



Fiscal Year

**2023**

**Congressional  
Budget  
Justification  
& Annual  
Performance  
Report and Plan**



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## Commissioner's Message

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The Internal Revenue Service (IRS) is the primary source of funding for the United States government and collected more than \$4 trillion in gross taxes in FY 2021. As the past year shows, we are more than a tax administration agency. We also make it possible for the government to perform its vital functions and be effective on everything from education to defense. The unprecedented events of the last two years illustrate the significant role the IRS plays in the overall economic health of our country. We have effectively supported economic growth and recovery while fulfilling our core mission, including delivery of two extended tax filing seasons. Now we're planning for a new organizational structure and an increase in our workforce that will position us well for the future. These endeavors will also further the IRS's efforts in delivering a stellar taxpayer experience. Given the importance of the IRS to the nation, I believe it is essential for me to leave the agency in a stronger position, with greater resources, when my term ends in November 2022.



At a time when the IRS has faced consequential resource challenges, we have taken on new responsibilities affecting almost every American. IRS employees' heroic efforts during this national crisis included distributing three rounds of Economic Impact Payments totaling more than \$800 billion as well as more than \$500 billion in individual refunds since the spring of 2020. In 2021, we were called upon to implement portions of the American Rescue Plan Act, including the provision for advance payments of the 2021 Child Tax Credit (CTC) to provide much needed help to eligible Americans. We issued the first round of more than 35 million Advance CTC payments on July 15, and further monthly payments were made through the end of calendar year 2021. The IRS worked hard to deliver this program quickly, efficiently, and on time. In June, we sent more than 36 million letters to people who may be eligible, to let them know about this benefit, and stood-up an online portal allowing taxpayers to make updates to their accounts or opt out from receiving the advance CTC.

Like all federal agencies, the IRS is best able to fulfill its mission – providing the services Americans deserve and appropriately enforcing the tax laws – when it receives the resources it needs. We anticipate over 60 percent of our 83,000 employees will retire within the next six years. Building back a strong workforce, augmenting taxpayer services, and establishing proper support functions are my top priorities - and the premise of this budget request. An appropriate level of consistent, multi-year funding will allow the IRS to continue enhancing the taxpayer experience, narrowing the tax gap to ensure equitable administration of the tax code, protecting IRS systems and taxpayer data, and modernizing our information technology systems. This request will address the IRS's paper inventory, bolster our telephone level of service, and continue developing innovative approaches to understanding, detecting, and resolving potential noncompliance to maintain taxpayer confidence in the tax system. Efforts to expand the use of data, analytics, and artificial intelligence across all lanes in the audit process, from selection to examination will persist.

We are making a difference and we want to continue to successfully pursue our mission on behalf of our great country.

***Chuck Rettig***  
***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 2021		FY 2022		FY 2023		FY 2023		% Change		% Change	
	Operating Plan <sup>1,2</sup>		Annualized CR <sup>3</sup>		Request		Request with Technical Adjustment		FY 2022 to FY 2023 Request		FY 2022 to FY 2023 Request with Technical Adjustment	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>												
<b>Taxpayer Services</b>	25,989	\$2,587,606	27,990	\$2,763,606	32,865	\$3,385,723	33,041	\$3,684,593	17.42%	22.51%	18.05%	33.33%
Pre-Filing Taxpayer Assistance and Education	4,514	657,618	5,536	720,276	5,967	803,873	6,003	866,539	7.79%	11.61%	8.44%	20.31%
Filing and Account Services	21,475	1,929,988	22,454	2,043,330	26,898	2,581,850	27,038	2,818,054	19.79%	26.36%	20.42%	37.91%
<b>Enforcement</b>	34,989	\$5,004,622	35,604	\$5,004,622	38,607	\$5,861,649	38,831	\$6,272,313	8.43%	17.12%	9.06%	25.33%
Investigations	3,012	678,193	2,965	667,279	3,223	785,121	3,243	838,596	8.70%	17.66%	9.38%	25.67%
Exam and Collections	30,987	4,170,886	31,615	4,160,748	34,331	4,883,575	34,530	5,228,803	8.59%	17.37%	9.22%	25.67%
Regulatory	990	155,543	1,024	176,595	1,053	192,953	1,058	204,914	2.83%	9.26%	3.32%	16.04%
<b>Operations Support</b>	12,037	\$4,104,102	11,631	\$3,928,102	11,923	\$4,543,268	11,523	\$3,833,734	2.51%	15.66%	-0.93%	-2.40%
Infrastructure		886,713		918,659		1,039,852		405,408		13.19%		-55.87%
Shared Services and Support	5,122	1,046,754	5,067	1,109,740	5,183	1,200,105	4,783	1,125,014	2.29%	8.14%	-5.60%	1.38%
Information Services	6,915	2,170,635	6,564	1,899,703	6,740	2,303,311	6,740	2,303,312	2.68%	21.25%	2.68%	21.25%
<b>Business Systems Modernization</b>	394	\$222,724	308	\$222,724	412	\$310,027	412	\$310,027	33.77%	39.20%	33.77%	39.20%
<b>Subtotal New Appropriated Resources</b>	73,409	\$11,919,054	75,533	\$11,919,054	83,807	\$14,100,667	83,807	\$14,100,667	10.95%	18.30%	10.95%	18.30%
<b>Other Resources:</b>												
Reimbursables	694	98,412	585	157,000	614	164,851	614	164,851	4.96%	5.00%	4.96%	5.00%
Offsetting Collections - Non Reimbursables		66,504		10,000		10,500		10,500		5.00%		5.00%
User Fees	81	502,449	86	414,364	1,006	340,733	1,006	340,733	1069.77%	-17.77%	1069.77%	-17.77%
Recovery from Prior Years		35,304		19,476		19,476		19,476				
Unobligated Balances from Prior Years	1,590	652,599	3,144	1,332,422	41	421,908	41	421,908	-98.70%	-68.34%	-98.70%	-68.34%
Transfers In/Out				140		140		140				
Recoveries Paid				3,398		3,398		3,398				
Resources from Other Accounts <sup>4</sup>	334	138,409	460	117,243	821	146,057	34	146,057	78.48%	24.58%	-92.61%	24.58%
<b>Subtotal Other Resources</b>	2,699	\$1,493,677	4,275	\$2,054,043	2,482	\$1,107,063	\$1,695	\$1,107,063	-41.94%	-46.10%	-60.35%	-46.10%
<b>Total Budgetary Resources</b>	76,108	\$13,412,731	79,808	\$13,973,097	86,289	\$15,207,730	\$85,502	\$15,207,730	8.12%	8.84%	7.13%	8.84%

<sup>1</sup> FY 2021 Other Resources represent actuals.

<sup>2</sup> FY 2021 Operating Plan includes an interappropriation transfer from Enforcement (\$208 million) to Taxpayer Services (\$32 million) and Operations Support (\$176 million).

<sup>3</sup> FY 2022 Annualized CR includes an interappropriation transfer of \$208 million from Enforcement to Taxpayer Services.

<sup>4</sup> Resources from Other Accounts reflect planned spending from Private Collection Agency retained earnings.

Note: The new appropriated resources do not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), and the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2). Unobligated balances in FY 2022 and FY 2023 include ARP funding.

## **Introduction**

The Internal Revenue Service (IRS) Fiscal Year (FY) 2023 budget request is \$14.1 billion, \$2.2 billion (18 percent) more than the FY 2022 Annualized Continuing Resolution (ACR) level of \$11.9 billion, to administer the nation's tax system fairly, collect more than \$4 trillion in gross taxes to fund the government, and strengthen tax compliance. The Budget comprises initiatives to improve the taxpayer's experience with the IRS, that will ultimately lead to increased voluntary tax compliance. The request also aims to ensure we stay current with the paper inventory and improve telephone and in-person service; facilitate better oversight of high income and corporate tax returns; and accelerate the development of digital tools to enable smarter communication with taxpayers. In addition, the Administration continues to support a multiyear investment in IRS enforcement to increase tax compliance and revenues that the President has previously proposed.

An extensive enforcement program will generate and protect billions in additional revenue while reducing the tax gap. The IRS has an overall enforcement return on investment (ROI) of about \$5 for every \$1 invested compared to the IRS appropriated budget, excluding significant deterrence effects. Overall, this request proposes new and enhanced strategies for refining how the taxpayer interacts with the IRS by implementing strategies that put taxpayers first, bringing services to underserved communities and providing new and improved online tools for taxpayers to communicate with the IRS easily and quickly.

An appropriate level of funding will allow the IRS to continue enhancing the taxpayer experience, narrowing the tax gap to ensure equitable administration of the tax code, protecting IRS systems and taxpayer data, and modernizing our information technology systems. Taxpayer services is only one component of funding required to serve taxpayers effectively. During the pandemic, for example, the Information Technology (IT) division provided the equipment necessary to allow thousands of IRS customer service representatives to telework, which enabled phone assistance to continue during a period of overwhelming demand while keeping our employees safe.

The IRS dedicates itself to improving the taxpayer experience so that taxpayers and their representatives can understand and meet their tax obligations with minimal burden. The aim is to increase voluntary compliance by simplifying the tax filing, correction, and payment processes. To help achieve this, we will focus on improving education and outreach on taxpayer rights and obligations and enhancing service channels to meet taxpayer needs. In addition to improving the taxpayer experience, another priority is to ensure taxpayers comply with federal tax laws. To this effect we continue to develop innovative approaches to understanding, detecting, and resolving potential noncompliance to maintain taxpayer confidence in the tax system.

The IRS expanded its taxpayer services through proactive outreach efforts to connect with underserved communities such as those with limited English proficiency (LEP), lower-income earners, military, veterans, retired and homeless, among other communities. We engaged hundreds of local and national groups, religious organizations, and numerous others to help contact underserved communities ensuring all eligible recipients could benefit from the Economic Impact Payments and Advance Child Tax Credit. We expanded communication options for LEP communities, such as releasing a Spanish version of Form 1040 and debuting Schedule LEP. In 2021, IRS translated 75-80 percent of the most popular pages on IRS.gov into seven languages.

Expanding our offerings in multiple languages is just one way the IRS is working to enhance the taxpayer experience. Another way is by providing new virtual services and online tools to tax professionals so they can better assist their clients. Enhancing the experience of taxpayers and tax professionals is essential to maintaining a voluntary tax system. Ensuring fair enforcement of the tax laws is just as critical as the services we provide. The IRS makes it possible for the government to perform its vital functions, helping fund the great work of our nation on everything from education to defense.

Though enforcement and taxpayer services efforts continue to expand, the IRS's budget has decreased by approximately 15 percent in real terms since FY 2010. As a result of this decrease in funding, Taxpayer Services FTEs have not increased and Enforcement FTEs have declined by 30 percent from FY 2010 through FY 2021, while real Gross Domestic Product (GDP)

has increased by 29 percent (see Figure 1.1). Current staffing levels are close to 1974 levels (see figure 1.2 for the past 12-year history).

Reduced FTEs have crippled tax administration bandwidth and significantly diminished the IRS's ability to:

- Deliver meaningful customer service,
- Maintain sufficient audit coverage of entities and individuals contributing the most to the tax gap,
- Collect taxes taxpayers acknowledge they owe but have not paid,
- Reduce the tax gap through a coordinated effort of both meaningful guidance and enforcement,
- Fund the government, and
- Modernize IT systems and facilities.

Figure 1.1

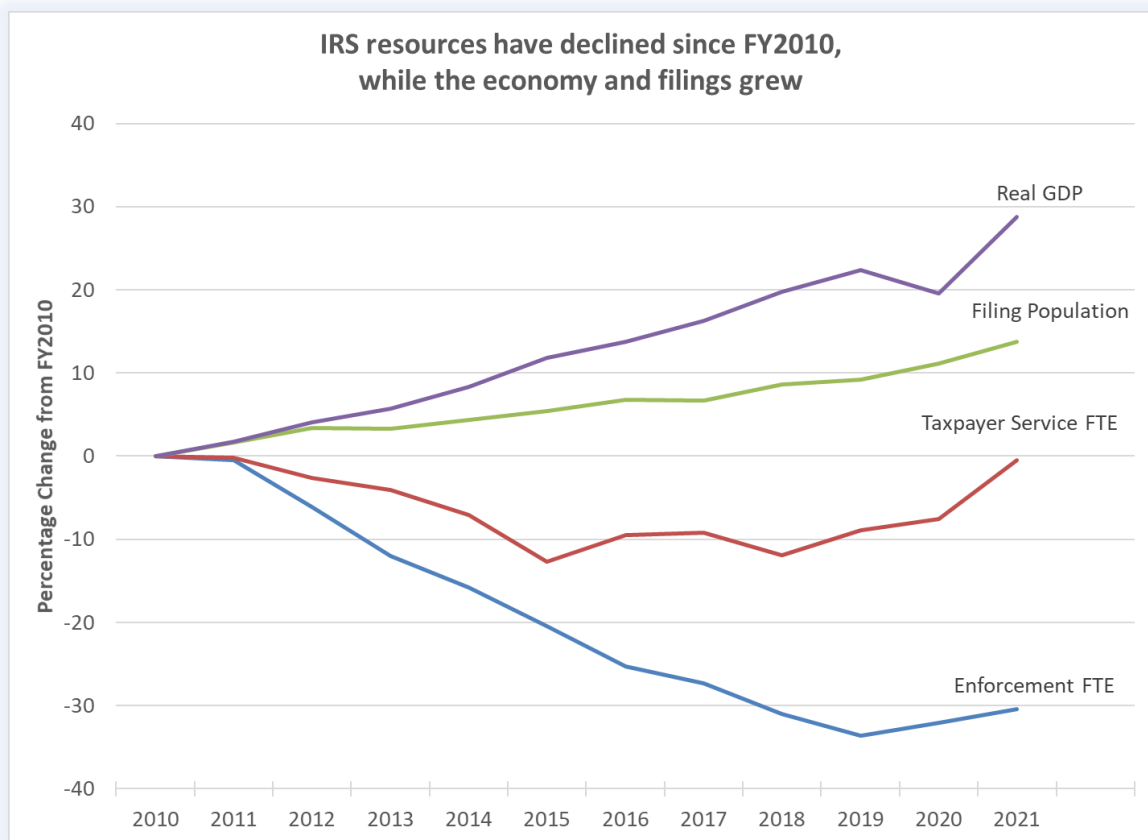
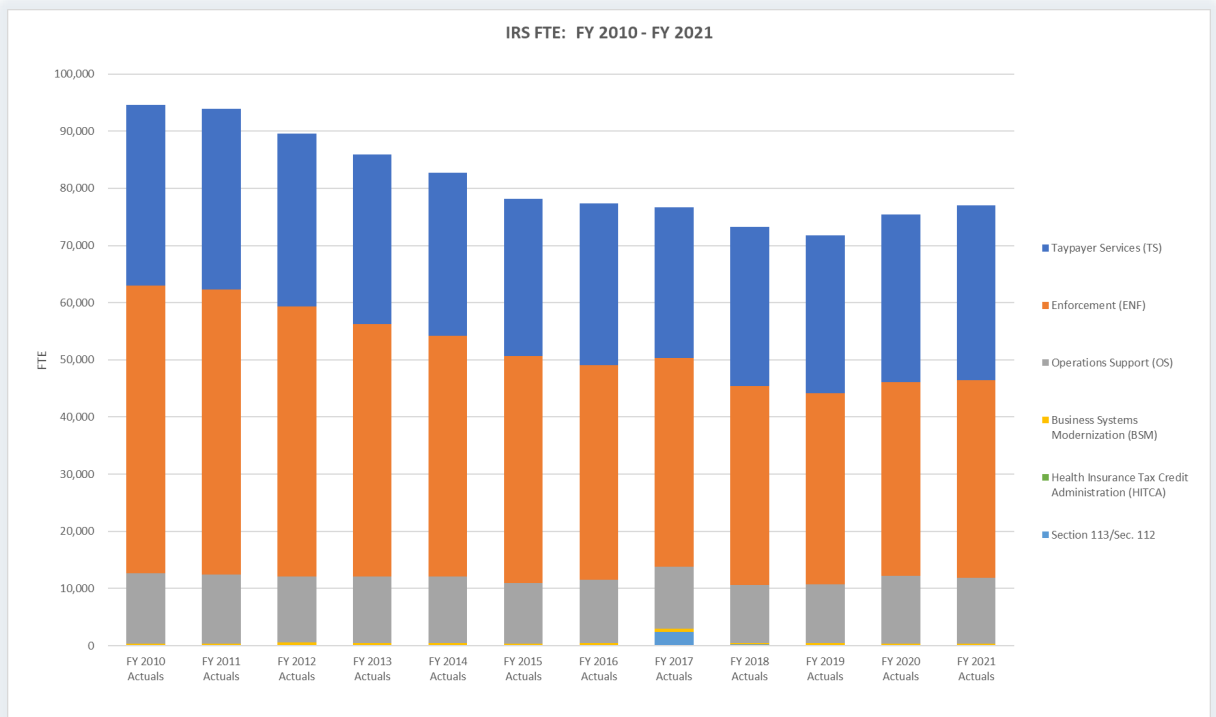




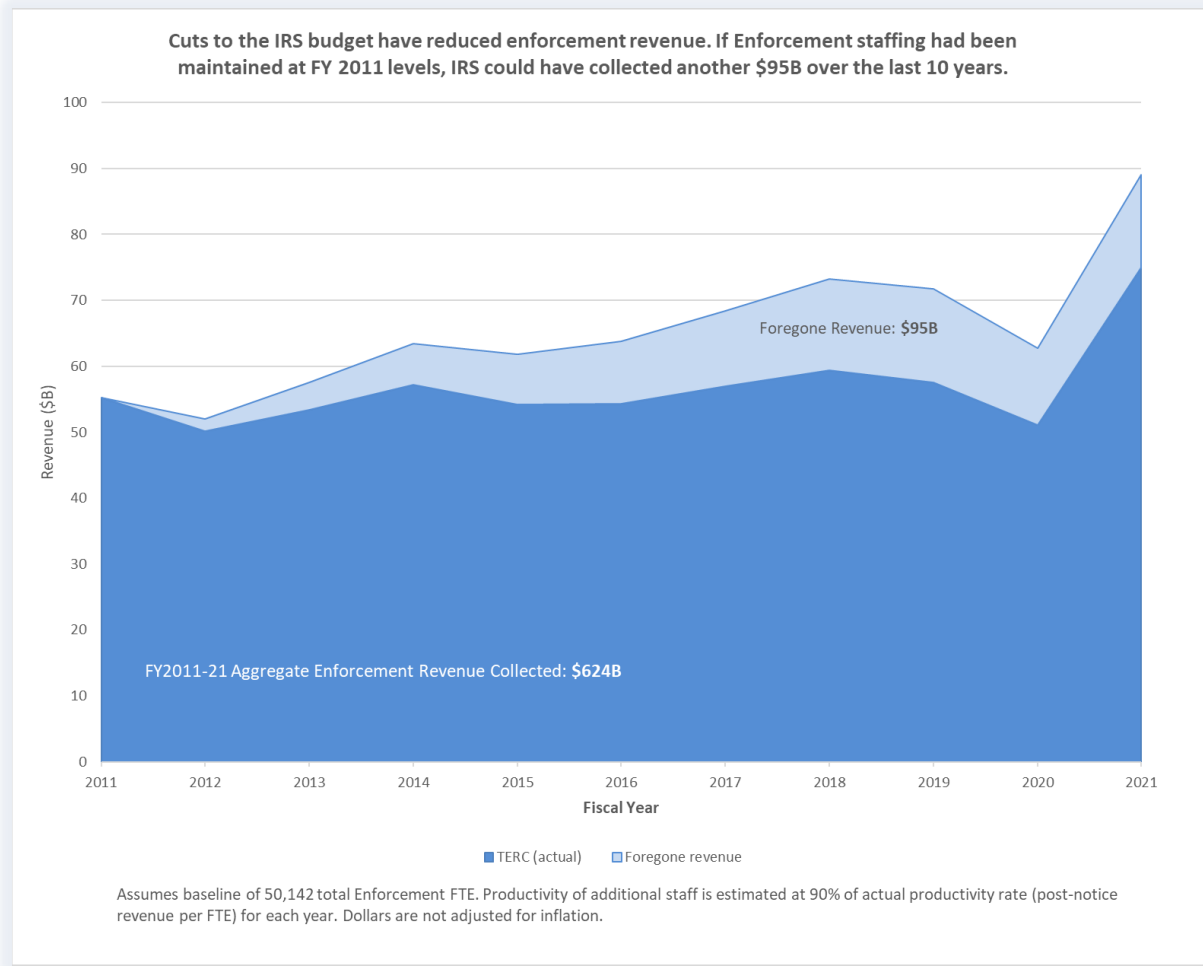
Figure 1.2



Note: FTE shown are funded through IRS annual appropriations as well as through funding provided in administrative provisions and supplemental legislation passed in addition to the annual appropriations. In FY 2020, this includes 2,144 FTE funded through the CARES Act. In FY 2021, this includes 2,933 FTE funded through supplemental appropriations within the Consolidated Appropriations Act, 2021 and the American Rescue Plan.

Reductions to enforcement staffing levels over the last decade factored pointedly into reduced total enforcement revenue collected (TERC) by around \$95 billion.

**Figure 1.3**



While a portion of the unpaid tax obligations that make up the tax gap result from a lack of knowledge or ambiguity and complexity in tax law, willful evasion is a significant contributing factor. The IRS could help remedy this with the funding of a multi-year enforcement initiative, that would include targeted investments in enforcement activities designed to increase revenue and lower the tax gap. The FY 2023 request and legislative proposals provide the IRS with a blueprint to address various facets of the tax gap.

## Restructuring IRS Appropriations to Align Support Costs to Mission Costs

With this budget, the Administration proposes a change to the appropriations language that would allow Taxpayer Services and Enforcement funding to be used for certain associated support costs that are currently reserved for Operations Support funding. Currently, Taxpayer Services and Enforcement funding only pays for an employee’s labor cost, not the cost to hire the employee or the IT equipment and space needed to make them productive. There are significant benefits to this change – future IRS budgets would reflect the full cost of Taxpayer Services and Enforcement, to include their necessary support costs. The changes would also prompt IRS Business Units to be more efficient with their support costs because they stand to directly benefit from savings.

The IRS proposes using an internal reimbursable agreement process to carry out the proposed funding structure. In FY 2023, rental and Chief Financial Officer (CFO) costs will be reallocated from Operations Support to Taxpayer Services and Enforcement with more costs planned to move out of Operations Support in the future. A total of \$710 million will be shifted from Operations Support to Taxpayer Services (\$299 million) and Enforcement (\$411 million) (see figure 1.4). For additional information, please see section D – Appropriations Language and Explanation of Changes includes a more detailed description and justification of this proposal.

Figure 1.4

Appropriation	FY 2023 Request	Proposed Adjustments			Proposed Funding Levels
		Rent	CFO	Adjustment Total	
Taxpayer Services	3,385,723	265,830	33,040	298,870	3,684,593
Enforcement	5,861,649	368,613	42,051	410,664	6,272,313
Operations Support	4,543,268	(634,443)	(75,091)	(709,534)	3,833,734
Business Systems Modernization	310,027				310,027
<b>Grand Total</b>	<b>\$14,100,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$14,100,667</b>

## B – Summary of the Request

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

In FY 2021, the IRS collected more than \$4 trillion in taxes (gross receipts before tax refunds) and collects nearly all the revenue that supports the federal government’s operations. With the U.S. tax base becoming more complex, one of the IRS’s key responsibilities is to make it easier for taxpayers to understand and meet their tax obligations.

<b>269M</b>	<b>\$4.1T</b>	<b>\$1,691</b>	<b>\$75.0B</b>
<b>Federal Tax Returns and Forms Processed</b>	<b>Collected in Gross Taxes</b>	<b>Average Individual Refund</b>	<b>Enforcement Revenue Collected</b>

The IRS’s FY 2023 budget request is composed of strategic investments that are aligned with the President’s Management Agenda, as well as with mission driven efforts that will perpetuate the trajectory of the agency to better serve the taxpayer – warrant an impartial tax system – and lessen the tax gap. The FY 2023 Budget requests a total program increase of \$1.3 billion including:

- \$320.2 million for continuing the Taxpayer First Act implementation activities;
- \$469.3 million for continuing enforcement strategies that ensure a fair tax system;
- \$389.1 million for implementing strategies to enhance taxpayer services;
- \$78.1 million for building and enhancing IT systems that will improve taxpayer services;
- \$39.5 million to enhance and increase IT operations; and
- \$10.2 million to establish the Mississippi Delta hiring initiative designed to provide job opportunities for those who live in underdeveloped communities and develop a pipeline of talent.

## FY 2023 Budget Request and Priorities

The FY 2023 request is \$14.1 billion, \$2.2 billion or 18.3 percent more than the FY 2022 ACR of \$11.9 billion. The Budget request includes, \$12.8 billion in base resources and \$1.3 billion in program increases to carry out the IRS mission, including:

- Putting Taxpayers First (\$320 million),
- Ensure Fairness of the Tax System (\$469 million),
- Enhance Taxpayer Service (\$389 million),
- Integrated Modernization Business Plan (\$78 million),
- Critical IT Operations (\$39 million), and
- Focused Strategies for Reaching Underserved Communities (\$10 million).

<b>Appropriation Account (Status Quo)</b>	<b>(\$ in Millions)</b>
Taxpayer Services	\$3,385.7
Enforcement	5,861.6
Operations Support	4,543.3
Business Systems Modernization	310.0
<b>Total Appropriated Resources</b>	<b>\$14,100.7</b>

*The following appropriation levels reflect the FY 2023 proposed appropriations language change, outlined in section D, that charges \$710 million of support costs that were historically part of Operations Support to Taxpayer Services and Enforcement, for costs associated with rent and the Chief Financial Officer. When considering the proposed request, the appropriation levels for the FY 2023 budget are as follows:*

<b>Appropriation Account (with Change)</b>	<b>(\$ in Millions)</b>
Taxpayer Services	\$3,684.6
Enforcement	6,272.3
Operations Support	3,833.7
Business Systems Modernization	310.0
<b>Total Appropriated Resources</b>	<b>\$14,100.7</b>

## 1.2 – Budget Adjustments Table

Dollars in thousands

Bureau: Internal Revenue Service		
Summary of Proposed FY 2023 Request	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>75,533</b>	<b>\$11,919,054</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$436,363</b>
Pay Annualization (2.7% average pay raise)		62,546
Pay Raise (4.6% average pay raise)		321,837
Non-Pay		51,980
<b>Base Adjustment</b>	<b>1,183</b>	<b>\$438,882</b>
Adjustment to Reach Current Operating Levels	1,183	438,882
<b>Subtotal FY 2023 Changes to Base</b>	<b>1,183</b>	<b>\$875,245</b>
<b>FY 2023 Current Services</b>	<b>76,716</b>	<b>\$12,794,299</b>
<b>Program Changes:</b>		
<b>Program Increases</b>		
Putting Taxpayers First	573	320,170
<i>User Authentication</i>		81,000
<i>Taxpayer Experience Strategy</i>	573	239,170
Ensure Fairness of the Tax System	2,513	469,253
Enhance Taxpayer Service	3,858	389,112
Integrated Modernization Business Plan	104	78,143
Critical IT Operations	36	39,521
Focused Strategies for Reaching Underserved Communities	7	10,169
<b>Subtotal FY 2023 Program Increases</b>	<b>7,091</b>	<b>\$1,306,368</b>
<b>Total FY 2023 Budget Request</b>	<b>83,807</b>	<b>\$14,100,667</b>

See footnotes in 1.1 -- Appropriations Detail Table

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

**C – Base Adjustment and Program Changes Description**

**Maintaining Current Levels..... +\$436,363,000 / 0 FTE**

Pay Annualization (2.7%) +\$62,546,000 / 0 FTE

Funds are requested for annualization of the January 2022 2.7 percent average pay raise.

Pay Raise (4.6%) +\$321,837,000 / 0 FTE

Funds are requested for a 4.6 percent average pay raise in January 2023.

Non-Pay +\$51,980,000 / 0 FTE

Funds are requested for non-labor expenses such as travel, contracts, rent, supplies, and equipment.

**Base Adjustment.....+\$438,882,000 / +1,183 FTE**

The FY 2023 base begins at the FY 2022 ACR level of \$11.9 billion. In addition to \$436 million to maintain current staffing levels, the base was adjusted by \$439 million dollars to reach current operating funding levels.

**Program Increases ..... +\$1,306,368,000 / +7,091 FTE**

Collectively the following proposed FY 2023 investments total **\$390,808,000 with 1,832 FTE**; the remaining \$915,560,000 with 5,259 FTE is made up of the carried over FY 2022 investments – which are displayed in the Program Increase Table below and discussed in section 4.2.

