



IRS Future State: Overview

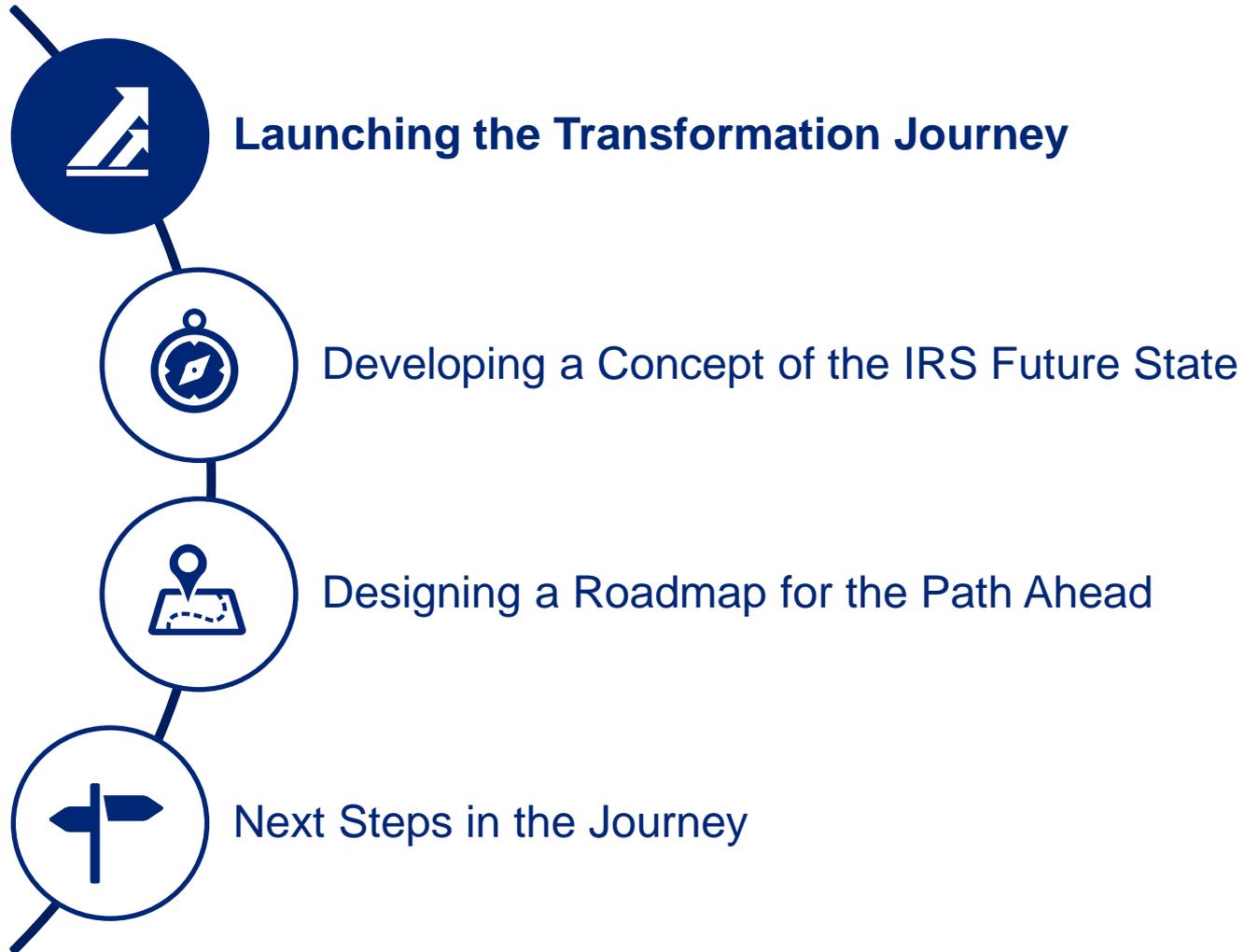
The Path Traveled and the Road Ahead

DRAFT February 2016

Background

- **Over the last decade, the IRS has made significant progress by improving tax processing and account management systems, increasing electronic filing and payment options, and expanding services available on IRS.gov for taxpayers and tax professionals.**
- **Research shows that most taxpayers and tax professionals increasingly expect interactions with the IRS to be at least as efficient as the service they get from banks and retailers.**
- **However, reduced funding and loss of resources at the IRS have jeopardized voluntary compliance and resulted in deteriorating service and enforcement levels.**
- **The IRS has intensified efforts to enhance voluntary compliance by designing, developing and implementing approaches to tax administration that are more proactive, accessible and interactive.**
- **These efforts are known collectively as the IRS “Future State” and build upon operating division, technology and support modernization efforts.**
- **A core set of strategic themes and goals are coming together to define the Future State, which is an ongoing process that will necessarily continue to include the perspectives of IRS employees, taxpayers, tax professionals and other stakeholders.**
- **At the same time, we recognize that some taxpayers will always prefer to deal with us on the phone or in person. These services will always be available to them in the Future State.**

