



IRS Future State

The Path Traveled and the Road Ahead

Working Draft – December 2016



What is the IRS Future State

The Future State envisions a more proactive and interactive relationship between taxpayers and IRS employees to improve taxpayer service, enforcement and operations.

- The Future State builds on efforts that began in 2014 with the development of taxpayer segment-based concepts of operation to address changing taxpayer expectations and growing tax administration challenges. These efforts have been synthesized into enterprise-wide themes and goals.
- The Future State describes how the IRS envisions interacting with taxpayers and their representatives in a more timely and open manner by:
 - understanding and meeting taxpayer needs; and
 - deterring, detecting and resolving non-compliance;
 - thus promoting voluntary compliance.
- By providing more proactive assistance to taxpayers through expanded service options, IRS will better meet service demand across all channels while being able to focus enforcement resources on those who are intent on noncompliance or tax evasion.
- The Future State builds iteratively on multiple ongoing efforts to transform technology, communications, processes and skills. It provides direction and context for IRS investments and allocations. The pace will be predicated on our ability to address resource, dependency and sequencing challenges.
- As an ongoing effort, the Future State will continue to incorporate perspectives from employees, taxpayers, tax professionals, partners and other stakeholders.



Why we are doing this

The world is changing in how people do their business and interact with one another. We need to **look to the future in a more comprehensive way** and consider how we can take advantage of advances in technologies and communications to improve both the taxpayer and employee experience.



RESPONDING TO EVOLVING TAXPAYER EXPECTATIONS

Taxpayers increasingly expect the same interactive online communications they use with their banks, brokers and retailers. The IRS shares taxpayers' interest in expanding service options to help meet taxpayer demand through their preferred channels, including online, telephone, in person or in writing.



MANAGING INCREASING COMPLEXITY

The Federal tax system is complex for the IRS, the taxpaying public and tax professionals. Tax credits, especially refundable ones, extend the tax system beyond collecting the proper amount of tax into benefits administration. New laws and credits expand the IRS's mission, often without additional funds or resources.



COMBATTING NONCOMPLIANCE, EVASION, IDENTITY THEFT & REFUND FRAUD

The increased frequency and sophistication of tax evasion, identity theft and refund fraud threaten the credibility of the entire tax system as well as commerce both domestically and internationally. Addressing emerging noncompliance issues with finite resources will require better use of information and analytics, and partnerships with other stakeholders in the tax ecosystem.



COPING WITH LIMITED BUDGETS

Prudent planning and investment are essential following over five years of seriously constrained budgets that have taken a toll on IRS taxpayers, employees, systems, processes and performance. Stopgap measures have undermined employee morale and increase maintenance costs that crowd out service levels, enforcement coverage and critical infrastructure investments.



INCORPORATING KEY STAKEHOLDERS' PERSPECTIVES

Taxpayers, tax professionals and IRS employees and partners all have valuable insights about how tax responsibilities can be more easily satisfied through advances in communications, technology, information sharing and other means. The IRS welcomes both internal and external stakeholder views that will be instrumental in refining the envisioned Future State .



What we are trying to accomplish

Strategic efforts from across the IRS yielded six common themes that describe how the IRS will operate in its Future State.

1

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

2

Understand noncompliant taxpayer behavior, and develop approaches to deter and change it