Bureau: Internal Revenue Service Summary of FY 2023 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
<b>FY 2023 Program Increases:</b>										
Putting Taxpayers First	83,575	138	15,461	55	42,082	86			141,118	279
<i>User Authentication</i>	54,000								54,000	
<i>Taxpayer Experience Strategy</i>	29,575	138	15,461	55	42,082	86			87,118	279
Ensure Fairness of the Tax System										
Enhance Taxpayer Service	156,000	1,510			44,000				200,000	1,510
Critical IT Operations					39,521	36			39,521	36
Focused Strategies for Reaching Underserved Communities					10,169	7			10,169	7
<b>Subtotal FY 2023 Program Increases</b>	<b>\$239,575</b>	<b>1,648</b>	<b>\$15,461</b>	<b>55</b>	<b>\$135,772</b>	<b>129</b>			<b>\$390,808</b>	<b>1,832</b>
<b>FY 2022 Program Increases:</b>										
Putting Taxpayers First	40,036	54	38,870	97	100,146	143			179,052	294
<i>User Authentication</i>	27,000								27,000	
<i>Taxpayer Experience Strategy</i>	13,036	54	38,870	97	100,146	143			152,052	294
Ensure Fairness of the Tax System			370,857	2,493	98,396	20			469,253	2,513
Enhance Taxpayer Service	148,167	2,348			40,945				189,112	2,348
Integrated Modernization Business Plan							78,143	104	78,143	104
<b>Subtotal FY 2022 Program Increases</b>	<b>\$188,203</b>	<b>2,402</b>	<b>\$409,727</b>	<b>2,590</b>	<b>\$239,487</b>	<b>163</b>	<b>\$78,143</b>	<b>104</b>	<b>\$915,560</b>	<b>5,259</b>
<b>Total FY 2023 Program Increases</b>	<b>\$427,778</b>	<b>4,050</b>	<b>\$425,188</b>	<b>2,645</b>	<b>\$375,259</b>	<b>292</b>	<b>\$78,143</b>	<b>104</b>	<b>\$1,306,368</b>	<b>7,091</b>

**Putting Taxpayers First +\$141,118,000 / +279 FTE**

Position Type/Other Costs	FTE	Positions	\$000
<b>User Authentication</b>			<b>\$54,000</b>
Contract Services			54,000
<b>Proactive Outreach and Education</b>	<b>102</b>	<b>204</b>	<b>\$34,439</b>
Revenue Agent	24	48	4,785
Attorney	13	26	2,316
Other	65	130	11,126
Contract Services			16,212
<b>Focused Strategies for Reaching Underserved Communities</b>	<b>61</b>	<b>122</b>	<b>\$17,119</b>
Other	61	122	8,119
Contract Services			9,000
<b>Taxpayer Experience Office</b>	<b>67</b>	<b>134</b>	<b>\$15,484</b>
Other	67	134	15,484
<b>Human Resources Support</b>	<b>49</b>	<b>98</b>	<b>20,076</b>
Other	49	98	20,076
<b>Total</b>	<b>279</b>	<b>558</b>	<b>\$141,118</b>

Public Law 116-25, The Taxpayer First Act (TFA), requires the IRS to develop and implement a Taxpayer Experience Strategy (TXS) to improve the American taxpayer’s experience with the IRS. To fulfill the TXS requirement, the IRS’s Taxpayer First Act Office (TFAO), in partnership with key internal and external stakeholders and subject matter experts, identified certain areas of focus to inform the development and implementation of the TFA TXS. The FY 2023 funding concentrates on:

- Expanding an application to protect taxpayers’ personally identifiable information,



- Expanding strategies that increase the IRS’s outreach and taxpayer education efforts,
- Developing strategies to reach underserved communities, and
- Providing human resources support for implementing the TFA.

User Authentication +\$54,000,000 / 0 FTE

Section 2304 of the TFA requires the IRS to verify the identity of any individual opening an IRS online account before such individual can use online applications, including online tools for tax professionals. IRS will utilize the services of a third-party vendor, which charges for each new taxpayer who signs up for an IRS online account. Funding will provide authentication services for approximately 15 million estimated additional taxpayers who will sign up for online services such as applying for an identity protection PIN, obtaining a transcript, viewing account information, entering into an Online Payment Agreement, and functionalities of the Tax Pro Account application.

Proactive Outreach and Education +\$34,439,000 / +102 FTE

The optimal taxpayer experience is for taxpayers to have all the information they need to comply with their tax obligations without expending any additional effort. To optimize the impact of an enhanced taxpayer experience, improved outreach, and a better understanding by taxpayers of their obligations is foundational. Building out a system of Proactive Outreach and Education will allow the IRS to use various channels, languages, and personalized messaging to reach taxpayers at the right time through the right format. Equipping taxpayers with this information proactively minimizes the likelihood of them having to contact the IRS, freeing up IRS resources to address other taxpayer needs. Educating taxpayers will increase confidence in the agency, enable them to meet tax obligations, and enable the IRS to better anticipate and respond to taxpayer needs. The following are highlights of what will be accomplished with funding:

- Provide taxpayers with updates through their online accounts or push information to their mobile devices. This will include information on how to open online accounts and increasing usage of self-service digital options;
- Deliver information and education through additional social media platforms:
  - Capture data and analytics from platforms to understand demographic profiles;
  - Apply emerging technology that customizes messaging to the right taxpayer groups through their optimal platform at the right time;
- Issue simplified and improved notices;
- Analyze data to determine language translations needed for social media; and
- Use evidence-based approaches to design easy to understand plain language communications.

Focused Strategies for Reaching Underserved Communities +\$17,119,000 / +61 FTE

The IRS leverages outreach relationships through two grant programs with local and national partners to educate and inform taxpayers about meeting their tax obligation. The Volunteer Income Tax Assistance (VITA) program provides underserved communities with free tax filing assistance and aids low-to-moderate-income taxpayers who cannot prepare their own tax returns, including the elderly, persons with disabilities, and those with limited English proficiency. The Tax Counseling for the Elderly Program (TCE) offers free tax counseling and assistance to elderly individuals (60 or older) in preparing their federal income tax returns. Additional funding will further expand IRS outreach and tax assistance services along with resources to address projected program staffing needs and support anticipated partner cultivation and growth of the two grant programs.

Taxpayer Experience Office (TXO) +\$15,484,000 / +67 FTE

In the Taxpayer First Act Report to Congress, the IRS identified as part of its key organizational structure the establishment of a new office designed to improve taxpayer experiences with the IRS. The Taxpayer Experience Office (TXO) drives strategic direction for improving the taxpayer experience across the IRS and helps ensure a consistent voice and experience across all taxpayer segments by developing agency-wide guidelines and expectations. Collaborating with peers across the entire agency, this office promotes an enterprise-level holistic view of the taxpayer experience with teams of experts in the areas of customer experience, research, behavioral analytics, human-centered design, and service delivery. The TXO provides IRS organizational units with information on industry trends and ways to apply customer service best practices within the framework of IRS operations and federal limitations.

Human Resources Support +\$20,076,000 / +49 FTE

Funding for this initiative will continue the implementation of a service-wide training strategy, as required in section 2402 of the TFA. Key areas of this strategy will focus on organizational awareness, career paths, people first training, employee online forums, organizational liaisons, internal concierge service, and enhanced training technologies. Resources are also required to coordinate IRS-wide efforts for recruiting, hiring, onboarding, enabling, and training new employees to efficiently focus on large business, high-income and high-wealth taxpayers, partnerships, abusive crypto-currency transactions, and promoter-related examinations. Funding is requested to identify resource gaps, assess, and improve the way the IRS selects qualified individuals, and develop an integrated approach to hiring, recruitment, and training. Onboarding employees who have technical expertise in these areas will be critical. The IRS will also create a Center of Excellence for employee development that will be available to the Department as a shared service.

Enhance Taxpayer Service +\$200,000,000 / +1,510 FTE

Position Type/Other Costs	FTE	Positions	\$000
<b>Increase Telephone Level of Service</b>	<b>1,510</b>	<b>1,520</b>	<b>\$200,000</b>
Customer Service Rep	1,500	1,500	172,800
Manager	10	20	2,487
Contractual Services/ IT			24,713
<b>Total</b>	<b>1,510</b>	<b>1,520</b>	<b>\$200,000</b>

This investment will allow the IRS to increase the telephone level of service (LOS) to 85 percent assuming phone demand returns to pre-pandemic levels and the IRS can provide in-person services at pre-pandemic levels. This investment will build on the IRS's efforts to improve telephone services for underserved communities such as those who are deaf or hard of hearing, LEP communities, and victims of tax related identity theft. During the 2021 filing season, the IRS's level of service fell short of its targets because of the Coronavirus (COVID-19) pandemic and legislation aimed at providing relief that resulted in massively increased demand for the toll-free lines. Individual and Business taxpayer telephone demand increased by 456 percent and 244 percent, respectively during the 2021 filing season. In FY 2021, the number of taxpayers calling to schedule appointments at Taxpayer Assistance Centers (TACs) was 3.9 million above the same period in the prior year.

In addition to expanding LOS for underserved communities, funding for this initiative will improve the way taxpayers interact with IRS by enhancing and expanding the range of modern, digital tools provided by IRS to deliver a service experience comparable to those available in the private sector. By empowering taxpayers to address certain needs without requiring live assistance, development of these tools is essential to IRS's long-term success in satisfying taxpayer expectations and meeting the ongoing growth in demand for assistance. These resources will enable IRS to address strategic service needs, such as:

- Expanding the features of individual Online Account to provide more personalized content and the ability to update and store information used for key activities like alerts, payments and estimating withholding;
- Developing a robust Business Online Account to provide business taxpayers (and their representatives) an integrated online account experience that enables them to securely manage and fulfill their federal tax obligations;
- Providing critical electronic payment capabilities in light of the planned decommissioning of Direct Pay and the Electronic Federal Tax Payments System (EFTPS); and
- Making improvements to IRS.gov to provide a modern and consistent experience that provides taxpayers the information they need in a timely, searchable, and mobile-adaptive environment.

***Critical Information Technology Operations +\$39,521,000 / +36 FTE***

Position Type/Other Costs	FTE	Positions	\$000
IT Specialist	36	72	7,031
Contractual Services			32,490
<b>Total</b>	<b>36</b>	<b>72</b>	<b>\$ 39,521</b>

The IRS continues to transform its technological landscape and has made progress on its modernization journey to provide taxpayers with a seamless customer experience, while empowering employees with the tools and systems needed to provide top quality services and enforce tax law. These successes have increased the need to sustain critical IT operations to maintain optimum network performance and functionality. The IRS continues to deploy and incorporate new, modernized tools for taxpayers, tax professionals, and employees. Taxpayer service improvements (additional digital services, real-time account information, etc.), enterprise efficiency advances (automation, artificial intelligence, machine learning, etc.) and new employee tools (case management, collaboration, learning platforms, etc.) all require additional bandwidth to sustain a high volume of users processing digitalized capabilities.

***Economic Development in Underserved Communities +\$10,169,000 / +7 FTE***

Position Type/Other Costs	FTE	Positions	\$000
Analyst	7	14	7,640
Contractual Services			2,529
<b>Total</b>	<b>7</b>	<b>14</b>	<b>\$ 10,169</b>

The IRS will cultivate new opportunities for adults and students in underserved communities by partnering with state labor and human services officials to identify talent and design training programs for adult candidates. Additionally, the IRS will develop a talent pipeline by partnering with colleges, universities (with a special focus on Historically Black Colleges and Universities and other minority servicing institutions) and high schools to design training programs to prepare participants for IRS careers. These partnerships will foster equitable economic growth, establish long-term federal employment options, and develop a continual stream of talent suited to further enhance the taxpayer experience and support the IRS mission. As a first step, the IRS plans to create a center in the Mississippi Delta Region, which currently has the highest rate of poverty in the United States, excluding the U.S. Territories.

### 1.3 – Object Classification (Schedule O) Obligations

Dollars in thousands

Internal Revenue Service Object Classification	FY 2021 Operating Plan	FY 2022 Annualized CR	FY 2023 Request
11.1 Full-Time Permanent Positions	6,106,908	6,264,496	7,105,375
11.3 Other than Full-Time Permanent Positions	86,008	93,663	98,308
11.5 Other Personnel Compensation	301,867	336,242	372,976
11.8 Special Personal Services Payments	29,681	30,239	49,677
<b>11.9 Personnel Compensation (Total)</b>	<b>6,524,464</b>	<b>6,724,640</b>	<b>7,626,336</b>
12.1 Personnel Benefits	2,400,621	2,527,702	2,881,499
13.0 Benefits to Former Personnel	20,240	13,728	14,297
<b>Total Personnel and Compensation Benefits</b>	<b>\$8,945,325</b>	<b>\$9,266,070</b>	<b>\$10,522,132</b>
21.0 Travel	69,038	75,642	141,505
22.0 Transportation of Things	23,288	23,568	37,972
23.1 Rental Payments to GSA	579,736	609,019	634,381
23.2 Rent Payments to Others	7,196	280	306
23.3 Communications, Utilities, & Misc.	317,043	298,292	346,087
24.0 Printing & Reproduction	32,307	32,421	36,108
25.1 Advisory & Assistance Services	1,021,157	695,468	1,139,330
25.2 Other Services	89,204	91,615	170,157
25.3 Purchase of Goods & Services from Govt. Accounts	155,815	172,736	194,947
25.4 Operation & Maintenance of Facilities	199,042	202,780	223,733
25.5 Research & Development Contracts			
25.6 Medical Care	15,097	17,724	44,877
25.7 Operation & Maintenance of Equipment	70,123	46,150	62,282
25.8 Subsistence & Support of Persons			
26.0 Supplies and Materials	32,281	28,408	34,462
31.0 Equipment	269,122	249,320	362,726
32.0 Land and Structures	32,645	45,987	76,858
33.0 Investments & Loans			
41.0 Grants, Subsidies	54,000	54,000	63,000
42.0 Insurance Claims & Indemnities	2,135	2,074	2,115
43.0 Interest and Dividends			
44.0 Refunds			
91.0 Unvouchered	4,500	7,500	7,690
<b>Total Non-Personnel</b>	<b>\$2,973,729</b>	<b>\$2,652,984</b>	<b>\$3,578,535</b>
<b>New Appropriated Resources</b>	<b>\$11,919,054</b>	<b>\$11,919,054</b>	<b>\$14,100,667</b>
<b>Appropriations:</b>			
Taxpayer Services	2,587,606	2,763,606	3,385,723
Enforcement	5,004,622	5,004,622	5,861,649
Operations Support	4,104,102	3,928,102	4,543,268
Business Systems Modernization	222,724	222,724	310,027
<b>New Appropriated Resources</b>	<b>\$11,919,054</b>	<b>\$11,919,054</b>	<b>\$14,100,667</b>
<b>FTE</b>	<b>73,409</b>	<b>75,533</b>	<b>83,807</b>

See footnotes in 1.1 – Appropriations Detail Table

Note 1: This table does not include the proposed technical adjustment that would move certain support activities from Operations Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operations Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

Note 2: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2)

**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, associated support costs, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$3,684,593,000; of which not to exceed \$100,000,000 shall remain available until September 30, 2024; 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 \$30,000,000, to remain available until September 30, 2024, shall be available for the Community Volunteer Income Tax Assistance Matching Grants Program for tax return preparation assistance; and of which not less than \$235,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: Provided, That of the amounts made available for the Taxpayer Advocate Service, not less than \$5,500,000 shall be for identity theft and refund fraud casework.</i></p> <p>Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117–43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.</p>	<p>Adding “associated support costs” would allow the IRS to reallocate service-related support costs from Operations Support to Taxpayer Services, to ensure that Taxpayer Services reflects the full cost of delivering mission critical activities. See the following section titled Restructuring IRS Appropriations to Align Support Costs to Mission Costs, on page IRS-25, for more information regarding this proposal.</p> <p>Allowing \$100,000,000 to remain available until September 30, 2024, in the Taxpayer Services account provides IRS with needed relief in the event that IRS is not successful in hiring thousands of employees in extremely tight labor markets where IRS has campus facilities.</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)), associated support costs, and to provide</i></p>	<p>Adding “associated support costs” would allow the IRS to reallocate service-related support costs from Operations Support to Enforcement, to ensure that Enforcement reflects the full cost of delivering mission critical activities. See the following section titled Restructuring IRS Appropriations to Align Support Costs to Mission Costs, on page IRS-25, for more information regarding this proposal.</p>

*other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$6,272,313,000; of which not to exceed \$250,000,000 shall remain available until September 30, 2024; of which not less than \$60,257,000 shall be for the Interagency Crime and Drug Enforcement program; and of which not to exceed \$21,000,000 shall be for investigative technology for the Criminal Investigation Division: Provided, That the amount made available for investigative technology for the Criminal Investigation Division shall be in addition to amounts made available for the Criminal Investigation Division under the "Operations Support" heading.*

Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117–43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.

#### OPERATIONS SUPPORT

*For necessary expenses to operate the Internal Revenue Service, including headquarters; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; \$3,833,734,000; of which not to exceed \$275,000,000 shall remain available until September 30, 2024; 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, 2025, for research; and of which not to exceed \$20,000 shall be for official reception and representation expenses: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing major information technology investments in the Internal Revenue Service Integrated Modernization Business Plan portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual*

The administration proposes editing the following verbiage from the Operations Support language: *For necessary expenses to operate the Internal Revenue Service, including; headquarters*

This change would allow the IRS to reallocate service-related support costs from Operations Support to the mission-specific appropriations, Taxpayer Services or Enforcement, to reflect the full cost of delivering mission critical activities in those taxpayer-facing accounts. See the following section titled Restructuring IRS Appropriations to Align Support Costs to Mission Costs, on page IRS-25, for more information regarding this proposal.

The administration proposes to remove the following statement [from the IRS FY 2023 Operations Support language]: *“of which not less than \$10,000,000, to remain available until expended, shall be available for establishment of an application through which entities registering and renewing registrations in the System for Award Management may request an authenticated electronic certification stating that the entity does or does not have a seriously delinquent tax debt.”* With the FY 2022 enacted budget, the IRS has received \$30,000,000 of

*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 2024, a summary of cost and schedule performance information for its major information technology systems.*

Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117–43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.

#### *BUSINESS SYSTEMS MODERNIZATION*

*For necessary expenses of the Internal Revenue Service's business systems modernization program, \$310,027,000, to remain available until September 30, 2025, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing major information technology investments in the Internal Revenue Service Integrated Modernization Business Plan portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year.*

Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117–43, as amended). The amounts included for 2022

no year funds earmarked for this effort from since FY 2020. The IRS is committed to completing this project and will use those earmarked funds to complete it. If funding needs arise beyond those available funds, the IRS would use current year funds to complete the project.

reflect the annualized level provided by the continuing resolution.

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

*SEC. 101. Not to exceed 4 percent of the appropriation made available in this Act to the Internal Revenue Service under the "Enforcement" heading, and not to exceed 5 percent of any other appropriation made available in this Act to the Internal Revenue Service, may be transferred to any other Internal Revenue Service appropriation upon advance notice to the Committees on Appropriations of the House of Representatives and the Senate: Provided, That an additional 2 percent of the appropriation made available in this Act to the Internal Revenue Service under the "Enforcement" heading may be transferred to the appropriation made available in this Act to the Internal Revenue Service under the "Taxpayer Services" heading upon advance notice 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*

This change will allow IRS to transfer up to 6 percent into the Taxpayer Services account from Enforcement in case this flexibility is still needed in FY 2023 to address inventory issues, while still retaining the existing 4 percent transfer authority out of Enforcement to the Operations Support or BSM accounts, and the existing 5 percent transfer authority out of any of the other accounts.



*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. Notwithstanding any Congressional notification requirements for a reprogramming of funds in this Act,*

<p><i>funds provided in this Act for the Internal Revenue Service shall be available for obligation and expenditure through a reprogramming of funds that augments or reduces existing programs, projects, or activities by up to \$10,000,000 without prior Congressional notification of such action.</i></p>	
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## Structural Changes to IRS Appropriations to Improve Mission Delivery and Transparency

With this Budget, the Administration proposes structural changes to IRS appropriations that would align the IRS funding for support activities with mission delivery activities. The current appropriations language segments many support activities into Operations Support. The Operation Support appropriation language specifies it must be used to fund support costs such as:

*... 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 ...*

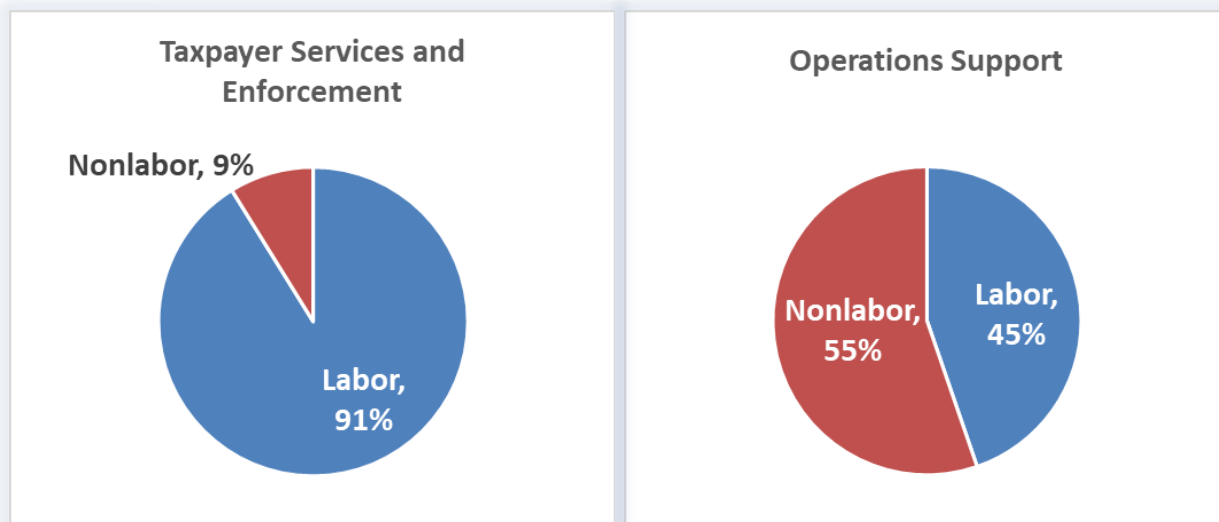
By separating funding for these activities from the mission activities that they support, this structure obscures the full cost of delivering the IRS mission. The administration proposes a multi-year process to shift activities from Operations Support into the mission appropriations, so the IRS budget better reflects the full cost of its mission programs. This shift in resources would improve full-cost transparency, mission delivery and long-term accountability.

### Challenges

The Operations Support account currently funds multiple activities that directly contribute to and ensure that IRS personnel funded in Enforcement and Taxpayer Service accounts can execute their missions. For example, while revenue agent salaries are funded in the Enforcement account, the facilities (and the resulting rent and physical security) and the computer equipment and systems that the agents use to conduct their work are funded in the Operations Support account. The Program Integrity Allocation Adjustment (PIAA), like similar proposals included in previous budgets provides an illustrative example – its mission is solely focused on tax law enforcement, but a third of its funds were needed in the Operations Support appropriation. Aligning these support costs in the mission appropriation would better reflect the full cost of those mission programs – providing improved transparency.

The effect of the current language as written is that Taxpayer Services and Enforcement fund mostly salaries and benefits, while Operations Support funds most other costs. This distortion is apparent when comparing the relative amounts of IRS labor and nonlabor in Taxpayer Services and Enforcement (91 percent labor) to Operations Support (45 percent labor) in this budget.

Figure 1.5



The separation between IRS labor and its associated, often non-labor, support complicates efficiency tradeoffs and creates prioritization challenges. For example, the IRS must prioritize Operations Support funding for IT investment requests coming from different business units. If the funding of these activities came from the business units' appropriations, which is a long-term goal of this project, they could potentially contribute from their own funding – allowing business units to invest in IT to deliver on their mission.

The reimagined IRS under the Taxpayer First Act calls for modernization and technology enhancements to advance the IRS into the 21st century with more user-friendly electronic interactions, secure digital accounts, and self-service options. This mandate continues the growth trend of IT, currently funded exclusively by Operations Support and Business Systems Modernization (BSM), even as IT becomes increasingly intertwined with IRS operations. The costs of maintaining aged information systems, complying with cybersecurity mandates, and implementing other mandates, drive further growth.

Orienting funding by mission appropriation would also improve business unit leaders' ability to allocate resources to their highest priority needs. It would improve the alignment between performance metrics for the units and their funding. By making business unit leaders directly responsible for the funding, and by extension the performance of their programs, these changes make leaders more accountable to Congress and the American public.

## Remedy

To address this problem, the administration proposes changes to its appropriations language and an attendant shift between appropriations. The specified appropriation language changes would allow IRS to fund certain support activities from Taxpayer Services and Enforcement appropriations using cost pools. Cost pools would be created using IRS internal reimbursable arrangements. For FY 2023, the Administration proposes to implement the capability by funding Rent and CFO Services from the mission appropriations. We expect the change would result in more efficient use of IRS resources and constitute progress towards implementing cost pools for additional support activities, including IT.

Budget Activity	FY 2023 Request	Proposed Changes		Proposed Funding
		Rent	CFO	
Pre-Filing Taxpayer Assistance & Education	804	56	7	867
Filing & Account Services	2,582	210	26	2,818
<b>Taxpayer Services</b>	<b>3,386</b>	<b>266</b>	<b>33</b>	<b>3,685</b>
Investigations	785	50	4	839
Exam & Collections	4,883	308	37	5,228
Regulatory	193	11	1	205
<b>Enforcement</b>	<b>5,861</b>	<b>369</b>	<b>42</b>	<b>6,272</b>
Infrastructure	1,040	(635)	-	405
Shared Services & Support	1,200	-	(75)	1,125
Information Services	2,304	-	-	2,304
<b>Operations Support</b>	<b>4,544</b>	<b>(635)</b>	<b>(75)</b>	<b>3,834</b>
Business Systems Modernization	310	-	-	310
<b>Business Systems Modernization</b>	<b>310</b>	<b>-</b>	<b>-</b>	<b>310</b>
<b>Grand Total</b>	<b>14,101</b>	<b>-</b>	<b>-</b>	<b>14,101</b>

Implementing cost pools for IT, a future goal for this effort, would allow IRS leaders to make tradeoff decisions to fund key technology enhancements. Such enhancements would allow the IRS to accomplish its mission to provide American taxpayers with top quality service in understanding and meeting their tax responsibilities and to apply the tax law with integrity and fairness for all. For example, an Enforcement activity could deploy IT robotic process automation to reduce its time to close a

case by providing its own enforcement funds to IT to fund the automation effort. Currently, such an innovation would have to be prioritized with all other Operation Support costs.

### **Incremental Transition**

The IRS plans and proposes to incrementally transition from its current structure to the new, full-cost focused mission appropriations and a significantly reduced Operations Support appropriation over the next three years. This gradual transition would provide time to test associated business processes, such as assigning or allocating shared costs from multiple business units to cost pools and implement updates to the accounting system before requesting additional funding shifts from Operations Support. Activities are currently expected to include:

- Information Technology,
- Communications,
- Facilities Management,
- Human Capital Organization,
- Enterprise Change and Innovation,
- Procurement,
- Chief Financial Officer,
- Printing and Postage, and
- Other shared services.

While much is expected to be shifted, the IRS requests to retain the Operations Support appropriation to fund certain support activities, such as the National Headquarters costs incurred for IRS leadership.

With the noted appropriation changes, the IRS is targeting to shift the full costs of the missions to their respective appropriation by FY 2025. To accomplish this, the IRS plans to shift more functions and funds from the Operations Support appropriation to the Taxpayer Service and Enforcement appropriations going forward.

## **E – Legislative Proposals**

**For information on the FY 2023 revenue legislative proposals, please follow this link: <https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals>**

### **Reduce Paperwork Burden by Permanently Authorizing Current Home to Work Transportation for the IRS Commissioner**

The IRS requests that the IRS Commissioner position be permanently added to 31 U.S.C. § 1344(b)(6) as one of the government officials authorized home-to-work transportation. The IRS Criminal Investigations unit completed an extensive assessment of the Commissioner’s threat environment and has classified the threat status as high.

#### **PROPOSAL:**

Amend Title 31 U.S.C. § 1344(b)(6) to include “the Commissioner of Internal Revenue” as a federal executive with authorization for passenger carrier transportation between residence and place of employment.

#### **REASONS FOR CHANGE:**

As head of one of the most controversial organizations in the Federal government, the Commissioner is the “face of the IRS” and a frequent fixture in national media. Historically, Commissioners average multiple formidable threats per year directed at them and their family members, including threats of assassination. The internet has allowed anyone with a web browser to access personal information of government officials, including photos and home addresses. Instances of individuals phoning, mailing, or visiting a Commissioner’s residence, including the current Commissioner, are common and well documented.

Dignitary protection experts have long recognized the vulnerability of protected individuals who are engaged in predictable activities, such as commuting to/from the workplace and for many years IRS Criminal Investigation Division (CI) has consistently provided transportation for the IRS Commissioner from Home to Work under recurring 90-day authorizations. The administrative burden of compiling, organizing, and summarizing the information required for the recurring 90-day Home to Work authorizations is significant, requiring executive approval from IRS’s Chief of Criminal Investigations, Treasury’s Assistant Secretary for Management, and the Secretary of the Treasury.

### **Fund the Federal Payment Levy Program via Collections (proposal also included in the Fiscal Service CJ)**

Estimated costs: \$220 million in Fiscal Service costs to operate the Tax Levy Program in the Treasury Offset Program over 10 years. Fiscal Service is currently being reimbursed for this cost from IRS appropriated funding.

