Internal Revenue Service
Progress Update
Putting Taxpayers First

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I’m Chuck Rettig, Commissioner of the IRS, and I’m pleased to present this Progress Update for our agency for Fiscal Year (FY) 2021. In providing information about the agency’s accomplishments over the past year, we want to give you a look at our efforts during an unprecedented year. During the pandemic, our experienced, talented workforce overcame numerous obstacles to serve taxpayers, uphold the law and maintain the integrity of our tax system.

The IRS and the entire nation continued to face major challenges in FY 2021 as a result of COVID-19, and the way our employees responded illustrates the significant role that the IRS plays in the overall health of our country. We have been called on repeatedly to provide economic relief during this national crisis while also fulfilling our core responsibilities of tax administration. Those responsibilities include collecting more than $3 trillion in taxes each year and generating approximately 96 percent of the funding that supports the federal government’s operations. This shows we are more than a tax administration agency. We also make it possible for the government to perform its vital functions, helping fund the great work of our nation on everything from education to defense.

Between Oct. 1, 2020 and Sept. 30, 2021, IRS employees answered Congress’ call to deliver two more rounds of Economic Impact Payments, following on the first round distributed in 2020. Taken together, the three rounds of payments totaled more than $800 billion in help to hundreds of millions of deserving and needy Americans during the pandemic.

Delivering these payments was no small undertaking. It required collaboration among many IRS offices, and with our external partners. Across the agency, we were making rapid-fire changes in unprecedented, vastly accelerated timeframes to meet the Congressional mandate to issue payments as quickly as possible. And we did, with all three rounds of Economic Impact Payments going out in record time. In fact, employees in various IRS offices collaborated to improve delivery of payments each of the three times Congress passed stimulus legislation, so that by the third round, checks started going out the very next day providing immediate help to people across the country.

It’s important to remember we didn’t have a playbook for how to respond to a pandemic that affected wide segments of the U.S. economy – and created unique challenges for IRS employees and everyone involved in the tax system inside and outside government. Nonetheless, thanks to the agility and flexibility of our workforce, the IRS moved forward, in a virtual work environment and with the majority of our employees working remotely to protect their safety during COVID-19. In fact, with the critical support of our Information Technology division, we set records with more than 61,000 employees teleworking at one time. Our IT division also provided the equipment necessary to allow thousands of our customer service representatives to telework, which gave critical help to the IRS in its efforts to provide phone assistance during a period of overwhelming demand.

In delivering the Economic Impact Payments, we took every step possible to reach potential recipients. We were extremely concerned that many people who could benefit from the payments didn’t know about this assistance – and we didn’t know how to reach them, because they didn’t have a return filing requirement. So we extended our reach far beyond our normal contacts to many lower-income, military, veterans, retired, older, limited English proficient and homeless communities around the country. We asked hundreds of local and national groups, religious organizations and numerous others to help us by reaching into their respective communities. Our message to these groups has been and continues to be, “Help us help others.” Reaching out to under-served communities is a major priority for me – and for the IRS.

As part of that focus, IRS employees again delivered for the nation by
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implementing changes to the Earned Income Tax Credit, the Child Tax Credit and other refundable credits as part of the American Rescue Plan passed by Congress in March 2021. Much of our focus was on one very important change that allowed up to half of the 2021 Child Tax Credit to be disbursed as advance payments to eligible families between July and December.

We were on an ambitious timetable, with the monthly advance Child Tax Credit payments slated to start in July, just four months after enactment. I’m proud to say we met that timetable, with the first monthly payments disbursed on July 15. Roughly $15 billion went out to about 35 million families around the country. As with the Economic Impact Payments, we made an extensive effort to reach people who might be eligible for the advance payments of the Child Tax Credit. We worked with thousands of community groups, non-profits, associations, education groups and anyone else with connections to people with children to share this critical information.

Stepping up in times of national urgency is a proud tradition of our workforce; IRS employees have for years delivered in times of need for the nation when disasters strike. Since 2012, more than 10,000 IRS phone assistants have helped the Federal Emergency Management Agency’s (FEMA) call centers in the aftermath of hurricanes and other natural disasters, answering an estimated 1.6 million calls from storm survivors seeking help. We have also had many agents from our IRS Criminal Investigation (CI) division provide their help and expertise during disasters. Last year, for example, a team of about 20 special agents deployed to Oregon in support of those fighting wildfires in that state. IRS-CI special agents also assisted with the recovery from Hurricane Ida. And as you’ll see in these pages, countless IRS employees have helped people in their communities affected by COVID-19.

But IRS employees don’t wait for a disaster to pitch in. They routinely give back – by collecting food for the hungry, volunteering to help low-income, elderly or underserved people prepare their tax returns, and in so many other ways. Our people are proud to serve their country, on and off the job.

During the past year, as the agency was implementing COVID-19 financial relief measures, we were also focused on our core mission, with our employees delivering an extended tax filing season for the second year in a row. During the 2021 filing season, we continued to emphasize the safety and health of taxpayers and our employees, so our face-to-face operations continued to be limited. We continued to encourage taxpayers and tax professionals to use e-filing and virtual services to help them with their taxes and to take advantage of all the helpful information available at IRS.gov.

Another important aspect to our work has been enhancing the taxpayer experience. We want to provide meaningful services of a nature and quality that every American deserves, and we continued improving those services during 2021. We have been emphasizing service to diverse communities, and along those lines we took important steps to further improve the amount of assistance we provide in multiple languages.

For the first time in the history of the IRS, we made the Form 1040 available in Spanish during the 2021 tax filing season. We also debuted Schedule LEP, giving taxpayers with limited English proficiency the opportunity to indicate whether they wanted to be contacted by the IRS in a language other than English. Using Schedule LEP, they could choose from 20 different languages! We also began inserting information about translation services and other multilingual options into the high-volume notices we send out to taxpayers.

We’ve been overhauling our major publications, too. For example, in 2021 we issued a new, streamlined version of Publication 17, Your Federal Income Tax, that is easier to navigate and faster to download than previous versions, and is now accessible on most personal electronic devices. I’m especially
“Everything we do to enhance the experience of taxpayers and tax professionals is essential to maintaining the tax system.”

pleased that the new Publication 17 is available in English, Spanish, Chinese (Traditional and Simplified), Vietnamese, Russian and Korean.

The steps we’ve taken over the past year are important ones, but there are more steps to come. We will do more. We want to do more, and people who interact with us who are not comfortable communicating in English deserve more.

Expanding our offerings in multiple languages is just one way the IRS is working to enhance the taxpayer experience. Another way is by providing new virtual services and online tools to tax professionals so they can better assist their clients when there’s a need to interact with the IRS.

A great example of these efforts is the new online option tax professionals have to obtain signatures from individual and business clients and submit authorization forms to us electronically. This development is an important first step in our ongoing efforts to expand digital options for taxpayers and tax professionals using electronic signatures and online uploads.

Also during 2021, we introduced an online account for tax professionals. Initially, the transactions tax professionals can complete in these accounts are limited to initiating a third-party authorization on IRS.gov, but over time we will continue building functionality, so that more types of transactions can be completed online in a secure digital environment.

Everything we do to enhance the experience of taxpayers and tax professionals is essential to maintaining the tax system. That system works because most people voluntarily pay what they owe. To ensure fairness, enforcement of the tax laws is just as critical as the services we provide. The IRS remains committed to having a strong, visible, robust tax enforcement presence to support voluntary compliance. When taxpayers file their returns, they should feel confident others are doing the right thing too. In support of compliant taxpayers, we must pursue meaningful enforcement efforts, appropriately balanced with our support of taxpayer service, taxpayer rights and privacy rights. With the goal of fairness in mind, a significant area of focus for us continues to be high-income taxpayers, including those who have failed to file returns and those engaged in certain types of abusive transactions.

We’ve continued to develop innovative approaches to understanding, detecting and resolving potential noncompliance to maintain taxpayer confidence in the tax system. We have expanded use of data, analytics and artificial intelligence across all lanes from selection to examination. And we have taken additional steps to improve coordination of enforcement efforts across the agency. Along those lines, we created an Office of Fraud Enforcement as well as an Office of Promoter Investigations. These and other steps will help us do a better job of rooting out tax fraud, especially shutting down abusive tax avoidance transactions, including syndicated conservation easements and micro-captive insurance arrangements, as well as abusive transactions involving virtual currencies.

While on the subject of enforcement, I also want to say how proud I am of our CI division, which continues to make great strides investigating tax and financial fraud in all its forms. In 2021, CI’s conviction rate remained the highest among federal law enforcement at nearly 93 percent overall, and 96 percent for tax cases in particular. I’m especially proud of their efforts in conjunction with the dark web illicit marketplace known as Silk Road. CI special agents tracked cryptocurrency transactions from Silk Road, which helped lead to action taken by the Justice Department to seize more than $1 billion in cryptocurrency related to Silk Road’s closure.

Another important part of the IRS’s mission is protecting taxpayers and the tax system from the crime of identity theft. I’m pleased to report we continue to work hard in this area. A central part of that success centers on the efforts of the Security Summit, which was launched in 2015 by the IRS and our partners in the states and the nation’s tax community.
During 2021, the IRS and its Security Summit partners found new ways to safeguard taxpayers and tax professionals. For example, for the 2021 filing season all tax software providers agreed for the first time to make multi-factor authentication a standard feature of their tax software products. And the IRS expanded the option to obtain an Identity Protection Personal Identification Number, or IP PIN, to all taxpayers.

Although we’ve taken many aggressive steps against identity theft, there are still challenges ahead. There are still too many individuals, businesses and tax professionals who are victimized by scams and schemes related to identity theft. As we have seen during the COVID-19 pandemic, identity thieves will look for any opportunity to steal sensitive financial information from taxpayers and tax professionals. In fact, the IRS and our partners have been working since last year to alert everyone to scams related to COVID-19, including ones tied to the Economic Impact Payments.

In delivering on all these aspects of our mission that I’ve mentioned, the IRS has remained committed to advancing equity, diversity and inclusion across the agency. We aspire to be an organization that values and respects everyone, regardless of background or differences. Each and every employee who answers the call to serve at the IRS should have an equal opportunity to learn, grow and thrive in their careers and personal lives. We continue to focus on people, culture, community and leadership to get us there.

While there is much for us to focus on in the present, the IRS is also looking toward the future to find new ways to serve taxpayers and improve the tax system. In January 2021, we took a major step on this journey by issuing our Report to Congress as required under the Taxpayer First Act. The report included recommendations for redesigning our organization to improve operations and enhance the taxpayer and employee experience. The report serves as our roadmap for making major innovations in the way we serve taxpayers, continuing to enforce the tax laws in a fair and impartial manner, collaborating across the agency and training IRS employees.

Since then, we’ve begun the IRS NEXT initiative to revitalize and build an organization for the next generation. I’m confident this journey will pay significant dividends over time. The improvements we make to the agency over the next few years are focused on producing abundant benefits for taxpayers, the tax system and our nation well into the future.

I hope everyone reading this Progress Update will see that it’s more than a description of programs or a list of accomplishments. It’s the story of a dedicated group of public servants who in 2021 continued to deliver for the nation, as they do every year, even in challenging times and overcoming concerns for themselves, their families and their communities during the pandemic. I am proud of what our employees have accomplished, and I continue to believe the strength of the IRS is its people – people who care. They are why I’m prouder than ever to be able to say, “I’m Chuck Rettig, and I work with the Internal Revenue Service.”

– Chuck Rettig
About the Internal Revenue Service

History
The IRS is one of the oldest bureaus in the United States Government. Article 1, Section 8 of the Constitution gave the federal government the power to “lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defense and general Welfare of the United States...” In 1862, President Lincoln and the Congress established the Bureau of Internal Revenue and the nation’s first income tax. In 1953, the Bureau of Internal Revenue’s name changed to the Internal Revenue Service (IRS). Visit the IRS History Timeline at www.irs.gov/irs-history-timeline.

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
The IRS will uphold the integrity of the nation’s tax system and preserve the public trust through the IRS’s talented workforce, innovative technology and collaborative partnerships.

Core Values
- Honesty and Integrity
- Respect
- Continuous Improvement
- Inclusion
- Openness and Collaboration
- Personal Accountability

Organization
The IRS’s core operations include the collection of individual and corporate taxes, processing tax returns, taxpayer assistance, enforcement of the tax laws through examination and collection as well as criminal investigation of tax crimes. The wide IRS portfolio also includes tax-exempt organizations, tax-exempt bonds, multiple refundable tax credits and other specialized programs. Four business units, focused on unique groups of taxpayers, support IRS operations.

Business Unit Summary
- Wage and Investment (W&I) administers tax laws governing individual wage earners. W&I annually processes more than 155 million individual tax returns and 50 million business returns, including nearly 138 million electronically filed returns. W&I processes 112 million individual refunds totaling more than $320.8 billion annually and answers more than 50 million phone calls.
- Small Business and Self-Employed (SB/SE) serves small businesses and self-employed individuals operating as sole proprietorships, small corporations or flow-through entities. The division is also responsible for estate, gift, fiduciary, excise, most employment tax returns, as well as the collection of all unpaid federal tax accounts. SB/SE processes about 27.6 million employment tax returns, 874,000 excise tax return filers, 250,000 gift tax filers and 36,000 estate return filers.
- Large Business and International (LB&I) serves corporations, subchapter S corporations and partnerships with assets greater than $10 million. LB&I also serves U.S. citizens and residents with offshore activities and nonresidents with U.S. activities.
- Tax Exempt and Government Entities (TE/GE) serves customers across three distinct taxpayer segments - Employee Plans, Exempt Organizations and Government Entities.
PUTTING TAXPAYERS FIRST

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How the IRS Serves the Country

The IRS collects more than $3 trillion in taxes annually and generates nearly all the funding that supports the federal government’s operations. The IRS is one of the world’s largest tax administrators. Some key performance achievements in FY 2021:

- **269M**: Federal Tax Returns and Forms Processed
- **$4.1T**: Gross Collection of Tax
- **$1,691**: Average Individual Refund
- **$75B**: Enforcement Revenue Collected
State of the IRS Workforce
In FY 2021, the IRS employed about 81,600 employees, including 10,530 temporary and seasonal staff.

Trend of Historical Staffing Levels
The IRS lost more critical full-time positions between FY 2010 and FY 2021, which included key enforcement personnel. These losses included Revenue Agents and Revenue Officers who audit returns and perform collection activities, as well as Special Agents in our Criminal Investigation organization who investigate tax-related crimes and other issues.

Although our workforce increased since FY 2019, the IRS FY 2021 permanent workforce is still below the FY 2010 permanent workforce level.

In FY 2021, we continued to transform our hiring process by moving to a workstation concept, ending the hiring backlog and positioning the Service to meet hiring requirements in a timely manner. Hiring increased with the hiring of 10,700 external employees.

The IRS partnered with the Department of the Treasury to pilot the USA Staffing hiring system. This has the potential to revolutionize hiring across the agency, improve the customer experience and enhance other reporting capabilities. We also successfully launched phase one of our new Contractor Management Module, designed to create more efficiency in onboarding of contractors and end-to-end tracking.

