

Internal Revenue Service Inflation Reduction Act Strategic Operating Plan

FY2023 - 2031

Volume 1 of 5



Publication 3744 (Rev. 04-2023) Catalog Number 50950V
Department of the Treasury **Internal Revenue Service** www.irs.gov



Visit the Accessibility
Page on IRS.gov

This page is intentionally left blank

The IRS mission statement

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



COMMISSIONER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

APRIL 5, 2023

MEMORANDUM FOR SECRETARY YELLEN

FROM: Daniel I.
Werfel, Commissioner
of Internal Revenue

SUBJECT: IRS Inflation Reduction Act
Strategic Operating Plan

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

In my short time as IRS Commissioner, I am already impressed with the dedication of the IRS workforce and the progress the agency has been making in delivering for the American people. I hope that through some of our recent efforts, such as an improved filing season this year and delivery of Economic Impact Payments during the pandemic, taxpayers see how our workforce makes a

difference for the nation. We can do even more to deliver for taxpayers when sufficient resources are provided to the IRS.

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

1. Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible
2. Quickly resolve taxpayer issues when they arise
3. Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap
4. Deliver cutting-edge technology, data, and analytics to operate more effectively

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

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

- A world class customer service operation where taxpayers can engage with the IRS in a fully digital manner if they choose, where helpful tools for taxpayers to navigate the complexity of our tax laws are deployed and then refreshed and updated regularly based on taxpayer feedback, and where our customer service workforce is maintained at the right size and with the right resources and training to always be ready to meet the taxpayer demand for assistance.
- New capacities, including specialized skills, in place to unpack the complex

filings of high income taxpayers and large corporations and partnerships so Americans have confidence that all taxpayers, regardless of means, are doing their part to meet their responsibilities under our tax laws.

- An organization and infrastructure rooted in modern technology that provides taxpayers increased confidence that data is secure and that we are prepared to more rapidly meet new requirements or responsibilities that may emerge in the future.

We will hold ourselves to achieving the Plan vision by regularly monitoring and reporting to Congress on our progress. We will also update the Plan details as we learn more about what works and as the operating environment changes. More important than any detail in this Plan, however, is our responsibility to improve the customer experience we provide to the American

people. The IRS looks forward to demonstrating how the actions under this Plan will translate into real improvements in how taxpayers engage with us and in the assistance we provide. The Plan articulates how, through both service and technology enhancements, the experience of the future will look and feel much different from the IRS of today.

Ensuring taxpayers file accurate returns and pay the taxes they owe is another important component of this Plan. For the first time, we will help taxpayers identify potential mistakes before filing and quickly fix errors that delay their refunds. We will focus IRA enforcement resources on hiring the accountants, attorneys, and data scientists needed to pursue high-income and high-wealth individuals, complex partnerships, and large corporations that are not paying the taxes they owe. All efforts will comply with your directive not to use IRA resources to raise

audit rates on small businesses and households making under \$400,000 per year, relative to historic levels. Our efforts outlined in the Plan to provide better service to taxpayers, help them file accurately and resolve issues at filing, coupled with technology and data advances, will allow us to focus enforcement on taxpayers trying to avoid taxes, rather than taxpayers trying to pay what they owe.

I can't overstate the importance of sustained annual resources for IRS operating costs. To help put this issue in perspective, IRS funding has steadily declined over the last decade causing suboptimal staffing and investment. In 2010, for example, we operated with 95,370 FTE to meet the demands of the U.S. population (310 million). Today, the IRS is almost 20 percent smaller (80,006 FTE as of the end of FY2022), whereas the U.S. population has increased by over 7 percent (334 million) and the tax law has grown more

complex. To cover steady state operations, annual discretionary appropriations must be fully maintained at the FY 2022 level, including growth for inflation and pay raises. Any reduction in annual discretionary funds – including not providing for inflationary increases to maintain current levels – will require IRA funding to be shifted to general operations. This would be to the detriment of the service, technology, and compliance initiatives envisioned to transform the IRS. Diverting IRA funding to cover base discretionary enforcement needs would lead to more noncompliance, leading to decreased revenue collection and increased deficits. In rebuilding and sustaining our capacity and capabilities with discretionary and mandatory funding, we plan to focus on hiring and growing talent with the right skills to address the nation's increasingly complex tax system. By leveraging technology, automation, and other tools, we will enable higher staff efficiency than was historically achieved.

