

U.S. DEPARTMENT OF THE TREASURY
THE BUDGET IN BRIEF
INTERNAL REVENUE SERVICE

FY 2015



Internal Revenue Service

Program Summary by Appropriations Account and Budget Activity

Dollars in Thousands

Budget Activity	FY 2013	FY 2014	FY 2015	FY 2014 TO FY 2015	
	Operating Level ¹	Enacted ²	Request	\$ Change	% Change
Taxpayer Services	\$2,135,553	\$2,156,554	\$2,317,633	\$161,079	7.47%
Pre-filing Taxpayer Assistance & Education	605,761	604,638	639,249	34,611	5.72%
Filing & Account Services	1,529,792	1,551,916	1,678,384	126,468	8.15%
Enforcement	\$4,949,178	\$5,022,178	\$5,371,826	\$349,648	6.96%
Investigation	589,751	613,417	662,606	49,189	8.02%
Exam & Collections	4,210,108	4,257,836	4,538,881	281,045	6.60%
Regulatory	149,319	150,925	170,339	19,414	12.86%
Operations Support	\$3,800,943	\$3,798,942	\$4,456,858	\$657,916	17.32%
Infrastructure	886,535	842,064	913,677	71,613	8.50%
Shared Services & Support	1,111,317	1,154,960	1,269,176	114,216	9.89%
Information Services	1,803,091	1,801,918	2,274,005	472,087	26.20%
Business Systems Modernization	\$312,938	\$312,938	\$330,210	\$17,272	5.52%
Subtotal, Internal Revenue Service	\$11,198,612	\$11,290,612	\$12,476,527	\$1,185,915	10.50%
Offsetting Collections - Reimbursables	94,278	100,197	101,419	1,222	1.22%
Offsetting Collections - Non Reimbursables	16,589	27,408	27,408		
User Fees	395,684	395,684	395,684		
Recovery From Prior Years	13,629				
Unobligated Balances from Prior Years	335,648	291,657	265,301	(26,356)	-9.04%
Transfers In/Out ³	(1,204)		(5,000)	(5,000)	
Total Program Operating Level	\$12,053,236	\$12,105,558	\$13,261,339	\$1,155,781	9.55%
Direct FTE	86,381	84,189	91,187	6,998	8.31%
Resources from Other Accounts ⁴	5	5	5		
Reimbursable FTE	786	822	822		
User Fees FTE	676	676	676		
Total FTE	87,848	85,692	92,690	6,998	8.17%

¹FY 2013 Enacted represents the operating level after applying across-the-board rescission and reductions required by sequestration and an interappropriation transfer of \$73M transferred from the Enforcement appropriation to the Taxpayer Services (\$13M) and Operations Support (\$60M) appropriations.

²FY 2014 Enacted includes \$92M in funding (\$34 million in Taxpayer Services and \$58 million in Operations Support).

³Resources from Transfers In/Out include FY 2013 transfers between IRS and the Office of National Drug Control Policy (ONDCP) High Intensity Drug Trafficking Area (HIDTA) Program (net transfer \$152K) and prior year user fees from the Operations Support and Business Systems Modernization (BSM) appropriations returned to the User Fees account (-\$1.356M), and a FY 2015 transfer out to the Alcohol and Tobacco Tax and Trade Bureau (TTB) (\$5M).

⁴Resources from Other Accounts include Direct FTE from the Federal Highway Administration (5 FTE projected for FY 2013, FY 2014, and FY 2015).

Summary

The Internal Revenue Service (IRS) administers the nation's tax laws and collects

the revenue that funds the Government. During FY 2013, the IRS processed more than 241 million tax returns and collected

\$2.9 trillion in taxes (gross receipts before tax refunds), 91 percent of Federal Government receipts. The IRS continues to focus on strengthening the public's confidence in its effective administration of the nation's tax system.

Through both taxpayer service and enforcement programs that protect the flow of revenue to the Government, the IRS remains committed to making the tax law easier to access and understand and to improving voluntary compliance and reducing the tax gap, the difference between taxes owed and taxes paid on time. Taxpayer service supports and protects the trillions of dollars in revenue that come into the Treasury each year voluntarily from taxpayers by helping them understand their obligations under the tax law. Enforcement pursues those who evade or misrepresent their tax responsibility.

Total resources to support IRS activities for FY 2015 are \$12,973,630,000. This includes \$12,476,527,000 from direct appropriations, of which \$480 million is provided via a program integrity cap adjustment intended to improve the integrity of the tax system, an estimated \$101,419,000 from reimbursable programs, and an estimated \$395,684,000 from user fees. The direct appropriation is \$1,185,915,000 more than the FY 2014 enacted level of \$11,290,612,000.

The *IRS Strategic Plan* guides program and budget decisions and supports the Department of the Treasury *FY 2014 to 2017 Strategic Plan*, and Agency Priority Goal, which focuses on expanding the availability and improving the quality of customer service options.

The *IRS Strategic Plan* goals are:

Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance

Effectively enforce the law to ensure compliance with tax responsibilities and combat fraud

The strategic objectives to deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance are:

- Design tailored service approaches with a focus on digital customer service to meet taxpayer needs, preferences, and compliance behaviors in order to facilitate voluntary compliance;
- Deliver clear and focused outreach, communications, and education programs to assist taxpayer understanding of tax responsibilities and awareness of emerging tax laws;
- Provide timely assistance through a seamless, multi-channel service environment to encourage taxpayers to meet their tax obligations and accurately resolve their issues;
- Strengthen refund fraud prevention and provide prompt assistance to support victims of identity theft;
- Reduce taxpayer burden and increase return accuracy at filing through timely and efficient tax administration processing;
- Improve service delivery and support effective tax administration by fostering strong relationships with our tax community and government partners; and
- Enhance the quality of tax services by strengthening the outreach, education, and tools provided to the tax professional community.

The strategic objectives to effectively enforce the law and to ensure compliance with tax responsibilities and combat fraud are:

- Enforce domestic and international compliance by strengthening expertise, adopting innovative approaches, and streamlining procedures;
- Deter and promptly resolve noncompliance by protecting revenue from refund fraud and ensuring appropriate revenue collection;
- Build and maintain public trust by anticipating and addressing the tax-exempt sector's need for a clear understanding of its tax law responsibilities;
- Identify trends, detect high-risk areas of noncompliance, and prioritize enforcement approaches by applying research and advanced analytics;
- Address noncompliance by improving data, information, and knowledge sharing with tax community and government partners; and
- Improve compliance and reduce the risk of fraud through strong partnerships with the tax professional community.

