



Internal Revenue Service

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# Strategic Plan

## FY2014-2017

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## Message from the Commissioner

**I** am honored to serve as IRS Commissioner. When I took the oath of office on December 23, 2013, I made a commitment to the American people to help write a new chapter on federal tax administration. Whether the IRS is helping taxpayers understand and meet tax responsibilities or enforcing the law, our employees are bound by the belief that a fair and efficient tax system is vital to our country.

For more than a century, the IRS has helped fund national priorities ranging from education to defense, but never before has tax administration required such a wide set of skills and technological capability. We must keep pace with evolving business models and an expanding global economy. We must stay ahead of schemes to defraud the government and American taxpayers. And we must meet the needs of an increasingly diverse population that expects secure, digital options to help them meet their tax obligations.

In my experience, a large organization like the IRS depends on strategic plans to prioritize goals and effectively manage its resources. I'm pleased to present the 2014-2017 IRS Strategic Plan and lay out the agency's primary goals and objectives for the next four years. The plan reflects the contributions of every part of the IRS, and it provides clear direction of where we will focus in the years ahead.

We will continue to make smart investments in our workforce and in the technology needed to process tax returns and help taxpayers resolve issues. We will maintain an open and inclusive environment with our stakeholders and partners in tax administration to share insights and best practices. We will provide high-quality and timely customer service that helps all taxpayers, and we will continue our relentless efforts to protect federal revenues by rooting out tax fraud and other financial crimes.

Protecting the fairness and integrity of the federal tax system is the solemn duty of the IRS and its dedicated employees. With this plan as our roadmap, the IRS is continuing on a new path, one that will lead us to fulfilling our dual mission of service and enforcement. On behalf of the men and women of IRS, I look forward to the journey ahead and continuing our service to the nation.



John A. Koskinen

Commissioner of Internal Revenue

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# MAJOR TRENDS

## AFFECTING THE IRS: 2014-2017



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ederal agencies are under increasing pressure to do more with fewer resources, and the Internal Revenue Service (IRS) is no exception. Since Fiscal Year (FY) 2010, the IRS received reductions to appropriated funding totaling almost \$1 billion. In FY 2011 and 2012, the IRS budget allocation decreased by 0.2% and 2.5%, respectively. While achieving operational efficiencies, the IRS collected \$2.5 trillion, which accounted for 92% of the total revenue that the U.S. Government received that year on a budget of \$11.8 billion in FY 2012. This substantial return on investment provides the funds that allow our government to operate. In FY 2013 alone, sequestration and a recession combined to further reduce the IRS budget by \$618 million. We recognize that budget pressures will likely require us to continue to improve our ability to efficiently meet our mission and are committed to realizing cost savings to make this possible. While remaining fiscally disciplined, we will continue to fund infrastructure and technology improvements, invest in our workforce and realize internal process efficiencies.

The IRS must meet the challenge of declining resources by working to achieve the optimal scale and scope for our programs and activities. We will identify priority activities where we will invest and excel, while making tough decisions in other areas to down-size or eliminate activities. As a result, we will ensure high performance in a more streamlined footprint of work.

The IRS assists taxpayers and enforces the law to ensure tax responsibilities are met. In fulfilling this role, the IRS collected revenue from more than 240 million tax returns in FY 2013. In meeting our responsibilities each year, we face major policy, legislative, economic, socio-demographic and technological challenges that impact the environment in which we operate. We will continue to embrace these challenges and the opportunities they provide to improve the taxpayer experience and effectively enforce the tax law.

Large and complex organizations such as the IRS always face risks – large and small, strategic and tactical – possessing the potential to diminish performance in both mission delivery and operational support. A review of the overall challenges faced by the IRS with respect to mission execution must recognize that constant changes to the Internal Revenue Code (Tax Code) make its administration more difficult for the IRS and the public.

## Effectively executing our mission in a challenging environment

IRS faces challenges with respect to our budget, human capital and overall complexity of our mission responsibilities. We intend to raise awareness of these elements of our environment in order to proactively mitigate them before they become operational issues impacting our ability to fulfill our core mission. Like all federal agencies, the IRS has seen challenges in this period of budgetary constraints and uncertainty. We have core program needs that must be addressed or service and enforcement will undoubtedly be impacted. Even as a hiring freeze has limited our ability to bring in additional staff and we work to absorb impact of furloughs, our workforce accomplished additional work as new legal and regulatory requirements continue to be assigned to us, often without additional resources. Furthermore, we have taken on new legislatively-mandated responsibilities, including the implementation of Merchant Card Reporting, the Foreign Account Tax Compliance Act (FATCA) and tax related provisions of the Patient Protection and Affordable Care Act (ACA), each of which requires an investment in resources that must be absorbed into our declining baseline budget unless additional funding is secured.

Responding to changes to the Tax Code and late enactment of legislation present ongoing challenges to the IRS in terms of the ability to execute our mission, including several recent examples that required last-minute changes to systems and forms to ensure a successful filing season. While we continue to respond to new requirements and rapid changes in an efficient and effective manner; many of our innovative or far-reaching programs face the risk of delay or cancellation without adequate funding.

## Evolving scope and increasing complexity of tax administration

In recent years, the IRS has been tested by the volume and complexity of changes to the Tax Code. We estimate that over 4,000 changes to the code occurred between FY 2000 and

“ IRS had to quickly and accurately implement **over 570 Tax Code changes** in FY 2010 alone. ”

“ Between FY 2008 and 2012, the number of **business partnership filings increased by more than 21%**. ”

2010. These legislative changes often must be implemented within limited timelines that strain resources and impose disruptions in workload planning. For example, the American Recovery and Reinvestment Act of 2009 (ARRA) was passed by Congress four weeks after the start of the 2009 filing season, requiring the IRS to quickly implement operational changes to processes and information technology (IT) systems in support of taxpayers. More recently, the ACA legislation, which created or expanded several credits and other tax provisions, requires significant IT development and systems modifications and will have a considerable impact on subsequent filing seasons. In the context of the increasing Tax Code complexity, we remain responsible for delivering an effective, timely tax filing season and ensuring compliance with the tax laws. By strategically allocating our resources, ensuring our IT systems are agile and providing our workforce with necessary training and support, we will continue to be highly responsive to changes in the Tax Code throughout the coming years.

### **Expanding global tax environment and changing business models**

Emerging technology opens new markets to businesses and facilitates access to new customers and geographies. This presents a dual challenge for the IRS, keeping up with increasing international business activity and changing business models. Moreover, the evolution and proliferation of virtual commerce has expanded the exchange of goods, services and currencies – real and virtual – across jurisdictions, further complicating tax administration. Businesses with U.S. tax obligations are increasingly adopting more complex incorporation structures, shifting away from C-corporations and moving towards flow-through entities, such as partnerships and S-corporations. As a result, we must tailor our services to ensure that we help these businesses understand and meet their tax filing obligations. Since the development of the last strategic plan, we have seen these challenges expand even as we have made progress towards addressing them. For example, recognizing that the IRS’ engagement is only going to continue to grow globally, we have taken proactive measures

to encourage international compliance. Specifically, we established the Offshore Voluntary Disclosure Program (OVDP) to encourage taxpayers to return to the tax system. Since inception, the OVDP resulted in more than 38,000 disclosures and the collection of more than \$5.5 billion in back taxes, interest and penalties. We are also implementing the FATCA, which requires taxpayers and foreign financial institutions to report specified foreign financial assets that exceed certain thresholds to the IRS. As international and domestic tax administration become increasingly complex, we must continue to provide exceptional service to all taxpayers, collaborate with international and domestic revenue agencies to enforce the law and remain vigilant to ensure taxpayers with income abroad and at home receive fair and equitable treatment while ensuring they pay the taxes they owe.

### Increasing occurrence of refund fraud and identity theft

Since 2010, the IRS has seen a significant increase in both refund fraud schemes and identity theft. In 2011 and 2012, the IRS saw substantial growth in the number of instances of identity theft. New cases received grew from nearly 250,000 to 816,000 between 2011 and 2012. In FY 2012, the IRS stopped more than 3 million tax returns, representing more than \$20 billion in fraudulent refunds. 1.5 million of these returns involved identity theft, which would have resulted in \$10.6 billion of fraudulent refunds had they not been identified and stopped by the IRS prior to their release. Assuring the accuracy of refunds and the security of taxpayer data remain our priorities going forward. We are committed to stopping this threat to tax administration, protecting our government's revenue and safeguarding the identity of all taxpayers. We must bolster our efforts to prevent refund fraud and identify theft before they happen.