Overview of IRS Future State Journey



The IRS and the taxpaying public are facing daunting challenges that compel changes to traditional ways of doing business, including how tax responsibilities are satisfied



EVOLVING TAXPAYER EXPECTATIONS

Taxpayers have been increasingly expressing a preference to communicate with the IRS through interactive online channels, as many do with their banks, brokers and retailers. The IRS shares taxpayers' interest in interacting through more efficient channels, but also remains committed to serving all taxpayers efficiently through a variety of channels, including online, telephone, in person, or in writing.



INCREASING COMPLEXITY

The Federal tax system is complex. Changes to both existing tax provisions and the addition of new ones, often late in the year, make the tax system more complex for the IRS, the taxpaying public and tax professionals. Tax credits, especially refundable ones, extend the tax system beyond collecting the proper amount of tax into benefits administration. New laws and credits expand the IRS' mission, often without additional funds or resources.



COMBATTING NONCOMPLIANCE, IDENTITY THEFT & REFUND FRAUD

Information and analytics are essential for detecting noncompliance, especially egregious patterns or trends, in order to effectively allocate our finite resources. A microcosm of the challenge is the increased frequency and sophistication in identity theft and refund fraud, which threaten the credibility of the entire tax system as well as commerce both domestically and internationally. Among numerous initiatives, the IRS is partnering with state tax administrators and the tax industry to protect taxpayers and the tax system.



COPING WITH LIMITED BUDGETS

Five years of seriously constrained budgets have taken a toll on IRS taxpayers, employees, systems, processes, and performance. The IRS is looking at how we can better fulfill our mission through prudent planning and investment, as stopgap measures adversely affect employee retention and morale and increase maintenance costs that crowd-out service levels and enforcement coverage.



INCORPORATING KEY STAKEHOLDERS' PERSPECTIVES

Taxpayers, tax professionals, and IRS employees all have valuable insights about how tax responsibilities can be more easily satisfied in the Future State through advances in communications, technology, information sharing and other means. The IRS continues to receive the benefit of regular advice and suggestions from a number of advisory panels representing a wide range of IRS stakeholders. The IRS is committed to being open and inclusive in furthering and refining its Future State vision and welcomes and values both internal and external stakeholder views. These perspectives will be instrumental as we move ahead.

The Service has engaged in a series of efforts to more efficiently and effectively administer the tax laws for all taxpayers and others who serve them

The IRS has been on a path for many years to improve service and enforcement through tools like e-File and self-service applications. Examples include “Where’s My Refund?” and “Get Transcript,” along with the ability to make an on-line payment and create an on-line installment agreement. Most recently, the IRS is beginning to collaborate on an integrated path forward that addresses the most critical needs of effective tax administration.

January – December 2014



Idea Generation and Unit Future State Visioning

Services on Demand (SOD) - Initiative to analyze high volume transactions that could be offered digitally

Compliance Capabilities Vision (CCV) - Effort to enable data and analytical compliance improvements

Business Operating Division Concept of Operations (BOD CONOPS) – Solidify BOD visions for the future of service and enforcement.

January – March 2015



Theme Identification and Consensus Building

Enterprise CONOPS - BOD CONOPS consolidated through common guiding principles and unit visions. Leadership used a collaborative approach among leaders in Operations Support and Services and Enforcement to identify six Enterprise Themes that characterize an envisioned enterprise Future State.

April 2015 – Current



Goal and Roadmap Development, Bridge to the Future State

Enterprise Goals and Initiatives identified to attain enterprise Themes, and formulated a **Roadmap** to the envisioned Future State. Initiatives launched for a near-term Bridge to the Future State, and plans began for future state Operations Support.

January 2016 - Future



Bridge and Capacity Plans for a Comprehensive Roadmap

Further bridge-building, Capacity Development Plans, and Additional Operations Initiatives will be added to the Roadmap to inform detailed **planning and resource and investment prioritization** efforts.