To achieve the service and enforcement goals, the IRS builds on a strategic foundation consisting of the following objectives:

- Be the best place to work in government by building a highly talented, diverse workforce and cultivating an inclusive and collaborative environment;
- Ensure a secure environment that protects the safety of our people and security of our facilities;

- Implement and maintain a robust enterprise risk management program that identifies emerging risks and mitigates them before they impact performance;
- Realize operational efficiencies and effectively manage costs by improving enterprise-wide resource allocation and streamlining processes;
- Invest in innovative, secure technology needed to protect taxpayer data and support taxpayer, partner, and business needs; and
- Implement enterprise-wide analytics and research capabilities to make timely, informed decisions.

Enforcement Program: The FY 2015 request provides funding to implement enacted legislation; protect revenue by identifying fraud and preventing issuance of questionable refunds, including tax-related identity theft; address offshore noncompliance; enforce return preparer compliance; expand criminal investigation capabilities; address compliance issues in the tax-exempt sector, including employee retirement plans, exempt organizations, and direct pay bonds; and provide appropriate and balanced coverage by improving examination audit and collection coverage rates.

Increased resources for the IRS compliance programs yield direct, measurable results through high return on investment (ROI) activities. This request includes a \$480 million program integrity cap adjustment that will reduce the deficit through above-base funding for high-ROI tax enforcement and compliance programs, of which \$5 million will be transferred to the Alcohol and Tobacco Tax and Trade Bureau (TTB). The \$475 million requested for the IRS FY 2015 enforcement initiatives funded through this program integrity cap adjustment will generate nearly

\$2.1 billion in additional annual enforcement revenue once the new hires reach full potential in FY 2017. At full performance, these resources requested for enforcement initiatives are expected to generate an ROI of nearly \$6-to-\$1, not including indirect deterrence effects estimated to be at least three times the direct revenue impact.

In addition to the new enforcement initiatives for FY 2015, the President's Budget also proposes new tax enforcement and compliance initiatives for the IRS and TTB funded via cap adjustments through 2019 and sustained with additional adjustments through 2024. In total, the proposal entails 10 years of cap adjustments costing \$17 billion while saving \$52 billion, for a net savings of \$35 billion.

Taxpayer Service Program: The FY 2015 President's Budget request will allow the IRS to further improve customer service to meet taxpayer demand and continue delivering services to taxpayers using a variety of in-person, telephone, and web-based methods to help taxpayers understand their tax obligations, correctly file their returns, and pay taxes due in a timely manner.

Providing quality taxpayer service is especially important to help taxpayers avoid making unintentional errors. Assisting taxpayers with their questions before they file their returns prevents inadvertent noncompliance and reduces burdensome post-filing notices and other correspondence from the IRS. Taxpayer demand for self-service and electronic service options at the IRS has dramatically increased in recent years. The IRS is committed to increasing the service options available through the IRS website and mobile application, allowing more taxpayers to reach the IRS through the internet.

In 2013, there were more than 450 million visits to www.irs.gov, and more than

200 million taxpayers checked their refund status by accessing the *Where's My Refund?* web application in English or in Spanish on the IRS website. Taxpayers also used the automated features found at 1-800-829-1040.

Business Systems Modernization: IRS modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and enhance productivity. Since 2012, the IRS has processed individual taxpayer returns on a daily processing cycle that has enhanced IRS tax administration and improved customer service by allowing faster refunds for more taxpayers, more timely account updates, and faster issuance of taxpayer notices. The FY 2015 Business Systems Modernization (BSM) request will allow the IRS to expand the capabilities of the CADE 2 relational database and address financial material weaknesses, and to complete the design, development, and testing of the Form 1040X, *Amended U.S. Individual Income Tax Return*, so IRS processing systems can accept the form electronically. Beginning in 2014 and continuing in 2015, the Return Review Program (RRP) and the development of Online Services projects will be part of the BSM program. Using leading-edge technologies that promote speed and enhanced data analytics, RRP will advance IRS effectiveness in detecting, addressing, and preventing tax refund fraud and protecting government revenue. The Office of Online Services (OLS) will lead the IRS's transition to the future digital customer service. OLS will build on existing service delivery capabilities to simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service products.

Opportunity, Growth, and Security Initiative: The FY 2015 Budget requests resources from the new Opportunity, Growth,

and Security Initiative to support additional IRS customer service improvements, including increasing toll-free telephone level of service by 11 percentage points to over 80 percent, driving responsiveness to taxpayers through

correspondence inventory reduction, and bolstering resources to help tackle more highly burdensome identity theft and refund fraud cases.

IRS FY 2015 Budget Highlights

Dollars in Thousands

Appropriation	Taxpayer Services		Enforcement		Operations Support		Business Systems Modernization		Total	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2013 Operating Level¹	\$2,135,553	29,700	\$4,949,178	44,325	\$3,800,943	11,885	\$312,938	471	\$11,198,612	86,381
FY 2014 Enacted²	\$2,156,554	28,996	\$5,022,178	42,805	\$3,798,942	11,860	\$312,938	528	\$11,290,612	84,189
FY 2015 Changes to Base:										
Non-Recur FY 2014 Additional Appropriation	(\$34,000)				(\$58,000)				(\$92,000)	
Maintaining Current Levels (MCLs):	\$46,483		\$105,719		\$69,382		\$1,593		\$223,177	
Pay-Raise	24,564		57,260		19,399		859		102,082	
FERS Contribution Increase	18,724		41,857		14,014		734		75,329	
Non-Pay	3,195		6,602		35,969				45,766	
Other Adjustment:			(\$29,221)	329	\$29,221	244				573
Base Adjustments			(29,221)	329	29,221	244				573
Efficiencies/Savings:	(\$18,786)	(70)	(\$18,233)		(\$58,181)				(\$95,200)	(70)
Increase e-File Savings	(2,761)	(55)			(39)				(2,800)	(55)
Adjustment for FERS Increase			(18,233)		(58,142)				(76,375)	
HCTC Program Termination	(16,025)	(15)							(16,025)	(15)
Reinvestment:					\$16,025				\$16,025	
Expand Telecom Infrastructure to Handle Increased Demand					16,025				16,025	
Subtotal FY 2015 Changes to the Base	(\$6,303)	(70)	\$58,265	329	(\$1,553)	244	\$1,593		\$52,002	503
FY 2015 Current Services (Base)	\$2,150,251	28,926	\$5,080,443	43,134	\$3,797,389	12,104	\$314,531	528	\$11,342,614	84,692
Program Changes:										
Program Increases Before Cap Adjustment:	\$167,382	2,555	\$53,545	540	\$417,780	970	\$15,679	41	\$654,386	4,106
Improve Taxpayer Service and Return Processing	153,482	2,355			57,776	36			211,258	2,391
Prevent Identity Theft and Refund Fraud	13,900	200	16,971	191	34,005	66			64,876	457
Continue Migration from Aging Tax Administration Systems- Enhance Online Services					829		15,679	41	16,508	41
Address Impact of Affordable Care Act (ACA) Statutory Requirements			36,574	349	19,525	50			56,099	399
Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements					305,645	818			305,645	818
Total Request Before Cap Adjustment	\$2,317,633	31,481	\$5,133,988	43,674	\$4,215,169	13,074	\$330,210	569	\$11,997,000	88,798
Cap Adjustment Program Increases:										
Enforcement Initiatives:			\$232,838	2,083	\$170,841	266			\$403,679	2,349
Address International and Offshore Compliance Issues			49,037	332	7,773				56,810	332
Expand Coverage of High Wealth Individuals and Enterprises			17,684	141	3,273				20,957	141
Expand Audit Coverage			53,581	541	44,198	45			97,779	586
Enhance Collection Coverage			41,692	540	25,070	37			66,762	577
Improve Coverage of Partnerships and Flow-Through Entities			28,690	240	7,849	4			36,539	244
Expand Compliance Coverage in the Tax-Exempt Sector			13,364	119	2,731				16,095	119
Pursue Fraud Referrals, Employment Tax, and Abusive Tax Schemes			9,275	52	8,537				17,812	52
Build Out Tax Return Preparer Compliance and Professional Responsibility Activities			14,765	106	2,772				17,537	106
Implement Information Technology (IT) Changes to Deliver the Foreign Account Tax Compliance Act (FATCA)					32,223	140			32,223	140
Leverage Digital Evidence for Criminal Investigation (CI)			698	5	3,674	1			4,372	6
Leverage Data to Improve Case Selection			4,052	7	32,741	39			36,793	46
Infrastructure Initiatives:					\$70,848	40			\$70,848	40
Implement Information Technology (IT) Services					10,000				10,000	
Implement Campus Consolidation and Revitalization Strategy					10,000				10,000	
Implement e-Government and Other Administration Priorities					31,011	19			31,011	19
Maintain Integrity of Revenue Financial Systems					12,136	8			12,136	8
Expand Virtual Service Delivery (VSD)					7,701	13			7,701	13
Alcohol and Tobacco Tax and Trade Bureau (TTB) Program Integrity Transfer:			\$5,000						\$5,000	
Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities			5,000						5,000	
Subtotal FY 2015 Cap Adjustment			\$237,838	2,083	\$241,689	306			\$479,527	2,389
Total FY 2015 Budget Request	\$2,317,633	31,481	\$5,371,826	45,757	\$4,456,858	13,380	\$330,210	569	\$12,476,527	91,187