3

Leverage and collaborate with external stakeholders

4

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

5

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

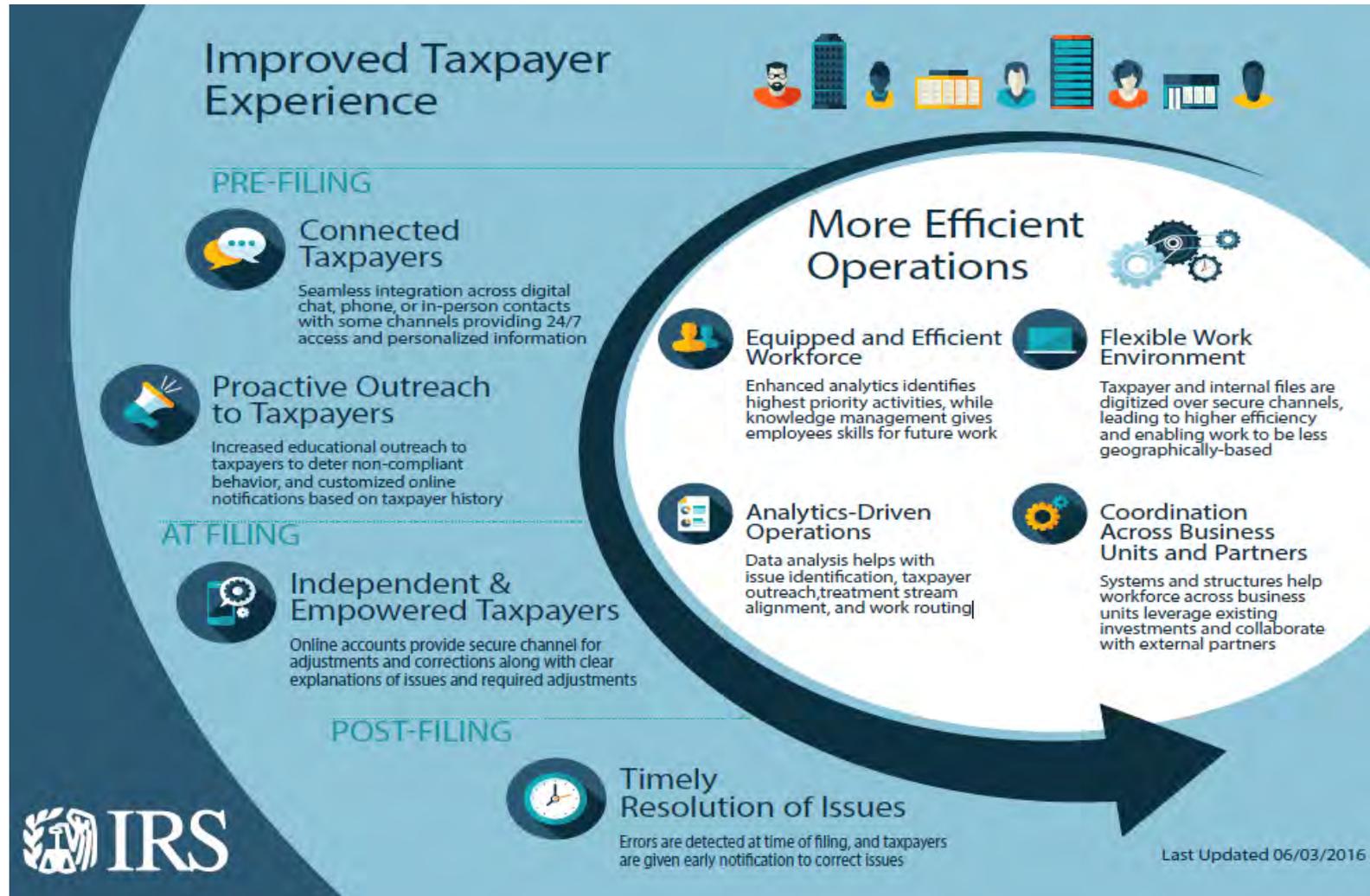
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Drive more agility, efficiency and effectiveness in IRS operations



What Future State means for taxpayers and employees

The Future State will improve the taxpayer experience throughout the tax lifecycle, equip employees and deliver more efficient IRS operations.





How we will assess progress

Enterprise goals that build on the enterprise themes are being developed to guide us and measure our progress.

Goal*	How the goal leads to the Future State
1 X% of compliance issues resolved within one year of filing	Improves the taxpayer and employee experience by condensing the compliance lifecycle and initiating it closer to the time of filing
2 X% of account actions self-assisted	Provides taxpayers with information and tools to identify and resolve errors themselves without the need for IRS interaction
3 X% of tax account interactions through the most efficient channel	Improves service effectiveness for both the taxpayer and IRS employee by enabling and encouraging taxpayer contacts through more efficient channels appropriate for the service needed
4 X% of taxpayers with recurring compliance issues	Earlier identification and resolution of noncompliance issues and better understanding of noncompliance prevention through behavioral analytics
5 X% of employees “engaged” in their work	Improves the employee experience and optimizes the workforce through greater data-centric support, tools, skill development and processes
6 X% of taxpayers satisfied with the IRS	Improve taxpayer satisfaction by strengthening trust in the IRS, increasing ease of compliance and providing quality customer service
7 Enable more agile and efficient business operations (pending)	Improves the employee and taxpayer experience by more efficiently using finite resources, skills, systems, processes, space and data and analytics

* Goals are under development; percentage targets will be established based on current performance and future potential.