This proposal improves the way the Fiscal Service collects its reimbursement from IRS to cover Fiscal Service’s costs in developing and operating the Federal Payment Levy Program (FPLP), which utilizes the Treasury Offset Program to process levies of federal payments to collect delinquent tax debts. Under the Economy Act, the IRS pays fees to Fiscal Service from the IRS annual discretionary appropriation. This proposal authorizes Fiscal Service to recover its costs from levy collections, rather than from IRS’s direct appropriation, which reduces administrative and overhead costs for both Fiscal Service and IRS. It would also allow IRS to re-direct the use of appropriated dollars that are currently needed to fund FPLP to other initiatives that will aid in the collection of delinquent tax debt.

## Section II – Budget and Performance Plan

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### A – Strategic Alignment

The IRS is developing its FY 2022 – 2026 Strategic Plan to serve as a roadmap to help guide its programs and operations. IRS's strategic priorities align with Treasury's FY 2022 – 2026 strategic priorities to improve the taxpayer experience, enforce the tax law fairly and efficiently, foster a diverse workforce and transform our operations to be more sustainable and efficient. The IRS Strategic Plan will be published by Spring 2022.

This budget supports the following Treasury Strategic Objectives for FY 2022 – FY 2026 and Agency Priority Goals for FY 2022 - FY 2023 for all appropriations:

IRS co-leads the following objective with the Department Office of Tax Policy:

Goal 1: Promote Equitable Economic Growth and Recovery

- Objective 1.1 Tax Administration and Policy

IRS supports the following eight objectives:

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 4.4 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

**Agency Priority Goals (APGs):** IRS supports the Bureau of Fiscal Service's *Improving the Payment Experience* APGs for FY 2022 – FY 2023.

Bureau of Fiscal Service *Improving the Payment Experience*: Create a modern, seamless, inclusive, and secure Federal payment experience for the public that meets customer needs while reducing costs, expanding financial inclusion, and improving climate sustainability of Treasury's operations. By September 30, 2023, Treasury will:

- Increase the electronic payment rate for Treasury-disbursed payments to 96.56% by the end of FY 2023, compared with 96.18% in FY 2021; and
  - Achieving this increased electronic payment rate would lead to an estimated reduction of 4.8 million checks. (Assuming FY 21 payment volume data, which excludes Economic Impact Payments and Advance Child Tax Credit payments) Note: Future legislation related to payment processing may impact these target measures.

- Increase the electronic payment rate for IRS individual tax refunds to 81.00% by the end of FY 2023, compared with 80.34% in FY 2021.

### **Accomplishments and Priorities**

IRS's FY 2021 accomplishments include:

- Launched the Child Tax Credit Update Portal in support of the American Rescue Plan;
- Identity Protection PIN program was expanded to all 50 states, the District of Columbia, Puerto Rico, Virgin Islands, and military personnel living overseas in January 2021, fully implementing the requirements of the Taxpayer First Act Provision Section 2005 three-years earlier than requested;
- Registered over 169,000 taxpayers with Secure Access Virtual Assistant, resulting in a savings of over \$11 million; and,
- Expanded electronic processing of amended returns to include a direct deposit of refunds in support of the of reducing paper checks APG.

### **FY 2023 IRS Initiatives**

The following are IRS's FY 2023 strategic priorities with initiatives to support Treasury's goals and objectives. IRS rolled over FY 2022 initiatives Putting Taxpayers First, Ensure Fairness of the Tax System, and Integrated Modernization Business Plan.

- Putting Taxpayers First initiative will support the following Treasury Strategic Objectives: 1.1 - Tax Administration and Policy, 2.1 - Cyber Resiliency of Financial Systems and Institutions, 3.3 - Financial Innovation, 5.1 - Recruit and Retain a Diverse and Inclusive Workforce, 5.3 - Better Use of Data, and 5.4 - Customer Experience Practices.
- Ensure Fairness of the Tax System initiative will support Treasury Strategic Objectives: 1.1 - Tax Administration and Policy and 2.4 - Transparency in the Financial System.
- Enhance Taxpayer Experience initiative will support Treasury Strategic Objectives: 1.1 - Tax Administration and Policy and 5.4 - Customer Experience Practices.
- Integrated Modernization Business Plan initiative will support Treasury Strategic Objectives: 1.1- Tax Administration and Policy, 3.3 - Financial Innovation, 5.2 - Future Work Routines, 5.3 - Better Use of Data, and 5.4 - Customer Experience Practices.
- Augment IT Operations initiative will support Treasury Strategic Objective: 1.1 - Tax Administration and Policy.
- Economic Development in Underserved Communities initiative will support Treasury Strategic Objective: 1.1 - Tax Administration and Policy and 5.1 - Recruit and Retain a Diverse and Inclusive Workforce.



## Taxpayer Services

### Appropriation Description

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

The Taxpayer Services budget request for FY 2023 is \$3,385,723,000 in direct appropriations and 32,865 FTE, excluding the proposed technical adjustment. This amount is an increase of \$622,117,000 or 22.51 percent, and an increase of 4,875 FTE, or 17.42 percent from the FY 2022 ACR of \$2,763,606,000 and 27,990 FTE.

### 2.1 – Budget Adjustments Table

Dollars in thousands

<b>Taxpayer Services</b>		
Summary of Proposed FY 2023 Request	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>27,990</b>	<b>\$2,763,606</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$108,631</b>
Pay Annualization (2.7% average pay raise)		17,105
Pay Raise (4.6% average pay raise)		88,016
Non-Pay		3,510
<b>Base Adjustment</b>	<b>825</b>	<b>\$90,285</b>
Adjustment to Reach Current Operating Levels	825	90,285
<b>Subtotal FY 2023 Changes to Base</b>	<b>825</b>	<b>\$198,916</b>
<b>FY 2023 Current Services</b>	<b>28,815</b>	<b>\$2,962,522</b>
<b>Program Changes:</b>		
<b>Program Increases</b>		
Putting Taxpayers First	192	119,034
<i>User Authentication</i>		81,000
<i>Taxpayer Experience Strategy</i>	192	38,034
Enhance Taxpayer Service	3,858	304,167
<b>Subtotal FY 2023 Program Increases</b>	<b>4,050</b>	<b>\$423,201</b>
<b>Total FY 2023 Budget Request</b>	<b>32,865</b>	<b>\$3,385,723</b>

See footnotes in 1.1 – Appropriations Detail Table

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

## 2.2 – Object Classification Obligations

Dollars in thousands

Taxpayer Services Object Classification	FY 2021 Operating Plan	FY 2022 Annualized CR	FY 2023 Request
11.1 Full-Time Permanent Positions	1,599,164	1,668,445	1,991,237
11.3 Other than Full-Time Permanent Positions	53,855	67,240	70,141
11.5 Other Personnel Compensation	122,409	149,810	166,410
11.8 Special Personal Services Payments		9,750	10,154
<b>11.9 Personnel Compensation (Total)</b>	<b>1,775,428</b>	<b>1,895,245</b>	<b>2,237,942</b>
12.1 Personnel Benefits	576,632	625,520	762,029
13.0 Benefits to Former Personnel	19,887	13,334	13,887
<b>Total Personnel and Compensation Benefits</b>	<b>\$2,371,947</b>	<b>\$2,534,099</b>	<b>\$3,013,858</b>
21.0 Travel	5,162	5,966	10,668
22.0 Transportation of Things	671	599	611
23.1 Rental Payments to GSA			
23.3 Communications, Utilities, & Misc.	1,290	1,258	1,285
24.0 Printing & Reproduction	9,791	9,783	10,437
25.1 Advisory & Assistance Services	45,729	55,802	139,505
25.2 Other Services	25,190	27,032	49,534
25.3 Purchase of Goods & Services from Govt. Accounts	68,677	70,401	76,079
25.7 Operation & Maintenance of Equipment	51	51	52
26.0 Supplies and Materials	4,209	3,872	4,461
31.0 Equipment	400	254	374
41.0 Grants, Subsidies	54,000	54,000	63,000
42.0 Insurance Claims & Indemnities	489	489	498
<b>Total Non-Personnel</b>	<b>\$215,659</b>	<b>\$229,507</b>	<b>\$371,864</b>
<b>New Appropriated Resources</b>	<b>\$2,587,606</b>	<b>\$2,763,606</b>	<b>\$3,385,723</b>
<b>Budget Activities:</b>			
Pre-filing Taxpayer Assistance & Education	657,618	720,276	803,873
Filing & Account Services	1,929,988	2,043,330	2,581,850
<b>New Appropriated Resources</b>	<b>\$2,587,606</b>	<b>\$2,763,606</b>	<b>\$3,385,723</b>
<b>FTE</b>	<b>25,989</b>	<b>27,990</b>	<b>32,865</b>

See footnotes in 1.1 – Appropriations Detail Table

Note 1: This table does not include the proposed technical adjustment that would move certain support activities from Operations Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operations Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

Note 2: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2)

## 2.3 – Appropriation Detail Table

Dollars in thousands

Taxpayer Services Appropriated Resources	FY 2021 Operating Plan		FY 2022 Annualized CR		FY 2023 Request		Change FY 2022 to FY 2023 Request		% Change FY 2022 to FY 2023 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
	<b>New Appropriated Resources:</b>									
Pre-Filing Taxpayer Assistance and Education	4,514	657,618	5,536	720,276	5,967	803,873	431	83,597	7.79%	11.61%
Filing and Account Services	21,475	1,929,988	22,454	2,043,330	26,898	2,581,850	4,444	538,520	19.79%	26.36%
<b>Subtotal New Appropriated Resources</b>	<b>25,989</b>	<b>\$2,587,606</b>	<b>27,990</b>	<b>\$2,763,606</b>	<b>32,865</b>	<b>\$3,385,723</b>	<b>4,875</b>	<b>\$622,117</b>	<b>17.42%</b>	<b>22.51%</b>
<b>Other Resources:</b>										
Reimbursables	514	39,449	429	45,000	450	47,250	21	2,250	4.90%	5.00%
Offsetting Collections - Non Reimbursables		6,281								
User Fees	71	64,900	71	78,900	991	78,900	920		1295.77%	
Recovery from Prior Years		21,760		7,268		7,268				
Unobligated Balances from Prior Years	877	190,789	3,100	276,216			(3,100)	(276,216)	-100.00%	-100.00%
Transfers In/Out										
Recoveries Paid				4		4				
Resources from Other Accounts	1	50								
<b>Subtotal Other Resources</b>	<b>1,463</b>	<b>\$323,229</b>	<b>3,600</b>	<b>\$407,388</b>	<b>1,441</b>	<b>\$133,422</b>	<b>(2,159)</b>	<b>(\$273,966)</b>	<b>-59.97%</b>	<b>-67.25%</b>
<b>Total Budgetary Resources</b>	<b>27,452</b>	<b>\$2,910,835</b>	<b>31,590</b>	<b>\$3,170,994</b>	<b>34,306</b>	<b>\$3,519,145</b>	<b>2,716</b>	<b>\$348,151</b>	<b>8.60%</b>	<b>10.98%</b>

See footnotes in 1.1--Appropriations Detail Table

The new appropriated resources in this table do not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.6 million.

**2A – Pre-Filing Taxpayer Assistance and Education** (\$803,873,000 in direct appropriations and an estimated \$201,000 in reimbursable programs): This budget activity funds direct labor and some non-labor expenses to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services. The program activities include:

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

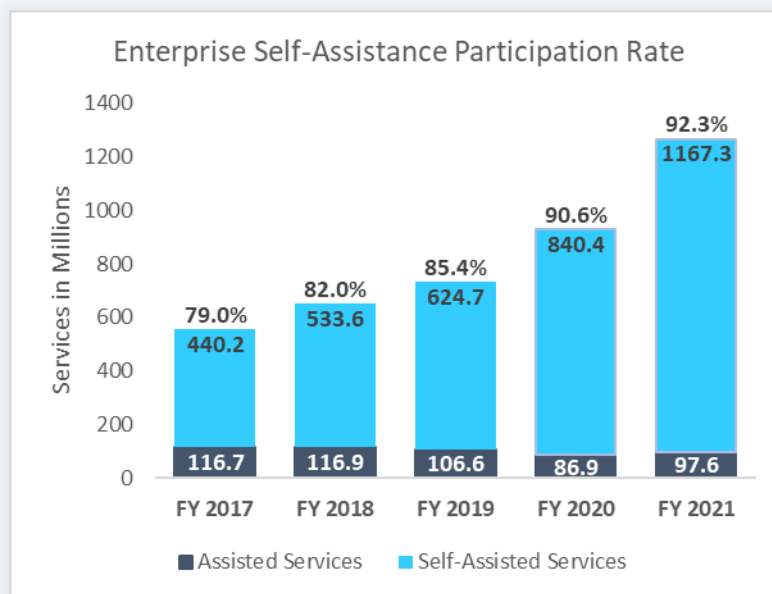
- Taxpayer Services Research provides resources to support taxpayer services by conducting taxpayer behavioral studies, data analysis, and uses advanced analytics to deliver results and conclusions to inform business decisions to improve IRS products and services.
- National Distribution Center processes orders for IRS forms and publications received from individual taxpayers, tax practitioners, and IRS tax return preparation partners.

Description of FY 2021 Performance – Pre-Filing and Taxpayer Assistance

In FY 2021, the Timeliness of Critical Individual Filing Season (CIFS) Tax Products to the Public (i.e., tax forms, schedules, instructions, and publications) was 92 percent (81 out of 88 products delivered timely), exceeding the FY 2021 target of 85 percent. This accomplishment was partially due to the enactment of the P.L. 116-260, Consolidated Appropriations Act of 2021, which determined the February 12 filing season start date. The legislation provided more time to meet the annual goal. Additional factors that contributed to exceeding this year’s target and are proven models for future success include prioritizing work on the release of critical products; planning for legislative changes to quickly re-prioritize work targeted to critical products impacted by the law; granting of overtime, credit, and compensatory time during workdays, weekends, and holidays; and workload planning and monitoring by management as well as the efforts of our employees. The IRS expects to achieve a target of 89 percent for FY 2022 and FY 2023.

In FY 2021, the IRS Timeliness of Critical Tax TE/GE and Business (CTB) Filing Season Tax products to the Public was 92.9 percent, exceeding the target of 85 percent. These results were achieved due to the enactment of the P.L. 116-260, Consolidated Appropriations Act of 2021, which determined the February 12 filing season start date. The legislation provided more time to meet the annual goal. Additional factors that contributed to exceeding this year’s target and are proven models for future success include prioritizing work on the release of critical products; planning for legislative changes to quickly reprioritize work targeted to critical products impacted by the law; granting of overtime, credit, and compensatory time during workdays, weekends, and holidays; and workload planning and monitoring by management as well as the efforts of our employees. The IRS expects to achieve a target of 89 percent for FY 2022 and FY 2023.

Figure 2.1



The Enterprise Self-Assistance Participation Rate (ESAPR) represents the percent of taxpayers who use one of the IRS’s self-assistance service channels (e.g., automated calls, web services) versus needing support from an IRS employee (e.g., face-to-face, over the phone, or via paper correspondence). The FY 2021 ESAPR was 92.3 percent, exceeding the target by 3.7 percent. The web services that had the largest percent change are: Where’s My Amended Return (226.4 percent); Online Accounts Sessions (117.8 percent); and Get Transcripts Online (108.1 percent). Compared to FY 2020, total services increased by 36.4 percent, self-assisted services increased by 38.9 percent and assisted services rose 12.4 percent. In FY 2022, IRS will update the existing Online Payment Agreements (OPA) and Installment Agreements (IA) applications to include business taxpayers and include a new chatbot application for OPAs and IAs for small business and self-employed taxpayers. The IRS expects to achieve a target of 91 percent for FY 2022 and 91 percent for FY 2023.

### FY 2023 Changes by Budget Activity

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>5,536</b>	<b>\$720,276</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$26,645</b>
Pay Annualization (2.7% average pay raise)		4,185
Pay Raise (4.6% average pay raise)		21,536
Non-Pay		924
<b>Base Adjustment</b>		<b>\$5,952</b>
Adjustment to Reach Current Operating Levels		5,952
<b>Subtotal FY 2022 Changes to Base</b>		<b>\$32,597</b>
<b>FY 2022 Current Services</b>	<b>5,536</b>	<b>\$752,873</b>
<b>Program Increases:</b>		
Putting Taxpayers First	81	17,649
<i>Taxpayer Experience Strategy</i>	81	17,649
Enhance Taxpayer Service	350	33,351
<b>Subtotal FY 2023 Program Increases</b>	<b>431</b>	<b>\$51,000</b>
<b>Total FY 2023 Request</b>	<b>5,967</b>	<b>\$803,873</b>
Dollar/FTE Change FY 2023 Request over FY 2022 ACR	431	\$83,597
Percent Change FY 2023 Request over FY 2022 ACR	7.79%	11.61%

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

## 2.1.1 – Budget and Performance Report and Plan

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$594,962	\$640,379	\$621,907	\$632,893	\$658,344	\$720,276	\$803,873
Reimbursable Resources <sup>2</sup>	4	260	118	578	142	191	201
User Fees <sup>2</sup>							
<b>Budget Activity Total</b>	<b>\$594,966</b>	<b>\$640,639</b>	<b>\$622,025</b>	<b>\$633,471</b>	<b>\$658,486</b>	<b>\$720,467</b>	<b>\$804,074</b>

<sup>1</sup>The FY 2017 - FY 2021 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2017 - FY 2021 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2022 Target	FY 2023 Target
Timeliness of Critical Filing Season Tax Products to the Public (O, L)	93.1%	59.6%	92.6%	78.4%	92.0%	85.0%	89.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (O, L)	96.7%	100.0%	96.1%	96.0%	92.9%	85.0%	89.0%	89.0%
Enterprise Self Assistance Participation Rate (E, L) <sup>3</sup>	79.0%	82.0%	85.4%	90.6%	92.3%	89.0%	91.0%	91.0%

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

<sup>3</sup>In FY 2017, the IRS renamed the Taxpayer Self Assistance Rate measure to Enterprise Self Assistance Participation Rate.

## 2B – Filing and Account Services

(\$2,581,850,000 in direct appropriations, \$47,049,000 from reimbursable programs, and \$78,900,000 from user fees): This budget activity funds direct labor and non-labor expenses that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts. The public continues to file more returns electronically (approximately 93.6 percent of individual returns were filed electronically during the 2021 filing season). The program activities include:

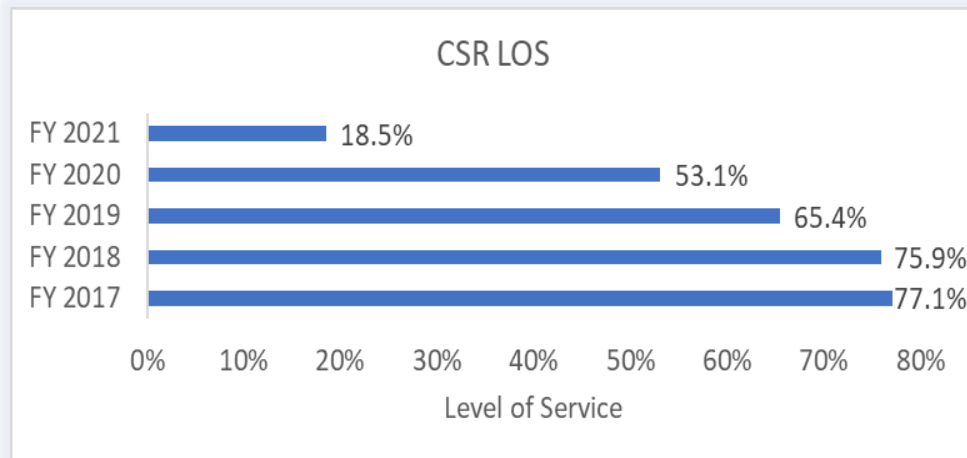
- Filing and Account Services Management administers filing and account services programs.
- Submission Processing processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- Account Management and Assistance – Electronic/Correspondence Assistance provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.
- Electronic Products and Services Support (EPSS) provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- Electronic Tax Administration (ETA) markets and administers electronic tax administration products and services.
- Business Performance Lab initiates, recommends, and manages systemic solutions for the detection and treatment of improper refunds while ensuring effective treatment for payment of valid refund claims, leads the development of innovative business processes and technology solutions and represents Return Integrity & Compliance Services (RICS) interest in support of the service-wide revenue protection strategy.
- Health Care Tax Administration provides funds to administer the health insurance tax credit portion of the Trade Adjustment Assistance Reform Act of 2002.
- Joint Operations Center (JOC) provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative (CSR) accuracy; and management of the enterprise telephone database.

Description of FY 2021 Performance – Filing and Account Services

In FY 2021, Customer Accuracy – Tax Law, the IRS answered 92.8 percent of tax law questions over the telephone correctly, exceeding the target of 90.0 percent by 3.1 percent. 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 production meetings with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. For FY 2022 and FY 2023, the IRS set the Tax Law Accuracy target at 89.0 percent.

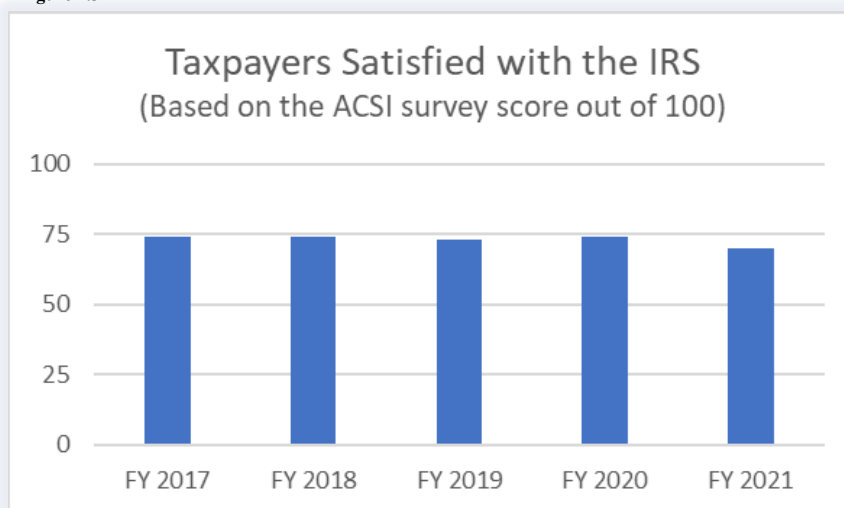
For Customer Accuracy – Accounts, the IRS answered 93.0 percent of account questions over the telephone correctly, exceeding the FY 2021 target of 91.0 percent. IRS will continue to monitor results through data-driven analysis of reports to achieve future goals. Ongoing efforts have and will continue to focus on production meetings with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. For FY 2022 and FY 2023, the IRS set the Accounts Accuracy target at 89.0 percent.

Figure 2.2



The Customer Service Representative (CSR) Level of Service (LOS) measures the relative success rate of taxpayers wanting to speak with a CSR. In FY 2021, CSR LOS was 18.5 percent, falling short of the 32.0 percent target. New legislation resulted in added, unplanned demand for toll-free assistance. Compared to FY 2020, total assistor demand was up more than 200.0 percent, with some lines seeing increases of more than 2 million calls. Despite these challenges, the IRS was able to answer 3.8 million more calls in FY 2021 than the prior year. The IRS will continue to monitor demand in real time and shift staff between telephones and paper processing to address demand. During the pandemic, IRS processed more than 450 million Economic Impact Payments and over 200 million advance payments of the Child Tax Credit. Prioritizing pandemic response, combined with pandemic disruptions to on-site work, delayed tax return processing, taxpayer correspondence, and other critical services, resulting in unprecedented increases in correspondence inventory levels. As a result, the IRS lowered its FY 2022 LOS target to 30.0 percent, in order, to devote more resources towards processing correspondence inventory. With the additional resources requested in this budget, the IRS will increase the FY 2023 LOS target to 85.0 percent assuming phone demand returns to pre-pandemic levels the IRS can provide in-person services at pre-pandemic levels and as inventories are expected to reach normal levels.

Figure 2.3



The Taxpayers Satisfied with the IRS indicator, the All-Individual Tax Filers Score, is based on the annual American Customer Satisfaction Index (ACSI) Survey, which is the only uniform, cross-industry/government measure of customer satisfaction with the quality of goods and services available to U.S. residents. The measure is calculated as a weighted combination of the ACSI Individual Electronic Tax Filer and Individual Paper Tax Filer Customer Satisfaction Index scores based on a 100-point scale. The Taxpayers Satisfied with the IRS measure declined four points in 2021 to 70 as shown above, due to a statistically significant decrease in the electronic filer score, following impacts from the COVID-19 pandemic.



## FY 2023 Changes by Budget Activity

Dollars in thousands

Filing and Account Services	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>22,454</b>	<b>\$2,043,330</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$81,986</b>
Pay Annualization (2.7% average pay raise)		12,920
Pay Raise (4.6% average pay raise)		66,480
Non-Pay		2,586
<b>Base Adjustment</b>	<b>825</b>	<b>\$84,333</b>
Adjustment to Reach Current Operating Levels	825	84,333
<b>Subtotal FY 2023 Changes to Base</b>	<b>825</b>	<b>\$166,319</b>
<b>FY 2023 Current Services</b>	<b>23,279</b>	<b>\$2,209,649</b>
<b>Program Increases:</b>		
Putting Taxpayers First	111	101,385
<i>User Authentication</i>		81,000
<i>Taxpayer Experience Strategy</i>	111	20,385
Enhance Taxpayer Service	3,508	270,816
<b>Subtotal FY 2023 Program Increases</b>	<b>3,619</b>	<b>\$372,201</b>
<b>Total FY 2023 Request</b>	<b>26,898</b>	<b>\$2,581,850</b>
Dollar/FTE Change FY 2023 Request over FY 2022 ACR	4,444	\$538,520
Percent Change FY 2023 Request over FY 2022 ACR	19.79%	26.36%

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

## 2.1.2 – Budget and Performance Report and Plan

Dollars in thousands

Filing and Account Services	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$1,564,488	\$1,712,511	\$1,872,175	\$1,901,467	\$1,927,220	\$2,043,330	\$2,581,850
Reimbursable Resources <sup>2</sup>	30,147	34,905	62,794	72,769	39,307	44,809	47,049
User Fees <sup>2</sup>	40,553	69,987	3,900		64,900	78,900	78,900
<b>Budget Activity Total</b>	<b>\$1,635,188</b>	<b>\$1,817,403</b>	<b>\$1,938,869</b>	<b>\$1,974,236</b>	<b>\$2,031,427</b>	<b>\$2,167,039</b>	<b>\$2,707,799</b>

<sup>1</sup>The FY 2017 - FY 2021 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2017 - FY 2021 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2022 Target	FY 2023 Request
Customer Accuracy - Tax Law (Phones) (O)	96.7%	95.5%	91.6%	91.0%	92.8%	90.0%	89.0%	89.0%
Customer Accuracy - Accounts (Phones) (O)	96.0%	96.1%	94.3%	93.5%	93.0%	91.0%	89.0%	89.0%
Customer Service Representative (CSR) Level of Service (LOS) (Oe) <sup>3</sup>	77.1%	75.9%	66.4%	53.1%	18.5%	32.0%	30.0%	85.0%
Taxpayers Satisfied with the IRS (based on a 100 point scale) (O, L) <sup>4</sup>	74	74	73	74	70	Indicator	Indicator	Indicator

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

<sup>3</sup>The CSR LOS includes toll-free telephone lines answered by Accounts Management assistants only. These lines service 82 percent of all telephone traffic. Achieving the FY 2023 LOS target of 85 percent requires timely enactment of appropriations so the IRS can complete hiring and training ahead of the filing season and assumes that demand and in person services return to pre-pandemic levels. The IRS's Automated Collection System (ACS) toll-free line is used by taxpayers for compliance related inquiries. For FY 2021, the ACS LOS was 37.8 percent. These are both included in the Enterprise LOS, which measures the relative success rate of taxpayers calling to speak with an IRS Assistor on any IRS toll-free telephone line. The Enterprise LOS in FY 2021 was 21.3 percent.

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

## **Enforcement**

### **Appropriation Description**

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

The Enforcement budget request for FY 2023 is \$5,861,649,000 in direct appropriations and 38,607 FTE, excluding the proposed technical adjustment. This amount is an increase of \$857,027,000 or 17.12 percent, and 3,003 FTE or 8.43 percent more than the FY 2022 ACR of \$5,004,622,000 and 35,604 FTE. It is important to note, as mentioned in the introduction, although not included in the request, the IRS along with the Administration are still committed to the attainment of multi-year funding for an extensive enforcement program initiative that will generate and protect billions of dollars in additional revenue while reducing the tax gap.