Plans for new rounds of hiring and training were subject to re-prioritization during the COVID-19 pandemic crisis, taking its toll across many operational fronts. In the face of this unexpected challenge, IRS employees adjusted to the changing environment and modified their normal business processes.
The COVID-19 pandemic required the IRS to rapidly implement new legislative requirements and offer relief to taxpayers experiencing hardship while preserving the safety of our employees. In FY 2021, Congress entrusted the IRS with $2.4 billion in supplemental funding to support recovery from the COVID-19 pandemic.

Implementing Pandemic-Related Legislation

In FY 2021, Congress passed several laws that offered relief to Americans experiencing financial hardship. The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), signed into law on December 27, 2020, authorized a second round of Economic Impact Payments (EIPs). This legislation required that the second round of EIP payments (EIP 2) be issued by January 15, 2021. The IRS was prepared and delivered the majority of EIP 2 in just two days following the enactment.

The IRS released a new Online Account (OLA) feature that enabled individuals to retrieve, via self-service functionality, the amount of EIP 1 and EIP 2 for the purpose of preparing 2020 tax returns.

The Taxpayer Certainty and Disaster Tax Relief Act of 2020 (Relief Act), enacted on December 27, 2020, made several changes to the employee retention tax credits previously made available under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), including changing and extending the Employee Retention Credit (ERC) for six months through June 30, 2021. Several of the changes apply only to tax year (TY) 2021 while others apply to both TYS 2020 and 2021.

The American Rescue Plan Act of 2021 (ARP), signed into law on March 11, 2021, authorized a third round of EIPs (EIP 3). The IRS began issuing these payments on March 12, 2021.

In FY 2021, the IRS, in coordination with the Bureau of the Fiscal Service, issued more than 388 million EIP 2 and 3 payments worth more than $545 billion. Following the passage of ARP, the IRS performed programming changes in April 2021 to make the third EIP amounts available for taxpayer queries in OLA. Since the EIP 3 was not to be reported on 2020 tax returns, this OLA enhancement required the development of appropriate web content to ensure clear communication to taxpayers.

In addition, the ARP requires the IRS to issue a monthly advance of the Child Tax Credit (CTC), consisting of half the total credit amount, to qualifying taxpayers beginning in July 2021 and continuing through December 2021. Extensive coordination and collaboration across the IRS and with stakeholders, including the The Bureau of Fiscal Service, allowed for the prompt issuance of the advance CTC payments. IRS and stakeholder efforts included the development and deployment of programming changes, new processes, creation of new notices and extensive communications and outreach to provide taxpayers with information and guidance.

In FY 2021, we deployed several new tools on IRS.gov to support the advance CTC payments, including:

- The Child Tax Credit Non-filer Sign-up Tool to help eligible families who do not normally file tax returns register for the monthly AdvCTC payments.
- The Child Tax Credit Update Portal (CTCUP) to enable families to verify their eligibility for advance payments and to unenroll from the monthly payment program. The IRS later added functionality to CTCUP to update to their address, bank account information or income.
- The Advance Child Tax Credit Eligibility Assistant to help families verify whether they qualify for advance CTC payments. The Eligibility Assistant and the CTC UP included Spanish options and information about the tools was provided in several languages.
Administrative Relief to Help Taxpayers

After issuing the first and second rounds of EIPs, the IRS created the Recovery Rebate Credit (RRC) for individuals who either did not receive EIPs or received less than the full amount. This provided the opportunity to claim the EIPs when people filed their 2020 tax return. To assist non-filers with claiming the RRC, the IRS promoted the existing Free File program via communications and outreach throughout the 2021 filing season, including adding frequently asked questions titled “Claiming the Recovery Rebate Credit If You Aren’t Required to File a Tax Return” on IRS.gov. We also partnered with the Social Security Administration (SSA) and other federal agencies to promote information on EIPs and the RRC through their related web content.

Unemployment Compensation Exclusion

The ARP authorized individuals who received unemployment compensation in 2020 and had a modified adjusted gross income (AGI) less than $150,000, to exclude from their income up to $10,200 of their unemployment compensation or $20,400 for married individuals filing a joint return. Since the change in legislation occurred after the start of the filing season, we analyzed previously filed TY 2020 tax returns to identify and determine eligibility for the unemployment compensation exclusion, without imposing added burden on taxpayers to file amended returns. We then automatically adjusted millions of taxpayer accounts to allow this exclusion and issue refunds if they were not claimed on the tax return.

Repayment of Excess Advance Premium Tax Credit

The ARP also suspended the repayment of Excess Advance Premium Tax Credit (APTC) amounts for TY 2020. The APTC is the amount paid to an insurer on behalf of covered individuals in the tax family to offset part or all premiums for a qualified health plan. The taxpayer receives the advance to help purchase health insurance through the Marketplace. Taxpayers who received APTCs are required to reconcile those payments on their tax returns. The ARP removed that requirement retroactively for TY 2020 only. To reduce burden on taxpayers, IRS automatically reversed any excess APTC amounts included on TY 2020 returns, where appropriate.

Business Tax Relief

In addition to the implementation of other relief credits to alleviate financial burdens on certain taxpayers, Congress enacted Sections 2303 and 2305 of the CARES Act to offer temporary tax benefits in the form of enhanced carrybacks for Net Operating Losses and minimum tax credit recovery. Individuals, estates, and trusts could file Form 1045, Application for Tentative Refund, and corporations could file Form 1139, Corporation Application for Tentative Refund, to apply for a quick tax refund resulting from the carryback of a Net Operating Loss. The IRS set up a temporary deviation that allowed fax submissions for those forms and others to speed up processing.

The Families First, CARES, Relief Act, and ARP enacted employee retention and leave credits which also applied to employers, including certain exempt or governmental employers. We created an advance claim for refundable credits (Form 7200), revised the employment tax return (Form 941) and introduced a form for exempt employers (Form 5884-D) to support timely relief.

Form 7200, Advance Payment of Employer Credits due to COVID-19, was completed within 30 days. We worked with Treasury to issue FAQs for IRS.gov, news releases and drop-in articles to stakeholders. Each form was manually reviewed by specialized compliance staff for eligibility and fraud screening. Courtesy letters were sent to taxpayers with non-processable forms to identify correctable items.

Form 7202, Credits for Sick Leave and Family Leave for Self-Employed Individuals: Sick and family leave
authorized by the Families First Coronavirus Response Act (FFCRA), allows for self-employed individuals to make a claim on their 2020 1040 return for eligible sick and family leave related to COVID-19 conditions.

Employers could file returns and claim refunds under COVID-19 legislation for the applicable quarter 2020 or 2021 on Form 941, Employer’s Quarterly Federal Tax Return, and related schedules.

Outreach and Education Efforts to Help Navigate Through Pandemic Issues and New Legislation

The IRS continued to work extensively with external stakeholders by collaborating with more than 10,000 partners across the nation, including organizations inside and outside of the tax community, federal agencies, state and local governments and congressional offices. This effort shared critical filing season information related to the extended individual tax filing deadline from April 15 to May 17, EIP and advance CTC payments. We placed special emphasis on underserved communities, rural communities and those experiencing homelessness. We developed hundreds of products on these topics and more than 750 informational postings on IRS.gov with most translated into Spanish and some translated into Chinese (Simplified and Traditional), Korean, Vietnamese, Russian and Haitian Creole.

To help promote advance CTC payments, a Child Tax Credit Summit was held in May 2021 with more than 130 participants, including representatives from the tax preparation, software, and banking industries, community outreach and research organizations, educational institutions, government agencies and the Treasury Office of Tax Analysis. The purpose of the summit was to:

- Inform our partners about the ARP legislative changes impacting the Child Tax Credit.
- Inform external partners of the tools available to assist taxpayers in filing returns, updating changes in their income, filing status or the number of qualifying children, and issuing the advance CTC payments.
- Inform external partners of the various communication and outreach efforts, including the letters issued to taxpayers throughout the advance payment process.

In May 2021, we conducted national outreach strategically focused on organizations working with homeless communities. These efforts provided information on the EIP 3, 2020 RRC, Earned Income Tax Credit (EITC), and the advance payments of the CTC. Participating organizations were asked to help us help others by providing information on EIP 3 and the credits directly to their clients, posting information on their web pages and social media and acting as a trusted partner.
Additionally, we hosted outreach events in June and July at partner sites and Taxpayer Assistance Centers (TAC) to help individuals who were eligible for advance CTC payments. The events were held in 12 cities in conjunction with community partners and volunteers, offering free tax preparation services to individuals eligible for this credit but had not filed their 2020 tax return or were not aware of a filing requirement.

Approximately 7,300 organizations were contacted to provide information to more than 6.9 million less fortunate or displaced individuals. Over 350 organizations agreed to become trusted partners. In June, the IRS collaborated with the United States Interagency Council on Homelessness to host a virtual train-the-trainer session on how to help people experiencing homelessness access their EIP.

The IRS also supported other government agencies by:

- Answering calls for the Federal Emergency Management Agency related to funeral expenses due to the pandemic.
- Supporting the Small Business Administration in providing assistance with the Paycheck Protection Program and Grant claims.
- Providing guidance to U.S. Departments of Education and Health and Human Services since many benefits administered by these agencies rely on data and information from processed tax returns.

**IRS Operations and Safety**

At the onset of the COVID-19 pandemic in March 2020, the IRS took unprecedented actions to protect the health and safety of our employees and the taxpaying public. This included closing Submission Processing Centers, TACs, and other offices nationwide. At the beginning of FY 2021, many employees remained on health and safety leave, resulting in a significant amount of unopened mail and correspondence and tax return processing delays. By December 2020, the IRS had resumed normal mail operations, and by May 2021, TACs were open and accepting face-to-face appointments.

**Keeping the Workforce Engaged, Prepared and Informed**

Continued engagement between leadership and employees while operating in a telework environment was and continues to be a priority for our agency. We leveraged all available communications channels to engage our workforce, including sites where employees could submit comments or questions on any topic, regular calls with managers and employees and newsletters to communicate about issues stemming from the COVID-19 pandemic. Employees were also able to participate in a new weekly Pulse Survey in FY 2021. High employee response and positive feedback on leadership engagement continues.

Employees are encouraged to attend informational training on the resources and services offered through our Employee Assistance Program (EAP). Administrative leave was granted for COVID-19 vaccinations and excused absence was allowed for employees with caregiving responsibilities due to COVID-19. We continued to successfully manage our operations, despite COVID-19-related limitations, by empowering employees to use virtual meeting platforms and digital communications to continue processing work.

As part of our plans to return to the workplace, we closely monitored mitigation strategies and actions from multiple sources, such as the Centers for Disease Control and Prevention (CDC), Department of Homeland Security (DHS) and the Office of Management and Budget (OMB).

Complying with and enforcing the CDC requirements endorsed by OMB, we worked through conflicts with local and state requirements regarding facial coverings. We subsequently continued to provide employee health and wellness guidance and clarification regarding social distancing and mask wearing, as
10 Reminders
To Keep You And Others Safe

- Face coverings are required to enter IRS buildings.
- Keep your social distancing 6 feet apart from others.
- Wash hands with soap for 20 seconds.
- Don’t allow mouth or drinking container to make contact with water fountain.
- If sick, stay home.
- Avoid high touched surfaces.
- Clean and disinfect frequently touched objects and surfaces.
- Avoid touching your eyes, nose, and mouth.
- Cover your cough or sneeze with a tissue, then throw the tissue in the trash.
- For more information on coronavirus (COVID-19) go to www.cdc.gov

Mail processing is a critical component of IRS operations, and feeds directly into our core mission of tax administration. COVID-19 restrictions and the reduction of office staffing significantly affected mail operations across the Service, as mail was returned to post offices as undeliverable. However, we mitigated the issue and proactively managed contract mail rooms for approximately 60 locations to ensure they continued to operate with minimal disruption throughout the pandemic. All mail was sorted and ready to be processed by IRS employees when they returned to those office locations. This efficiency resulted in minimal mail handling, improved safeguarding and increased timeliness of mail processing as employees received pre-sorted mail for their business unit.

it pertained to facility access and movement within facilities. We collaborated with the Federal Protective Service to coordinate a seamless transition from the significant restrictions imposed during 2020 to a safe, but less stringent, access control enforcement under pandemic conditions by the Protective Security Officer force.

Throughout the year, the IRS continued to improve our workspace modifications to enhance safety in our facilities, which included:

- Increasing the availability of hand sanitizer and additional dispensers, surface sanitizing/disinfecting wipes, and disposable and reusable masks.
- Modifying custodial contracts for additional and above-standard cleaning services.
- Modifying HVAC operations to increase outside air and filter efficiencies, where technically feasible.
- Installing acoustic shields in workstations, when required.
- Developing and posting specific pandemic signage, placing them outside IRS entrances to encourage employee COVID-19 symptom self-screening.
- Ensuring appropriate spacing of seating in open work and public gathering areas to enforce social distancing, and limiting occupancy in bathrooms, meeting, training and break rooms, and elevators.

Mail processing is a critical component of IRS operations, and feeds directly into our core mission of tax administration. COVID-19 restrictions and the reduction of office staffing significantly affected mail operations across the Service, as mail was returned to post offices as undeliverable. However, we mitigated the issue and proactively managed contract mail rooms for approximately 60 locations to ensure they continued to operate with minimal disruption throughout the pandemic. All mail was sorted and ready to be processed by IRS employees when they returned to those office locations. This efficiency resulted in minimal mail handling, improved safeguarding and increased timeliness of mail processing as employees received pre-sorted mail for their business unit.
PUTTING TAXPAYERS FIRST

The core of the IRS vision for the future is to enhance the taxpayer experience through each taxpayer’s preferred service channel.

The IRS FY 2018-2022 Strategic Plan articulates the IRS’s vision of becoming a more taxpayer-centric and modern agency. It serves as a roadmap to guide resource decisions, programs and operations to meet the changing needs and expectations of taxpayers and other stakeholders.

The core of the IRS vision for the future is to enhance the taxpayer experience through each taxpayer’s preferred service channel. The agency also aims to reduce taxpayer burden and preempt noncompliance issues, focusing enforcement efforts on more complex cases and intentional abuses of tax law.

The ability to supply high-quality taxpayer service and support the integrity of the tax system requires modern, secure and nimble operations, as well as a sustained and talented workforce. The IRS embraces and integrates data to implement changes in tax laws. Using analytics, the agency continuously improves all facets of operations — taxpayer service, enforcement efforts and a range of internal operations. Greater collaboration with a variety of partners, such as government agencies, international tax administrations, software providers and industry groups will enable the IRS to deliver on our mission more effectively and efficiently.
In FY 2021, the IRS tracked progress toward the FY 2018–2022 Strategic Plan goals and objectives through our Strategic Plan Annual Review process or “SPAR.” For FY 2021, IRS business units reported on 36 projects and 18 sub-projects supporting three focus areas (Putting Taxpayers First, Improving Compliance and Modernizing the IRS). The FY 2021 focus areas aligned with IRS and Treasury’s FY 2018–2022 Strategic Plan goals, as well as with government-wide priorities, particularly in customer experience, data analytics and the modernization of Information Technology and the federal workforce.

