislative Proposals

For information on a complete list of the Administration’s FY 2025 legislative proposals for improving tax administration and compliance and for sustaining the IRA funding through FY 2034, please follow this link: <https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals>

Section II – Budget and Performance Plan

A – Strategic Alignment

Alignment to Treasury Strategic Plan and President’s Management Agenda (PMA)

The IRS IRA Strategic Operating Plan aligns to the Treasury Strategic Plan FY 2022-2026 and the President’s Management Agenda.

The following shows IRS’s alignment to the Treasury Strategic Plan:

IRS co-leads one objective with the Office of Tax Policy.

Goal 1: Promote Equitable Economic Growth and Recovery

- Objective 1.1 Tax Administration and Policy (IRS co-leads this objective)

IRS supports four goals and eight objectives with other Treasury Department Offices and Bureaus:

Goal 2: Enhance National Security

- Objective 2.1 Cyber Resiliency of Financial Systems and Institutions
- Objective 2.4 Transparency in the Financial System

Goal 3: Protect Financial Stability and Resiliency

- Objective 3.3 Financial Innovation

Goal 4: Combat Climate Change

- Objective 4.2 Climate Incentives and Investment
- Objective 4.4 Sustainable Treasury Operations

Goal 5: Modernize Treasury Operations

- Objective 5.1 Recruit and Retain Diverse and Inclusive Workforce
- Objective 5.2 Future Work Routines
- Objective 5.3 Better Use of Data
- Objective 5.4 Customer Experience Practices

The IRS aligns to the three PMA priorities:

- PMA Priority 1: Strengthening and Empowering the Federal Workforce.
- PMA Priority 2: Delivering Excellent, Equitable, and Secure Federal Services and Customer Experience.
- PMA Priority 3: Managing the Business of Government.

IRA Strategic Operating Plan

The IRS IRA SOP, published in April 2023, guides the IRS's resources, programs and operational decisions. The SOP's transformation objectives are:

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

The SOP provides 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 taxpayer demand for assistance.
- New capacities, including specialized skills, in place to decompose 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 the tax laws.
- An organization and infrastructure rooted in modern technology that provides taxpayers increased confidence that data is secure and that the IRS is prepared to more rapidly meet new requirements and responsibilities that may emerge in the future.

While the SOP provided the vision the IRS needs to achieve its transformation over a 10-year period, the IRS worked to create a framework to help it determine how best to prioritize the transformative initiatives identified in the SOP in the context of practical limitations related to procurement, IT, and human resources. Doing so will help the IRS better track, manage, and execute progress against those priorities. The resulting work identified the highest priority areas of focus through filing season 2025, with a second sprint to cover efforts through filing season 2026.

The following represent the areas of focus from this work:

- **Digitalization:** Digitize paper upon receipt by the IRS and enable IRS employees to perform their work digitally.
- **Fairness in Enforcement:** Expand enforcement efforts for complex taxpayer segments while simultaneously ensuring taxpayers at all levels receive appropriate fairness to include the outreach and support necessary to ensure taxpayers receive the benefits for which they are eligible.
- **Live Assistance:** Ensure when taxpayers need answers from the IRS, we are available.
- **Notifications & Scams:**
 - The IRS provides taxpayers with clear and concise notices.
 - The IRS is stepping in to disrupt and dismantle scams while providing support to victims.
- **Self Service & Online Accounts:** Taxpayers will have the option to address all of their tax-related needs with the IRS online if they choose.
- **Employee Tools and Experience:** Enable a fully equipped, empowered, and engaged IRS workforce ready to serve taxpayers.
- **Foundational Technology:** Modernize the IRS foundational technology to meet the needs of taxpayers and IRS employees.
- **Human Capital:** Attract, retain, and empower a highly skilled, diverse workforce that is better equipped to deliver results for taxpayers.

IRS Inflation Reduction Act Objectives	
Objective	Outcome
Better Taxpayer Experience	<ul style="list-style-type: none"> • Digitalization • Live Assistance • Self Service & Online Accounts • Employee Tools
Faster Issue Resolution	<ul style="list-style-type: none"> • Notifications & Scams
Smarter Enforcement	<ul style="list-style-type: none"> • Fairness in Enforcement
Advanced Technology and Analytics	<ul style="list-style-type: none"> • Foundational Technology
Empowered Employees	<ul style="list-style-type: none"> • Employee Experience • Human Capital Transformation

These priority items track to initiatives in the SOP and ensure progress can be made towards the SOP's vision.

Agency Priority Goal (APG)

In FY 2023, the IRS supported the Bureau of Fiscal Service's (BFS) *Improving the Payment Experience* APG. The IRS continued to partner with BFS and collaborated with tax industry to promote direct deposit for tax refunds. The tax refund electronic payment rate was 79.7 percent, just below the target of 81 percent. While 79.7 percent is under the FY 2023 target, it is above the pre-pandemic fiscal year-end rates. With reduced taxpayer filings from lower income taxpayers who needed urgent financial assistance during the pandemic, the IRS individual tax refund EFT rate was lower than during pandemic years, despite new programming allowing taxpayers to choose direct deposit for e-filed amended returns.

Taxpayer Services

Appropriation Description

The Taxpayer Services appropriation provides funding for taxpayer service activities and programs. This includes producing forms and publications, processing tax returns and related documents, offering filing and account services, phone and in-person taxpayer assistance, and providing taxpayer advocacy services. Hiring and equity, diversity, and inclusion costs for Taxpayer Services employees will now be paid from this appropriation. Notification of this change was included in the FY 2024 Budget.

The Taxpayer Services budget request for FY 2025 is \$2,780,606,000 in direct appropriations funding 23,961 FTE. This amount is the same as the FY 2024 Annualized CR level, and funds 777 fewer FTE, 3.14 percent lower than the FY 2024 Annualized CR level, due to absorbing unfunded pay increases and inflation. For FY 2025, the IRS expects to use an estimated \$1,322,584,000 to fund 12,562 FTE in Taxpayer Services with IRA resources.

The IRS uses base resources to fund its Taxpayer Services operations, as described above. Much of the expected funding from IRA is needed to supplement those base operations to provide adequate telephone, online, and in-person service to taxpayers. Base funding alone in FY 2025 will not fund an adequate level of service. By FY 2026, the IRS projects that IRA Taxpayer Services resources will be entirely consumed. Additional discretionary or mandatory (as shown in the policy proposal on page 97) resources will be needed to maintain the level of service that taxpayers deserve. Reducing the IRS's discretionary appropriations would further deplete IRA resources and hasten the onset of significant level of service reductions.

FY 2023 IRA Achievements

The IRS was only able to achieve significant improvements in FY 2023 for taxpayers with a substantial increase in funding due to the IRA—increasing the amount available for Taxpayer Services by over 30 percent. Some notable achievements include:

- Expanded the customer callback option to cover 95 percent of all taxpayers seeking live assistance.
- Cut phone wait times almost 90 percent, answered 3 million more calls, and serviced 140,000 more taxpayers in person during the 2023 filing season.
- Achieved a telephone level of service of 87 percent through the 2023 filing season.
- Expanded the Document Upload Tool to allow taxpayers to respond to nearly all notices and letters that require a response, providing an alternative to responding by mail or fax.
- The IRS opened or reopened 54 Taxpayer Assistance Centers and began a series of Community Assistance Visits in underserved and rural communities.

The IRS is accelerating and expanding its work through the FY 2024 and FY 2025 priorities identified below. Please note that these activities are focused on Taxpayer Service related outcomes, but may involve funding from several appropriations, for example Information Technology work funded from both TOS and/or BSM.

FY 2024 IRA Priorities

Live Assistance: Ensure when taxpayers need answers from the IRS, we are available.

The IRS is committed to maintaining the significantly improved phone service achieved in filing season 2023 and will again reach 85 percent Level of Service on the agency's main taxpayer helpline during filing season 2024. The IRS will also achieve an average call wait time of 5 minutes or less on the agency's main taxpayer helpline during filing season.

As part of expanded taxpayer service efforts, nearly 250 IRS Taxpayer Assistance Centers around the country will extend their weekly office hours to give taxpayers additional time to get the help they need during the filing season, increasing the hours available at Taxpayer Assistance Centers by more than 8,500 hours.

Digitalization: Digitize paper as soon as it is received by the IRS and stand-up the tools and processes that allow IRS employees to perform their work in a fully digital manner.

In FY 2024, the IRS will continue realizing goals outlined in the Paper Processing Initiative by enabling taxpayers to go paperless through expanded e-filing, digital submission of non-tax forms and digitally processing paper submissions.

The IRS will also provide the option for taxpayers to e-file additional tax forms, enabling approximately 4 million additional tax documents to be digitally filed every year. In addition, certain IRS forms will have modern, mobile-friendly formats that make them easier for taxpayers to complete and submit electronically.

For Filing Season 2024, the IRS will have replaced scanning equipment that is older than 5 years as well as the automated mail sorter machines in the six highest-volume locations, streamlining the process of mail sorting, opening, and scanning, which will help lay the groundwork for turning the IRS into a digital agency.

Self Service & Online Accounts: Taxpayers will have the option to address all of their tax-related needs with the IRS online if they choose.

In filing season 2024, the IRS will deliver these key Individual Online Account capabilities:

- **Enable Individuals to Schedule and Cancel Payments:** Allows individual taxpayers to identify a future date when their payment will be processed and credited against their outstanding balance or for estimated payments. Individual taxpayers can also cancel the scheduled payment in advance of the transaction date.
- **Enable Individuals to View Cancelled and Returned Payments:** Allows individual taxpayers to see their scheduled payments that have been cancelled and payments that have been returned.

In filing season 2024, the IRS will deliver these key Business Tax Account capabilities:

- **Expand Sole Proprietorships and, Single Member LLCs Online Account Functionality:** Expands Business Tax Account functionality to allow a sole proprietor to take additional

actions such as viewing business balance due, business tax records, viewing select digital notices, requesting a tax compliance check, registering for clean energy credits (if eligible), and giving account access to their employees.

- Expand Partnerships and S-Corps (Access to Online Accounts): Expands Business Tax Account to allow an authorized individual partner or shareholder to view business balance due, business transcripts and business name on file.

In filing season 2024, the IRS will deliver these key Tax Pro Online Account capabilities:

- Enable Individual tax professionals to:
 - Initiate Power of Attorney (POA) / Tax Information Authorization (TIA) for business clients (already possible to do this for individual clients)
 - View balance due of authorized clients
 - View payment activity (pending and scheduled)
 - Make payments on behalf of individual clients

Taxpayers will also benefit from important new updates to the Where's My Refund? tool, to allow taxpayers to see more detailed refund status messages in plain language, and they will also ensure Where's My Refund? works seamlessly on mobile devices.

Finally, the IRS launched a Direct File pilot in filing season 2024, providing certain taxpayers with the choice to e-file their federal tax return for free, directly with the IRS.

FY 2025 IRA Priorities

Digitalization: Digitize paper as soon as it is received by the IRS and stand-up the tools and processes that allow IRS employees to perform their work in a fully digital manner.

In FY 2025, the IRS will scan at point of entry virtually all paper-filed tax and information returns. It will also digitally extract data from scanned tax return forms and route it through IRS systems for quicker processing. In addition, the IRS will scan for digital processing approximately half (~125 million) of all paper-submitted correspondence, forms, and notice responses. Taken together, filing season 2025 will be a key turning point in creating a fully digital IRS, creating positive effects in how the IRS manages taxpayer service and compliance efforts across the enterprise.

Towards that end, the IRS will digitally transform major IRS process workflows to support filing season 2025 operations and expand the use of robotic process automation (RPA) to streamline time intensive, manual processes.

The IRS will also continue efforts begun in FY 2024 to scan historic paper documents, making scanned documents available for future search.

Live Assistance: Ensure when taxpayers need answers from the IRS, we are available.

When taxpayers call the IRS, they should reach an agent in a timely manner and have high levels of satisfaction with the interaction. In filing season 2025, the IRS remains committed to

maintaining the significantly improved phone service achieved in filing season 2023 and planned for filing season 2024 by reaching 85 percent Level of Service and achieving an average call wait time of 5 minutes or less on the agency's main taxpayer helpline. The IRS will also complete the transition into a future state that can improve efficiency through improved forecasting, scheduling, and “just in time” ability to effectively manage taxpayer service through telephone, written, online, and in-person services. This more agile service model will provide taxpayers the ability to communicate their needs through multiple service channels and to receive rapid acknowledgement of actions taking place to resolve their account issues.

Simultaneous to these call center improvements, the IRS will improve over the prior year in overage volume for individual amended returns. Overage volume refers to the count of cases that have been open in inventory over an established aging criteria (e.g., 45 days for amended Form 1040X returns).

In addition to these changes, IRS agents and officers will be able to take payments over the phone or in-person using modern channels (e.g., credit/debit cards) and use taxpayer identity authentication via a chatbot to pre-authenticate a live phone callback without having to reauthenticate.

Self Service & Online Accounts: Taxpayers will have the option to address all of their tax-related needs with the IRS online if they choose.

In filing season 2025, the IRS will deliver these key Individual Online Account capabilities:

- In support of the Simple Notice Initiative, view digital copies of most notices and letters online.
- Allow individual taxpayers to access digital, mobile, and adaptive forms.
- Provide status updates within Online Account, such as changes in refund status.
- Expand secure 2-way messaging within Online Account.

In filing season 2025, the IRS will deliver these key Business Tax Account capabilities:

- Provide additional Business Tax Account functionality for Partnerships and S-Corps, such as the ability to take actions through their account.
- In support of the Simple Notice Initiative, view digital copies of most notices and letters online.
- Make balance due payments.
- View payments history, scheduled/cancelled payments.

In filing season 2025, the IRS will deliver these key Tax Pro Online Account capabilities:

- Link a business Centralized Authorization File (CAF) enables tax professionals that work for businesses, such as large accounting firms, to access their authorized clients’ account with the different permission types based on their level of authority within the company.
- Initiate Power of Attorney (POA) / Tax Information Authorization (TIA) for individual clients.

- Enable authorized tax professionals to make payments on behalf of sole proprietor.
- Enable authorized tax professionals to make and modify payments on behalf of individual clients.

Stacked on top of the changes made in filing season 2024, these key changes enabled by the IRA funding will create an IRS that meets taxpayer expectations for interacting with other financial institutions – namely, the ability to see your financial status and resolve issues online.

2.1 – Budget Adjustments Table

Dollars in Thousands

Taxpayer Services		
Summary of Proposed FY 2025 Request	Amount	FTE
FY 2024 Annualized CR	\$2,780,606	24,737
Changes to Base:		
Maintaining Current Levels (MCLs):	\$77,881	
Pay Annualization (5.2% average pay raise)	31,184	
Pay Raise (2.0% average pay raise)	36,450	
Non-Pay (2.2%)	10,247	
Program Decrease	(77,881)	(777)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(77,881)	(777)
Subtotal Changes to Base		(777)
FY 2025 Current Services	\$2,780,606	23,960
FY 2025 President's Budget Request	\$2,780,606	23,960

See footnotes in 1.1 - Appropriations Detail Table.

2.2 – Object Classification Obligations

Dollars in Thousands

Taxpayer Services	FY 2023	FY 2024	FY 2025
Object Classification	Operating Plan¹	Annualized CR	Request
11.1 - Full-time permanent	1,627,273	1,537,265	1,537,265
11.3 - Other than full-time permanent	31,838	58,893	58,893
11.5 - Other personnel compensation	193,613	167,870	167,870
11.9 - Personnel Compensation (Total)	1,852,726	1,764,030	1,764,030
12.0 - Personnel benefits	649,356	615,122	615,122
13.0 - Benefits for former personnel	12,194	12,155	12,155
Total Personnel and Compensation Benefits	\$2,514,276	\$2,391,307	\$2,391,307
21.0 - Travel and transportation of persons	15,709	15,910	15,910
22.0 - Transportation of things	1,152	1,132	1,132
23.3 - Communications, utilities, and miscellaneous charges	1,196	1,217	1,217
24.0 - Printing and reproduction	10,478	9,717	9,717
25.1 - Advisory and assistance services	120,726	98,692	98,692
25.2 - Other services from non-Federal sources	47,493	98,380	98,380
25.3 - Other goods and services from Federal sources	82,666	80,001	80,001
25.6 - Medical care	2,864		
25.7 - Operation and maintenance of equipment	36	36	36
26.0 - Supplies and materials	3,982	4,027	4,027
31.0 - Equipment	373	532	532
41.0 - Grants, subsidies, and contributions	79,000	79,000	79,000
42.0 - Insurance claims and indemnities	655	655	655
Total Non-Personnel	\$366,330	\$389,299	\$389,299
Total Obligations	\$2,880,606	\$2,780,606	\$2,780,606
Full-time Equivalents (FTE)	27,880	24,737	23,961

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

Amounts reflect obligations of annually appropriated discretionary resources.
See footnotes in 1.1 - Appropriations Detail Table.

2.3 – Appropriation Detail Table

Dollars in Thousands

Taxpayer Services	FY 2023		FY 2024		FY 2025		FY 2024 to FY 2025	
	Operating Plan ¹		Annualized CR		Request		% Change	
Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources								
Pre-Filing Taxpayer Assistance and Education	4,447	763,472	4,200	749,814	4,076	749,814	-3%	
Filing and Account Services	23,433	2,117,134	20,538	2,030,792	19,885	2,030,792	-3%	
Subtotal New Appropriated Resources	27,880	\$2,880,606	24,738	\$2,780,606	23,961	\$2,780,606	-3%	
Other Resources								
Reimbursable	529	44,000	652	46,200	519	47,251	-20%	2%
User Fees	71	3,900	71	603,100	56	303,100	-21%	-50%
Recoveries from Prior Years		7,399		7,399		11,385		54%
Unobligated Balances from Prior Years		118,195						
IRA Funding Usage	10,518	888,540	7,279	963,303	12,562	1,322,584	73%	37%
Resources from Other Accounts								
Subtotal Other Resources	11,118	\$1,062,034	8,002	\$1,620,002	13,137	\$1,684,320	64%	4%
Total Budgetary Resources	38,998	\$3,942,640	32,740	\$4,400,608	37,098	\$4,464,926	13%	1%

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

See footnotes in 1.1 - Appropriations Detail Table.

2A – Pre-Filing Taxpayer Assistance and Education

(\$749,814,000 in direct appropriations, an estimated \$105,000 in reimbursable programs, and an estimated \$166,932,000 in IRA funding): This budget activity funds services to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services.

The program activities include:

- Pre-Filing Services Management supports headquarters staffing and support for Taxpayer Advocate Service and Customer Assistance Relationship and Education (CARE) program activities. CARE provides pre-filing taxpayer assistance and education.
- Taxpayer Communication and Education researches customers' needs; develops and manages educational programs; establishes partnerships with stakeholder groups; and disseminates tax information to taxpayers and the general public through a variety of media, including publications and mailings, websites, broadcasting, and advertising.
- Media and Publications develops and produces notices, forms, and publications for printed and electronic tax materials, and provides media production services to taxpayers.
- Taxpayer Advocacy provides advocate services to taxpayers by identifying the underlying causes of taxpayer problems and participating in the development of systematic and/or procedural remedies.
- Account Management and Assistance – Field Assistance provides face-to-face assistance, education, and compliance services to taxpayers. It includes return preparation, answering tax questions, resolving account and notice inquiries, and supplying forms and publications to taxpayers.
- Taxpayer Advocate Case Processing provides advocate services to taxpayers to resolve taxpayer problems through prompt identification, referral, and settlement.
- Wage and Investment (W&I) HQ Management and Administration provides staffing, training, and direct support for W&I management activities of strategic planning,

communications and liaison, finance, human resources, equity, diversity and inclusion, business modernization, and embedded training.

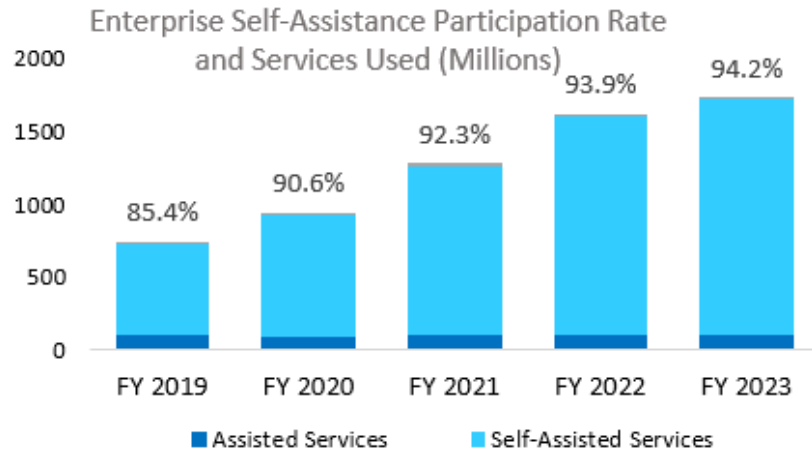
- Taxpayer Services Research provides resources to support taxpayer services by conducting taxpayer behavioral studies, data analysis, and uses advanced analytics to deliver results and conclusions to inform business decisions to improve IRS products and services.