¹FY 2013 Operating Level represents the operating level after applying the across-the-board recession and reductions required by sequestration and an interappropriation transfer of \$73M transferred from the Enforcement appropriation to the Taxpayer Services (\$13M) and Operations Support (\$60M) appropriations.

²FY 2014 Enacted includes \$92M in funding (\$34 million in Taxpayer Services and \$58 million in Operations Support).

FY 2015 Budget Adjustments

Non-Recurring Costs

***Non-Recur FY 2014 Additional
Appropriation -\$92,000,000 / 0 FTE***

The \$92 million additional appropriation increase in the Consolidated Appropriations Act, 2014, to improve the delivery of services to taxpayers, improve the identification and prevention of refund fraud and identity theft, and address international and offshore compliance issues, is non-recurred.

Maintaining Current Level (MCLs)

Pay Raise +\$102,082,000 / 0 FTE

Funds are requested for the proposed January 2015 pay raise and annualization of the 2014 pay raise.

FERS Contribution Increase

+\$75,329,000 / 0 FTE

Funds are requested for increases in agency contributions to the Federal Employee Retirement System based on updated actuarial estimates.

Non-Pay +\$45,766,000 / 0 FTE

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

Other Adjustments

Base Adjustments \$0 / +573 FTE

This base adjustment transfers \$29.2 million and 244 FTE from the Enforcement appropriation to the Operations Support appropriation to reclassify Government Liaison & Disclosure (GLD) to better align with its role as a security function. The GLD program is part of Privacy, Governmental Liaison, and Disclosure (PGLD). The PGLD function is to protect the sensitive information and privacy of taxpayers and employees and to ensure only authorized disclosures and data sharing, and therefore, more appropriately belongs in the Operations Support appropriation.

The exception only hiring freeze implemented by the IRS over the last several years has generated \$57.9 million in uncommitted enforcement resources. Starting in FY 2015, the IRS will use these base resources to provide the enforcement staff needed to implement changes required by enactment of the Foreign Account Tax Compliance Act (FATCA); take advantage of the reporting provisions for merchant payment card, third party reimbursements, and basis reporting on security sales; and partially fund the expansion of the Criminal Investigation Identity Theft Clearinghouse, which processes all identity theft leads from field special agents and other external sources.

Efficiency Savings

Increase e-File Savings

-\$2,800,000 / -55 FTE

These savings are a result of reduced paper returns. The IRS projects taxpayers will file 1,277,800 fewer paper returns (807,900 individual and 469,900 business returns) and instead choose to e-file. As a result, the IRS would need 55 fewer FTE in submission processing, generating a savings of \$2.8 million.

Adjustment for FERS Increase

-\$76,375,000 / 0 FTE

By continuing to closely manage personnel costs in FY 2014, the IRS will achieve the reductions needed in FY 2015 to absorb the cost of the FERS contribution increase.

HCTC Program Termination

-\$16,025,000 / -15 FTE

The Health Coverage Tax Credit (HCTC) program was enacted by the Trade Adjustment Assistance (TAA) Act of 2002 (Public Law 107-210), and became effective August 2003. This program assisted dislocated workers with their health insurance premiums and the IRS was provided resources to administer the advance payment feature. This

program was terminated January 1, 2014, as provided by the Trade Adjustment Assistance Extension Act of 2011 (TAA Reauthorization) (Public Law 112-40). Termination of this program will result in a savings of \$16.0 million and 15 FTE.

Reinvestments

Expand Telecom Infrastructure to Handle Increased Demand +\$16,025,000 / 0 FTE

This reinvestment expands the Customer Service Representative (CSR) toll-free call center telecommunication infrastructure to allow the IRS to answer the additional telephone calls related to implementation of the Affordable Care Act (ACA) (Public Law 111-148). The requested funding covers expanded telecommunications infrastructure and equipment, hardware costs for high-speed internet connections, and encryption technology.

Program Increases

Improve Taxpayer Service and Return Processing +\$211,258,000 / +2,391 FTE

This initiative will provide resources for the IRS to help meet the expected demand increases for taxpayer services in FY 2015. The additional resources requested in FY 2015 will allow the IRS to increase the Customer Service Representative (CSR) Level of Service (LOS) from the actual FY 2013 level of 60.5 percent to 71 percent. Resources are needed to address the projected growth in demand for traditional taxpayer services such as answering tax law questions and resolving accounts as well as providing taxpayer telephone assistance, correspondence services, and outreach to individuals, businesses, and third parties affected by implementation of the Affordable Care Act (ACA) (Public Law 111-148). Without the additional resources the IRS expects the CSR LOS would be 53 percent. It also provides advanced technology to improve telephone customer service and allows the IRS to begin

the initial phase of enhancing the Account Management System (AMS) to electronically receive amended returns (Form 1040X, *Amended U.S. Individual Tax Return*) from the Modernized e-File (MeF).