Putting Taxpayers First
The Putting Taxpayers First focus area includes 16 projects and 10 sub-projects for FY 2021 which emphasize improving taxpayer experience and service. Several projects in this focus area support key provisions of the Taxpayer First Act (TFA) as well as enhancements to IRS communications and outreach efforts, particularly for limited English proficiency taxpayers and in non-traditional areas and communities. In support of the TFA, the projects included written plans to Congress on how IRS will deliver the three key requirements, a comprehensive taxpayer experience strategy, a comprehensive training strategy and an organizational redesign, and initial implementation of those efforts. While travel restrictions and face-to-face interactions have affected some outreach efforts, the IRS expanded our social media presence to reach underserved communities, expanded access to Over the Phone Interpreter services with 100 partner sites nationwide in over 120 different languages, and participated in virtual outreach events across the country.

Improving Compliance
The Improving Compliance focus area includes seven projects. These projects aimed at boosting compliance through innovation, partnerships, service and enforcement efforts. We expanded efforts around the IRS Innovation Lab which brought together data scientists, technology specialists and subject matter experts to detect emerging compliance risks and provide analytical solutions to address noncompliance.
IRS efforts also focused on addressing fraud and security through the delivery of specialized training to over 200 virtual currency subject matter experts. Servicewide, increased publicity around fraud and promoter-related enforcement efforts and the implementation of the Secure Access Digital Identity (SADI) tool, which allows taxpayers to access and change information online easily and in a secure manner.

Modernizing the IRS
The Modernizing the IRS focus area includes 13 projects and eight sub-projects that implement capabilities in the IRS Business Modernization plan, incorporate data analytics to realize operational efficiencies and initiate activities to support the workforce. We have made progress with the implementation of our Enterprise Case Management system. The IRS is exploring how to give employees a 360-degree view of the taxpayer’s account in a call center environment. We also developed a strategy to decommission legacy information technology systems. The IRS developed artificial intelligence and robotic technologies, including the Certified Professional Employer Organization Robotic Process Automation, which completes specific compliance-related processes six times faster than a typical employee.

In addition, we supported our workforce with the provision of over 4,000 telework printers, reviewed telework policy to support our future of work vision and planned out the physical space needed to support business requirements under a new Workforce Infrastructure initiative to meet current and future hiring needs.

While the projects tracked through the SPAR process represent only a portion of the work that supports the FY 2018–2022 Strategic Plan, these efforts demonstrate significant progress in meeting the plan’s goals and objectives.

“I wish to share with you the very positive experience I had when I called the Internal Revenue Service concerning a missing income tax payment. I spoke with Brukita Williams, who I found to be knowledgeable, helpful, and pleasant. I appreciate the work Ms. Williams is doing.”
– Taxpayer comment about a Denver SB/SE employee
GOAL 1
Empower and enable all taxpayers to meet their tax obligations
We will empower taxpayers by making it easier for them to understand and meet their filing, reporting and payment obligations. We continue to add and enhance tools and support to improve taxpayers’ and tax professionals’ interactions with the IRS on whichever channel they prefer.

GOAL 2
Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code
The American tax system is based on voluntary compliance and supported by proper enforcement. As part of the IRS’s efforts to close the tax gap, we will pursue innovative approaches to understand, detect and resolve potential noncompliance. We will use behavioral insights on how people process and react to information. This will inform how we design programs to encourage voluntary compliance.

GOAL 3
Collaborate with external partners proactively to improve tax administration
Partnerships with IRS stakeholders enrich service to taxpayers. Collaboration will yield innovative solutions to pressing problems, improving the taxpayer experience. We will engage partners to improve service and outreach to taxpayers, enhance global collaboration and share leading practices.

GOAL 4
Cultivate a well-equipped, diverse, flexible and engaged workforce
IRS employees are committed to serving the American taxpayer. We strive for a culture that values innovation, welcomes multiple perspectives and celebrates diversity. The IRS’s approach to development will be complemented by a forward-looking talent management strategy that considers future business and stakeholder needs.

GOAL 5
Advance data access, usability and analytics to inform decision-making and improve operational outcomes
We will continue to use data to drive decisions and make the most effective use of resources. Advancements across the full data lifecycle — from collection to storage to access to analysis — will allow the IRS to better deploy data and implement insights. Improving data and analytics provides repeatable processes for selecting and assigning work.

GOAL 6
Drive increased agility, efficiency, effectiveness and security in IRS operations
We will focus on streamlining and simplifying IRS business processes to serve taxpayers better and improve IRS stewardship of taxpayer resources. Efficient operations and modern infrastructure are the foundation of a stable, reliable organization and are essential elements of sustaining excellent service and enforcement capabilities. Strong data systems are critical to safeguarding taxpayer and employee data from threats.
PUTTING TAXPAYERS FIRST: GOAL 1

Goal 1
Empower and enable all taxpayers to meet their tax obligations

The IRS empowers taxpayers by making it easier for them to understand and meet their filing, reporting and payment obligations. We continue to add and enhance tools and support to improve taxpayers’ and tax professionals’ interactions with our agency on whichever channel they prefer.

FY 2021 Tax Filing Season, Extension of the Tax Filing Deadline

On March 17, 2021, we announced the extension of the individual filing deadline from April 15 to May 17. The IRS received 148 million individual returns by mid-May and electronically filed returns accounted for 138.6 million (93.6%) of the total returns received. When compared to Calendar Year (CY) 2020, this is approximately a 15.9% increase. However, the due date for CY 2019 returns was extended to July 15, 2020, compared to an extended due date of May 17, 2021 for CY 2020 returns.

This year, the IRS received over 53 million business returns, an increase of 17.7% from last year. Electronically filed business returns are trending upward with 32.9 million e-filed, up from 30.7 last year. We continue to process paper returns with 20.7 million paper filed returns in 2021.

As of May 21, 2021, refund numbers were 6.4% higher than the same time last year, with 95.6 million refunds and a total refund amount of $270.3 billion, which is 8.6% more than same time last year. The average refund amount of $2,827 is 2% more than same time last year. Direct deposit refunds account for 91% of the total refunds, which is a 9.3% increase from the same time last year.

Filing Season Telephone Operations

Major tax pandemic-related changes passed by Congress resulted in additional, unplanned demand for our toll-free phone lines. Through May 22, 2021, the individual taxpayer telephone demand was 24 million, 456% higher than the prior year. Our business taxpayer accounts demand was 3.1 million, 244% higher than the prior year. The demand for taxpayers calling to schedule appointments for our Taxpayer Assistance Centers was 1.6 million above the same period last year and the disconnects were 2,000% of the prior year at 1.8 million compared to 86,000.
IRS.gov Enhancements and Site Usage

FY 2021 was a record traffic year for IRS.gov, driven by taxpayer interest in the issuance of Economic Impact Payments (EIP) and tax refunds. FY 2021 had seven of the 10 highest traffic days in IRS.gov history, all surrounding the second and third rounds of EIPs.

In FY 2021, there were 2 billion IRS.gov sessions, an 25% increase over FY 2020. Increased usage was driven by the surge in traffic related to EIPs in January and March 2021.

IRS.gov is a comprehensive resource for taxpayers, featuring more than 30,000 published HTML pages and more than 139,000 additional static files including tax forms, publications and documents. Site content evolves continuously to reflect taxpayer needs, new legislation, the evolution of tax administration and the distribution of information related to significant events such as EIPs, natural disasters, COVID-19 financial effects, and other circumstances. During FY 2021, the IRS worked diligently to ensure that IRS.gov was kept up-to-date, processing more than 17,000 content change requests representing over 77,000 individual updates across the site. These applications and content drove significant user traffic to the site in FY 2021; seven of the top 10 highest-traffic days in IRS.gov history occurred in FY 2021, peaking at the third highest traffic day with 46.4 million sessions March 15, 2021.

IRS.gov continued to grow and develop in FY 2021, driven in large part by content and features developed to support taxpayer relief programs. For example, the Get My Payment (GMP) application provided information to taxpayers about the second and third rounds of EIPs. The availability of this information coupled with media coverage drove taxpayers to IRS.gov and the GMP application in large numbers with peaks of 34.1 million IRS.gov sessions January 5, 2021 for the release of the second round of EIPs and 46.4 million IRS.gov sessions March 15, 2021 for the third round.

Similarly, the IRS deployed site content supporting the monthly advance payments of the Child Tax Credit (CTC) enacted under the American Rescue Plan (ARP). This included a third-party non-filer application, allowing taxpayers who had not historically been required to file tax returns to enter information for advance CTC payments, that was made available through IRS.gov beginning June 14. The IRS published numerous new pages of content for these initiatives, including updates to the application landing pages and dozens of pages of new information, FAQs and related material.
W&I Director Recognized with Leadership Award

Victor Aledo, Wage and Investment’s Acting Director, Tax Forms and Publications, has been selected as a 2020 Arthur S. Flemming Award Winner (for Leadership and Management). Through his leadership, the IRS has transformed the way over 200 million taxpayers interact with the U.S. tax system, ensuring meaningful access to critical governmental programs by underserved populations. Victor led an effort to overhaul the way the IRS corresponds with taxpayers with limited English proficiency or disability. He collaborated with offices throughout the IRS to dramatically expand the type and number of taxpayers who can be served.

This prestigious award is sponsored by the Arthur S. Flemming Awards Commission in partnership with the George Washington University (GWU) Trachtenberg School of Public Policy and Public Administration. You can see more information about Victor’s success and other winners on the GWU website.

IRS.gov Page Views

FY 2021 also set a record for page views with 11.5 billion, up 24% from FY 2020 and driven by the same factors impacting the increase in sessions.

<table>
<thead>
<tr>
<th>IRS.gov Page Views</th>
<th>FY20 (10/1 – 5/31)</th>
<th>FY21 (10/1 – 5/31)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total IRS.gov Visits</td>
<td>1.3B</td>
<td>1.6B</td>
<td>23%</td>
</tr>
<tr>
<td>Mobile Visits</td>
<td>909.3M</td>
<td>1.2B</td>
<td>32%</td>
</tr>
<tr>
<td>Mobile Visits as % of Total Visits</td>
<td></td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Total Public User Portal (PUP) Page View</td>
<td>3.5B</td>
<td>3.9B</td>
<td>10%</td>
</tr>
<tr>
<td>IRS2Go Active Users</td>
<td>13.3M</td>
<td>14.6M</td>
<td>10%</td>
</tr>
</tbody>
</table>

Mobile Device Usage

Visits to the Get My Payment and Where’s My Refund applications were primarily mobile and as a result, the overall percentage of IRS.gov visits from mobile devices was 70% in FY 2021, up from 64% in FY 2020. Additionally, 16.8 million people used the IRS2Go mobile application at least once during the year.

Multilingual Efforts

An important way the IRS serves taxpayers during the filing season and throughout the year is by communicating with people in their most comfortable language. In preparing for the 2021 filing season, we took important steps to improve our multilingual services. The IRS promoted multilingual information and support through targeted FY 2021 filing season social media campaigns and press materials, including sharing materials via our partner channels.

Prior to the 2021 filing season, we had been working to provide tax information in additional languages. For example, many pages of IRS.gov are available in Spanish, Vietnamese, Russian, Korean, Haitian Creole and Chinese (Simplified and Traditional), and basic tax information for filing is available on the website in 20 languages. During 2021, we continued to expand our efforts to post and link to information available in multiple languages on social media platforms, including Twitter and Instagram.

The IRS promoted multilingual information and support through filing season social media campaigns and press materials.
During the 2021 filing season, the IRS made the Form 1040 accessible in Spanish for the first time. We also gave taxpayers the ability to tell us if they wanted to be contacted by us in a language other than English, by creating the new Schedule LEP (Limited English Proficiency). The schedule, filled with the 1040, allows taxpayers to select one of 20 languages in which to receive written communications from the IRS. Through July 1, 2021, IRS received more than 291,000 Schedule LEPs.

Other changes included making Publication 1, Your Rights as a Taxpayer, available in 20 languages. In addition, we issued a new, streamlined version of Publication 17, Your Federal Income Tax, that is easier to navigate and faster to download than previous versions, and is now accessible on most personal electronic devices. The new Publication 17 is available in English, Spanish, Chinese (Traditional and Simplified), Vietnamese, Russian and Korean.

Additionally, taxpayers who interact with an IRS representative now have access to over-the-phone interpreter services in more than 350 languages. The IRS has also recently begun inserting information about translation services and other multilingual options into the high-volume notices we send out to taxpayers. Our diverse workforce is proud to be reflective of the diverse communities we serve.

The IRS continued to expand the availability of multilingual content on IRS.gov throughout FY 2021. The IRS.gov “Top 100” initiative, completed Nov. 12, 2020, included the translation of the 100 highest-traffic pages on IRS.gov into all seven of the current additional languages: Spanish, Simplified Chinese, Traditional Chinese, Russian, Vietnamese, Korean and Haitian Creole. These pages joined more than 7,000 other pages of translated content already available on IRS.gov, creating a robust resource for taxpayers who want to meet their tax obligations but who are more comfortable communicating in a language other than English.

The IRS has also pursued efforts to translate website applications for LEP taxpayers. Seventeen of the most frequently used applications have been identified for translation into one or more additional languages as part of a two-year effort to expand multilingual tool offerings and build other capabilities. This initiative has been a multi-step effort requiring:

- The identification of top applications.
- Evaluation of the applications for their value to taxpayers.
- Conducting impact assessments to evaluate the technical challenges and resource requirements involved in the application translation work.
- Submitting information technology work requests.

- Delivering a project roadmap detailing level of effort, cost, risk and schedule. Translating each application into all available languages immediately would be extremely difficult if not impossible, due to the additional coding and resource investment necessary, so we are prioritizing our approach. Fortunately, the multilingual initiatives that preceded the application translations have given the IRS the opportunity to study language usage patterns among taxpayers who IRS.gov. This data will help the IRS prioritize applications and languages to meet the greatest areas of need as soon as possible.

Finally, we are exploring opportunities to employ machine translation for the purpose of improving the availability of multilingual content. Automated translation of languages remains a significant challenge, even for the most sophisticated software. The level of complexity of tax terms and the need for surrounding context means that automated translation tools need to be carefully evaluated to ensure that translations reach a consistently acceptable level of accuracy for users of the translated content. This portion of the project will be ongoing for the next several years.
FY 2021 – Total Traffic
Breakdown of IRS.gov
Pageviews by Language

<table>
<thead>
<tr>
<th>Language</th>
<th>Pageviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spanish</td>
<td>79,272,961</td>
</tr>
<tr>
<td>Chinese</td>
<td>3,698,330</td>
</tr>
<tr>
<td>Russian</td>
<td>1,598,864</td>
</tr>
<tr>
<td>Korean</td>
<td>1,444,744</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>1,158,914</td>
</tr>
<tr>
<td>Haitian Creole</td>
<td>748,146</td>
</tr>
</tbody>
</table>

Outreach and Education to Taxpayers and Tax Professionals

We held the 15th annual Earned Income Tax Credit (EITC) Awareness Day on January 29, 2021 in collaboration with many of our national and local partners to increase awareness of the EITC and other refundable tax credits and ensure everyone who is eligible for these credits claims them. Concentrated traditional and social media activity helped us reach the broadest possible range of eligible taxpayers, including underserved populations and newly eligible taxpayers. There were 1,950 EITC-related outreach events, including 657 held on January 29, and 1,293 leading up to EITC Awareness Day. Also, for the first time, our social media branch introduced a graphics campaign that included EITC messages in Chinese, Korean, Russian, Vietnamese and Haitian Creole.