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

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



Internal Revenue Service Inflation Reduction Act Strategic Operating Plan Contents

Topic	Regular Page	Large Print Page
Part I: Executive summary	7	17
Overview of the plan	8	19
What we will deliver	10	25
Part II: Objectives and initiatives	14	37

Objective 1: Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible	16	43
Objective 1 Initiatives 1.1-1.12	20	52
Objective 2: Quickly resolve taxpayer issues when they arise	46	141
Objective 2 Initiatives 2.1-2.7	48	147
Objective 3: Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap	62	195
Objective 3 Initiatives 3.1-3.7	66	203

Objective 4: Deliver cutting-edge technology, data, and analytics to operate more effectively	80	251
Objective 4 Initiatives 4.1-4.8	86	268
Objective 5: Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers	102	329
Objective 5 Initiatives 5.1-5.8	106	338
Part III: Managing the transformation	124	411
Implementation and accountability	124	411
High level roadmap	126	418

Estimated allocation of funds	128	427
Stakeholders impacted by the Strategic Operating Plan	132	445
Part IV: Case study	134	453
Energy security and clean energy provisions of the IRA	134	453
Part V: Context and background	136	460
Alignment with the U.S. Treasury Strategic Plan	136	460
Context and trends that shaped the development of this plan	138	466



Part I: Executive summary

The Inflation Reduction Act creates a major opportunity

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

the tax gap—the difference between taxes due and taxes paid—most recently estimated at \$496 billion.

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

Shortly after enactment, the Department of the Treasury and the IRS initiated an effort to develop a Strategic Operating Plan, identifying the highest-priority opportunities to deliver transformational change for

taxpayers. The planning process leveraged prior IRS planning efforts, including the Taxpayer First Act Report to Congress, new thinking around best practices and available technology capabilities, and current and past input from a wide range of stakeholders in tax administration. Additional context that shaped the development of this Plan is available in Part III and Part V.

Overview of the Plan

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

solutions to meet the diverse needs and preferences of all taxpayer groups.

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

Our work to improve service must also be coupled with efforts to improve compliance by

those who choose not to meet their obligations. The IRA acknowledges that an adequately funded federal tax administration will generate significant revenue for the country. The federal government loses nearly half a trillion dollars each year due to taxpayer noncompliance. This investment will significantly improve the IRS's ability to address the tax gap.

We will devote resources to enforcing the tax laws against taxpayers who attempt to avoid paying their tax obligations. All compliance efforts will be consistent with the Secretary of the Treasury's August 10, 2022, directive that IRA resources are not used to increase the share of small businesses or households earning \$400,000 or less that are audited relative to historical levels. We will use the additional resources provided under the IRA to address high-dollar compliance issues, such as those related to complex partnership

structures, large corporations, and high-income individuals.

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

To enable improved taxpayer services and compliance, we must deliver technology

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

We will work to attract and retain the best talent as we transition to being a modern, digitally capable, customer-centric agency. We will develop and support a workforce that

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

What we will deliver

IRA transformation vision

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

IRA transformation objectives

Objective 1

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

Objective 2

Quickly resolve taxpayer issues when they arise

Objective 3

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

Objective 4

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

Objective 5

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

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

- **Data-driven decision-making will be the core of our approach** to fundamentally shift how we manage operations and deliver services to taxpayers.
- **Taxpayers and tax professionals will be able to interact with us in the ways they prefer,** including expanded digital, phone, and in- person assistance options.

- **Taxpayers will have easy, secure access to their data**, as well as the tools to help them use it, to help them meet their tax obligations.
- **We will help taxpayers** both meet their tax obligations and receive the credits and deductions for which they are eligible.
- **Electronic filing and communication options** will be simpler and will make it easier to interact with the IRS.
- **We will offer notifications and proactive help** for taxpayers and tax professionals to find and correct mistakes earlier.
- **We will resolve filing issues** with clear notices and the fastest, simplest possible solution for the taxpayer.
- **We will use enhanced data and analytics** to assist in the selection of compliance cases based on the highest risk of noncompliance.

- **We will increase capacity and expertise for enforcement** to better address high-dollar noncompliance among complex filers.
- **We will retire outdated legacy IT systems and invest in new technology** to improve customer experience, to provide data-driven enforcement, and to carry out skill-building on technology and data across the IRS workforce, so employees are able to use real-time data and analytics to drive their work and improve productivity.
- **We will devote a larger share of employees to taxpayer-facing roles** as demand for manually processed paper returns and correspondence decreases and systems are automated.
- **We will recruit, train, and retain a workforce** with the skills and capabilities we need—people who put customer

service first and are able to use our new technologies to work effectively.