“ In FY 2012, we increased the effectiveness of our identity protection filters and indicators resulting in a **45% increase in the prevention of fraudulent refunds** over the prior year. ”

“ During the 2012 filing season, **consumers increasingly used mobile devices** to access IRS.gov and accounted for nearly 25% total web traffic. ”

### **Meeting taxpayer’s expectations to digitally interact in a secure manner**

The growth of the Internet over the past decade has changed consumer expectations as they become increasingly more accustomed to using the web for anything from ordering phone service to conducting transactions with financial institutions using traditional online and mobile devices. More and more, customers show a preference for internet-based service before trying other service channels such as phones, paper or in-person. The primary focus for the IRS over the past two decades has been to migrate taxpayers to electronic filing, with limited emphasis on the introduction of web self-service options. In FY 2013, 83% of individual taxpayers chose to file electronically, a significant increase from 71.3% in FY 2010. In the same year, business returns were filed electronically at a rate of 36.7%, up from 27.5% in FY 2010. Outside of filing activities, taxpayers also use the Internet to download forms, view content and check refund status on IRS.gov. In FY 2012, IRS.gov reached 1.7 billion hits, and the “Where’s My Refund?” application was used 132 million times. While these trends demonstrate substantial progress towards full online tax administration, there are distinct unmet taxpayer needs that provide opportunities for the IRS to introduce more online self-service options. In 2011, an IRS study reported that taxpayers want to access online resources to complete transactional tasks and use digital services that provide self and assisted service from any location at any time. In addition to the opportunity to develop new online self-service tools, there is an equally compelling case to refine web content and search capabilities that will lead to an overall improved user experience on IRS.gov. We also expect the mobile experience to take a prominent role in service delivery to taxpayers in the coming years. The growth of mobile users is reflected in the large base of IRS customers: IRS’s award-winning mobile application IRS2Go was downloaded 1.6 million times in 2013, an increase of 644% over the 2012 filing season, while mobile traffic doubled between the 2012 and 2013 filing seasons.

The shift to additional digital service channels creates challenges in safeguarding data and ensuring cyber security. The prevalence of malicious websites poses one such challenge. Throughout FY 2012, IRS disabled more than 18,000 fraudulent domestic websites, including over 13,000 malware websites. Looking forward, we are committed to expanding our portfolio of digital service offerings to meet customer expectations while continuing to keep taxpayer data secure. Our investment in innovative technology is key to accelerating the move to a “web first” organization that provides the electronic services that taxpayers desire, the tools that employees deserve and the mission-critical security that the IRS needs.

### Growing use of the tax community in tax preparation

The tax community has had a significant impact on tax administration in recent years. In FY 2012, more than 75.6 million electronically-filed individual returns were submitted to the IRS through paid preparers, accounting for 64% of all individual income tax e-filers. This represents a 5.4% increase from the previous year. Similarly, in FY 2012, 43.5 million individual taxpayer returns were completed using software, an increase from 39.6 million in 2011. These trends are expected to continue in the coming years. Therefore, the accuracy of prepared returns is paramount to the IRS’ overall level of compliance and processing efficiency. Recognizing the tax community’s expanding role in tax administration, we have developed programs that highlight the need for greater collaboration with third parties. For example, we launched the Return Preparer Program (RPP) in FY 2010 as a collaborative initiative between the IRS and the tax professionals promoting joint planning and implementation of regulations that advances the interests of both parties for the ultimate benefit of the taxpayer. The program enables the IRS to indirectly assist and serve millions of additional taxpayers that would otherwise be difficult to reach. To this end, the IRS must continue to acknowledge the expanding importance of tax professionals and the broader tax community. We must serve them effectively and ensure they adhere to professional standards that advance efficient administration of the tax system.

“ Between FY 2008 and 2011, there was a **12% increase in the number of preparers used** by individual taxpayers. ”

“ In FY 2012, the **IRS improved five places in the Best Place to Work in Federal Government rankings** for large agencies, from 8th to 3rd. ”

### **Sustaining a skilled and talented workforce**

The IRS has one of the largest and most talented workforces in the public sector. In FY 2012, the IRS employed approximately 100,000 people, including over 20,000 temporary and seasonal staff hired for filing season. As tax administration becomes increasingly complex and the demand for varied taxpayer services increases, we are continually challenged with the task of maintaining a workforce with diverse, advanced skill sets. An additional challenge is that a considerable percentage of our workforce is currently eligible for retirement. By 2016, 41% of IRS front-line managers and 61% of IRS executives will be retirement eligible. These employees possess valuable experience, knowledge and skills that we will need to replenish. Properly executing succession planning and implementing knowledge management solutions, while attracting and retaining the next generation of IRS employees, is critical to our long-term success. To ensure taxpayers and the tax community continue to view our workforce as highly competent, we must identify and close skill gaps, develop employees' skill sets, provide career advancement opportunities and grow our future leaders to be prepared for tomorrow.

We also recognize that these have been difficult times for the IRS workforce. Since FY 2010, the IRS has seen an 8% decline in staffing. With the future budget uncertainties, this decline and the potential for furloughs creates risk for a workforce that already absorbed additional work related to new legal and regulatory requirements without additional resources, and during a period in which a hiring freeze limited the ability to bring in additional staff or fill vacancies. The entire leadership team must actively engage with employees during these difficult times, providing them the support they need to effectively fulfill their duties.

## Demographic trends and projections

Demographic projections signal the U.S. population is becoming increasingly more diverse, with implications for both the talent-pool from which the IRS draws as well as the needs and expectations of taxpayers. By the year 2020, it is estimated that Hispanics will comprise 19 percent and Asian-Americans 7 percent of the U.S. population. By 2043 no one racial/ethnic group is expected to comprise a majority of the U.S. population. These demographic shifts will not happen overnight. We need to prepare for these changes well in advance if we are to continue providing the highest level of service for all taxpayers.

Communicating and interacting with people who speak different languages and have different needs requires a workforce that reflects the population we serve and one that is trained and skilled at understanding the needs of different communities. While English is expected to continue to be the only language spoken by a substantial majority of people in the United States, it is projected that by 2020 roughly one out of every seven people will speak Spanish. Although Spanish is projected to remain the most commonly spoken non-English language, the numbers of people speaking other languages such as Mandarin, Vietnamese and other Asian languages as well as Arabic and Portuguese are expected to increase. Translating documents and making them accessible online will not be adequate means to serve these groups. We will need diverse employees who can interact with these customers through emerging contact channels.

These major trends represent both challenges and opportunities for the IRS over the next four years and the IRS Strategic Plan 2014-2017 takes them into account to effectively plan and execute our strategic priorities.



# TAXPAYERS

## & STAKEHOLDERS



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he IRS works in conjunction with many stakeholders within the tax administration environment to provide top-quality service to taxpayers and ensure compliant behavior. Our role is to determine, assess and collect tax revenue for the Federal Government, while assisting taxpayers in complying with their obligations. Every interaction between the IRS and a taxpayer must be considered from the taxpayer point of view, regardless of whether or not we ultimately agree with the taxpayer's position. This requires us to understand the needs of an expansive and diverse taxpayer population and engage with our partners to better understand and effectively serve taxpayers. To fulfill this role, we interact with individuals and organizations across three constituencies: taxpayers, the broader tax community and government entities.

**Taxpayers** are at the center of everything we do. Taxpayers are all individuals, trusts, estates, partnerships, corporations, exempt structures and government entities that have a responsibility to file with the IRS. They are required to file in compliance with the law, and we provide timely and accurate information to help them meet their tax obligations and receive the tax credits for which they are eligible. In addition, taxpayers who are also employers play an essential role in the smooth administration of the tax system by withholding tax from their employees' salaries and ensuring that benefit plans comply

“ Every interaction between the IRS and a taxpayer must be considered from the **taxpayer point of view**, regardless of whether or not we ultimately agree with the taxpayer's position. ”

“ **The Taxpayer Advocate Service (TAS) offers free help to guide taxpayers.** ”

with the Tax Code. The provision of high-quality service to support taxpayers is crucial to ensure confidence, enabling taxpayers to efficiently manage their tax responsibilities. We must provide taxpayers with world-class service, reduce taxpayer burden and ensure we understand issues from the taxpayer perspective to assist them in fulfilling their civic responsibility to pay taxes.

In situations where taxpayers want to resolve contentious matters before the IRS or need help because they have hardship circumstances that merit immediate attention, they may contact the Taxpayer Advocate Service (TAS), an independent organization within the IRS who have the responsibility of ensuring that every taxpayer is treated fairly and that taxpayers know and understand their rights. The TAS offers free help to guide taxpayers through the often confusing process of resolving tax problems that they have not been able to resolve on their own. Taxpayer Advocates play an important role and are essential for the protection of taxpayer rights and the promoting taxpayer confidence in the integrity and accountability of the IRS.