Description of FY 2023 Performance – Pre-Filing and Taxpayer Assistance

In FY 2023, the **Timeliness of Critical Individual Filing Season (CIFS) Tax Products to the Public** (i.e., tax forms, schedules, instructions, and publications) was 96.4 percent, which exceeded the target of 83 percent and was the same compared to FY 2022 performance. In FY 2023, 80 of 83 CIFS tax products were made available to the public timely. Critical tax product timeliness is regarded as tax products that are made available to the public seven calendar days before the official IRS start of the (individual) filing season. IRS prioritized work on the release of critical products, especially forms and instructions, over other products and granted overtime, credit, and compensatory time during workdays, weekends, and holidays. The IRS expects to achieve a target of 89 percent for FY 2024 and FY 2025.

In FY 2023, the **Timeliness of Critical Tax Exempt/Government Entities (TE/GE) and Business (CTB) Filing Season Tax products to the Public** was 86.5 percent, above the target of 85 percent and a 9.9 percent decrease compared to FY 2022. In FY 2023, 64 of 74 tax products were available to the public timely. IRS prioritized work on the release of critical products, especially forms and instructions, over other products and granted overtime, credit, and compensatory time during workdays, weekends, and holidays. The IRS expects to achieve a target of 87 percent for FY 2024 and FY 2025.

The **Enterprise Self-Assistance Participation Rate (ESAPR)** represents the percentage of taxpayer assistance requests resolved using self-assisted automated services. The ESAPR of 94.2 percent exceeded the target of 94 percent. In FY 2023, the total self-assisted services of 1.6 billion was 7.6 percent higher than FY 2022 of 1.5 billion, total assisted services of 99.4 million was 2 percent above the FY 2022 of 97.5 million, and total services were 1.7 billion which was 7.3 percent higher than prior year of 1.6 billion. Using self-assisted services, taxpayers made over 212 million electronic payments, received completed information from the Where's My Refund? tool over 303 million times, and accessed their Online Accounts during nearly 64.4 million sessions. The IRS expects to achieve a target ESAPR of 94 percent for FY 2024 and FY 2025.



FY 2025 Changes by Budget Activity

Dollars in Thousands

Pre-Filing Taxpayer Assistance and Education		
Summary of Proposed FY 2025 Request		
	Amount	FTE
FY 2024 Annualized CR	\$749,814	4,200
Changes to Base:		
Maintaining Current Levels (MCLs):	\$19,276	
Pay Annualization (5.2% average pay raise)	8,078	
Pay Raise (2.0% average pay raise)	9,441	
Non-Pay (2.2% average pay raise)	1,757	
Program Decrease	(\$19,276)	(124)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(19,276)	(124)
Subtotal Changes to Base		(124)
FY 2025 Current Services	\$749,814	4,076
FY 2025 President's Budget Request	\$749,814	4,076

See footnotes in 1.1 - Appropriations Detail Table.

2.1.1 – Budget and Performance Report and Plan

Dollars in Thousands

Pre-Filing Taxpayer Assistance & Education	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources ¹	\$640,379	\$621,907	\$632,893	\$658,344	\$763,472	\$749,814	\$749,814
Reimbursable Resources ²	260	118	578	142	75	100	105
Inflation Reduction Act Resources					16,774	122,342	166,932
Budget Activity Total	\$640,639	\$622,025	\$633,471	\$658,486	\$780,321	\$872,256	\$916,851

¹ The FY 2019 - FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables.

Pre-Filing Taxpayer Assistance & Education	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2024	FY 2025
Measure	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Timeliness of Critical Filing Season Tax Products to the Public	92.6%	78.4%	92.0%	96.4%	96.4%	83.0%	89.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	96.1%	96.0%	92.9%	96.0%	86.5%	85.0%	87.0%	87.0%
Enterprise Self Assistance Participation Rate	85.4%	90.6%	92.3%	93.9%	94.2%	94.0%	94.0%	94.0%

*FY 2024 and FY 2025 targets assume all sources of available funding.

2B – Filing and Account Services

(\$2,030,792,000 in direct appropriations, \$46,095,000 from reimbursable programs, \$303,100,000 from user fees, and an estimated \$1,155,652,000 in IRA funding): This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts. The public continues to file more returns electronically, with 91.7 percent of individual returns filed electronically during the 2023 filing season—an increase of 2.2 percent over 2022. The program activities include:

- Filing and Account Services Management administers filing and account services programs.

- Submission Processing processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- Account Management and Assistance – Electronic/Correspondence Assistance provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.
- Electronic Products and Services Support (EPSS) provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and Technology and Operations Support.
- Electronic Tax Administration (ETA) markets and administers electronic tax administration products and services.
- Joint Operations Center (JOC) provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative (CSR) accuracy; and management of the enterprise telephone database.

Description of FY 2023 Performance – Filing and Account Services

In FY 2023, **Customer Accuracy—Tax Law**, which is the percent of correct answers given by a live assistor on toll-free tax law inquiries, was 91.4 percent, which was above the target of 87 percent. The IRS will continue to monitor results through data-driven analysis of reports to achieve future goals. Ongoing efforts have and will continue to focus on meeting with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. The IRS set the Tax Law Accuracy target at 89 percent for FY 2024 and FY 2025.

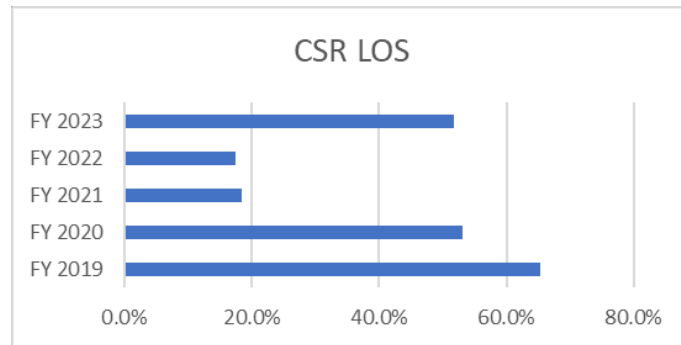
In FY 2023, **Customer Accuracy – Accounts**, which is the percent of correct answers given by a live assistor on toll-free account inquiries, was 89.2 percent, which was above the target of 87 percent. The IRS will continue to monitor results through data-driven analysis of reports to achieve future goals. Ongoing efforts have and will continue to focus on meeting with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. The IRS set the Accounts Accuracy target at 89 percent for FY 2024 and FY 2025.

The **Customer Service Representative (CSR) Level of Service (LOS)** measures the relative success rate of taxpayers wanting to speak with an assistor. In FY 2023, from October 1, 2022, to September 30, 2023, CSR LOS was 51.8 percent, which was 13.6 percent below the target of 60 percent and an increase of 197.8 percent over the prior year actual level of service of 17.4 percent. During the filing season, which ran from January 23, 2023, through April 21, 2023, the telephone level of service on individual toll-free lines was 87 percent, meeting the Treasury Secretary’s directive for IRS to achieve at least an 85 percent LOS during the filing season.

Customer service representatives answered around 17.9 million calls in FY 2023, and the average wait time was 10.1 minutes, which was less than half the average of 26.0 minutes in FY 2022.

During the filing season, wait time was 3 minutes, compared to 28 minutes during filing season 2022.

Accounts Management Customer service representatives answer the phones and reply to written correspondence from taxpayers. Accounts management telephone demand fell 52.3 percent, from 81.3 million calls in FY 2022 to 38.8 million calls in FY 2023. Around 8.5 million taxpayers were offered a callback and 64 percent accepted. This resulted in around 2.4 million hours saved for the taxpayer, providing a better experience during FY 2023.



In addition to live assistors, the IRS also provides phone service to taxpayers using automation. During FY 2023, over 18 million taxpayers received the answer to their questions through automation. IRS implemented a new measure in FY 2023 called **LOS(A)**, which is defined as the relative success rate of taxpayers that call seeking assistance and receive a response to their inquiry by a live assistor or through automated responses. In FY 2023, LOS(A) was 66.4 percent.

The following table displays the LOS on multiple phone service lines. The two major phone service lines are the Accounts Management line and the Automated Collection System (ACS) line. Enterprise includes calls answered across the Service, including telephone lines serving individuals, small business/self-employed, large business and international, and tax-exempt and government entities.

	Assistor Calls Answered (Millions)	Level of Service (Percent)	Automated Calls Answered (Millions)
Accounts Management/CSR	17.9	51.8	18.1
Collection/ACS	5.4	56.1	1.2
Enterprise	27.3	51.3	19.7

The IRS is committed to continuing to deliver an improved experience for taxpayers. For FY 2024, the IRS is again striving to achieve an 85 percent LOS during the 2024 individual filing season and a 60 percent LOS for all of FY 2024 and FY 2025 as CSRs continue to balance answering phones with processing the elevated paper inventory.

Additionally, IRS has two inventory indicators, which provide a broader picture of the CSRs whose daily priorities include both answering phones and processing paper inventory. Total Ending

Inventory (thousands) in Accounts Management increased from 2,156 in FY 2022 to 2,923 in FY 2023, mainly due to an increase in amended business returns received. Percent of Closures to Receipts was 93.8 percent.

The Taxpayers Satisfied with the IRS indicator – the former All Individual Tax Filers Score, is based on the annual American Customer Satisfaction Index (ACSI) Survey, which is the only uniform, cross-industry/government measure of customer satisfaction with the quality of goods and services available to U.S. residents. The measure is calculated as a weighted combination of the ACSI Individual Electronic Tax Filer and Individual Paper Tax Filer Customer Satisfaction Index scores based on a 100-point scale. The 2023 result for Taxpayers Satisfied with the IRS is not yet available and will be reported later this year.

FY 2025 Changes by Budget Activity

Dollars in Thousands

Filing and Account Services		
Summary of Proposed FY 2025 Request	Amount	FTE
FY 2024 Annualized CR	\$2,030,792	20,538
Changes to Base:		
Maintaining Current Levels (MCLs):	\$58,605	
Pay Annualization (5.2% average pay raise)	23,107	
Pay Raise (2.0% average pay raise)	27,008	
Non-Pay (2.2% average pay raise)	8,490	
Program Decrease	(\$58,605)	(653)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(58,605)	(653)
Subtotal Changes to Base		(653)
FY 2025 Current Services	\$2,030,792	19,885
FY 2025 President's Budget Request	\$2,030,792	19,885

See footnotes in 1.1 - Appropriations Detail Table.

2.1.2 - Budget and Performance Report and Plan

Dollars in Thousands

Filing and Account Services	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources ¹	\$1,712,511	\$1,872,175	\$1,901,467	\$1,927,220	\$2,117,134	\$2,030,792	\$2,030,792
Reimbursable Resources ²	34,905	62,794	72,769	39,307	32,505	43,900	46,095
User Fees	69,987	3,900		64,900	31,827	603,100	303,100
Inflation Reduction Act Resources				1,073	871,766	846,961	1,155,652
Budget Activity Total	\$1,817,403	\$1,938,869	\$1,974,236	\$2,032,500	\$3,053,232	\$3,524,753	\$3,535,639

¹ The FY 2019 - FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables and user fees.

Filing and Account Services	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2024	FY 2025
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Customer Accuracy - Tax Law (Phones)	91.6%	91.0%	92.8%	92.0%	91.4%	87.0%	89.0%	89.0%
Customer Accuracy - Accounts (Phones)	94.3%	93.5%	93.0%	91.8%	89.2%	87.0%	89.0%	89.0%
Customer Service Representative (CSR) Level of Service (LOS) ¹	65.4%	53.1%	18.5%	17.4%	51.8%	60.0%	60.0%	60.0%
Total Ending Inventory (Thousands) (New FY 2022) ²	1,100	1,100	4,100	2,156	2,923	Indicator	Indicator	Indicator
Percent of Closures to Receipts (New FY 2022) ²	92.7%	99.6%	71.9%	116.4%	93.8%	Indicator	Indicator	Indicator
LOS(A) (New FY 2023) ²	79.2%	71.6%	38.2%	39.3%	66.4%	Baseline	65.0%	65.0%
Taxpayers Satisfied with the IRS (based on a 100 point scale) ³	73	74	70	69	TBD ³	Indicator	Indicator	Indicator

*FY 2024 and FY 2025 targets assume all sources of available funding.

¹ The CSR LOS includes toll-free telephone lines answered by Accounts Management assistants only.

² Historical data provided for comparative purposes.

³ Based on the American Customer Satisfaction Index (ACSI) survey; the All-Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer. For 2023, there will be updates to the methodology. The final results are undergoing review and are not yet available.

Enforcement

Appropriation Description

The Enforcement appropriation provides funding for the examination of tax returns, both domestic and international; administrative and judicial settlement of taxpayer appeals of examination findings; technical rulings; monitoring of employee pension plans; determination of qualifications of organizations seeking tax-exempt status; examination of tax returns of exempt organizations; enforcement of statutes relating to detection and investigation of criminal violations of the internal revenue laws; identification of underreporting of tax obligations; securing of unfiled tax returns; and collection of unpaid accounts. Hiring and equity, diversity, and inclusion costs for Enforcement employees will now be paid from this appropriation. Notification of this change was included in the FY 2024 Budget; see page 5 for more information. With these funds, the IRS is committed to not increasing audit coverage for small businesses and households below the \$400,000 threshold a year compared to historic levels.

The Enforcement budget request for FY 2025 is \$5,437,622,000 in direct appropriations funding 29,765 FTE. This amount is the same as the FY 2024 Annualized CR level, and funds 811 fewer FTE, 2.65 percent lower than the FY 2024 Annualized CR level of 30,576 FTE. For FY 2025, the IRS expects to use an estimated \$2,316,841,000 and fund 7,239 FTE in Enforcement with IRA resources.

The IRS will continue ongoing efforts to protect against Employee Retention Credit (ERC) abuse. To protect taxpayers from scams following concerns about aggressive ERC marketing from tax professionals and others, the IRS announced a moratorium on processing new ERC claims in September and has shifted focus to review ERC claims for compliance concerns, including intensifying audit work and criminal investigations on promoters and businesses filing dubious claims. These efforts include utilizing new technology to capture data from over 1 million paper-filed claims received in the months leading up to and after the moratorium for improved data analysis on preventing erroneous claims from being paid. Thousands of audits are currently in the pipeline with thousands more about to be started, nine open promoter investigations with another 123 under review, and 352 criminal investigations initiated involving more than \$2.9 billion in potentially fraudulent ERCs in tax years 2020 – 2023. Additionally, IRS Criminal Investigation will host a series of educational sessions to ensure that tax professionals have the latest information about ERC claims and understand ERC eligibility. The IRS will also continue to administer the ERC Voluntary Disclosure Program and withdrawal program for pending ERC claims for businesses that filed a claim and received a payment in error.

The IRS uses base resources to fund its compliance operations, as described above. IRA resources fund an expanded compliance workforce, which allows the IRS to target the growing number of wealthy taxpayers who are evading their tax responsibility and address the growing risk of tax scams and schemes. Base funding alone in FY 2025 will not fund this expanded workforce, as evidenced by recent historically low audit coverage rates. Reducing the IRS's discretionary appropriations would deplete IRA resources and result in uncollected Enforcement revenue.

FY 2024 IRA Priorities

Fairness in Enforcement: Expand enforcement efforts for complex taxpayer segments while simultaneously ensuring taxpayers at all levels receive appropriate fairness to include the outreach and support necessary to ensure taxpayers receive the benefits for which they are eligible.

During FY 2024, the IRS will expand its enforcement presence through hiring in critical staffing areas such as revenue agents, revenue officers, and tax specialists to expand compliance for large corporations, complex partnerships, and high-wealth individual taxpayers to ensure they pay the taxes they owe.

The IRS recently expanded its large partnership compliance program, opening examinations of 76 of the largest partnerships in the U.S. that represent a cross section of industries including hedge funds, real estate investment partnerships, publicly traded partnerships, large law firms, and other industries. On average, these partnerships each have more than \$10 billion in assets.

The IRS will continue greater focus on partnership issues through compliance letters and recently began mailing around 500 partnerships with over \$10 million in assets that had discrepancies on balance sheets which is an indicator of potential non-compliance. Depending on the response, the IRS will add these to the audit stream for additional work.

The IRS will continue to expand efforts involving digital assets, including work through the John Doe summons effort and the release of proposed regulations on broker reporting. The IRS projects more digital asset cases will be developed for further compliance work during this fiscal year. A John Doe summons is an investigative tool used to determine the identity of unknown individuals who the IRS has reason to believe have been violating tax law. The summons requires a third party—such as a crypto exchange, bank, or credit card company—to provide certain information to the IRS.

The IRS will place more scrutiny on Report of Foreign Bank and Financial Accounts (FBAR) violations. High-income taxpayers from all segments continue to utilize Foreign Bank accounts to avoid disclosure and related taxes. IRS analysis of multi-year filing patterns has identified hundreds of possible FBAR non-filers with account balances that average over \$1.4 million. The IRS plans to audit the most egregious potential non-filer FBAR cases during this fiscal year.

The IRS is increasing compliance efforts on the U.S. subsidiaries of foreign companies that distribute goods in the U.S. and do not pay their fair share of tax on the profit they earn of their U.S. activity. These foreign companies report losses or exceedingly low margins year after year through the improper use of transfer pricing to avoid reporting an appropriate amount of U.S. profits. To crack down on this strategy, in FY 2024 the IRS is sending compliance alerts to more than 180 subsidiaries of large foreign corporations to reiterate their U.S. tax obligations and incentivize self-correction.

The IRS is expanding its Large Corporate Compliance (LCC) program, which focuses on noncompliance by using data analytics to identify large corporate taxpayers for audit. LCC includes

the largest and most complex corporate taxpayers with average assets of more than \$24 billion and average taxable income of approximately \$526 million per year. As new accountants come on board in 2024, the IRS is expanding the program by starting an additional 60 audits of the largest corporate taxpayers selected using a combination of artificial intelligence and subject matter expertise in areas such as cross-border issues and corporate planning and transactions.

As part of the agency's increased focus on the tax issues applicable to partnerships and partners, the IRS has been increasing compliance to ensure that Self-Employment Contributions Act (SECA) taxes are being properly reported and paid by wealthy individual partners who provide services and have inappropriately claimed to qualify as "limited partners" in state law limited partnerships (such as investment partnerships) not subject to SECA tax. The IRS efforts to date include more than 80 audits of wealthy individuals. Additionally, in November 2023, the Tax Court issued an opinion in *Soroban Capital Partners LP v. Commissioner* that agreed with the IRS's position that the limited partner exception to SECA tax does not apply to a partner who is "limited" in name only. As a result, partners who actively participated in the state law limited partnership must report their partnership share as net earnings from self-employment subject to SECA tax.

The IRS has ramped up efforts to pursue high income, high wealth individuals who have either not filed their taxes or failed to pay recognized tax debt, with dozens of Revenue Officers focused on these high-end collection cases. These efforts are concentrated among taxpayers with more than \$1 million in income and more than \$250,000 in recognized tax debt. In an initial success, the IRS collected \$38 million from more than 175 high-income earners. The IRS last fall began contacting about 1,600 new taxpayers in this category that owe hundreds of millions of dollars in taxes. The IRS has assigned over 900 of these 1,600 cases to revenue officers, with over \$482 million collected so far. This brings the total recovered from millionaires through these new initiatives to \$520 million.

The IRS is committed to ensuring that IRS functions execute their work fairly and equitably. The IRS will substantially reduce the number of correspondence audits focused on refundable credits, including the Earned Income Tax Credit (EITC), and implementing an initial round of changes to the EITC audit selection processes that should improve the accuracy of exam outcomes and further reduce disparities.

Notifications & Scams: The IRS provides taxpayers with clear and concise notices and steps to disrupt and dismantle scams while providing support to victims.

The IRS will coordinate with a variety of partners to help prevent taxpayers, including seniors and veterans, from falling victim to scams and working to assist those who do.

Throughout FY 2024 the IRS will work to increase the number of notices viewable for individual taxpayers in their online account. This effort will allow taxpayers to validate that the paper notice they received was legitimately sent from the IRS and not a scammer.