## 2.1 – Budget Adjustments Table

Dollars in thousands

Enforcement		
Summary of Proposed FY 2023 Request	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>35,604</b>	<b>\$5,004,622</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$202,663</b>
Pay Annualization (2.7% average pay raise)		32,228
Pay Raise (4.6% average pay raise)		165,832
Non-Pay		4,603
<b>Base Adjustment</b>	<b>358</b>	<b>\$229,176</b>
Adjustment to Reach Current Operating Levels	358	229,176
<b>Subtotal FY 2023 Changes to Base</b>	<b>358</b>	<b>\$431,839</b>
<b>FY 2023 Current Services</b>	<b>35,962</b>	<b>\$5,436,461</b>
<b>Program Changes:</b>		
<b>Program Increases</b>		
Putting Taxpayers First	152	54,331
<i>Taxpayer Experience Strategy</i>	152	54,331
Ensure Fairness of the Tax System	2,493	370,857
<b>Subtotal FY 2023 Program Increases</b>	<b>2,645</b>	<b>\$425,188</b>
<b>Total FY 2023 Budget Request</b>	<b>38,607</b>	<b>\$5,861,649</b>

See footnotes in 1.1 -- Appropriations Detail Table

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

## 2.2 – Object Classification Obligations

Dollars in thousands

Enforcement Object Classification	FY 2021 Operating Plan	FY 2022 Annualized CR	FY 2023 Request
11.1 Full-Time Permanent Positions	3,130,581	3,206,471	3,629,712
11.3 Other than Full-Time Permanent Positions	26,773	21,384	22,901
11.5 Other Personnel Compensation	145,294	145,755	162,644
11.8 Special Personal Services Payments	29,500	19,739	38,741
<b>11.9 Personnel Compensation (Total)</b>	<b>3,332,148</b>	<b>3,393,349</b>	<b>3,853,999</b>
12.1 Personnel Benefits	1,327,649	1,380,796	1,563,995
13.0 Benefits to Former Personnel	323	358	373
<b>Total Personnel and Compensation Benefits</b>	<b>\$4,660,120</b>	<b>\$4,774,503</b>	<b>\$5,418,366</b>
21.0 Travel	55,527	60,269	118,808
22.0 Transportation of Things	8,581	8,300	21,349
23.2 Rent Payments to Others	282	243	268
23.3 Communications, Utilities, & Misc.	4,208	5,880	6,140
24.0 Printing & Reproduction	2,770	2,982	3,402
25.1 Advisory & Assistance Services	173,410	50,446	121,080
25.2 Other Services	34,826	31,962	69,407
25.3 Purchase of Goods & Services from Govt. Accounts	30,394	33,322	42,155
25.4 Operation & Maintenance of Facilities	5	4	4
25.6 Medical Care	125	119	9,470
25.7 Operation & Maintenance of Equipment	1,966	1,762	8,446
26.0 Supplies and Materials	20,830	19,381	22,625
31.0 Equipment	6,108	7,027	11,498
42.0 Insurance Claims & Indemnities	970	922	941
91.0 Unvouchered	4,500	7,500	7,690
<b>Total Non-Personnel</b>	<b>\$344,502</b>	<b>\$230,119</b>	<b>\$443,283</b>
<b>New Appropriated Resources</b>	<b>\$5,004,622</b>	<b>\$5,004,622</b>	<b>\$5,861,649</b>
<b>Budget Activities:</b>			
Investigations	698,193	667,279	785,121
Exam & Collections	4,120,886	4,160,748	4,883,575
Regulatory	185,543	176,595	192,953
<b>New Appropriated Resources</b>	<b>\$5,004,622</b>	<b>\$5,004,622</b>	<b>\$5,861,649</b>
<b>FTE</b>	<b>34,989</b>	<b>35,604</b>	<b>38,607</b>

See footnotes in 1.1 -- Appropriations Detail Table

Note 1: This table does not include the proposed technical adjustment that would move certain support activities from Operations Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operations Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

Note 2: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2)

## 2.3 – Appropriation Detail Table

Dollars in thousands

Enforcement Appropriated Resources	FY 2021 Operating Plan		FY 2022 Annualized CR		FY 2023 Request		Change FY 2022 to FY 2023 Request		% Change FY 2022 to FY 2023 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>										
Investigations	3,012	678,193	2,965	667,279	3,223	785,121	258	117,842	8.70%	17.66%
Exam and Collections	30,987	4,170,886	31,615	4,160,748	34,331	4,883,575	2,716	722,827	8.59%	17.37%
Regulatory	990	155,543	1,024	176,595	1,053	192,953	29	16,358	2.83%	9.26%
<b>Subtotal New Appropriated Resources</b>	<b>34,989</b>	<b>\$5,004,622</b>	<b>35,604</b>	<b>\$5,004,622</b>	<b>38,607</b>	<b>\$5,861,649</b>	<b>3,003</b>	<b>\$857,027</b>	<b>8.43%</b>	<b>17.12%</b>
<b>Other Resources:</b>										
Reimbursables	101	3,891	80	57,000	84	59,850	4	2,850	5.00%	5.00%
Offsetting Collections - Non Reimbursable		59,965		10,000		10,500		500		5.00%
User Fees				54				(54)		-100.00%
Recovery from Prior Years		1,670		1,453		1,453				
Recoveries Paid				3,175		3,175				
Unobligated Balances from Prior Years	544	254,643		252,301		2,000		(250,301)		-99.21%
Transfers In/Out				140		140				
Resources from Other Accounts	331	113,931	433	88,951	787	108,455	354	19,504	81.76%	21.93%
<b>Subtotal Other Resources</b>	<b>976</b>	<b>\$434,100</b>	<b>513</b>	<b>\$413,074</b>	<b>871</b>	<b>\$185,573</b>	<b>358</b>	<b>(\$227,501)</b>	<b>69.79%</b>	<b>-55.08%</b>
<b>Total Budgetary Resources</b>	<b>35,965</b>	<b>\$5,438,722</b>	<b>36,117</b>	<b>\$5,417,696</b>	<b>39,478</b>	<b>\$6,047,222</b>	<b>3,361</b>	<b>\$629,526</b>	<b>9.31%</b>	<b>11.62%</b>

See footnotes in 1.1--Appropriations Detail Table

Note: The new appropriated resources in this table do not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.6 million.

## 2C – Investigations

*(\$785,121,000 in direct appropriations, and an estimated \$55,922,000 from reimbursable programs):* This budget activity funds the Criminal Investigation (CI) programs that explore potential criminal and civil violations of tax laws; enforce criminal statutes relating to violations of tax laws and other financial crimes; and recommend prosecution as warranted. The program activities include:

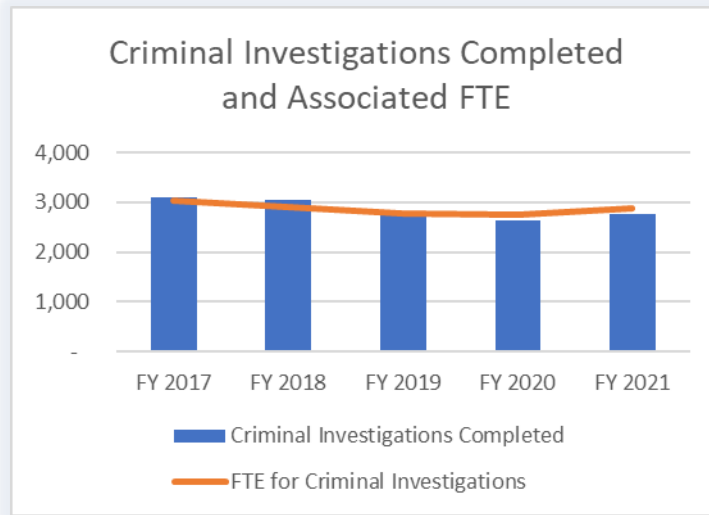
- General Management and Administration supports the headquarters management activities of strategic planning, communications, finance, and human resources for CI activities.
- Identity Theft, through CI's collaboration with internal and external business partners, combats the inherent risks of Stolen Identity Refund Fraud (SIRF) by focusing on significant tax investigations, prosecutions to maximize deterrence, and preventing the IRS from issuing fraudulent refunds.
- CI supports the enforcement of criminal statutes relating to violations of internal revenue laws and other financial crimes. CI investigates cases of suspected intent to defraud involving both legal and illegal sources of income and recommends prosecution as warranted. This includes the investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.
- Criminal Tax Legal Support provides legal advice and support from IRS Counsel to CI.
- International Investigations supports international investigations involving U.S. citizens residing abroad, non-resident aliens, expatriates (U.S. citizens living abroad who have renounced their citizenship), and investigations involving other international issues, including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- Cybersecurity supports CI's cyber-efforts around inherent risks to CI's networks and systems, while focusing enforcement and investigative actions on the criminals that pose those threats. This activity also supports security

program management that protects the safeguarding of all data and systems within CI while adhering to all federal regulatory security compliance mandates and local security policies.

Description of FY 2021 Performance – Investigations

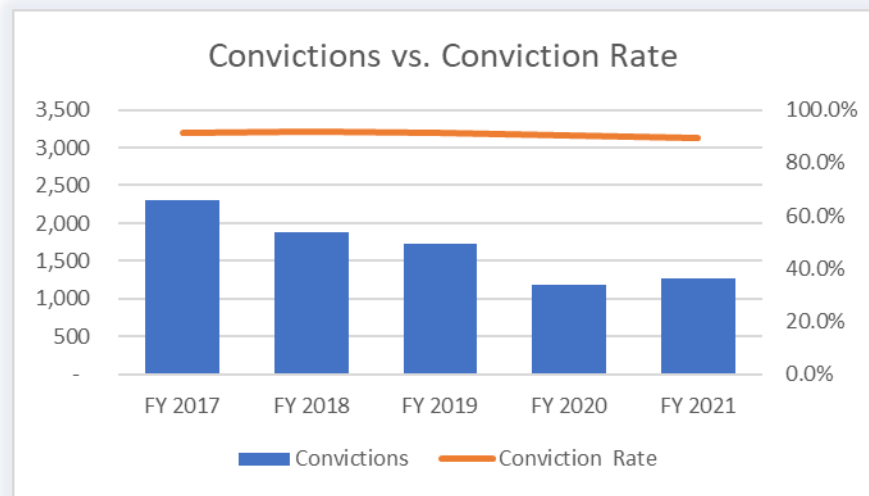
Criminal Investigation serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. CI uses the following measures to evaluate its success in achieving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

Figure 2.4



In FY 2021, CI completed 2,766 Criminal Investigations, exceeding the year-end target of 2,600 by 6.4 percent. Cases of a Legal nature completed decreased 14.1 percent compared to the same period in FY 2020, while Illegal and Narcotics cases increased 12.4 percent and 25.9 percent, respectively. Legal source cases include people that earn their income legally, but willfully violate the tax laws (tax evasion). Examples of illegal cases include embezzlement, mortgage fraud, telemarketing fraud, and money laundering. Narcotics cases are similar to illegal cases; however, these cases are specific to profits and financial gains of organized drug groups involved in narcotics, narcotics trafficking, and money laundering. Although Criminal Investigations Completed increased compared to last year, COVID-19 continues to impact day-to-day investigative activities thereby contributing to a higher cycle time for investigations completed. Based on projected staffing levels, setbacks and challenges presented due to the COVID-19 pandemic and its impact on future performance, IRS set a target of 2,600 for FY 2022 and 2,500 for FY 2023.

Figure 2.5



The FY 2021 Conviction Rate of 89.4 percent was 2.8 percent below the year-end target of 92.0 percent while convictions are up 6.4 percent. The COVID-19 pandemic continues to limit court availability throughout the country and impact day-to-day investigative activities in support of the judicial system thereby contributing to fewer cases being processed. Additionally, decreases in the number of special agents in previous years has led to a decline in the total amount of cases initiated and consequently recommended for prosecution. Despite this, appropriate case selection and effective field performance continue to positively affect the quality of cases resulting in convictions. The IRS will keep the Conviction Rate targets for FY 2022 and FY 2023 at 92 percent.



Dollars in thousands

Investigations	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>2,965</b>	<b>\$667,279</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$25,934</b>
Pay Annualization (2.7% average pay raise)		3,955
Pay Raise (4.6% average pay raise)		20,352
Non-Pay		1,627
<b>Base Adjustment</b>	<b>30</b>	<b>16,996</b>
Adjustment to Reach Current Operating Levels	30	16,996
<b>Subtotal FY 2023 Changes to Base</b>	<b>30</b>	<b>\$42,930</b>
<b>FY 2023 Current Services</b>	<b>2,995</b>	<b>\$710,209</b>
<b>Program Increases:</b>		
Putting Taxpayers First	9	3,529
Taxpayer Experience Strategy	9	3,529
Ensure Fairness of the Tax System	219	71,383
<b>Subtotal FY 2023 Program Increases</b>	<b>228</b>	<b>\$74,912</b>
<b>Total FY 2023 Request</b>	<b>3,223</b>	<b>\$785,121</b>

Dollar/FTE Change FY 2023 Request over FY 2022 ACR	258	\$117,842
Percent Change FY 2023 Request over FY 2022 ACR	8.70%	17.66%

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

### 2.1.3 – Budget and Performance Report and Plan

Dollars in thousands

Investigations	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$589,295	\$581,680	\$595,686	\$619,227	\$630,093	\$667,279	\$785,121
Reimbursable Resources <sup>2</sup>	33,618	28,295	27,749	41,233	1,950	53,259	55,922
User Fees <sup>2</sup>							
<b>Budget Activity Total</b>	<b>\$622,913</b>	<b>\$609,975</b>	<b>\$623,435</b>	<b>\$660,460</b>	<b>\$632,043</b>	<b>\$720,538</b>	<b>\$841,043</b>

<sup>1</sup>The FY 2017 - FY 2021 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2017 - FY 2021 columns represent realized resources for reimbursables and user fees.

Investigations	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2021	FY 2022	FY 2023
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Criminal Investigations Completed (Ot)	3,089	3,051	2,797	2,624	2,766	2,600	2,600	2,500
Conviction Rate (Oe)	91.5%	91.7%	91.2%	90.4%	89.4%	92.0%	92.0%	92.0%

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

### 2D – Exam and Collections

*(\$4,883,575,000 in direct appropriations, and an estimated \$3,062,000 from reimbursable programs): This budget activity funds programs that enforce the tax laws and increase compliance through examination and collection programs that ensure proper payment and tax reporting. This budget activity also includes campus support of the Questionable Refund program and appeals, and litigation activities associated with exam and collection. The program activities include:*

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

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

Description of FY 2021 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. The performance metrics IRS uses to gauge the Examination program’s performance are discussed below.

To highlight IRS’s strategic direction, focusing on large businesses, high-income taxpayers, and partnerships, and to complement the inclusion of “in process” examinations in the IRS Data Book, three new indicators were developed for FY 2021 reporting. These new indicators allow IRS to track the progress of examinations throughout the year, allowing for a direct and clear picture of IRS activities. Some examinations close within a year while others take several years to close. These indicators focus on starts rather than closures which provide a better view of where resources are being applied in the current fiscal year.

**Exam Starts – High Income Individuals** indicator was created for FY 2021 reporting to monitor resources associated with examinations of individual return filers reporting over \$10M of Total Positive Income (TPI).

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Exam Starts – High-Income Individuals<sup>1</sup></b>	1,941	2,307	2,108	2,693	2,227

<sup>1</sup> New indicator added for FY 2021; historical data provided for comparative purposes.

While continuing to allocate resources to work the exams started in prior fiscal years, the IRS started 2,227 new High-Income Individual tax return examinations in FY 2021. Throughout the year, the IRS will monitor resources, work in-progress and planned starts while continuing to devote senior level staff to train new hires.

**Exam Starts – Partnership’s** indicator was created for FY 2021 reporting to monitor resources associated with the examination of Partnership returns.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Exam Starts – Partnerships<sup>1</sup></b>	10,221	9,033	5,823	4,106	4,327

<sup>1</sup> New indicator added for FY 2021; historical data provided for comparative purposes.

While continuing to allocate resources to work the exams started in prior fiscal years, the IRS started 4,327 new Partnership tax return examination in FY 2021. Compared to the same period in FY 2020, Exam Starts-Partnerships increased 4.5 percent. Projected examinations are trending downward due to other competing priorities and training of new hires.

**Exam Starts – Large Corporations** indicator was created for FY 2021 reporting to monitor resources associated with examinations of large corporate returns reporting assets of \$250 million and above.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Exam Starts – Large Corporations<sup>1</sup></b>	2,577	2,396	2,009	1,700	1,490

<sup>1</sup> New indicator added for FY 2021; historical data provided for comparative purposes.

While continuing to allocate resources to work the exams started in FY 2020, the IRS started 1,490 new Large Corporation tax return examinations in FY 2021. Projected examinations are trending slightly downward due to other priority work and the training of new hires.

**Exam Efficiency – Individual** is the sum of all individual 1040 returns closed divided by the total FTE expended in relation to those individual returns. While total exam closures and FTEs increased 48.3 percent and 2.4 percent, in FY 2021, compared to FY 2020, Exam Efficiency – Individual was 108, falling short of the 111 target. Based on prior year hiring and the most current FTE data available, the IRS lowered the target to 100 for FY 2022 as qualified Exam staff will be reassigned to work unprecedented correspondence inventory levels. The FY 2023 target is set at 114 as inventory is expected to go back to normal. The IRS will closely monitor starts and inventory levels to ensure the targets are met.

Time to Start <sup>1</sup>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Collection</b>	86.2%	86.7%	80.1%	85.6%	86.0%
<b>Bal Due</b>	90.1%	90.3%	90.5%	90.2%	88.0%
<b>Automated Underreporter (AUR)</b>	0.1%	0.1%	0.1%	0.1%	0.0%
<b>Exam</b>	40.9%	41.8%	39.3%	39.3%	52.0%
<b>Total</b>	<b>58.8%</b>	<b>60.1%</b>	<b>60.9%</b>	<b>66.3%</b>	<b>66.0%</b>

<sup>1</sup>New indicator added for FY 2020; historical data provided for comparative purposes.

**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 reflects the effect of expedited issue detection and more integrated enforcement approaches. It supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and data and analytics to improve issue identification and treatment selection. While the percent of individual enforcement cases started within 6 months was 66 percent, which is consistent with FY 2021 and much higher than previous years, the percent of Exam cases started showed a significant increase of 32 percent (39.3 percent vs. 52.0 percent), compared to Collection and AUR cases.

Time to Resolve <sup>1</sup>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Collection: Bal due notice</b>	379	368	330	400	286
<b>Collection: non-notice</b>	650	755	373	345	491
<b>AUR</b>	556	581	602	618	756
<b>Exam</b>	507	502	551	597	626
<b>Total</b>	<b>491</b>	<b>494</b>	<b>469</b>	<b>491</b>	<b>484</b>

<sup>1</sup>New indicator added for FY 2020; historical data provided for comparative purposes.

**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 reflects the complete life cycle from return filing to resolution. It also reflects the effect of process enhancements, such as new self-correction capabilities, including Online Account. It supports expedited document

matching and enhanced anomaly detection, which will lead to faster issue identification. For FY 2021, the overall Time to Resolve Compliance Issue After Filing was 484 days, with the time to resolve Collection cases with balance due notices showing the most significant reduction as taxpayers may have used the Economic Impact Payments and Additional Child Tax Credit to pay down debt.

Repeat Non-Compliance Rate <sup>1</sup>	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>Reporting</b>	7.3%	7.4%	7.7%	8.1%	5.5%
<b>Filing</b>	39.1%	38.1%	39.8%	43.9%	39.6%
<b>Payment</b>	30.0%	30.5%	29.9%	28.6%	29.0%
<b>Total</b>	<b>29.2%</b>	<b>30.0%</b>	<b>31.4%</b>	<b>35.6%</b>	<b>30.7%</b>

<sup>1</sup>New indicator added for FY 2020; historical data provided for comparative purposes.

**Repeat Non-Compliance Rate** measures the percentage of individual taxpayers with repeat non-compliance two years after the initial tax year for filing, payment, or reporting compliance. This indicator supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and Enterprise Case Management. It also promotes improved customer service through expanded access to new self-correction capabilities and improved behavioral analytics. It allows the IRS to better understand and change non-compliant taxpayer behavior. For FY 2021, the Repeat Non-Compliance Rate was 30.7 percent compared to 35.6 percent for FY 2020.

Description of FY 2021 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 41.2 percent, exceeding the FY 2021 target of 33 percent. The increase is attributed to net dispositions increasing 32.5 percent while total available inventory grew 12.3 percent from FY 2020, to more than 53 million. Based on the need to reassign qualified Collection staff to work the unprecedented inventory caused by the COVID-19 pandemic, the target will be set at 36.5 percent for FY 2022 and 32.1 percent for FY 2023.

**The Cost to Collect to \$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 2021 Cost to Collect \$100 was 33 cents, compared to 35 cents for FY 2020. Total operating costs were approximately \$13.7 billion while gross collections were approximately \$4.1 trillion. Operational efficiencies and economic activity contributed to the lower cost to collect.

## FY 2023 Changes by Budget Activity

Dollars in thousands

Exam and Collections	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>31,615</b>	<b>\$4,160,748</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$169,465</b>
Pay Annualization (2.7% average pay raise)		27,100
Pay Raise (4.6% average pay raise)		139,447
Non-Pay		2,918
<b>Base Adjustment</b>	<b>318</b>	<b>206,676</b>
Adjustment to Reach Current Operating Levels	318	\$206,676
<b>Subtotal FY 2023 Changes to Base</b>	<b>318</b>	<b>\$376,141</b>
<b>FY 2023 Current Services</b>	<b>31,933</b>	<b>\$4,536,889</b>
<b>Program Increases:</b>		
Putting Taxpayers First	129	48,365
<i>Taxpayer Experience Strategy</i>	129	48,365
Ensure Fairness of the Tax System	2,269	298,321
<b>Subtotal FY 2023 Program Increases</b>	<b>2,398</b>	<b>\$346,686</b>
<b>Total FY 2023 Request</b>	<b>34,331</b>	<b>\$4,883,575</b>

Dollar/FTE Change FY 2023 Request over FY 2022 ACR	2,716	\$722,827
Percent Change FY 2023 Request over FY 2022 ACR	8.59%	17.37%

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

### 2.1.4 – Budget and Performance Report and Plan

Dollars in thousands

Exam and Collections	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$3,901,041	\$3,875,098	\$3,907,290	\$3,933,597	\$3,967,323	\$4,160,748	\$4,883,575
Reimbursable Resources <sup>2</sup>	450	3,289	240	249	1,719	2,916	3,062
User Fees <sup>2</sup>			42	2,454		54	
<b>Budget Activity Total</b>	<b>\$3,901,491</b>	<b>\$3,878,387</b>	<b>\$3,907,572</b>	<b>\$3,936,300</b>	<b>\$3,969,042</b>	<b>\$4,163,718</b>	<b>\$4,886,637</b>

<sup>1</sup>The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

Exam and Collections Measures	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2022 Target	FY 2023 Target
Exam Starts - High Income Individuals (new FY21) (O, L) <sup>3</sup>	1,941	2,307	2,108	2,683	2,227	Indicator	Indicator	Indicator
Exam Starts - Partnerships (new FY21) (O, L) <sup>3</sup>	10,221	9,033	5,823	4,106	4,327	Indicator	Indicator	Indicator
Exam Starts - Large Corporations (new FY21) (O, L) <sup>3</sup>	2,577	2,366	2,009	1,700	1,490	Indicator	Indicator	Indicator
Examination Efficiency - Individual (E)	121	131	109	76	108	111	100	114
Time to Start Compliance Resolution (new FY20) (E, L) <sup>3</sup>	58.8%	60.1%	60.9%	66.3%	66.0%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (new FY20) (E, L) <sup>3</sup>	491	494	469	491	484	Indicator	Indicator	Indicator
Repeat Non-Compliance Rate (new FY20) (Oe, L) <sup>3</sup>	29.2%	30%	31.4%	35.6%	30.7%	Indicator	Indicator	Indicator
Collection Coverage - Units (O)	42.2%	41.6%	41.3%	34.9%	41.2%	33.0%	36.5%	32.1%
Cost to Collect \$100 (E)	\$0.34	\$0.34	\$0.33	\$0.35	\$0.33	Indicator	Indicator	Indicator

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

<sup>3</sup>Historical data provided for comparison.

## 2E – Regulatory

*(\$192,953,000 in direct appropriations and an estimated \$866,000 from reimbursable programs):* This budget activity funds the development of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The activities include:

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

### Description of FY 2021 Performance - Regulatory

In FY 2021, IRS published 196 items: 136 Priority Guidance Plan (PGP) projects and 60 ministerial rulings. Ministerial projects are publications that only involve ministerial matters (such as applicable federal interest rates and monthly bond factor amounts). They are usually published on an annual basis. Many items published in FY 2021 involved complex and novel issues. For example, two of the published items pertain to a provision added by the Tax Cuts and Jobs Act (TCJA) creating the deduction for qualified business income and how that applies to cooperative organizations. Another item addressed the new unrelated business income tax provision of the TCJA providing that the tax will be computed separately for each trade or business. Over one hundred items were published to implement the Families First Coronavirus Response Act (FFCRA), the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act (ARPA) and provided relief in response to the COVID-19 pandemic emergency, including several items relating to employer tax credits - the Credit for Sick and Family Leave, the Employee Retention Credit, and Paid Leave Credit for Vaccines. The 2021-2022 PGP, published on September 9, 2021, and covering July 2021 through June 2022, lists 193 projects.

The Office of Professional Responsibility (OPR) remains firmly committed to educating tax professionals about their responsibilities and limitations under Circular 230, and their ethical obligations to taxpayers and tax administration. During Fiscal Year 2021, the OPR's primary education and outreach efforts were directed at minimizing the number of practitioners who diverted from their ethical obligations. To the extent practitioners failed to adhere to the tax practice ethics, the OPR timely applied the appropriate level of discipline that put the practitioner back-on-track regarding competence and integrity in their tax practice.

The OPR performed its outreach activities through presentations conducted in-person and virtually through on-line webinars, telephonically, and via video conferencing platforms. The OPR educated tax professionals (mainly tax return preparers) about Circular 230 provisions at numerous events, including the IRS Nationwide Tax Forums. The Nationwide Tax Forums are an integral part of OPR's external outreach efforts as thousands of tax professionals attend these forums. These outreach events helped ensure taxpayers received competent and ethical representation before the agency.



## FY 2023 Changes by Budget Activity

Dollars in thousands

Regulatory	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>1,024</b>	<b>\$176,595</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$7,264</b>
Pay Annualization (2.7% average pay raise)		1,173
Pay Raise (4.6% average pay raise)		6,033
Non-Pay		58
<b>Base Adjustment</b>	<b>10</b>	<b>5,504</b>
Adjustment to Reach Current Operating Levels	10	\$5,504
<b>Subtotal FY 2023 Changes to Base</b>	<b>10</b>	<b>\$12,768</b>
<b>FY 2023 Current Services</b>	<b>1,034</b>	<b>\$189,363</b>
<b>Program Increases:</b>		
Putting Taxpayers First	14	2,437
<i>Taxpayer Experience Strategy</i>	14	2,437
Ensure Fairness of the Tax System	5	1,153
<b>Subtotal FY 2023 Program Increases</b>	<b>19</b>	<b>\$3,590</b>
<b>Total FY 2023 Request</b>	<b>1,053</b>	<b>\$192,953</b>
Dollar/FTE Change FY 2023 Request over FY 2022 ACR	29	\$16,358
Percent Change FY 2023 Request over FY 2022 ACR	2.83%	9.26%

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

### 2.1.5 – Budget and Performance Report and Plan

Dollars in thousands

Regulatory	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$131,662	\$170,222	\$174,624	\$157,374	\$132,506	\$176,595	\$192,953
Reimbursable Resources <sup>2</sup>	160	593	412	252	222	825	866
User Fees <sup>2</sup>	9,537						
<b>Budget Activity Total</b>	<b>\$141,359</b>	<b>\$170,815</b>	<b>\$175,036</b>	<b>\$157,626</b>	<b>\$132,728</b>	<b>\$177,420</b>	<b>\$193,819</b>

<sup>1</sup>The FY 2017 - FY 2021 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2017 - FY 2021 columns represent realized resources for reimbursables and user fees.

## **Operations Support**

### **Appropriation Description**

The Operations Support appropriation as currently defined - funds rent payments; facilities services; printing; postage; physical security; headquarters policy and management activities such as corporate support for strategic planning; communications and liaison; finance; human resources; equity, diversity, and inclusion; research and statistics of income; and necessary expenses for information systems and telecommunication support, including development, security, and maintenance of the IRS's information systems.

The Operations Support budget request for FY 2023 is \$4,543,268,000 in direct appropriations and 11,923 FTE, excluding the proposed technical adjustment. This is an increase of \$615,166,000 or 15.66 percent, and 291 FTE more than the FY 2022 ACR level of \$3,928,102,000 and 11,631 FTE.