- **We will improve the employee experience** and empower the workforce to drive better taxpayer experiences, with clearer career pathways that will improve retention and support career growth and opportunity.
- **We will ensure the privacy and security** of taxpayer data in all that we do.

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

IRA Transformation Outcomes.

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

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

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

Accountability to stakeholders and previous IRS strategies

The IRS will make this vision a reality and deliver on the commitments in this Plan by collaborating across the organization and engaging in disciplined and transparent accountability processes. This Plan outlines the framework that we will use to achieve the objectives in this Plan. While this Plan supersedes any previous IRS strategic

planning documents, it is based in part on insights from those materials, including the 2022-2026 IRS Strategic Plan, and other planning efforts, including the Taxpayer Experience Roadmap; Business Unit strategic plans; Agencywide Equity, Diversity, Inclusion, and Accessibility (EDIA) Strategy and Roadmap; and the IRS Integrated Modernization Business Plan. The IRA gives the IRS the resources to turn our plans to improve the way we serve taxpayers into reality.

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

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

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

- **Hiring over 5,000 new customer service representatives** to process correspondence and answer phone inquiries, and beginning the process of hiring approximately 650 new employees to work in our Taxpayer Assistance Centers across the country
- **Reducing the inventory of original individual returns** from 4.7 million waiting to be processed in January 2022 to pre-pandemic levels between 400,000 and 1 million in January 2023

- **Consistently achieving a level of service between 80% and 90% weekly** during the filing season, which includes phone calls answered by live customer service representatives
- **Preparing to scan and digitalize** millions of business and individual tax returns in 2023, with Form 940 scanning underway as of February 2023 and Form 1040 scanning underway as of March 2023
- **Providing customer callback option** for 75% of calls to IRS live assistance toll-free telephone lines, with plans to expand coverage to 95% of taxpayers calling for toll-free live assistance by the end of July 2023
- **Enabling direct-deposit refunds** for 1040X (amended) returns in February 2023; previously, these refunds were solely issued as paper checks

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

Above Immediate Actions figures and timeframes as of March 2023

Part II: Objectives and initiatives

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

Objective 1

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

Objective 2

Quickly resolve taxpayer issues when they arise

Objective 3

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

Objective 4

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

Objective 5

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

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

Elements in Part II

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

Initiatives outline strategic bodies of work that will drive transformation.

To be refined during detailed planning

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

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

Example

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

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

Create digital forms

Expand digitalization

Create viewable digitized data

Milestone 1 (FY 20XX)

Milestone 2 (FY 20XX)