The broader **tax community** encompasses all groups and individuals that provide services, products and tax information to taxpayers and the IRS. The tax community includes tax professionals, tax software providers, information reporters, advisory and advocacy groups, member associations and other nonprofit organizations, as described below.

- **Tax professionals** consistently interact with and provide outreach to a broad range of taxpayers to help them meet their tax obligations. We must ensure that tax professionals are well educated and informed on the Tax Code and qualified to perform their important role in tax administration.



- **Tax software providers** rely on us to share updated information in a timely manner, so that their product and service offerings are accurate in helping taxpayers meet reporting and filing requirements.
- **Information reporters** provide information to the IRS, enabling us to verify taxpayer-reported data and encourage greater compliance. We work with information reporters to clearly communicate our information needs and facilitate secure data exchange.
- **Advisory and advocacy groups** inform us of the public's most pressing tax concerns and we incorporate their input into our services. Internationally, we are a member of the Organization for Economic Co-operation and Development (OECD) where we learn from other tax administrators from member countries and promote consistent tax practices.
- **Member associations** set ethical standards for the industry and we interact frequently with them to understand and incorporate their input to improve administration of the tax system.
- **Nonprofit organizations** fulfill roles such as representing taxpayers, referring them to qualified representatives to resolve tax issues or distributing information regarding taxpayer rights and responsibilities. We advise and, in cases such as Low Income Tax Clinics (LITCs), partially fund these organizations to aid them in facilitating tax compliance.
- **Community coalitions and partner organizations** provide free quality tax return preparation to underserved taxpayers. These volunteer organizations educate taxpayers on voluntary tax compliance.

We commit to working with the tax community to enhance tax administration and fairly enforce tax law. We will continue to engage and collaborate with members of the broader tax community by listening to and integrating their feedback, informing and educating them and using the information and services they provide to better serve taxpayers.

**Government entities** at the federal, state and local level, both domestically and abroad, are our key partners in administering taxes. We collaborate with state revenue agencies and other government entities to exchange data and information, conduct joint enforcement operations and assist in the implementation of legislation. For example, we are

working with international governments and revenue agencies on FATCA to exchange data and share information to enforce compliant tax activities for all U.S. taxpayers holding financial assets outside the United States. We partner with the Department of Justice to head off identity theft aimed at stealing Americans' tax refunds. We collaborate with the Department of Health and Human Services and the states' health insurance exchanges to implement the tax provisions associated with the ACA. Additionally, we work with the Department of the Treasury and Congress to promote the development of actionable tax policy and law that enable the IRS to more effectively administer the Tax Code. We will continue to strengthen our collaboration efforts with government entities to support taxpayer needs, enhance enforcement across jurisdictions and effectively administer the tax system.

As we move forward, the IRS will reinforce crucial interactions with taxpayers, the tax community and government entities that help us achieve our mission and advance tax administration.

“ Taxpayer Advocates play an important role and **are essential for the protection of taxpayer rights.** ”



# MISSION, VISION & VALUES

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he IRS mission statement defines our identity and sets our agenda for the next four years.

Achieving the IRS mission is critical for our nation, providing the revenue that funds our Government. Our mission reflects two principles that underlie our work. First, the tax system works best when citizens have access to services that facilitate their voluntary compliance with tax law. Second, the IRS has an obligation to enforce the tax law and pursue those who seek gains through noncompliance, including fraud. It is essential that each of our employees dedicates his or her daily efforts towards achieving these dual parts of our mission. While particular situations we confront may vary by person and over time, it is essential that our entire organization stays focused on the central role that we play in the efficient administration of the Federal Government.

Our mission statement is complemented by a vision for the IRS, describing the longer-term outcomes that we seek to achieve by fulfilling our mission.

In the daily execution of our mission, we will enable taxpayers to easily meet their obligations, collect accurate revenue and be seen as trustworthy and highly competent. We recognize that maintaining a strong tax administration system requires organizational excellence driven by exceptional employees, leading technology and the support of our partner organizations.

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## 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.*



## VISION

*We will uphold the integrity of our nation's tax system and preserve the public trust through our talented workforce, innovative technology and collaborative partnerships.*

Our core values guide our actions in achieving our vision. The values are a link between our strategic goals, and the tangible changes we make, and the actions we take to achieve our goals. We expect all IRS executives, managers, and employees to apply these values in interactions with both taxpayers and other employees as they perform their job.

**Honesty and Integrity** – We uphold the public trust in all that we do; we are honest and forthright in all of our internal and external dealings.

**Respect** – We treat each colleague, employee and taxpayer with dignity and respect.

**Continuous Improvement** – We seek to perform the best that we can today, while embracing change, so that we can perform even better in the future.

**Inclusion** – We embrace diversity of background, experience and perspective.

**Openness and Collaboration** – We share information and collaborate, recognizing that we are a team.

**Personal Accountability** – We take responsibility for our actions and decisions and learn and grow from our achievements and mistakes.

## VALUES

*Honesty and Integrity*

*Respect*

*Continuous Improvement*

*Inclusion*

*Openness and Collaboration*

*Personal Accountability*

# STRATEGIC

## GOALS

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he IRS 2014-2017 strategic goals provide a central direction for the attainment of our mission and vision. Our strategic foundation for organizational excellence supplements the strategic goals and describes the internal initiatives required to support our taxpayer-facing actions. Our two primary strategic goals align to the service and enforcement areas.

To achieve our goals, we must invest in our strategic foundation for organizational excellence. Our employees are our most valuable asset in effective tax administration. Without a high-quality and dedicated workforce, we cannot tackle the risks posed by an increasingly complex external environment. To ensure that we are able to meet the challenges of tax

administration, we must provide our employees with world-class technology systems, processes and tools. We must also encourage and embrace innovative thinking and foster a culture of continuous improvement. Finally, we must implement a strong enterprise risk management system that serves as an early warning system that allows us to identify emerging challenges and address them before they impact our operations.

Our first goal is to deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance. We will work harder to incorporate taxpayer perspectives, expedite resolution of taxpayer issues, provide timely guidance to help taxpayers navigate the tax system and deploy digital options that compliment traditional service channels.

Our second and equally important goal is to effectively enforce the tax law to ensure compliance with tax responsibilities and combat fraud. We will be timely in our enforcement actions while seeking innovative solutions to make compliance easier.

In the following pages, we define each goal in greater detail and provide plans for how we will achieve them. Specifically, each goal is outcome-based and supported by several objectives, which are in turn supported by executable strategies.



### **Strategic Foundation for Organizational Excellence:**

*Invest in our workforce and the foundational capabilities necessary to achieve our mission and deliver high performance for taxpayers and stakeholders.*

### **Strategic Goals:**

*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.*



## Strategic Foundation for Organizational Excellence:

*Invest in our workforce and the foundational capabilities necessary to achieve our mission and deliver high performance for taxpayers and stakeholders.*

We will realize our mission by building the best organization in the Federal Government, characterized by a skilled workforce, efficient processes, advanced analytics capabilities and innovative, secure technology. The IRS is propelled by dedicated, talented employees with a strong history of successful execution. By focusing on attracting new talent and enhancing the training and tools provided to all employees, we can help our workforce best serve taxpayer needs. Furthermore, we will continue to develop future leaders that will guide the next generation of IRS employees. We will also find better ways to effectively manage our core business and ensure the availability of resources required for long-term investments. Two key investment areas will include the core technology needed to improve tax processing and support new ways of interacting with taxpayers and analytic capabilities required for more agile operations. As we pursue these priorities and strengthen the core of the IRS, we will be better positioned to execute our mission and extend our standing as a leading revenue organization. While making these improvements, we will apply thoughtful planning and strong defenses to protect our employees, systems and data from threats.



### Objective 1

**BE THE BEST PLACE TO WORK IN GOVERNMENT BY BUILDING A HIGHLY TALENTED, DIVERSE WORKFORCE AND CULTIVATING AN INCLUSIVE AND COLLABORATIVE ENVIRONMENT.**

The IRS' employees are our greatest asset. Our highly-skilled workforce and strong culture enable us to overcome challenges and meet the growing demands of taxpayers. Over the past two years, we initiated a streamlined hiring process to increase hiring efficiency and centralized recruitment efforts to ensure that IRS' hiring needs are met. We also developed an IRS leadership coaching program, redesigned the Career Management Resource Center, expanded the use of leadership readiness programs and implemented 39 workforce initiatives to improve existing IRS programs.