Address International and Offshore Compliance Issues +\$56,810,000 / +332 FTE

This initiative will increase coverage of entities with undisclosed offshore accounts to comply with required U.S. tax reporting. It will promote voluntary compliance with U.S. laws through strategic enforcement actions directed at identifying U.S. taxpayers involved in abusive offshore tax schemes through banks, other financial institutions, and third party structures; allow the IRS to expand information gathering and data analysis to identify promoters or facilitators of abusive offshore schemes; and expand offshore criminal investigations in pursuit of international tax and financial crimes as well as grow the IRS Attaché presence. This request will produce additional annual enforcement revenue of \$292.8 million, once the new hires reach full potential in FY 2017, an ROI of \$4.8 to \$1.

Expand Coverage of High Wealth Individuals and Enterprises

+\$20,957,000 / +141 FTE

This initiative will continue the IRS's efforts to focus on high wealth taxpayers by increasing risk identification, case building, and examination capabilities. High wealth individuals frequently operate complex enterprises consisting of multiple, interrelated businesses and flow-through entities that often have international components. The IRS takes a unified look at the entire web of business entities controlled by high wealth individuals to better assess the risks of noncompliance. This initiative will produce additional annual enforcement revenue of \$243.9 million, once the new hires reach full potential in FY 2017, an ROI of \$11.3 to \$1.

Prevent Identity Theft and Refund Fraud
+\$64,876,000 / +457 FTE

This initiative supports the IRS's continued efforts to handle the increased workload associated with identity theft and refund fraud. This request will help the IRS to answer telephone calls and adjust accounts for taxpayers who have been victims of identity theft; reduce the number of identity theft returns posted; protect additional revenue; address some of the identity theft case backlog; continue the expansion of the specialized Criminal Investigation Identity Theft Clearinghouse that processes identity theft leads; and invest in information technology that will protect taxpayer information, help verify potentially fraudulent identity theft tax returns, and reduce erroneous payments.

While this initiative is not included in the IRS's traditional ROI calculations, investment in these activities is projected to protect nearly \$1.5 billion in revenue, once the new hires reach full potential in FY 2017, a protected revenue ROI of more than \$22 to \$1.

Address Impact of ACA Statutory Requirements
+\$56,099,000 / +399 FTE

As the tax law changes, the IRS must implement programs to ensure that taxpayers understand the new laws, and that the IRS can address noncompliance. The new ACA tax provisions include new requirements for tax-exempt hospitals, a new fee on manufacturers and importers of branded prescription drugs, an excise tax on indoor tanning, and new compliance responsibilities from the non-exchange related tax law changes. This initiative also expands the compliance coverage of tax-exempt hospital organizations by refining the community benefit reviews and by leveraging this data to conduct examinations; expands coverage of new provisions related to the premium tax credit, individual responsibility requirement, and

large employer insurance; and addresses new audit requirements related to the shared employer responsibility payment.

This initiative will annually produce additional enforcement revenue of \$129.2 million, once the new hires reach full potential in FY 2017, an ROI of \$2.3 to \$1, and protect revenue of \$71.5 million, a protected ROI of \$14 to \$1.

Expand Audit Coverage
+\$97,779,000 / +586 FTE

This initiative will allow IRS to improve individual examination coverage and effectively address critical noncompliance issues over a broad range of compliance priorities. Apart from detecting noncompliance directly, examination coverage promotes voluntary compliance both by increasing the likelihood that intentional noncompliance will be detected and reassuring compliant taxpayers of the fairness of the tax administration system. This initiative also will expand correspondence examinations on individual taxpayers; increase the coverage of the document matching program to reduce the number of taxpayers who misreport their income; address increasing Appeals workload; and provide investments in technology to increase data capture and improve examination efficiency.

This initiative will annually produce additional enforcement revenue of \$674.3 million, once the new hires reach full potential in FY 2017, an ROI of \$7.1 to \$1, and protect revenue of \$106.6 million, a protected ROI of nearly \$21 to \$1.

Enhance Collection Coverage
+\$66,762,000 / +577 FTE

This initiative will ensure that the IRS has sufficient resources to work the collection inventory to bring taxpayers who fail to pay their tax debt into compliance. This initiative provides resources for Campus Collection to

take a more proactive role in reaching out to taxpayers earlier in the collection process and includes staffing to address the increased number and value of employment tax cases in Field Collection; growing collection case inventories and incoming call volumes in the Automated Collection System (ACS); balance due correspondence and phone work and installment agreement calls in the Compliance Services Collection Operation (CSCO) Program; and increased workload in the Offers in Compromise (OIC) Program, which helps taxpayers experiencing economic hardship resolve their tax liabilities.

This initiative will produce additional annual enforcement revenue of \$616.8 million, once new hires reach full potential in FY 2017, an ROI of \$8.5 to \$1.

Improve Coverage of Partnerships and Flow-Through Entities +\$36,539,000 / +244 FTE

Partnership businesses continue to be the fastest growing segment of all tax returns filed. This initiative will increase identification and audit of partnerships and flow-through entities; increase the number of auditors with specialized knowledge in partnership law; and strengthen enforcement activities relating to flow-through entities and improve compliance by enhancing Tax Equity and Fiscal Responsibility (TEFRA) procedures. This initiative will produce additional annual enforcement revenue of \$267.8 million, once the new hires reach full potential in FY 2017, an ROI of \$6.8 to \$1.

Expand Compliance Coverage in the Tax-Exempt Sector +\$16,095,000 / +119 FTE

This initiative will help the IRS to continue focused oversight of the tax-exempt sector and improve service to make voluntary compliance easier. It will enhance enforcement coverage of employee retirement plans, specifically those sponsored by small business, exempt organizations, and governments, which make

up almost half of all retirement plans in the United States and control more than \$1.1 trillion in assets; collect unrelated business income and employment taxes from exempt organizations, which GAO has estimated to be almost \$1 billion in unpaid Federal taxes; improve service in the determination process to address the compliance of new exempt organizations with applicable tax laws; detect potentially fraudulent claims for direct Federal credit payments from direct pay bonds, the payments of which are estimated to reach more than \$120 billion over the life of the bonds; and provide voluntary correction opportunities for tax issues related to employment taxes and retirement plan failures.

