



Hello everyone,

As we continue through Fiscal Year 2026, I want to thank each of you for your continued dedication to public service and to the taxpayers and customers we serve. The work of TE/GE is central to maintaining confidence in our tax system and ensuring fairness, integrity, and accountability across sectors that touch nearly every community in the nation.

Guided by the priorities outlined by the Department of Treasury and IRS leadership, our focus this year is clear: deliver strong compliance outcomes, modernize how we conduct business, strengthen our organization, and invest in our people while improving taxpayer service and operating efficiently and responsibly.

Strengthening Compliance

Ensuring exempt sector compliance remains at the heart of TE/GE's mission. In FY 2026, we'll continue to apply a risk-based, data-driven approach to inform treatment streams including outreach, compliance checks, and examinations across exempt organizations, employee plans, and government entities. Our enforcement efforts will focus on the areas of highest risk of noncompliance, while ensuring consistency, transparency, and fairness in administering the tax law.

We will also look to expand voluntary compliance initiatives, recognizing that early issue detection, and engagement facilitate compliance. Additional priority areas are referenced on the next page and include implementing the One, Big, Beautiful Bill (OB BB), furthering SECURE 2.0 Act compliance, tax-exempt hospitals, tax-exempt collectives utilizing Name, Image, and Likeness (NIL), and combatting fraud/abusive transactions.

Modernization

Modernization is essential and TE/GE will continue to integrate modernized systems, advanced analytics, and emerging technologies, such as incorporating artificial intelligence (AI) into compliance operations and inventory management. These tools will help improve efficiency, consistency, and decision making across our programs. As we modernize, we will continue to protect taxpayer privacy and maintain appropriate safeguards to ensure systems are reliable, secure, and support our mission objectives.

Effective and Efficient Operations

In FY 2026, we must continue to be consistent in the effective and efficient execution of our day-to-day operations. Where necessary, this will include assessing/refining our organizational structure to improve collaboration and ensure resources are aligned with the Service's strategic priorities. Efficiency and effectiveness will help guide decision-making, with an emphasis on accountability and metrics.

Workforce Development

TE/GE's greatest strength is its people. In FY 2026, we will continue to strengthen workforce development through focused training and leadership development. Our goal is to maintain a workforce that is skilled, adaptable, and prepared to operate in a modern tax administration environment. Equally important is sustaining a professional culture grounded in accountability and continuous improvement, where employees are supported, engaged, and equipped to perform at a high level.

Thank you for your continued service and dedication. I look forward to working with you as we advance TE/GE and the IRS mission in FY 2026.

With Appreciation,

Edward Killen
Commissioner, Tax Exempt and Government Entities

Serving America's Taxpayers

Across America, tax-exempt organizations and government entities support societal goals, foster economic security/development, and enrich American lives. TE/GE serves taxpayers by helping these distinct organizations and entities – retirement plans, charities and other exempt organizations, Indian tribes, federal, state and local governments, and entities that issue tax-advantaged bonds – understand and comply with the applicable tax laws and reporting obligations.

To protect the integrity of the exempt sector and fairly enforce the tax laws we:

- Issue determination letters to qualifying organizations and retirement plans
- Educate through compliance contacts, outreach, and stakeholder partnerships
- Offer programs to voluntarily correct mistakes and maintain compliance
- Examine organizations and entities using data analytics and referrals to focus on high- risk issues

TE/GE's Priorities for FY 2026

Improve Taxpayer Services

- Focus on proactively connecting with internal and external stakeholders to identify and better serve small and underserved taxpayers such as smaller entities and organizations to foster voluntary compliance.
- Provide education and outreach to help TE/GE stakeholders accurately report information under provisions added or modified under OBBB.
- Continue to partner across IRS, Treasury, and key stakeholder groups on matters impacting Native Americans and Tribal entities including a focus on increasing access to tax services throughout Indian country.
- Expand self-service opportunities to TE/GE stakeholders through Business Tax Accounts (BTA).

Compliance and Enforcement

- Collaborate across IRS on highly complex and/or emerging issues including, but not limited to, examinations of tax-exempt hospitals, tax-exempt collectives utilizing NIL, arbitrage in tax-advantaged financings, implementation of provisions of OBBB and combatting fraud/abusive transactions.
- Finalize the update to the Employee Plans Compliance Resolution System (EPCRS) revenue procedure (Rev Proc 2021-30) to incorporate changes made by Sections 301 and 305 of SECURE 2.0 Act.
- Continue to support IRS efforts to proactively review and address claims during the filing process or immediately after return processing.

Technology, Privacy, and Data

- In partnership with other Business Units and Criminal Investigation, in support of emerging taskforces, leverage new network analysis tools and AI capabilities to detect potentially inappropriate relationships and indicators of noncompliance associated with suspected fraudulent or illicit activity, for referral and treatment in civil or criminal enforcement operations.
- Consistent with IRS AI Governance requirements, focus efforts to launch an approved large language model designed to assist with review and prioritization of referrals received on Exempt Organizations.
- Launch a modernized case management system for TE/GE Determinations.

- Continue to support Enterprise Case Management efforts to standardize Servicewide examination processes.
- Continue to support Servicewide efforts to digitize paper, including forms and correspondence to modernize processes and improve routing capabilities.
- Launch a tool to automate redaction of Forms 990 and exempt organization applications for posting disclosable information to Tax Exempt Organization Search (TEOS).
- Launch a modernized solution for access to historical records, replacing outdated media such as microfiche, DVDs, etc.

Efficient and Effective Operations

- Continue TEOS modernization efforts to improve the search and download features to make data available accurately, consistently, and in a user-friendly format.
- Assess and, if warranted, pursue organizational changes to promote efficient use of resources, sound management practices, and enhance customer service.
- Develop and deliver cost-effective mission critical core training to provide growth in all TE/GE employees, including managers, to promote a technology driven workforce.
- Streamline processes, optimize resources, and deliver high quality services to taxpayers.

Legislative Implementation and Tax Gap

- Implement provisions of OBBB, including coordination with other IRS functions and Counsel on development of communications, guidance, and processes for provisions impacting filing season 2026 and beyond.
- Release new Form 4547, Trump Account Election(s).
- Release new Form 15714, Advance Election to Participate Under Section 25F, and support development of systems for effective processing and enforcement for new tax credits for donations to scholarship granting organizations.
- Update instructions to Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues, for reporting of tax-exempt bonds issued to finance spaceports.
- Update instructions to Form 8839, Qualified Adoption Expenses, to implement the provision recognizing Indian tribal government special needs determinations for purposes of the adoption credit.
- Continue to develop processes and communications related to implementation of OBBB provisions impacting exempt sector taxpayers for current and future periods, including form, instruction, system, and processing developments and updates.