It is imperative for the IRS to continue building a high performing workforce. To that end, we will continue to recruit and hire top talent, further streamlining the hiring process to

best meet our workforce needs. Training will be provided to ensure our employees have the requisite skills to do their jobs efficiently and effectively. We will engage them to improve performance, promote an inclusive and collaborative culture and proactively resolve workplace conflict. We will also provide career development and job rotation opportunities to continue the development of future leaders for the IRS. Finally, we will improve succession planning and better harness the vast knowledge of our employees across the IRS.

**Strategies:**

- Assess workforce needs and simplify the hiring and on boarding process to attract highly-skilled and diverse talent.
- Foster a collaborative and inclusive environment that values engagement and generates innovation through diverse ideas and experiences.
- Establish knowledge management practices that capture enterprise-wide expertise, disseminate best practices and promote knowledge sharing across divisions.
- Promote career progression and rotation opportunities that share knowledge, retain talent, accelerate advancement of top performers and build future leaders.
- Empower employees with the tools and training to further develop skill proficiency and improve business performance.



**Objective 2**

**ENSURE A SECURE ENVIRONMENT THAT PROTECTS THE SAFETY OF OUR PEOPLE AND SECURITY OF OUR FACILITIES.**

The security of our people and facilities is critical to our mission, and we take great care to protect them from all threats. Our commitment to safety and security is demonstrated by several current initiatives. We have instituted operation plans for emergency response, improved the efficiency of IRS security controls, established enterprise-wide common security services, implemented a Security Auditing and Analysis System and provided secure electronic communications with external entities.

We will continue to provide the necessary safety and security measures, including education and training of all employees and third parties, to protect our people and facilities. Furthermore, we will proactively identify new threats and address future risks to ensure the security of the IRS.

**Strategies:**

- Sustain secure facilities and a safe work environment for our employees.
- Foster a culture in which everyone takes personal responsibility for the safety and security of IRS people, facilities and data.
- Maintain continuity of operations plans and take proper precautions for the protection of IRS systems and facilities.



### Objective 3

#### **IMPLEMENT AND MAINTAIN A ROBUST ENTERPRISE RISK MANAGEMENT PROGRAM THAT IDENTIFIES EMERGING RISKS AND MITIGATES THEM BEFORE THEY IMPACT PERFORMANCE.**

Enterprise risk management programs identify and assess risks and provide senior management information to make sound decisions, with risk being one of the core elements of the decision making framework. By implementing a robust enterprise risk management system to quickly and accurately identify emerging risks through timely sharing of information among IRS leadership and key stakeholders, such as Congress and the IRS Oversight Board, we will be able to mitigate the risks before they turn into operational issues.

A key element of enterprise risk management is a performance management system that provides insight into deviations from expected and planned performance. An effective performance management system establishes the right metrics and puts the resulting measures into the hands of the right people at the right time. The IRS maintains a robust set of measures that track performance at many levels of the organization. In some instances, our existing performance measures have not produced early warning signs that would alert IRS to emerging challenges. To strengthen our performance management system, we will perform a comprehensive review of the performance measures and adjust our performance measurement system so that it better identifies emerging systemic risks before they materialize.

Transparency and timeliness of results from these risk oriented measures will provide a platform to engage in mutual recognition and discussion of evolving risks for all layers of IRS management and our oversight community. Therefore, our improvement plans must include greater input and involvement of our oversight organizations and other key external stakeholders. As we develop early warning systems, enhance communication and establish additional policies and reviews, we will inform our authorizing committees about our plans, results and identification of emerging issues.

#### **Strategies:**

- Create governance structures, policies, procedures and training to serve as the framework for the enhanced risk management program.
- Strengthen IRS-wide performance management to quickly and accurately identify challenges and address them before performance is impacted.
- Enhance the flow of communication between all layers of management to ensure emerging risks are properly elevated through the management chain.
- Establish routine reporting procedures to external stakeholders on operational risks.



## Objective 4

### **REALIZE OPERATIONAL EFFICIENCIES AND EFFECTIVELY MANAGE COSTS BY IMPROVING ENTERPRISE-WIDE RESOURCE ALLOCATION AND STREAMLINING PROCESSES.**

To meet the demands of taxpayers we must use our resources in the most effective manner and operate as efficiently as possible. We have successfully executed our mission in the face of an increasingly complex Tax Code, implemented new legislation in a timely manner and forged new partnerships to better enforce the law, while maintaining quality customer service. Through these efforts we have learned many lessons and improved processes, accordingly. We will apply these lessons across the IRS to meet ongoing challenges, better serve taxpayers and effectively enforce the law.

It is critical that we continue to diligently manage costs and operate within budget constraints, while meeting taxpayer demands and making investments required to build future capabilities. Central to these efforts are sound financial management, resource allocation and process optimization. By leveraging automation and technology, we will capture process efficiencies and reduce operational costs. We will also collaborate across the IRS to synchronize consistent service and enforcement approaches and ensure efficient and appropriate resource allocation.

#### **Strategies:**

- Allocate human capital and financial resources to accomplish the IRS' top priorities and address emerging needs.
- Collaborate across the enterprise to implement consistent business approaches and coordinate joint responses to key priorities.
- Simplify policies, procedures and processes and assess downstream impact to improve operational productivity and realize efficiencies.



## Objective 5

### **INVEST IN INNOVATIVE, SECURE TECHNOLOGY NEEDED TO PROTECT TAXPAYER DATA AND SUPPORT TAXPAYER, PARTNER AND IRS BUSINESS NEEDS.**

At the core of our operations is an IT infrastructure that has served us well for many years. We take pride in our ability to administer the Tax Code each filing season, and the strength of our IT systems and applications are a strong asset in doing so. We have implemented various initiatives in recent years to modernize our IT systems, enable daily return processing, improve the breadth of digital taxpayer services and enhance the security of our systems to successfully combat cyber threats. These efforts have been crucial to our success, and we must continue to innovate our technology systems over the next four years.

As taxpayers' needs change, security threats increase and technologies evolve, we will invest in the appropriate technology and IT workforce skills to support and improve our operations. We will continue to reduce disparate IT systems and apply a common architecture to be more responsive to IRS business needs. We will bolster the security of our IT systems and enhance authentication capabilities to broaden digital services to taxpayers and stakeholders. Furthermore, we will apply technology to reduce our dependence on manual processing and equip our workforce with tools that improve their performance and provide greater workplace flexibility. By improving collaboration and governance between business and IT, we will ensure our technology capabilities meet the needs of taxpayers, partners and the IRS workforce.

**Strategies:**

- Ensure a common, robust technology and data architecture exists to improve core tax administration, support cost-effective operations and protect IRS data, systems and networks from security breaches.
- Develop the authentication capabilities and technology required to expand secure, digital services to taxpayers.
- Enable electronic workflow that reduces or eliminates manual processing.
- Further develop a flexible and agile technology environment that enables IT to better meet business needs.
- Provide our workforce with reliable, advanced technology that enhances performance and enables flexibility.



**Objective 6**

**IMPLEMENT ENTERPRISE-WIDE ANALYTICS AND RESEARCH CAPABILITIES TO MAKE TIMELY, INFORMED DECISIONS.**

In administering the Tax Code, we are the stewards of large amounts of data from a wide variety of sources. This data presents an opportunity for us to provide better service, increase voluntary compliance and reduce noncompliance. We are currently expanding our use of data and analytics across the organization to capture these opportunities. Through the use of sophisticated analytics, we can uncover insights that will allow us to better serve underserved populations, improve our demand planning capabilities, identify potential fraud schemes and more quickly detect noncompliance. As the IRS increases the amount and usage of taxpayer data, it is imperative that we keep data secure and properly managed to ensure its integrity.

The IRS will effectively apply analytics and research to make better decisions and improve compliance and service performance. Expanding and sharpening these capabilities and

skills throughout the IRS and sharing expertise among all organizations are central to continued success. Along with these efforts, we will equip our workforce with the tools and data to foster a culture of data-driven decision making across our organization.

**Strategies:**

- Develop sophisticated analytics and research capabilities that identify insight, visualize trends and predict business issues and demands.
- Apply analytics and research to improve program effectiveness and foster a timely, data-driven decision making environment.



**Goal I:** *Deliver high quality and timely service to reduce taxpayer burden and encourage voluntary compliance.*

Taxpayers expect to interact with the IRS in a manner that is fair and straightforward. To meet this expectation, we aspire to provide the best service in the Federal Government. The IRS is an organization that understands taxpayers and what they need to voluntarily comply and that delivers tailored assistance, education and services accordingly. We will increase our service timeliness and accessibility, particularly focusing on providing innovative ways for taxpayers to interact with us digitally. We will improve tax processing by offering more opportunities to electronically file and by increasing the accuracy of returns at filing. Prevention and mitigation of tax fraud will continue to be a priority. In each of these areas, we will work closely with the external partners who are essential to our success in meeting taxpayers' needs as well as meeting the expectations of fair treatment of all taxpayers.