For the 2021 filing season, we redesigned the EITC Assistant on IRS.gov to make it more user- and mobile-friendly. This application helps taxpayers determine whether they qualify for the EITC and provides an estimate of the amount they can claim on their returns. The EITC Assistant is currently available in English and Spanish and we hope to expand to additional languages in the future.

IRS outreach and education efforts also covered an extensive array of topics to help taxpayers and tax professionals navigate various issues related to the pandemic and new legislation designed to provide relief from financial hardship caused by the pandemic. Areas of focus included additional rounds of EIPs, the Recovery Rebate Credit, the advance payments of the CTC and other items related to the ARP and the Taxpayer Certainty and Disaster Tax Relief Act of 2020.

IRS social media channels continued to see a large increase in usage, reaching more than 1.37 million followers during the fiscal year. Social media continues to be a major source for delivering messages, with innovative graphics and materials in multiple languages, shared and used by people and organizations across the nation.

More than 67,000 taxpayers and tax professionals attended IRS webinars in FY 2021. Topics included Tax Pro Account with Online Services and a six-part series for people who receive tips in their profession. Webinars were also delivered in Spanish, Chinese, Italian, German and Japanese. The webinars are posted on IRS.gov, making them available to taxpayers at any time.

The IRS Nationwide Tax Forum, held virtually in 2021 for a second year due to COVID-19 restrictions, had more than 11,000 participants. The forum ran for five weeks beginning in July and included 30 online seminars, with three focused on cybersecurity, two on virtual currency and one on the gig economy, along with the Commissioner’s keynote address and plenary session. The 2021 forum also included two seminars in Spanish and a new multilingual virtual “booth” showcasing IRS products in numerous languages. The booth was staffed by IRS employees who speak Spanish and other languages.

We launched the www.irs.gov/paycash website that provides taxpayers who don’t have bank accounts with information to help them meet their tax obligations. The website describes the cash payment methods and what people need to know if utilizing these methods. We conducted educational webinars with external stakeholders such as state regulators representing 30...
Applying for Exemption.

The toolkit includes a postcard that lists resources developed specifically for tax-exempt and employee benefit sector. The toolkit also includes webinars and website resources designed to meet their voluntary compliance needs. We have also developed several educational modules and webinars focused on improving employee benefit compliance for small entities and other underserved populations.

Preventing Identity Theft and Tax Scams

For the 2021 filing season, the IRS continued our efforts to protect taxpayers and their data by completing an annual refresh of key identity theft models and modified existing filters to find potential identity theft tax returns and prevent the issuance of fraudulent tax refunds. During processing, the IRS holds tax returns identified by these filters until we can verify and confirm the taxpayer’s identity to prevent the issuance of a fraudulent refund.

The fifth annual National Tax Security Awareness Week was held in December 2020. This is a nationwide public awareness campaign to help protect taxpayers, tax professionals and businesses from evolving cyberthreats and identity theft. This joint effort between the IRS, states, software industry and tax professionals was designed to coincide with the start of holiday shopping season and in advance of the 2021 filing season. Media and partner events were held in approximately 30 large and medium-sized markets and media coverage included national morning news and numerous Spanish speaking stations. Focused social media efforts and a dedicated Twitter chat added to the success of the campaign.

Fraud Awareness Efforts

The IRS continued our fraud detection awareness efforts by providing numerous fraud-related trainings including modules on Digital Assets and Virtual Currency, dedicating employee resources to fraud oversight and working closely with other federal agencies on fraud identification and development. We also used website content and recorded webinars focused on improving employee benefit compliance for small entities and other underserved populations.
Our engagement efforts with the stakeholder and practitioner community within the area of fraud detection continued successfully in FY 2021. We continued our work in partnership with the Department of Labor’s Employee Benefit Security Administration and Pension Benefit Guarantee Corporation to improve enforcement, address noncompliance and pursue joint training opportunities on employee plans.

To further assist taxpayers in meeting their tax obligations, the IRS expanded the presence of Volunteer Income Tax Assistance (VITA) in Indian Country and continues to provide information on the Indian Tribal Government VITA webpage on IRS.gov. We’ve also published and held sessions to promote Publication 5424, *Income Tax Guide for Native American Individuals and Sole Proprietors* which provides resources and information for Native American individuals and sole proprietors to help them with their tax returns.

**Online Digital Products**

In FY 2021, the IRS expanded the features and usage of the individual taxpayer Online Account, launched an online account for tax professionals and launched several new online applications to support our efforts to implement a provision in the ARP permitting advance payments of the CTC between July and December of 2021. These new applications included the Child Tax Credit Update Portal (CTCUP), and the Advance Child Tax Credit Eligibility Assistant.

Both applications were built in record time following passage of the ARP on March 11, 2021 and launched in June ahead of the July 1 legislative deadline for beginning the advance CTC payments. These tools enabled taxpayers to check their eligibility for advance payments, unenroll from advance payments, view and update their payment method, bank information and address and check their payment status.

We continued efforts to block the unauthorized use of online accounts and web applications. In support of CTCUP and agency-wide authentication improvements, the IRS designed mobile-friendly pages for a new authentication and identity verification process to provide a consistent look and feel with IRS.gov. We also undertook user experience testing with low-income taxpayers to gather feedback and ensure that the new verification process could be used by people in a variety of demographic segments. This new mobile-friendly process delivered significant user experience enhancements compared with the legacy desktop-formatted process known as Secure Access.

The taxpayer Online Account saw a record increase in users in FY 2021, with 101% growth in unique users compared to FY 2020. The total unique users in FY 2021 surpassed the total unique users for the four prior years combined. Digital service improvements included the ability to view digital notices, view EIP information, and authorize a tax practitioner to represent taxpayers before the IRS with a Power of Attorney (POA) or view their clients’ tax accounts with a Tax Information Authorization (TIA).

Tax professionals are now able to visit the new Tax Pro Account on IRS.gov to digitally initiate requests for POAs and TIAs. This digital process eliminates the delay experienced by taxpayers and their tax professionals caused by a manual review and posting process when these requests are submitted through other channels.

**21st Century Integrated Digital Experience Act (IDEA)**

In FY 2021, the IRS took actions to comply with the 21st Century Integrated Digital Experience (IDEA) Act that was signed into law in 2018 and was designed to improve the digital experience for government customers. For example, in October 2020 we launched the redesigned EITC Assistant, which helps people claim the EITC. This effort involved a strategic partnership across multiple IRS offices.
with the goals of improving the taxpayer experience and increasing the number of taxpayers who claimed the EITC. Specific EITC Assistant improvements included:

- Enhanced application design to ensure a mobile-friendly experience
- Updated content to follow plain language standards on both the EITC Assistant application and the IRS.gov landing page
- Availability of a Spanish Language experience and translation of application content into Simplified Chinese, Traditional Chinese, Russian, Vietnamese, Korean, and Haitian Creole

Following the launch of the redesigned EITC Assistant, we continued to improve the supporting content on IRS.gov by completing a rewrite and restructuring of EITC content that resulted in search-optimized pages with updated navigation.

Office of Professional Responsibility
The IRS remains firmly committed to educating tax professionals about their responsibilities and limitations under Circular 230 and their ethical obligations to taxpayers and tax administration. An equally important component of our outreach involves educating IRS employees about their obligations under Circular 230 to report suspected practitioner misconduct to the Office of Professional Responsibility, and providing other IRS divisions with materials and tools to use in their outreach to practitioners.

During FY 2021, the IRS continued education and outreach efforts directed at minimizing the number of practitioners who divert from their ethical obligations.

We conducted presentations in-person; virtually through online webinars; over the phone; and via video conferencing platforms. The IRS educates tax professionals (mainly tax return preparers) about Circular 230 provisions during the fiscal year at various events, including the IRS Nationwide Tax Forums. The Nationwide Tax Forums are a significant venue for external outreach to the thousands of tax professionals who can elect to attend two Circular 230 presentations offered by our subject matter experts. This combination of internal and external outreach helps to ensure that taxpayers receive competent and ethical representation before the agency.

Outreach to Support International Compliance
The IRS continues to ensure international tax compliance by helping these taxpayers understand how to comply with the law. Teams are aiding taxpayers who have account management issues, especially related to the IRC 965 provision for foreign corporations.

Significant efforts in FY 2021 included the introduction of new forms --Schedules K-2, Partner’s Distributive Share Items – International, and K-3, Partner’s Share of Income, Deductions, Credits, etc. – International. These new forms were designed to improve international tax reporting for partnerships and their partners. We delivered several external webinars and received and considered public comments on the new forms.

Throughout FY 2021, we continued to support the Treasury Department in the development of formal and informal guidance associated with international tax provisions which will assist taxpayers, including review and comment on the administrability of these provisions. In the area of transfer pricing, the IRS is developing and using a frequently asked questions (FAQ) approach to assist and encourage voluntary taxpayer compliance. Specifically, IRS has posted transfer pricing related FAQs on four different topics over the last two years.
Four Los Angeles County Residents Found Guilty of Fraudulently Obtaining Millions of Dollars from COVID-Relief Programs

Four individuals who used fake and stolen identities to submit fraudulent applications for PPP and EIDL loans and obtained more than $18 million in COVID-relief funds were found guilty of one count of conspiracy to commit bank fraud and wire fraud, 11 counts of wire fraud, eight counts of bank fraud and one count of conspiracy to commit money laundering.

The jury found the defendants must forfeit bank accounts, jewelry, watches, gold coins, three residential properties and approximately $450,000 in cash.

Goal 2

Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.

One of the IRS’s highest priorities is to ensure taxpayers follow the tax law. We continue to develop innovative approaches to understanding, detecting and resolving potential noncompliance to support taxpayer confidence in the tax system. The IRS uses behavioral insights and robust data analysis to address noncompliance in the most proper way. We assist taxpayers as they navigate through the process of issue resolution, ensuring they are aware of the Taxpayer Bill of Rights and the resources available to them. While working to help taxpayers who want to comply, we will pursue those who intentionally violate the tax code.

Criminal Investigations

The IRS Criminal Investigation (IRS-CI) organization investigates potential criminal violations of the Internal Revenue Code and related financial crimes to enforce accountability and maximize deterrence. This includes money laundering, currency violations, tax-related identity theft fraud and terrorist financing that adversely affects tax administration. Using its unique authority and financial expertise, IRS-CI contributed to important national law enforcement priorities.

IRS-CI’s FY 2021 performance highlights include:

- Completing 2,766 criminal investigations
- Achieving 1,263 convictions with a conviction rate of 89.4%
- Achieving a Department of Justice case acceptance rate of 93.6% and a U.S. Attorney case acceptance rate of 93.2%, which compares favorably with other federal law enforcement agencies.

The Questionable Refund Program (QRP) identifies schemes that involve one or more individuals that use genuine identities for the purpose of preparing and filing fictitious tax returns that claim bogus income and deductions to generate fraudulent claims for refund.

Similarly, through its Return Preparer Program, IRS-CI encourages compliance in the return preparer community by engaging in enforcement strategies targeting untrustworthy or incompetent return preparers. These strategies include education, outreach and coordinated cross-functional publicity.

The IRS-CI Cyber Crimes unit identifies and pursues criminal investigations where there is reason to believe the subject is committing a tax or other financial crime while using the Internet. Use of the internet gives perpetrators the means to commit the crime, remain anonymous and elude law enforcement, as well as conceal financial transactions, ownership of assets or other evidence. The IRS Cyber Crimes unit also collaborates with other federal law enforcement agencies to identify the
movement of criminally derived profits utilizing virtual currency and the Dark Web.

Notable investigations in FY 2021 involving Cyber Crimes include:
- Tax evasion involving the use of cryptocurrency to conceal and hide income.
- Terrorism Financing Campaigns – terrorism groups soliciting donations from around the world in the form of cryptocurrency.
- Approximately $250 million stolen from a cryptocurrency exchange and laundered through Chinese over-the-counter traders.
- Bitcoin Fog - a mixing service used to facilitate an array of criminal activities.
- $990 million cryptocurrency seizure associated with the Silk Road Investigation.

Large Business - International Tax Compliance and TCJA

The IRS’s Large Business and International Division continues to execute on its international compliance strategy, especially as it relates to the Tax Cuts and Jobs Act (TCJA) and transfer pricing. FY 2021 efforts included a transfer pricing centralized risk assessment and continued implementation of campaigns dedicated to addressing TCJA compliance within its filing population. Specifically, the Section 965 Campaign has an individual, corporate and pass-through component, and the TCJA Campaign takes a holistic approach to the return and TCJA issues.

The strategy also contemplates specific plans for each of the major compliance workstreams in its portfolio, such as large corporate and partnership cases, compliance assurance cases, joint committee cases, soft-letters, discretionary work and high net worth individuals. We are updating our compliance strategy for increased reporting in tax years 2018 and later as well as for early results in TCJA related audits.

With respect to enforcement strategies for transfer pricing issues, the centralized efforts of the Transfer Pricing Risk Assessment (TPRA) team are key to guiding case selection to the most appropriate treatment stream. TPRA applies data analytic techniques to return information to efficiently identify potential transfer pricing issues for suitability considerations such as the multilateral risk assessment forum of the Organization for Economic Cooperation and Development (OECD) International Compliance Assurance Program (ICAP), the U.S. domestic Compliance Assurance (CAP) program, or the Large Corporate Compliance (LCC) program. The IRS compliance enforcement strategy also recognizes the importance of leveraging recent judicial guidance related to transfer pricing issues which feed into the IRS case selection process.

IRS efforts to enhance transfer pricing risk assessment and compliance strategies are complemented by equally robust efforts to prevent and resolve transfer pricing and other disputes that are eligible for competent authority assistance under U.S. tax treaties. Many of these efforts during FY 2021 have focused on the transfer pricing and tax uncertainty caused by worldwide macroeconomic and commercial conditions during the COVID-19 pandemic. Acting in our role as the U.S. competent authority, the IRS has been a leading voice of clarity and principle in the handling of these issues within the OECD’s Forum on Tax Administration and a champion of engagement.
coordination, and collaboration between taxpayers and tax administrations worldwide. We will remain at the center of these international issues in the interest of tax certainty for taxpayers and governments for years to come.

Looking at the even broader horizon of the future of international tax compliance, the Service during FY 2021 was actively engaged in anticipating potential changes arising from proposals under the OECD project to address the tax challenges of the digitalization of the economy. The likelihood of a global minimum tax regime and new profit allocation rules creates an imperative for greater tax certainty and dispute prevention. We are participating in this work with the goal of ensuring the negotiated terms are administrable and meet the tax certainty goals of taxpayers and the IRS.

The IRS is ensuring our compliance workforce is well prepared to examine tax returns, especially those with international TCJA and transfer pricing issues. During FY 2021 we continued to hire revenue agents to specialize in cross border tax issues and continued providing TCJA and transfer pricing training to these new hires as well as to employees across the agency who encounter international compliance issues. In addition, we are leveraging international expertise across our agency through mentoring and by providing additional job tools through our International Knowledge Base library.

High-Income Non-filers & Revenue Officer Sweeps

We continue to prioritize high income non-filers and recognize the importance of systematically pursuing the most egregious non-filers to maintain the trust of compliant taxpayers. The IRS addresses non-filers through various workstreams including virtual currency non-filers, return preparer non-filers, non-filers with high dollar transactions who file Form 8300, Report of Cash Payments over $10,000, high net worth individuals, and corporate and partnership non-filers.