Overview of IRS Future State Journey



IRS leadership integrated strategic efforts from across the IRS, with common themes identified to characterize an envisioned Future State that continues to protect taxpayer rights and ensure all taxpayers as well as each taxpayer is treated fairly

Enterprise Themes

1

Facilitate voluntary compliance by empowering taxpayers with secure innovative services, tools, and support

2

Understand non-compliant taxpayer behavior, and develop approaches to deter and change it

3

Leverage and collaborate with external stakeholders

4

Cultivate a well-equipped, diverse, skilled, and flexible workforce

5

Select highest value work using data analytics and a robust feedback loop

6

Drive more agility, efficiency, and effectiveness in IRS operations

The Future State vision focuses on an improved Taxpayer Experience throughout the tax lifecycle, efficient IRS operations and an improved Employee Experience

Mission

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.

Future State Vision

The IRS is working to transform its operations in order to modernize the taxpayer experience and empower its workforce to operate more efficiently—which will make filing simpler for taxpayers and increase voluntary compliance.

- Taxpayers are able to find information quickly and efficiently
- Taxpayers are able to adjust accounts independently
- Cases are resolved faster, usually within one year of filing
- Taxpayers have a high rate of compliance year after year
- Employees are highly engaged in and equipped for their work
- Taxpayers are satisfied with their IRS interactions



Improved Taxpayer Experience



PRE-FILING



Connected Taxpayers

Seamless integration across digital chat, phone, or in-person contacts with some channels providing 24/7 access and personalized information



Proactive Outreach to Taxpayers

Increased educational outreach to taxpayers to deter non-compliant behavior, and customized online notifications based on taxpayer history

AT FILING



Independent & Empowered Taxpayers

Online accounts provide secure channel for adjustments and corrections along with clear explanations of issues and required adjustments

POST-FILING



Timely Resolution of Issues

Errors are detected at time of filing, and taxpayers are given early notification to correct issues

More Efficient Operations



Equipped and Efficient Workforce

Enhanced analytics identifies highest priority activities, while knowledge management gives employees skills for future work



Flexible Work Environment

Taxpayer and internal files are digitized over secure channels, leading to higher efficiency and enabling work to be less geographically based



Analytics-Driven Operations

Data analysis helps with issue identification, taxpayer outreach, treatment stream alignment, and work routing



Coordination Across Business Units and Partners

Systems and structures help workforce across business units leverage existing investments and collaborate with external partners

Last Updated 11/30/2015

Overview of IRS Future State Journey



IRS Enterprise Goals have been identified—with development continuing—to guide the IRS toward the Future State and assess progress along way

Goal (* Goal %'s are under development)		How the Goal Supports the Future State
1	XX% compliance issue resolution within one year of filing	Improves the taxpayer experience by initiating and condensing the compliance lifecycle closer to the time of filing when the activities reflected on the tax return occurred
2	XX% of self-assisted account actions completed by taxpayers	Provides taxpayers with tools to resolve more mistakes or errors themselves
3	XX% of tax account interactions resolved through the most efficient channel	Improves taxpayer service efficiency for both the taxpayer and IRS by enabling and encouraging taxpayer contacts through more efficient channels, including digitally
4	XX% of taxpayers have recurring compliance issues	Quicker identification and resolution of repeat noncompliant issues and improved understanding of noncompliance prevention through behavioral analytics
5	Pending: XX% of employees “engaged” in their work	Improves the employee experience and optimization of the workforce through greater data-centric support and processes
6	Pending: XX% of taxpayers are satisfied with their IRS interactions	Improves the taxpayer experience by shortening the compliance lifecycle, increasing services options. and increasing awareness of requirements
7	Pending: More agile and efficient operations	Enhances operational efficiency by focusing on providing more flexibility in how the IRS achieves its mission

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* The goals were identified, and are still being developed, through a collaborative cross-unit process, building on the Enterprise Themes. The development includes relevant baseline data to ascertain current performance and what is attainable. Each goal, once established, will be complemented with intermediate and operational measures.