**Objective 1**

**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.**

Most taxpayers voluntarily pay the correct tax on time every year because they believe that doing so is important, and our actions must make it easier for these taxpayers seeking to voluntarily comply. For example, taxpayers believe it is important that we offer a wide variety of in-person, telephone and digital interaction channels. However, taxpayer expectations and behaviors indicate a preference towards online self-service. We must tailor our services to better meet the needs of certain taxpayer segments, providing customized products and services that make voluntary compliance easier for specific customer groups.

We recognize that taxpayers have diverse tax-related needs and varying obstacles to compliance, and we have consequently expanded tailored services over the last four years. For example, our “IRS en Español” Spanish-language website helps taxpayers with limited English proficiency understand and meet their tax responsibilities. As taxpayers desire improved self-service tools, we have enhanced our online self-service offerings, improving such tools as “Where’s My Refund?” and the Interactive Tax Assistant. By making greater use of new technologies we will become more agile and service-friendly to the taxpayer. This will be achieved with self-service and electronic-service taxpayer options available through our website and on mobile devices.

The IRS will apply a consistent understanding of taxpayers and their diverse needs to develop standardized approaches and best practices to better understand taxpayer segments and identify their needs. We will expand our use of available information, including data gleaned from return processing and enforcement activities, to better understand taxpayer behaviors. Similarly, we will use multiple channels to seek taxpayer feedback, including surveys, focus groups, contact center feedback and social media. Based on this information, each division of the IRS will explicitly incorporate the taxpayer’s viewpoint into tailored service and process design, resulting in more relevant services that ease voluntary compliance. We will also verify the relevance of any new or refined initiatives, using phased deployments and testing methods before rolling them out to all taxpayers.

#### **Strategies:**

- Identify unique taxpayer segments and understand their needs and preferences.
- Incorporate taxpayers’ needs, expectations, and feedback and leverage return filing data and enforcement results to design more tailored programs and services with focus on digital service options.
- Test and launch concepts with taxpayers and use a phased approach to implement new, or refine existing, programs and services.



## **Objective 2**

### **DELIVER CLEAR AND FOCUSED OUTREACH, COMMUNICATIONS AND EDUCATION PROGRAMS TO ASSIST TAXPAYER UNDERSTANDING OF TAX RESPONSIBILITIES AND AWARENESS OF EMERGING TAX LAWS.**

In addition to identifying and adapting to taxpayer needs, we must clearly communicate with taxpayers to reduce their compliance burden and our downstream workload. If taxpayers receive unclear messages, they are more likely to either make a mistake or contact us for clarification, resulting in an increased workload for all parties. We have delivered focused communications that help ease voluntary compliance. For example, taxpayers who may be eligible for refundable credits, such as the Earned Income Tax Credit, can access content that helps them understand their filing requirements online, in person and through

partners in the tax community. Moreover, we have improved the clarity of our tax products and communications, including tax forms, publications, notices, letters and other online and in-print communications. In FY 2012, 22 notices were redesigned to provide clearer guidance to taxpayers.

We will improve the clarity of information provided to taxpayers so that they understand their tax responsibilities and the tax credits for which they are eligible. We will continue to systematically review our tax products and communications to identify simplification and consolidation opportunities, and we will incorporate “plain-language” explanations of the tax law more widely. Recognizing that the design of tax products and communications can prompt taxpayer inquiries, we will better manage demand for explanation by directing taxpayers to the most cost-effective channel to address their inquiries. If we identify barriers to voluntary compliance or patterns of previous noncompliance, we will design proactive outreach efforts and provide resources to help taxpayers remain compliant. We will improve awareness of the Taxpayer Advocate Service’s organization that serves as an independent voice inside the IRS to help taxpayers having trouble resolving issues through normal IRS channels. We will also improve the variety and targeted use of different media for our outreach and education campaigns, embracing new technologies and approaches. For example, we could leverage social media and the reach of the broader tax community to drive awareness of and compliance with tax responsibilities among key taxpayer segments, including the underserved, multilingual, international and tax-exempt communities. Finally, our tax regulations must provide greater clarity and certainty for the taxpayer and tax community.

**Strategies:**

- Simplify tax products and communications using easy-to-understand language and terminology.
- Incorporate forecasts of downstream service demand into the design of tax products and communications.
- Identify top compliance risks and develop proactive communications and education campaigns that help taxpayers understand and comply with tax responsibilities and reduce errors.
- Initiate additional internal and external education and outreach about the role of the Taxpayer Advocate Service, an independent voice inside the IRS that assists taxpayers as well as employees in resolving problems with the IRS.
- Use the most suitable channels to deliver tailored outreach and education campaigns that address the diverse needs of taxpayers and increase their understanding of tax responsibilities.
- Deliver timely, clear and actionable regulations and guidance to make it easier for the taxpayer and tax community to comply.



### Objective 3

#### **PROVIDE TIMELY ASSISTANCE THROUGH A SEAMLESS, MULTICHANNEL SERVICE ENVIRONMENT TO ENCOURAGE TAXPAYERS TO MEET THEIR TAX OBLIGATIONS AND ACCURATELY RESOLVE THEIR ISSUES.**

Over the past decade, we have witnessed an explosion of ways in which people interact with the government, businesses, the tax community and each other. Businesses increasingly market products and services to customers using coordinated efforts across various in-person and digital interactions. Several major cities now use social media to help identify and dispatch services to address citizen issues, and all levels of government are increasingly providing tools to transact digitally and deliver services more conveniently and efficiently. Like these entities, we must meet our taxpayers' interaction preferences. We have expanded our use of new media, such as YouTube, Twitter and Facebook, to connect with taxpayers while maintaining our presence in traditional channels. We are expanding our suite of online services to quickly and reliably address frequent taxpayer requests in a secure manner.

The IRS must become more accessible to today's taxpayers, providing a consistent multi-channel experience that includes significantly expanded digital service delivery. To better allocate our resources, we will examine taxpayer demand for services and will direct taxpayers to the most appropriate digital or assisted service channel. We will expand our interaction channels as necessary, investing in technology that enables simpler and more consistent taxpayer interactions, including secure email, virtual service delivery, e-fax and enhanced online and automated telephone services. We will also invest to improve our assisted services. To ensure accurate and timely service, we are committed to equipping our staff with the best tools and training to improve the taxpayer services they provide and prepare them to meet the full spectrum of taxpayer needs today and into the future.

#### **Strategies:**

- Accurately forecast demand and plan for services that will address taxpayer needs in the most timely and efficient manner.
- Expand the availability of digital information and accessibility of digital channels to improve taxpayer interactions.
- Provide accurate, efficient and timely assisted services and deploy innovative technology solutions to reduce taxpayer wait time.
- Use a holistic view of taxpayer interactions to provide a coordinated, consistent experience across all channels.



## Objective 4

### **STRENGTHEN REFUND FRAUD PREVENTION AND PROVIDE PROMPT ASSISTANCE TO SUPPORT VICTIMS OF IDENTITY THEFT.**

In addition to improving the relevancy and accessibility of services we provide, we must address the threat of tax-related refund fraud. Since the previous strategic plan was published, tax fraud has emerged as an increasingly prevalent threat. It affects not only the nation as a whole by decreasing the revenue available to the Government, but also individual taxpayers who become victims of identity theft and may experience delayed processing of their legitimate tax returns as a result. We recognize the importance of this issue and have dedicated significant resources to address it. Specifically, we are providing specialized outreach and education campaigns to help taxpayers avoid fraud and are augmenting staffing to provide assistance to taxpayers who have become victims of identity theft. However, the criminals who perpetrate tax fraud are increasingly sophisticated, and we must continue to proactively attack the problem of fraud to stay ahead of them.

The IRS will ensure that our nation's tax revenue is protected and that taxpayers' data and identities are secure. First and foremost, we will build stronger identity verification processes that enable secure, timely processing of tax returns and improve other service interactions. We will also strengthen our ability to identify and respond to fraud by bolstering our analytics capabilities, making full use of existing data sources and exploring potential new data sources and techniques that will allow us to better identify anomalies and flag suspect accounts. We will ensure that our internal policies and procedures can be rapidly updated based on emerging criminal schemes. Likewise, we will use our knowledge of tax fraud risks to educate taxpayers and tax professionals on how to avoid becoming a victim or an unknown accomplice of tax fraud as well as the consequences of criminal fraud. For those taxpayers who become victims of tax fraud and identity theft, we must help them promptly resolve their tax accounts, enabling them to meet their filing requirements with minimal disruption.