## 2.1 – Budget Adjustments Table

Dollars in thousands

<b>Operations Support</b>		
Summary of Proposed FY 2023 Request	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>11,631</b>	<b>\$3,928,102</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$119,339</b>
Pay Annualization (2.7% average pay raise)		12,812
Pay Raise (4.6% average pay raise)		65,928
Non-Pay		40,599
<b>Base Adjustment</b>		<b>\$115,991</b>
Adjustment to Reach Current Operating Levels		115,991
<b>Subtotal FY 2023 Changes to Base</b>		<b>\$235,330</b>
<b>FY 2023 Current Services</b>	<b>11,631</b>	<b>\$4,163,432</b>
<b>Program Changes:</b>		
<b>Program Increases</b>		
Putting Taxpayers First	229	146,805
<i>User Authentication</i>		
<i>Taxpayer Experience Strategy</i>	229	146,805
Ensure Fairness of the Tax System	20	98,396
Enhance Taxpayer Service		84,945
Critical IT Operations	36	39,521
Focused Strategies for Reaching Underserved Communities	7	10,169
<b>Subtotal FY 2023 Program Increases</b>	<b>292</b>	<b>\$379,836</b>
<b>Total FY 2023 Budget Request</b>	<b>11,923</b>	<b>\$4,543,268</b>

See footnotes in 1.1 -- Appropriations Detail Table

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

## 2.2 – Object Classification Obligations

Dollars in thousands

Operations Support Object Classification	FY 2021 Operating Plan	FY 2022 Annualized CR	FY 2023 Request
11.1 Full-Time Permanent Positions	1,339,823	1,346,193	1,433,106
11.3 Other than Full-Time Permanent Positions	5,350	4,861	5,062
11.5 Other Personnel Compensation	33,940	40,005	43,150
11.8 Special Personal Services Payments	181	750	781
<b>11.9 Personnel Compensation (Total)</b>	<b>1,379,294</b>	<b>1,391,809</b>	<b>1,482,099</b>
12.1 Personnel Benefits	483,805	506,294	537,789
13.0 Benefits to Former Personnel	30	36	38
<b>Total Personnel and Compensation Benefits</b>	<b>\$1,863,129</b>	<b>\$1,898,139</b>	<b>\$2,019,926</b>
21.0 Travel	7,938	9,026	11,925
22.0 Transportation of Things	14,036	14,669	16,012
23.1 Rental Payments to GSA	579,736	609,019	634,381
23.2 Rent Payments to Others	6,914	37	38
23.3 Communications, Utilities, & Misc.	311,545	291,154	338,662
24.0 Printing & Reproduction	19,746	19,656	22,269
25.1 Advisory & Assistance Services	638,496	428,418	643,673
25.2 Other Services	29,188	32,621	51,210
25.3 Purchase of Goods & Services from Govt. Accounts	56,744	69,013	76,711
25.4 Operation & Maintenance of Facilities	199,037	202,776	223,729
25.6 Medical Care	14,972	17,605	20,045
25.7 Operation & Maintenance of Equipment	66,088	44,227	53,530
26.0 Supplies and Materials	7,240	5,143	7,370
31.0 Equipment	255,972	239,949	346,253
32.0 Land and Structures	32,645	45,987	76,858
42.0 Insurance Claims & Indemnities	676	663	676
<b>Total Non-Personnel</b>	<b>\$2,240,973</b>	<b>\$2,029,963</b>	<b>\$2,523,342</b>
<b>New Appropriated Resources</b>	<b>\$4,104,102</b>	<b>\$3,928,102</b>	<b>\$4,543,268</b>
<b>Budget Activities:</b>			
Infrastructure	886,713	918,659	1,039,852
Shared Services & Support	1,024,654	1,109,740	1,200,105
Information Services	2,192,735	1,899,703	2,303,311
<b>New Appropriated Resources</b>	<b>\$4,104,102</b>	<b>\$3,928,102</b>	<b>\$4,543,268</b>
<b>FTE</b>	<b>12,037</b>	<b>11,631</b>	<b>11,923</b>

See footnotes in 1.1 -- Appropriations Detail Table

Note 1: This table does not include the proposed technical adjustment that would move certain support activities from Operations Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operations Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

Note 2: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2)

## 2.3 – Appropriation Detail Table

Dollars in thousands

Operations Support Appropriated Resources	FY 2021 Operating Plan		FY 2022 Annualized CR		FY 2023 Request		Change FY 2022 to FY 2023 Request		% Change FY 2022 to FY 2023 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources:</b>										
Infrastructure		886,713		918,659		1,039,852		121,193		13.19%
Shared Services and Support	5,122	1,024,654	5,067	1,109,740	5,183	1,200,105	116	90,365	2.29%	8.14%
Information Services	6,915	2,192,735	6,564	1,899,703	6,740	2,303,311	176	403,608	2.68%	21.25%
<b>Subtotal New Appropriated Resources</b>	<b>12,037</b>	<b>\$4,104,102</b>	<b>11,631</b>	<b>\$3,928,102</b>	<b>11,923</b>	<b>\$4,543,268</b>	<b>292</b>	<b>\$615,166</b>	<b>2.51%</b>	<b>15.66%</b>
<b>Other Resources:</b>										
Reimbursables	79	55,072	76	55,000	80	57,751	4	2,751	5.26%	5.00%
Offsetting Collections - Non Reimbursables		258								
User Fees	10	408,054	15	335,410	15	261,833		(73,577)		-21.94%
Recovery from Prior Years		11,849		5,218		5,218				
Recoveries Paid				26		26				
Unobligated Balances from Prior Years	166	178,232	28	540,897	41	214,869	13	(326,028)	46.43%	-60.28%
Transfers In/Out										
Resources from Other Accounts	2	24,428	27	28,292	34	37,602	7	9,310	25.93%	32.91%
<b>Subtotal Other Resources</b>	<b>257</b>	<b>\$677,893</b>	<b>146</b>	<b>\$964,843</b>	<b>170</b>	<b>\$577,299</b>	<b>24</b>	<b>(\$387,544)</b>	<b>16.44%</b>	<b>-40.17%</b>
<b>Total Budgetary Resources</b>	<b>12,294</b>	<b>\$4,781,995</b>	<b>11,777</b>	<b>\$4,892,945</b>	<b>12,093</b>	<b>\$5,120,567</b>	<b>316</b>	<b>\$227,622</b>	<b>2.68%</b>	<b>4.65%</b>

See footnotes in 1.1–Appropriations Detail Table

The new appropriated resources in this table do not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.6 million.

## 2F – Infrastructure

(\$1,039,852,000 in direct appropriations and an estimated \$1,041,000 from reimbursable programs): This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment. The program activities include:

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

### Description of FY 2021 Performance - Infrastructure

#### *Rent*

The **Rentable Square Feet per Person** indicator is the amount of rentable square feet the IRS maintains per person requiring space. After payroll, rent is the IRS's largest operating expense; therefore, the IRS continues to take steps to reduce its total office space. Through FY 2021, the Rentable Sq. Ft. per Person was 278 -- the same level as FY 2020. Rentable Square Feet per Person is driven in the positive direction by either a decrease in square footage, increase in staffing or a combination of both. In FY 2021 there was a slight decrease in both staffing and rentable square footage, leaving Rentable Square Feet per Person unchanged. The IRS continues to release excess office space through building closures and consolidations; more than

two million rentable square feet has been released since FY 2017. The IRS continues to look to incorporate new hires into existing space, where possible. The IRS target for FY 2022 is 270 sq. ft. and the FY 2023 target is 260 sq. ft.

### *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 2021, the IRS worked diligently to implement a physical security strategy, which included the accomplishment of four goals:

- Providing security related tools, training, mechanisms, and processes to improve workforce effectiveness, agility, and retention;
- Implementing and monitoring the effectiveness of physical security policies, procedures, and internal controls by crafting effective management tools to ensure appropriate monitoring of all aspects of the physical security programs;
- Recognizing varying levels of security related performance and ensured employee accountability;
- Coordinating among all the functional areas involved in physical security. The security related improvements reduced burden, enhanced monitoring efficiency and increased data reporting reliability of security programs for program owners and managers.

At the onset of the COVID-19 pandemic in March 2020, the IRS took unprecedented actions to protect the health and safety of its employees and the taxpaying public. This included closing Submission Processing Centers, Taxpayer Assistance Centers (TACs), and other offices nationwide. At the beginning of FY 2021, many employees remained on health and safety leave, resulting in a significant amount of unopened mail, tax return processing delays, and correspondence. By December 2020, the IRS had resumed normal mail operations, and by May 2021, TACs were open and accepting face-to-face appointments. The work performed at IRS Submission Processing Centers is not conducive to a remote telework environment.

Throughout FY 2021, the IRS continued to improve its workspace modifications to enhance safety in IRS facilities, which included increased and widespread availability of hand sanitizer, surface sanitizing/disinfecting wipes, and both disposable masks and reusable masks. IRS modified custodial contracts for the provision of additional and above standard cleaning services. Modifications were made to heating, ventilation, and air conditioning operations to increase outside air and filter efficiencies, where technically feasible, and installed acrylic shields in workstations, when required. IRS developed and posted specific pandemic signage and placed them outside IRS entrances to encourage employee COVID-19 symptom self-screening. IRS ensured appropriate spacing of seating in open work and public gathering areas to enforce social distancing, and limited occupancy in bathrooms; elevators; and meeting, training, and break rooms.

## FY 2022 Changes by Budget Activity

Dollars in thousands

Infrastructure	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>		<b>\$918,659</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$18,380</b>
Pay Annualization (2.7% average pay raise)		2
Pay Raise (4.6% average pay raise)		11
Non-Pay		18,367
<b>Base Adjustment</b>		
Adjustment to Reach Current Operating Levels		
<b>Subtotal FY 2023 Changes to Base</b>		<b>\$18,380</b>
<b>FY 2023 Current Services</b>		<b>\$937,039</b>
<b>Program Increases:</b>		
Putting Taxpayers First		11,208
<i>Taxpayer Experience Strategy</i>		11,208
Ensure Fairness of the Tax System		42,231
Enhance Taxpayer Service		41,727
Critical IT Operations		1,044
Focused Strategies for Reaching Underserved Communities		6,603
<b>Subtotal FY 2023 Program Increases</b>		<b>\$102,813</b>
<b>Total FY 2023 Request</b>		<b>\$1,039,852</b>

Dollar/FTE Change FY 2023 Request over FY 2022 ACR \$121,193

Percent Change FY 2023 Request over FY 2022 ACR 13.19%

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

### 2.1.6 – Budget and Performance Report and Plan

Dollars in thousands

Infrastructure	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$856,655	\$870,360	\$891,140	\$867,354	\$885,606	\$918,659	\$1,039,852
Reimbursable Resources <sup>2</sup>	634	662	681	747	854	991	1,041
User Fees <sup>2</sup>			999				
<b>Budget Activity Total</b>	<b>\$857,289</b>	<b>\$871,022</b>	<b>\$892,820</b>	<b>\$868,101</b>	<b>\$886,460</b>	<b>\$919,650</b>	<b>\$1,040,893</b>

<sup>1</sup>The FY 2017 - FY 2021 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2017 - FY 2021 columns represent realized resources for reimbursables and user fees.

Infrastructure Measure	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2021	FY 2022	FY 2023
	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Rentable Square Feet per Person (O)	297	301	298	278	278	280	270	260

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

## 2G – Shared Services and Support

*(\$1,200,105,000 in direct appropriations, and an estimated \$31,919,000 from reimbursable programs):* This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, security, legal services, and procurement. The program activities include:

- National Headquarters Management and Administration directs the management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion programs, business systems planning, embedded training, and the Treasury Franchise Fund. It sets policies and goals, provides leadership and direction for the IRS, and builds partner relationships with key stakeholders (Congress, GAO, and OMB). It provides policy guidance for conducting planning and budgeting strategies, conducting analyses of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.
- Facilities Management & Security Services provides facilities and security services to deliver a safe, secure, and optimal work environment to IRS employees.
- Procurement supports the procurement function of the IRS.
- Equity, Diversity, and Inclusion Field Services provides staffing, training, and direct support to plan and manage the IRS's Equity, Diversity, and Inclusion program.
- Communications and Liaison coordinates local government and liaison relationships; handles congressional, state, and national stakeholder relationships and issues; coordinates cross-cutting issues, including managing audits and legislative implementation; handles national media contacts and local media relationships; and ensures IRS-wide compliance with disclosure and privacy laws.
- Employee Support Services plans and manages financial services, including relocation, travel, purchase cards, corporate express, and employee clearances.
- Treasury Complaint Centers plan and manage the Treasury Complaint centers.
- Shared Support not provided by Facilities Management & Security Services provides resources for shared cross-functional support, such as postage meters, shredders, courier services, and post office boxes.
- Printing and Postage – Media and Publications provides operating divisions with printing and postage, including shipping of taxpayer and internal-use materials.
- Statistics of Income provides resources for researching annual income, financial, and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- Research provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful strategies to address taxpayer noncompliance behavior.
- Protection of Sensitive Information manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, and assets, and the protection and proper use of identity information.
- W&I Business Modernization Support provides staffing, training, and support for W&I's enterprise-wide business modernization efforts, including re-engineered business processes.
- Benefit Payments provides resources to fund Workers' Compensation benefits and Unemployment Compensation for federal employee payments.
- Shared Services provides additional services, such as the Public Transit Subsidy.



### Description of FY 2021 Performance – Shared Services and Support

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

#### *Human Capital*

The future of the IRS depends on a workplace culture that empowers employees to improve the taxpayer experience and uphold the tax code fairly. In FY 2021, the IRS:

- **Administered a Future of Work Survey** to all employees that will aid IRS leadership with the development of a post-pandemic plan. Survey questions were chosen to gain insight on employee challenges regarding telework, returning to the office, resources, work/team collaborations and work/life balance.
- **Engaged employees throughout the year** using focus groups, virtual seminars, employee recognition, surveys, enhanced Public Service Recognition Week programming and launched a virtual idea wall. Online learning courses and Self-Help Online Tutorial (SHOT) videos relating to employee engagement were created as tools for employees and leadership.
- **Developed and deployed** strategies to ensure it is well-positioned to recruit, hire, train, support and retain a highly skilled workforce needed to achieve the IRS mission. One example is a deliberate rebranding including marketing and recruitment strategies through social media, student and graduate programs and collaboration with unemployment offices, educational institutions, and federal employment programs to prepare for anticipated hiring needs.

#### *Protection and Proper use of Identity Information*

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 sixth year of establishing repetitive iterative processes that support taxpayer security initiatives. During FY 2021, the Security Summit focused on reducing taxpayer burden and improving tax identity theft detection through exploring added collaborative efforts with the Information Sharing and Analysis Center (ISAC) and opportunities with stakeholders to further combat tax identity theft and fraud. The IRS made significant progress through collaboration and enhancements to its tax identity theft detection processes. Since partnering with the Security Summit, the IRS has prevented more identity theft than in previous years and as a result, its data analytics are detecting fewer fraudulent refund claims.

#### *Research*

The IRS invests in Service-wide research projects to help its leaders make data and evidence-driven improvements to IRS operations and taxpayer services. In FY 2021, the IRS:

- **Began an enterprise initiative** utilizing the OPM Five-Phase Workforce Planning Model methodology to proactively develop workforce planning projections. This supports the development of a holistic view of planned IRS workforce requirements. As a result, the IRS will have the ability to analyze organizational workforce projections to support the development of comprehensive FY 2022 recruitment and hiring strategies.
- **Applied** analytics to multiple source datasets in response to COVID-19 to develop data solution tools that enabled IRS stakeholders to make data-informed decisions, meet their reporting requirements, facilitate accomplishment of workload, maximize employee safety efforts, and pay employees appropriately. This allowed the IRS to rapidly respond to the unfolding pandemic and emerging needs.

- **Implemented the Documentation Upload Tool** which is a platform that allows taxpayers a secure method to submit their response form and supporting documentation in response to an Automated Questionable Credit (AQC) notice. The IRS delivered functionality within just 19 days to create an electronic mailroom feature for the AQC program.
- **Analyzed** historical examination results and return data to select work based on measurable criteria. Access to new visualization tools, which are becoming an industry standard, are being provided to our managers and analysts to make it easier to identify opportunities to enhance our operations. The IRS continued efforts to incorporate the use of automated technologies such as Robotics Process Automation (RPA) to improve process efficiencies in workload selection.
- **Received** thousands of survey responses to the inaugural 2020 Customer Experience, Expectations and Needs (CEEN) Survey. The survey covered topics such as tax filing, employment taxes, trust with the IRS, and needs for compliant tax administration. The survey was designed to help the IRS understand the expectations, needs and preferences of small business owners and self-employed taxpayers. Insights gained were from gig workers, Spanish-preferred taxpayers, and new small business owners. The CEEN survey is groundbreaking for the IRS and the results are foundational research for all IRS programs seeking to improve interactions with taxpayers.
- **Strengthened partnerships** with the Department of Treasury to better utilize the Enterprise Data Management system, which organizes data from disparate systems to provide consolidated analytics and reporting.
- **Combining tax expertise with data science principles**, IRS is building risk assessment algorithms that will improve the IRS's ability to identify potential high-risk compliance issues across complex pass-through entity tax structures.
- **Moving forward with its digitalization strategy.** The strategy allows flexibility within inventory management, electronic workflows, and business continuity. Benefits include new digital channel options that enhance the portability of work and leverage resources across the Service. Additionally, the strategy allows for seamless access to taxpayer imaged cases without additional burdens on the taxpayer to provide documents. This transparency reduces risk for both taxpayers and the IRS.

## FY 2022 Changes by Budget Activity

Dollars in thousands

Shared Services and Support	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>5,067</b>	<b>\$1,109,740</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$38,001</b>
Pay Annualization (2.7% average pay raise)		4,966
Pay Raise (4.6% average pay raise)		25,555
Non-Pay		7,480
<b>Base Adjustment</b>		
Adjustment to Reach Current Operating Levels		
<b>Subtotal FY 2023 Changes to Base</b>		<b>\$38,001</b>
<b>FY 2023 Current Services</b>	<b>5,067</b>	<b>\$1,147,741</b>
<b>Program Increases:</b>		
Putting Taxpayers First	89	22,138
<i>Taxpayer Experience Strategy</i>	89	22,138
Ensure Fairness of the Tax System	20	23,164
Enhance Taxpayer Service		6,012
Critical IT Operations		86
Focused Strategies for Reaching Underserved Communities	7	964
<b>Subtotal FY 2023 Program Increases</b>	<b>116</b>	<b>\$52,364</b>
<b>Total FY 2023 Request</b>	<b>5,183</b>	<b>\$1,200,105</b>
Dollar/FTE Change FY 2023 Request over FY 2022 ACR	116	\$90,365
Percent Change FY 2023 Request over FY 2022 ACR	2.29%	8.14%

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

### 2.1.7 – Budget and Performance Report and Plan

Dollars in thousands

Shared Services and Support	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$964,702	\$920,283	\$900,287	\$961,999	\$1,040,955	\$1,109,740	\$1,200,105
Reimbursable Resources <sup>2</sup>	19,194	27,995	30,360	27,368	27,874	30,399	31,919
User Fees <sup>2</sup>	1,000	1,000					
<b>Budget Activity Total</b>	<b>\$984,896</b>	<b>\$949,278</b>	<b>\$930,647</b>	<b>\$989,367</b>	<b>\$1,068,829</b>	<b>\$1,140,139</b>	<b>\$1,232,024</b>

<sup>1</sup>The FY 2017 - FY 2021 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2017 - FY 2021 columns represent realized resources for reimbursables and user fees.

## **2H – Information Services**

*(\$2,303,311,000 in direct appropriations, \$24,791,000 in reimbursable resources, and \$261,833,000 from user fees):* This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. This includes the design and operation of security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems. The program activities include:

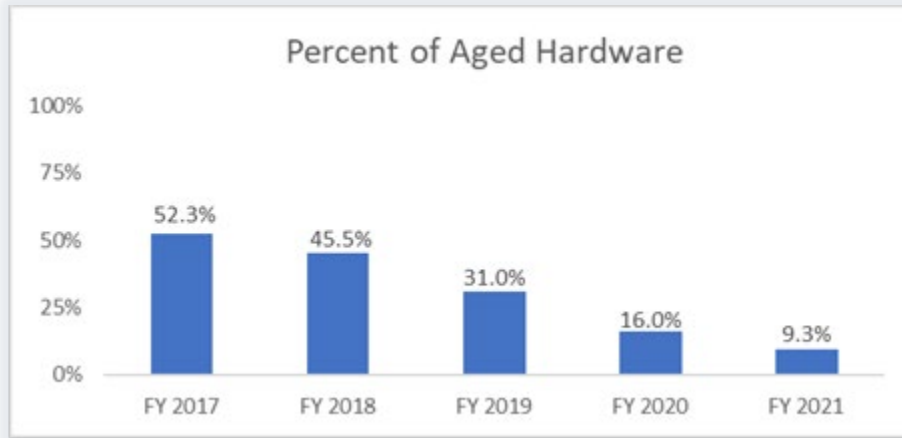
- Enterprise Program Management Office (EPMO) provides oversight and project integration into daily IT processes for large-scale development, modernization, and enhancement projects. It enables a coordinated, cross-functional project planning, implementation and performance assessment effort aimed at improving IT systems quality, cost, and delivery schedule.
- Cybersecurity protects Taxpayer information and the Internal Revenue Service's electronic systems, services, and data from internal and external cyber security related threats. The program operates a 24x7x365 Computer Security Incident Response Center (CSIRC) 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.
- Affordable Care Act – Project Management Office (PMO) manages the strategic planning, development, and implementation of new information systems in support of business requirements with regard to the healthcare reform initiative.
- IT Executive Oversight provides support to 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 organization, including demand analysis, enterprise architecture, configuration management, project reporting, enterprise life cycle management, release management, systems engineering, dashboard reporting, and internal management.
- End User & 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, maintaining legacy operations, local and corporate systems administration activities, email, and domain user account maintenance. This activity monitors IRS network and systems administration by utilizing automated management tools. It performs asset management activities, and maintenance of the voice and data infrastructure at the territory offices.
- Strategy and Planning provides the management and oversight of investments in IT, demand analysis, project reporting, portfolio management and other IT operational priorities.
- Information Technology Security Certification and Accreditation provides design and operations of security controls and the technical mechanisms used by the IRS systems and applications as part of the development of the system security plan, system risk assessment, and IT contingency plan. It also supports security testing and evaluation as part of the certification process, including time preparing system documentation, interviewing contractors, and responding to information requests.
- Disaster Recovery supports activities related to Enterprise Disaster Recovery planning, including testing, evaluations, plan development, and technical and business impact assessments.
- Infrastructure Currency (IC) funds the upgrade or replacement of outdated and aged technology solutions related to the IT hardware, software, and applications development product portfolio. The IC program gathers and assesses infrastructure risk to determine mitigation strategies supporting IT software currency. The IC program, through continuous IT currency management, coordinates the development and subsequent maintenance of the integrated IT asset planning and execution processes that increase the long-term sustainability of the IT infrastructure. By managing and maintaining the enterprise IT lifecycle, the IRS is able to reduce risk associated with the use of outdated and aged technology solutions and provide timely and continuous product upgrades.
- 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.
- Treasury Franchise Fund is a centralized functional area for separating the resources required to pay Treasury billings for services provided through the Working Capital Fund from the Information Services base budget.

Description of FY 2021 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 IRS continued to make great progress reducing the percentage of aged hardware within the IT environment from 16 percent at the end of FY 2020 to 9.3 percent at the end of FY 2021. This represents a reduction of more than 8,000 aged assets during the fiscal year through efforts such as refreshing employee workstations. Since FY 2017, the IRS was able to reduce the percent of aged hardware more than 82 percent. For FY 2022 and FY 2023, the IRS will maintain the target at 20 percent. The industry standard for aged hardware is in the range of 20 – 25 percent. IRS will monitor progress against FY 2021 aged hardware replacement targets.

Figure 2.6



## FY 2022 Changes by Budget Activity

Dollars in thousands

Information Services	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>6,564</b>	<b>\$1,899,703</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$62,958</b>
Pay Annualization (2.7% average pay raise)		7,844
Pay Raise (4.6% average pay raise)		40,362
Non-Pay		14,752
<b>Base Adjustment</b>		<b>115,991</b>
Adjustment to Reach Current Operating Levels		115,991
<b>Subtotal FY 2023 Changes to Base</b>		<b>\$178,949</b>
<b>FY 2023 Current Services</b>	<b>6,564</b>	<b>\$2,078,652</b>
<b>Program Increases:</b>		
Putting Taxpayers First	140	113,459
<i>Taxpayer Experience Strategy</i>	140	113,459
Ensure Fairness of the Tax System		33,001
Enhance Taxpayer Service		37,206
Critical IT Operations	36	38,391
Focused Strategies for Reaching Underserved Communities		2,602
<b>Subtotal FY 2023 Program Increases</b>	<b>176</b>	<b>\$224,659</b>
<b>Total FY 2023 Request</b>	<b>6,740</b>	<b>\$2,303,311</b>

Dollar/FTE Change FY 2023 Request over FY 2022 ACR	176	\$403,608
Percent Change FY 2023 Request over FY 2022 ACR	2.68%	21.25%

This table does not include the proposed technical adjustment that would move certain support activities from Operation Support and charge the full cost of certain mission activities to the Taxpayer Services and Enforcement appropriations. The adjustment would reduce the Operation Support appropriation by \$709.5 million for rent and CFO adjustments and increase the Taxpayer Services appropriation by \$298.9 million and the Enforcement appropriation by \$410.7 million.

## 2.1.8 – Budget and Performance Report and Plan

Dollars in thousands

Information Services	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$1,950,191	\$2,390,357	\$2,126,973	\$1,972,916	\$2,061,216	\$1,899,703	\$2,303,311
Reimbursable Resources <sup>2</sup>	35,307	40,600	27,153	36,456	26,344	23,610	24,791
User Fees <sup>2</sup>	201,584	204,032	222,399	374,671	408,054	335,410	261,833
<b>Budget Activity Total</b>	<b>\$2,187,082</b>	<b>\$2,634,989</b>	<b>\$2,376,525</b>	<b>\$2,384,043</b>	<b>\$2,495,614</b>	<b>\$2,258,723</b>	<b>\$2,589,935</b>

<sup>1</sup>The FY 2017 - FY 2021 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2017 - FY 2021 columns represent realized resources for reimbursables and user fees.

Information Services	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2021	FY 2022	FY 2023
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target

Percent of Aged Hardware (O, L)

52.3%    45.5%    31.0%    16.0%    9.3%    20.0%    20.0%    20.0%

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

## Business Systems Modernization

### Appropriation Description

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

The BSM budget request for FY 2023 is \$310,027,000 in direct appropriations and 412 FTE. This amount is an increase of \$87,303,000 or 39.2 percent, and 104 FTE more than the FY 2022 ACR level of \$222,724,000 and 308 FTE.