Pursue Fraud Referrals, Employment Tax, and Abusive Tax Schemes

+\$17,812,000 / +52 FTE

This initiative will enhance overall enforcement efforts in the core tax enforcement areas of corporate fraud, employment tax, and abusive tax schemes by increasing the number of convictions and assessments. In addition, this initiative includes resources that will allow the IRS to apply social network analysis (SNA) to the investigation of fraud and abusive schemes. By establishing and implementing a financial and criminal intelligence database, SNA software will proactively identify potentially noncompliant taxpayers in multiple program areas. These resources will improve the sharing of information among IRS operating divisions, expand the IRS's capability to identify significant tax cases, increase cost savings, and standardize the fraud referral process.

Build Out Tax Return Preparer Compliance and Professional Responsibility Activities
+\$17,537,000 / +106 FTE

This initiative will improve taxpayer compliance and the accuracy of returns filed by tax professionals and foster a stakeholder-driven culture that encourages voluntary compliance. The IRS will ensure tax preparers meet both uniform and high ethical standards of conduct by enforcing preparer compliance with IRS rules, increasing preparer examinations, and monitoring and pursuing preparers engaged in fraudulent activities, including noncompliant Earned Income Tax Credit (EITC) return preparers. This initiative also provides resources for the IRS's Office of Professional Responsibility (OPR) to meet the demand of the expanded population of tax preparers subject to Circular 230, *Regulations Governing Practice Before the Internal Revenue Service*.

Implement Information Technology (IT) Changes to Deliver the Foreign Account Tax Compliance Act (FATCA)
+\$32,223,000 / +140 FTE

This initiative will allow IRS to address foreign withholding compliance and expand coverage of international tax return filings by providing the resources to implement the information technology (IT) changes required by enactment of FATCA included in the Hiring Incentives to Restore Employment (HIRE) Act of 2010 (Public Law 111-147). FATCA improves offshore compliance by imposing new information reporting requirements on foreign financial institutions (FFIs) with respect to U.S. accounts and new withholding, documentation, and reporting requirements for payments made to certain foreign entities. These new reporting requirements will require new technology systems or modifications to existing systems.

Leverage Digital Evidence for Criminal Investigation (CI)
+\$4,372,000 / +6 FTE

This initiative will automate current CI processes by implementing a virtual digital evidence processing environment. This will allow the IRS to expedite and enhance the analysis of electronic data by special agents, computer investigative specialists, and other investigative staff assigned to an investigation.

Leverage Data to Improve Case Selection
+\$36,793,000 / +46 FTE

This initiative will provide the resources to leverage technology to improve data accessibility and usability for better case selection, issue identification, and treatment assignment. Taxpayer behavior, including noncompliant behavior, is constantly changing. The IRS must adapt quickly to changing taxpayer behavior to prevent fraud and tax code misuse. This initiative will significantly increase the digital availability of tax return information. The IRS will then leverage this data through an analytical computing and data testing environment to identify taxpayer behavioral changes and test compliance responses promptly; and to optimize compliance case identification and treatment assignment to increase effectiveness while reducing risks costs.

Improved use of analytics will increase revenue collection and, while this is not included in the IRS's traditional ROI calculations, this initiative is projected to increase revenue by \$75.4 million in FY 2017, achieving an ROI of \$2 to \$1.

Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements

+\$305,645,000 / +818 FTE

This initiative will allow the IRS to continue to implement the new tax law provisions contained in the Affordable Care Act (ACA). While the Department of Health and Human Services is responsible for the health care

policy and insurance provisions in the legislation, the IRS administers more than 45 specific tax provisions and numerous cross-agency sections related to tax administration. This investment supports the administration of one of the largest refundable tax credits the IRS has administered. The investment touches all submission, fraud, and compliance tax administration processes to receive, validate, and handle individual and business tax returns. The investment also will provide enhanced technology infrastructure and applications support and allow necessary, major modifications to existing IRS tax administration systems.

Implement Information Technology (IT) Services +\$10,000,000 / 0 FTE

This initiative will allow the IRS to continue to implement industry best practices to shape the future of IT development and ongoing operational support to provide a more robust foundation for expanding IT capabilities in the future. It will provide resources for the IRS to implement two industry best practices for managing change and monitoring its complex computer environment and to convert its operating system to a less complex standard that decreases the need for hardware. These investments will result in a more stable computing environment and reduce downtime to taxpayers.

Implement Campus Consolidation and Revitalization Strategy +\$10,000,000 / 0 FTE

This initiative provides resources to fund lease consolidation in Atlanta, Georgia, and complete a preliminary design of a new, modernized submission processing facility at the IRS campus in Covington, Kentucky. In addition, this initiative provides resources to fund the Graphic Data Interface (GDI) system to enhance the IRS facilities management decision support.

Implement eGovernment and Other Administration Priorities +\$31,011,000 / +19 FTE

This initiative will allow the IRS to maximize the effectiveness and efficiency of the procurement consolidation of the IRS Office of Procurement, Treasury Departmental Offices, and the Bureau of Engraving and Printing by investing in an external interface for the IRS Integrated Procurement System (IPS); protect IRS employees, facilities, operations, and information by replacing and standardizing the IRS aging inventory of Physical Access Control Systems (PACS) with the modern access control and surveillance system, Enterprise Physical Access Control System (ePACs); and mitigate the vulnerabilities identified in the FY 2010 Facility Risk Assessment by implementing the security recommendations.

Maintain Integrity of Revenue Financial Systems +\$12,136,000 / +8 FTE

This initiative will support and improve the IRS's revenue financial accounting systems to ensure timely and accurate reporting of tax data. The revenue financial and accounting systems include the general ledger, which was required to reconcile and report to the Department of the Treasury on \$2.9 trillion in revenue before refunds and \$364 billion in individual and business tax refunds in FY 2013; produce the annual audited financial statements; and perform other operational and financial reporting on unpaid tax assessments currently identified by GAO as a material weakness. Resources from this initiative also will allow the IRS to make the necessary system and programming changes to comply with OMB and Treasury mandates, and to stay current with internal changes made to IRS's tax processing systems for tax administration that also affect financial reporting.

**Expand Virtual Service Delivery (VSD)
+\$7,701,000 / +13 FTE**

The resources requested in this initiative will develop a unified communication platform through the internet to facilitate contact between IRS employees and taxpayers. VSD technology provides an alternative to face-to-face for taxpayers who are: undergoing an examination audit; interacting with Appeals to resolve their tax issues without litigation; needing assistance from Taxpayer Advocate to solve their tax problems; victims of identity theft; or living outside of the United States.

Continue Migration from Aging Tax Administration Systems-Enhance Online Services +\$16,508,000 / +41 FTE

This initiative will provide additional resources for the new Business Systems Modernization (BSM) project, Enhance Online Services (OLS), and will allow the IRS to advance its transition to the future in digital government. The OLS project will build on

existing service delivery capabilities and simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service and mobile products. The OLS project further enhances IRS's data-centric vision, with robust user data and cross-channel analytics, which are invaluable sources for insight and continuous improvement to the taxpayer experience.