#### **Strategies:**

- Balance the speed of refund delivery with the assurance of taxpayer identity to enable secure, timely tax return processing.
- Use third-party data, risk modeling and an historical view of taxpayer interactions to prevent fraud before processing tax returns.
- Enable timely adjustments to policies and procedures to respond with agility to emerging fraud.
- Educate taxpayers and tax professionals on fraud risk factors, fraud schemes and prevention methods.
- Ensure that victims of identity theft and other fraud receive timely notice and assistance with the resolution of their tax accounts.



## Objective 5

### **REDUCE TAXPAYER BURDEN AND INCREASE RETURN ACCURACY AT FILING THROUGH TIMELY AND EFFICIENT TAX ADMINISTRATION PROCESSING.**

The technology and procedures that the IRS uses to process returns have evolved over the course of many decades. While some taxpayers still prefer to submit their returns by mail, most now prefer the convenience of electronic filing. To this end, we have invested in the systems required to process electronically-filed returns, expanding the types of returns we can accept through this more efficient digital channel. Further, we have increased the efficiency of our filing and payment processes. Other efforts underway, such as the reporting of payment card transactions, are designed to encourage voluntary compliance and increase the accuracy of returns at filing. However, opportunities for improvement to our core processes still exist to increasingly automate our operations.

Looking forward, we will improve the efficiency and transparency of tax administration by pursuing several major initiatives. We will expand electronic filing and payment options for all taxpayers. Working with the tax community, we will assess the best approaches to implement a system of tax processing that verifies the validity of returns earlier in the processing cycle, matching tax and information returns with greater timeliness. We will devote our resources to developing such capabilities and training our workforce to succeed in this new operating environment. We will also provide taxpayers with access to online account information so they may view their tax history, understand what information the IRS has received regarding their tax liabilities and improve the accuracy of their returns at filing. Such transparency will allow IRS employees to focus on more complex issues, while still meeting taxpayer needs. As we pursue each of these initiatives, we will look for opportunities to streamline tax return processing and automate our core business processes to ensure the accuracy and efficiency of our work.

#### **Strategies:**

- Expand the availability of electronic filing and provide easily accessible payment tools for all taxpayers.
- Accelerate the receipt of information returns to improve document matching and validate return accuracy earlier.
- Provide taxpayers with online access to their account data to obtain information and facilitate self-identification and resolution of errors.



## Objective 6

### **IMPROVE SERVICE DELIVERY AND SUPPORT EFFECTIVE TAX ADMINISTRATION BY FOSTERING STRONG RELATIONSHIPS WITH OUR TAX COMMUNITY AND GOVERNMENT PARTNERS.**

The IRS works closely with the tax community to help meet the needs of taxpayers and is dependent on the cooperation of other U.S. governmental entities and foreign nations to ensure the correct application of the tax law. In recent years, it has become significantly more important that we work closely with external partners to achieve our mission. For example, the growing frequency of cross-border business transactions requires close collaboration with foreign governments to ensure fair tax administration, while legislative requirements, such as FATCA, require significant new interactions with foreign governments and financial institutions. We have also made significant progress in concert with other U.S. governmental entities towards prosecuting criminal noncompliance and implementing legislation, such as ACA.

We will seek ways to extend our operational effectiveness by collaborating with our tax community and government partners to solve tax problems and deliver tax-related services. Clear definition of roles and responsibilities is essential, enabling us to communicate to taxpayers where to receive support in any given situation. Additionally, we will provide the information, communications and services the members of the tax community need to fulfill their roles for taxpayers. We must improve our efficiency in implementing new legislation and initiatives by instituting a standard approach to executing large-scale efforts, ensuring that we quickly mobilize resources to respond to future challenges and collaborate with the tax community to identify the best possible solution. We will also develop tools to securely share data and information with our partners. Throughout all of our efforts, it is important that we clearly communicate the tax community's role to our employees and encourage collaboration to effectively address taxpayers' needs together.

#### **Strategies:**

- Collaborate with our partners to define evolving roles and improve the taxpayer's ability to navigate the tax system.
- Increase our understanding of the tax community's needs and incorporate their perspective into our service delivery programs.
- Provide timely information, communications and services to the tax community to support effective tax administration.
- Engage with the tax community on emerging issues and jointly plan for and implement legislation and initiatives.
- Design, implement and support electronic tools that make it easier to securely exchange accurate data and information with our partners.



## Objective 7

### **ENHANCE THE QUALITY OF TAX SERVICES BY STRENGTHENING THE OUTREACH, EDUCATION AND TOOLS PROVIDED TO THE TAX PROFESSIONAL COMMUNITY.**

In recent years, we have significantly expanded our outreach to the tax professional community, which includes enrolled agents, certified public accountants, attorneys and other registered return preparers. For example, the Return Preparer Office has registered hundreds of thousands of paid tax return preparers since 2010 and is now beginning to oversee this group's compliance with professional standards, helping to ensure the accuracy of tax returns. Furthermore, the Office of Professional Responsibility provides outreach to inform tax professionals of their responsibilities and has the authority to levy sanctions on tax professionals found to be violating their responsibilities. While the vast majority of tax professionals are highly competent and seek only to help their clients comply with tax law, it is important for taxpayers to know that tax professionals meet professional requirements. Just as importantly, we want to ensure a strong working relationship with tax preparers by providing timely and meaningful continuing education opportunities and tools to help preparers provide quality tax services.

We will improve the consistency and regulatory compliance of tax professionals through a series of initiatives over the next four years. We will increase our outreach to tax professionals to ensure that they understand their responsibilities and meet their registration, continuing education, testing and suitability requirements, where applicable. For example, both the IRS and the tax professional community stand to benefit from greater information sharing, and so we will develop innovative knowledge management and collaboration tools that improve our ability to communicate.

#### **Strategies:**

- Provide focused outreach, training and tools for the tax professional community that effectively communicates and increases the awareness of their responsibilities supporting tax administration.
- Ensure tax professional competency using continuing education, available testing and suitability requirements that assure the accuracy and consistency of their tax filings.



## **Goal II:** *Effectively enforce the law to ensure compliance with tax responsibilities and combat fraud.*

The IRS places mission-critical importance on enforcement of the tax law, especially as tax administration becomes increasingly complex. This importance is demonstrated both by the portion of our budget dedicated to enforcement activities – 40% in FY 2012 – and by our diligent efforts to ensure we are maximizing the productivity of those expenditures. For example, from FY 2001 to FY 2011 we increased our annual use of correspondence exams by almost 600,000, allowing the examination of more returns in a resource-constrained environment. The IRS envisions an enforcement approach that effectively analyzes risks, addresses the right issues and applies coordinated and efficient treatments to improve the resolution of noncompliance with fairness and integrity. While most taxpayers voluntarily comply with their tax obligations, some do not meet their obligations, and we will pursue noncompliance to protect the revenue and ensure accurate revenue collection. We will ensure that our resources have access to the expertise and enforcement methods needed to combat high-risk areas of noncompliance, including refund fraud. To better address noncompliance, we will build networks for sharing expertise and data across the organization and with our government and tax community partners. We will become increasingly data-driven, ensuring that we analyze and act on available data to optimize case workload selection. Fundamentally, we will apply enforcement actions in the most timely, effective way possible and apply lessons learned from enforcement results to improve the rest of our business.



### **Objective 1**

#### **ENFORCE DOMESTIC AND INTERNATIONAL COMPLIANCE BY STRENGTHENING EXPERTISE, ADOPTING INNOVATIVE APPROACHES AND STREAMLINING PROCEDURES.**

The IRS will continue to strengthen its expertise, adopt innovative approaches and streamline procedures while effectively measuring and managing risks. To effectively enforce the law, we must become more productive in executing both our international and domestic enforcement workload. We will ensure that our resources are used effectively to improve taxpayer compliance. We will develop a robust knowledge base that documents our expertise, collects tools and techniques for compliance activities and shares best practices across the IRS. For example, we will capture expertise in high-risk areas of noncompliance by analyzing the effectiveness of enforcement activities and sharing lessons learned to inform future outreach, education, service and enforcement approaches. Building on the successes we have seen with initiatives such as the Automated Under Reporter (AUR) and Compliance Assurance Process (CAP) programs, we will continue to develop and apply

innovative approaches that enhance the productivity of our enforcement efforts by evolving from return-based to issue-based enforcement. Further, we will strengthen joint enforcement activities with domestic and international agencies for audits and criminal investigations, where appropriate. By accounting for taxpayer demographics and diverse cultural norms and behaviors, we will tailor our enforcement approaches and be diligent in planning for the downstream impact on the service and appeals workload. Similarly, we will review our policies, eliminate complex procedures and automate business process workflow to improve our operations.