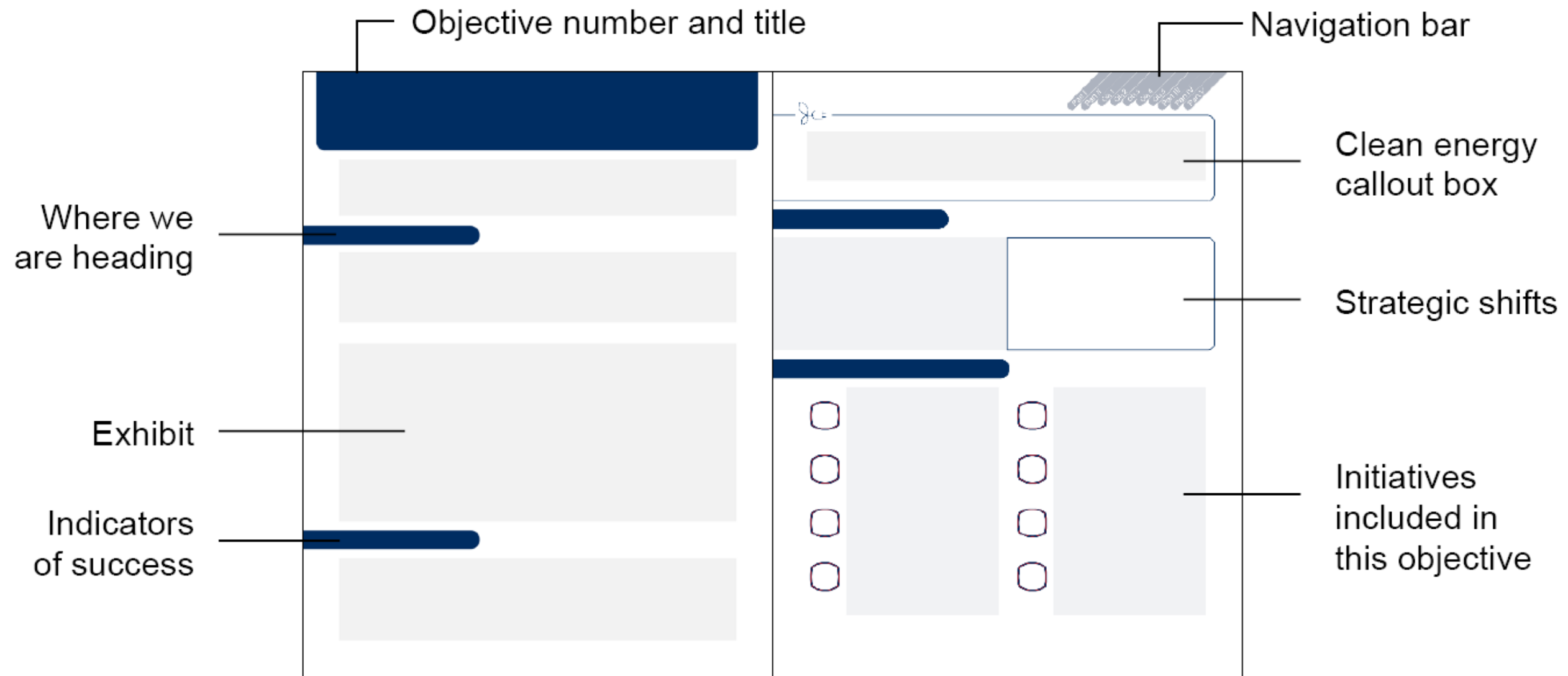
Milestone 3 (FY 20XX)

Milestone 4 (FY 20XX)

Milestone 5 (FY 20XX)