Transfer to TTB for High-Return on Investment (ROI) Tax Enforcement Activities +\$5,000,000 / 0 FTE

The IRS will transfer \$5 million to TTB for those high-ROI tax enforcement activities that produce additional revenue through program activities designated to narrow the Federal excise tax gap on alcohol and tobacco commodities. More detailed information can be found in the TTB FY 2015 Budget in Brief.

Return on Investment for FY 2015 Enforcement Initiatives to Implement Enacted Legislation

Dollars in Millions	First Year (FY 2015)			Full Performance (FY 2017)		
	Cost	Revenue	ROI	Cost	Revenue	ROI
Revenue-Producing Enforcement Initiative Before the Cap Adjustment	\$51.7	\$50.2	1.0	\$55.9	\$129.2	2.3
Address Impact of Affordable Care Act (ACA) Statutory Requirements	51.7	50.2	1.0	55.9	129.2	2.3

Return on Investment for FY 2015 Cap Adjustment Enforcement Initiatives

Dollars in Millions	First Year (FY 2015)			Full Performance (FY 2017)		
	Cost	Revenue	ROI	Cost	Revenue	ROI
Cap Adjustment Enforcement Initiatives	\$362.4	\$635.3	1.8	\$377.0	\$2,095.6	5.6
Immediate and Directly Measurable Revenue-Producing Initiatives	\$274.4	\$635.3	2.3	\$289.5	\$2,095.6	7.2
Address International and Offshore Compliance Issues	56.8	87.5	1.5	60.9	292.8	4.8
Expand Coverage of High Wealth Individuals and Enterprises	21.0	78.5	3.7	21.6	243.9	11.3
Expand Audit Coverage	93.3	210.3	2.3	94.8	674.3	7.1
Enhance Collection Coverage	66.8	174.6	2.6	72.6	616.8	8.5
Improve Coverage of Controlled Partnerships and Flow-Through Entities	36.5	84.4	2.3	39.6	267.8	6.8
Strategic Revenue-Producing Initiative (which does not have immediately measurable ROI, but clear long-term revenue effects)	\$88.0	\$0.0	0.0	\$87.5	\$0.0	0.0
Expand Compliance Coverage in the Tax-Exempt Sector	16.0	0.0	0.0	16.8	0.0	0.0
Pursue Fraud Referrals, Employment Tax, and Abusive Tax Schemes	17.8	0.0	0.0	16.0	0.0	0.0
Build Out Tax Return Preparer Compliance and Professional Responsibility Activities	17.6	0.0	0.0	17.9	0.0	0.0
Implement Information Technology (IT) Changes to Deliver the Foreign Account Tax compliance Act (FATCA)	32.2	0.0	0.0	32.2	0.0	0.0
Leverage Digital Evidence for Criminal Investigation (CI)	4.4	0.0	0.0	4.6	0.0	0.0

Explanation of Budget Activities

Taxpayer Services

The FY 2015 President's Budget request is \$2,317,633,000 in direct appropriations, an estimated \$40,212,000 from reimbursable programs, and an estimated \$190,999,000 from user fees, for a total operating level of \$2,548,844,000. This appropriation funds the following budget activities.

Pre-filing Taxpayer Assistance & Education (\$639,249,000 from direct appropriations, and an estimated \$6,400,000 from user fees)

This budget activity funds services to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services. In addition, funding for these programs continues to emphasize taxpayer education, outreach, increased volunteer support time and locations, and enhancing pre-filing taxpayer support through electronic media.

Filing & Account Services (\$1,678,384,000 from direct appropriations, an estimated \$40,212,000 from reimbursable resources, and an estimated \$184,599,000 from user fees)

This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts.

Enforcement

The FY 2015 President's Budget request is \$5,371,826,000 in direct appropriations, an estimated \$32,446,000 from reimbursable programs, and an estimated \$20,409,000 from user fees, for a total operating level of \$5,424,681,000. To reduce future deficits, a portion of this appropriation, \$237,838,000, is requested as part of the \$479,527,000 total program integrity cap adjustment for the IRS, which includes an above-base investment in tax enforcement and compliance programs, including a \$5,000,000 transfer to TTB for

high return on investment enforcement activities. In conjunction with specified funds provided in the IRS Operations Support account, this increment will support tax compliance initiatives expected to generate high returns on investment in the form of increased tax revenues. This appropriation funds the following budget activities.

Investigations (\$662,606,000 from direct appropriations, an estimated \$30,903,000 from reimbursable resources, and an estimated \$4,709,000 from user fees)

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. These programs identify and document the movement of both legal and illegal sources of income to identify and document cases of suspected intent to defraud. This budget activity also provides resources for international investigations involving U.S. citizens residing abroad, non-resident aliens, and expatriates, and includes investigation and prosecution of tax and money laundering violations associated with narcotics organizations.

Exam & Collections (\$4,538,881,000 from direct appropriations, an estimated \$864,000 from reimbursable resources)

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. It also includes programs such as specialty tax examinations (employment tax, excise tax, and estate and gift tax exams), international collections, and international examinations. The budget activity also provides for campus support of the Questionable Refund program and appeals and litigation activities associated with exam and collection.

Regulatory (\$170,339,000 from direct appropriations, an estimated \$679,000 from reimbursable resources, and an estimated \$15,700,000 from user fees)

This budget activity funds the development and printing of published IRS guidance materials; interpretation of tax laws; internal advice to the IRS on general non-tax legal issues such as procurement, personnel, and labor relations; enforcement of regulatory rules, laws, and approved business practices; and support of taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The Return Preparer Program is funded within this activity in addition to the Office of Professional Responsibility, which is responsible for identifying, communicating, and enforcing the Treasury Circular 230 standards of competence, integrity, and conduct of professionals representing taxpayers before the IRS.

Operations Support

The FY 2015 President's Budget request is \$4,456,858,000 in direct appropriations, an estimated \$28,761,000 from reimbursable programs, and an estimated \$184,276,000 from user fees, for a total operating level of \$4,669,895,000. A portion of this appropriation, \$241,689,000, is requested as part of the \$479,527,000 program integrity cap adjustment for the IRS tax enforcement and compliance programs, which provides an above-base investment in these programs to reduce future deficits. In conjunction with specified funds provided to the IRS Enforcement account, this increment will support new tax compliance initiatives that are expected to generate high returns on investment in the form of increased tax revenues. This appropriation funds the following budget activities.

Infrastructure (\$913,677,000 from direct appropriations, an estimated \$760,000 from reimbursable resources, and an estimated \$5,414,000 from user fees)

This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment.

Shared Services & Support (\$1,269,176,000 from direct appropriations, an estimated \$18,504,000 from reimbursable resources, and an estimated \$33,826,000 from user fees)

This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, protection of sensitive information and the privacy of taxpayers and employees, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, security, corporate training, legal services, procurement, and specific employee benefits programs.