#### **Strategies:**

- Capture expertise in high-risk areas of noncompliance, increase employee awareness of global and domestic tax issues and share knowledge through the dissemination of best practices and tools.
- Identify and deploy innovative enforcement approaches that enable greater compliance coverage and enhance the productivity of enforcement efforts.
- Strengthen joint enforcement activities with domestic and international enforcement agencies.
- Customize enforcement approaches based on analysis of taxpayer demographics, historical taxpayer behaviors and downstream service impacts.
- Reduce the complexity of enforcement procedures to improve efficiency and reduce burden.



## **Objective 2**

### **DETER AND PROMPTLY RESOLVE NONCOMPLIANCE BY PROTECTING REVENUE FROM REFUND FRAUD AND ENSURING APPROPRIATE REVENUE COLLECTION.**

The IRS takes numerous measures to prevent noncompliance and fraud from entering the tax system, yet some cannot be prevented. In recent years, we have made progress to resolve cases of noncompliance in a timely manner that is fair to the taxpayer. In 2011, we began developing the Information Reporting and Document Matching (IRDM) system, which is used to assess additional income tax, penalties and interest for corporations that have underreported their revenue or income. Additionally, we recognize that widely publicizing timely enforcement actions can have a deterrent effect, preventing taxpayers from becoming noncompliant in the future. In FY 2012, the IRS Whistleblower Office developed new rules to reward people who disclose taxpayers that fail to pay the taxes that they owe. This program advances our ability to enforce the law, yet opportunities still exist to improve the timeliness and deterrent effect of our enforcement approaches.

The IRS will both deter noncompliance and initiate enforcement contacts closer to the time of filing through the use of third-party data. Enforcement activities are not “one size fits all,” and we must treat specific areas of noncompliance with a variety of tailored treatments and approaches, including examinations, criminal investigations and collection programs.

We will improve the allocation of compliance resources to those activities that have the greatest overall impact on compliance and revenue protection. This will be supplemented by automating data processing and making return information more accessible for analysis. We will also improve third-party document matching capabilities by moving the matching process closer to the time of taxpayer return filing. This will increase data transparency and deter taxpayers from filing a noncompliant tax return or committing fraud. When attempts to defraud the Government are committed, we will aggressively pursue investigations and publicize the consequences of tax evasion and fraud to deter others from attempting it in the future.

**Strategies:**

- Balance enforcement efforts to sustain coverage while addressing emerging noncompliance and fraud schemes.
- Expedite case resolution by automating data processing, improving document matching capabilities and providing timely access to return information.
- Use third-party information reporting data to apply timely enforcement actions that ensures revenue protection and increases the accuracy of revenue collection.
- Increase public awareness of the consequences of fraud and tax evasion.



**Objective 3**

**BUILD AND MAINTAIN PUBLIC TRUST BY ANTICIPATING AND ADDRESSING THE TAX-EXEMPT SECTOR'S NEED FOR A CLEAR UNDERSTANDING OF ITS TAX-LAW RESPONSIBILITIES.**

The Tax Exempt and Government Entities division serves a large and unique economic sector ranging from small volunteer community organizations to sovereign Indian Tribes to large pension funds. While these entities are not subject to federal income tax, they represent a significant aspect of tax administration with approximately two and half million entities that hold about \$18 trillion in assets and employ roughly 1 in 4 of the U.S. work force.

Tax laws related to the administration of tax exempt and government entities are complex and require a high level of skill and training to properly apply the law in an ever-changing environment. These entities often find it difficult to navigate the complicated, specialized and changing tax rules that apply to them. To meet these challenges, we will provide continued guidance and information to help these entities understand their responsibilities while ensuring that they are aware of avenues they can pursue to resolve open issues. By working with stakeholders inside and outside of the IRS, we will improve processes and procedures, provide improved training to employees and resolve taxpayer issues in a timely and accurate manner that enhances the taxpayer experience and makes it easier to voluntarily comply with the law.

**Strategies:**

- Ensure transparency and accountability in all service interactions making it easier to navigate the IRS.
- Expedite and improve issue resolution across all taxpayer interactions.
- Provide taxpayers with education and guidance to assist them in understanding and adhering to the tax law.
- Deploy advanced information technology systems and creative approaches to address efficiency and productivity in the determination letter process.

**Objective 4**

**IDENTIFY TRENDS, DETECT HIGH-RISK AREAS OF NONCOMPLIANCE AND PRIORITIZE ENFORCEMENT APPROACHES BY APPLYING RESEARCH AND ADVANCED ANALYTICS.**

Preventing noncompliance is highly dependent on the IRS' ability to detect erroneous and fraudulent refunds before they are processed. We are committed to improving our ability to detect noncompliance as returns are processed by using analytics and research. The IRS has already made great strides in this area. For example, in 2011, we established the Accelerated Refund Assurance Program (ARAP) to develop front-end verification procedures that detect and resolve issues compromising return integrity before refunds are released. Additionally, we plan to replace the Electronic Fraud Detection System (EFDS) with the Return Review Program (RRP), an automated system that will enhance our capabilities to prevent, detect and resolve criminal and civil tax noncompliance. The complexity and volume of tax evasion and fraud schemes, often augmented by the changing online environment, make it increasingly difficult to enforce the tax law. Addressing these challenges requires us to focus enforcement activities in an increasingly sophisticated manner.

We will enhance our detection capabilities and focus our enforcement actions on the greatest noncompliance risks. Once we have collected taxpayer information and identified lessons learned from previous enforcement activities, we must become better at internally sharing our data, analytical results and insights. To that end, we will develop technologies that enable effective, timely data and information sharing across the IRS enterprise. We will apply trend analysis to identify and understand existing and emerging noncompliance as a result of disruptive business models, economic shifts and legislative changes and determine the impacts on IRS policy, operations and partnerships. As we conduct research, we must apply advanced analytics to develop risk models that inform future prevention and detection efforts. By applying innovative tools and improving automated systems, we will better identify strategic focus areas and select the right cases to generate an optimal workload. We will continue to demonstrate the value of our enforcement efforts by applying the most effective treatment approach to resolve noncompliance and protect Government revenue.

### **Strategies:**

- Research changes in environmental and industry trends and analyze historical tax return and third-party data to identify existing and emerging noncompliance.
- Implement tools that enable the IRS to easily share data and use analysis across divisions in a timely manner.
- Develop noncompliance and fraud risk models and assessments to enhance prevention and detection efforts.
- Apply analytics and improve automated systems to identify strategic priorities and focus areas for enforcement.
- Develop automated tools that optimize case selection and direct resources to the most appropriate treatment stream.



## **Objective 5**

### **ADDRESS NONCOMPLIANCE BY IMPROVING DATA, INFORMATION AND KNOWLEDGE SHARING WITH TAX COMMUNITY AND GOVERNMENT PARTNERS.**

A widely accepted principle in tax administration is that, where there is information, there is compliance. In situations where there is little or no third-party data to confirm taxpayer returns, the misreporting of income is approximately 56%, compared to 8% when substantial information reporting occurs. Clearly, the availability and transparency of data, in addition to the sharing of knowledge with tax administration partners, is critical to improving compliance. Therefore, many of our recent enforcement programs collect additional data, either from third-party reporting or through taxpayer self-disclosure. These programs include information reporting of stock basis and merchant card payments and the disclosure or reporting of international account data through OVDP and FATCA.

Going forward, both the availability and integrity of data will continue to be vital to our success. We will create a knowledge-sharing environment that improves the quality of our data and better positions the IRS and our partners to identify instances of noncompliance. We will improve the timeliness, accessibility and usability of data we exchange with domestic and international partners. We will also make it easier to collect data and reduce taxpayer burden by ensuring that only information that is useful for tax administration is collected. Finally, the IRS and other agencies, both domestic and international, must continue to collaborate on enforcement activities, sharing knowledge with and continually learning from each other to better address and resolve noncompliance.

**Strategies:**

- Improve the timeliness, accessibility and integrity of secure data exchanged with domestic and international partners.
- Facilitate the collection of necessary data from information reporters.
- Share best practices and encourage collaboration with tax community and government partners through the use of external networks.