FY 2025 IRA Priorities

Fairness in Enforcement: Expand enforcement efforts for complex taxpayer segments while simultaneously ensuring taxpayers at all levels receive appropriate fairness to include the outreach and support necessary to ensure taxpayers receive the benefits for which they are eligible.

In filing season 2025, the IRS will continue building upon the FY 2024 expanded enforcement efforts to ensure that high-income individuals, large corporations, and complex partnerships are accountable to pay the full amount of taxes they owe.

The IRS will establish a new organization to focus on large and complex pass-through entities. The new Pass-Through organization will reside in the IRS Large Business and International (LB&I) division. It will include employees currently in LB&I as well as the Small Business/Self Employed division and newly hired employees.

In filing season 2025, the IRS will also identify and implement other strategic options for rapidly increasing enforcement activities, including non-audit activities, to supplement hiring and training activities.

By applying improved data and analytics practices, the IRS will also design and implement initial reforms to enforcement practices to improve fairness.

In addition, the IRS will move even more towards a centralized, data-backed case selection and compliance planning function to more effectively identify and act upon high-priority compliance cases, with a focus on large corporations, complex partnerships, and high-wealth individual taxpayers to ensure they pay the taxes they owe.

Notifications & Scams: The IRS provides taxpayers with clear and concise notices and steps in to disrupt and dismantle scams while providing support to victims.

In filing season 2025, the IRS will work with tax software providers to protect and identify taxpayers potentially falling victim to common scams, looking for ways to enable providers to potentially further disrupt scams. It will also begin implementing new analytics and processes using IRS sourced information to identify tax return scams prior to issuing refunds.

In filing season 2025, as part of the Simple Notice Initiative, the IRS will redesign up to 200 notices, accounting for 70 percent of total volume (e.g., updated language, shortened notices, updated visual format). The IRS will also initiate technology and/or business process changes required to flexibly generate notices.

2.1 – Budget Adjustments Table

Dollars in Thousands

Enforcement		
Summary of Proposed FY 2025 Request	Amount	FTE
FY 2024 Annualized CR	\$5,437,622	30,576
Changes to Base:		
Maintaining Current Levels (MCLs):	\$150,084	
Pay Annualization (5.2% average pay raise)	63,910	
Pay Raise (2.0% average pay raise)	74,702	
Non-Pay (2.2%)	11,472	
Program Decrease	(150,084)	(811)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(150,084)	(811)
Subtotal Changes to Base		(811)
FY 2025 Current Services	\$5,437,622	29,765
FY 2025 President's Budget Request	\$5,437,622	29,765

See footnotes in 1.1 - Appropriations Detail Table.

2.2 – Object Classification Obligations

Dollars in Thousands

Enforcement	FY 2023	FY 2024	FY 2025
Object Classification	Operating Plan¹	Annualized CR	Request
11.1 - Full-time permanent	3,222,961	3,215,311	3,215,311
11.3 - Other than full-time permanent	26,322	28,517	28,517
11.5 - Other personnel compensation	157,068	185,641	185,641
11.8 - Special personal services payments	56,051	99,204	99,204
11.9 - Personnel Compensation (Total)	3,462,402	3,528,672	3,528,672
12.0 - Personnel benefits	1,363,228	1,387,219	1,387,219
13.0 - Benefits for former personnel	298	298	298
Total Personnel and Compensation Benefits	\$4,825,928	\$4,916,189	\$4,916,189
21.0 - Travel and transportation of persons	95,366	91,747	91,747
22.0 - Transportation of things	10,214	10,662	10,662
23.2 - Rental payments to others	219	187	187
23.3 - Communications, utilities, and miscellaneous charges	7,305	3,282	3,282
24.0 - Printing and reproduction	3,506	3,786	3,786
25.1 - Advisory and assistance services	102,577	246,668	246,668
25.2 - Other services from non-Federal sources	40,817	54,503	54,503
25.3 - Other goods and services from Federal sources	37,083	61,514	61,514
25.4 - Operation and maintenance of facilities	4	4	4
25.6 - Medical care	1,997	285	285
25.7 - Operation and maintenance of equipment	1,836	2,609	2,609
26.0 - Supplies and materials	19,014	29,032	29,032
31.0 - Equipment	10,868	8,247	8,247
42.0 - Insurance claims and indemnities	1,007	907	907
91.0 - Unvouchered	8,000	8,000	8,000
Total Non-Personnel	\$339,813	\$521,433	\$521,433
Total Obligations	\$5,165,741	\$5,437,622	\$5,437,622
Full-time Equivalents (FTE)	31,963	30,576	29,765

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

Amounts reflect obligations of annually appropriated discretionary resources.

See footnotes in 1.1 - Appropriations Detail Table.

2.3 – Appropriation Detail Table

Dollars in Thousands

Enforcement	FY 2023		FY 2024		FY 2025		FY 2024 to FY 2025	
	Operating Plan ¹		Annualized CR		Request		% Change	
Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources								
Investigations	3,076	730,488	2,822	757,402	2,773	757,402	-2%	
Exam and Collections	27,988	4,263,263	26,926	4,489,141	26,212	4,489,141	-3%	
Regulatory	899	171,990	828	191,079	780	191,079	-6%	
Subtotal New Appropriated Resources	31,963	\$5,165,741	30,576	\$5,437,622	29,765	\$5,437,622	-3%	
Other Resources								
Reimbursable	69	47,000		49,350	68	58,799		19%
Offsetting Collections (Non-reimbursable)		33,836		35,625		50,556		42%
User Fees								
Recoveries from Prior Years		4,231		4,231		3,658		-14%
Unobligated Balances from Prior Years	1,802	269,083		250,000		250,000		
IRA Funding Usage ²	495	298,990	4,088	1,047,639	7,239	2,316,841	77%	121%
Transfers In/Out		119		119		104		-13%
Resources from Other Accounts	683	122,110	884	122,110	884	197,710		62%
Subtotal Other Resources	3,049	\$775,369	4,972	\$1,509,074	8,191	\$2,877,668	65%	91%
Total Budgetary Resources	35,012	\$5,941,110	35,548	\$6,946,696	37,956	\$8,315,290	7%	20%

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

² Because this table is limited to Enforcement, the FY 2024 and FY 2025 IRA Funding Usage FTE percentage change reflects only the Enforcement increase. The FY 2025 IRA Funding Usage FTE in Enforcement represents 24 percent of the total discretionary request FTE. See footnotes in 1.1 - Appropriations Detail Table.

2C – Investigations

(\$757,402,000 in direct appropriations, an estimated \$89,526,000 from reimbursable programs, and an estimated \$443,881,000 in IRA funding): This budget activity funds the Criminal Investigation (CI) programs that explore potential criminal and civil violations of tax laws; enforce criminal statutes relating to violations of tax laws and other financial crimes; and recommend prosecution as warranted. The program activities include:

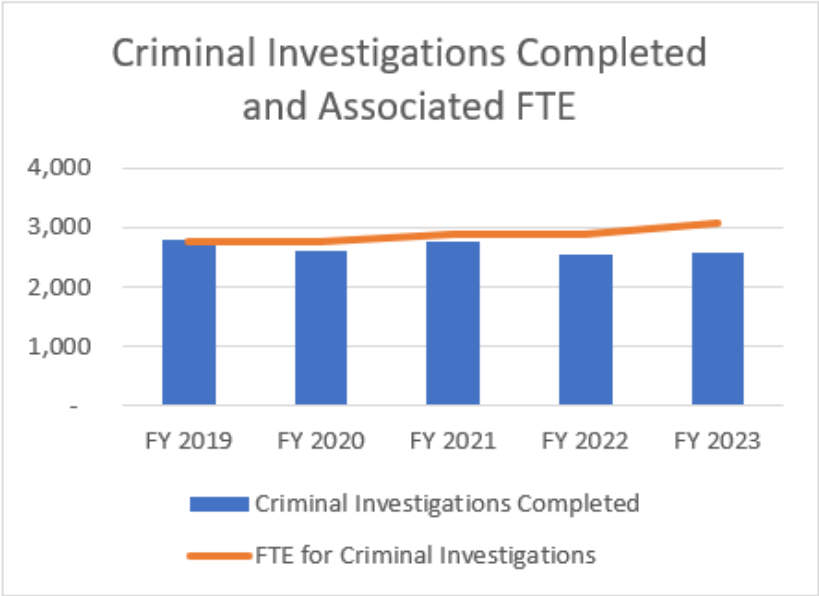
- General Management and Administration supports the headquarters management activities of strategic planning, communications, finance, and human resources for CI activities.
- Identity Theft supports the Stolen Identity Refund Fraud (SIRF) inherent risks while focusing on high impact tax investigations,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

- International Investigations provides policy, guidance, strategic planning, and investigative support impacting international investigations, travelers and personnel stationed abroad. International investigations involve U.S. citizens residing abroad, non-resident aliens, expatriates, and other international issues. This activity includes support for international programs/investigations such as Foreign Account Tax Compliance Act (FATCA), Organization for Economic and Cooperation Development (OECD), Joint Chiefs of Global Tax Enforcement (J5), International Fraud Referrals/Schemes, transnational organized crime, narcotics, and counterterrorism.
- Cybersecurity supports CI's cyber-efforts around inherent risks to CI's networks and systems while focusing enforcement and investigative actions on the criminals that pose those threats. This additional activity also supports security program management that protects the safeguarding of all data and systems within CI and adhering to all federal regulatory security compliance mandates and local security policies.

Description of FY 2023 Performance – Investigations

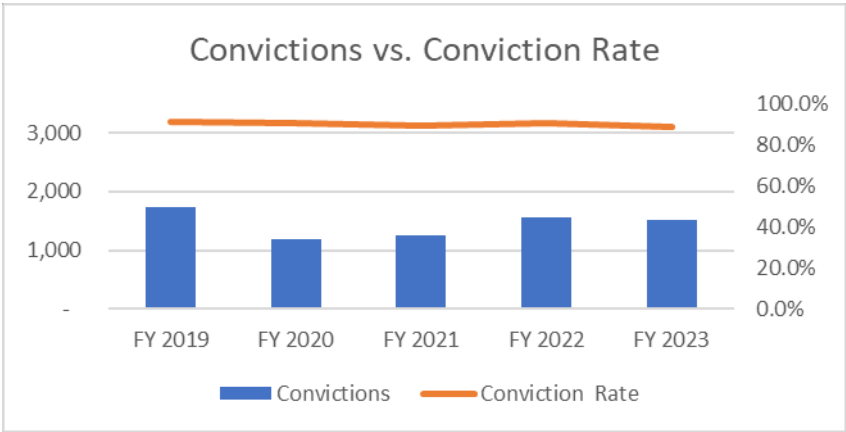
IRS Criminal Investigation (CI) is the law enforcement arm of the IRS. CI special agents are sworn federal law enforcement officers and the only federal law enforcement agency with jurisdiction to investigate federal income tax crimes. CI special agents investigate tax crimes and other financial crimes like money laundering, sanction violations, terrorist financing, identity theft, narcotics, national security, human trafficking, child exploitation, and cybercrime. CI special agents conduct interviews, execute search warrants and criminal arrests as part of their official duties. CI serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. CI uses the following measures to evaluate its success in achieving its mission.

Criminal Investigations Completed by CI in FY 2023 were 2,584, exceeding the year-end target of 2,500 by 3.4 percent. Year-end results reflect an increase of 1.3 percent compared to FY 2022. Prosecution recommendations for cases related to legal activities and cases related to narcotics activities decreased 13.1 percent and 3.0 percent, respectively, while cases related to illegal activities increased 11.3 percent when compared to the same period in FY 2022.



Legal source cases include people that earn their income legally, but willfully violate the tax laws (tax evasion). Illegal source cases include embezzlement, mortgage fraud, telemarketing fraud, and money laundering. Narcotics cases are like illegal cases; however, these cases are specific to profits and financial gains of organized drug groups involved in narcotics, narcotics trafficking, and money laundering. CI continues to utilize proven case development strategies, expand case development efforts, and leverage interagency partnerships to identify, initiate and complete significant criminal investigations in all program areas. IRS set a target of 2,500 for FY 2024 and FY 2025.

The **Conviction Rate**, for FY 2023 of 88.4 percent was 3.9 percent below the year-end target of 92.0 percent. Additionally, the FY 2023 number of convictions was 1,508, a 3.6 percent decrease compared to FY 2022. The IRS set the Conviction Rate targets for FY 2024 and FY 2025 at 92.0 percent.



FY 2025 Changes by Budget Activity

Dollars in Thousands

Investigations		
Summary of Proposed FY 2025 Request		
	Amount	FTE
FY 2024 Annualized CR	\$757,402	2,822
Changes to Base:		
Maintaining Current Levels (MCLs):	\$20,560	
Pay Annualization (5.2% average pay raise)	8,178	
Pay Raise (2.0% average pay raise)	9,559	
Non-Pay (2.2% average pay raise)	2,823	
Program Decrease	(\$20,560)	(49)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(20,560)	(49)
Subtotal Changes to Base		(49)
FY 2025 Current Services	\$757,402	2,773
FY 2025 President's Budget Request	\$757,402	2,773

See footnotes in 1.1 - Appropriations Detail Table

2.1.3 – Budget and Performance Report and Plan

Dollars in Thousands

Investigations	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources ¹	\$595,686	\$619,227	\$630,093	\$700,876	\$730,488	\$757,402	\$757,402
Reimbursable Resources ²	27,749	41,233	1,950	37,092	45,542	85,263	89,526
Inflation Reduction Act Resources					35,548	200,716	443,881
Budget Activity Total	\$623,435	\$660,460	\$632,043	\$737,968	\$811,578	\$1,043,381	\$1,290,809

¹ The FY 2019- FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables.

Investigations	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2024	FY 2025
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Criminal Investigations Completed ¹	2,797	2,624	2,766	2,552	2,584	2,500	2,500	2,500
Conviction Rate	91.2%	90.4%	89.4%	90.6%	88.4%	92.0%	92.0%	92.0%

*FY 2024 and FY 2025 targets assume all sources of available funding.

¹ The impact of hiring on performance is not immediate due to required academy and on-the-job training (6+ months) as well as the average cycle time it takes to complete an investigation (400-500 days).

2D – Exam and Collections

(\$4,489,141,000 in direct appropriations, an estimated \$3,960,000 in reimbursable programs, and an estimated \$1,796,363,000 in IRA funding): This budget activity funds programs that enforce the tax laws through examination and collection programs that ensure proper payment and tax reporting. This budget activity also includes campus support of the Questionable Refund program and appeals, and litigation activities associated with exam and collection. The program activities include:

- Compliance Services Management supports management associated with exam and compliance program activities.
- Payment Compliance – Correspondence Collection supports IRS collection activities by initiating contact and collecting delinquent taxpayer liabilities through written notices and other means.
- Automated Collections and Support initiates contact and collects delinquent taxpayer liabilities through the centralized Automated Collection System (ACS).
- Payment Compliance – Field Collection conducts field investigations and collection efforts associated with delinquent taxpayer and business entity liabilities, including direct taxpayer contact and outreach programs to protect the interest of the federal government in delinquent tax liability situations.
- Tax Reporting Compliance – Document Matching supports the Automated Under Reporter (AUR), Combined Annual Wage Reporting (CAWR), Federal Unemployment Tax Act (FUTA), and other Document Matching Programs.
- Tax Reporting Compliance – Electronic/Correspondence Exam initiates written correspondence with taxpayers related to tax issues arising from claims on their tax returns.
- Tax Reporting Compliance – Field Exam compares taxpayer income levels and corresponding tax liabilities to ensure the accuracy of taxpayer returns.
- Fraud/Bank Secrecy Act enforces the anti-money laundering provisions of the Bank Secrecy Act of 1970 (BSA) and the USA Patriot Act of 2001. It examines non-bank financial institutions for compliance with these laws, receives and processes more than 15 million financial reports annually, and manages a centralized database of that information for the Financial Crimes Enforcement Network. The Fraud program follows the “money trail” to support CI of tax evasion operations. Fraud technical advisors and revenue agents provide investigative leads and referrals to federal, state, and local law enforcement agencies.
- Appeals provides an administrative review process that provides a channel for impartial case settlement before a case is docketed in a court of law.
- Litigation provides legal support for the IRS in litigation of cases, including interpretation of the tax law.
- Specialty Programs – Exams examines federal tax returns of businesses and individuals responsible for the filing and payment of employment, excise, estate, and gift taxes.
- International Collection supports international field collection efforts associated with delinquent taxpayer and business entity liabilities from U.S. citizens residing abroad, non-resident aliens, expatriates, and those involving other international issues (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion).
- International Exams supports the international exam program involving U.S. citizens residing abroad, non-resident aliens, expatriates, and other examinations involving other international issues including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- Enforcement Research provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful treatments of taxpayer non-compliant behavior.
- Unit General Management and Administration provides staffing, training, and direct support for the unit headquarters management activities of strategic planning, communications and

liaison, finance, human resources, Equal Employment Opportunity (EEO) and diversity, and business systems planning and embedded training.

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

Description of FY 2023 Performance – Exam

The Examination program provides taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness. Even with improved taxpayer service, some taxpayers will not comply. IRS will focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap. The IRS is committed to not increasing audit coverage for small businesses and households below the \$400,000 threshold a year compared to historic levels. The performance metrics IRS uses to gauge the Examination program's performance are discussed below.

Exam Starts – High Income Individual was established in FY 2021 to monitor resources associated with examinations of individual return filers reporting over \$10M of Total Positive Income (TPI). In FY 2023, targets were set for the first time for this measure, and historical data is provided for comparative purposes. The IRS started 4,326 new high-income individual tax return examinations in FY 2023, surpassing the target of 3,817 by 509 starts. The agency is expanding enforcement for high-income and high-wealth individuals by pursuing non-compliance through a variety of mechanisms, including audits and non-audit contacts since income alone is not the only indicator of risk or complexity. Future estimates reflect that it takes several years of specializing in enterprise exams using a holistic approach to conduct the most complex audits and it typically takes 3-5 years of experience before examiners can identify and address the more difficult transactions.

Compared to the same period in FY 2022, Exam Starts - High Income Individuals increased 19.3 percent. IRS expects to start 4,398 cases in FY 2024 and 3,848 in FY 2025.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Exam Starts – High-Income Individuals	2,108	2,693	2,227	3,625	4,326

Exam Starts – Partnerships was established in FY 2021 to monitor resources associated with the examination of partnership returns. In FY 2023, targets were set for the first time for this measure, and historical data is provided for comparative purposes. In FY 2023, IRS started exams on 6,709 partnerships, which was a 112 percent increase from FY 2022 but below the target of 8,852 due to new hires starting a lower-than-expected number of returns. This was a result of delayed phases of training and additional time given to trainees to start partnership returns.

During FY 2023 SBSE Field Exam had a backlog of new hires from prior years go through training which increased the number of partnerships starts for the fiscal year. The number of trainees needing this specific training is expected to level off in FY 2024 and the Starts targets in FY 2024 and FY 2025 reflect correspondingly lower estimates.

Additionally, because it takes between 3 and 5 years, before an examiner can address the more difficult cases and start contributing to this measure, new hires that have recently come on board in the past year will not have a significant immediate impact on exam starts. Finally, when staff shift from case work to serve as trainers for newly onboarded staff, there is a resulting reduction in near term productivity.

In FY 2024 IRS expects to start 4,074 cases and 5,215 in FY 2025.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Exam Starts – Partnerships	5,823	4,106	4,327	3,155	6,709

Exam Starts – Large Corporations was established in FY 2021 to monitor resources associated with examinations of large corporate returns reporting assets of \$250 million and above. In FY 2023 targets were set for the first time for this measure, and historical data is provided for comparative purposes. In FY 2023, the IRS started 1,400 new large corporation tax return examinations, exceeding its target of 1,121 and reflecting a 2.6 percent increase compared to FY 2022. The increase in FY 2023 was driven in part by specific Net Operating Loss cases that were tied to a temporary provision in the CARES Act and are expected to decrease in the coming years. In FY 2024 and FY 2025, the anticipated hiring efforts for both revenue agents and specialists will require shifting seasoned agents offline to support new hire training as on the job instructors, resulting in near term decreases in exam starts for large corporations. The FY 2024 target is 1,250 and the FY 2025 target is 1,375.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Exam Starts – Large Corporations	2,009	1,700	1,490	1,365	1,400

Exam Efficiency – Individual is the sum of all individual 1040 returns closed divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns. Total exam closures decreased 17.2 percent compared to FY 2022 and FTEs decreased 18.8 percent. Exam Efficiency – Individual was 103, exceeding the target of 92. The FY 2024 target is set at 106 and the FY 2025 target is 107.