Using data analytics to identify pockets of high-priority work in locations where there were limited field revenue officer resources, the IRS completed “virtual” revenue officer compliance sweeps in FY 2021 in various regions throughout the country between February and June 2021. Thirteen of these compliance sweeps were solely focused on contacting approximately 500 high-income non-filers in 21 states. A second national compliance sweep occurred in August 2021, where the IRS contacted over 700 high-income delinquent filers throughout the country, including over 300 high-income earners with associated balances due. Previously, the IRS completed a non-compliant return preparer compliance sweep in December 2020. And in March of 2021, we conducted a successful international virtual compliance sweep that involved 74 cases with taxpayers living in Australia who had unfiled returns and/or balances due.

Large Business - New Campaigns

The IRS continues to direct enforcement resources toward issue-based campaigns. We identify issues that are significant compliance risks, then select and execute one or more treatment streams directed to achieve compliance objectives. Campaign treatment streams may include conducting examinations, issuing educational “soft” letters, issuing administrative guidance, executing industry issue resolutions, conducting outreach events, proposing legislation, publishing procedures or guidance, and modifying or creating IRS tax forms or publications. The campaign approach leverages our knowledge, deploying the right resources to address the right issues. During FY 2021, we announced five additional campaigns, bringing the total number of active campaigns to 58.

Noncompliance Activity by Exempt Organizations

The IRS continues to refine issue-based strategy approaches and develop and test new analytic processes to ensure that examination programs are focused on the highest priority compliance areas to promote effective tax administration of tax-exempt organizations. A variety of treatment streams are considered in
using the most appropriate cost-effective and least intrusive approach to achieve compliance. In FY 2021, we provided additional education for employees on fraud awareness. We also strengthened collaboration among our business units to develop and test new analytic processes to improve fraud detection in issues including transportation fringe benefit claims and virtual currency transactions.

**Ensuring Prepared Tax Identification Number Compliance**

The IRS achieved 100 percent compliance on security configuration device scans for the Prepared Tax Identification Number (PTIN) system. Robotic Process Automation (RPA) improved the security posture of the PTIN system through more frequent vulnerability scanning activities, system-wide file integrity monitoring, and automating infrastructure activities with an easy-to-use web-based inventory management solution.

**Fraud Detection Efforts**

The Office of Fraud Enforcement (OFE), created in 2020, promotes compliance by strengthening our agency’s response to fraud and mitigating emerging threats. In FY 2021, OFE partnered with other IRS operating divisions, IRS-CI and other federal agencies to identify and combat schemes relating to COVID relief. Through intensive screening and investigation, OFE’s Emerging Threats Mitigation Team identified and blocked many attempted thefts of Treasury funds, leading to multiple criminal investigations and prosecutions.

Besides COVID fraud, we continue to find new and more efficient means to identify egregious behavior in noncompliant segments of the taxpayer population, including employers who do not transmit to the IRS the tax withholdings of their employees, people who fabricate businesses to claim fraudulent refunds or business owners who refuse to file employment tax returns. In addition, wealthy individuals who evade paying their share of taxes by moving their wealth offshore, converting it to virtual currency or concealing it by other means, are becoming increasingly visible to the sophisticated and evolving fraud detection efforts we use to uncover tax noncompliance.

Criminals continue to aggressively develop schemes that attempt to take advantage of the latest technology and security vulnerabilities. Virtual currency, Non-Fungible Tokens (NFTs) and other digital assets continue to be both targets and vehicles for financial fraud and money laundering as their use becomes increasingly widespread. We continue to expand the depth and breadth of fraud detection to encompass these new technologies by acquiring the latest tools, training and expertise needed to ensure tax compliance in this rapidly evolving area. In support of this work, during FY 2021 we trained hundreds of virtual currency subject matter experts and continue to support development of their investigative skills to keep pace with advancements in technology. Fraud Enforcement Advisors work with other subject matter experts and IRS Chief Counsel to identify and develop cases that meet criteria for criminal investigation. OFE plays a key role in these efforts by leveraging the latest data science and investigative tools to uncover evidence of tax noncompliance.

OFE is building an IRS Culture of Fraud Identification through its many and diverse initiatives in training, consultation and support.

In April 2021, the IRS took an important step to reinforce our commitment to pursuing those who promote and use abusive tax shelters by creating a new Office of Promoter Investigations. The office is committed to identifying issues that involve abusive tax shelters as well as individuals promoting abusive tax transactions. In addition, the new office will work on agency-wide compliance issues, including coordination of promoter activities with promoter teams in other business divisions, including Small Business/Self Employed, Large Business and International, Tax Exempt and Government Entities, Criminal...
Investigation, and the Office of Fraud Enforcement. Currently, we are working to address schemes related to syndicated conservation easements, micro-captive insurance arrangements, abuses related to installment sales transactions, research credits and others. Our goal is to enforce the tax law and protect taxpayers from being victimized by those that promote false statements related to tax positions.

Virtual Currency

The IRS continued implementation on the Virtual Currency Strategy focused on evaluating and addressing potential areas of noncompliance. We are utilizing new technology, data analytics and information return matching to support compliance activities, including examinations and criminal investigations. For Tax Year 2020, we added a question about virtual currency to the front of the Form 1040. Previously, it was on the Schedule 1 for Tax Year 2019. In addition, we administered supplemental resources to Revenue Officers when considering the seizure of virtual currency to satisfy a delinquent tax liability. Resources included an overview of virtual currency; information on wallets, pre-seizure coordination, sweeping and importing virtual currency and valuing virtual currency; and guidance for selling virtual currency at public auction.

Marijuana

During FY 2021, more states moved to permit medical and/or recreational marijuana sales, increasing the total that permit state-sanctioned use to 36 states and the District of Columbia. The IRS continued to work on a strategy to provide educational outreach to stakeholders involved in the marijuana industry, evaluate and address areas of noncompliance, and ensure consistent treatment of the industry-related issues.

Private Debt Collection

Under the Private Debt Collection (PDC) program, the IRS assigns certain overdue federal tax accounts to one of four private sector collection agencies. In 2021 Congress passed legislation permitting the Social Security Administration (SSA) to disclose to the IRS the identifying information of Supplemental Security Income (SSI) recipients, so the IRS can exclude them from assignment to private debt collectors. We are in the process of developing the requirements for the data exchange with SSA with the goal of implementing it in FY 2022.

Improvements in Detecting and Resolving Tax Compliance Risks and Issues

The IRS continually seeks various methods and approaches to increase efficiencies around emerging significant tax law issues. In recent years, we developed agency-wide strategies to address abusive tax compliance issues such as syndicated conservation easements, improperly claimed research and experimentation tax credits, micro-captive insurance arrangements and offshore tax havens. In addition, we used our Innovation Lab’s Data Analytics Program to identify thousands of taxpayers who reported wages on their individual income tax returns where the employer who paid those wages did not file their W-2 forms with the SSA and did not file employment tax returns. Egregious and high-dollar cases were further investigated by the IRS examination, collection and CI organizations. This agency-wide commitment ensures consistent treatment of taxpayers and fair application of the tax law.
Goal 3
Collaborate with external partners proactively to improve tax administration

The IRS is committed to strengthening and expanding our partnerships, keeping open lines of communication with stakeholders and engaging them as collaborators. We are part of a community that includes a variety of stakeholders invested in and affected by tax administration. We also work with partners beyond the traditional tax community – including government entities (international, federal, state, local and tribal), the private sector, universities and volunteer organizations as we deliver our mission.

International Accomplishments
International tax compliance is one of our top priorities. New patterns and trends emerging in complex international tax avoidance schemes and cross-border transactions have heightened our concern regarding the lack of tax compliance by individuals and entities with an international footprint. As international tax and money laundering crimes have increased, the IRS continues to protect the integrity of the U.S. tax system by helping the American taxpayer understand and meet their tax responsibility and enforce the law with integrity and fairness, worldwide.

FY 2021 international accomplishments include:

- Leading a multi-country delegation to develop a Financial Technologies Toolkit that will include a learning module to assist countries developing and conducting investigations involving illicit financial transactions through cryptocurrencies. This working group is getting a substantial amount of attention and is being supported by delegates from the United Kingdom, Canada, Korea, Japan, Mexico, Finland and India.

- Coordinating an informal agreement between the U.S. and Colombia to develop a partnership under the joint Organization for Economic Cooperation and Development (OECD)/United Nations (UN) initiative, Tax Inspectors Without Borders. This memorandum of understanding was welcomed in the international tax community because Colombia recently criminalized tax offenses. This partnership includes formal and informal training and sharing best practices and has resulted in the collection of a billion dollars in tax revenues that otherwise wouldn’t have been collected without this initiative.

- Continuing to support the OECD Finance and Tax Crime Academy. Agents from the IRS’s Criminal Investigation Division (IRS-CI) recently conducted a virtual class for the academies in Buenos Aires and Nairobi. The academies in Argentina, Kenya, Italy
and Japan teach thousands of students per year on topics ranging from uncovering beneficial ownership to illicit cryptocurrency transactions. These academies are crucial to expand IRS international partnerships and contacts.

- Actively engaging with the OECD Tax Maturity Model and having the IRS-CI agent based in London be the subject matter expert for developing countries interested in conducting a self-assessment of their tax administration. This agent was nominated to be a member of the OECD Tax Force on Tax Crimes (TFTC) Bureau – which will set the agenda and drive the key topics and working groups for the TFTC for the next four years.

Identity Theft

The Security Summit, a partnership created in 2015 that includes the IRS, states and the private sector, continued its efforts to find new ways to safeguard taxpayers and tax professionals from the crime of identity theft during 2021. As a result of the Security Summit workgroup efforts, the IRS is preventing more identity theft than previous years and we are detecting fewer fraudulent refund claims. The Security Summit in 2021 created a new way to reduce taxpayer burden and improving identity theft detection. These efforts include exploring additional opportunities and collaborative efforts with the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center (ISAC), and further communications/discussions with stakeholders and partners to form action plans and initiatives to combat identity theft and refund fraud.

Here are just a few examples of the steps Summit partners took over the past year:

- The ISAC became fully operational. This was a major step forward and led to hundreds of significant identity theft threats or alerts shared among partners.
- During the 2021 tax filing season, for the first time, all tax software providers agreed to make multi-factor authentication a standard feature of their tax software products.
- For the 2021 filing season, the option to obtain an Identity Protection Personal Identification Number (IP PIN), was extended to all taxpayers.
- Security Summit partners warned taxpayers and tax professionals about new identity theft scams related to COVID-19 and Economic Impact Payments (EIP) that continued to emerge.
- In December 2020 the IRS began masking sensitive data on business tax transcripts.
- The IRS launched Form 14039-B, Business Identity Theft Affidavit.

The IRS made significant progress on the collaboration and enhancements to its identity theft detection processes. Since partnering with the Security Summit, the IRS increased identify theft prevention through data analytics and is continuing this trend. Unprotected identity theft tax refunds include those refunds paid on probable identity theft refund fraud claims and will most likely be unrecoverable.

The ISAC is an important platform for the IRS and our partners’ day-to-day operations to combat identity theft and gain near-term data on emerging trends. The ISAC continues to communicate and promote data exchange capabilities.
which allows us to share certain federal tax information with the private sector and the states that will be used to reduce identity theft. The Senior Executive Board released the ISAC 2020 Annual Report, which is available on IRS.gov.

Working with External Partners

The IRS continued to work extensively with external stakeholders by collaborating with more than 10,000 partners across the nation, including the tax community, federal agencies, state and local governments and congressional offices. These efforts included sharing critical filing season information related to the extended individual tax filing deadline, EIPs and advance Child Tax Credit (CTC) payments. Special emphasis was placed on reaching underserved communities, including people experiencing homelessness and living in rural communities.

We collaborated with external partners to get the word out about the third round of stimulus payments and the Recovery Rebate Credit. The IRS took special steps to work with Congressional offices to share information with constituents regarding EIPs. This effort included creating special toolkits for member offices, social media information to share and continuing to respond to Congressional staff needs through the IRS EIP e-mailbox established in May 2020.

To get the word out about the advance CTC, we developed and shared a partner toolkit and a user guide for the Non-filers Sign-up tool. We worked to provide more multilingual content in our products, such as e-posters and web pages. IRS staff also participated in numerous Congressional town hall events to share information on advance CTC payments.

The IRS conducted a two-day community outreach event in Miami, Florida in February 2021 with Hope South Florida. The event used WebSD, an online tool that allows taxpayers to attend virtual appointments, to assist homeless taxpayers who would have experienced significant hardship resolving their tax issues. Two WebSD assistants established 15-minute virtual conference sessions with the partner’s computers and assisted the taxpayers. Over the two-day period, we assisted 54 taxpayers with issues that included EIP status, refund holds, IP PIN, e-file holds and rejections and notices.

Multilingual Program Advancements

The IRS hosted the third National Multilingual Stakeholder Engagement Summit, which included stakeholders from various multilingual organizations. Participants heard IRS leadership discuss the Over-the-Phone Interpreter program and EIP lessons learned, EIP 2.0 and the Recovery Rebate Credit. The IRS also led a roundtable discussion to gather participant feedback on IRS multilingual initiatives and their constituencies’ needs in these areas.

The multilingual program was part of a larger effort to significantly expand informational products in multiple languages and increased outreach efforts to the Limited English Proficiency (LEP) community. This included e-posters in Spanish on topics including...
The IRS continued to work extensively with external stakeholders by collaborating with more than 10,000 partners across the nation, including the tax community, federal agencies, state and local governments and congressional offices.

EIP and National Tax Security Awareness Week. All IRS Tax Tips were translated into Spanish, and tips on key IRS priorities were translated into multiple languages. In addition, the Small Business Virtual Tax Workshop posted on IRS.gov was revised and enhanced to include transcripts that are available in Spanish and Chinese.

For the first time, the IRS communicated Earned Income Tax Credit (EITC), EIP, advance CTC and other important messages in the top six languages on social media platforms. This included sending messages to key stakeholders and partners, child welfare organizations, school districts and focused influencers to amplify and boost messages.

Special Emphasis Programs
IRS’s Office of Equity, Diversity and Inclusion held Special Emphasis Programs to promote equal opportunity in the recruitment, hiring, retention, advancement, training and treatment of groups of people underrepresented in specific occupational categories or grade levels. These groups include racial or ethnic groups, veterans and people with disabilities.

Independent Office of Appeals
In FY 2021, the Independent Office of Appeals hosted multiple stakeholder sessions, reaching over 40 states, to hear feedback from tax practitioners about the appeals process, Appeals’ implementation of relevant Taxpayer First Act (TFA) provisions, process improvements and COVID-19 procedures. As a result, Appeals made changes to address concerns raised by tax practitioners and other stakeholders including revised procedures on reviewing installment agreements submitted through the Collection Appeals Process to ensure a truly independent review consistent with the TFA.
Goal 4

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

The IRS is committed to planning, developing, assessing and managing its workforce effectively. Taxpayer service, enforcement, and business modernization efforts require a strong workforce. Supplying end-to-end accountability and promoting partnerships to support customers and operational goals ensures consistent service delivery throughout the human resources lifecycle to effectively attract, develop, and support a world-class workforce.