What capabilities are needed to advance the Future State

Capabilities include investments in people, processes and systems to improve taxpayer interaction as well as strengthen our underlying foundation for employee performance.

	Capability	Goals Supported
Operational	 Taxpayer Self-Assistance Deliver reliable and secure self-service capability	Self-correction Customer satisfaction
	 Taxpayer Engagement Deliver high-value taxpayer experience across all channels	Efficient channel Customer satisfaction
	 Issue Orientation Apply issue-driven approaches across taxpayer segments	More timely resolution Decrease recurring issues
	 Integrated Enforcement Perform seamless treatment and case selection and execution across the enterprise	More timely resolution Decrease recurring issues
Foundational	 Workforce Planning & Development Establish processes, systems and culture to support the workforce	Employee engagement Efficient operations
	 Data & Analytics Increase data access and embed analytic approaches	Indirectly supports all
	 Operations Infrastructure Optimize internal support processes	Employee engagement Efficient operations



How we are progressing those capabilities today

Initial iterative steps are being taken and will be leveraged as we further our understanding of needed Future State capabilities.

	Capability	Illustrative Iterative Development
	Taxpayer Self-Assistance	Online payment applications on IRS.gov that will ultimately be available through Account
	Taxpayer Engagement	Appointments and virtual service experiences will inform future applications for enforcement
	Issue Orientation	Early issue identification and varied treatments broaden enforcement coverage and reach
	Integrated Enforcement	Proactive, light-touch interactions with taxpayers reduce costly, burdensome enforcement treatments
	Workforce Planning & Development	Knowledge management resources leverage SME skills as a key resource to expand others' skills
	Data & Analytics	Sandbox for analyzing/using new data provides a way to identify usefulness, skills, tools needs
	Operations Infrastructure	IT Roadmap/strategy for meeting business needs is a model for other strategic business support needs



How digital advances, now under development, promise a better taxpayer and employee experience



Authentication, Authorization and Access combine as a linchpin capability to tackle the challenge of identify theft and refund fraud, and to enable secure taxpayer interactions with IRS, including self-assistance and third-party authorization.



Online Account will expand self-service options by providing taxpayers the secure, interactive online capability many increasingly expect, enabling better service, assistance and compliance across all service channels.



Taxpayer Digital Communications will enable new means of communicating and sharing information through interactive chat, secure messaging and secure document exchange capabilities for service and enforcement.



IRS.gov will be refreshed to deliver an audience-based and task-oriented user experience, while improving content management to enable greater ease of use for those comfortable getting tax-related information online.



Enterprise Case Management will improve IRS interoperability to facilitate internal access to tax and contact histories and seamless transfers of case information across employees and programs, which will also reduce taxpayer burden in IRS interactions.



Transactional Processing will enable tax information to be processed in near real-time as it arrives to meet evolving taxpayer expectations, promote accurate at-filing compliance and facilitate self-correction by reducing the need for amended returns.



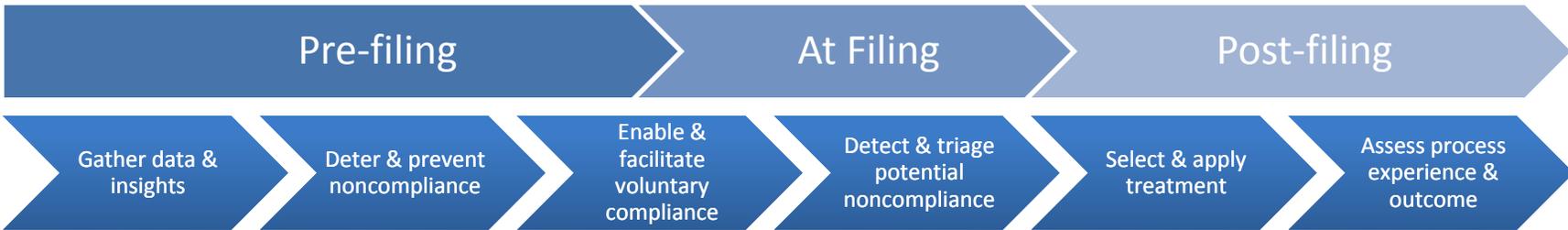
How the Future State produces more proactive interactions

In contrast to current operations, IRS communications and interactions with taxpayers shift forward to facilitate voluntary compliance and accelerate treatment streams for noncompliance.