Key initiatives further develop capabilities and functionalities critical to attaining the envisioned Future State

Initiatives	Definition/Scope
1 Compliance Risk Management	Establish ongoing activities to assess and anticipate compliance risks for taxpayer segments and develop process for prioritization of identified issues for treatment
2 Taxpayer Behavior Analytics	Conduct ongoing analysis of taxpayer behavior to identify problem areas and support development and implementation of behavioral levers to drive higher levels of compliance, self-correction, and use of more efficient channels.
3 Taxpayer Outreach	Communicate common compliance issues, provide published guidance based on previous taxpayer behavior, increase public awareness of enhanced IRS capabilities, and encourage feedback directly to the IRS and through our stakeholder partners
4 Channel Optimization	Optimize service channel processes, technology, and capacity and transition taxpayers to the most efficient and effective service channels to enable the most efficient resolution of inquiries
5 Taxpayer Online Account	Expand ability for taxpayers and authorized third parties to securely obtain taxpayer information, make payments, resolve compliance issues, share documentation, and self-correct issues in an individualized, online account
6 Data-Centric Processing	Transition paper-based documents (taxpayer facing and internal) to a digital format, including digital options for submitting and modifying relevant forms and data and digitizing case files and employee documentation

Key initiatives further develop capabilities and functionalities critical to attaining the envisioned Future State (cont.)

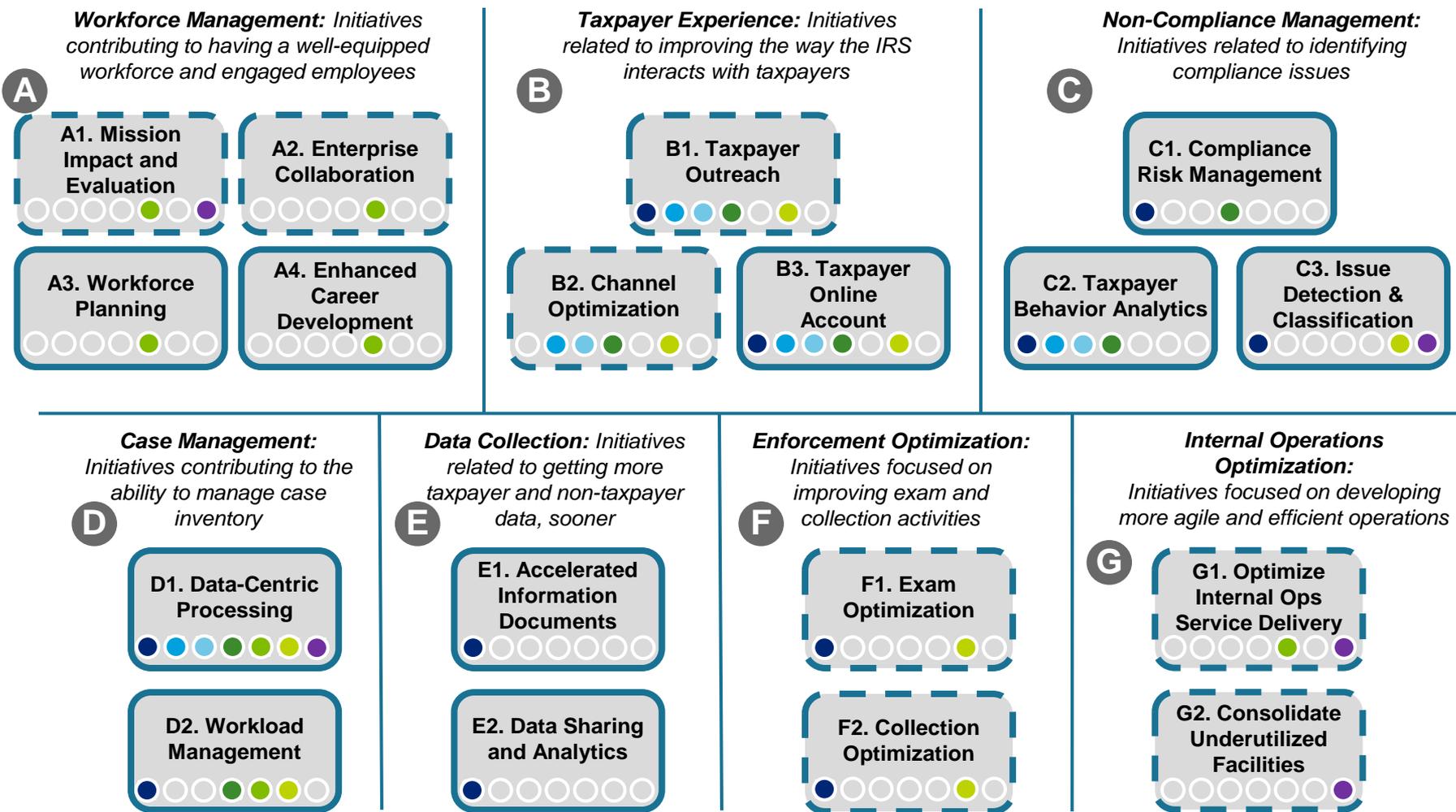
	Initiatives	Definition/Scope
7	Accelerated Information Documents	Accelerate the collection and processing of taxpayer data from employers, financial institutions, and other third parties to reduce lag time between filing and document matching
8	Data Sharing and Analytics	Facilitate and/ or enhance partnerships with government entities to promote timely and secure data sharing. Information would be used to enhance issue identification and identify outreach topics that promote voluntary compliance
9	Issue Detection & Classification	Enhance the ability to rapidly detect non-compliance (including non-filers) from a variety of sources and align to the most appropriate treatment stream
10	Workload Management	Organize work and integrate new workforce planning to address the greatest non-compliance and continue to realign work portfolio as compliance needs shift
11	Exam Optimization	Identify transformational ways to increase the efficiency of resources in exam and use Future State capabilities to focus on high potential cases without sacrificing quality
12	Collection Optimization	Optimize collection activities through process, technology, and workforce transformations to resolve collection cases earlier and with more efficient resources (e.g., “next best case”)