Enterprise Workforce Planning

To build the future IRS workforce, implementation of effective enterprise workforce planning capabilities continues to be a priority. Effective IRS workforce planning is dependent upon standardized procedures, processes and tools to holistically assess current and future workforce needs.

Future of Work

The world of work is changing, and COVID-19 accelerated the pace of this change. Digital business transformations, automation and other technological advances are radically altering work and employment expectations. How and where people work is shifting, influenced by technological, generational and social transformations.

The IRS Future of Work effort continues to modernize the workplace to improve the employee, partner, and taxpayer experiences. It will also create more operational efficiencies and position the IRS more competitively as an employer of choice. We used employee feedback from a Future of Work Survey to gain insights on challenges regarding telework, returning to the office, available resources, work/team collaborations and work/life balance. That feedback will aid agency leadership in developing a post-pandemic plan. Other strategies include:

- Using workplace optimization solutions to improve recruitment and retention efforts.
- Seeking department-level support to create environments that allow for maximum workplace flexibilities that will not create additional expenses for the agency based on personal employee preferences.
- Using position persona analysis to deliver the optimal work environment, technology provisioning, space configuration and workplace culture to recruit, hire and retain employees.
- Increasing diversity by providing employment opportunities to “at-risk” communities.
- Issuing robust Future of Work communications and policy guidance to all impacted employees.
Supporting mechanisms and training for employees and managers to engage with them in an efficient effective manner while working in different environments (in-person, virtual, etc.).

The IRS three-phased Future of Work roadmap consists of the following:

- **Define** – gather data to develop a Future of Work framework, Workplace Optimization Strategy and focus areas including: Productivity, Connectivity, Collaboration and Location.

- **Design** – partner with stakeholders to design a workplace environment by role/series for mission-essential positions.

- **Deliver** – implement enterprise workplace environment opportunities for re-entry and post-reentry as a bridge to a long-term Future of Work.

### Talent Management

The American Rescue Plan Act of 2021 and the Taxpayer First Act (TFA) add complexity, new set responsibilities and new resource requirements to our agency's hiring efforts. We are developing and deploying strategies to ensure the IRS is well-positioned to recruit, hire, train, support and retain a highly skilled workforce needed to achieve our mission. The agency is on track to hire more employees this year than in the previous five years, with 13,995 new hires as of June 2021.

Additional strategies include:

- Developing internal and external hiring strategies to navigate existing challenges in an extremely competitive hiring market.

- Using the Office of Personnel Management’s Five-Step Workforce Planning Model across the Service to develop a holistic view of the FY 2022 (planned) hiring projections during the third quarter of FY 2021. The IRS is analyzing the data to advance the comprehensive IRS FY 2022 Recruitment and Hiring Strategy.

- Deploying deliberate rebranding, marketing and recruitment strategies through social media, student and graduate programs and collaboration with unemployment offices, educational institutions and federal employment programs to prepare for anticipated hiring needs.

- Implementing internal operating plans to increase hiring capabilities, optimize efficiencies, streamline onboarding and obtain contractor support (where applicable) to support increased hiring efforts.

- Implementing a comprehensive training strategy, as outlined in the TFA Report to Congress. This strategy will strengthen the importance of taxpayer service in all employees, develop employee skill sets, improve morale, increase productivity, enhance knowledge transfer between employees and foster innovation.

- Investing in several efforts to enhance the employee experience through technology solutions, thoughtful human capital solutions and workforce strategies. These efforts are aimed at transforming our workplace, optimizing operations, and modernizing employee, partner and taxpayer experiences to position the IRS as an employer of choice.

### Employee Engagement

We continue to implement initiatives to foster an engaged workforce. During FY 2021, employee engagement outreach included surveys, focus groups, virtual seminars, employee recognition and an enhanced Public Service Recognition Week program. We also launched the online Idea Wall that empowers employees to share ideas about improving processes in their work group. Federal Employee Viewpoint Survey (FEVS) At-A-Glance reports and the FEVS Action tool were distributed agencywide to enable leadership and employees to easily identify engagement activities by FEVS question. Two engagement courses and multiple Self-Help Online Tutorial videos related to engagement and FEVS were created to meet the Presidential Management Treasury Directive.
Employee Training

The IRS is building skills assessment tools, career paths and associated learning tracks to support employees throughout their careers. For example, we established Employees Achieving Goals and Leadership Experience, a new enterprise-wide program designed around “workforce communities” which integrate executive, managerial and employee expertise and perspectives. This framework empowers IRS employees to map their career path through meaningful developmental assignments aligned with their individual goals and IRS workforce talent needs.

The IRS is also taking deliberate steps to ensure employees have well-designed career paths that provide a clear direction, develop technical skills and competencies, expand organizational knowledge, and explore opportunities across the Service.

The IRS continued work to establish a centralized educational organization, also referred to as IRS University (IRSU), to provide consistent, high-quality training across the Service. This key piece of the Training Strategy will allow for a deliberate and comprehensive curriculum that will instill the importance of taxpayer service in all employees. High-quality, taxpayer-first training will further develop employee skill sets, improve morale, increase productivity, enhance knowledge transfer between employees and foster innovation.

IRS Reskilling Academy

Due to the continued increase in electronic filing of returns, the need for returns processing and related functions continues to decrease. So as a result of our Submission Processing Center consolidation, we created an IRS Reskilling Academy as a new mitigation strategy to assist employees who will be impacted by the consolidation. This training provides employees with the skills needed to qualify for higher-grade jobs. We have taken steps to implement new strategies that will promote and support the reskilling and redeployment of affected employees. These strategies will be used more broadly in support of anticipated changes resulting from the TFA. Employees who successfully complete this training receive job offers to the position(s) they apply for, which enables them to remain employed at the IRS. This initiative has opened job opportunities for employees that they would not have had in the past.

Phyall selected as an Annual NextGen Service “Innovator of the Year”

Deidra Phyall, an IT Security Specialist and currently the co-lead for the Strategic Hiring Initiative and Employee Learning and Development (SHIELD) Program, was selected as a 2021 NextGen Public Service Innovator of the Year Award winner. She was recognized for her role in implementing the SHIELD Program, a strategic, structured employee development program designed to obtain maximum performance from career ladder employees to build critical skills and abilities in the Cybersecurity workforce.

Equity, Diversity, and Inclusion Office (EDI)

The IRS, in Fiscal Year 2021, engaged employees and agency leaders in the development of a multi-year agencywide Equity, Diversity and Inclusion Strategy and roadmap for Fiscal Year 2022-2024 implementation. The goal is to drive sustainable change toward greater diversity, equity, and inclusion where IRS employees, reflective of the taxpayers we serve, can achieve their full potential and the IRS can benefit from greater innovation and successful business outcomes.

In February 2021, a revised Anti-Harassment policy was signed and issued, and pursuant to the requirements of Executive Order 13988, we completed our review of existing orders, regulations, guidance documents, policies, programs and other agency actions to determine if they discriminate against individuals based on their sexual orientation or gender. Our agency actions were consistent with the policy set forth in the order.

Multilingual Improvement Initiative

EDI and internal partners from various parts of the IRS – the Taxpayer Experience Office, the Wage and Investment Division and Communications and Liaison – reviewed, added and updated information to internal webpages to ensure language access is provided for the underserved and for taxpayers who are more comfortable communicating in a language other than English. To this end, an internal multilingual hub called the Multilingual Knowledge Base was established, and a Language Assistance Guide was updated.
Achieving a dream

Victor Vazquez started working for the IRS in 2008 as a team administrative assistant. He took classes toward a bachelor’s degree while working full time. Victor received his degree from Utica College in Fraud and Financial Crime Investigations on May 16, 2021. Victor’s goal in obtaining a bachelor’s degree was to qualify for opportunities as a revenue officer or agent. As soon as he received his degree, he applied for a revenue officer position. In June 2021, his dream finally became a reality when he was selected as a revenue officer in the Miami Florida office. Victor’s perseverance demonstrates that by working hard and setting career goals, employees can find long-term career opportunities in various fields at the IRS.

EDI and internal partners...reviewed, added and updated information to internal webpages to ensure language access is provided for the underserved and for taxpayers who are more comfortable communicating in a language other than English.

EDI developed new educational conversation tools for unconscious bias and outreach to various ethnic communities and developed three new multilingual courses for frontline taxpayer-facing employees.

IRS Facilities Management and Security Services

The IRS continued to enhance our security posture at our facilities to meet or exceed federal standards through engagement and training. We enhanced the professionalization of security specialists through the development of an innovative training program that aligned with Interagency Security Committee standards.

Independent Office of Appeals

Appeals is focused on ensuring newly hired employees are well trained and fully oriented into the organization. In Fiscal Year 2021, Appeals held several recruit classes and built a New Hire Training curriculum for internal/external hires based on job series. In addition to the training initiative, we continued to increase our Knowledge Management repository with additional resources and job aids to assist new hires, managers, and on-the-job instructors.

IRS agents help combat deadly fires in Oregon

IRS leadership officials selected agents from around the country to support the initiative. Agents from IRS-CI were placed in different groups to support Federal Emergency Management Agency (FEMA) in Oregon. The agents were assigned to protect FEMA’s Washington Task Force as they conducted Urban Search and Rescue (US&R). The missions involved a body recovery and identification unit at a morgue and protection for a FEMA team assigned to US&R at the 170,000-acre Holiday Farm Fire.
Goal 5

Advance data access, usability and analytics to inform decision-making and improve operational outcomes

The IRS strives to operate more efficiently, provide superior service to taxpayers and their representatives and ensure successful implementation of changes in tax laws. Using analytics, the IRS works continuously to improve our operations, including taxpayer service, enforcement efforts and our internal operations support functions. In FY 2021, the IRS made significant strides in using data analytical tools to improve the taxpayer experience.

Taxpayer Service

Customer Experience Analysis

During FY 2021, the Small Business/Self-Employed unit received 4,116 survey responses to the inaugural 2020 Customer Experience, Expectations and Needs (CEEN) Survey. The survey covered topics such as tax filing, employment taxes, trust with the IRS and needs for compliant tax administration. The survey was designed to help the IRS understand the expectations, needs and preferences of small business owners and self-employed taxpayers. Insights gained were from gig workers, Spanish speaking taxpayers and new small business owners. The survey is groundbreaking for the Service and the results are foundational research for all IRS programs seeking to improve interactions with taxpayers.

The Taxpayer First Act (TFA) provided the IRS with a historic opportunity to transform how we interact with our diverse customer base by shifting to a more taxpayer-centered model. To that end, we created a Comprehensive Taxpayer Experience Strategy that identified ways to make better use of data and analytics to drive compliance decisions and improve the taxpayer experience. To accomplish this, the IRS Chief Data Officer is leading development of a data management strategy that uses agency-wide operating data as well as other federal, state, and publicly available data.

An enterprise data management strategy will bring many benefits, including helping us better identify underserved communities, design focused digital tools and strategies, and offer opportunities for the IRS to launch proactive alerts, resulting in avoidance of unintended tax issues.

Ensuring Tax Return Preparers Comply with Ethical Standards

The Office of Professional Responsibility (OPR) has been delegated authority for matters related to practitioner conduct with exclusive responsibility for discipline, including disciplinary proceedings and sanctions under Circular 230, the regulations governing practice before the IRS. FY 2021 brought OPR to the forefront of change by leading Servicewide projects and enhancing awareness of the office and its essential service to the IRS and tax administration.
During FY 2021, OPR continued working with the IRS’s Research, Applied Analytics and Statistics division (RAAS) to identify potential practitioner misconduct. OPR also continued its efforts utilizing information from the Compliance Data Warehouse (CDW) to query and extract information on practitioners against whom certain penalties have been assessed, along with other data that will assist in identifying the cases most likely to reflect serious violations of Circular 230. The CDW as a referral source is also used to identify potentially serious tax compliance issues by practitioners. The cases opened based on CDW data have been integrated with cases from other sources to ensure the OPR maintains a balanced Circular 230 enforcement program.

Enrolled Agents Renewal Pilot

During the FY 2021 Enrolled Agents (EAs) renewal cycle, we ran a pilot to determine whether improved communication with EAs would result in a higher renewal rate. These agents are required to renew their licenses every three years and roughly one-third of them renew each year. Agents who fail to renew for one three-year cycle are deactivated and the failure to renew for two three-year cycles results in termination from the program. Each year we lose between 5,000 and 7,000 EAs to deactivation or termination. In the pilot, 88 percent of the people in the sample group inactive for one cycle renewed their licenses. The results are strong enough that we will run this pilot again in the FY 2022 renewal cycle.

Improving Data Transparency

The FY 2021 fourth quarter Tax Stats release of Tax Year 2018 sample-based estimates from corporate tax filers represents the culmination of an extensive redesign of over 25 statistical tables. This was the first major redesign in more than 40 years. The FY 2021 fourth quarter Tax Stats data release relating to major international tax provisions under the Tax Cuts and Jobs Act (TCJA) marks the first public access to Tax Year 2018 data. These new tax rules led to three new IRS tax forms. The July 2021 publications reflect an accelerated release made possible through a collaborative effort within IRS to extract data from image-only taxpayer forms into an electronic database accessible to compliance and research staff simultaneously. The release of data involved: Tax on Base Erosion Payments of Taxpayers with Substantial Gross Receipts (Form 8991, new IR Code Section 59A), U.S Shareholder Calculation of Global Intangible Low-Taxed Income (Form 8992, IR Code section 951A), and the Section 250 Deduction for Foreign-Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI).

Enforcement Efforts

The IRS continues to make significant strides in using data analytics to efficiently and effectively identify criminal activity for investigation. In FY 2021, we applied data analytics to formulate a Strategic Assessment Tool. This tool helps the IRS’s Criminal Investigation Division (IRS-CI) and other entities determine the top metro areas that pose the highest level of risk in tax crimes and financial fraud schemes. The methodology allows mission critical resources to be more efficiently allocated and risky trends to be identified. It also increases decision-making confidence. IRS-CI also developed a data model that allowed it to identify more COVID-19 fraud by individuals and groups. This model cross-referenced data from Form 7200, Advance Payment of Employer Credits Due to COVID-19, with other data related to employer relief, including Payroll Protection Program (PPP) and Economic Injury Disaster Loan information to identify individuals filing false Forms 7200 and/or Forms 941, Employer’s Quarterly Federal Tax Return, claiming employee retention credits.

Identifying High-risk Areas of Noncompliance

The IRS continually seeks to advance data and analytics to drive decisions in identifying and addressing existing and emerging high-risk areas of non-compliance, and how to best apply
resources. During FY 2021, our examination and research divisions partnered on data-driven approaches using historical examination results and return data to select work based on measurable criteria.

Access to new visualization tools, which are becoming an industry standard, is being provided to our managers and analysts to make it easier to identify opportunities to enhance our operations. We continued efforts to incorporate the use of automated technologies such as Robot Process Automation to improve process efficiencies in workload selection.

The IRS compliance operations worked collaboratively with our RAAS office to leverage data in the identification of promoter connections within the syndicated conservation easements. Additionally, we successfully piloted a program in support of improved data analytics for ongoing compliance cases.

**Internal Operations**

**Human Capital Business Processes**

The IRS continues to apply technology solutions for improving business performance and supporting strategic, data-driven decision making across the enterprise. Research efforts continue to identify automation tools to promote effective and efficient program management and service delivery.