Time to Start Compliance Resolution is the percentage of all individual income tax enforcement cases started within six months of the return posting date. This indicator was added for FY 2020 and historical data is provided for comparative purposes. This indicator reflects the effect of expedited issue detection and more integrated enforcement approaches. For FY 2023, the percent of individual enforcement cases started within 6 months was 72 percent, a 5.9 percent increase from FY 2022.

Time to Start	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Collection	80.1%	85.6%	86.0%	85.0%	86.0%
Bal Due	90.5%	90.2%	88.0%	87.0%	88.0%
AUR	0.1%	0.1%	0.0%	0.0%	0.0%
Exam	39.3%	39.3%	52.0%	40.0%	38.0%
Total	60.9%	66.3%	66.0%	68.0%	72.0%

Time to Resolve Compliance Issue After Filing is the median time it takes to close all individual income tax enforcement cases in days. This indicator was added for FY 2020 and historical data is provided for comparative purposes. This indicator reflects the complete life cycle from return filing to resolution. For FY 2023, the overall Time to Resolve Compliance Issue After Filing was 372 days, a 7.9 percent decrease compared to FY 2022.

Time to Resolve	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Collection: Bal due notice	330	400	286	246	268
Collection: non-notice	373	345	491	757	993
AUR	602	618	756	651	602
Exam	551	597	626	550	528
Total	469	491	484	404	372

Repeat Non-Compliance Rate is the percentage of individual taxpayers with repeat non-compliance two years after the initial tax year for filing, payment or reporting compliance. This indicator was added for FY 2020 and historical data is provided for comparative purposes. Instances of payment repeat non-compliance were lower in FY 2023 in part due to lower penalty issuances during COVID for Tax Years 2019 and 2020. For FY 2023, the Repeat Non-Compliance Rate was 18.9 percent compared to 28.1 percent for FY 2022.

Repeat Non-Compliance Rate	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Reporting	7.7%	8.1%	5.5%	4.03%	7.31%
Filing	39.8%	43.9%	39.6%	39.81%	29.78%
Payment	29.9%	28.6%	29.0%	23.5%	2.1%
Total	31.4%	35.6%	30.7%	28.1%	18.9%

Description of FY 2023 Performance – Collection

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

The Collection Coverage measure is calculated by taking the total volume of collection work completed divided by total collection work available. Collection Coverage was 34.9 percent, exceeding the FY 2023 target of 33.4 percent. Based on projected case closures, the target will be set at 40.7 percent in FY 2024 and 39.1 percent in FY 2025.

The Cost to Collect \$100 is computed as total operating costs divided by gross collection and then multiplied by 100. Total operating costs include dollars obligated, expended, and disbursed against appropriated funds; excluded are costs reimbursed by other federal agencies and private entities for services performed for these external parties. Gross collections are before refunds are issued and include penalties and interest in addition to taxes collected. The FY 2023 Cost to Collect \$100 was 34 cents, compared to 29 cents for FY 2022. Total operating costs in FY 2023 were approximately \$16.1 billion while gross collections were approximately \$4.7 trillion. Gross collections decreased approximately 4 percent in FY 2023.

FY 2025 Changes by Budget Activity

Dollars in Thousands

Exam and Collections		
Summary of Proposed FY 2025 Request		
	Amount	FTE
FY 2024 Annualized CR	\$4,489,141	26,926
Changes to Base:		
Maintaining Current Levels (MCLs):	\$124,244	
Pay Annualization (5.2% average pay raise)	53,476	
Pay Raise (2.0% average pay raise)	62,505	
Non-Pay (2.2% average pay raise)	8,263	
Program Decrease	(\$124,244)	(714)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(124,244)	(714)
Subtotal Changes to Base		(714)
FY 2025 Current Services	\$4,489,141	26,212
FY 2025 President's Budget Request	\$4,489,141	26,212

See footnotes in 1.1 - Appropriations Detail Table.

2.1.4 – Budget and Performance Report and Plan

Dollars in Thousands

Exam and Collections	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	\$3,907,290	\$3,933,597	\$3,987,323	\$4,447,716	\$4,263,263	\$4,489,141	\$4,489,141
Reimbursable Resources	240	249	1,719	1,371	1,966	3,772	3,960
User Fees	42	2,454					
Inflation Reduction Act Resources					261,300	812,287	1,796,363
Budget Activity Total	\$3,907,572	\$3,936,300	\$3,989,042	\$4,449,087	\$4,526,529	\$5,305,200	\$6,289,464

¹ The FY 2019 - FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables and user fees.

Exam and Collections	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2024	FY 2025
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Exam Starts - High Income Individuals (new FY 2021) ^{1,2,3}	2,108	2,693	2,227	3,625	4,326	3,817	4,398	3,848
Exam Starts - Partnerships (new FY 2021) ^{1,2,4}	5,823	4,106	4,327	3,155	6,709	8,852	4,074	5,215
Exam Starts - Large Corporations (new FY 2021) ^{1,2,5}	2,009	1,700	1,490	1,365	1,400	1,121	1,250	1,375
Examination Efficiency - Individual	109	76	108	101	103	92	106	107
Time to Start Compliance Resolution (new FY 2020) ¹	60.9%	66.3%	66.0%	68.0%	72.0%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (new FY 2020) ¹	469	491	484	404	372	Indicator	Indicator	Indicator
Repeat Non-Compliance Rate (new FY 2020) ¹	31.4%	35.6%	30.7%	28.1%	18.9%	Indicator	Indicator	Indicator
Collection Coverage	41.3%	34.9%	41.2%	38.3%	34.9%	33.4%	40.7%	39.1%
Cost to Collect \$100	\$0.33	\$0.35	\$0.33	\$0.29	\$0.34	Indicator	Indicator	Indicator

*FY 2024 and FY 2025 targets assume all sources of available funding.

¹ Historical data provided for comparison.

² This measure was an indicator in FY 2022 and transitioned to a measure with a target starting in FY 2023.

³ Audits of high-income individuals may take a revenue agent upwards of 250 hours to complete.

⁴ Due to the timing of hiring and the start date of the lengthy training cycle, the impact of hiring on performance is not immediate.

⁵ The impact of hiring on performance is not immediate due to required training for new Revenue Agents and the average case cycle time of about 36 months for these large corporations.

2E – Regulatory

(\$191,079,000 in direct appropriations, an estimated \$120,000 in reimbursable programs, and an estimated \$76,597,000 in IRA funding): This budget activity funds the development of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The activities include:

- Tax Law Interpretation and Published Guidance interprets tax law through published guidance, technical advice, and other technical legal services.
- General Legal Services provides advice to the IRS on non-tax legal issues, including procurement, personnel, labor relations, equal employment opportunity, fiscal law, tort claims and damages, ethics, and conflict of interest.
- Rulings and Agreements applies the tax law to specific taxpayers in the form of pre-filing agreements, determination letters, advance pricing agreements, and other pre-filing determinations and advice.
- International Regulatory Legal Support supports Counsel’s work in tax law interpretation and rulings and agreements related to international issues.
- Return Preparer Strategy activity provides staffing, training, and direct support associated with the Return Preparer Strategy initiative.
- Office of Professional Responsibility identifies, communicates, and enforces Treasury Circular 230 standards of competence, integrity, and conduct of those who represent taxpayers before the IRS, including attorneys, Certified Public Accountants (CPAs), enrolled agents, enrolled actuaries and appraisers, and other professionals.

Description of FY 2023 Performance – Regulatory

In FY 2023, the IRS published 115 Priority Guidance Plan (PGP) projects and 56 ministerial rulings. Ministerial projects are publications that only involve matters such as applicable Federal interest rates and monthly bond factor amounts. Many items published in FY 2023 involved complex and novel issues. Forty-two of the published items pertain to implementing the Inflation Reduction Act of 2022, including guidance on the application criteria and process for the increase in the energy credit for solar and wind facilities in low-income communities and the pre-election registration requirements for certain tax credit elections. Six of the published items pertain to implementing the Consolidated Appropriations Act of 2023 and the SECURE 2.0 Act of 2022, including guidance regarding supervisory approval of penalties. The 2023-2024 PGP was published on September 29, 2023, and covers July 2023 through June 2024, listing 237 projects.

In FY 2023, the IRS made 119,491 Exempt Organizations (EO) Determinations, of which 117,595 were for new organizations applying for exempt status. In FY 2022, IRS made 136,708 total determinations of which 134,621 were for new organizations. In FY 2023, IRS closed 2,464 EO examinations, which is less than the 3,270 closures in FY 2022. IRS completed 1,367 Employee Plan (EP) Determinations on pension plans in FY 2023, which was a 7 percent increase from the 1,276 closures in FY 2022. In FY 2023, IRS closed 3,992 EP examinations, which was a 1 percent increase from the 3,944 closed in FY 2022.

FY 2025 Changes by Budget Activity

Dollars in Thousands

Regulatory		
Summary of Proposed FY 2025 Request		
	Amount	FTE
FY 2024 Annualized CR	\$191,079	828
Changes to Base:		
Maintaining Current Levels (MCLs):	\$5,279	
Pay Annualization (5.2% average pay raise)	2,256	
Pay Raise (2.0% average pay raise)	2,637	
Non-Pay (2.2% average pay raise)	386	
Program Decrease	(\$5,279)	(48)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(5,279)	(48)
Subtotal Changes to Base		(48)
FY 2025 Current Services	\$191,079	780
FY 2025 President's Budget Request	\$191,079	780

See footnotes in 1.1 - Appropriations Detail Table.

2.1.5 – Budget and Performance Report and Plan

Dollars in Thousands

Regulatory	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources ¹	\$174,624	\$157,374	\$132,506	\$215,030	\$171,990	\$191,079	\$191,079
Reimbursable Resources ²	412	252	222	243	59	114	120
Inflation Reduction Act Resources					3,142	34,636	76,597
Budget Activity Total	\$175,036	\$157,626	\$132,728	\$215,273	\$175,191	\$225,829	\$267,796

¹ The FY 2019 - FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables.

Technology and Operations Support

Appropriation Description

The Technology and Operations Support appropriation funds rent payments; facilities services; printing; postage; physical security; headquarters policy and management activities; research and statistics of income; and necessary expenses for information systems and telecommunication support, including development, security, and maintenance of the IRS's information systems.

The Technology and Operations Support budget request for FY 2025 is \$4,100,826,000 in direct appropriations funding 10,282 FTE. This is the same amount as the FY 2024 Annualized CR level, and funds 161 fewer FTE, 1.54 percent lower than the FY 2024 Annualized CR FTE of 10,443. For FY 2025, the IRS expects to use an estimated \$3,564,800,000 to fund 3,808 FTE in Technology and Operations Support with IRA resources.

The IRS uses base resources to fund its technology and support operations, as described above. A significant portion of the expected funding from IRA is needed to supplement those base operations, especially in technology. Base funding alone in FY 2025 will not fully fund IT operations and maintenance. The IRS is funding IT development for transformation in both the Technology and Operations Support and Business Systems Modernization discretionary and IRA appropriations. However, when IRA Business Systems Modernization resources are entirely consumed by FY 2026, this appropriation will be the primary source of technology modernization funds. All maintenance for completed IT development is funded from the Technology and Operations Support appropriation. Reducing the IRS's discretionary appropriations would deplete IRA resources and diminish the IRS's ability to transform its technology and maintain its modernized systems.

FY 2023 IRA Achievements

- The IRS launched the first phase of business tax account that, over time, will allow businesses to check payment history, make payments, view notices, authorize powers of attorney and conduct other business with the IRS.
- The IRS offered new voice and chatbots to help taxpayers with a wide range of issues, including securing account transcripts, getting answers to questions about balances due and getting help from the Taxpayer Advocate Service. Whether people call the IRS or visit online, there are new self-service options available around-the clock.
- During business hours, many of the IRS voice and chatbots provide an option to connect with a live assistor if needed. In all, the IRS has nine taxpayer-facing voicebots in operation today, in addition to 10 chatbots. To date, taxpayers with balances due have messaged online with Collection chatbots more than 1.6 million times.
- Expanded Tax Pro Account capabilities by offering tax professionals access to new services to help their clients, including processing of power of attorney and tax information authorization requests, linking Centralized Authorization File numbers, and viewing clients' balance due amounts.
- Opened a free portal for businesses to electronically prepare, file and distribute Form 1099 information returns through a new modernized intake platform and user interface. The Information Returns Intake System (IRIS) has processed over 8.3 million forms during Filing Season 2024 as of February 11.

- Implemented streamlined hiring processes to provide applicants with an improved experience and ability to apply for multiple positions through one job posting. Restructured internal talent acquisition support to improve the experience for IRS hiring managers and applicants.
- Diversified pipelines for new talent by expanding relationships with Historically Black Colleges and Universities (HBCU) and opening new IRS offices in the Mississippi Delta and Puerto Rico to provide meaningful job opportunities in underserved communities.

FY 2024 IRA Priorities

Employee Tools and Experience: Enable a fully equipped, empowered, and engaged IRS workforce ready to serve taxpayers.

In FY 2024, the IRS will provide its employees with modern laptops, smart phones, and software to help ensure employees have the basic tools needed to deliver effective and efficient results to taxpayers.

Also in FY 2024, the IRS will ensure management training processes to ensure that permanent, temporary, and seasonal managers receive foundational leadership courses in a timely manner.

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

In FY 2024, the IRS will establish additional approaches to reach and develop new pipelines of talent, enhance workforce planning, and improve hiring capabilities to support critical staffing needs. Improvements to the hiring process will expedite the average time to hire and support meeting the IRS’s significant hiring targets for taxpayer service, enforcement, data analytics, and IRS operations. In addition, the IRS will expand an improved employee orientation proof-of-concept to all IRS campus locations that will provide a smooth and consistent onboarding experience to establish trust, strengthen accountability, and improve the overall new hire experience for IRS employees. The IRS will analyze data from an IRS “Health of the Workforce” dashboard to develop cross-cutting initiatives to enhance IRS culture and develop an IRS “Employer Value Proposition” to highlight how prospective employees can benefit through an IRS career.

Also in FY 2024, the IRS will launch IRS University (IRSU) to better provide IRS employees with developed curricula, “just-in-time” courses, continuous learning, and professional development.

FY 2025 IRA Priorities

Employee Tools and Experience: Enable a fully equipped, empowered, and engaged IRS workforce ready to serve taxpayers.

In filing season 2025, certain employee groups will have near real-time access to taxpayer data to better service taxpayers through the initial deployment of Taxpayer 360 capabilities.

By filing season 2025, all Form 1040 examinations will be worked through the modern enterprise case management (ECM) system with additional IRS processes leveraging a common enterprise case

management platform. Coupled with automated case creation and assignment for examinations, the IRS will begin to manage work through an integrated cross-divisional case management system, improving workflows and reducing the end-to-end case cycle time.

In FY 2025, the IRS will implement a holistic update to its call center (Customer Service Representatives and Contact Representatives) and Revenue Agent training programs to ensure employees and managers receive the appropriate training to enable effective and efficient performance of their responsibilities.

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

In addition to building off the FY 2024 improvements in IRS workforce planning, hiring, and training processes, the IRS will make progress in FY 2025 towards joining legacy processes for strategic workforce planning into a streamlined human capital technology platform for the management of employee data.

2.1 – Budget Adjustments Table

Dollars in Thousands

Technology and Operations Support		
Summary of Proposed FY 2025 Request		
	Amount	FTE
FY 2024 Annualized CR	\$4,100,826	10,443
Changes to Base:		
Maintaining Current Levels (MCLs):	\$101,586	
Pay Annualization (5.2% average pay raise)	23,856	
Pay Raise (2.0% average pay raise)	27,884	
Non-Pay (2.2%)	49,846	
Program Decrease	(101,586)	(161)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(101,586)	(161)
Subtotal Changes to Base		(161)
FY 2025 Current Services	\$4,100,826	10,282
FY 2025 President's Budget Request	\$4,100,826	10,282

See footnotes in 1.1 - Appropriations Detail Table.

2.2 – Object Classification Obligations

Dollars in Thousands

Technology and Operations Support	FY 2023	FY 2024	FY 2025
Object Classification	Operating Plan¹	Annualized CR	Request
11.1 - Full-time permanent	1,369,644	1,298,916	1,298,916
11.3 - Other than full-time permanent	7,542	6,210	6,210
11.5 - Other personnel compensation	92,885	42,164	42,164
11.8 - Special personal services payments	20		
11.9 - Personnel Compensation (Total)	1,470,091	1,347,290	1,347,290
12.0 - Personnel benefits	509,701	487,766	487,766
13.0 - Benefits for former personnel	30	30	30
Total Personnel and Compensation Benefits	\$1,979,822	\$1,835,086	\$1,835,086
21.0 - Travel and transportation of persons	17,091	16,761	16,761
22.0 - Transportation of things	13,771	13,754	13,754
23.1 - Rental payments to GSA	578,392	606,708	606,708
23.2 - Rental payments to others	927	832	832
23.3 - Communications, utilities, and miscellaneous charges	232,651	248,890	248,890
24.0 - Printing and reproduction	25,940	25,703	25,703
25.1 - Advisory and assistance services	638,778	645,475	645,475
25.2 - Other services from non-Federal sources	32,411	29,693	29,693
25.3 - Other goods and services from Federal sources	83,867	88,645	88,645
25.4 - Operation and maintenance of facilities	191,354	192,083	192,083
25.6 - Medical care	17,921	16,282	16,282
25.7 - Operation and maintenance of equipment	45,658	51,865	51,865
26.0 - Supplies and materials	3,983	4,007	4,007
31.0 - Equipment	211,860	262,333	262,333
32.0 - Land and structures	47,573	59,999	59,999
42.0 - Insurance claims and indemnities	708	2,710	2,710
Total Non-Personnel	\$2,142,885	\$2,265,740	\$2,265,740
Total Obligations	\$4,122,707	\$4,100,826	\$4,100,826
Full-time Equivalents (FTE)	11,175	10,443	10,282

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

Amounts reflect obligations of annually appropriated discretionary resources.

See footnotes in 1.1 - Appropriations Detail Table.

2.3 – Appropriation Detail Table

Dollars in Thousands

Technology and Operations Support	FY 2023		FY 2024		FY 2025		FY 2024 to FY 2025	
Appropriated Resources	Operating Plan ¹		Annualized CR		Request		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Infrastructure		894,403		919,454		919,454		
Shared Services and Support	5,173	1,157,249	4,327	1,111,964	4,166	1,111,964	-4%	
Information Services	6,002	2,071,055	6,115	2,069,408	6,115	2,069,408		
Subtotal New Appropriated Resources	11,175	\$4,122,707	10,442	\$4,100,826	10,281	\$4,100,826	-2%	
Other Resources								
Reimbursable	101	77,000		80,850	98	105,000		30%
User Fees	15	27,927						
Recoveries from Prior Years		36,074		36,074		40,950		14%
Unobligated Balances from Prior Years	41	336,667		9,000		13,880		54%
IRA Funding Usage	2,317	1,473,849	2,944	3,258,486	3,808	3,564,800	29%	9%
Transfers In/Out								
Resources from Other Accounts	34	39,361	34	39,361	34	72,828	0%	85%
Subtotal Other Resources	2,508	\$1,990,878	2,978	\$3,423,771	3,940	\$3,797,458	32%	11%
Total Budgetary Resources	13,683	\$6,113,585	13,420	\$7,524,597	14,221	\$7,898,284	6%	5%

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

See footnotes in 1.1 - Appropriations Detail Table.

2F – Infrastructure

(\$919,454,000 in direct appropriations and an estimated \$179,362,000 in IRA funding): This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment. The program activities include:

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

Description of FY 2023 Performance - Infrastructure

Rent

Rentable Square Feet per Person is the amount of rentable square feet the IRS maintains per person requiring space. After payroll, rent is one of the IRS's largest operating expenses; therefore, the IRS continues to take steps to closely monitor and right-size its total office space.

Through FY 2023, the Rentable Sq. Ft. per Person was 248, which is 6.1 percent lower than the prior year. Rentable Square Feet per Person is driven in the positive direction by either a decrease in square footage, an increase in staffing, or a combination of both. In FY 2023, total rentable square feet increased marginally and staffing increased 6.7 percent. The FY 2024 target is 238 and the FY 2025 target is 221.

Security and Safety

Security of IRS facilities and providing a secure and safe environment for employees are of utmost importance to the IRS.