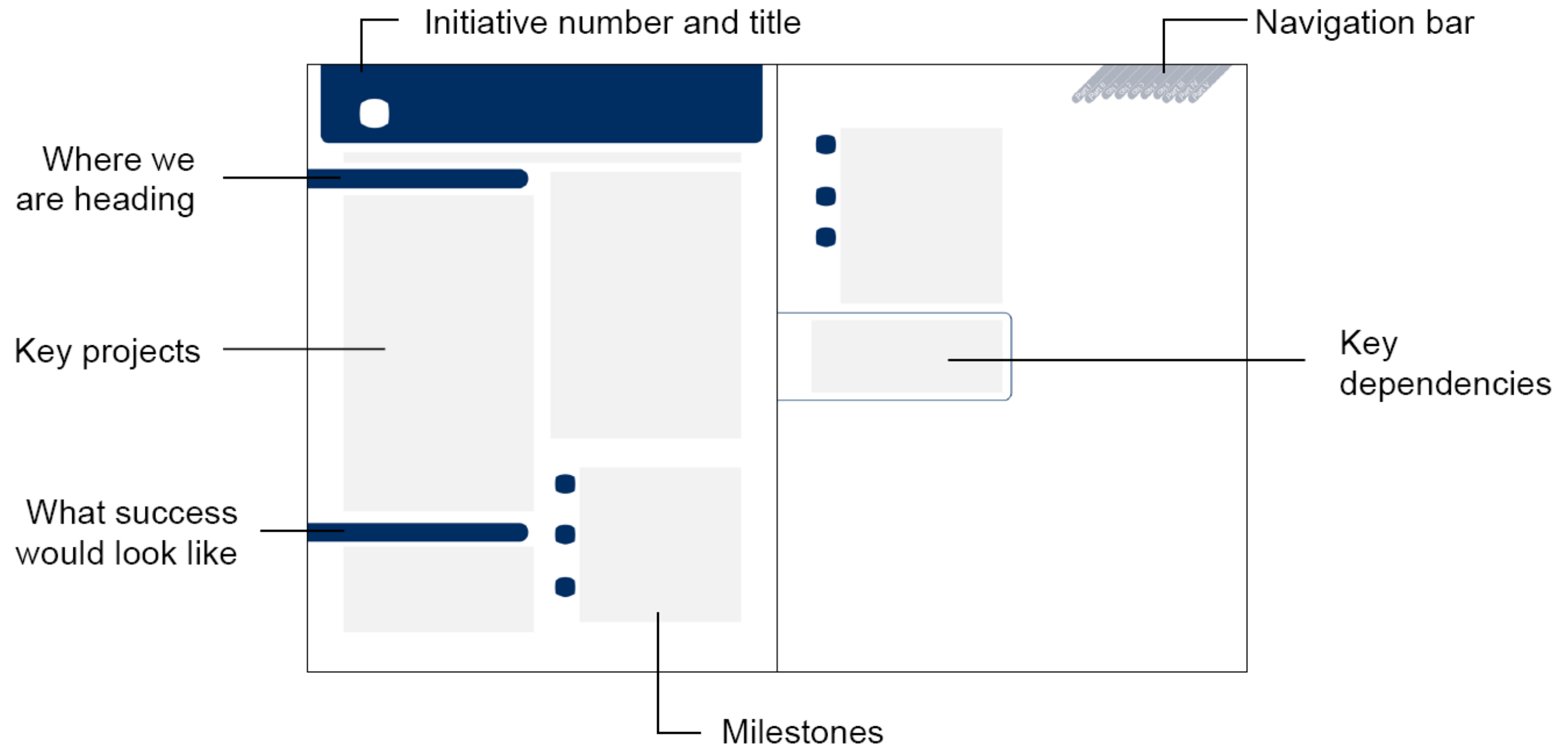
Objective pages

For each objective, the Plan includes the following information:



Initiative pages

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



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

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

Where we are heading

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

What taxpayers could experience in the near future



- A Taxpayer creates a secure Business Online Account at IRS.gov and lets us know which communications methods they prefer – email, paper mail or phone. The taxpayer selects email.
- They later receive an email explaining tax credits and deductions for which they may be eligible.
- Their online account gives them access to easy-to-read data to start this year's tax return.
- They have questions about how to file employment tax returns. A chatbot provides initial answers, and if they have specific questions, they can request a call from an agent.
- An agent calls them back, reviews their account history with them, and answers their questions. The taxpayers then prepare their own return.

- When they submit a return online, taxpayers get a real-time alert that shows easy-to-fix errors. They correct the errors and re-submit the return.
- After they file, they use their online account to track refund status and adjust preferences. They opt to receive their refund via direct deposit.

Visuals are illustrative



Indicators of success

- ✓ Increased service levels
- ✓ Increased taxpayer service options and increased access to, and accessibility of, those options
- ✓ Decreased filing burdens for taxpayers
- ✓ Wider array of digital options to help taxpayers and tax professionals interact with the IRS and have a more seamless customer experience
- ✓ Decreased percentage of returns filed with math errors or errors related to third-party information reported to the IRS
- ✓ Decreased difference between credits and deductions available versus those claimed,

as well as fewer inadvertent errors and improper payments

- ✓ Higher proportion of taxpayers satisfied with the filing process
- ✓ Increased taxpayer satisfaction with IRS interactions and service
- ✓ Higher proportion of paperless processes and systems throughout the IRS, from intake to processing



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

- Through enhanced education and assistance, we will help taxpayers understand for which energy security and clean energy credits they may be eligible, and how to claim them.

- Multichannel assistance will give taxpayers the ability to file and communicate with us through the channel of their choice.
- Taxpayers will be able to log into their online account to track the status of their account and claims.
- Consumers will be able to transfer their clean vehicle tax credit to a car dealer for an equivalent price discount starting in 2024.




Mapping tools will help taxpayers identify potential eligibility for certain energy security and clean energy tax credits.

Strategic shifts

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

Taxpayers get limited help navigating the tax system on their own.	We will help taxpayers both meet their tax obligations and receive the incentives for which they are eligible.
--	--

Initiatives included in this objective

- 
1.1 Improve the availability and accessibility of customer service: Taxpayers will be able to receive on-demand customer service or schedule service ahead of time
- 
1.2 Expand digital services and digitalization: Taxpayers will be able to file all documents securely and exchange correspondence electronically
- 
1.3 Ensure employees have the right tools: Employees will have the right tools and information to quickly and effectively meet the needs of taxpayers



Improve self-service options:

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



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

directly with the IRS online



Enable taxpayers to access their

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



Provide earlier legal certainty:

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

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

1.9 Help taxpayers understand and claim appropriate credits and deductions: Taxpayers, including individuals and small businesses, will receive education and assistance in claiming available incentives

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

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



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

This page is intentionally left blank



Improve the availability and accessibility of customer service

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

Where we are heading

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

We have dramatically increased the number of IRS employees providing customer service

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

We will equip the employees who interact with taxpayers with training and the authority they need to resolve issues at the lowest appropriate level. As discussed in other initiatives, we will provide a multichannel service experience and improved employee tools to improve service delivery. Customer

service improvements will be comparable across diverse taxpayer segments, including those with disabilities and limited English proficiency.