**Objective 6****IMPROVE COMPLIANCE AND REDUCE THE RISK OF FRAUD THROUGH STRONG PARTNERSHIPS WITH THE TAX PROFESSIONAL COMMUNITY.**

The tax professional community has a significant impact on the administration of taxes. The IRS views preparers as partners who it both serves and oversees. As of 2012, more than 730,000 preparers were registered and had received a Preparer Tax Identification Number (PTIN), which helps both the IRS and taxpayers to better determine the accuracy of preparer returns and to craft effective compliance strategies.

We will partner with return preparers to ensure the community adheres to professional standards and strengthen our relationships with the largest employers of established tax professionals to effectively engage tax preparers, ultimately leading to increased taxpayer compliance. Further, we will monitor the returns of preparers to ensure greater compliance and effectively address preparers who are routinely noncompliant. This will be achieved by developing a single, comprehensive view of each preparer and their returns, helping the IRS identify trends of noncompliance. When consistent noncompliance is identified, we will assist preparers through educational letters, visits and preparer action cases to improve the accuracy of their clients' returns.

**Strategies:**

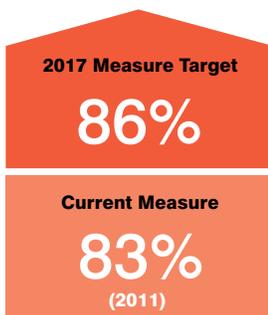
- Advance the return preparer program infrastructure and develop a comprehensive view of prepared returns to assess accuracy.
- Enhance programs focused on improving preparer accuracy and compliance.
- Facilitate the compliance of top tax preparation companies and their employees with registration and any other preparer requirements.

# PERFORMANCE

## GOALS

To measure our progress towards achieving the strategic goals outlined in this plan the IRS will monitor these high level performance goals. While we track many measures to gauge our performance, the high level metrics we have chosen will help us ensure that we are making steady progress towards achieving our goals.

The following performance goals will measure our success in delivering high quality and timely service, effectively enforcing the law, and investing in the foundational capabilities needed to achieve our mission. For us to be successful, the targets listed are stretch goals that will require adequate funding over the period of this Strategic Plan.



### Voluntary Compliance Rate

We will measure the amount of tax that is paid voluntarily and in a timely manner compared to the estimate of total true tax liability, which includes all taxes owed — both paid and remaining due. This compliance rate reflects the combined impact of non-filing, underreporting, and underpayment.



### American Customer Satisfaction Index (ACSI)

Using the American Customer Satisfaction Index (ACSI) score, we will monitor overall individual taxpayer satisfaction with tax filing processes for both electronic and paper returns.



### Enforcement Satisfaction Score

We will assess our satisfaction with taxpayers during enforcement processes using the enforcement satisfaction score, which attempts to measure the extent to which taxpayers who were contacted as part of IRS compliance efforts feel that the process was satisfactory, regardless of the ultimate outcome of the enforcement activity.



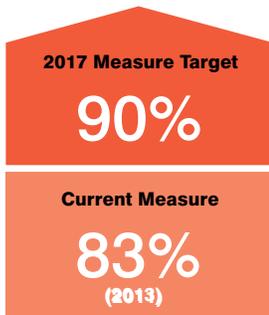
### Employee Engagement

We will measure employee engagement based on questions from the Office of Personnel Management's (OPM) annual survey and an index developed by the IRS to compare itself to other large Federal agencies with 20,000 or more civilian employees.



### Service Satisfaction Score

We will monitor the service satisfaction score which attempts to measure the extent to which taxpayers who contacted the IRS for assistance feel the service provided was satisfactory.



**e-file Rate for Individual Returns**

We will measure the percentage of all major individual returns filed electronically.



**End to End**

We will track the availability of software and system components of critical IRS systems and availability to the customer at numerous IRS locations.



**e-file Rate for Business Returns**

We will measure the percentage of all major business returns filed electronically.



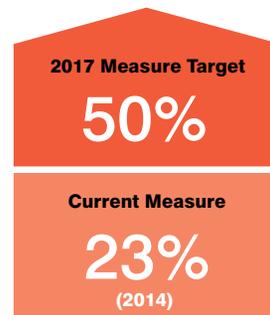
**Service Interactions Available Electronically**

We will track the percent of electronic services available to the taxpayer on IRS.gov relative to the most frequent services provided to the taxpayer across all channels, including web, phone, walk-in, and postal mail.



**Software Currency**

We will monitor the proportion of Commercial Off The Shelf (COTS) software products in use throughout the IRS that are within one version of the current release.



**Service Interactions Processed Electronically**

We will track the percent of electronic interactions conducted by taxpayers relative to the total number of service interactions conducted by taxpayers across all channels.



**Portal Availability**

We will measure the availability and response time of IRS.gov.

# LOOKING TO THE FUTURE



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s we strive to maintain the most effective voluntary tax system in the world, we will focus our efforts on strategic priorities that improve our ability to provide taxpayers with top-quality service and maintain compliance with the tax law. This approach will enable us to uphold the integrity of our nation's tax system and preserve the public trust for future generations. Many of the IRS' current initiatives align to this plan's strategic priorities, and the continued accomplishment of these initiatives is critical for our future success.

## Forward Progress

We already have a number of successful initiatives planned and underway to provide a strong start to achieving the strategic goals included within our strategic plan. As the plan is implemented, we will continue to prioritize our efforts on programs and initiatives that strengthen our tax administration system, including:

- Broadening taxpayers' **access to secure digital services and innovating our service delivery model** to provide better assistance to those seeking to comply. We are currently advancing this priority through expanding online services, launching the updated IRS.gov website and instituting virtual service delivery.
- Increasing compliance **using data-driven, risk-based models and focused enforcement efforts to** effectively allocate resources to productive cases. We will build upon our current compliance analytics initiatives to grow our enterprise-wide analytic capabilities and combat noncompliance.
- Building **stronger relationships with our tax community and government partners** to promote voluntary compliance and improve enforcement efforts. Continued success of the Return Preparer Program and maintaining consistent contact with the broader tax community are imperative to strengthening engagement with the tax community.
- **Equipping our highly-skilled workforce** with professional development opportunities and the tools needed to be successful. Further progress on current initiatives to streamline hiring, enhance training and provide rotational career opportunities that improve collaboration will better position our workforce for future success.

- Increasing the **productivity and operational consistency of and cross-enterprise collaboration** between our business divisions. Our commitment to continuous improvement and the establishment of consistent operations and collaboration across our divisions, and investment in knowledge management solutions will support productivity initiatives, process improvements and overall operational efficiency gains.
- Successfully **executing and maintaining agility** as legislation is enacted and our environment changes. The IRS' ability to implement complex legislation such as ACA and FATCA in a timely and straightforward manner will be critical to maintain the overall success of tax administration.

Positioning ourselves for the **shift to a real-time tax system**, where we provide our taxpayers with greater certainty of accuracy at the time of filing. Currently we are exploring the capabilities required to institute real-time tax processing, and the successful implementation of Customer Account Data Engine (CADE2) program enabled the daily processing of our tax system, providing a significant step towards achieving the real-time experience for taxpayers.

## Elements of our Approach

Translating our strategic priorities into structured initiatives will require a comprehensive approach that engages stakeholders, considers required investments, provides clear leadership and aligns accountability for these initiatives to the appropriate owners.

- **Determine budget commitments:** The IRS will consider the impact of new initiatives and provide focused investments to ensure success.
- **Align accountability:** Ownership and accountability of initiatives will align to a dedicated management team from all applicable organizations to incorporate the view of all stakeholders.
- **Monitor and manage execution:** Identifying structured implementation initiatives and the required ongoing oversight of the initiatives is important to ensure objectives are met.

## Success Factors

Several key success factors are essential to achieving the strategic goals associated with the plan, representing the manner in which we will execute our strategic plan.

- **Strong program ownership:** We will provide leadership and direction in the execution of this four-year strategy and its associated programs and initiatives.

- **Clear communication:** We will deliver clear, consistent communications to our workforce and stakeholders on expectations, responsibilities and results attained.
- **Close collaboration:** We will promote a culture of collaboration, both internally and with our stakeholders, to plan, coordinate and address considerations that can affect the tax administration system.
- **Focused workforce development:** We will invest in our workforce, further promoting the vision of being an employer of choice and the best place to work within government.
- **Appropriate resource allocation:** Using evidence-based analytics, we will invest in the services and requisite technologies to operate the most effective voluntary tax system in the world.
- **Continued legislative support:** We will work with legislators to identify and advocate for the statutory and legislative changes required to effectively achieve our mission.

## Conclusion

The current programs and success factors described above align with the strategic goals outlined in the 2014-2017 Strategic Plan. Execution of these initiatives is critical for the IRS to achieve our mission.





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