Key initiatives further develop capabilities and functionalities critical to attaining the envisioned Future State (cont.)

Initiatives	Definition/Scope
13 Mission Impact and Evaluation	Analyze performance measures on programs affecting employee engagement and develop related strategies to address opportunities identified to support the workforce
14 Enterprise Collaboration	Provide access to and promote tools, resources, and information (through knowledge management) to the workforce to support cross-organization collaboration and best use of resources
15 Workforce Planning	Identify current workforce capabilities and skill gaps through competency management and help employees achieve requisite skills through their performance management plans
16 Enhanced Career Development	Enhance employee development with ongoing, near-term performance feedback and provide transparency and predictability into the requirements and expectations for the spectrum of career tracks through workforce development and training
17 Optimize Internal Operations Service Delivery	Further optimize support organizations, including Administrative Pool, Business Systems Planning, Human Capital Office, Research, and Equity, Diversity, and Inclusion (EDI)
18 Consolidate Underutilized Facilities: Reduce the Foot Print	Consolidate nearby buildings with near-term lease expirations to increase usage rates and account for decreasing space requirements

Initiatives have been grouped to enable high-level collaboration and coordination for stakeholder review, discussion and updates

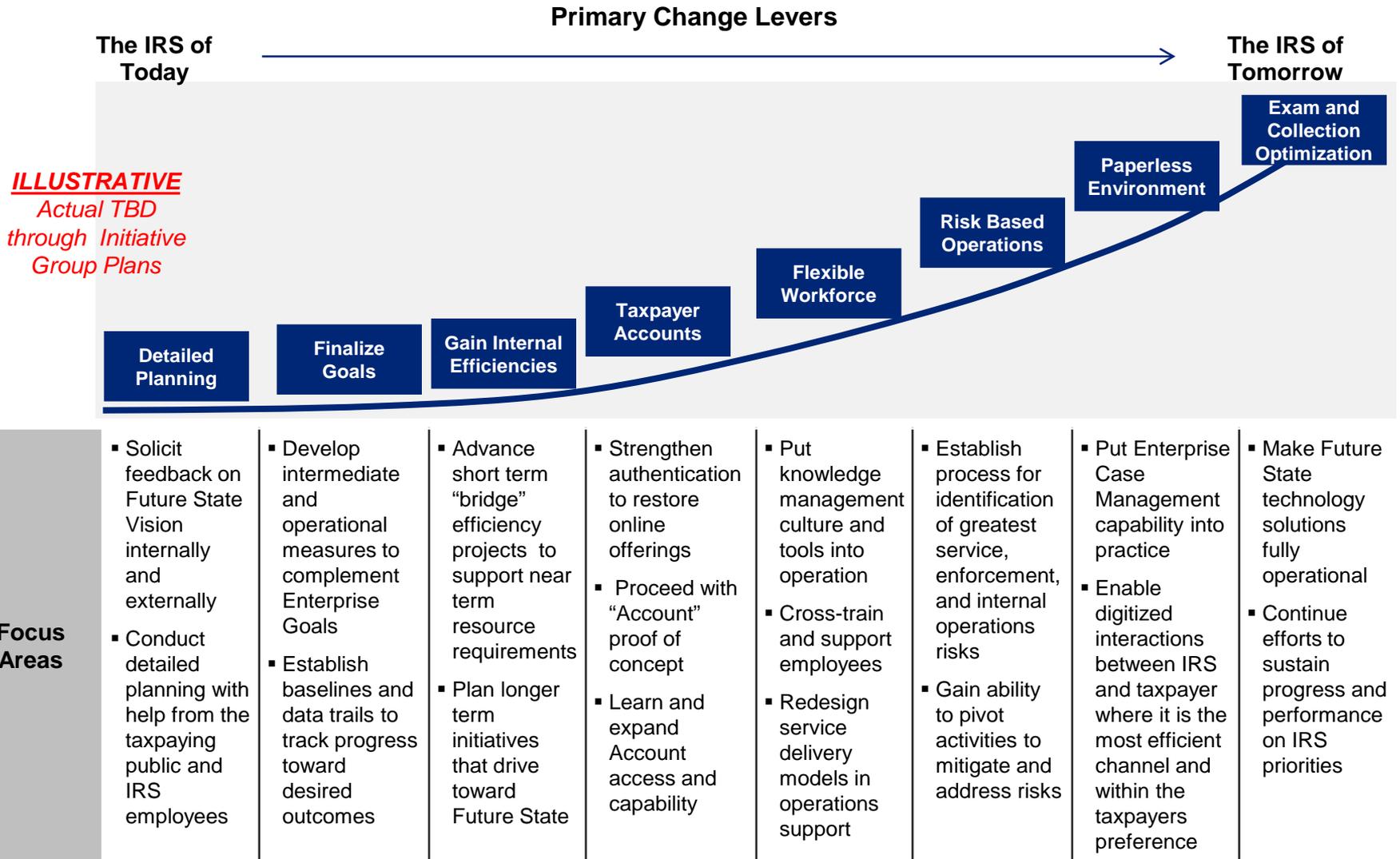
Complementary initiatives that require a high level of coordination during planning and execution have been grouped into Initiative Groups. The Champions /Teams will collaborate on what it will take to deliver the capabilities and functionalities.



● Goal 1 ● Goal 2 ● Goal 3 ● Goal 4 ● Goal 5 ● Goal 6 ● Goal 7

= Initiative will leverage a related Bridge project already initiated

To master these challenges, the IRS will take a measured approach to moving toward the Future State over the next five years that continues to factor in employee, taxpayer and stakeholder needs and feedback



The Consolidated Future State Roadmap leads to a transformed IRS that is more proactive and interactive both internally and externally in administering the tax laws