What success would look like

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

Key projects

- 1. Expand service offerings across multiple service channels to meet the needs of taxpayers and tax professionals.** Use improved data and analytics to project demand, staffing, estimated wait and processing times, and service locations. Adjust policies, services offered, and locations to provide in-person, telephone, and digital services for all taxpayers and tax professionals, including those in rural and underserved areas. This includes expanding the services available through current customer service channels such as the TACs and phones.
- 2. Provide the public with accurate wait time estimates.** Include estimated wait times in customer service channels and processing times

for high-volume returns and other forms.

- 3. Staff customer service functions to meet projected demand.** Use enhanced data and analytics to project demand for customer services and better allocate well-equipped employees to meet demand.
- 4. Improve appointment scheduling and on-demand capabilities.** Offer appointment scheduling and on-demand services across service channels.
- 5. Develop policies and tools that support first-contact problem-resolution.** Develop policies and tools that support the immediate involvement of the right people to resolve taxpayer issues quickly, even when first-contact employees do not have the information or authority to resolve the issues.

- 6. Enable equal access through equitable practices.** Provide equitable access to IRS services and opportunities for taxpayers. Meet the needs of rural populations, people with disabilities, those with limited English proficiency, other underserved communities, and small businesses. Explore creative opportunities for expanding the reach of live assistance.

Milestones



FY 2023

Expanded hours are available at the TACs for appointments and on-demand service with staffing to meet expected demand



FY 2024

Taxpayers and tax professionals can schedule service appointments via multiple channels, based on staff availability



FY 2024

Data and analytics capabilities are used to predict taxpayer demand and staffing needs for customer service and to project estimated processing time for certain returns and other forms



FY 2024

Increased service availability and services are offered in TACs and on phones to meet taxpayer demand



FY 2025

Data and analytics capabilities are used to develop real-time wait time projections for taxpayers seeking on-demand service

Key dependencies

1.1 depends on projects in initiatives:

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

Initiatives dependent on projects in 1.1:

1.9, 2.6, 2.7, 5.8



Expand digital services and digitization

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

Where we are heading

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

reducing the frequency of delays and errors in processing.

We will provide taxpayers the option to file documents electronically and securely. We will process all forms, returns, and certifications digitally regardless of how they are submitted, while maintaining paper submission options. We will ensure that taxpayers claiming credits are able to securely file digitally and are not unduly burdened during filing. We will scan and digitalize all incoming paper forms, returns, and communications to process them digitally. We will modernize forms and other documents to make them mobile-friendly, shifting away from the structure of traditional paper forms toward easy-to-use, interactive forms that can be easily updated and improved in response to changes in customer needs and tax laws. We will redesign service delivery, business processes, enterprise scanning, data intake, legacy systems, and

case management systems to fully enable digital processing. We will become fully digital and modernize processes to improve the taxpayer experience and organizational efficiency; examples may include modernizing the Individual Tax Identification Number (ITIN) process, updating Tax Pro Account features to submit authorizations to assist clients, and fully digitalizing amended return processing.

What success would look like

Success for this initiative would include customers finding it easier to prepare and submit documents to the IRS. Processing times would fall for end-to-end digital processes. Backlogs in paper and manual processes would be eliminated. The accuracy of translation of return data would increase as we phase in digital (e-filed) and digitalized (paper converted to digital data) receipts. Digital tools would be accessible for people with disabilities and available in taxpayers'

preferred languages. Expanding digitalization would also lessen the environmental impact of the IRS by reducing paper usage internally and by taxpayers, reducing the need for shipping and minimizing the amount of paper storage required.