### 2.1 – Budget Adjustments Table

<b>Business Systems Modernization</b>		
Summary of Proposed FY 2023 Request	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>308</b>	<b>\$222,724</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$5,730</b>
Pay Annualization (2.7% average pay raise)		401
Pay Raise (4.6% average pay raise)		2,061
Non-Pay		3,268
<b>Base Adjustment</b>		<b>3,430</b>
Adjustment to Reach Current Operating Levels		3,430
<b>Subtotal FY 2023 Changes to Base</b>		<b>\$9,160</b>
<b>FY 2023 Current Services</b>	<b>308</b>	<b>\$231,884</b>
<b>Program Changes:</b>		
<b>Program Increases</b>		
Integrated Modernization Business Plan	104	\$78,143
<b>Subtotal FY 2023 Program Increases</b>	<b>104</b>	<b>\$78,143</b>
<b>Total FY 2023 Budget Request</b>	<b>412</b>	<b>\$310,027</b>

See footnotes in 1.1 -- Appropriations Detail Table



## 2.2 – Object Classification Obligations

Dollars in thousands

Business Systems Modernization Object Classification	FY 2021 Operating Plan	FY 2022 Annualized CR	FY 2023 Request
11.1 Full-Time Permanent Positions	37,340	43,387	51,320
11.3 Other than Full-Time Permanent Positions	30	178	204
11.5 Other Personnel Compensation	224	672	772
<b>11.9 Personnel Compensation (Total)</b>	<b>37,594</b>	<b>44,237</b>	<b>52,296</b>
12.1 Personnel Benefits	12,535	15,092	17,686
<b>Total Personnel and Compensation Benefits</b>	<b>\$50,129</b>	<b>\$59,329</b>	<b>\$69,982</b>
21.0 Travel	411	381	104
25.1 Advisory & Assistance Services	163,522	160,802	235,072
25.2 Other Services			6
25.3 Purchase of Goods & Services from Govt. Accounts			2
25.7 Operation & Maintenance of Equipment	2,018	110	254
26.0 Supplies and Materials	2	12	6
31.0 Equipment	6,642	2,090	4,600
<b>Total Non-Personnel</b>	<b>\$172,595</b>	<b>\$163,395</b>	<b>\$240,045</b>
<b>New Appropriated Resources</b>	<b>\$222,724</b>	<b>\$222,724</b>	<b>\$310,027</b>
<b>Budget Activities:</b>			
IT Investments	222,724	222,724	310,027
<b>New Appropriated Resources</b>	<b>\$222,724</b>	<b>\$222,724</b>	<b>\$310,027</b>
<b>FTE</b>	<b>394</b>	<b>308</b>	<b>412</b>

See footnotes in 1.1 -- Appropriations Detail Table

This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2)

## 2.3 – Appropriation Detail Table

Dollars in thousands

Business Systems Modernization Appropriated Resources	FY 2021 Operating Plan		FY 2022 Annualized CR		FY 2023 Request		Change FY 2022 to FY 2023 Request		% Change FY 2022 to FY 2023 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
	<b>New Appropriated Resources:</b>									
Business Systems Modernization	394	222,724	308	222,724	412	310,027	104	87,303	33.77%	39.20%
<b>Subtotal New Appropriated Resources</b>	<b>394</b>	<b>\$222,724</b>	<b>308</b>	<b>\$222,724</b>	<b>412</b>	<b>\$310,027</b>	<b>104</b>	<b>\$87,303</b>	<b>33.77%</b>	<b>39.20%</b>
<b>Other Resources:</b>										
Reimbursables										
Offsetting Collections - Non Reimbursables										
User Fees		29,495								
Recovery from Prior Years		25		5,537				(5,537)		-100.00%
Recoveries Paid				193						
Unobligated Balances from Prior Years	3	28,935	16	205,039			(16)	(205,039)	-100.00%	-100.00%
Transfers In/Out										
Resources from Other Accounts										
<b>Subtotal Other Resources</b>	<b>3</b>	<b>\$58,455</b>	<b>16</b>	<b>\$210,769</b>			<b>(16)</b>	<b>(\$210,576)</b>	<b>-100.00%</b>	<b>-100.00%</b>
<b>Total Budgetary Resources</b>	<b>397</b>	<b>\$281,179</b>	<b>324</b>	<b>\$433,493</b>	<b>412</b>	<b>\$310,027</b>	<b>88</b>	<b>(\$123,273)</b>	<b>27.16%</b>	<b>-28.48%</b>

See footnotes in 1.1--Appropriations Detail Table

## 2I – Business Systems Modernization

*(\$310,027,000 in direct appropriations): This budget activity funds the planning and capital asset acquisition of information technology to modernize IRS business systems and processes, including labor and related contractual costs, in support of the IRS mission. The IRS is implementing its multiyear modernization plan to address the long-term sustainability and affordability of its technological environment, eliminating organizational silos, and driving efficiencies and cost savings throughout the enterprise. The plan defines the scope of capabilities, sets timelines, and targets, describes milestones, and includes outcome measures for each investment. BSM funds are strictly used for development, modernization and enhancement activities, and do not fund operations and maintenance once a project is developed. The following projects are currently under development using BSM funds:*

- **Web Applications (\$30 million):** The IRS will continue to expand online account capabilities to improve the taxpayer experience, enhancing self-service options to create and submit payment plans as well as to make and view tax payments. In addition, it will expand the Tax Pro effort benefiting authorized tax professionals with capabilities that modernize certain paper-based processes to help resolve issues with the IRS on behalf of their clients. In FY 2023, the IRS will continue to expand the Tax Pro capabilities to include the ability to view and manage authorizations and enable taxpayers to initiate new authorization requests. These capabilities will reduce taxpayer and tax professional burden, the number of submitted paper forms, and the time it takes to submit authorizations. Taxpayers and tax professionals also benefit from additional data accuracy and security since the process confirms and protects their identity. The IRS will continue to improve taxpayer access to digital notices, allowing taxpayers the choice to opt in or opt out of receiving paper notices and receive notifications through email or text message. This investment will increase taxpayer response rates to notices, reduce burden on taxpayers and the IRS, reduce printing and postage requirements, and promote more efficient interactions.
- **Customer Account Data Engine 2 (CADE2) (\$130 million) (Individual Tax Processing):** Since the Individual Master File (IMF) was built almost 60 years ago, the IRS has made additions to legacy base code to reflect annual tax law changes. The result today is a complex system, with decades of tax law changes, written in outdated programming language that only an extremely small number of IRS personnel understand. Right now, the CADE 2 Program is in Transition State 2 (TS2) focused on the Individual Tax Processing Engine (ITPE) Project, which is

converting and thoroughly testing two of the most complex IMF tax processing components (i.e., Runs 12 and 15). This project will usher in a new period of modernized core tax processing for Individual Accounts. ITPE will also convert approximately 200,000 lines of legacy Assembly Language Code (ALC) to a modern software language. This code conversion is a major milestone towards retiring the Individual Master File (IMF). In FY 2023, funding will be used to continue the ITPE project's code conversion and testing activities. Upon completion, the ITPE project will provide the foundation for modernization efforts to retire remaining legacy components of the IMF. It will also address key technological defects of the IMF such as the length of information that can be stored, improve security against threats, implement a logical code representation and enable enhanced data accessibility both within the IRS and for taxpayers. CADE 2 will support advanced analytical capabilities addressing key issues of compliance, fraud, and identity theft.

- **Customer Account Data Engine (CADE 2) Target State (\$15 million):** In the final Transition State, the Target State, CADE 2 will provide state-of-the-art individual taxpayer account processing and data-centric technologies for maintaining and balancing individual taxpayer account data to reduce operations and maintenance costs, provide data distribution solutions for downstream systems and end users, improve taxpayer service quality, enhance responsiveness to legislative changes, and eliminate financial weaknesses. In FY 2023, CADE 2 Target State will consist of two projects: 1) the CADE 2 Data Marketplace (C2DM) project that will develop data distribution solutions such as Application Programming Interfaces (APIs), for access to CADE 2 data, and 2) the ITPE Step 2 project that will retire the IMF sequential files and process off the CADE 2 database. Funding will be used to plan, develop, and publish APIs for the C2DM project, and execute requirements, design, engineering, and development activities for the ITPE Step 2 project. Completion of CADE 2 Target State will allow the IRS to simplify the IT environment by reengineering many of the downstream systems to directly use and update the taxpayer account data in CADE 2.
- **Enterprise Case Management (ECM) (\$75 million):** ECM provides the IRS with an enterprise solution for streamlining case and workload management processes to improve the quality and effectiveness of case interactions with individual taxpayers, small and large businesses, tax-exempt organizations, and a wide spectrum of intermediaries. ECM is a cloud-based case management solution that will digitize case information, provide business automation, and increase resource alignment across IRS business units to improve customer service and reduce the timeframe for case resolution. IRS is building foundational data services to allow users to access individual taxpayer data and deliver additional case management functionality to enable further business migration to ECM. ECM has integrated case management supporting business processes across the IRS such as Tax Exempt/Government Entities Exempt Organizations, Privacy, Governmental Liaison and Disclosure, W&I Grants Management, External Referrals, and the Human Capital Office. In FY 2023, the IRS will initiate work on the exam line of business, while continuing to expand case management integration to additional prioritized customers and enabling further business migration to ECM.
- **Cyber Security:**
  - **Identity and Access Management (\$15 million):** This investment in user identity controls, privileged access protections, building access security, and software security configuration will help the IRS mitigate the risk of unauthorized access to tax data as the IRS delivers new online tools to taxpayers and the number of private sector data breaches increases.
  - **Security Operations and Management (\$10 million):** This investment will deliver a next generation secure operations center, improved incident analysis and forensic network investigation, and protect High Value Assets by blocking network access for unauthorized users.

- Vulnerability and Threat Management (\$20 million): This investment will enable the IRS to identify and provide transparency for risks and potential threats, automate initiation of remediation actions for proactive prevention of security incidents, improve the automation of security testing for on-premise and cloud systems, apply use cases to enhance security audit analytics and compliance, and enhance data protection through encryption.
- Architecture, Integration, and Management (\$10 million): 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.
- Management Reserve (\$5 million): Funds allow the IRS to cover unanticipated cost adjustments.

Description of FY 2021 Performance – BSM

The IRS’s modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity. The IRS made significant progress delivering on the commitments in the IRS Integrated Modernization Business Plan, as well as the fundamental responsibilities to deliver and protect the solutions and services that support the nation’s tax system. However, since the IRS received only 55 percent of the requested funding, replanning of capabilities was necessary. With this replanning, the IRS delivered 19 modernized capabilities in FY 2019, 40 modernized capabilities in FY 2020, and 29 modernized capabilities in FY 2021.

Highlighted capabilities in FY 2021 include: delivery of Enterprise Case Management Release 1, expansion of Customer Callback to total 16 phone applications, release of Taxpayer Digital Communication – Outbound Notifications priority notices to taxpayers, completion of 69 percent of code conversion for the Individual Tax Processing Engine project, and deployment of CTCUP. For more detail about BSM accomplishments and performance goals, please see Publication 5453, Information Technology (IT) Annual Key Insights Report.

Major IT investments are measured by the proportion of projects within +/- 10 percent of budgeted cost and schedule variance. The FY 2022 and FY 2023 targets for both measures are 90 percent.

**Major IT (BSM and Non-BSM) Investments**

Fiscal Year	Percent within +/- 10% Cost Variance	Percent within +/- 10% Schedule Variance
<b>2021</b>	<b>94.1%</b>	<b>100%</b>

**Percent of Major IT Investments within +/- 10 percent Cost Variance at the Investment Level:** Sixteen of 17 major investments (94.1 percent) were within the cost variance threshold in FY 2021. Shown below is the one investment that fell outside the +/- 10 Cost variance.

- **eA3 (Authentication, Authorization, Access)** – actual costs incurred were 15 percent lower than planned.

**Percent of Major IT Investments within +/- 10 percent Schedule Variance at the Investment Level:** Seventeen of 17 major investments (100 percent) were within the schedule variance threshold at the close of FY 2021. All investments fell between the +/- 10 percent schedule variance in FY 2021.

The IRS will continue to effectively manage our major IT investments and closely monitor cost and schedule variance throughout FY 2022.

### FY 2023 Changes by Budget Activity

Dollars in thousands

Business Systems Modernization		
Summary of Proposed FY 2023 Request	FTE	Amount
<b>FY 2022 Annualized CR (ACR)</b>	<b>308</b>	<b>\$222,724</b>
<b>Changes to Base:</b>		
<b>Maintaining Current Levels (MCLs)</b>		<b>\$5,730</b>
Pay Annualization (2.7% average pay raise)		401
Pay Raise (4.6% average pay raise)		2,061
Non-Pay		3,268
<b>Base Adjustment</b>		<b>3,430</b>
Adjustment to Reach Current Operating Levels		3,430
<b>Subtotal FY 2023 Changes to Base</b>		<b>\$9,160</b>
<b>FY 2023 Current Services</b>	<b>308</b>	<b>\$231,884</b>
<b>Program Changes:</b>		
<b>Program Increases</b>		
Integrated Modernization Business Plan	104	\$78,143
<b>Subtotal FY 2023 Program Increases</b>	<b>104</b>	<b>\$78,143</b>
<b>Total FY 2023 Budget Request</b>	<b>412</b>	<b>\$310,027</b>

See footnotes in 1.1 -- Appropriations Detail Table

### 2.1.9 – Budget and Performance Report and Plan

Dollars in thousands

Business Systems Modernization	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Resource Level	Actual	Actual	Actual	Actual	Actual	Annualized CR	Request
Appropriated Resources <sup>1</sup>	\$166,263	\$110,000	\$150,000	\$180,000	\$203,614	\$222,724	\$310,027
Reimbursable Resources <sup>2</sup>							
User Fees	25,464	77,418	89,713	108,872	29,495		
<b>Budget Activity Total</b>	<b>\$191,727</b>	<b>\$187,418</b>	<b>\$239,713</b>	<b>\$288,872</b>	<b>\$233,109</b>	<b>\$222,724</b>	<b>\$310,027</b>

<sup>1</sup>The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

<sup>2</sup>The FY 2016 - FY 2020 columns represent realized resources for reimbursable resources and user fees.

Business Systems Modernization	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2021	FY 2022	FY 2023
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level (E)	50.0%	72.2%	88.9%	84.2%	94.1%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level (E)	88.9%	83.3%	88.9%	94.7%	100.0%	90.0%	90.0%	90.0%

Key: E- Efficiency Measure

**B - FY 2021 - FY 2023 IRS Integrated Modernization Business Plan**

Pillar	Business Systems Modernization Dollars in thousands	Funding Category <sup>1</sup>	FY 2021 Actuals	FY 2022 Planned (CR)	FY 2023 President's Budget Request
	<b>FY 2021 / FY 2022 (CR Level) / FY 2023</b>		203,746	222,724	310,027
	Carryover Balance		28,806	22,185	
	User Fees		29,495		
	<b>Total Funding</b>		<b>\$262,047</b>	<b>\$244,909</b>	<b>\$310,027</b>
		Capital	204,837	180,806	234,872
		Support	3	589	178
		Labor	57,207	59,329	69,982
	<b>Subtotal Spend</b>		<b>\$262,047</b>	<b>\$240,724</b>	<b>\$305,032</b>
	FTE		304	308	412
	Management Reserve			4,185	4,995
	<b>Total Spend plus MR</b>		<b>\$262,047</b>	<b>\$244,909</b>	<b>\$310,027</b>
Taxpayer Experience	<b>Web Applications<sup>2</sup></b>		<b>\$32,594</b>	<b>\$28,000</b>	<b>\$30,000</b>
	The IRS will continue to expand online account capabilities to improve the taxpayer experience, enhancing self-service options to create and submit payment plans as well as to make and view tax payments. In addition, it will expand the Tax Pro effort benefiting authorized tax professionals with capabilities that modernize certain paper-based processes to help resolve issues with the IRS on behalf of their clients. In FY 2023, the IRS will continue to expand the Tax Pro capabilities to include the ability to view and manage authorizations and enable taxpayers to initiate new authorization requests. These capabilities will reduce taxpayer and tax professional burden, the amount of paper forms, and the time it takes to submit authorizations. Taxpayers and tax professionals also benefit from additional data accuracy and security since the process confirms and protects their identities. The IRS will continue to improve taxpayer access to digital notices which will increase taxpayer response rates to notices, reduce burden on taxpayers and the IRS, reduce printing and postage requirements, and promote more efficient interactions.	Capital	20,919	15,900	15,920
		Support	3	300	
		Labor	11,671	11,800	14,080
		FTE	65	60	95
	<b>TDC-ON</b>		<b>\$7,961</b>		
	Providing taxpayers access to fast, secure, and personalized digital communications delivered through a secure messaging platform. The IRS will continue developing digital notices available through a secure online account for taxpayers who prefer that channel over mailed correspondence. IRS will expand the capability to allow taxpayers the choice to opt in or opt out of receiving paper notices and receive notifications through email and text message when a notice is available. TDC-ON will allow the IRS to move away from paper-based notifications and allow taxpayers to navigate directly to IRS online payment tools, increasing the likelihood of taxpayer acts and expediting the resolution of tax-related issues.	Capital	6,255		
		Support			
		Labor	1,706		
		FTE	9		
	<b>Taxpayer Experience - Subtotal</b>		<b>\$40,555</b>	<b>\$28,000</b>	<b>\$30,000</b>
	FTE		<b>74</b>	<b>60</b>	<b>95</b>

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

<sup>2</sup> Effective FY 2022, Web Apps and TDC-ON merged under the Web Apps investment.

Pillar	Business Systems Modernization Dollars in thousands	Funding Category <sup>1</sup>	FY 2021 Actuals	FY 2022 Planned (CR)	FY 2023 President's Budget Request	
Core Taxpayer Services and Enforcement	<b>Customer Account Data Engine (CADE 2) (Individual Tax Processing)</b>		<b>\$98,476</b>	<b>\$100,000</b>	<b>\$130,032</b>	
	Since the Individual Master File (IMF) was built almost 60 years ago, the IRS has made additions to legacy base code to reflect annual tax law changes. The result today is a complex system, with decades of tax law changes, written in outdated programming language that only an extremely small number of IRS personnel understand. Right now, the CADE 2 Program is in Transition State 2 (TS2) focused on the Individual Tax Processing Engine (ITPE) Project, which is converting and thoroughly testing two of the most complex IMF tax processing components (i.e., Runs 12 and 15). This project will usher in a new period of modernized core tax processing for Individual Accounts. ITPE will also convert approximately 200,000 lines of legacy Assembly Language Code (ALC) to a modern software language. This code conversion is a major milestone towards retiring the Individual Master File (IMF). CADE 2 will support advanced analytical capabilities addressing key issues of compliance, fraud, and identity theft.	Capital	74,300	77,946	105,785	
		Support		41	52	
		Labor	24,176	22,013	24,195	
		FTE	125	123	139	
	<b>Customer Account Data Engine (CADE 2) Target State</b>				<b>\$15,000</b>	
	In the final Transition State, the Target State, CADE 2 will provide state-of-the-art individual taxpayer account processing and data-centric technologies for maintaining and balancing individual taxpayer account data to reduce operations and maintenance costs, provide data distribution solutions for downstream systems and end users, improve taxpayer service quality, enhance responsiveness to legislative changes, and eliminate financial weaknesses. Funding will be used to plan, develop, and publish APIs for the C2DM project, and execute requirements, design, engineering, and development activities for the ITPE Step 2 project. Completion of CADE 2 Target State will allow the IRS to simplify the IT portfolio by reengineering many of the downstream systems to directly use and update the taxpayer account data in CADE 2.	Capital			9,778	
		Support				
		Labor			5,222	
		FTE			30	
	<b>Enterprise Case Management</b>			<b>\$60,041</b>	<b>\$64,000</b>	<b>\$75,000</b>
	ECM provides the IRS with an enterprise solution for streamlining case and workload management processes to improve the quality and effectiveness of case interactions with individual taxpayers, small and large businesses, tax-exempt organizations, and a wide spectrum of intermediaries. ECM is a cloud-based case management solution that will digitize case information, provide business automation, and increase resource alignment across IRS business units to improve customer service and reduce the timeframe for case resolution. IRS is building foundational data services to allow users to access individual taxpayer data and delivers additional case management functionality to enable further business migration to ECM. ECM has integrated case management supporting business processes across the IRS such as Tax Exempt/Government Entities Exempt Organizations, Privacy, Governmental Liaison and Disclosure, W&I Grants Management, External Referrals, and Human Capital Office.	Capital	43,398	41,757	54,065	
		Support		248	50	
		Labor	16,643	21,995	20,885	
FTE		89	98	112		
<b>Core Taxpayer Services and Enforcement - Subtotal</b>			<b>\$158,517</b>	<b>\$164,000</b>	<b>\$220,032</b>	
<b>FTE</b>			<b>214</b>	<b>221</b>	<b>281</b>	

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

Pillar	Business Systems Modernization Dollars in thousands	Funding Category <sup>1</sup>	FY 2021 Actuals	FY 2022 Planned (CR)	FY 2023 President's Budget Request
Modernized IRS Operations	<b>Robotics Process Automation</b>		<b>\$855</b>		
	Automating repetitive, rule-based, manual tasks and mitigating human error risks. Robotic Process Automation (RPA) has emerged as an effective enabling technology to gain efficiencies by doing just this. Combining RPA with Artificial Intelligence (AI) has further enhanced opportunities to empower organizations to take on more complex processes and gain value through cognitive automation. The goal of the RPA program is to build the capability for IRS to take advantage of these emerging technologies. IRS business units are highly motivated to find operational efficiencies to improve services and automate workflow for a wide range of taxpayers to significantly relieve administrative burden. Funding this effort will ensure that a series of initial limited use projects and activities will provide additional functionality and efficiency gains. Currently, this modernization program is not anticipated to perform planned work under either the FY 2022 CR level or FY 2023 President's Budget.	Capital	606		
		Support			
		Labor	249		
		FTE	1		
	<b>Application Program Interface (API) Implementation</b>		<b>\$3,177</b>		
	APIs are a set of protocols, routines, functions and/or commands that programmers use to develop software or facilitate interaction between distinct systems. In response to growing demands to integrate systems internally and externally, the IRS plans to expand the use of APIs across its ecosystem. Currently, this modernization program is not anticipated to perform planned work under either the FY 2022 CR level or FY 2023 President's Budget.	Capital	2,912		
		Support			
		Labor	265		
		FTE	1		
	<b>Cloud Execution</b>		<b>\$9,392</b>		
	Leveraging cloud technologies to provide value and improved service to taxpayers. The IRS has adopted a cloud strategy, which aligns to the Federal strategy, and will migrate various workloads to the cloud as appropriate. Because the IRS can securely host tax applications in the cloud, even for major efforts like Enterprise Case Management, funding this set of capabilities will be critical to stabilizing the cost of operations and maintenance and further enhancing the agency's security posture. Currently, this modernization program is not anticipated to perform planned work under either the FY 2022 CR level or FY 2023 President's Budget.	Capital	9,387		
		Support			
		Labor	5		
		FTE			
<b>Next Generation Infrastructure</b>		<b>\$69</b>			
Providing a more efficient, scalable and flexible architecture. Funding will ensure the implementation of advanced IT infrastructure tools and technologies for compute, network and storage activities. The combination of these capabilities will help further automate and modernize the technology infrastructure and convert legacy code to modern programming languages. Currently, this modernization program is not anticipated to perform planned work under either the FY 2022 CR level or FY 2023 President's Budget.	Capital				
	Support				
	Labor	69			
	FTE	1			
<b>Modernized IRS Operations - Subtotal</b>			<b>\$13,493</b>		
FTE			<b>3</b>		
<b>Identity and Access Management</b>		<b>\$8,974</b>	<b>\$17,658</b>	<b>\$15,000</b>	
This investment in user identity controls, privileged access protections, building access security, and software security configuration will help the IRS mitigate the risk of unauthorized access to tax data as the IRS delivers new online tools to taxpayers and the number of private sector data breaches increases.	Capital	8,449	17,158	14,795	
	Support				
	Labor	525	500	205	
	FTE	3	1	2	
<b>Security Operations and Management</b>		<b>\$12,660</b>	<b>\$7,081</b>	<b>\$10,000</b>	
This investment will deliver a next generation secure operations center, improved incident analysis and forensic network investigation, and protect High Value Assets by blocking network access for unauthorized users.	Capital	12,630	6,919	9,845	
	Support				
	Labor	30	162	155	
	FTE			1	
<b>Vulnerability and Threat Management</b>		<b>\$22,652</b>	<b>\$17,985</b>	<b>\$20,000</b>	
This investment will enable the IRS to identify and provide transparency for risks and potential threats, automate initiation of remediation actions for proactive prevention of security incidents, improve the automation of security testing for on-premise and cloud systems, apply use cases to enhance security audit analytics and compliance, and enhance data protection through encryption.	Capital	21,640	16,826	17,300	
	Support				
	Labor	1,012	1,159	2,700	
	FTE	6	14	18	
<b>Cybersecurity and Data Protection - Subtotal</b>			<b>\$44,287</b>	<b>\$42,724</b>	<b>\$45,000</b>
FTE			<b>9</b>	<b>15</b>	<b>21</b>
Supporting Projects	<b>Architecture, Integration, and Management</b>		<b>\$5,195</b>	<b>\$6,000</b>	<b>\$10,000</b>
	Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.	Capital	4,340	4,300	7,384
		Support			76
		Labor	856	1,700	2,540
		FTE	4	12	15
<b>Subtotal Supporting Projects</b>			<b>\$5,195</b>	<b>\$6,000</b>	<b>\$10,000</b>
FTE			<b>4</b>	<b>12</b>	<b>15</b>

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



### C – Changes in Performance Measures

With the publication of Treasury’s Strategic Plan for FY 2022-2026, the IRS will work to baseline performance against the new strategic objectives. This could result in additional changes to performance measures in the FY 2024 budget.

For the FY 2023 Budget and as shown below, the IRS plans to add three and modify one measure.

#	Performance Measure or Indicator	Proposed Change and Justification
1	<p>Exam Starts – High Income Individuals</p> <p>The number of high-income individual examinations with a TPI &gt; \$10 million started during the fiscal year</p>	<p><b>Addition</b> – This new indicator aligns with the 2020 IRS Table 17 Data Book changes which are based on “in process” examinations reported by fiscal year.</p> <p>This new indicator allows IRS to track the progress of examinations throughout the year, allowing for a direct and clear picture of IRS activities. Some examinations are closed within a year while others take several years to close. This indicator focuses on starts rather than closures which provides a better view of where resources are being applied in this fiscal year.</p> <p>This indicator is effective for FY 2021 reporting in the FY 2023 Congressional Justification.</p>
2	<p>Exam Starts – Partnerships</p> <p>The number of partnership examinations started during the fiscal year</p>	<p><b>Addition</b> – This new indicator aligns with the 2020 IRS Table 17 Data Book changes which are based on “in process” examinations reported by fiscal year.</p> <p>This new indicator allows IRS to track the progress of examinations throughout the year, allowing for a direct and clear picture of IRS activities. Some examinations are closed within a year while others take several years to close. This indicator focuses on starts rather than closures which provides a better view of where resources are being applied in this fiscal year.</p> <p>This indicator is effective for FY 2021 reporting in the FY 2023 Congressional Justification.</p>
3	<p>Exam Starts – Large Corporations</p> <p>The number of examinations started during the fiscal year of large corporate returns reporting assets of \$250 million and above</p>	<p><b>Addition</b> – This new indicator aligns with the 2020 IRS Table 17 Data Book changes which are based on “in process” examinations reported by fiscal year.</p> <p>This new indicator allows IRS to track the progress of examinations throughout the year, allowing for a direct and clear picture of IRS activities. Some examinations are closed within a year while others take several years to close. This indicator focuses on starts rather than closures which provides a better view of where resources are being applied in this fiscal year.</p> <p>This indicator is effective for FY 2021 reporting in the FY 2023 Congressional Justification.</p>
4	<p>Enterprise Self Assistance Participation Rate</p>	<p><b>Modify</b> – update the existing Online Payment Agreements (OPA) and Installment Agreements (IA) applications to include business taxpayers and include a new chatbot application for OPAs and IAs for small business and self-employed taxpayers; modified for FY 2022 reporting.</p>

## Section III – Supplemental Information

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### 3.1 – Summary of Capital Investments

#### I. Introduction

The IRS Information Technology (IT) organization enables the business operations and modernization of the nation’s tax system. IT continues to provide critical support needed as the IRS faces an ever-changing and complex tax administration environment and has experienced large shifts in operations since the IRS first embarked on its modernization journey in 2019. Since then, the IRS has navigated unexpected changes that have both challenged and accelerated modernization efforts—from the emergence of new technology and taxpayer expectations to an ongoing global pandemic. The IRS is at an inflection point, having concluded the first phase of the six-year IRS Integrated Modernization Business Plan. The IRS will continue to adapt as it embraces industry-leading technology and meets taxpayer needs in an ever-evolving digital world.

With the funding provided through the American Rescue Plan (ARP) Act of 2021 and other resources, the IRS has strong momentum behind modernization, with a clear vision for delivering near-term impact and long-term transformation. How quickly the IRS can advance in the modernization journey is dependent on the resources available. As the IRS Commissioner has noted, IRS employees are making a difference and want to continue to successfully pursue the mission on behalf of our country. The road ahead is full of challenges, both known and unknown, but we are confident that the plan, if adequately resourced, paves the way to providing the highest-quality service to taxpayers and the tax community.

The Capital Investment Strategy is guided by the IRS Mission, IT Mission, and IT Vision. These key strategic documents provide direction coupled with the Modernization Business Plan presents how the technology initiatives and IT investments achieve this vision.









Figure 3.1



## II. IT Strategic Plan

As part of the Taxpayer First Act, the IRS developed and is implementing a multi-year IT strategic plan that strengthens the agency’s ability to communicate and plan for long-term technology needs. The IRS developed the IT Strategic Plan to articulate goals and objectives to achieve the IRS technology target state and deliver value to taxpayers. This plan is structured to address key factors driving the opportunity for change, including the need to meet the public’s expectations, simplify the existing IRS technology base, adopt emerging technology trends, stay ahead of cybersecurity threats, comply with federal mandates and guidelines, and support the workforce with the advanced technology training they need to stay current in their skills. The implementation of these goals and objectives is captured through the Annual Key Insights Report (AKIR) and the integrated enterprise architecture, which includes the Enterprise Technology Blueprint (ETB) and the Target Enterprise Architecture (TEA).