In FY 2023, the IRS maintained a high-level emphasis on physical security of its facilities, employees, and visitors. Noteworthy examples included:

- Continued management and oversight of physical security countermeasures by leveraging technology and incorporating new tools that allow the IRS to better manage security postures at facilities. Physical security countermeasures are deployed based on requirements and recommendations set forth by the Department of Homeland Security and the Interagency Security Committee (ISC).
- Completed the Out-Of-Cycle Security Review on all IRS facilities. This effort focused on enhancing security equipment and accessing control systems, intrusion detection systems, video surveillance systems, and exterior security countermeasures.
- Introduced high-quality security training sessions to all IRS employees virtually and in-person and continued to issue systematic and consistent communications surrounding security procedures, protocols, and safety tips.
- Developed the Physical Security Training Program (PSTP) that was certified by the ISC as meeting the ISC standards on physical security within the federal sector for non-military. Since the creation of PSTP in late 2021, training sessions were attended by 150 Physical Security Specialists (PSS) and support staff. Additionally, the IRS-developed PSTP was open to employees from external federal agencies affording PSS the opportunity to network and maximize their efforts securing federal facilities nationwide.
- Created the Security Requirement Training (SRT) to standardize reporting on core security deliverables associated with the IRS physical security program.

FY 2025 Changes by Budget Activity

Dollars in Thousands

Infrastructure	
Summary of Proposed FY 2025 Request	
	Amount FTE
FY 2024 Annualized CR	\$919,454
Changes to Base:	
Maintaining Current Levels (MCLs):	\$20,230
Pay Annualization (5.2% average pay raise)	
Pay Raise (2.0% average pay raise)	
Non-Pay (2.2% average pay raise)	20,230
Program Decrease	(\$20,230)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(20,230)
Subtotal Changes to Base	
FY 2025 Current Services	\$919,454
FY 2025 President's Budget Request	\$919,454

See footnotes in 1.1 - Appropriations Detail Table

2.1.6 – Budget and Performance Report and Plan

Dollars in Thousands

Infrastructure	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	\$891,140	\$867,354	\$885,606	\$925,539	\$894,403	\$919,454	\$919,454
Reimbursable Resources	681	747	854	564			
User Fees	999						
Inflation Reduction Act Resources					100,351	175,501	179,362
Budget Activity Total	\$892,820	\$868,101	\$886,460	\$926,103	\$994,754	\$1,094,955	\$1,098,816

¹ The FY 2019 - FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables and user fees.

Infrastructure Measure	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	FY 2024 Target	FY 2025 Target
Rentable Square Feet per Person	298	278	278	264	248	261	238	221

*FY 2024 and FY 2025 targets assume discretionary and IRA funding.

2G – Shared Services and Support

(\$1,111,964,000 in direct appropriations and an estimated \$607,286,000 in IRA funding): This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, security, legal services, and procurement. The program activities include:

- National Headquarters Management and Administration directs the management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion, and business systems planning, and embedded training. It sets

policies and goals, provides leadership and direction for the IRS, and builds partner relationships with key stakeholders (Congress, U.S. Government Accountability Office (GAO), and the Office of Management and Budget (OMB) and the Oversight Board). It provides policy guidance for conducting planning and budgeting strategies, conducting analyses of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.

- Facilities Management and Security Services provides facilities and security services to deliver a safe, secure, and optimal work environment for IRS employees and customers.
- Procurement supports the procurement function of the IRS.
- Communications and Liaison coordinates local government and liaison relationships; handles congressional, state, and national stakeholder relationships and issues; coordinates cross-cutting issues, including managing audits and legislative implementation; handles national media contacts and local media relationships; and ensures IRS-wide compliance with disclosure and privacy laws.
- Shared Support provides resources for shared cross-functional support such as copiers, postage meters, shredders, courier services, and post office boxes.
- Printing and Postage – Media and Publications provides operating divisions with printing and postage, including shipping of taxpayer and internal-use materials.
- Statistics of Income provides resources for researching annual income, financial and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- Research provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful treatments of taxpayer non-compliant behavior.
- Protection of Sensitive Information manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, assets, and the protection and proper use of identity information.
- Benefit Payments provides resources to fund Workers' Compensation benefits and Unemployment Compensation for federal employee payments.
- Shared Services provides additional services, including the Public Transit Subsidy.

Description of FY 2023 Performance – Shared Services and Support

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

Human Capital

The future of the IRS depends on a workplace culture that empowers employees to improve the taxpayer experience and uphold the tax code fairly. In FY 2023, IRS was provided additional funding from the Inflation Reduction Act (IRA). The Human Capital Office worked quickly to fully execute its aggressive FY 2023 hiring plan completing over 31,000 hiring actions. In addition, the Office of Personnel Management (OPM) approved the Service's two requests for Direct Hire Authority to fill critical positions (effective November 8, 2022 through November 30, 2024), which greatly assisted in reaching hiring goals.

Protection and Proper use of Identity Information

“Improving public warnings about scams that threaten taxpayers remains a priority for the IRS. The IRS is on the side of taxpayers and is working to protect hard-working people from scammers or fraudsters who try to use the tax system for their schemes. Whether it is promising people inflated amounts of Earned Income Tax Credit, a credit designed to help workers with modest incomes, or tricking people into tax-related identity theft, protecting taxpayers is a critical component to ensuring the success of the nation's tax system.”¹

The Security Summit, a public-private sector partnership between the IRS, state revenue departments, software developers, tax professionals, and financial services groups, is now in its ninth year of establishing repetitive iterative processes that support taxpayer security initiatives. The annual Security Summit Co-Leads meeting between the IRS, Industry, and States was held in person in December 2023. As a result of the Security Summit workgroup efforts, the IRS is preventing more identity theft than previous years and investigatory leads related to identity theft continue to increase. The Security Summit continues to protect taxpayers by combating ID theft tax refund fraud through enhanced communication and information sharing between and among the parties involved in the electronic transmission and processing of federal and state income tax return filings.

Research

- Redesigned 90 Individual Computer Paragraph notices by improving clarity and simplicity, reducing length, removing non-mandatory inserts, and applying behavioral insights and plain language principles. These notices will be digitized and added to Online Account.
- Developed advanced deep learning models aimed at detecting fraud within the IRS Online Accounts and the Centralized Authorization File system. These efforts will protect taxpayers from unauthorized access to their accounts and release of personal tax return information.
- Updated tax gap projections and applied insights from tax gap research to initiate exam pilots for improving capabilities to work high income enterprise audits.
- Improved analytics established to improve case selection, allowing analysts to choose enforcement treatments that maximize opportunities to improve and sustain taxpayer compliance while ensuring fairness in selection.
- Established a multidisciplinary working group to develop training, tools, and an evaluation framework for ensuring analytics, including Artificial Intelligence (AI), are trustworthy.
- Delivered results via cutting-edge tools and hardware to model, analyze, and process very large complex relationship structures (graphs). The value of this research is in the algorithms developed that help search through complex and deep graphs and tax data, in record time.
- Developed prototype model of the indirect effects of filing and payment compliance treatments to support workload planning, treatment stream alignment, and budget formulation.
- Developed a graph-based tool to explore relationships between entities within exempt organizations. This tool visualizes risky networks and helps agents more quickly detect

¹ Internal Revenue Service. (2023) *Agency Financial Report (Publication 5456), Introduction page v, "Tax Scams and Fraud"* <https://core.publish.no.irs.gov/pubs/pdf/p5456--2023-11-00.pdf>.

issues associated with improper activities and identify others connected to the respective network.

- Established analytics enabling early warning of potential risks leading to expanded collaborative opportunities to mitigate Emerging Schemes. Protocols have been successfully developed to allow IRS analysts to share information about identity theft, attempted fraud, and to identify solutions and determine treatment paths. This sharing of real time data resulted in enhanced revenue protection for many high-profile schemes.

FY 2025 Changes by Budget Activity

Dollars in Thousands

Shared Services and Support		
Summary of Proposed FY 2025 Request	Amount	FTE
FY 2024 Annualized CR	\$1,111,964	4,327
Changes to Base:		
Maintaining Current Levels (MCLs):	\$28,692	
Pay Annualization (5.2% average pay raise)	8,875	
Pay Raise (2.0% average pay raise)	10,373	
Non-Pay (2.2% average pay raise)	9,444	
Program Decrease	(\$28,692)	(161)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(28,692)	(161)
Subtotal Changes to Base		(161)
FY 2025 Current Services	\$1,111,964	4,166
FY 2025 President's Budget Request	\$1,111,964	4,166

See footnotes in 1.1 - Appropriations Detail Table

2.1.7 – Budget and Performance Report and Plan

Dollars in Thousands

Shared Services and Support	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources ¹	\$900,287	\$961,999	\$1,040,955	\$1,179,189	\$1,157,249	\$1,111,964	\$1,111,964
Reimbursable Resources ²	30,360	27,368	27,874	28,433			
User Fees ²				37,454			
Inflation Reduction Act Resources				12,289	106,852	298,004	607,286
Budget Activity Total	\$930,647	\$989,367	\$1,068,829	\$1,257,365	\$1,264,101	\$1,409,968	\$1,719,250

*FY 2024 and FY 2025 targets assume discretionary and IRA funding.

¹ The FY 2019 - FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables and user fees.

2H – Information Services

(\$2,069,408,000 in direct appropriations and an estimated \$2,778,152,000 in IRA funding): This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. This includes the design and operation of security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems. The program activities include:

- IT IMF Modernization provides oversight and integration for the Individual Master File (IMF) Modernization and CADE 2 programs which will fully modernize individual taxpayer account management functions and distribution of individual taxpayer account data. It enables a coordinated, cross-functional project and release planning, implementation and performance assessment effort which will ultimately decommission legacy IMF, simplify how individual taxpayer account data is shared with IRS downstream systems, and support adoption of modernized solutions for downstream systems and end users.
- Enterprise Program Management Office provides oversight and project integration into daily IT processes for large-scale development, modernization, and enhancement projects. It enables a coordinated, cross-functional project planning, implementation and performance assessment effort aimed at improving IT systems quality, cost, and delivery schedule.
- Cybersecurity protects taxpayer information and the IRS's electronic systems, services, and data from internal and external cyber security related threats. The program operates a 24x7x365 Computer Security Incident Response Center to provide detection, prevention, monitoring, analysis, and reporting of security incidents and threats. The program reduces online fraud and prevents critical data loss. It is responsible for performing security risk assessments, tracking compliance, monitoring security risk remediation activities, performing comprehensive security control testing, managing the system certification and accreditation process, and coordinating the enterprise continuous monitoring process. The program also

provides security policy management and interpretation, delivers security engineering services, and implements cybersecurity and data protection solutions.

- Management Services provides for the design, development, delivery, and evaluation of a wide range of human resource programs for the IT organization. These programs include workforce planning, recruitment and retention, career management, performance management, labor/employee relations, position management, workplace improvement, succession management and service-wide IT training and education.
- National Headquarters (NHQ) IT Management provides for the management and oversight of investments in IT for the Chief of Staff and Research, Analysis and Statistics (RAS). The program allows NHQ to manage and leverage IT solutions that are responsive to IRS-wide management, tax compliance, enforcement, and strategic and tactical research projects.
- IT Executive Oversight includes the immediate Office of the Chief Technology Officer, as well as the direct reports for Equity, Diversity and Inclusion, and the Director, Stakeholder Management (including Communications Services and Program Oversight). The program provides executive direction for the IT organization, enabling IT to be a customer-focused supplier of IT solutions that are responsive to customer business priorities and meet functional and operational needs effectively.
- Applications Development performs the analysis, design, development, testing, and implementation of approximately 85,000 application programs supporting critical tax processing, management information reporting and financial management support systems for the IRS. This program also supports external trading partner data exchanges with federal government agencies, state and local governments, and other third-party entities. The program controls application source code and deploys applications to the production environment.
- Enterprise Operations designs, develops, and maintains IT that supports critical tax processing, management information reporting and financial management support systems for the IRS. The program supports data exchanges with external organizations, such as other federal agencies, state and local governments, and external entities (e.g., employers and banks), and includes a comprehensive disaster recovery capability to ensure continued operations in the event of a major interruption of service.
- Enterprise Network provides telecommunications service delivery to all customer segments, including management of day-to-day operations of the telecommunications environment. This includes the operation of equipment and services to meet business user needs and the execution of routine changes for scheduled and unscheduled modifications to the telecommunications infrastructure and applications. It addresses all phases of engineering, acquisition, implementation, and operation of telecommunications systems and services, including voice, video, and data communications.
- Enterprise Services plans and manages service and delivery methods used across the IT project reporting, enterprise life cycle management, release management, systems engineering, dashboard reporting, and internal management.
- End User and Network Services maintains the IRS automated business processes at headquarters and field sites, effectively allowing the IRS to fulfill its missions. The support

includes technical systems and applications software support to end users and maintaining legacy operations, local and corporate systems administration activities, email, and domain user account maintenance. This activity monitors IRS network and systems administration by utilizing automated management tools. It performs asset management activities, and maintenance of the voice and data infrastructure at the Territories' offices.

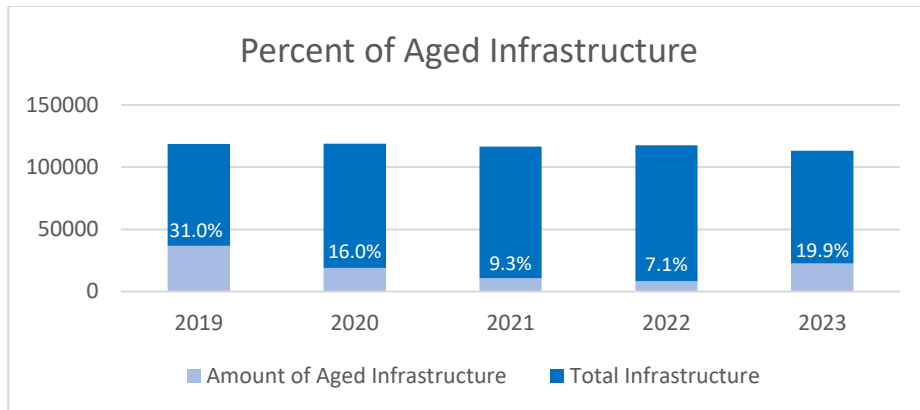
- Strategy and Planning provides the management and financial oversight of investments in IT, demand analysis, project reporting, portfolio management, and other IT operational priorities.
- Enterprise Infrastructure Currency funds the replacement of IRS IT infrastructure that has reached or surpassed its useful life cycle. The IRS centralizes the resources achieved through efficiencies in various parts of IT to ensure that replacement of the aging infrastructure is addressed corporately.
- The Treasury Franchise Fund is a centralized functional area for separating from the Information Services base budget the resources required to pay Treasury billings for shared services.

To continue to help accelerate its technological transformation and improve its digital services offerings (e.g., direct file), the IRS continues its work with the U.S. Digital Service.

Description of FY 2023 Performance – Information Services

The **Percent of Aged Hardware** is a measure that shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use. The Percent of Aged Hardware increased from 7.1 percent at the end of FY 2022 to 19.9 percent in FY 2023. Contributing to the increase in aged hardware were approximately 11,000 workstations which were originally purchased in FY 2018, and more than 2,000 routers and switches that were originally purchased in FY 2017. These reached aged status simultaneously late in FY 2023. This represents an increase of more than 14,000 aged assets while total hardware decreased by over 4,000 during the fiscal year. The major driver in meeting the 20 percent target was the focus on hardware selections and timely hardware refresh implementations. For FY 2024, IT will continue with risk-based management to prioritize funding of assets with the highest risk values.

For FY 2024 and FY 2025, the IRS will set a target of 20 percent in line with industry standards.



FY 2025 Changes by Budget Activity

Dollars in Thousands

Information Services		
Summary of Proposed FY 2025 Request		
	Amount	FTE
FY 2024 Annualized CR	\$2,069,408	6,115
Changes to Base:		
Maintaining Current Levels (MCLs):	\$52,664	
Pay Annualization (5.2% average pay raise)	14,977	
Pay Raise (2.0% average pay raise)	17,505	
Non-Pay (2.2% average pay raise)	20,182	
Program Decrease	(\$52,664)	
Staff Attrition to Offset Unfunded FY 2025 MCLs	(52,664)	
Subtotal Changes to Base		
FY 2025 Current Services	\$2,069,408	6,115
FY 2025 President's Budget Request	\$2,069,408	6,115

See footnotes in 1.1 - Appropriations Detail Table.

2.1.8 – Budget and Performance Report and Plan

Dollars in Thousands

Information Services	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources	\$2,126,973	\$1,972,916	\$2,061,216	\$2,043,098	\$2,071,055	\$2,069,408	\$2,069,408
Reimbursable Resources	27,153	36,456	26,344	27,036			
User Fees	222,399	374,671	408,054	291,706			
Inflation Reduction Act Resources				48,676	1,266,646	2,784,981	2,778,152
Budget Activity Total	\$2,376,525	\$2,384,043	\$2,495,614	\$2,410,516	\$3,337,701	\$4,854,389	\$4,847,560

¹ The FY 2019- FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables and user fees.

Information Services	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2024	FY 2025
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percent of Aged Hardware ¹	31.0%	16.0%	9.3%	7.1%	19.9%	20.0%	20.0%	20.0%

*FY 2024 and FY 2025 targets assume all sources of available funding.

¹ Target based on industry standard.

Business Systems Modernization

Appropriation Description

Prior to FY 2023, the Business Systems Modernization (BSM) appropriation provided resources for the planning and capital asset acquisition of IT to modernize the IRS business systems. This appropriation received no discretionary funding in FY 2023, and no appropriated resources are being requested for the Business Systems Modernization appropriation in FY 2025. For FY 2025, the IRS expects to use an estimated \$1,929,000,000 to fund 300 FTE in Business Systems Modernization with IRA resources.

The IRS is funding IT development for transformation in both the Technology and Operations Support and Business Systems Modernization IRA appropriations. However, when IRA Business Systems Modernization resources are entirely consumed by FY 2026, the Technology and Operations Support appropriation will be the primary source of technology modernization funds. Without additional mandatory resources (as shown in the policy proposal on page 97), the IRS's ability to transform its technology would be diminished.

FY 2024 IRA Priorities

Foundational Technology: Modernize the IRS foundational technology to meet the needs of taxpayers and IRS employees.

In FY 2024, the IRS will continue to modernize its foundational technology with progress in the following areas:

- Expand the functionality of the new free Information Returns filing portal (Information Returns Intake System – IRIS) by expanding the number of information returns, bulk-filing capabilities, and paper processing capabilities.
- Initiate modern individual core tax processing in parallel with the Individual Master File as the last major step toward replacing the core components of the legacy IMF system.
- Initiate a new operating model, with increased partnership between the IT team and the rest of the IRS organization, that allows IRS to deliver better products, tools, and improvements more quickly.
- Create efficiencies by replacing high-volume manual processes through the delivery of attended and unattended BOTS built on the robotic process automation (RPA) platform.
- Deliver an enterprise data platform for use across service, compliance, and operations with easily consumable services.
- Expand and upgrade the network to accommodate the anticipated increase in size of the IRS workforce and increased consumption patterns with our introduction of new digital services for taxpayers.
- Further protect IRS data through cybersecurity enhancements by implementing multifactor authentication, data-at-rest encryption, and advanced logging and audit trail protections.

FY 2025 Priorities

Foundational Technology: Modernize the IRS foundational technology to meet the needs of taxpayers and IRS employees.

In FY 2025, the IRS will process filing season 2025 individual tax returns using modern language, allowing 60+ year old legacy code for core tax logic (posting, settlement, and analysis) to be primarily retired.

The agency will also deliver the modernized Business Masterfile database, enabling taxpayers to access and update data via Business Online Accounts, and stand-up Universal Data Hub to enable self-service reporting and advanced analytics for tax administration data.

In addition, the IRS will improve IT Service Delivery by leveraging a common platform to track asset, workflow, demand, incident, and risk management activities.

2.1 – Budget Adjustments Table

No appropriated resources are being requested for the Business Systems Modernization appropriation in FY 2025.

2.2 – Object Classification Obligations

Dollars in Thousands

Business Systems Modernization	FY 2023 Operating Plan ¹	FY 2024 Annualized CR	FY 2025 Request
Object Classification			
11.1 - Full-time permanent	5,250		
11.9 - Personnel Compensation (Total)	5,250		
12.0 - Personnel benefits	2,250		
Total Personnel and Compensation Benefits	\$7,500		
25.1 - Advisory and assistance services	121,125		
25.7 - Operation and maintenance of equipment	7,125		
31.0 - Equipment	14,250		
Total Non-Personnel	\$142,500		
Total Obligations	\$150,000		
Full-time Equivalents (FTE)	116		

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).
Amounts reflect obligations of annually appropriated discretionary resources.