Key projects

- 1. Create digital forms.** Modernize forms so they are easier to use, mobile-friendly, and take advantage of digital capabilities and interactive features that paper forms lack.
- 2. Expand digitalization.** Digitalize paper- submitted forms, returns, applications, certifications, correspondence, or remittances at the point of receipt. This includes scanning and extracting data from forms, images, barcodes, and other sources.
- 3. Enable digital data delivery throughout the IRS.** Clean and deliver

data and images to the appropriate workflows for processing.

- 4. Reinforce secure storage and archiving practices.** Implement necessary data storage requirements and best practices to retain proof of receipt and of senders' identities. Archive materials as appropriate and required.
- 5. Create viewable digitized data.** Make an image or representation of the submitted content viewable after submission for employees and taxpayer Online Accounts, as appropriate.
- 6. Enable and implement digital processing.** Replace and streamline case, account, and payment systems to incorporate more automation and digitally process data received from any submission. Create and implement a prioritization plan to digitalize end-to-

end processing across the IRS based on need, impact, and feasibility.

- 7. Evaluate which taxpayers are most burdened during filing and remove barriers to electronic filing.** Evaluate which taxpayers face barriers during filing, such as those who may be eligible for credits and deductions; those who need information quickly from the IRS, such as residency certificates; or those who are required to paper-file in certain circumstances. Prioritize creating and improving digital pathways for these taxpayers.

Milestones



FY 2023

Certain documents, paper correspondence, and non-tax forms digitalized using the new Digital Enablement Platform launched in 2022



FY 2023

Enhanced scanning of key tax forms (e.g., Forms 940, 941, 1040)



FY 2023

Planning and prioritization to enable and implement digital processing and electronic filing



FY 2024

Highest-priority end-to-end digital processes implemented



FY 2024-2025

High-priority forms, returns, and certifications available for electronic filing and digitalization



FY 2025

Additional high-priority end-to-end digital processes implemented



FY 2026-2027

Additional forms, returns, and certifications available for electronic filing and digitalization based on prioritization plan

Key dependencies

1.2 depends on projects in initiatives:

4.1, 4.3-4.5, 5.5

Initiatives dependent on projects in 1.2:

1.4, 1.9, 1.11, 2.2, 2.7, 4.1, 4.5, 5.3, 5.8



Ensure employees have the right tools

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

Where we are heading

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

We will create a simpler and more seamless experience for taxpayers by giving employees the tools to access and update taxpayer

information and accounts. We will study employee needs holistically and create a centralized information system with appropriate tools to enable and empower them. We will train employees to use new systems and supporting tools.

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

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

and security will remain paramount in all we do.

What success would look like

Success for this initiative would include a rise in taxpayers' satisfaction with the information they receive during customer service interactions. Employee morale and job satisfaction would increase as they get more of the tools they need to do their jobs. The workforce would become nimbler, easier to train, and able to deliver service to taxpayers more quickly and effectively.

Key projects

- 1. Build a holistic view of taxpayer accounts that employees can access.** Create a secure centralized information system that provides customer relationship management via a history of all interactions across channels (e.g., chat bot, live assistor, online self-service experiences) and

holistic views of taxpayer data, information, and history.

- 2. Build analytical, communication-based, and other tools for employees.** Build tools so employees understand information more quickly, determine appropriate resolutions, and either resolve issues for taxpayers or immediately route them to the appropriate places for resolution.
- 3. Empower employees with the right information to answer questions and resolve issues during the first interaction.** Provide employees with job aids and guidance to resolve a wide range of issues and answer questions during the first contact.
- 4. Give employees appropriate authorities to resolve issues immediately or route the taxpayer appropriately for fast resolution.** Assess and expand the scope of

resolutions employees can provide to taxpayers to empower employees to resolve issues effectively and efficiently at the lowest appropriate level.

Milestones



FY 2023

Partnership launched between IRS employees and the National Treasury Employee Union (NTEU) to study and build tools to help employees meet taxpayer needs more efficiently and effectively



FY 2023

Comprehensive review and planning related to case management, customer relationship management, and data access, intake, and viewing capabilities to ensure employees have the tools they need to service taxpayers



FY 2024

Delegations of authority studied and modified to empower employees to resolve issues at the lowest appropriate level



FY 2024

Scope of services studied and modified to empower employees to resolve issues at the lowest appropriate level



FY 2024-2025

Employee job aids and tools made accessible and searchable in a single place; training provided for employees on new tools, processes, and authorities



FY 2024-2027

Additional capabilities launched based on prioritization plan

Key dependencies

1.3 depends on projects in initiatives:

4.4-4.7, 5.5, 5.7, 5.8

Initiatives dependent on projects in 1.3:

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

This page is intentionally left blank



Improve self-service options

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

Where we are heading

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

We will expand Individual Online Accounts to enable taxpayers to capture and store preferences and profile information, access user-friendly tax data, schedule payments,

view status-tracking tools, opt into certain notifications, communicate securely with the IRS, initiate customer service requests, and more.