**Figure 3.2 - IT Strategic Goals FY 2020-2024**

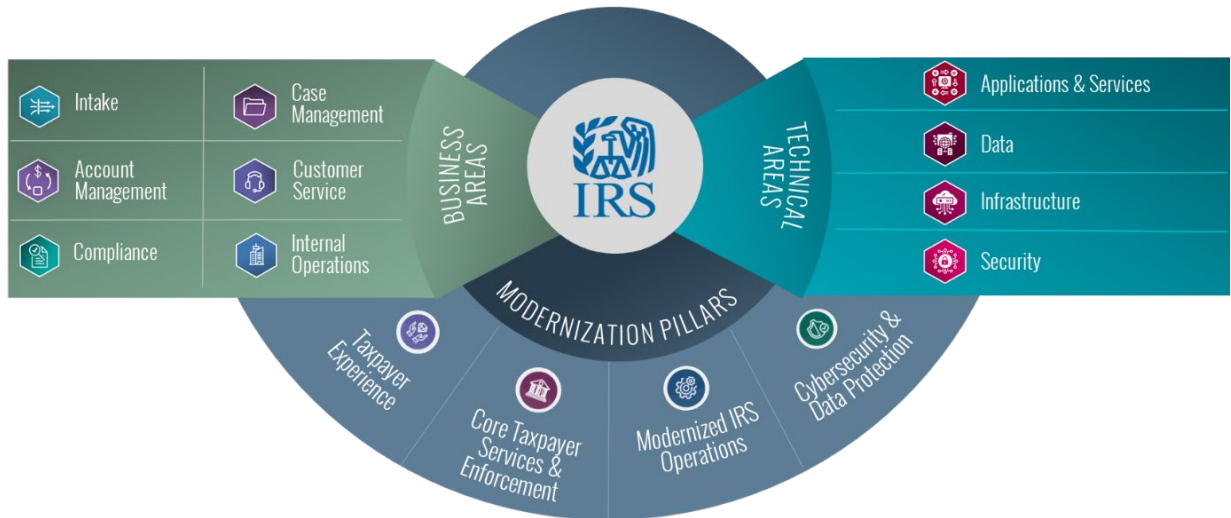
	GOAL 1	<b>Customer Experience</b>	Enhance the experience for taxpayers, third parties, and IRS employees through omnichannel solutions that are transparent, easy-to-use, and secure
	GOAL 2	<b>Applications and Services</b>	Architect modular and reusable technology solutions to incrementally reduce technical debt
	GOAL 3	<b>Data</b>	Advance data quality, access, usability and analytics to inform decision making and improve tax administration
	GOAL 4	<b>Platforms and Infrastructure</b>	Increase the efficiency and currency of technology investments through the reuse of common enterprise services on resilient, scalable, and open platforms
	GOAL 5	<b>Security</b>	Protect the security and integrity of the tax system
	GOAL 6	<b>Workforce</b>	Cultivate a well-equipped, diverse, flexible and engaged workforce
	GOAL 7	<b>Technology Management</b>	Adopt and embrace modern technology management practices that keep pace with industry
	GOAL 8	<b>Innovation</b>	Continually drive adoption of new ways of working

The IT Strategic goals set the enterprise-wide technological priorities, which then inform the long-term technological vision published in the Enterprise Technology Blueprint.

## III. Enterprise Technology Blueprint (ETB)

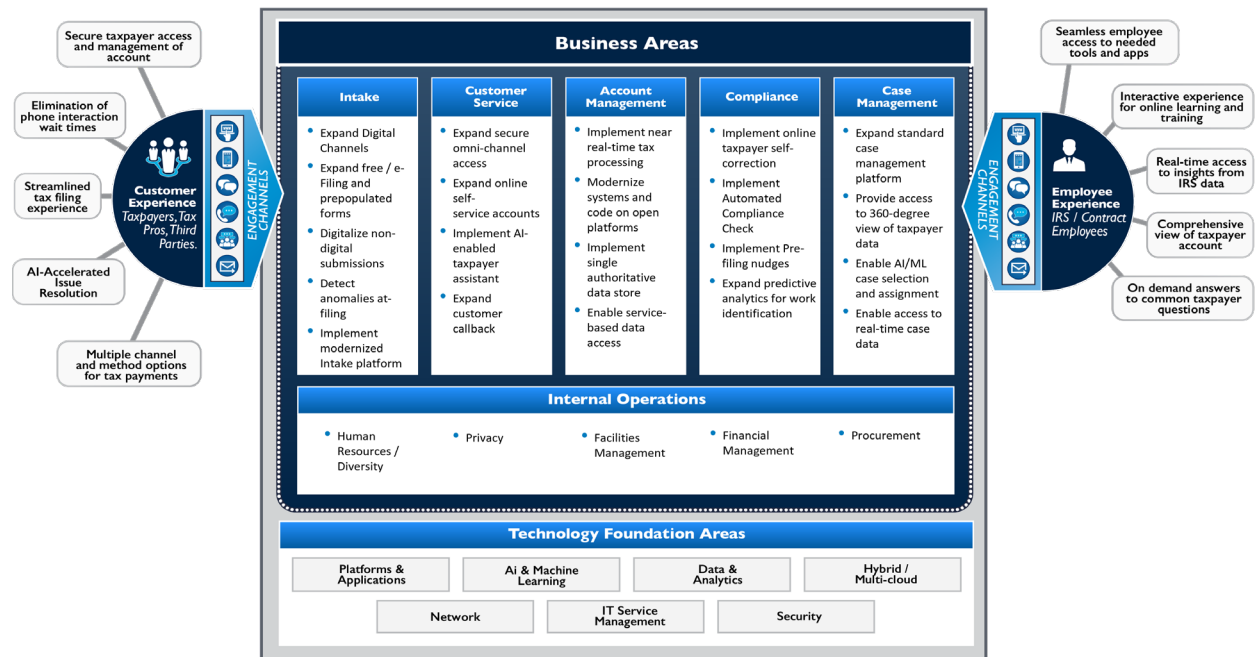
The Enterprise Technology Blueprint articulates the envisioned long-range technology environment and describes how technology will be employed in support of the strategic IRS business direction. This artifact depicts the adoption of advancing capabilities, modernizing applications and technical services within the IRS production environment. The ETB is organized around the interrelated elements of the IRS Enterprise Architecture framework, as shown in Figure 2, 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 enterprise architecture planning and solutions development; and enable line of sight for evaluating investment proposals. The ETB also encompasses a set of interrelated views that depict the future of tax systems, IT operations, and IT services to achieve the IRS vision. The ETB is a living document that is continuously reviewed and updated as appropriate.

**Figure 3.3 - IRS Enterprise Architecture Framework**



The ETB is further defined by the Tax Administration Reference Architecture (Figure 3 below), which is a strategic vision for the interconnected set of tax administration functions the IRS will perform in delivering services for customers, and the technology enablers that will support tax administration.

**Figure 3.4 - Tax Administration Reference Architecture**



In combination with the IRS and IT Strategic Plans, the ETB and the Tax Administration Reference Architecture capture the enterprise vision for the IRS technology environment. The IRS Integrated Modernization Business Plan, described in Section IV, highlights specific technology initiatives and IT investments that realize this vision.

#### IV. IRS Integrated Modernization Business Plan

The IRS Modernization Plan is organized around four modernization Pillars – Taxpayer Experience, Core Taxpayer Services & Enforcement, Modernized IRS Operations, and Cybersecurity & Data Protection.



##### **Taxpayer Experience**

The IRS will provide taxpayers a wide range of modern options for interacting with the IRS to answer questions and resolve tax issues. The agency will deliver real benefits for taxpayers, tax professionals, and the tax community, while allowing IRS employees to operate more efficiently and effectively.



##### **Core Taxpayer Services and Enforcement**

The IRS will evolve core tax systems through data-driven operations and decision-making, real-time tax processing, and core tax administration systems integration. The agency will use technology to enhance identification of noncompliance and fraud while reducing processing time for taxpayers. The IRS will also improve compliance through earlier intervention, easier (self) correction options, and powerful enterprise platforms.



##### **Modernized IRS Operations**

The IRS will improve underlying system infrastructure by reducing the complexity of the agency’s technical environment, enhancing, and expanding workforce support technologies, and adopting leading industry practices and technologies that deliver new and sustained efficiencies like cloud and robotic process automation.

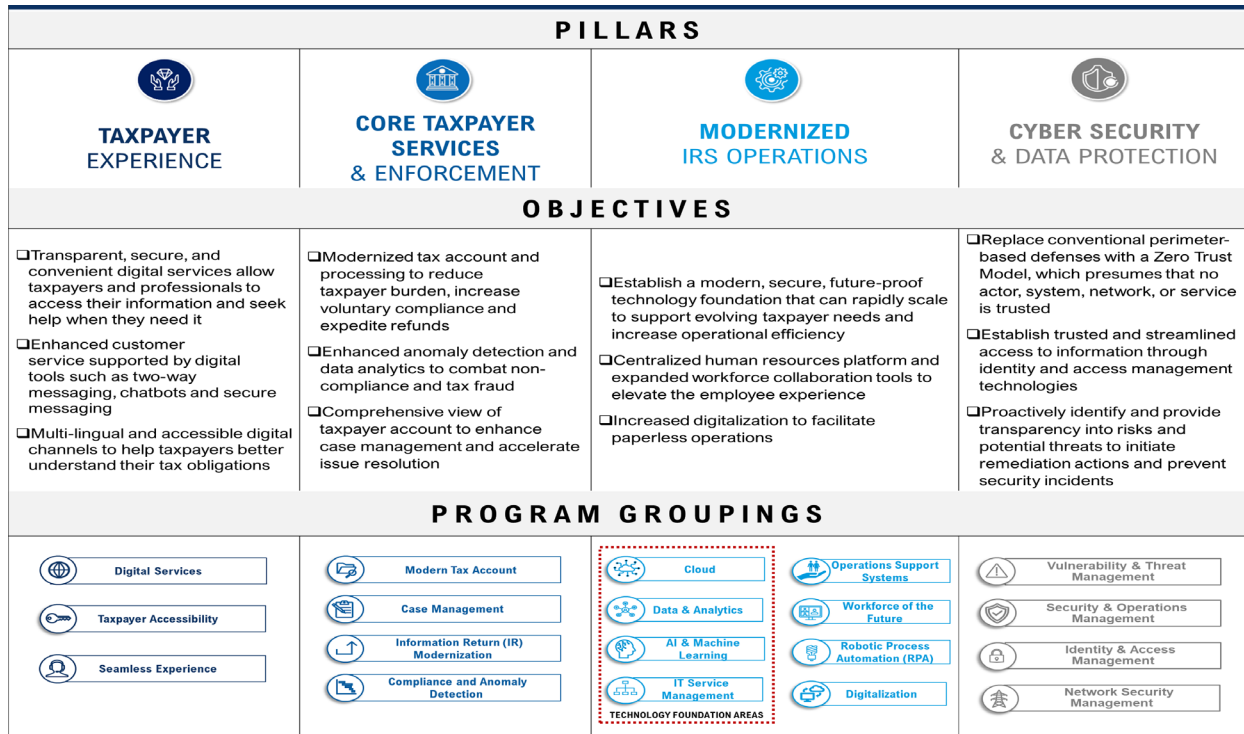


##### **Cybersecurity and Data Protection**

The IRS will ensure taxpayer administration and operational data are safe and secure from all internal and external threats. The agency will formally implement a “zero trust” model to enhance management capabilities for vulnerability identification, threat assessment, identity verification, access controls, cybersecurity operations, and network security. These improvements are necessary to secure information assets in a dynamic cybersecurity landscape and to facilitate successful taxpayer interactions in support of the IRS mission.

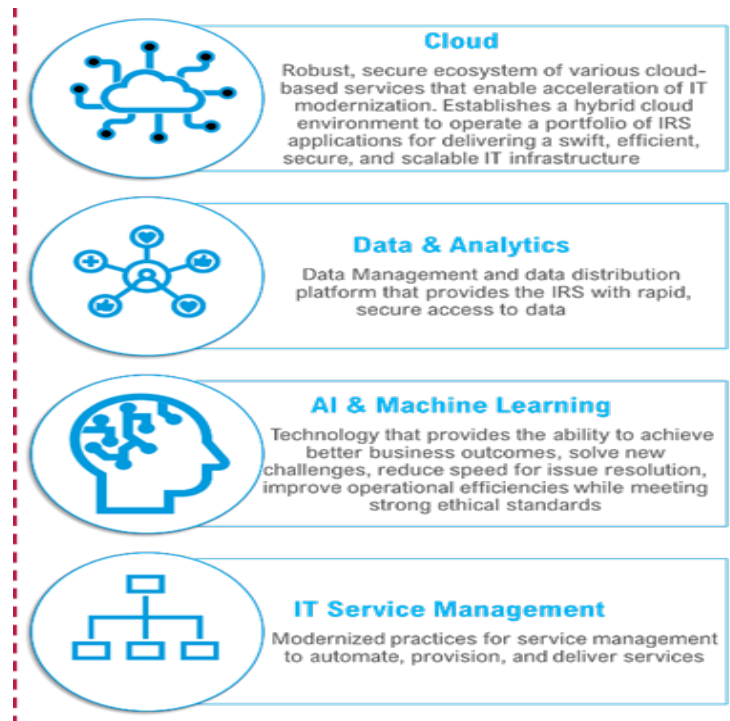
For each of these four pillars, the IRS has identified key objectives that represent the impacts and expected outcomes of modernization. The objectives are achieved by implementing a set of programs and initiatives in that Pillar. These programs are combined into logical Program Groupings that lead to outcomes that streamline delivery and bring real value to taxpayers and the workforce. The IRS recognizes that to keep pace with an evolving technological landscape, individual programs may change over time. The objectives and program groupings illustrated in Figure 4 reflect the IRS’s current plans for modernization.

Figure 3.5 - IRS Modernization Plan Organizing Construct



Fundamental to the success of IRS modernization is a strong technology environment that supports the growth of IRS programs and increases operational efficiency. The IRS will establish a robust IT foundation through four Program Groupings within the Modernized Operations Pillar depicted in Figure 5. These Technology Modernization Foundation Areas (Tech Foundation Areas) are Cloud, Data & Analytics, Artificial Intelligence & Machine Learning, and IT Service Management.

**Figure 3.6 - Foundational Areas**



This enables the IRS to “future-proof” its technology foundation by implementing flexible, industry-leading platforms and infrastructure that can rapidly scale and adapt in the face of new legislation and changing taxpayer needs. Collectively these Tech Foundation Areas will enable programs across all four modernization Pillars. For example, cloud technology implemented in the Modernized IRS Operations pillar provides a platform on which individual and tax professional accounts will be built to adapt quickly and efficiently to future taxpayer needs under the Taxpayer Experience Pillar.

The IRS Integrated Modernization Business Plan is aligned to both the Treasury and IRS Strategic Plan and directly advances three cross-agency priority goals included in the President’s Management Agenda:

1. Modernize IT to increase productivity and security
2. Leverage data as a strategic asset
3. Improve customer experience with Federal services

### 3.2 – IRS Performance Measures Table

**NOTE:** The IRS is facing unprecedented correspondence inventory levels caused by the COVID-19 pandemic, which will continue to contribute to higher call volumes and related inquiries throughout the year. Despite steady progress, funding constraints remain a barrier to addressing these significant inventory levels. To substantially reduce the inventory the IRS made a concerted effort to realign qualified staff from enforcement. The realignment of resources to work the inventory will affect FY22 year-end taxpayer services and enforcement performance results.

Performance Measures	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2021 Target	FY2022 Target	FY2023 Target
Customer Service Representative Level of Service (LOS) <sup>1</sup>	77.1%	75.9%	65.4%	53.1%	18.5%	32.0%	30.0%	85.0%
Customer Accuracy - Tax Law (Phones)	96.7%	95.5%	91.6%	91.0%	92.8%	90.0%	89.0%	89.0%
Customer Accuracy - Accounts (Phones)	96.0%	96.1%	94.3%	93.5%	93.0%	91.0%	89.0%	89.0%
Timeliness of Critical Filing Season Tax Products to the Public <sup>2</sup>	93.1%	59.6%	92.6%	78.4%	92.0%	85.0%	89.0%	89.0%
Timeliness of Critical TE/CE & Business Tax Products to the Public <sup>2</sup>	96.7%	100.0%	96.1%	96.0%	92.9%	85.0%	89.0%	89.0%
Enterprise Self-Assistance Participation Rate <sup>3</sup>	79.0%	82.0%	85.4%	90.6%	92.3%	89.0%	91.0%	91.0%
Taxpayers Satisfied with the IRS (based on 100 point scale) <sup>4</sup>	74	74	73	74	70	Indicator	Indicator	Indicator
Examination Efficiency - Individual	121	131	109	76	108	111	100	114
Time to Start Compliance Resolution (new FY20) <sup>5</sup>	58.8%	60.1%	60.9%	66.3%	66.0%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (new FY20) <sup>5</sup>	491	494	469	491	484	Indicator	Indicator	Indicator
Repeat Non-Compliance Rate (new FY20) <sup>5</sup>	29.2%	30.0%	31.4%	35.6%	30.7%	Indicator	Indicator	Indicator
Collection Coverage (Units)	42.2%	41.6%	41.3%	34.9%	41.2%	33.0%	36.5%	32.1%
Exam Starts - High Income Individuals (new FY21) <sup>5</sup>	1,941	2,307	2,108	2,693	2,227	Indicator	Indicator	Indicator
Exam Starts - Partnerships (new FY21) <sup>5</sup>	10,221	9,033	5,823	4,106	4,327	Indicator	Indicator	Indicator
Exam Starts - Large Corporations (new FY21) <sup>5</sup>	2,577	2,396	2,009	1,700	1,490	Indicator	Indicator	Indicator
Cost to Collect \$100	\$0.34	\$0.34	\$0.33	\$0.35	\$0.33	Indicator	Indicator	Indicator
Criminal Investigations Completed	3,089	3,051	2,797	2,624	2,766	2,600	2,600	2,500
Conviction Rate	91.5%	91.7%	91.2%	90.4%	89.4%	92.0%	92.0%	92.0%
Rentable Square Feet per Person	297	301	298	278	278	280	270	260
Percent of Aged Hardware	52.3%	45.5%	31.0%	16.0%	9.3%	20.0%	20.0%	20.0%
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	50.0%	72.2%	88.9%	84.2%	94.1%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	88.9%	83.3%	88.9%	94.7%	100.0%	90.0%	90.0%	90.0%

<sup>1</sup> The CSR LOS includes toll-free telephone lines answered by Accounts Management assistants only. These lines service 82 percent of all telephone traffic. Achieving the FY 2023 LOS target of 85 percent requires timely enactment of appropriations so the IRS can complete hiring and training ahead of the filing season and assumes that demand and in person services return to pre-pandemic levels. The IRS's Automated Collection System (ACS) toll-free line is used by taxpayers for compliance related inquiries. For FY 2021, the ACS LOS was 37.8 percent. These are both included in the Enterprise LOS, which measures the relative success rate of taxpayers calling to speak with an IRS Assistor on any IRS toll-free telephone line. The Enterprise LOS in FY 2021 was 21.3 percent.

<sup>2</sup> Modified in FY 2019.

<sup>3</sup> In FY 2017, the IRS renamed the Taxpayer Self Assistance Rate measure to Enterprise Self Assistance Participation Rate.

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

<sup>5</sup> Historical data provided for comparison.



Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service	The number of toll free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Customer Accuracy – Tax Law Phones	The percentage of correct answers given by a live assistant on Toll-free tax law inquiries.
Customer Accuracy – Customer Accounts (Phones)	The percentage of correct answers given by a live assistant on Toll-free account inquiries.
Timeliness of Critical TE/GE & 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.).
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 large number of filers to prepare a complete and reasonably accurate Individual Income Tax Return.
Enterprise Self Assistance Participation Rate	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Taxpayers Satisfied with the IRS	The percentage of taxpayers satisfied with the IRS according to the American Customer Satisfaction Index (ACSI) survey. The All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer Customer Satisfaction Index Scores. Based on a 100 point scale.
Examination 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.
Exam Starts - Partnerships	The number examinations started during the fiscal year of partnerships.
Exam Starts - Large Corporations	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 divided by 100.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
Rentable Square Feet per Person	The amount of Rentable Square Feet the IRS maintains per person requiring space.
Percent of Aged Hardware	This measure shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use.
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

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

The actual cost and actual revenue collected for FY 2017 through FY 2021 for the three major enforcement programs, Examination, Collection, and Automated Underreporter (AUR) are provided below. The activities included in these programs include:

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

**Collection Program** collects delinquent taxes and secures delinquent tax returns through the appropriate use of enforcement tools, such as lien, levy, seizure of assets, installment agreement, offer-in-compromise, substitute-for-return, summons, and IRC section 6020(b) (which allows the IRS to prepare returns if a taxpayer neglects or refuses to file), and provides education

to taxpayers to enable future compliance. The cost of the Collection program includes Automated Collection System (ACS), Field Collection, and Payment Compliance/Correspondence Collection.

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

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

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

Dollars in Millions															
Enforcement Program	FY 2017			FY 2018			FY 2019			FY 2020			FY 2021		
	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI
<b>IRS Total</b>	<b>\$5,506</b>	<b>\$56,914</b>	<b>10.3</b>	<b>\$5,559</b>	<b>\$59,366</b>	<b>10.7</b>	<b>\$5,439</b>	<b>\$57,523</b>	<b>10.6</b>	<b>\$5,560</b>	<b>\$51,084</b>	<b>9.2</b>	<b>\$5,634</b>	<b>\$74,999</b>	<b>13.3</b>
Examination	3,693	15,102	4.1	3,716	15,017	4.0	3,581	10,877	3.0	3,750	8,253	2.2	3,792	11,275	3.0
Collection	1,600	36,498	22.8	1,635	38,985	23.8	1,631	41,793	25.6	1,616	38,948	24.1	1,593	57,834	36.3
Automated Underreporter (AUR)	214	5,314	24.9	208	5,364	25.7	226	4,853	21.5	194	3,884	20.0	249	5,889	23.7

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

## Section IV – Appendix

### 4.1 - COVID-19 Supplemental Funding

**Table 1: Spend Plan Including Realignments and Obligations through March 20, 2022**

Appropriation \$ in Thousands	Initial Spend Plan	Realignments <sup>1</sup>	Current Spend Plan	Obligations through March 20, 2022	Balance
<b>CARES Act and Families First Coronavirus Response - Expired</b>					
<b>Taxpayer Services</b>	<b>\$352,900</b>	<b>\$7,891</b>	<b>\$360,791</b>	<b>\$360,791</b>	<b>\$0</b>
CARES Act - Rebates (P.L. 116-136)	293,500	7,891	301,391	301,391	0
CARES Act - Supplemental (P.L. 116-136)	59,400		59,400	59,400	0
<b>Enforcement</b>	<b>\$79,200</b>	<b>(\$16,497)</b>	<b>\$62,703</b>	<b>\$62,642</b>	<b>\$61</b>
CARES Act - Rebates (P.L. 116-136)	37,200	(16,497)	20,703	20,685	18
CARES Act - Supplemental (P.L. 116-136)	42,000		42,000	41,957	43
<b>Operations Support</b>	<b>\$333,600</b>	<b>\$8,606</b>	<b>\$342,206</b>	<b>\$341,675</b>	<b>\$531</b>
Families First Coronavirus Response Act (P.L. 116-127)	15,000		15,000	14,988	12
CARES Act - Rebates (P.L. 116-136)	170,000	8,606	178,606	178,566	40
CARES Act - Supplemental (P.L. 116-136)	148,600		148,600	148,121	479
<b>Total CARES Act and Families First Coronavirus Response</b>	<b>\$765,700</b>		<b>\$765,700</b>	<b>\$765,108</b>	<b>\$592</b>
<b>Consolidated Appropriations Act, FY 2021 (EIP2) - Expired</b>					
<b>Taxpayer Services</b>	<b>\$196,435</b>		<b>\$196,435</b>	<b>\$196,385</b>	<b>\$50</b>
Consolidated Appropriations Act, FY 2021 (P.L. 116-260)	196,435		196,435	196,385	50
<b>Operations Support</b>	<b>\$312,565</b>		<b>\$312,565</b>	<b>\$305,739</b>	<b>\$6,826</b>
Consolidated Appropriations Act, FY 2021 (P.L. 116-260)	312,565		312,565	305,739	6,826
<b>Total Consolidated Appropriations Act, FY 2021</b>	<b>\$509,000</b>		<b>\$509,000</b>	<b>\$502,124</b>	<b>\$6,876</b>
<b>American Rescue Plan</b>					
<b>Taxpayer Services</b>	<b>\$422,125</b>	<b>(\$2,845)</b>	<b>\$419,280</b>	<b>\$317,599</b>	<b>\$101,681</b>
Advance Tax Year 2021 Child Tax Credit (P.L. 117-2)	206,300		206,300	128,492	77,808
Cost of Economic Impact Payment 3 (P.L. 117-2)	215,825	(2,845)	212,980	189,107	23,873
<b>Operations Support</b>	<b>\$939,575</b>	<b>\$2,845</b>	<b>\$942,420</b>	<b>\$397,172</b>	<b>\$545,248</b>
Advance Tax Year 2021 Child Tax Credit (P.L. 117-2)	190,900		190,900	140,689	50,211
Cost of Economic Impact Payment 3 (P.L. 117-2)	248,675	2,845	251,520	197,649	53,871
Cost to Integrate, Modernize, and Secure IRS Systems (P.L. 117-2)	500,000		500,000	58,834	441,166
<b>Business Systems Modernization</b>	<b>\$500,000</b>		<b>\$500,000</b>	<b>\$117,035</b>	<b>\$382,965</b>
Cost to Integrate, Modernize, and Secure IRS Systems (P.L. 117-2)	500,000		500,000	117,035	382,965
<b>Total American Rescue Plan</b>	<b>\$1,861,700</b>		<b>\$1,861,700</b>	<b>\$831,806</b>	<b>\$1,029,894</b>
<b>Total by account</b>					
Taxpayer Services	971,460	5,046	976,506	874,775	101,731
Enforcement	79,200	(16,497)	62,703	62,642	61
Operations Support	1,585,740	11,451	1,597,191	1,044,586	552,605
Business Systems Modernization	500,000		500,000	117,035	382,965
<b>Total</b>	<b>\$3,136,400</b>		<b>\$3,136,400</b>	<b>\$2,099,038</b>	<b>\$1,037,362</b>

<sup>1</sup> Included in the realignments is a \$70 million realignment within the same appropriation, Operations Support. Therefore, it will not be reflected in this table. This realignment was within the American Rescue Plan - Cost of Economic Impact Payment 3, where \$70 million budgeted for IT requirements was realigned to pay for increased postage costs. Spend plan requirements are estimated based on current projections and additional realignments may be necessary.

<sup>2</sup> For the supplemental funds from the CARES Act (P.L. 116-136) and Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), IRS obligated a total of \$765.1 million. The \$592 thousand balance of the CARES Act funds expired at the end of FY 2021. IRS fully utilized the FFCRA funds. For the supplemental funds from the Consolidated Appropriations Act of FY 2021 (P.L. 116-260), IRS obligated \$502.1 million. The \$6.9 million balance expired at the end of FY 2021. For the supplemental funds from the American Rescue Plan (P.L. 117-2), IRS has obligated \$826 million through December 31, 2021.

The IRS received \$15 million in the Families First Coronavirus Response Act and \$750.7 million in the Coronavirus Aid, Relief and Economic Security Act for the IRS to change its operations to operate during the pandemic and implement EIPs and other tax changes. The IRS received an additional \$509 million in the Consolidated Appropriations Act, FY 2021, to carry out a second round of EIPs and address COVID-related tax administration issues. Finally, the IRS received \$1.465 billion in the American Rescue Plan for a third round of EIPs and information technology modernization as well as \$397.2 million to carry out advance payments for the CTC. For additional information on IRS's COVID related programs, please reference the Treasury Coronavirus Relief, Response, Aid, and Recovery Programs Congressional Justification.

#### 4.2 - Carryover Investments from FY 2022 Congressional Justification

During the latter part of the development of the 2023 Budget, a full year FY 2022 appropriations bill was not enacted. Therefore, we assume the starting point to be an annualized CR, the FY 2023 budget includes FY 2022 CJ program increases. Although the investments vary slightly in cost, the overall amounts from FY 2022 remain the same. The FY 2022 budget levels may impact the prioritization of these investments in FY 2023. The following descriptions are summarized from the FY 2022 CJ.

#### Putting Taxpayers First +\$179,052,000 / +294 FTE

Position Type/Other Costs	FTE	Positions	\$000
<b>User Authentication</b>		<b>0.00</b>	<b>\$27,000</b>
Contract Services			27,000
<b>Expand Digital Services</b>	<b>168.5</b>	<b>337</b>	<b>\$104,720</b>
Appeals Officer	9	18	1,273
Attorney	2	4	484
IT Specialist	157.5	315	25,188
Contract Services			77,775
<b>Seamless Experience</b>	<b>115.5</b>	<b>231</b>	<b>\$35,063</b>
Revenue Agent	50	100	12,495
Appeals Officer	16	32	2,966
IT Specialist	49.5	99	15,544
Contract Services			4,058
<b>Focused Strategies for Reaching Underserved Communities</b>	<b>10</b>	<b>20</b>	<b>\$12,269</b>
Tax Law Specialist	3.5	7	456
Program Analyst	6.5	13	7,313
Contract Services			4,500
<b>Total</b>	<b>294</b>	<b>588</b>	<b>\$179,052</b>

#### User Authentication +\$27,000,000 / 0 FTE

Section 2304 of the Taxpayer First Act (TFA) requires the IRS to verify the identity of any individual opening an e-Services account with the Internal Revenue Service before such individual can use the e-Services tools. IRS will utilize the services of a third-party vendor, which charges a variable rate based on the authentication option for each new taxpayer who signs up for an IRS online account. Funding will provide authentication services for approximately 7.9 million additional taxpayers will register for such services as applying for an Identity Protection Personal Identification Number, obtaining a transcript, viewing account information, entering into an Online Payment Agreement, and functionalities of the Tax Professional Account application.