Information Services (\$2,274,005,000 from direct appropriations, an estimated \$9,497,000 from reimbursable resources, and an estimated \$145,036,000 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 the mainframes, servers, personal computers, networks, and a variety of management information systems.

Business Systems Modernization

The FY 2015 President's Budget request is \$330,210,000 in direct appropriations. This appropriation funds the following budget activity.

Business Systems Modernization (\$330,210,000 from direct appropriations)

This budget activity funds the planning and capital asset acquisition of information technology (IT) to continue the modernization of IT systems, including labor and related contractual costs. This activity also includes the Return Review Program (RRP) that will take fraud detection and prevention for the IRS into the next generation and the development of Online Services projects that will build on existing service delivery capabilities to simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing self-service products.

Legislative Proposals

The FY 2015 President's Budget request includes a number of legislative proposals intended to reduce the tax gap and improve tax

compliance with minimal taxpayer burden. The Treasury Office of Tax Analysis (OTA) estimates these new tax gap proposals will increase revenue by \$74.5 billion over the next ten years, which includes \$52 billion generated by program integrity cap adjustments. The IRS estimates the implementation costs for the FY 2015 President's Budget tax gap proposals to be \$132.2 million (excluding the program integrity cap adjustments ten-year cost) over three years, including the initial startup, processing, and compliance operational costs. Note that in a few cases estimates are not yet available due to timing. The Administration proposes to expand information reporting and sharing, improve compliance by businesses, strengthen tax administration, and expand penalties. The Budget also proposes to amend the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended, to provide 10-years (FYs 2015-2024) of discretionary caps to permit program integrity cap adjustments costing \$17 billion while saving \$52 billion, thereby generating \$35 billion in net savings over the 10-year budget window.

IRS Performance by Program

Program	Performance Measure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
		Actual	Actual	Actual	Target	Target
Taxpayer Services	Customer Contacts Resolved Per Staff Year	12,419	16,320	20,767	22,750	25,000
Taxpayer Services	Customer Service Representative (CSR) Level of Service (%)	70.1	67.6	60.5	61.0	71.0
Taxpayer Services	Percent Individual Returns Processed Electronically (%)	76.9	80.5	82.5	84.1	84.6
Enforcement	Automated Collection System (ACS) Accuracy (%)	94.9	94.7	94.4	94.0	94.0
Enforcement	Conviction Rate (%)	92.7	93.0	93.1	92.0	92.0
Enforcement	Examination Coverage - Individual (%)	1.1	1.0	1.0	0.8	0.8

Description of Performance

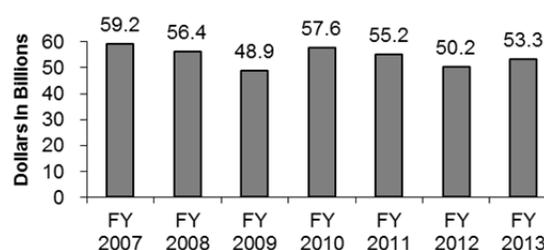
In FY 2013, the IRS was unable to maintain many of its taxpayer service and enforcement performance levels due to the impact of sequestration on program resources. Nevertheless, IRS continued to deliver in key areas, including international, return preparer compliance and refund fraud, including identity theft.

Enforcement

As a result of the impacts of sequestration and furloughs, the IRS delivered key enforcement programs below 2012 levels. Total individual audits fell 5 percent from 1.48 million to 1.40 million, while audits of high income individuals declined from 179,000 to 172,000. Business return audits dropped 13 percent from 70,000 to 61,000.

In FY 2013, collections related to all enforcement activities totaled \$53.3 billion, the fourth consecutive year the IRS exceeded \$50 billion for a total IRS-wide ROI of \$4.8 to \$1.

Total Enforcement Revenue Collected



Total Enforcement Revenue collected increased \$3.1 billion over FY 2012. Most of the increase came from \$2.6 billion rise in revenue from Appeals which, due to the timing of the Appeals process, generally relates to examinations for much earlier years. Revenue from the Collection function, the levels of which also frequently rise and fall in tandem with the overall health of the economy, increased by nearly \$1 billion in FY 2013. While the overall receipts from enforcement increased in 2013 compared to the prior year, the total is still down by more than \$4.3 billion from four years ago. The reason for this decline is primarily due to a decline in revenue from audits, which dropped nearly \$400 million in FY 2013 to \$9.83 billion, the lowest level in a decade. This decline in audit revenue is attributable to a decline in the number of returns audited.

The IRS strategic enforcement efforts and parallel Offshore Voluntary Disclosure Program (OVDP) gave U.S. taxpayers with undisclosed offshore assets or income an opportunity to become compliant with the U.S. tax system and avoid potential criminal charges. The OVDP program has resulted in the collection of more than \$6 billion in back taxes, interest, and penalties from more than 43,000 participants since the program was first established in 2009.

International compliance programs have provided the IRS with a wealth of information on various banks and advisors assisting people with offshore tax evasion. In FY 2013, the IRS continued to implement strategies to address international issues by improving intra-governmental coordination, expanding IRS presence in U.S. territories, and enhancing compliance measures using customer-tailored strategies. The following actions were completed in FY 2013:

- The IRS continued to lead the design and implementation of the Foreign Financial Institution registration and intergovernmental data exchange processes by working with foreign governments to develop a network of Intergovernmental Agreements; and
- The IRS required taxpayers with foreign financial accounts exceeding \$10,000 to file electronically through the Bank Secrecy Act E-File System.

In addition to recognizing the tax administration challenges presented by cross-border transactions, the IRS continued to focus on providing service to return preparers. Return preparers play a key role in increasing taxpayer compliance and strengthening the integrity of the U.S. tax system.

The IRS required anyone who prepared or assisted in preparing federal tax returns for

compensation to have a valid Preparer Tax Identification Number (PTIN). In FY 2013, the IRS held a successful PTIN renewal season offering enhanced PTIN system usability, troubleshooting tips, and other tools, resulting in over 76,000 fewer telephone inquiries answered during the peak season. As of September 30, 2013, there were 689,865 valid PTINs.

In FY 2013, the IRS continued to educate and inform paid return preparers on tax law compliance by:

- Conducting educational visits with return preparers to assist them in completing and filing tax returns;
- Visiting over 3,000 return preparers nationally, including 300 real-time EITC compliance visits; and
- Addressing egregious preparers through a variety of methods to ensure appropriate penalties and/or sanctions were pursued.

The IRS takes appropriate enforcement action against taxpayers who file fraudulently. The IRS criminal investigation program examines potential criminal violations of the Internal Revenue Code and related financial crimes such as money laundering, currency violations, tax-related identity theft fraud, and terrorist financing that adversely affect tax administration. In FY 2013, the IRS:

- Completed 5,557 investigations;
- Achieved a conviction rate of 93.1 percent;
- Maintained a Department of Justice acceptance rate of 95.5 percent, which compares favorably with other federal law enforcement agencies; and
- Obtained 3,311 convictions.