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

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

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

What success would look like

Success for this initiative would include an increase in the share of taxpayers using self-service options. Customers would be satisfied with issue resolution times for self-service options. We would reduce need for live customer service as the primary issue resolution tool for customers who use online accounts. Customer satisfaction with ease of use and availability of online account features would increase.

Key projects

- 1. Provide comprehensive secure online account services for individual taxpayers.** Add features to Individual Online Accounts, including the ability to schedule payments, save payment information, create and change payment plans, access user-friendly tax records, view the status of returns, refunds, and audits, opt into certain

notifications, use secure messaging, and more.

2. Provide secure online account management for businesses. Include features to let business taxpayers manage their profile and designees, view balance and payment history, make payments, view account history, and more.

3. Expand Online Tax Pro Accounts. Enable tax professionals to manage their client authorizations online; view clients' balances, payment histories, and notices; and act on their behalf to make payments, set up payment plans, and complete other account updates as authorized.

4. Create taxpayer profiles that integrate with other IRS systems. Incorporate taxpayer profiles into IRS accounts to holistically capture taxpayer preferences and payment information.

- 5. Give employees access to information to enable seamless customer service.** Provide employees the ability to access information available to taxpayers, as appropriate, so they can assist taxpayers when needed.
- 6. Enhance IRS.gov systems and content to support new digital tools, products, and services for taxpayers.** Upgrade systems and improve content development to make sure IRS.gov supports the new capabilities and is accessible to taxpayers and stakeholders, including underserved and limited English proficient (LEP) populations.

Milestones



FY 2023

Full implementation plan for online account enhancements developed for Individual, Business, and Tax Pro Online Accounts



FY 2023

Enhancements to Individual Online Accounts and Tax Pro Online Accounts implemented



FY 2023

Business Online Accounts for taxpayers launched



FY 2024-2026

Enhancements to Individual and Business Online Accounts implemented to support capabilities that taxpayers and tax professionals need, based on the implementation plan

Key dependencies

1.4 depends on projects in initiatives:

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

Initiatives dependent on projects in 1.4:

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

This page is intentionally left blank



Explore direct file

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

Where we are heading

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

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

study taxpayer preferences for products. The results of the study will inform if and how the IRS should design such a service.

What success would look like

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

Key projects

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

eligible taxpayers a free, public electronic return-filing service option.

Milestones



May 2023

Congressionally mandated study on direct file issued



FY 2023

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



FY 2023

Next steps determined and communicated to Congress and other stakeholders

Key dependencies

1.5 depends on projects in initiatives:

1.3, 4.4, 4.5, 4.7, 5.7

Initiatives dependent on projects in 1.5:

None



Enable taxpayers to access their data

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

Where we are heading

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

We will also help taxpayers get their returns right the first time by providing taxpayers and their authorized tax professionals with data and information to help them populate their

tax returns based on prior-year returns and current-year information.

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

What success would look like

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

Key projects

- 1. Make transcripts and account data easier to read and understand.** Use plain language for IRS transcripts for all taxpayers and make them available in additional languages.
- 2. Offer user-friendly and portable views of taxpayer account and return data and information.** Provide taxpayers and tax professionals the ability to see or download account

history to see payments, balances, notices, and other information, in line with similar interactions with financial institutions.

- 3. Help taxpayers start their tax returns with data that can go directly into return preparation software or to authorized return preparers based on taxpayer preference.** Provide taxpayers and their authorized tax professionals the ability to retrieve data from prior-year returns and current-year information in a format that can interact with return preparation software if preferred. Taxpayers will have options to question the accuracy of information and correct any information return discrepancies prior to filing.

Milestones



FY 2024

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



FY 2024

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



FY 2025

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



FY 2025

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

Key dependencies

1.6 depends on projects in initiatives:

1.3, 1.4, 4.1, 4.4-4.6

Initiatives dependent on projects in 1.6:

2.6