See footnotes in 1.1 - Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in Thousands

Business Systems Modernization	FY 2023		FY 2024		FY 2025		FY 2024 to FY 2025	
Appropriated Resources	Operating Plan ¹		Annualized CR		Request		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Business Systems Modernization	116	\$150,000						
Subtotal New Appropriated Resources	116	\$150,000						
Other Resources								
Recoveries from Prior Years		5,929		5,929		5,594		-6%
Unobligated Balances from Prior Years		160,230						
IRA Funding Usage	327	723,159	193	1,789,398	300	1,929,000	55%	8%
Subtotal Other Resources	327	\$889,318	193	\$1,795,327	300	\$1,934,594	55%	8%
Total Budgetary Resources	443	\$1,039,318	193	\$1,795,327	300	\$1,934,594	55%	8%

¹ The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

Note: Though there were no discretionary appropriated resources in BSM in FY 2023, an inter-appropriations transfer provided \$150 million.
See footnotes in 1.1 - Appropriations Detail Table

2I – Business Systems Modernization

(\$0 in direct appropriations and an estimated \$1,929,000,000 in IRA funding): This budget activity funds the planning and capital asset acquisition of information technology (IT) systems, including labor and related contractual costs. No appropriated resources are being requested for the Business Systems Modernization appropriation in FY 2025. For FY 2025, the IRS expects to use an estimated \$1,929,000,000 to fund 300 FTE in Business Systems Modernization with IRA resources.

Description of FY 2023 Performance – Business Systems Modernization

The IRS’s modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity. Although IRS did not receive BSM resources in the FY 2023 budget, IRS transferred \$150 million from Enforcement last year, utilized multi-year funds remaining from FY 2021 and FY 2022 (BSM was a 3-year account), and also used IRA BSM funds. Major IT investments are measured by the proportion of projects within +/- 10 percent of budgeted cost and schedule variance. The FY 2024 and FY 2025 targets for both measures are 90 percent.

Percent of Major IT Investments within +/- 10 percent Cost Variance at the Investment

Level: Twelve of 14 major investments (85.7 percent) were within the cost variance threshold in FY 2023. Both investments that were out of the variance, listed below, underspent by more than 10 percent.

- Authentication, Authorization and Access
- Integrated Data Retrieval System

Percent of Major IT Investments within +/- 10 percent Schedule Variance at the Investment

Level: Thirteen of 14 major investments (92.8 percent) were within the schedule variance threshold at the close of FY 2023. Shown below is the investment that was behind schedule by more than 10 percent in FY 2023.

- e-Services

The IRS will continue to effectively manage our major IT investments and closely monitor cost and schedule variance throughout FY 2024.

Major IT (BSM and Non-BSM) Investments*		
Fiscal Year	Percent within +/- 10% Cost Variance	Percent within +/- 10% Schedule Variance
2023	85.7%	92.8%

* Source: as reported in Treasury’s SharePoint Information Knowledge Exchange (SPIKE) System.

The IRS is changing from many perspectives, and that includes the agency's approach to improving the taxpayer experience and tax administration overall through technology-enabled transformation. In FY 2023, the IRS upgraded technology in ways that resulted in a dramatically improved 2023 filing season thanks to IRA investments. This included upgrading components of the IT infrastructure to reduce risk, enhancing cybersecurity and providing a wide range of online services for taxpayers and employees.

An Improved Taxpayer Experience: The IRS continued to expand the functionality of online account services for individual taxpayers, tax professionals and business taxpayers:

- New online portal for business filers: Launched a new online portal that enables businesses to file Form 1099 series information returns and expanded functionality to enable bulk filers to transmit hundreds of thousands of 1099s at once. The portal simplifies filing for those issuing 1099s and helps recipients receive information timely and helped reduce the millions of paper Forms 1099 that may have otherwise been filed on paper in 2023.
- Online account for individuals: Enhanced capabilities for individual online account, including launching virtual assistance and live chat. Taxpayers can now validate their bank accounts and save multiple accounts, eliminating the need to re-enter bank account information every time they make a payment. This feature launched at the end of September 2023.
- Tax professional account: Enhanced capabilities for tax professionals' online accounts, helping practitioners manage their active client authorizations on file with the Centralized Authorization File (CAF) database, which stores the information on individuals authorized to act on a taxpayer's behalf. Tax professionals can now use their Tax Pro Account to send power of attorney and tax information authorization requests directly to a taxpayer's individual IRS Online Account.
- Business tax account: Launched the first phase of business tax account that over time will allow business taxpayers to check their tax payment history, make payments, view notices, authorize powers of attorney and conduct other business with the IRS.

Contact Center Modernization: Expanded customer callback and use of voice and chatbot technology:

- Expanded the availability of its customer callback option to cover up to 95 percent of callers seeking live assistance. The expansion included adding the customer callback option to an additional 73 toll-free applications, bringing the total number of applications with an option for customer callback to 116 taxpayer-facing applications.
- Offered new voice and chatbots to help taxpayers with a wide range of issues, including securing account transcripts, getting answers to questions about balances due and getting help from the Taxpayer Advocate Service. The IRS has nine taxpayer-facing voicebots in operation today, in addition to 10 chatbots.

Core IT Systems Modernization: Modernizing legacy systems to enable better service and reduce risk:

- The IRS is focused on modernizing foundational IT systems that support mission critical functions such as the Individual Master File (IMF), the Business Master File (BMF) and Enterprise Case Management (ECM). In FY 2023, all three major IT programs made progress:
 - Individual Master File: Met the planned milestones in FY 2023 for enabling the full retirement of the IMF system within five years. IMF is the authoritative data source for individual tax account data with connections to multiple ancillary functions and systems. IMF feeds more than 250 downstream systems, includes more than 400 processing runs and is comprised of roughly 2 million lines of code.
 - Business Master File: Unlike IMF modernization, which has been an active program for several years, the IRS initiated the BMF modernization program in FY 2023 thanks to funding from the Inflation Reduction Act. BMF is the authoritative data source for business tax account data and like the IMF, maintains connections to multiple ancillary functions and systems. BMF feeds nearly 90 downstream systems, includes more than 350 processing runs and is comprised of roughly 1.2 million lines of code.
 - Enterprise Case Management: Consolidating legacy case management systems through a standard case management platform known as Enterprise Case Management, which is already live and in-use. Over 2,600 IRS employees are now using the ECM platform across five applications, including for grants management, internal employee harassment claims, and the reporting of alleged tax law violations (Form 3949-A).

FY 2025 Changes by Budget Activity

No appropriated resources are being requested for the Business Systems Modernization appropriation in FY 2025.

2.1.9 – Budget and Performance Report and Plan

Dollars in Thousands

Business Systems Modernization	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources ¹	\$150,000	\$180,000	\$203,614	\$275,000	\$150,000		
User Fees ²	89,713	108,872	29,495				
Inflation Reduction Act Resources				43,924	723,159	1,789,398	1,929,000
Budget Activity Total	\$239,713	\$288,872	\$233,109	\$318,924	\$873,159	\$1,789,398	\$1,929,000

¹ The FY 2019 - FY 2023 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

² The FY 2019 - FY 2023 columns represent realized resources for reimbursables and user fees.

Business Systems Modernization	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2023	FY 2024	FY 2025
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	88.9%	84.2%	94.1%	81.3%	85.7%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	88.9%	94.7%	100.0%	87.5%	92.8%	90.0%	90.0%	90.0%

*FY 2024 and FY 2025 targets assume all sources of available funding.

B – Business Systems Modernization

FY 2023-FY 2025 BSM & Operations Support IRA Mandatory Funding										
IT IRA by Strategic Objectives and Initiatives <i>Dollars in thousands</i>	Funding Category ¹	FY23 IRA Actuals			FY 2024 IRA			FY 2025 IRA		
		BSM	Operations Support	Total BSM and OS	BSM	Operations Support	Total BSM and OS	BSM	Operations Support	Total BSM and OS
	Capital Support	655,127	399,516	1,054,643						
	Labor	67,671	11,586	79,257						
	FTE	301	52	353						
IRA Total		\$723,159	\$467,200	\$1,190,359	\$1,771,434	\$1,047,474	\$2,818,908	\$1,929,000	\$1,158,983	\$3,087,983
IRA FTE Total		301	52	353						
Strategic Objective 1: Better taxpayer experience		216,929	57,788	274,717	585,282	106,362	691,644	390,031	105,020	495,051
Strategic Objective 2: Faster issue resolution						29,000	29,000		39,000	39,000
Strategic Objective 3: Smarter Enforcement		129	5,842	5,971	80,000	50,000	130,000	180,000	50,000	230,000
Strategic Objective 4: Advanced Technology and Analytics		506,101	299,489	805,590	1,056,152	497,567	1,553,719	1,308,969	620,123	1,929,092
Strategic Objective 5: Empowered Employees			104,081	104,081		339,545	339,545		319,840	319,840
Management Reserve					50,000	25,000	75,000	50,000	25,000	75,000
FY24 & FY25 IRA Total					\$1,771,434	\$1,047,474	\$2,818,908	\$1,929,000	\$1,158,983	\$3,087,983
Accessibility		272		272		3,000	3,000	3,000		3,000
Live Assistance		27,613	19,992	47,605	40,516	34,000	74,516	40,000	34,000	74,000
Digitalization		74,753	4,961	79,714	109,766	29,000	138,766	50,000	40,000	90,000
Business Online Account		33,031		33,031	130,000	9,600	139,600	70,000	10,520	80,520
Individual Online Account		55,538	651	56,189	162,000	2,500	164,500	75,000	2,500	77,500
Tax Professional Online Account		19,518		19,518	63,000	3,150	66,150	30,031	3,300	33,331
Direct File		1,339		1,339	50,000		50,000	75,000		75,000
Payments Modernization					10,000		10,000	17,000		17,000
Online Tools / Self-Serve		4,865		4,865	20,000	3,500	23,500	30,000	4,000	34,000
Authentication, Authorization, and Access (A3)			32,184	32,184		21,612	21,612		10,700	10,700
Subtotal Strategic Objective 1: Better taxpayer experience		\$216,929	\$57,788	\$383,506	\$585,282	\$106,362	\$691,644	\$390,031	\$105,020	\$495,051
Improve Penalty Administration						14,000	14,000		14,000	14,000
Modernized Correspondence, Notices, and Letters						15,000	15,000		25,000	25,000
Subtotal Strategic Objective 2: Faster issue resolution						\$29,000	\$29,000		\$39,000	\$39,000
Digital Asset and Cryptocurrency					30,000		30,000	30,000		30,000
Subtotal Strategic Objective 3: Smarter Enforcement		\$129	\$5,842	\$5,971	\$80,000	\$50,000	\$130,000	\$180,000	\$50,000	\$230,000
Business Master File (BMF)		5,652		5,652	97,800		97,800	160,000	28,680	188,680
Enterprise Case Management (ECM)/Customer Relationship Management		67,272		67,272	237,000	16,825	253,825	299,969	19,050	319,019
Unified Intake Tax Processing					70,000		70,000	100,000		100,000
Individual Master File (IMF)		213,053		213,053	265,000	1,200	266,200	265,000	2,800	267,800
Integrated Data Retrieval System (IDRS) Modernization					45,000		45,000	100,000		100,000
Information Returns Modernization (IR MOD)			38,668	38,668		109,400	109,400		120,625	120,625
Advanced Analytics Platform		15,437		15,437	25,000		25,000	25,000	10,362	35,362
Common Enterprise Services		227		227	100,000		100,000	100,000		100,000
Enterprise Data Platform			53,178	53,178		80,014	80,014		95,676	95,676
Enterprise Tax Calculator System Provider (ETCSP)			4,553	4,553		20,000	20,000		22,030	22,030
IT Operations Transformation						15,800	15,800		15,800	15,800
IT Service Management (ITSM)			67,330	67,330		55,180	55,180		45,000	45,000
Network Modernization		3,000	83,760	86,760		113,468	113,468		120,800	120,800
Robotics Process Automation (RPA)		3,934	214	4,148	8,217	5,200	13,417	10,000	5,200	15,200
Portfolio Oversight/Common Services		64,436	27,198	91,634	55,150	25,000	80,150	55,000	25,000	80,000
Vulnerability and Threat Management		43,798		43,798	43,832	18,900	62,732	50,000	27,800	77,800
Identity and Access Management		74,501	24,589	99,090	89,064	34,780	123,844	109,000	64,100	173,100
Security Operations and Management		14,791		14,791	20,089	1,800	21,889	35,000	17,200	52,200
Subtotal Strategic Objective 4: Advanced Technology and Analytics		\$506,101	\$299,489	\$805,590	\$1,056,152	\$497,567	\$1,553,719	\$1,308,969	\$620,123	\$1,929,092
Human Resource Information Technology (HRIT)			13,820	13,820		22,000	22,000		22,000	22,000
IRS Expansion			90,261	90,261		317,545	317,545		297,840	297,840
Subtotal Strategic Objective 5: Empowered Employees			\$104,081	\$104,081		\$339,545	\$339,545		\$319,840	\$319,840

¹ Capital Investment funding: capital and contractor labor costs. Support funding: training, travel, supplies costs. Labor funding: IRS employee pay and benefits costs.

FY 2023-FY 2025 BSM & Operations Support IRA Funding

Accessibility

Implements technology enhancements to enable equal access to information, services, and documents including establishing multilingual standards, multilingual application refactoring and development, multilingual forms and notices, and automated translation.

Live Assistance

Implement call center technologies to improve the taxpayer experience, this includes both taxpayer-facing capabilities and infrastructure improvement to support the capabilities. Enables real-time communication via a taxpayer's preferred channel and improves the experience through expanded self-service, using Natural Language Processing-enabled capabilities (ex. Chat and Voicebots) that create efficiencies and improves both the taxpayer and employee experience. The target state will provide seamless omni-channel taxpayer interaction, while providing IRS assistors with additional tools and resources to enhance productivity (Ex. Agent Desktop Modernization). Some examples of modernized call center technologies to improve taxpayer service are 1) cloud-based intelligent natural language processing voice automation services ("voicebots"), 2) new digital interaction services such as chatbots, live chat, click to call, and secure messaging services, and 3) and customer service agent tools to more effectively manage and address taxpayer service interactions.

Digitalization

Enables taxpayers to file documents securely and exchange correspondence electronically. Increases digital intake of returns, correspondence, and other forms with secure connections, such as Document Upload Tool (DUT) and Modernized e-File (MeF) to back-end systems for faster processing and will enable the IRS to accept images of paper documents from taxpayers via mobile device or computer instead of by mail. Digitizes taxpayer correspondence via high volume scanning, data extraction, and error correction. Enables access to data in a digital format following intake submission for workstreams and capabilities that are not yet digitally available. The IRS will continue moving towards "paperless" operations by enabling an increase in e-filing, expanding the digital submission of correspondence, notice responses and non-tax forms, increasing the scanning of paper returns, correspondence and forms, further digitizing historical documents, and expanding the digital data delivery throughout the IRS.

Business Online Account

Provides business taxpayers with a secure, integrated and personalized online experience with self-service capabilities (ex. preferences, tax records, notices, payments, messaging, document uploads, etc.) to more efficiently and effectively interact with the IRS as they would with other businesses and financial institutions. The implementation of additional enhancements in Business Online Account will support capabilities that will be extended to businesses like accessing transcripts and digital notices.

Individual Online Account

Provides individual taxpayers with a secure, integrated and personalized online experience and self-service capabilities (ex. preferences, tax records, notices, payments, messaging, document uploads, etc.) to more efficiently and effectively interact with the IRS as they would with other businesses and financial institutions.

Tax Professional Online Account

Provides tax professionals with a secure, integrated and personalized online experience with self-service capabilities (ex. preferences, tax records, notices, payments, messaging, document uploads, etc.) to more efficiently and effectively interact with the IRS as they would with other businesses and financial institutions.

FY 2023-FY 2025 BSM & Operations Support IRA Funding

Direct File

Further expands the opportunity for taxpayers to file forms electronically through a common configurable Intake Platform and ability to electronically file directly with the IRS. Taxpayers will be provided with an expansion of secure electronic filing options for IRS documents that will speed processing and reduce paper filings as part of becoming fully digital and modernizing processes to improve the taxpayer experience and organizational efficiency.

Payments Modernization

Establishes a modern Payments Platform to include all government approved payment options and a unified account experience for all taxpayers, entities and third parties to make payments under the IRS brand. Supports the ability to make payments through all channels with features such as scheduling future payments, saving payment information, and creating and revising payment plans. The IRS will enable taxpayers to make payments more easily and seamlessly through all service channels such as payment capabilities through the phone, with employees, and online for businesses and tax professionals.

Online Tools / Self-Service

Modernizes existing (Ex. Integrated Customer Communication Environment (ICCE) applications like Where's My Refund) and builds new (Ex. accessing IRS data, expanded tracking/real-time status updates) online tools and self-service features integrated through Online Account. The IRS will modernize the back-end platforms for ICCE applications (Ex. Where's My Refund & Amended Return, IP Pin, Get Transcript) and expand the information made available to taxpayers to provide better insights to the status of their engagement with IRS.

Authentication, Authorization, and Access (A3)

Modernizes existing (Ex. Integrated Customer Communication Environment (ICCE) applications like Where's My Refund) and builds new (Ex. accessing IRS data, expanded tracking/real-time status updates) online tools and self-service features integrated through Online Account. The IRS will modernize the back-end platforms for ICCE applications (Ex. Where's My Refund & Amended Return, IP Pin, Get Transcript) and expand the information made available to taxpayers to provide better insights to the status of their engagement with IRS.

Improve Penalty Administration

Deliver and maintain modernized Identity, Credentialing, and Access Management (ICAM) capabilities in alignment with enterprise efforts, industry standards, best practices, and conforming to Executive/Legislative directives. Modernize IRS Digital Identity Services to decouple security from applications, implement Multi-Factor Authentication, and apply foundational Zero Trust Architecture capabilities.

Modernized Correspondence, Notices, and Letters

Establishes a common service for digitally generating and distributing notices and letters to taxpayers. Generate correspondence, notices, and letters in print and digital formats. Transmits correspondences of all file type formats to downstream systems for printing or digital delivery and will be integrated with automated multilingual support.

Enterprise Case Selection

Leverages the power of a new centralized anomaly detection platform for the IRS to better identify potential noncompliance, fraud, and unclaimed benefits earlier and enable notifications and/or case routing to most effective channels/workstreams. In FY 2025, the IRS will continue building out functionality to centralize case selection and anomaly detection capabilities into a modern cloud-based platform leveraging advanced analytic capabilities to improve the selection of compliance cases.

FY 2023-FY 2025 BSM & Operations Support IRA Funding

Legacy System Changes for Unified Compliance Organization

Deliver technology capabilities required to establish a Unified Compliance Organization (UCO), including determining changes to IT compliance applications and systems needed for UCO stand-up, implementing changes to legacy IT systems to accommodate the UCO structure (when modernized solutions are not possible within required timeframes), retiring select legacy systems aligned to current business operating divisions' compliance functions, and re-skilling IT employees supporting compliance applications as necessary.

Digital Asset and Cryptocurrency

Implements a technical solution to employ compliance processes, reporting requirements, and data analytics to properly report digital asset transactions and uncover transactions that crypto users assumed were hidden. In concert with IR Modernization cryptocurrency information reporting, the IRS will detect and deter cryptocurrency tax evasion with virtual currencies like Bitcoin and nonfungible tokens by employing data analytics and case selection for enforcement staff. The IRS will start to build the solution to leverage the digital asset data collected to identify potential non-compliance.

Business Master File (BMF)

Delivers a modernized business taxpayer account enabling near real-time processing with a robust database for account posting, settlement and service-driven data access. Legacy BMF architecture (sequential batch processing) and code will be modernized through an event-driven architecture and near real-time processing and data access. BMF modernization will leverage an innovative approach informed by lessons learned from modernizing the IMF to deliver incremental modernized business tax account management capabilities such as event-driven near real-time processing and greater agility in addressing legislative changes.