Several human capital technology solutions are outlined below:

- We strengthened partnerships with the Department of Treasury to better utilize the Enterprise Data Management system, which organizes data from disparate systems to provide consolidated analytics and reporting.
- We began migration of Individual Retirement Account (IRA) examinations to the Enterprise Data Management system, which organizes data from disparate systems to provide consolidated analytics and reporting.

The IRS adopted a framework to standardize the approach for governing and improving its corporate human resources architecture by assessing various human capital management programs to identify gaps in our internal processes to improve service delivery. Steps were also taken to launch a robust process improvement effort known as Human Capital Process Management that provides a consistent approach to understanding, managing and improving the IRS human resource delivery processes.

**IRS Digitalization Strategy**

The IRS is moving forward with our digitalization strategy. The strategy allows flexibility within inventory management, electronic workflows, and business continuity. Benefits include new digital channel options that enhance the portability of work and leverage resources across the Service. Additionally, the strategy allows for seamless access to taxpayer imaged cases without additional burdens on the taxpayer to provide documents. This transparency reduces risk for both taxpayers and the IRS.

The IRS continues to explore opportunities to expand portability of inventory through digitalization efforts which include scanning capabilities and electronic case management workflows. The digitalization strategy includes both short-term and long-term solutions. In March 2021, we initiated a Documentation Upload Tool pilot for the Automated Questionable Credit inventory. This tool is a fast-paced development for a new digital channel to provide the taxpayer with an option to

We created a Comprehensive Taxpayer Experience Strategy that identified ways to make better use of data and analytics to drive compliance decisions and improve the taxpayer experience.
upload their responses to IRS.gov using their PC or mobile device, in lieu of responding by mail or eFax. The tool will be introduced in phases and subsequent iterations are planned to expand into additional workstreams.

**Remote Operations Pilots and Virtual Offerings**

The Continuing Education team has begun storing historically printed case files on a shared drive, allowing employees unable to access the physical files at the office to obtain them by accessing the shared drive. This increased employee efficiency and reduced printing and storage costs.

We successfully relocated the IRS Preparer Tax Identification Number (PTIN) Customer Contact Center due to pandemic building closures. We also instituted the first-ever remote operations pilot for approved PTIN Customer Service Representatives to securely handle account specific phone calls in remote locations to ensure the continuity of operations.

Enrolled Actuaries are required to obtain no less than one-third of their total continuing education hours for each three-year enrollment cycle by participating in a program in the same physical location with at least two other participants engaged in substantive pension service. In August 2020, the Joint Board for the Enrollment of Actuaries, in conjunction with Chief Counsel, provided temporary relief from this program requirement by allowing virtual classes for the current enrollment cycle ending December 31, 2022. We are now working to formally amend the program requirement before the next enrollment cycle. This amendment will have a major effect on whether future programs will continue virtually or resume with in-person instruction.

**Data-driven Enhancements to Procurement Operations**

Where FY 2020 was considered to be a year of heroic response to the pandemic, FY 2021 has resulted in transformative changes to the adaptability of the Federal space, improving the ability to carry out the multitude of missions critical to the operation of government during future crises. Strategically, the Office of the Chief Procurement Officer (OCPO) developed dashboards, enhanced analytical and reporting services, and conducted tailored data literacy training.

Significant progress has been made in efficiency and effectiveness to summarize large volumes of information, enable data-driven decisions, and enhance ability to forecast milestones related to IRS strategic goals and objectives. Progress includes:

- IRS business unit procurement customers now have capabilities to search acquisition related shopping cart and/or contract information.
- Internal executives, managers, contracting officers/specialists and analysts can search/track current fiscal year requirements and contracts to provide updates to IRS business unit procurement customers.

This progress has allowed the incorporation of technology skillsets and competencies in two key areas:

- The hiring and professional development of employees with skills in data engineering, visualization, robotic process automation, machine learning and network analysis.
- The development of time-saving robotic process automation (referred to as Bots) that perform repetitive procurement and financial tasks.

OCPO also began using a Bot that uses intelligent automation to ensure that information in contract documents and databases is accurate and aligned. Use of this Bot is in response to the Data Accountability and Transparency Act of 2014 mandate that requires federal agencies to be more transparent about, and provide the public with, more reliable data on contracts, grants and other aspects of federal financial management activities. The Bot specifically provides novel capability to extract information from heterogenous contract documents and ensure the corresponding database reports, made public via USASpending.gov, contain information that is consistent and
PUTTING TAXPAYERS FIRST

IRS PROGRESS UPDATE FY2021

In the first quarter of FY 2021, we reviewed and updated SharePoint feedback on the advance monthly payments of the Child Tax Credit that have also tracked feedback related to Economic Impact Payments (EIP). This two-month delay caused by new data entry inputs related to the first round of Economic Impact Payments (EIP). This year when the EIP 3 was authorized under the American Rescue Plan Act, we worked quickly to implement the fix on the first day that EIP 3 was disbursed. This ensured that taxpayers’ ability to access their balance data and our associated performance metrics were not impacted beyond that one day.

In addition to this proactive monitoring, the IRS reviews analytics and taxpayer feedback following the release of any new OLA features to evaluate how users interact with them. Following the launch of digital notices in OLA in November 2020, we found that the messaging used for that feature did not meet user expectations. The tab was called “Message Center,” and based on reviews and feedback from taxpayers, we tested alternative names for this feature and updated it in June 2021 to “Notices and Letters.”

Appeals Survey

In FY 2021, Appeals updated the FY 2022 survey to be a just-in-time Census survey slated to start November 2021. In prior years, Appeals was only able to survey a small sample of taxpayers and representatives, which could limit the usefulness of the survey. With the revised FY 2022 methodology, each taxpayer will receive a survey with the letter from Appeals informing them of the decision made in their case. Appeals believes a more current and larger number of surveys will be completed, providing better data to determine how well we are doing our job. Additionally, Appeals is programming a platform to be implemented with proactive chat capabilities - an Artificial Intelligence (AI) Bot - for taxpayers and their representatives.

accurate. Using technology, such as Bots, OCPO is demonstrating to Congress and the American public a strong commitment to providing high quality data and transparency on government spending.

The Projected Contract Award Date WebApp, launched this year, provides unprecedented visibility into when dollars are likely to be obligated on specific contracts. The WebApp applies a robust ensemble machine learning approach to predict contract award timeframes using data from the agency’s financial system. Further, contract-level award forecasts will drive more efficient contract execution rates that help us meet our goal of obligating 92% and 99% of funds by August 31 and September 30 respectively.

IRS.gov and Digital Service Improvements

The IRS continuously reviews, synthesizes, and shares analytics from our website to inform business owners, product managers and communicators of user activity and feedback. In FY 2021 we continued to track user feedback related to Economic Impact Payments and have also tracked feedback on the advance monthly payments of the Child Tax Credit that began in July 2021.

In the first quarter of FY 2021, we reviewed and updated SharePoint Investment Knowledge Exchange performance metrics for taxpayers’ IRS Online Accounts (OLA) that are provided annually to U.S. Department of Treasury. One of these metrics is the percentage of visits where taxpayers can view their cumulative balance due, which is shown on the home page when users log into OLA. In FY 2021, the IRS reduced the delay time that taxpayers encountered in viewing their accounts in 2020 – a two-month delay caused by new data entry inputs related to the first round of Economic Impact Payments (EIP). This year when the EIP 3 was authorized under the American Rescue Plan Act, we worked quickly to implement the fix on the first day that EIP 3 was disbursed. This ensured that taxpayers’ ability to access their balance data and our associated performance metrics were not impacted beyond that one day.

Great news! This is a savior! It works with my @MicrosoftEdge browser and I have fully tested it by actually submitting one. This is a long sought-after function! What a god send!
Goal 6

Drive increased agility, efficiency, effectiveness and security in IRS operations

The IRS continues working to streamline, simplify and modernize our operations, in order to both enhance the taxpayer experience and ensure sound financial stewardship of the resources we are given. We also realize an increased reliance on technology creates the need for increased security, both physical and digital, to protect IRS employees and taxpayer information from threats. The IRS understands our responsibility to safeguard taxpayer and IRS data, particularly given the growing incidence and sophistication of cyber and identity theft. The IRS remains dedicated to maintaining the physical and digital security of our systems, enhancing internal controls, managing risk, and upholding accountability across the agency.

Modernization

Integrated Business Modernization Plan

The IRS made significant progress delivering on the commitments in our Integrated Business Modernization Plan, as well as the fundamental responsibilities to deliver and protect the solutions and services that support the nation’s tax system. Although we did not receive the full amount of funding requested for modernization, we continued making many of the improvements envisioned in the plan, and in FY 2021 we delivered 31 modernized capabilities. These included

Managed Infrastructure and Data Services is transforming IT’s infrastructure

Enterprise Operations recently awarded the Managed Infrastructure and Data Services (MIDS) contract in early May. MIDS will seamlessly provide efficient, cost effective, secure and highly reliable storage (server and mainframe) and compute infrastructure services for all IRS business entities and taxpayers without which IRS could not perform its mission. This infrastructure is the foundation of the majority of IRS computer systems.

Enterprise Case Management

In FY 2021, the IRS Enterprise Case Management (ECM) Initiative implemented an enterprise solution for performing case management functions utilizing a common infrastructure platform to reduce long-term cost. The IRS has made tremendous progress thanks to the extraordinary effort, engagement, and commitment to move forward despite delays experienced in acquisition of the product and the global pandemic.

The IRS pivoted from setting up the foundational technology required for the cloud-based system to rapidly modernizing business processes and migrating business users from across the agency onto the platform in FY 2021. We successfully enabled two business units to begin processing live cases in a modern and fully digital environment. At the beginning of the fiscal year, we were working on one process at a time, but we have scaled up to working on multiple processes in different stages of development in parallel. We currently have 12 processes in different stages of ECM migration - with more business unit migrations expected over time. The IRS takes
tremendous pride in these accomplishments and is well positioned to accelerate in the future.

Another early adopter of ECM to modernize its technologies and systems was the Office of Professional Responsibility (OPR). By migrating onto the ECM platform, OPR will be able to produce reports faster, reduce manual work and route cases quickly and properly. These enhancements will improve the digital experience to simplify and enhance the OPR's operational efficiency.

**Electronic Form Filing**

The first phase of implementation of the electronic Form 1040X, Amended U.S. Individual Income Tax Return, was met with excitement from the IRS's external partners. For the 2021 filing season, taxpayers were able to electronically file Forms 1040-X for tax years (TY) 2019 and 2020. Taxpayers were able to file an amended 1040 return electronically (through Modernized e-File) if their original 1040 return was filed electronically.

**Digital Signatures**

While continuing under an evacuation order due to COVID-19, the IRS, during FY 2021, used technology to assist in providing taxpayers quality service. For example, our Privacy, Governmental Liaison and Disclosure (PGLD) division supported efforts to provide temporary relief from physical signature requirements by permitting our employees to accept documents via email with a scanned, photographed or digital signature and transmit documents to taxpayers using approved secured messaging systems. While signatures received in these emailed documents may not comply with IRS electronic signature policy, PGLD approved a limited-time exception to allow acceptance of these signatures for certain tax forms and on documents related to the determination or collection of tax liability to improve customer service in light of the COVID-19 pandemic. The IRS also established and extended a temporary change allowing the approval period to deviate from Information Document Request (IDR) enforcement procedures for taxpayers who are unable, due to the COVID-19 pandemic, to respond to an IDR on time.

**Taxpayer Digital Communications**

After operating as a pilot program for several years, the Taxpayer Digital Communications (TDC) Program Office was formally established in December 2020. TDC leverages commercial-off-the-shelf (COTS) software to provide technologies the IRS can quickly leverage to establish secure and efficient digital communications with taxpayers. Projects for FY 2021 included expansions to existing installations, a platform upgrade, new platform-wide features, and several new installations. TDC currently has 11 installations available to the public, including Automated Collection System (ACS) Live Chat. In 2020, ACS Chat expanded to eight ACS call sites. This fully scaled installation offers chat deflection, unauthenticated chat, authenticated chat with attachments, and in FY 2021 reached an eligible user base of more than 100,000 taxpayers. ACS customer service representatives reached one million completed chats by the end of June 2021, with a customer satisfaction rating of 4.2 out of 5 stars.

Secure messaging reduces the need for phone calls and mailing documents, allowing an examination to be completed in a much more efficient and effective manner. In January 2021, the IRS used TDC’s secure messaging capabilities to provide a new online option that helps tax professionals electronically submit Form 2848, Power of Attorney and Declaration of Representative and Form 8821, Tax Information Authorization, and allows for electronically signed forms, so that the taxpayer and tax professional do not have to be in the same physical location. This new offering had 100,000 submissions in the first 100 days after launch. Throughout FY 2021, feedback received by the IRS from tax professionals has remained overwhelmingly positive regarding this TDC capability.

The best way to avoid errors is to file your tax return electronically. The tax software does the math, flags common errors and prompts you for missing information. Find out more on IRS.gov: https://go.usa.gov/xscTA
PUTTING TAXPAYERS FIRST: GOAL 6

Secure messaging reduces the need for phone calls and mailing documents, allowing an examination to be completed in a much more efficient and effective manner.

TDC continues to be a high-priority initiative in the Small Business/Self-Employed (SB/SE) division to further improve the ability to communicate with taxpayers using digital channels, such as secure messaging. In early FY 2021, SB/SE Examination expanded its use of TDC secure messaging with a pilot program in the Automated Underreporter (AUR) unit in Austin, Texas. As of late June, AUR had welcomed 807 taxpayers into the TDC program and received 23 customer satisfaction responses, with an overall satisfaction of 4.37 on a scale of 1 to 5.

The IRS implemented electronic case files in SB/SE Field Exam for use throughout the audit cycle (case selection, examination, and processing/closing). The implementation of electronic case files is expected to increase efficiency with IRS income tax audits through immediate movement and retrieval of case files. On the employment tax front, the IRS is developing robotic automations to calculate certain tax assessments. The program will also use robotics to enforce compliance for non-filed employment tax returns by either securing valid returns or filing employment tax returns on behalf of the taxpayer. 

Enrolled Actuary Experience Certification

The IRS has converted the Enrolled Actuary Experience Certification from a Word document to a fillable PDF format. The certification is used to verify the experience reported by an applicant on his/her Form 5434, Application for Enrollment. Previously, we used first-class mail to send the certification to the applicant’s current and former supervisors, and it took a minimum of two to three weeks to receive a response. With the current process, certifications are sent via secure email to the supervisors, and responses are often received in two to three days, allowing us to complete the application process more quickly. We also converted certain commonly used letters that do not contain Personally Identifiable Information to PDF format, such as the enrolled actuary renewal and enrollment letters, and can email them in lieu of using first-class mail.

Digital Records Management

During FY 2021, the IRS worked to address an Office of Management and Budget (OMB) and National Archives and Records Administration (NARA) requirement to ensure that all federal records are created, retained, and managed in electronic formats, by developing a Digital Recordkeeping Modernization Strategic Plan. Our strategy outlines our approach to digitizing paper records and describes the goals to reduce paper volume and increase access to and management of digital data.