Identity theft continues to grow and touches nearly every part of the IRS. In FY 2013, the IRS continued to focus on a comprehensive and aggressive strategy to identify and combat tax-related identity theft. For FY 2013, the IRS:

- Deployed the Identity Protection Personal Identification Number (IP PIN) to over 770,000 taxpayers for the 2013 filing season.
- Conducted 191 Identity Theft outreach events with tax and accounting practitioners, the general public, and the media.
- Launched the Law Enforcement Assistance Program (LEAP) nationwide to facilitate sharing of information to support the investigation and prosecution of cases of identity theft. In FY 2013, 314 state/local law enforcement agencies from 35 states participated in the program.
- Trained 35,000 employees to work with taxpayers and help them tackle their identity theft incidents and worked with victims to resolve and close more than 565,000 identity theft cases, more than three times the number of cases resolved in the previous year.

Taxpayer Service

Providing taxpayers top-quality service and helping them understand and meet their tax obligations remained top priorities for the IRS in FY 2013.

During FY 2013, the IRS updated forms to help taxpayers comply with filing requirements, converting forms for visually impaired taxpayers and translated more tax products into multiple languages. In addition, the IRS continued its effort to redesign taxpayer correspondence in plain language and

in a consistent format to make it easier for taxpayers to understand their obligations. The IRS released 56 redesigned notices; bringing the total in production to 181.

The IRS delivered another successful filing season in 2013, rising to the challenges posed by tax legislation enacted on January 2, 2013. Despite the late legislation, the IRS took the necessary steps to minimize disruptions for taxpayers. The filing season began on January 30, 2013, less than one month after the passage of the legislation that affected more than 600 tax products.

The IRS achieved the following results in 2013:

- Processing more than 147.6 million individual returns and issuing 118.7 million refunds totaling almost \$314 billion compared to 121.6 million refunds totaling \$333 billion in 2012.
- Achieving a 60.5 percent telephone level of service.
- Answering 30.1 million assistor calls, a 2.2 percent increase from 2012.
- Answering 54.0 million automated calls.
- Responding correctly to 95.7 percent of tax law questions and 96.0 percent of account questions received via the telephone.
- Processing 49,202 Savings Bond requests, totaling \$21.8 million.

The IRS continued to provide alternative service options by increasing the amount of tax information and services available to taxpayers through *www.IRS.gov*. In FY 2013, taxpayers viewed *www.IRS.gov* web pages more than 1.87 billion times as they used the website and mobile application to:

- **Get forms and publications.** More than 217.5 million tax products were downloaded.
- **Link to the Electronic Federal Tax Payment System (EFTPS).** EFTPS processed nearly 145 million electronic tax payments totaling more than \$2.3 trillion.
- **Get answers.** Taxpayers made more than 2.4 million visits to the Interactive Tax Assistant introduction page where taxpayers can receive answers to tax law questions.
- **Check refund status.** Taxpayers used *Where's My Refund?* more than 200.5 million times to check on the status of their tax refunds, an increase of 51.6 percent from 2012.

In FY 2013, the IRS enhanced the “Where’s My Refund?” web tool to allow taxpayers to find out when their tax return was received, when the refund was approved, and when the refund was sent. The IRS also deployed a new telephone and web tool called “*Where’s My Amended Return?*” in both English and Spanish that allowed taxpayers to check the status of their Form 1040X amended tax returns for the current year and up to three prior years. The tool also provided taxpayers with information such as when their amended return was received, adjusted, and completed, as well as specific information regarding offset conditions such as a previous IRS tax liability or a past due obligation.

The IRS continues to improve and expand on its outreach and educational services through partnerships with State taxing authorities, volunteer groups, and other organizations. Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites provide free tax assistance for the elderly, disabled, and limited English proficient individuals and families.

In FY 2013, over 91,800 volunteers prepared 3.4 million federal returns, 95.3 percent of which were filed electronically, and over 2.5 million state returns. The IRS also teamed up with its national partners to offer a remote filing method – Facilitated Self-Assistance (FSA) at VITA sites. More than 82,000 FSA returns were filed at the 330 VITA sites offering the FSA remote filing model.

The Earned Income Tax Credit (EITC) is one of the federal government’s largest benefit programs for low-income working families and individuals. In FY 2013, the IRS held its seventh annual Awareness Day, promoting EITC awareness and free return preparation options. Through outreach activities, including news conferences, newsletters, e-mails, partnerships with community-based organizations, and an increased use of social media tools, the IRS achieved nationwide coverage in both English and Spanish markets, including over 15,000 hits on *IRS.gov*.

Business Systems Modernization

IRS modernization efforts continued to focus on building and deploying advanced information technology (IT) systems, processes, and tools to improve efficiency and productivity. FY 2013 modernization successes included:

- Customer Account Data Engine 2 (CADE 2) posted over 139 million returns and issued over 111 million refunds totaling \$281 billion during the filing season. Daily processing and

posting of individual taxpayer accounts enabled faster refunds.

- Modernized e-File (MeF) Release 8 deployed for the filing season and was the sole e-file platform used as the IRS processed 224.7 million individual Federal and State returns, and 16.8 million Business Master File returns.
- New Electronic Fraud Detection System (EFDS)/MeF interface was deployed, ensuring EFDS completed fraud detection before further processing. In FY 2013, EFDS processed over 138 million returns and

stopped over \$10 billion in fraudulent refunds.

- Information Return Document Matching System's full Case Management functionality became available for casework in January 2013. Case management matches new information returns (e.g., 1099-K) with both individual and business tax returns to identify potential income underreporting.
- New portal improves access to IRS.gov. The Integrated Enterprise Portal (IEP) has accommodated a 22 percent increase in visits and a 6 percent increase in page views compared to FY 2012.

Summary of Proposed FY 2015 ACA Budget Request

Dollars in Thousands

FY 2015 Affordable Care Act (ACA)	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2014 Enacted								
Reinvestment:								
Expand Telecom Infrastructure to Handle Increased Demand					16,025		16,025	
Subtotal FY 2015 Changes to Base					\$16,025		\$16,025	
FY 2015 ACA Program Increases:								
Improve Taxpayer Service and Return Processing	58,248	822			15,699	7	73,947	829
Address Impact of Affordable Care Act (ACA) Statutory Requirements			36,574	349	19,525	50	56,099	399
Implement Information Technology (IT) Changes to Deliver Tax Credits and Other Requirements					305,645	818	305,645	818
Subtotal FY 2015 ACA Program Increases	\$58,248	822	\$36,574	349	\$340,869	875	\$435,691	2,046
Total FY 2015 ACA Budget Request	\$58,248	822	\$36,574	349	\$356,894	875	\$451,716	2,046



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