Enterprise Case Management (ECM)/Customer Relationship Management (CRM)

Establishes a single, modernized, enterprise case management system with access to taxpayer data and standard business processes across the IRS, consolidating capabilities from over 60 disparate systems. Implements a customer relationship management platform to manage IRS interactions and relationships with taxpayers. ECM will modernize case management processes and systems in a simplified technical environment to provide top quality service while empowering employees to resolve cases. ECM leverages an enterprise solution, including a CRM platform, for streamlining case and workload management, digitizes case information, provides business automation, and increases resource alignment across IRS, resulting in improved customer service, reducing the timeframe for case resolution, and enabling the retirement of legacy case management systems.

Unified Intake Tax Processing

Transforms the legacy returns pipeline system (i.e., Generalized Mainline Framework – GMF, Error Resolution System - ERS, Generalized Unpostable Framework - GUF, Service Center Control File - SCCF) that validates and perfects tax returns, remittances, information returns and adjustments, to enable a common perfection and validation pipeline for tax returns and information returns to support near real-time tax processing. The IRS will start replacing legacy GMF functionality with modern common services to enhance the returns processing perfection functions and advance the IRS towards event-driven near real-time tax processing.

Individual Master File (IMF)

Transforms the individual taxpayer account processing (i.e., update accounts, assess taxes, generate refunds) and data access. Enables more digital services for one-stop access to up-to-the-minute account information, improve access to individual taxpayer data and analytical capabilities, and provide more agility in delivering tax law changes and legislative mandates. This initiative completes the delivery of CADE2 to replace the IMF and the follow-on activities to replace the remaining components of IMF that deliver data throughout the IRS infrastructure.

FY 2023-FY 2025 BSM & Operations Support IRA Funding

Integrated Data Retrieval System (IDRS) Modernization

Modernizes the complex IDRS ecosystem that acts as a central hub for Customer Service and Case Management business functions and other common services such as generating notices and correspondence. As the legacy IDRS system is consolidated and retired, this program will coordinate with other initiatives and various systems (e.g., ECM, CADE 2, Enterprise Data Platform) to provide comprehensive, modern solutions and a digital experience for IRS employees. The IRS will start delivering an incremental approach to modernize the IDRS capabilities through common services and collaboration with the supporting modernization programs (Ex. ECM for case management functionality).

Information Returns Modernization (IR MOD)

Implements and maintains a modernized intake platform for the billions of information returns filed each year and expands 1099 reporting requirements to include cryptocurrency brokers. Modernize the end-to-end Information Return (IR) processing pipeline which is made up of the legacy intake systems.

Advanced Analytics Platform

Implements a new platform to power advanced analytics and allow data scientists to create predictive models and algorithms to analyze data more efficiently with leading leading-edge trustworthy AI and other advanced analytics tools. Will enable IRS to adeptly apply data and analytics to strategically advance its mission capabilities, improve taxpayer service, and support voluntary compliance to narrow the tax gap. The outcome will enable the creation and deployment of different analytic use cases (Ex. high income and high wealth, partnerships, balance due, etc.) to identify noncompliance, appropriate treatments of noncompliance including interventions.

Common Enterprise Services

Builds secure, reusable, and standardized services (code, APIs, data access services, etc.) to deliver IRS mission specific (Ex. Update Taxpayer Account, TIN Check, Perfect Address, etc.) and foundational technology (Ex. Single Sign-On, Logging, etc.) capabilities that will modernize and replace embedded logic currently provided within legacy systems and data connections. The IRS will start to build out new common enterprise services and prioritizing those that support the delivery of IRS IRA SOP commitments.

Enterprise Data Platform (EDP)

Establish a state-of-the-art Data Integration, Data Access and Data Management platform which empower business users, IT developers, and data scientists to gain rapid, secure access to reliable, integrated tax administration data for analytical and operational usage and to develop and deliver trustworthy advanced analytics and Artificial Intelligence/Machine Learning (AI/ML) models. In addition, EDP will support modernized IT solutions with transactional data storage. EDP will integrate tax administration data to create a holistic view of the taxpayer and provide data access services; provide end users self-service analytics to make effective and agile data driven-decisions, streamline data operations using a scalable common services-based architecture to reduce time-to-insight, enable development of advanced analytics models and deliver AI based on enterprise IRS data for general use cases.

FY 2023-FY 2025 BSM & Operations Support IRA Funding

Enterprise Tax Calculator System Provider (ETCSP)

Over time, this program will consolidate over 100 distinct and duplicative calculators embedded in more than a hundred applications and processes. These calculators require support from multiple application development teams implementing annual legislative and filing season updates. The Enterprise Tax Calculator Service (ETCS) will provide: Modernized, flexible, and scalable tax calculations for legacy and modernized processing systems; Accurate and consistent results to customers both internal and external and increased reusability using a Service Oriented Architecture.

IT Operations Transformation

Transition IT Operations to a service-oriented model to introduce new services that align with customer expectations and business value. Establish robust and dependable systems to consistently deliver services, achieve comprehensive visibility into performance from the customers' standpoint, and to proactively identify potential issues which adversely affect the user experience.

IT Service Management (ITSM)

ITSM will increase reliability of IT services through integrated IT platforms that provide a centralized, consistent view of IT and greater insights into root causes which expedites service restoration. The program will enrich customer and workforce experience through increased self-service and improved timeliness and availability of relevant information. ITSM will equip the workforce with knowledge and tools that enable preventative actions and increase responsiveness to incidents and enhance IT planning, operations and decision making through intelligent automation & orchestration and improved quality and relationships between different types of data. The program will accelerate delivery through automation of workflows and discovery for repeatable tasks.

Network Modernization

Grow end user experience, enable auto remediation, and expand POD bandwidth: Automate recovery actions for the most common issues and actions based on severity, Track effectiveness of remediations over time, enable incident automation in ServiceNow. The long-term delivery strategy is to deploy the next generation network architecture supporting secure cloud communications. To establish the network resiliency, a future state architecture with Ultravailable Network (UVN) Ring to improve performance & resiliency across core networks will be implemented. Implement trusted access and secure communications by Future State Network Cloud Security Boundary with Enterprise Partner Zone (EPZ) Cloud to Cloud Secure Communication resulting in, "Secure Access Anytime, Anywhere, Any Device"

Robotics Process Automation (RPA)

Establish a cloud-based robotics process automation (RPA) platform to implement automations of high-volume manual processes at scale. The IRS will implement additional RPA use cases through the cloud-based platform that will increase operational efficiency by automating manual processes and freeing up staff for more value-added activities.

Portfolio Oversight/Common Services

Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.

FY 2023-FY 2025 BSM & Operations Support IRA Funding

Vulnerability and Threat Management

Identifies and provides transparency for risks and potential threats to initiate remediation actions for proactive prevention of security incidents (Ex. security audit trails, data loss prevention). The IRS will improve its cyber threat response and remediation capabilities to reduce audit findings, complete the implementation of a new tool to automate the management of security assessments, project milestones, and risk posture reporting, enhance application security testing to identify and resolve vulnerabilities earlier in development, and expand automation for vulnerability detection and response.

Identity and Access Management

Modernizes processes, technologies, and policies for managing digital identities and access controls for internal and external users resulting in continued protection of taxpayer data.

Security Operations and Management

Provides advanced monitoring, fraud analytics, and incident response capabilities to reduce risk and ensure high availability of IRS systems, applications, and protected information.

Human Resource Information Technology (HRIT)

Modernizes HR processes using a common platform with centralized HR information and new self-service, automation, and workflow capabilities consolidating legacy/siloed HR processes.

IRS Expansion

Ensure all IRS expansion needs for hardware, software, services, and associated modernization needs are delivered to the enterprise on-time to enhance experience with the doubling of IRS employees over the next 9 years. Delivers secure enterprise tools to enable real-time IRS workforce collaboration, such as Microsoft 365 integrated tools (Ex. Teams, OneDrive, SharePoint). This will support IRS workforce expansion as well as establish additional communication channels and a method for real-time collaboration thereby improving the employee experience.

C – Changes in Performance Measures

In FY 2023, there were no changes to Performance Measures.

Section III – Supplemental Information

3.1 – Summary of Capital Investments

I. Introduction

The IRS's Capital Investment Strategy aligns with the agency's mission, IT mission, and IT vision, as well as the [IRS IRA Strategic Operating Plan](#).² These strategic documents set the direction for technology initiatives and IT investments aimed at achieving the agency's vision. In the context of the evolving IRS landscape, technology-enabled transformation plays a pivotal role in enhancing the taxpayer experience and overall tax administration.



The IRA funding has been instrumental in reshaping the IRS's operational framework, prompting a comprehensive review of planning and goals to align with the agency's desired changes and the expectations of taxpayers through technology enabled transformation.

In FY 2023, we upgraded technology at the IRS in ways that resulted in a dramatically improved 2023 filing season in addition to updating 20 IT systems to include enhanced capabilities for [individual online account](#)³, launched virtual assistance, live chat and launched the first phase of [business tax account](#)⁴ that over time will allow business taxpayers to check their tax payment history, make payments, view notices, authorize powers of attorney and conduct other business with the IRS.

We took additional steps providing the IRS workforce with the right tools to meet our core mission of supporting taxpayers and the nation. Recognizing the importance of equipping employees with modernized technology solutions and services they need to fulfill the mission, IRS invested in new training programs, technology and smarter processes that enable employees to do their job better and improve their work life. Partnering with Human Capital Office (HCO), the Information Technology Academy (ITA) within the IRSU was stood up. The IT Academy is a key component to create career

² <https://www.irs.gov/about-irs/irs-inflation-reduction-act-strategic-operating-plan>

³ <https://www.irs.gov/newsroom/an-irs-online-account-is-simple-safe-and-secure>

⁴ <https://www.irs.gov/businesses/business-tax-account>

development for all employees performing IT related duties and responsibilities using an individualized approach.

Building on the successes of the FY 2023 filing season, marked by significant technological upgrades fueled by the Inflation Reduction Act (IRA) investments, the IRS is poised for continued transformation in FY 2024 and beyond.

As part of this transformative journey, a ten-year SOP has been established, outlining the IRS's commitment to adaptability, industry-leading technology adoption, and meeting evolving taxpayer needs in the dynamic digital landscape. The upcoming fiscal year will witness the IRS delivering on these commitments, leveraging advanced technology to further enhance the taxpayer experience and optimize tax administration processes.

II. IRS IRA SOP

The SOP charts our path forward as we continue updating the agency's technology base using the leading practices at home in America's top technology firms. The SOP outlines how we will deploy the investments in the IRA to better serve taxpayers, tax professionals, and the broader tax ecosystem, as outlined in the five 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

Figure 1 IRS IRA SOP five main objectives

SOP Objective 4: Deliver cutting-edge technology, data, and analytics to operate more effectively. IRS IT prioritizes technology advancements that enhance customer service and enforcement while safeguarding taxpayer information. Critical to our initiatives is the modernization of our aging IT

infrastructure, currently one of the oldest in the federal government. The absence of standardized data storage hinders our ability to fully leverage available information. The IRA's funding provides the means to overhaul our technology infrastructure, facilitating sustained progress through stable funding. Our plan includes designing and implementing modern platforms centered on data and applications, integrating robust security controls. This approach aligns with Objectives 1, 2, 3, and 5, utilizing enterprise platforms and services for effective delivery in FY 2024.

The SOP also set the enterprise-wide technological priorities, which then inform the long-term technological vision published in the 1/2023 Enterprise Architecture and Roadmap (EAR).

III. Enterprise Architecture and Roadmap (EAR)

The Enterprise Architecture and Roadmap details both the envisioned target state of the IT ecosystem in support of the IRS business direction and the path forward to achieving that vision. This EAR depicts the adoption of advancing capabilities and the evolution of the system and technology ecosystem over time. It combines architectural visualizations and narrative discussion to describe the complex interrelationships between the envisioned business capabilities, data, applications, technologies, and infrastructure. As shown in Figure 2, the EAR is organized around the interrelated elements of the IRS Enterprise Architecture framework, to provide a cross-cutting frame of reference for analyzing the current state of IRS operations and to envision a future state. It is intended to facilitate dialogue among IRS business and IT leaders around future vision and priorities, align business and IT strategies, guide architecture planning and solutions development, and enable line of sight for evaluating investment proposals. The EAR is a living document that is continuously reviewed and updated as appropriate.



Figure 2 IRS Enterprise Architecture Framework

The Enterprise Target Reference Architecture depicts the target state of the IRS business and technical ecosystem, identifying the key capabilities within each Business and Technical Area, aligned within their respective Inflation Reduction Act (IRA) SOP objectives.

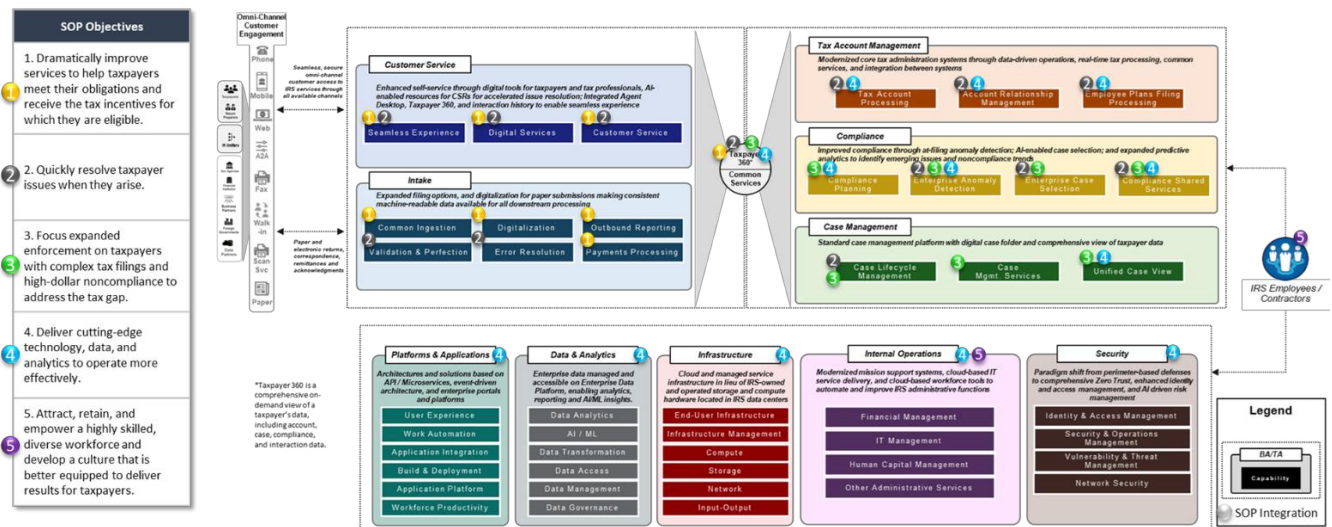


Figure 3 Enterprise Target Reference Architecture

In combination with the IRS IRA Strategic Operating Plan, the EAR captures the enterprise vision for the IRS IT environment and shows the evolution toward that vision over time. The IRS IT Transformation Portfolio, described in Section IV, highlights specific technology initiatives and IT investments that realize this vision.

IV. IRS IT Investment and Transformation Portfolio Overview

As the IRS transforms its technology capabilities and services provided to taxpayers, it restructured the Investment Portfolio to mirror how it will operate, enhance, and deliver IT for the future. The new structure represents the portfolio in an understandable manner by placing programs and projects within relatable categories that reflect the full lifecycle of the investment.

The IRS Capital Investment Plan (CIP) is available on the Department of the Treasury’s website. The CIP reflects this new Investment structure. The CIP can be found here: [Summary of Capital Investments⁵](#)

The new Investment categories and definitions are shown below, along with the applicable Transformation Programs that will deliver the IRA strategic goals and objectives:

Investment	Definition	IRA Transformation Programs
<p>Filing & Intake</p>	<p>Filing & Intake includes the registration, ingestion, validation and perfection, error resolution, and payment processing of all inbound electronic and paper submissions, IRS correspondence and other inbound taxpayer information. This investment provides ingestion mechanisms for institutions to send data for IRS and provides up-front issue detection and resolution.</p>	<ul style="list-style-type: none"> • Direct File • Digitalization • Real Time Tax Processing/GMF Modernization • Information Returns (IR) Modernization
<p>Tax Account Management</p>	<p>Tax Account Management processes all creations, updates, and deletions for a variety of tax filing entities. Additionally, it maintains centralized access to billions of tax records and provides critical account services to process tax returns, payments and fees, and other types of financial transactions.</p> <p>Tax Account Management supports the other business areas by providing the ability to access and update the taxpayer account data necessary to investigate, respond to, and resolve taxpayer account issues, provide refunds for disbursement, issue notices and transcripts, etc.</p>	<ul style="list-style-type: none"> • Business Master File (BMF) Modernization • Individual Master File (IMF) Modernization (includes CADE 2) • Enterprise Tax Calculator System

⁵ <https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-requestannual-performance-plan-and-reports/summary-of-capital-investments>

Investment	Definition	IRA Transformation Programs
Compliance	Compliance includes the collection, examination, appeals, and criminal enforcement functions, with key activities that include forecasting potential non-compliance issues, performing pre-filing preventive treatment, case prioritization models and algorithms, performing filing, payment and reporting compliance actions, and investigating criminal violations of the tax law.	<ul style="list-style-type: none"> • Enterprise Case Selection/Enterprise Anomaly Detection • Crypto Currency Compliance • Legacy Systems Changes for Unified Compliance Organization (UCO)
Case Management	Case Management includes case initiation, case work (selection, assignment, administration, tracking, and closure), and case reporting and analytics to resolve a broad range of cases that now require a combination of IRS business personnel and electronic workflows. This investment covers a cross-cutting business area that comprises of policy, programmatic, and managerial support functions necessary to IRS operations for cases that could originate in other business areas.	<ul style="list-style-type: none"> • IDRS Modernization • Enterprise Case Management
Digital Services	Digital Services includes the self-service and online options which allow taxpayers and external stakeholders to interact on the web via IRS websites and web applications.	<ul style="list-style-type: none"> • Online Accounts – Individual, Tax Professional, and Business • Online Tools/Self-Service • Forms Modernization
Engagement Channels	Engagement Channels encompasses the interactions between IRS support systems and taxpayers or other external stakeholders, including over the phone, via chatbot, and through physical or digital notices.	<ul style="list-style-type: none"> • Live Assistance • Modernized Correspondence, Notices and Letters
Internal Operations	Internal Operations defines enterprise-wide administrative systems related to workforce support, human capital management, accounting, financial management, procurement, facilities, and travel.	<ul style="list-style-type: none"> • IT Service Management • Modernization of Automated Background Info System (ABIS) • Human Resources IT • Modernized Accounting and Financial Systems

Investment	Definition	IRA Transformation Programs
Enterprise IT Management	Enterprise IT Management involves the overall management, strategy, and planning of enterprise IT, including enterprise architecture, IT finance, and vendor management.	<ul style="list-style-type: none"> • IRA Mod PMO • IRA Mod Sequencing and Roadmap • IRA Mod Operational Program/Project Support
Platforms & Applications	Platforms and Applications addresses the architectures, technologies, and platforms that the IRS uses to create, deliver and deploy new enterprise applications – including API/Microservices, web and mobile platforms, event-driven architecture, messaging and streaming middleware, application frameworks and environments, machine learning/AI, data analytics, and continuous integration / continuous deployment tools.	<ul style="list-style-type: none"> • Robotics Process Automation • Enterprise Data Platform • Advanced Analytics Platform
Cybersecurity	Cybersecurity encompasses the architectures, standards, technologies, and mechanisms used to protect and defend all aspects of the IRS IT ecosystem. It includes zero-trust network architecture, designed-in security, monitoring and auditing, threat mitigation and response, pervasive encryption, data loss prevention, failover, disaster recovery, and secure cloud/internet provider connections.	<ul style="list-style-type: none"> • Authentication, Authorization, Access (A3) • Identity & Access Management • Network Security • Vulnerability & Threat Management • Security Operations Management
User Services	User Services encompasses the IRS employee experience. This will include any IRS GFE and shared tools for collaboration, communication, or productivity, as well as input-output services such as printing and scanning.	<ul style="list-style-type: none"> • IRS Expansion
Network Services	Network Services includes IRS network spending, for onsite, remote, and cloud networks. This investment describes all necessary spending to create and maintain these networks (including any hardware or network-related software), as well as any telecommunications spending.	<ul style="list-style-type: none"> • Network Modernization • IRS Expansion - Network
Infrastructure Management	Infrastructure Management describes IRS IT infrastructure, both in the Cloud and on-premises. This investment includes the configurations, monitoring, and physical or Cloud-based construction of IRS IT Infrastructure.	<ul style="list-style-type: none"> • Cloud • IRS Expansion - Infrastructure