Electronic Exam Process

As a follow-on to the electronic case processing efforts of FY 2020, the Tax Exempt and Government Entities Organization (TEGE) implemented a new exam process which streamlined operations and improved the taxpayer experience. The new process transitioned operations to a fully electronic platform, eliminating redundant and unnecessary forms and procedures, consistently using certain codes and developing a systemic issue-tracking method to provide real-time feedback on exam results. Through improved data capturing, TEGE reduced burden to employees, managers, and taxpayers, and met its goal of applying increased data access,
usability, and analytics to inform decision-making and improve operational outcomes.

TEGE continued to focus on increasing efficiency by implementing electronic filing of Form 5310, Application for Determination upon Termination (used by employee plan sponsors when shutting down a plan) and Form 5500-EZ, Annual Return of a One-Participant Retirement Plan or a Foreign Plan. TEGE also continued to streamline processes by eliminating unnecessary workpapers and processes and modifying procedures to empower decision making by managers and employees. TEGE has improved the process for drafting and approving closing agreements by allowing frontline and senior managers to process these agreements.

**Robotics Processing Automation Tools**

The Office of the Chief Procurement Officer (OCPO) continued to make headway developing for the case for using “bots” (short for robot.) The Contractor Responsibility Bot makes it easy to vet how responsible prospective contractors are, by searching government websites and then emailing the requester a summary report on a prospective vendor. This vetting is essential to comply with Federal Acquisition Regulation Subpart 9.1 and ensure that contractors supporting critical IRS programs are not debarred, delinquent in debt owed to the Government, or have a track record of unsatisfactory performance. The new Personal Services Contract Bot addresses the time-consuming and tedious task of referencing previous and current contract modification documents and uses the data to create a new modification document for an operational team that supports Treasury’s Personal Services Contract requirements. This innovation augments additional auto-modification tools created and launched within the Integrated Financial System/Procurement for Public Sector (IFS/PPS) procurement system.

Another use of robotics at the IRS during FY 2021 involved Certified Public Accountant credential verification. The IRS conducted a Robotics Process Automation (RPA) pilot that included a total of nine states, representing 50% of the CPA population, and validated CPA credentials for accuracy before including them in a directory made available to taxpayers. The CPA automation rate is currently 80% and accuracy measurement is 99%. The pre-screening tool eliminates time and effort to manually review approximately 62% of CPA credential verification cases annually, corresponding to 3,200 to 6,300 hours saved.

**Identity Protection – Personal Identification Number (IP PIN)**

In January 2021, the IRS launched alternative methods for underserved communities to obtain an Identity Protection Personal Identification Number (IP PIN) if they were unable to use the Get an IP PIN web application. The IRS issued 441 IP PINs to individuals who submitted Form 15227, Application for an IP PIN, and underwent an in-person IP PIN authentication process at a Taxpayer Assistance Center (TAC). In addition, the IRS has assisted 1,325 taxpayers seeking to enroll into the IP PIN Opt-in Program during their visit to their local TAC and re-issued more than 2,600 taxpayers their current IP PIN by sending the taxpayer a letter containing the IP PIN following their TAC visit.

**TAC Virtual Service**

During FY 2021 the WebSD pilot captured the necessary data to help determine the needs and demand for virtual service in our TACs. Through May 31, 2021, 1,486 appointments were successfully completed with good audio and video. While results from the test show that many of our TAC services can be provided virtually, technology upgrades will continue to ensure sustainability to provide this service.
Physical security

During FY 2021, the IRS consistently assessed security at all facilities and ensured full compliance with federal government standards established by the Department of Homeland Security and Interagency Security Committee. Our team of security professionals maintained continuous and effective engagement with intelligence sources to obtain and share information regarding civil unrest, new emerging threats, and/or events requiring heightened security measures. Our security professionals ensured interim measures were implemented where warranted and provided awareness information within the IRS community.

The IRS worked diligently to implement a new physical security strategy, which included the accomplishment of four goals:

1) Provide security related tools, training, mechanisms, and processes to improve workforce effectiveness, agility and retention.

2) Implement and monitor the effectiveness of physical security policies, procedures, and internal controls by crafting effective management tools to ensure appropriate monitoring of all aspects of the physical security programs.

3) Distinguish and recognize varying levels of security related performance and ensure employee accountability.

4) Coordinate among all the functional areas involved in physical security.

The enhancements provided the vision necessary for managers to quickly evaluate status, identify and prioritize areas of concern, and communicate to those needing to act and resolve issues promptly. These security-related improvements reduced burden, enhanced monitoring efficiency, and increased data reporting reliability of security programs for program owners and managers.
The Taxpayer First Act (TFA), signed into law in July 2019, provided the IRS with a historic opportunity to transform how we interact with our diverse customer base by shifting to a more taxpayer-centered model. The Act was designed to put taxpayers first and improve service while ensuring the IRS continues to enforce the tax law in a fair and impartial manner. The TFA consists of 45 provisions, including specific mandates to improve the taxpayer experience.

In the first quarter of FY 2021, the IRS held multiple listening sessions with taxpayers and stakeholders, including tax professionals, advisory councils, other governmental tax entities, and others in the tax community. We also held multiple listening sessions with IRS employees and conducted extensive research and analysis. The feedback and insights from these sessions helped develop the long-term vision and recommendations.

In January 2021, we delivered the **Taxpayer First Act Report to Congress**, a comprehensive set of recommendations to reimagine the taxpayer experience, enhance employee training and restructure the organization to increase collaboration and innovation. The report introduced three integrated sets of recommendations required by the law and recognized as major improvement strategies, including:

- **A taxpayer experience strategy that** focuses on creating a proactive, convenient, seamless, personalized and effective interaction with taxpayers and the tax professional community.
- **A comprehensive training strategy that** employs a multi-faceted approach to empower the workforce and equip them with the skills and tools they need to advance their careers, provide high-quality service to taxpayers and enhance the taxpayer experience.
- **A recommended organizational design** that will increase collaboration, coordinate strategic implementation of large-scale initiatives, enhance innovation, strengthen communication and prioritize taxpayer rights, all with the aim of improving the taxpayer experience.

These recommendations lay out a vision to revolutionize tax administration in our country for the 253 million citizens who interact with the IRS annually, and ensure that the $3.6 trillion of federal revenue that the IRS collects annually will continue. By developing these three strategies together, we’ll train and empower IRS employees to deliver exceptional taxpayer service within a more efficient organizational structure. Throughout the report, we focus on consistent themes of improved technology, seamless service and access for all taxpayers. Some components of this 10-year strategy are already in place, and we’ll begin to implement more in the next year and do as much in the future as the budget permits. The report also acknowledged the need for more discussion, debate and development in order for the vision of the IRS to become reality. It was a starting place for what’s to come and where we want to go and provided a basic framework.

Along those lines, we made significant strides during FY 2021 on this path to transform the IRS into a more user-friendly, digital organization accessible to all taxpayers – regardless of location, occupation, educational level or language proficiency. The IRS has implemented all but six of the 45 TFA provisions and made significant progress outlining the plans necessary to implement such dynamic and wholesale organizational changes. This is no small feat, as most of the implementation activities occurred during the COVID-19 pandemic and required consistent, rigorous and dedicated teamwork across the Service.

We reviewed and prioritized the long-term strategic recommendations to outline how we are structured, how we operate and how we make progress with constrained resources. We appointed the first-ever **Chief Taxpayer Experience Officer** and, while outlining the design for the new Taxpayer Experience Office, we initiated several activities toward implementing the Taxpayer Experience Strategy. Following
the Report to Congress, we developed an initial Taxpayer Experience Strategy Roadmap that highlighted our progress in implementing the strategy and areas where the IRS intends to focus over the next few years, aligned with emerging taxpayer experience trends and other priorities.

We also began implementing the Comprehensive Training Strategy, which will further develop employee skillsets, improve job satisfaction, increase productivity, enhance knowledge transfer between employees and foster innovation. Taxpayer First training will equip IRS employees with working knowledge of the Taxpayer Experience Strategy, taxpayer rights and organizational awareness. Through continuous learning and innovative technological training tools, combined with feedback from employees, we will drive toward the eventual stand-up for the IRS University.

Taking the lead from the TFA provision codifying its role, the Independent Office of Appeals amplified outreach to further educate taxpayers and practitioners about the appeals process. In the midst of the pandemic, Appeals continued to deliver on its mission of resolving tax disputes fairly and impartially by expanding the availability of virtual taxpayer conferences, accelerating the implementation of paperless case processes and significantly increasing the number of employees eligible to telework. As required by the TFA, Appeals also timely provided taxpayers with electronic copies of certain case file materials upon request. In the end, Appeals brought on more than 285 new taxpayer-facing employees (appeals officers, settlement officers and Appeals Team Case Leaders), responded to more than 1,500 case file requests, and resolved more than 66,000 tax disputes in FY 2021. Moreover, Appeals continues to lead the Agency’s efforts to use video technology to enhance taxpayer service.

Another important step we took in FY 2021 was transitioning our TFA Office to the IRS NEXT Office to implement the Organizational Redesign Strategy. To address attrition and budget increases tied to reducing the tax gap, the IRS launched a “Servicewide sprint” to focus on redesigning compliance functions to meet current business objectives while simultaneously preparing to recruit, hire and train thousands of new employees. The “sprint” is led by the IRS NEXT Office, which also initiated research, analysis and listening sessions to ensure that current and new employees will have the resources and support needed to successfully achieve the IRS mission.

While we made significant strides this past year, our work is far from done. It will take everyone’s continued effort and significant financial investment from Congress to deliver what taxpayers and the tax community have requested.

We’re committed to ensuring that our programs and services are accessible to all our customers, fairly and impartially, with emphasis on reaching traditionally underserved communities. We can and will accomplish all of this and more in partnership with Congress, taxpayers, tax professionals and other stakeholders.

The TFA gives us the opportunity to shape our future and rethink the way we operate. In particular, the way we interact with taxpayers, the way that we train our employees, and the way we structure our organization are important foundations for our future success.
Looking to the Future — Fiscal Year 2022

As you’ve seen in the pages of this report, the IRS once again delivered for the nation in 2021, thanks to the exceptional hard work of our employees in every part of the agency, during one of the busiest years we’ve ever experienced. They answered the call on many urgent priorities – providing financial relief to the nation during COVID-19, delivering another extended filing season, enforcing the tax laws and keeping the tax system running.

Whether responding to a crisis or fulfilling routine responsibilities, the work we do for taxpayers each day illustrates the importance of every American to the IRS, and the importance of the IRS to every American. But we want to do more. As we move forward, our efforts will be focused on improving our service to taxpayers and the tax system in every area. Along the way, we will work hard to ensure we have the trust and respect of the taxpayers we serve and others who interact with us. To accomplish this, we will always exercise our best efforts on behalf of the American people.

Looking to the future, for the IRS to be successful, we must continue to measure the value of taxpayer services through the eyes of the taxpayer. We will continue striving to put taxpayers first and enhance their experience through improved tools, education, guidance and outreach. We will remain focused on assisting historically underserved communities, including underrepresented, lower-income and limited English proficiency taxpayers. In these and many other ways, we view our efforts through the experience of those we proudly serve.

A critical component of our future efforts will be the ongoing work to modernize our systems. We will continue to implement the IRS Integrated Business Modernization Plan, which has guided our efforts in this area since we issued it in 2019. We will continue to deliver capabilities that enhance every perspective of the taxpayer experience. Taxpayers have a right to expect, and we want to deliver, the same kind of cutting-edge services they are used to receiving from their financial institution or online retailer.

Going hand-in-hand with modernization, the critical work we will be doing as part of IRS NEXT in the months and years to come will provide across-the-board service improvements in a cost-effective manner, for taxpayers and tax professionals alike. Making it quicker and easier for taxpayers to file a return, answer a notice from us or pay a tax bill improves tax administration and makes the tax system run more efficiently, which helps everyone.

Our ultimate goal, of course, is to do a better job of serving taxpayers and the nation, and IRS NEXT will be the catalyst that allows us to achieve this goal. Since the IRS interacts with more Americans than nearly any other public or private organization, it’s vital that we continue to improve in every aspect of our operations. The taxpayers we serve deserve nothing less.

Next year will be important for our future planning efforts for another reason. During FY 2022, we will unveil a new strategic plan for the agency, covering the years 2022 through 2026. As in the past, our strategic plan will serve as a roadmap to help guide the agency’s programs and operations. It will lay out a vision of ways to help improve our tax system and meet the changing needs of taxpayers and members of the tax community.

We remain confident the IRS will continue to deliver for our country, just as we have during other times of national urgency. We will continue striving to meet the challenges ahead with innovation and dedication. And we look forward to continuing this journey together with taxpayers and our partners in the tax community, whose ongoing support has been critical to our success. The entire IRS workforce is committed to working hard, doing our best and doing the right thing for America’s taxpayers — now and in the future.

– Commissioner Chuck Rettig
– Deputy Commissioners
Doug O’Donnell and Jeffrey J. Tribiano
The IRS provides services to various communities, including historically underserved and outreach. We will remain focused on improving tools, education, guidance, and enhancing their experience through continued focusing on putting taxpayers first through the eyes of the taxpayer. We will measure the value of taxpayer services and ensure we have the trust and respect of the taxpayers we serve and others who interact with us. To accomplish this, we will always exercise our best efforts on behalf of the American people. To taxpayers and the tax system in every part of the agency, during one of the busiest years we've ever experienced. They answered the call on behalf of the American people.

Whether responding to a crisis or keeping the tax system running, during the COVID-19 pandemic, delivering another extended financial relief to the nation during many urgent priorities - providing experienced. They answered the call on behalf of the American people.

As you've seen in the pages of this report, the IRS once again delivered for the taxpayers we serve and others who interact with us. To taxpayers and the tax system in every area. Along the way, we will work hard to taxpayers and the tax system in every aspect of our work. Whether responding to a crisis or keeping the tax system running.

The entire IRS workforce is committed to working hard, doing our best and doing the right thing for America's taxpayers – now and in the future. The taxpayers we serve deserves nothing less. The IRS is the most accessible tax agency in the world, delivering services to more Americans than nearly any other public or private organization, it's vital that we continue to improve in every aspect of our organization, it's vital that we continue to improve in every aspect of our organization.

As we move forward, our efforts will be focused on improving our service to working hard, doing our best and doing the right thing for America's taxpayers – now and in the future. The taxpayers we serve deserves nothing less. The IRS is the most accessible tax agency in the world, delivering services to more Americans than nearly any other public or private organization, it's vital that we continue to improve in every aspect of our organization.

Going hand-in-hand with modernization, the IRS will continue to deliver for our country, just as we have during other times of national urgency. We will continue to deliver the critical work we will be doing as part of IRS NEXT in the months and years to come will provide across-the-board improvement to working hard, doing our best and doing the right thing for America's taxpayers – now and in the future.

As you've seen in the pages of this report, the IRS once again delivered for the taxpayers we serve and others who interact with us. To accomplish this, we will always exercise our best efforts on behalf of the American people. To taxpayers and the tax system in every part of the agency, during one of the busiest years we've ever experienced. They answered the call on behalf of the American people.

Whether responding to a crisis or keeping the tax system running, during the COVID-19 pandemic, delivering another extended financial relief to the nation during many urgent priorities - providing experienced. They answered the call on behalf of the American people.

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