#### Expand Digital Services +\$104,720,000 / +168 FTE

Funding for this initiative will enhance the IRS's Online Account for individual taxpayers and expand this service to tax professionals. Some aspects of this initiative will rely on strengthening and expanding use of data. Additional authenticated online self-services will include account updates, secure messaging and notice delivery, full interaction history and issue status, refund tracking, expand digital payment options, increase electronic receipt of filings and scanning/data capture for

paper filings, document upload, and more. Taxpayers will see expanded scope for e-signatures, secure document exchange and expanded payment options like Venmo and PayPal, and web chat and other digital assisted services, including:

- Expanded Online Account features:
  - View Payment, Make a Payment, and Create A Payment Plan and
  - Digital Notices w/ Opt-in Subscription for Notifications.
- Tax Professional Account: Establish Digital Power of Attorney (Form 2848) with eSignature;
- Secure document exchange: Large and Small Business Secure Messaging/File Sharing (Document Upload);
- Digitize more tax forms;
- Expanded payment options to include tools like Venmo, PayPal, Apple Wallet, and Google Pay; and
- Foundational IT infrastructure enhancements for eSignature solutions.

Seamless Experience +\$35,063,000 / +116 FTE

The IRS will provide taxpayers with their preferred channel of service (web, phone, in person, etc.) and guide them through the necessary assistance to fulfill their needs. Information about the taxpayer's entire experience (past and present) will be available to every representative of the organization and across all channels in real time. With the introduction of an integrated omni channel model, a taxpayer could begin on IRS.gov and then shift to click-to-call or chat options to engage an assistor without leaving the website. With the introduction of AI and robotics, the IRS can better help the taxpayer. The following are highlights of what will be accomplished with FY 2022 funding:

- Expand Automated Callback by adding 10 additional applications and provide Wait Time Transparency to the taxpayer. Currently, there is callback on 5 applications, representing 19 percent of total average demand;
- Continue integrating Enterprise Case Management (ECM) systems towards a 360-degree view of the taxpayer for all taxpayer-facing employees;
- Expand appointment process and system to all taxpayer-facing employees, including both service and compliance (currently, taxpayers can only make appointments with Taxpayer Assistance Center (TAC) employees);
- Expand and improve routing options and create an escalation process to resolve issues outside the scope of the initial contact employee; and
- Develop AI-Powered Digital Appointments that will allow the taxpayer to use a chatbot to make appointments.

Focused Strategies for Reaching Underserved Communities +\$12,269,000 / +10 FTE

Bringing together ongoing efforts within the IRS and leveraging its ecosystem of partnerships, the IRS will establish a consolidated program to engage with historically underserved communities to address issues of communication, education, transparency, trust, and limited access to quality products and services. As shown by the EITC Underserved Outreach Project in 2014, developing specific strategies for underserved communities is crucial to increasing voluntary compliance. The EITC project increased filing rates by adding 53,000 filers and \$27 million in additional taxes paid. The IRS will develop strategies for each underserved segment based on focused research, best practices, and lessons from partners on ways to improve interactions within these communities. Immediate benefits to the taxpayer will include new assistance in hard-to-reach areas where receiving help is currently difficult, convenience via virtual chatroom authentication procedures, and expanded access to additional information to assist international taxpayers. Aspects of this initiative will rely on improving the IRS's proactive outreach, expanding, and strengthening the IRS's network of partnerships and leveraging relationships across public, private, and non-profit sectors. The following are highlights of what will be accomplished with FY 2022 funding:

- Establish an organization within the IRS dedicated to developing, overseeing, and implementing these strategies with an agency-wide perspective and scope;

- Establish stronger community presence by hiring and training new staff to add new professionals in hard-to-reach communities;
- Use a data-driven approach to identifying content for translation to four additional languages;
- Increase multi-lingual staffing and better leverage employee multilingual skills;
- Authenticate international online accounts;
- Host virtual chat rooms and live forums for international taxpayers; and
- Expand access to information and services to taxpayers living abroad.

**Ensure Fairness of the Tax System +\$469,293,000 / +2,513FTE**

*Increase Examination of Large Business, Partnership and High Wealth Individual Returns +\$213,125,000 / +915 FTE*

Position Type/Other Costs	FTE	Positions	\$000
<b>Increase Examination of Large Business, Partnership and High Wealth Individual Returns</b>	741	1,482	\$178,201
Revenue Agent/Mgrs	621.5	1,243	161,504
Technical/Territory Mgr	3	6	694
Economist/Mgr	7.5	15	2,010
Engineers/Mgr	7.5	15	1,968
Analyst/Clerical Spt	52.5	105	6,396
TE/Aide	49	98	5,629
<b>Other Direct Costs</b>	174	348	\$34,908
Attorney	28	56	6,547
Counsel Ad Min Spt	4	8	779
Appeals Officer	107	214	19,929
Revenue Agent	16	32	5,207
Exam Aides/TE's	19	38	2,446
<b>Total</b>	915	1,830	\$213,109

This investment will allow the IRS to increase examinations of business organizations and high wealth individuals, which have become major sources of compliance risk in recent years. The IRS contends with a wide variety of business organizations operating in the United States and abroad with different filing requirements, and their rapid growth represents a significant compliance risk. These organizations include businesses such as sole proprietors, corporations, partnerships, and S-corporations, as well as trusts and non-profits. Partnership businesses continue to be the fastest growing segment of all tax returns filed.

The IRS is requesting additional examination employees to offset declines in staffing and enhance its Large Corporate Compliance (LCC) program. This program requires additional revenue agent employees and supporting management to conduct examinations of taxpayers in the LCC program. The number of large corporate (>\$250M Assets) return filings has increased from 7,879 for 2010 returns to 12,102 for 2020 returns. During that time the decline in staffing has resulted in the large corporate audit coverage rate decreasing from 36.5 percent for 2010 returns to 7.7 percent for 2016 returns. This results in increased risk to the integrity of the nation's voluntary tax compliance system.

Another increasing source of compliance risk is high wealth individuals. High wealth individuals frequently operate complex enterprises consisting of multiple related entities that often have international components. The IRS takes a unified look at the entire web of entities controlled by high wealth individuals to better assess the risks of noncompliance. Large Business & International's Global High Wealth (GHW) program uses identification models to filter based on estimated net worth in the

tens of millions using data points including passive vs. non-passive income, interest, dividends, etc. The overall audit rate for the identified GHW taxpayer population (which generally ranges from 40,000-60,000 taxpayers per year), those with income and assets in the tens of millions of dollars, is 0.2 percent. GHW uses a unique enterprise approach, which looks at the complete financial picture of high wealth individuals and the enterprises they control, that has proven successful, rather than the traditional return by return approach. GHW examiners average roughly \$1,300 of recommended adjustments per exam hour on taxable entities and over \$10,000 of recommended adjustments per exam hour on partnerships. This investment will more than double the size of GHW, thereby allowing it to double the number of examinations it conducts once new employees have completed training and become fully productive.

This investment will allow the IRS to:

- Hire additional revenue agents who will be devoted solely to working partnership cases;
- Increase the number of auditors with specialized knowledge in partnership law and audit procedures;
- Double current audit coverage of partnerships within 4 years; and
- Produce additional enforcement revenue of approximately \$1.86 billion from FY 2022-2026.

Once implemented, this investment will allow the IRS to eventually double its compliance efforts on partnerships and high wealth returns. The resources sought in this investment will also allow the IRS to devote more resources to its core corporate work on large corporate examinations. Finally, this investment will allow the IRS to increase its work in the Cross Border and Treaty and Transfer Pricing Operations as needed to fully support corporate, partnership, and high wealth exams.

*Expand Cyber Crimes and Applied Data Analytics Efforts +\$56,732,000 / +134 FTE*

Position Type/Other Costs	FTE	Positions	\$000
<b>Expand Cyber Crimes and Applied Data Analytics Efforts</b>	129	258	\$55,291
Special Agent	57	114	23,832
Analyst	72	144	10,361
Contract Support			21,098
<b>Other Direct Cost</b>	5	10	\$1,441
CT Legal Support-Attorney	5	10	1,441
<b>Total</b>	134	268	\$56,732

Data sets and data science methodologies now exist to connect the most remote financial transaction between apparent disparate actors which can be the key piece of evidence to break open the most complex financial investigation. These techniques are integral to the work of the IRS’s Criminal Investigation Division (CI) and criminal case development.

This investment will be used to:

- Establish a Criminal Data Team to identify existing and new data sources;
- Hire inventory data and categorize its use;
- Perform validation as needed;
- Allow CI to intake, interrogate, mine and operationalize its available data appropriately; and
- Align leading data practices in the private sector and other innovation opportunities.

Currently, the data created/received through investigations, received from law enforcement partners, and received through disclosures and referrals is not categorized or stored in an accessible location. As a result, CI’s ability to use that data for analytics and enforcement operations is very limited. New data sources, including open source and data held by other agencies, are identified almost daily and in most cases is currently not obtained or mined for its potential. A CI Data Team

responsible for all CI data activities will make data intake and processing routine to enable effortless integration into CI's most complex investigations and ultimately advance CI's ability to enforce tax compliance.

CI is authorized to use a wide array of investigative techniques, including developing innovative approaches to investigations using existing data sets, commercial (purchased) data sets, data sets from other government agencies, and open source data sets. Funding is requested to purchase and ingest this data into a modern computing environment available to CI users. Additionally, CI partners with internal and external stakeholders to use robust advanced modeling and data-driven algorithms to deliver high impact investigations which either preempt or quickly address emerging threats and advance the mission of the IRS. A portion of these activities will require contractor funding for lead generation and case development using these modern techniques.

In FY 2020, CI's new National Analytics team within CI's Applied Analytics section worked with 9 Field and HQ offices on pilot projects to test the efficacy of advanced analytical modeling in case development and field office investigations. As a result, the need for analytical services across the field offices to pursue criminal tax enforcement far outpaced CI's Applied Analytics capacity. This initiative will hire and train an additional 82 analysts (investigative analysts and data scientists) to work across the field offices on larger initiatives using advanced statistical modeling and machine learning techniques to identify criminals, criminal patterns, and illicit behaviors. CI's Applied Analytics would stand up two or more teams to work with CI's investigative offices. With this initiative, CI will develop and train Field Office and Headquarters personnel in the tools/technology and the methodologies used to grow overall cyber and analytical capabilities. CI will also bring advanced modeling initiatives to maturity and provide more opportunities for innovation. In addition, funding will allow the IRS to advance IT technology to assist in the efforts of investigating cybercrimes.

CI continues to advance the level and degree of work performed in cybercrimes, whether it pertains to the investigation of dark web marketplaces, cryptocurrency-related fraud, or a host of other internet-based activities. The Cyber Support Unit will allow the IRS to provide a specialized skillset of capabilities around open-source intelligence, dark web research and cryptocurrency tracing aspects in support of ongoing investigations in the field.

CI traces money all around the world, whether transmitted within the shadows of the dark web or otherwise. An example of CI's ability to detect criminal activity involved a darknet-based Bitcoin Mixing Service. This major case investigated a darknet search engine and money laundering service that was integrated into major darknet markets such as AlphaBay, Silk Road II, Abraxxas, and many others. It worked by tumbling bitcoins from users and vendors on darknet markets with new, "clean" bitcoin to obfuscate the illicit source of the bitcoin. Approximately 356,000 bitcoins moved through the site, with a value of over \$300 million at the time of the transactions. Data obtained from these servers will assist investigations all around the world, since criminals use tumblers to obfuscate the crypto trail. Evidence obtained from this investigation will serve as the missing link or puzzle piece in many sophisticated bitcoin transaction investigations.

Cyber Agents will be working the most complex cyber investigations within CI and afforded the necessary access to specialized tools and resources needed to prosecute this level of criminals. IRS will use these funds to stand-up and equip the Advanced Collaboration and Data Center (ACDC), including Special Agents, tools, technology, and capabilities in one physical location. This new center will be able to complete approximately 800 additional criminal investigations from FY 2023 to FY 2027.



*Strengthen Taxpayer Confidence in the Tax-Exempt Sector +\$18,581,000 / +115 FTE*

Position Type/Other Costs	FTE	Positions	\$000
<b>Protect Retirement Plans</b>	<b>49.5</b>	<b>99</b>	<b>\$7,994</b>
Revenue Agent	45	90	7,314
Manager	3	6	466
Clerk	1.5	3	214
<b>Protect Tax-Exempt Sector and Government Entities</b>	<b>49.5</b>	<b>99</b>	<b>\$7,994</b>
Revenue Agent	45	90	7,314
Manager	3	6	465
Clerk	1.5	3	214
<b>Fraud Prevention</b>	<b>16</b>	<b>32</b>	<b>\$2,593</b>
Revenue Agent	15	30	2,438
Manager	1	2	155
<b>Total</b>	<b>115</b>	<b>230</b>	<b>\$18,581</b>

The entities that fall with Tax Exempt & Government Entities' (TE/GE) jurisdiction are diverse in form and function, ranging from charitable organizations and small business retirement plans to multi-billion-dollar bond issuances. The one thing they share is that they are all exempt from or not subject to federal income tax. Although these organizations are generally exempt from taxation on their income, they may be subject to other federal taxes, such as excise and employment taxes, and they contribute substantially to the economy, controlling \$47 trillion in assets, employing almost 25 percent of the American workforce, and accounting for about 20 percent of nearly \$1.3 trillion in federal tax expenditures.

Taxpayer confidence in the tax-exempt sector is essential to preserving and protecting charitable tax deductions and the retirement savings of everyday Americans. The IRS proposes a multifaceted approach to increase taxpayer confidence and ultimately protect these taxpayer investments to include:

- Protect Retirement Plans: requested positions will conduct enforcement activities to identify compliance issues with sponsored retirement plans and assist small businesses with their regulatory requirements to maintain their tax preferred status. These activities ultimately protect their employees' retirement plan contributions.
- Protect Tax-Exempt Sector and Government Entities: requested positions will address tax-compliance responsibilities of organizations exempt from income tax under Internal Revenue Code Section (IRC) 501 including charities, private foundations, and other types of exempt organizations, such as business leagues, labor unions, and veterans' organizations; Political organizations described in IRC 527. These resources will increase compliance with unpaid taxes for taxable activities in the exempt organization sector through enforcement activities. Overall, these activities will result in increased compliance, and help preserve the public's confidence in their charitable donations. In addition, these resources will facilitate compliance of municipal debt issuance of tax-advantaged bonds including tax-exempt bonds, tax credit bonds and direct pay bonds. These resources will also assist Indian Tribal Governments, and Federal, State, and Local Governments in meeting their federal tax obligations. Ultimately these resources will help various types of tax-exempt and government entities, and tax-exempt bond issuers remain compliant with their respective federal tax obligations and support improving taxpayer confidence throughout these sectors.

- **Fraud Prevention:** requested positions will support expanded fraud enforcement activities. While we recognize most stakeholders and taxpayers in the tax-exempt sector strive to remain compliant, there are purposeful bad actors engaging in increasingly complex transactions and structures to avoid taxation and to mask other illegal activities. These resources will be applied to directly address these emerging fraudulent activities and trends in the tax-exempt sector.

Once these staffing resources are fully trained, the IRS will be able to conduct an additional 3,192 examination closures. As a result, the public’s confidence will be strengthened as retirement plans become more compliant, unrelated business income taxes are addressed, and fraud is prevented in these important tax-exempt arenas.

*Increase Pre-Refund Audit and Examination +\$45,619,000 / +455 FTE*

<b>Position Type/Other Costs</b>	<b>FTE</b>	<b>Positions</b>	<b>\$000</b>
<b>Increase Pre-Refund Audit and Examination</b>	<b>455</b>	<b>910</b>	<b>\$45,618</b>
Tax Examiners	455	910	44,490
Contractual Services			1,128
<b>Total</b>	<b>455</b>	<b>910</b>	<b>\$45,618</b>

The Correspondence Examination program fairly and effectively assist taxpayers by providing accurate and consistent information to help them understand the refundable tax credits and eligibility requirements. The program also addresses the tax gap through increased enforcement through individual reporting compliance, such as refundable credits. This investment will strengthen the integrity of the tax system and protect the public interest by detecting and preventing improper refunds and by educating customers in accordance with the Taxpayer Bill of Rights. The additional staffing will be used to reverse and prevent a decline in the audit coverage rate, and simultaneously enhance the administration of refundable credits through a balanced approach that encourages eligible taxpayers to apply for the credits and reduces the number of claims paid in error.

*Enhance Enforcement Efforts +\$106,525,000 / +809 FTE*

Position Type/Other Costs	FTE	\$000
<b>Collection Programs</b>	<b>339</b>	<b>\$40,344</b>
Revenue Officers	116	18,457
Customer Service Representative	116	10,001
Tax Examiner	107	11,886
Support Staff		
<b>Examination Programs</b>	<b>348</b>	<b>\$45,567</b>
Revenue Agents	181	29,584
Tax Compliance Officers	78.5	7,597
Tax Examiner	83.5	7,860
Support Staff	5	526
<b>Compliance PMOs</b>	<b>10</b>	<b>\$1,357</b>
Office of Fraud Enforcement	5	679
Office of Promoter Investigations	5	679
<b>Other Direct Costs</b>	<b>112</b>	<b>\$19,257</b>
Appeals	48	9,136
Counsel	36	7,059
SB/SE Operations Support	8	1,136
WAGE - AM & SP		203
PGLD	3	397
HCO	3	385
TAS	14	942
<b>Total</b>	<b>809</b>	<b>\$106,525</b>

This investment will allow additional examination and collection employees to increase efforts in critical Examination and Collection activities. The decline in staffing since FY 2010 has led to a decrease in the individual audit coverage rate from 1.0 percent in Tax Year 2010 to 0.43 percent in Tax Year 2017, which increases the risk to the integrity of the nation's voluntary tax compliance system. The collection coverage rate, which is defined as the volume of collection work disposed compared to the volume of collection work available, has also seen a decline, dropping from 50.1 percent in FY 2010 to just 34.9 percent in FY 2020. The additional resources will fund compliance priorities and allow for earlier case assignment and resolution.

Examination programs will provide increased emphasis on audits of small corporations and sole proprietors with business income. Collection programs will focus their efforts on high income non-filers and delinquent employment taxes. This investment is expected to annually produce additional enforcement revenue of \$1.1 billion, once the new hires reach full potential in FY 2025, an ROI of \$6.5 to \$1. These resources will:

- Provide 500 additional examination staff to increase the number of audits and close more than 9,300 field examination cases and 12,000 correspondence examination cases, and 79,000 Automated Underreporter cases;
- Provide 420 additional collection staff to expand programs that address non-filing and underpayment of taxes to handle 21,800 additional field collection cases and 136,600 Automated Collection System cases;
- Expand several Compliance Services Collection Operations programs that address non-filing of taxes through the notice process by 303,600 notice dispositions and cases;

- The Office of Fraud Enforcement (OFE) will expand fraud awareness and strengthen ties between the civil and criminal enforcement arms of the IRS and with other federal departments and agencies. OFE will expand projects that investigate hidden ownership of virtual currencies with a focus on high income individuals and entities; and
- The Office of Promoter Investigations (OPI) will focus on taxpayers and promoters of abusive tax avoidance transactions including conservation easements, virtual currencies, and offshore transactions.

Expand Tax Compliance +\$28,671,000 / +85 FTE

Position Type/Other Costs	FTE	Positions	\$000
<b>Expand Tax Compliance</b>	<b>85</b>	<b>170</b>	<b>\$28,671</b>
Special Agent	66	132	26,130
Analyst	19	38	2,541
<b>Total</b>	<b>85</b>	<b>170</b>	<b>\$28,671</b>

This investment will enhance overall enforcement efforts, increase the number of convictions, and expand the IRS’s capabilities in core tax enforcement areas. With an increase of approximately 400 additional criminal investigations completed, after agents reach full potential and case time, would result in increased convictions. It serves to enforce the law, ensure compliance with tax responsibilities, and aid the IRS in combating fraud. This investment supports the IRS Strategic Goals by enforcing domestic and international compliance across all program areas while utilizing innovative approaches and strengthening existing expertise. Further, this investment will support initiatives designed to identify trends, detect high-risk areas of noncompliance, and prioritize enforcement approaches by applying advanced analytics.

These resources will also allow the IRS to increase its participation in multi-agency task forces dedicated to tax administration. They will:

- Enhance cooperation with state and local law enforcement agencies in jurisdictions where prosecutorial actions would have the greatest influence;
- Obtain information about ongoing criminal activity involving federal and state tax refunds allowing expedited prosecution by the Department of Justice to reduce the financial loss to the IRS and the taxpayer;
- Target larger-scale crime rings for maximum compliance results and publicity; and
- These resources will also support special agents conducting outreach to state and local law enforcement to expand the Law Enforcement Assistance Program. In addition, special agents will extend outreach efforts to practitioners from filing season only to year-round to provide information and address return preparer concerns.

This investment also will provide analysts to support this investment by gathering the data in support of the violations of tax and other financial laws and regulations enforced by the IRS. They will provide an analysis of this information, capturing the full scope of the identified questionable activities and provide hands on support to the criminal investigation. They will develop queries to obtain the necessary information and to perform an assessment of the responses to discern the interrelationships to determine impact and possible ramifications of the tax related criminal and financial activities.

**Improve Live Assistance +\$189,112,000 / +2,348 FTE**

*Increase Telephone Level of Service & Reduce Correspondence Inventory +\$157,752,000 / +1,998 FTE*

Position Type/Other Costs	FTE	Positions	\$000
<b>Increase Telephone Level of Service and Reduce Correspondence Inventory</b>	<b>1,998</b>	<b>1,998</b>	<b>\$157,752</b>
Seasonals	1,050	1,050	80,222
Customer Service Rep	888	888	73,254
Manager	60	60	4,276
<b>Total</b>	<b>1,998</b>	<b>1,998</b>	<b>\$157,752</b>

This investment will allow the IRS to increase the telephone level of service (LOS) and significantly reduce the correspondence inventory.<sup>1</sup> The IRS toll-free telephone customer service operation is a key part of the IRS's service delivery. This investment provides a projected LOS of 30 percent in FY 2022, assuming phone demand returns to pre-pandemic levels and the IRS can provide in-person services at pre-pandemic levels. Providing quality taxpayer service is crucial to ensuring voluntary compliance.

*TAC Optimization Strategy +\$31,360,000 / +350 FTE*

Position Type/Other Costs	FTE	Positions	\$000
<b>Taxpayer Assistance Centers (TAC)</b>	<b>350</b>	<b>350</b>	<b>\$31,360</b>
Accounts Management Rep	350	350	12,600
Contractual Services			2135
Other Direct Costs			16,625
<b>Total</b>	<b>350</b>	<b>350</b>	<b>\$31,360</b>

This investment funds staffing increases to achieve optimal staffing levels for IRS Taxpayer Assistance Centers (TACs), improving the taxpayer experience. These staffing levels will allow the IRS to re-open TACs and restore office hours, allowing taxpayers to schedule appointments sooner. With increased TAC funding, the IRS anticipates additional contacts with over 880,000 taxpayers.

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<sup>1</sup> The customer service representatives who work the phones during the busy filing season are also the same employees who work the paper inventory. Thus, given the current backlog of paper inventory, IRS would be able to use these resources immediately for paper inventory reduction efforts if necessary.

**Integrated Modernization Business Plan +\$78,143,000 / +104 FTE**

<b>Position Type/Other Costs</b>	<b>FTE</b>	<b>Positions</b>	<b>\$000</b>
<b>IT Modernization Plan</b>	<b>104</b>	<b>208</b>	<b>\$78,143</b>
IT Specialists	104	208	1,270
Contractual Services			65,045
Hardware/Software			11,828
<b>Total</b>	<b>104</b>	<b>208</b>	<b>\$78,143</b>

The Integrated Modernization Business Plan remains a key IRS priority. The Plan provides a long-term approach to technological advances, which will transform the taxpayer experience by making our services simpler, quicker, and more responsive. Additionally, the plan will deliver technology to enable a service experience comparable to private industry; streamline and integrate IT programs that provide top-quality service; retire and replace legacy systems with more sustainable infrastructure; and continue to protect taxpayer data and address emerging threats.

The IRS continues to make progress implementing the Plan using the American Rescue Plan funding but needs additional resources to continue the modernization journey.

### 4.3 – Summary of IRS FY 2023 Cyber Security Budget Request

Bureau: Internal Revenue Service Summary of FY 2023 Cybersecurity Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
<b>FY 2022 Annualized CR (ACR)</b>	\$16,768	40	\$17,258	66	\$244,062	548	\$38,100	19	\$316,188	673
<b>Changes to Base:</b>										
<b>FY 2023 Maintaining Current Levels (MCLs)</b>	\$492		\$632		\$6,960		\$893		\$8,977	
Pay Annualization (2.7% average pay raise)	49		90		653		12		804	
Pay Raise (4.6% average pay raise)	254		463		3,362		63		4,142	
Non-Pay	189		79		2,945		818		4,031	
<b>Base Adjustment</b>			\$369	1					\$369	1
Adjustment to Reach Current Operating Levels			369	1					369	1
<b>Subtotal FY 2023 Changes to Base</b>	\$492		\$1,001	1	\$6,960		\$893		\$9,346	1
<b>FY 2023 Current Services</b>	\$17,260	40	\$18,259	67	\$251,022	548	\$38,993	19	\$325,534	674
<b>Program Increases:</b>										
Putting Taxpayers First	81,000				102				81,102	
Integrated Modernization Business Plan							5,348	2	5,348	2
Focused Strategies for Reaching Underserved Communities					1				1	
<b>Subtotal FY 2023 Program Increases</b>	\$81,000				\$103		\$5,348	2	\$86,451	2
<b>Total FY 2023 Request</b>	\$98,260	40	\$18,259	67	\$251,125	548	\$44,341	21	\$411,985	676
Dollar/FTE Change FY 2023 Request over FY 2022 ACR	\$81,492		\$1,001	1	\$7,063		\$6,241	2	\$95,797	3
Percent Change FY 2023 Request over FY 2022 ACR	486.00%		5.80%	1.52%	2.89%		16.38%	10.53%	30.30%	0.45%

#### 4.4 – Summary of IRS FY 2023 Budget Request

Bureau: Internal Revenue Service Summary of FY 2023 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
<b>FY 2022 Annualized CR (ACR)</b>	\$2,763,606	27,990	\$5,004,622	35,604	\$3,928,102	11,631	\$222,724	308	\$11,919,054	75,533
<b>Changes to Base:</b>										
<b>FY 2023 Maintaining Current Levels (MCLs)</b>	\$108,631		\$202,663		\$119,339		\$5,730		\$436,363	
Pay Annualization (2.7% average pay raise)	17,105		32,228		12,812		401		62,546	
Pay Raise (4.6% average pay raise)	88,016		165,832		65,928		2,061		321,837	
Non-Pay	3,510		4,603		40,599		3,268		51,980	
<b>Base Adjustment</b>	\$90,285	825	\$229,176	358	\$115,991		\$3,430		\$438,882	1,183
Adjustment to Reach Current Operating Levels	90,285	825	229,176	358	115,991		3,430		438,882	1,183
<b>Subtotal FY 2023 Changes to Base</b>	\$198,916	825	\$431,839	358	\$235,330		\$9,160		\$875,245	1,183
<b>FY 2023 Current Services</b>	\$2,962,522	28,815	\$5,436,461	35,962	\$4,163,432	11,631	\$231,884	308	\$12,794,299	76,716
<b>Program Increases:</b>										
Putting Taxpayers First	119,034	192	54,331	152	146,805	229			320,170	573
<i>User Authentication</i>	81,000								81,000	
<i>Taxpayer Experience Strategy</i>	38,034	192	54,331	152	146,805	229			239,170	573
Ensure Fairness of the Tax System			370,857	2,493	98,396	20			469,253	2,513
Enhance Taxpayer Service	304,167	3,858			84,945				389,112	3,858
Integrated Modernization Business Plan							78,143	104	78,143	104
Critical IT Operations					39,521	36			39,521	36
Focused Strategies for Reaching Underserved Communities					10,169	7			10,169	7
<b>Subtotal FY 2023 Program Increases</b>	\$423,201	4,050	\$425,188	2,645	\$379,836	292	\$78,143	104	\$1,306,368	7,091
<b>Total FY 2023 Request</b>	\$3,385,723	32,865	\$5,861,649	38,607	\$4,543,268	11,923	\$310,027	412	\$14,100,667	83,807
Dollar/FTE Change FY 2023 Request over FY 2022 ACR	\$622,117	4,875	\$857,027	3,003	\$615,166	292	\$87,303	104	\$2,181,613	8,274
Percent Change FY 2023 Request over FY 2022 ACR	22.51%	17.42%	17.12%	8.43%	15.66%	2.51%	39.20%	33.77%	18.30%	10.95%
<b>Technical Adjustments</b>										
Rent Adjustment	265,830		368,613		(634,443)					
CFO Adjustment	33,040	176	42,051	224	(75,091)	(400)				
<b>Subtotal FY 2023 Technical Adjustments</b>	\$298,870	176	\$410,664	224	(\$709,534)	(400)				
<b>Total FY 2023 Request including Technical Adjustments</b>	\$3,684,593	33,041	\$6,272,313	38,831	\$3,833,734	11,523	\$310,027	412	\$14,100,667	83,807
Dollar/FTE Change FY 2023 Request Including Technical Adjustments over FY 2022 ACR	\$920,987	5,051	\$1,267,691	3,227	(\$94,368)	(108)	\$87,303	104	\$2,181,613	8,274
Percent Change FY 2023 Request Including Technical Adjustments over FY 2022 ACR	33.33%	18.05%	25.33%	9.06%	-2.40%	-0.93%	39.20%	33.77%	18.30%	10.95%