A consolidated **Roadmap** will reflect the detailed planning, investment prioritization and updated sequencing for the **Enterprise Initiatives** and a critical path to the envisioned **Future State**.

Consolidated Roadmap Features

- **Initiative Plans** will reflect resource constraints and accurately depict when enterprise capabilities and functionalities will be delivered based on investment prioritization
- **Updated Initiative Milestones** will be detailed/descriptive and drive the completion of work
- **Critical coordination points** will be illuminated as dependencies across initiatives link activities together
- **Updated Transformational Milestones** will highlight and communicate how the new taxpayer and employee experience will be realized, through one IRS model, as the IRS moves toward and attains the envisioned Future State
- **Stakeholder feedback** will remain a primary focus as the IRS continues to learn from and incorporate the perspectives of employees, taxpayers and the tax professional community

Overview of IRS Future State Journey



In the next phase, the focus will shift to consolidating the efforts and feedback, updating the Strategic Plan, and launching and tracking initiative implementation



Construct the Consolidated Roadmap

Aggregate the Initiative Group, and integrate them in a Consolidated Roadmap, including any needed re-prioritization and re-sequencing for detailed milestones and deliverables



Update the Strategic Plan

Integrate the consolidated Future State Roadmap into IRS' next four-year Strategic Plan, including the detailed Enterprise themes, goals, priorities, and related initiatives to enable effective data-based decision-making around investment decisions



Launch Implementation

Once the Future State Roadmap is formulated to meet internal and external stakeholder needs, the IRS will be positioned to launch priority initiatives and investments to attain the Future State themes and goals



Performance Monitoring and Reporting

As initiatives launch, IRS will carefully track performance towards the Enterprise goals, as well as more broadly assess progress toward the Future State. Input from employees, taxpayers, and other stakeholders will be critical to this assessment.