Investment	Definition	IRA Transformation Programs
Compute Services	Compute Services contains spending for all IRS compute resources, whether physical or cloud based. Any serverless/containerized/virtualized compute will be included to go along with physical compute resources. All spending on operating systems will also be reported with this Investment.	<ul style="list-style-type: none"> <li data-bbox="1073 359 1166 386">• N/A
Storage Services	Storage Services includes IRS spending for all systems of data storage and data encryption. Reported with this Investment is spending on cloud-based storage, physical storage resources, and archive/backup systems for disaster recovery.	<ul style="list-style-type: none"> <li data-bbox="1073 596 1166 623">• N/A

Figure 4 New Investment Categories and Definitions

3.2 – IRS Performance Measures Table

Performance Measures	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY 2023 Actual	FY2023 Target	FY2024 Target*	FY2025 Target*
Customer Service Representative (CSR) Level of Service (LOS) ¹	65.4%	53.1%	18.5%	17.4%	51.8%	60.0%	60.0%	60.0%
Total Ending Inventory (Thousands) (New FY 2022) ²	1,100	1,100	4,100	2,156	2,923	Indicator	Indicator	Indicator
Percent of Closures to Receipts (New FY 2022) ²	92.7%	99.6%	71.9%	116.4%	93.8%	Indicator	Indicator	Indicator
LOS(A) (New FY 2023) ²	79.2%	71.6%	38.2%	39.3%	66.4%	Baseline	65.0%	65.0%
Customer Accuracy - Tax Law (Phones)	91.6%	91.0%	92.8%	92.0%	91.4%	87.0%	89.0%	89.0%
Customer Accuracy - Accounts (Phones)	94.3%	93.5%	93.0%	91.8%	89.2%	87.0%	89.0%	89.0%
Timeliness of Critical Individual Filing Season Tax Products to the Public	92.6%	78.4%	92.0%	96.4%	96.4%	83.0%	89.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	96.1%	96.0%	92.9%	96.0%	86.5%	85.0%	87.0%	87.0%
Enterprise Self-Assistance Participation Rate	85.4%	90.6%	92.3%	93.9%	94.2%	94.0%	94.0%	94.0%
Taxpayers Satisfied with the IRS (based on 100 point scale) ³	73	74	70	69	TBD ³	Indicator	Indicator	Indicator
Examination Efficiency - Individual	109	76	108	101	103	92	106	107
Time to Start Compliance Resolution (new FY 2020) ²	60.9%	66.3%	66.0%	68.0%	72.0%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (new FY 2020) ²	469	491	484	404	372	Indicator	Indicator	Indicator
Repeat Non-Compliance Rate (new FY 2020) ²	31.4%	35.6%	30.7%	28.1%	18.9%	Indicator	Indicator	Indicator
Collection Coverage	41.3%	34.9%	41.2%	38.3%	34.9%	33.4%	40.7%	39.1%
Exam Starts - High Income Individuals (new FY 2021) ^{2,4,5}	2,108	2,693	2,227	3,625	4,326	3,817	4,398	3,848
Exam Starts - Partnerships (new FY 2021) ^{2,4,6}	5,823	4,106	4,327	3,155	6,709	8,852	4,074	5,215
Exam Starts - Large Corporations (Assets>=\$250M) (new FY 2021) ^{2,4,7}	2,009	1,700	1,490	1,365	1,400	1,121	1,250	1,375
Cost to Collect \$100	\$0.33	\$0.35	\$0.33	\$0.29	\$0.34	Indicator	Indicator	Indicator
Criminal Investigations Completed ⁸	2,797	2,624	2,766	2,552	2,584	2,500	2,500	2,500
Conviction Rate	91.2%	90.4%	89.4%	90.6%	88.4%	92.0%	92.0%	92.0%
Rentable Square Feet per Person	298	278	278	264	248	261	238	221
Percent of Aged Hardware ⁹	31.0%	16.0%	9.3%	7.1%	19.9%	20.0%	20.0%	20.0%
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	88.9%	84.2%	94.1%	81.3%	85.7%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	88.9%	94.7%	100.0%	87.5%	92.8%	90.0%	90.0%	90.0%

*FY 2024 and FY 2025 targets assume all sources of available funding.

¹ The CSR LOS includes toll-free telephone lines answered by Accounts Management assistants only. IRS will strive to achieve an 85 percent LOS during individual filing season.

² Historical data provided for comparative purposes.

³ Based on the American Customer Satisfaction Index (ACSI) survey; the All-Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer. For 2023, there will be updates to the methodology. The final results are undergoing review and are not yet available.

⁴ This measure was an indicator in FY 2022 and transitioned to a measure with a target starting in FY 2023.

⁵ Audits of high-income individuals may take a revenue agent upwards of 250 hours to complete.

⁶ Due to the timing of hiring and the start date of the lengthy training cycle, the impact of hiring on performance is not immediate.

⁷ The impact of hiring on performance is not immediate due to required training for new Revenue Agents and the average case cycle time of about 36 months for these large corporations.

⁸ The impact of hiring on performance is not immediate due to required academy and on-the-job training (6+ months) as well as the average cycle time it takes to complete an investigation (400-500 days).

⁹ Target based on industry standard.

Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service (LOS)	The number of toll-free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Total Ending Inventory	The total number of accounts management and correspondence work to be processed in inventory.
Percent of Closures to Receipts	The number of adjustment cases closed compared to the number received.
LOS(A)	The relative success rate of taxpayers that call seeking assistance from IRS and receive a response to their inquiry by an assistor or through automated responses divided by the total number of attempted calls.
Customer Accuracy - Tax Law Phones	The percentage of correct answers given by a live assistor on toll-free tax law inquiries.
Customer Accuracy - Accounts (Phones)	The percentage of correct answers given by a live assistor on toll-free account inquiries.
Timeliness of Critical Individual Filing Season Tax Products to the Public	The percentage of Critical Individual Filing Season (CIFS) tax products available to the public seven calendar days before the official IRS start of the (individual) filing season. CIFS tax products are those tax forms, schedules, instructions, and publications required by a large number of filers to prepare a complete and reasonably accurate Individual Income Tax Return.
Timeliness of Critical TE/GE and Business Tax Products to the Public	The percentage of Critical Tax Exempt/Government Entities (TE/GE) and Business (CTB) tax products available to the public seven calendar days before the official IRS start of the individual filing season. CTB tax products are forms, schedules, instructions, and publications used by large number of TE/GE and Business filers to prepare a complete and reasonably accurate return or form by the filing date occurring during the fiscal year (e.g., income tax, excise tax, exempt organization return, etc.).
Enterprise Self-Assistance Participation Rate (ESAPR)	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Taxpayers Satisfied with the IRS	The score of taxpayers satisfied with the IRS according to the American Customer Satisfaction Index (ACSI) survey. The All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer Customer Satisfaction Index Scores. Based on a 100-point scale.
Examination Efficiency - Individual (1040)	The sum of all individual 1040 returns closed by SB/SE, W&I, TE/GE, and LB&I (Field Exam and Correspondence Exam programs) divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns.
Time to Start Compliance Resolution	The percentage of all individual income tax enforcement cases started within six months of the return posting date.
Time to Resolve Compliance Issue After Filing	The median time it takes to close all individual income tax enforcement cases in days (excluding disaster, bankruptcy, and TEFRA cases for exam and collection cases that are not closed as full paid), starting from filing date.
Repeat Non-Compliance Rate	The percentage of individual taxpayers in a fiscal year with additional non-compliance two years after the initial tax year that contains a filing, payment, or reporting compliance issue, compared to total taxpayers.
Collection Coverage	The volume of collection work disposed compared to the volume of collection work available.
Exam Starts – High Income Individuals	The number examinations started during the fiscal year of individuals with a total positive income of \$10 million and above. Total positive income is the sum of all positive amounts shown for the various sources of income reported on the individual income tax return, and thus excludes losses.
Exam Starts – Partnerships	The number of partnership examinations started during the fiscal year.
Exam Starts – Large Corporations (Assets >=\$250M)	The number examinations started during the fiscal year of large corporate returns reporting assets of \$250 million and above.
Cost to Collect \$100	The cost of collecting \$100 is computed as total operating costs divided by gross collection multiplied by 100. Operating costs are comprised of items charged to discretionary appropriations, mandatory appropriations, and user fees. This includes costs charged to the Inflation Reduction Act (IRA), (P.L. 117-169) which was enacted August 12, 2022.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
Rentable Square Feet Per Person	The amount of Rentable Square Feet the IRS maintains per person requiring space.
Percent of Aged Hardware	This measure shows the percentage of all information technology hardware in operation that is past its useful life.
Percent of Major IT Investments within +/-10% Cost Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/-10% Schedule Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

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

The actual cost and actual revenue collected for FY 2019 through FY 2023 for the three major enforcement programs, Examination, Collection, and Automated Underreporter (AUR) are provided below. The following activities are included:

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

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

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

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

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

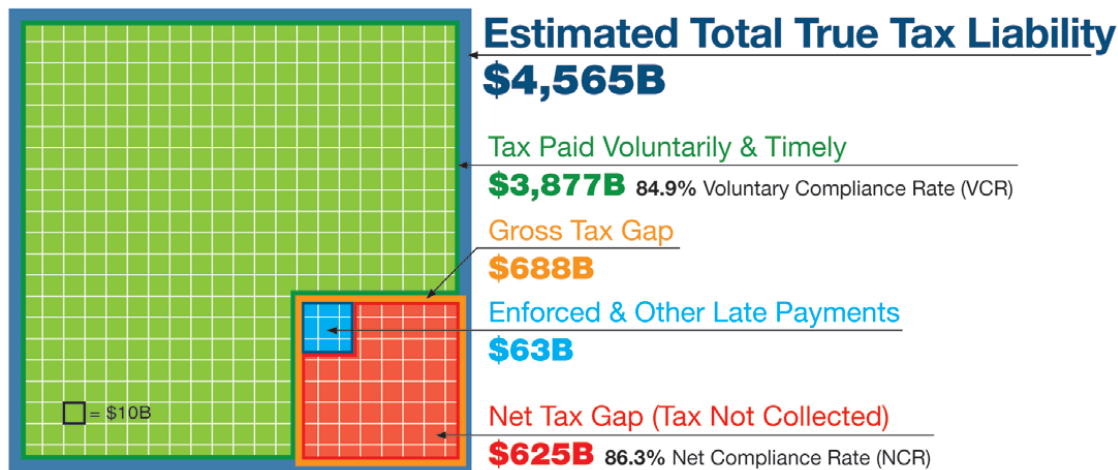
Dollars in Millions

Enforcement Program	FY 2019			FY 2020			FY 2021			FY 2022			FY 2023		
	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI
IRS Total	\$5,439	\$57,523	10.6	\$5,560	\$51,084	9.2	\$5,634	\$74,999	13.3	\$5,969	\$72,366	12.1	\$6,419	\$86,051	13.4
Examination	3,581	10,877	3.0	3,750	8,253	2.2	3,792	11,275	3.0	4,000	9,170	2.3	4,429	12,246	2.8
Collection	1,631	41,793	25.6	1,616	38,948	24.1	1,593	57,834	36.3	1,741	57,874	33.2	1,762	69,769	39.6
Automated Underreporter (AUR)	226	4,853	21.5	194	3,884	20.0	249	5,889	23.7	228	5,323	23.4	227	4,036	17.7

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

The Inflation Reduction Act and ROI

Given the extraordinary investment from the IRA, the IRS is reexamining its Return On Investment calculations. To illustrate this point, the figure below, taken from the 2020–2021 Tax Gap Analysis, shows how much tax revenue comes into the Treasury timely (without any enforcement action by the IRS), how much comes in late or with some IRS enforcement engagement with the taxpayer, and how much tax revenue the IRS estimates is not collected.⁶ The large majority of the Estimated Total True Tax Liability of \$4,565—\$3,877 billion or 85.0 percent—is paid voluntarily and timely. The remaining \$688 billion or 15 percent constitutes the gross tax gap: the difference between taxes owed and taxes paid. Revenue from IRS enforcement efforts meaningfully reduces the tax gap but contributes a fraction of the total, \$63 billion or 1.4 percent.



As the IRS works to implement the IRA SOP, it is making improvements in the taxpayer experience, with better customer service, clearer guidance, and expanded use of technology. These changes have prompted the IRS to reexamine its enforcement–centric methodology for estimating revenue generated by investments. Current ROI estimates are limited to revenue generated by enforcement staff. The Tax Gap Analysis above illustrates that enforcement is only a small piece of the whole picture. Enforcement based estimates miss the potentially considerable revenue effects of IRA SOP

⁶ Internal Revenue Service. (2023) *Federal Tax Compliance Research: Tax Gap Projections for Tax Years 2020 and 2021* (Publication 5869), <https://www.irs.gov/pub/irs-pdf/p5869.pdf>.

investments on voluntary compliance, as well as the impact of deterrence effects on taxpayer behavior.⁷

In the coming years, the IRS will explore methods for estimating revenue in previously unexamined areas, to expand its understanding of the effect IRS investments on government revenue. Developing a more holistic view of the revenue effects of our investments will help the IRS invest in the right places. This work will also illustrate the true benefit to the nation's finances if IRA resources are extended. Section 3.4 describes the IRS proposal for this extension and includes some modest improvements to our ROI estimate that have already been identified.

⁷ The deterrence effect of compliance activities on taxpayer behavior refers to the reduced likelihood of tax evasion or avoidance due to the presence and actions of the IRS, such as audits, penalties, and enforcement actions, which create a perceived risk of detection and punishment.

3.4 – Policy Proposal to Extend Inflation Reduction Act Funding

The IRS proposes to extend IRA funding through FY 2034, with new resources beginning in FY 2026 for enhanced taxpayer assistance and technology. This proposal will address the IRA funding “cliffs” that will begin to occur after FY 2025 when all resources in the IRA Taxpayer Services and Business Systems Modernization accounts will be exhausted.

Additional investments to continue transforming the IRS in FY 2026 and beyond are projected to generate approximately \$341 billion in revenue through FY 2034, while ensuring taxpayers have the services they want when they want them, equitable enforcement activities that minimally burden taxpayers, and effective prevention of tax schemes, scams, and fraud. In this proposal, these estimates assume a \$20.2 billion rescission in IRA is replaced with additional mandatory resources.

Cost \$ in Millions	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2025 - FY 2034 Total
Taxpayer Services	1,704	1,878	1,913	1,948	1,985	2,022	2,060	2,098	2,138	17,744
Enforcement				1,268	9,611	11,671	11,896	12,126	12,360	58,932
Technology and Operations Support				209	2,848	4,831	5,244	5,289	5,335	23,757
BSM	969	944	264	269	274	279	285	290	295	3,869
Total	2,672	2,822	2,177	3,694	14,718	18,803	19,484	19,803	20,128	104,302

Revenue \$ in Millions	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2025 - FY 2034 Total
Total Estimated Revenue + Specific Deterrence				3,046	42,692	60,911	70,717	80,000	83,647	341,013

Before the enactment of the IRA, the IRS’s operating budget fell by 18 percent in inflation-adjusted dollars between 2010 and 2021 while the number of returns filed increased by 13 percent. This underfunding led to low levels of service and antiquated technology that failed to keep pace with the digital age. The lack of investment also resulted in a significant reduction in examination coverage, especially for large corporations and high-income individuals.⁸ In addition, with the number of partnership returns growing by more than 30 percent during this period, the IRS was only able to audit 0.07 percent of partnership returns filed for tax year 2018.

The funding provided by the IRA will enable transformative improvements in all facets of tax administration over the next several years. As outlined in the *IRA Strategic Operating Plan*⁹ (SOP) released by the IRS in April 2023, the funding will allow the IRS to dramatically improve customer service, modernize decades-old computer systems, and improve enforcement with respect to complex partnerships, large corporations, and high-income individuals. Together, this transformation will help ensure a fairer and more efficient tax system and reduce the country’s sizable tax gap, projected to be \$688 billion in tax year 2021.

Already, the IRA has resulted in tangible benefits for taxpayers and tax administration. The IRS achieved significantly improved service in filing season 2023 at an 87 percent Level of Service on its main taxpayer help line and cut phone wait times to three minutes from 28 minutes. Since the enactment of the IRA, the IRS has opened or reopened 54 Taxpayer Assistance Centers as of January 2024 to provide more in-person help to taxpayers. In addition, the IRS launched a paperless processing initiative, enabling taxpayers to reply to more forms and letters online. To ensure large

⁸ <https://www.cbo.gov/system/files/2020-07/56422-CBO-IRS-enforcement.pdf>

⁹ <https://www.irs.gov/pub/irs-pdf/p3744.pdf>

corporate, complex partnership, and high-income individual filers pay the taxes they owe, the IRS has sent compliance alerts to large foreign corporations, expanded its Large Corporate Compliance program, leveraged artificial intelligence to ramp up audits of large partnerships, and recovered over half a billion dollars from individual taxpayers with more than \$1 million in income who were delinquent on their tax debt.

Long-term funding is essential for IRS planning, especially to transform taxpayer services, modernize its systems, and hire and train top talent to take on the most complex tax administration tasks, such as audits of complex partnerships and large corporations. Without further legislative action, the agency will be confronted with depleted IRA funding for the investments in taxpayer services and technology modernization in fiscal year 2026. There will also be an abrupt and severe decline in the IRS's enforcement budget beginning in fiscal year 2030, which would force the IRS to cut back on audits of large corporations, high-income individuals, and complex partnerships and thereby increase the deficit.

Section IV – Appendix

4.1 – Summary of IRS FY 2025 Cybersecurity Budget Request

A summary of capital investments, including major information technology and non-technology investments, can be accessed at:

<https://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>

Bureau: Internal Revenue Service Summary of FY 2025 Cybersecurity Request	TAXPAYER SERVICES		ENFORCEMENT		TECHNOLOGY and OPERATIONS SUPPORT		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2024 Assumed Enacted	\$99,064	36	\$26,709	94	\$191,786	494	\$317,559	623
Changes to Base:								
FY 2025 Maintaining Current Levels (MCLs)	\$2,741		\$683		\$4,812		\$8,236	
Pay Annualization (5.2% average pay raise)	111		201		1,244		1,556	
Pay Raise (2.0% average pay raise)	129		235		1,454		1,818	
Non-Pay (2.2%)	2,501		247		2,114		4,862	
Savings/Efficiencies	(\$2,741)		(\$683)		(\$4,812)		(\$8,236)	
Staff Attrition to Offset Unfunded FY 2025 MCLs	(2,741)		(683)		(4,812)		(8,236)	
Subtotal FY 2025 Changes to Base								
FY 2025 Current Services	\$99,064	36	\$26,709	94	\$191,786	494	\$317,559	623
Total FY 2025 Request	\$99,064	36	\$26,709	94	\$191,786	494	\$317,559	623

4.2 – Summary of IRS FY 2025 Budget Request

FY 2025 IRS Budget Request	TAXPAYER SERVICES		ENFORCEMENT		TECHNOLOGY and OPERATIONS SUPPORT		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2024 Annualized CR	\$2,780,606	24,737	\$5,437,622	30,576	\$4,100,826	10,443	\$12,319,054	65,756
Changes to Base:								
FY 2025 Maintaining Current Levels (MCLs)	\$77,881		\$150,084		\$101,586		\$329,551	
Pay Annualization (5.2% average pay raise)	31,184		63,910		23,856		118,950	
Pay Raise (2.0% average pay raise)	36,450		74,702		27,884		139,036	
Non-Pay (2.2%)	10,247		11,472		49,846		71,565	
Subtotal FY 2025 Changes to Base	77,881		150,084		101,586		329,551	
FY 2025 Current Services	\$2,858,487	24,737	\$5,587,706	30,576	\$4,202,412	10,443	\$12,648,605	65,756
Program Changes:								
Program Decrease	(\$77,881)	(776)	(\$150,084)	(811)	(\$101,586)	(161)	(\$329,551)	(1,748)
Staff Attrition to Offset Unfunded FY 2025 MCLs	(77,881)	(776)	(150,084)	(811)	(101,586)	(161)	(329,551)	(1,748)
Subtotal FY 2025 Program Changes	(\$77,881)	(776)	(\$150,084)	(811)	(\$101,586)	(161)	(\$329,551)	(1,748)
Total FY 2025 Request	\$2,780,606	23,961	\$5,437,622	29,765	\$4,100,826	10,282	\$12,319,054	64,008
Dollar/FTE Change FY 2025 Request over FY 2024 Annualized CR		(776)		(811)		(161)		(1,748)
Percent Change FY 2025 Request over FY 2024 Annualized CR		-3.14%		-2.65%		-1.54%		-2.66%