CURRENT STATE



FUTURE STATE



Proactively analyze, understand and plan for known and emerging noncompliance risks using data, historical experience and environmental insights.

Reduce noncompliance, fraud and evasion through proactive outreach, behavioral analytics and tailored communications.

Enable error-free digital submissions through efficient service channels, third-party partnerships, and at-filing anomaly detection and correction.

Assign appropriate treatment based on compliance focus area, taxpayer segment and taxpayer history.

Use customized assistance and enforcement treatments to timely address potential noncompliance, fraud or evasion.

Assess outcomes, gather feedback and identify improvement opportunities to incorporate into future operations.



What does Future State look like?

- IRS will capture all data digitally
- IRS will fully utilize third-party information
- Taxpayers will have easier access to the information they need to comply, including their account
- Enhanced data availability will enable IRS to:
 - Better identify risks and issues
 - Understand and respond to taxpayer needs
 - Anticipate appropriate treatment responses to identified issues
 - Design new processes and technologies to meet emerging taxpayer needs

What will it take to get there?

- Data received digitally or converted to digital upon receipt
- Accelerated information returns and other data accessibility
- Authentication and authorization to enable secure access for taxpayers and their representatives
- IRS employees have:
 - Access to relevant data
 - Advanced analytic tools
 - Relevant skills
 - Access to relevant reference materials, subject matter expertise and just-in-time training



What does Future State look like?

- Taxpayers will experience an expanded mix of earlier service interactions to support voluntary compliance, including:
 - Online self-assistance
 - Online self-correction
 - Issue-oriented outreach through online account notifications
- IRS will deliver treatments around priority compliance issues
- IRS will offer guidance on positions through proactive and interactive communications, including new media

What will it take to get there?

- Environmental scans and risk assessments to detect emerging compliance risks
- Develop and test new front-end “light-touch” treatments
- Behavioral analytics to assess effectiveness of interventions
- Issue-oriented portfolio of outreach and treatments
- Online account with secure Authentication, Authorization and Access for taxpayers and representatives
- Proactive outreach through account, IRS.gov, media and partners



What does Future State look like?

- Taxpayers and representatives are able to interact with IRS efficiently through their preferred channel
- Taxpayers enjoy a consistent experience across an expanded set of channel options:
 - Online Account
 - Secure digital and virtual communications
 - Phone and correspondence
 - Face-to-face
- Employees have access to information and tools to resolve taxpayers' needs at first contact
- Taxpayers are notified of potential compliance issues during filing process

What will it take to get there?

- Authentication and Authorization to enable Account Access
- Expanded Online Account features
 - Taxpayer access to account history
 - Self-assistance and correction tools
- Taxpayer Digital Communications
 - Secure messaging
 - Interactive chat
- Expanded analytics to identify known and emerging risks
- Access to taxpayer contact histories
 - Efficient contact resolution
 - Electronic case management
- Clear guidance on IRS positions to minimize inadvertent noncompliance and controversy
- Enhanced skillsets to support new taxpayer interactions



What does Future State look like?

- Errors, issues and anomalies are detected at time of filing to facilitate earlier treatment
- Tax evasion, identity theft and refund fraud risk minimized through enhanced authentication and filters
- Taxpayers are served by earlier notification of potential issues and tools to self-correct
- Noncompliance issues are addressed through an appropriate mix of treatments
- Integrated compliance inventory routes next best case to appropriate treatment (service, civil or criminal enforcement, dispute resolution) and next available employee with the right skillsets

What will it take to get there?

- Robust anomaly detection system
- Accessible data and analytics to identify emerging compliance risks and to detect and refer criminal fraud
- Strategies to align treatment streams and resource capacity to identified risks and issues
- Secure communications through all channels, including digital and virtual
- Self-assistance and correction tools through secure online account
- Expedited case assignment
- Electronic case files and management
- Knowledge management to equip employees to research and resolve issues



What does Future State look like?

- Noncompliance treatments blend service and enforcement interactions
- Treatment interactions with taxpayers are initiated sooner
- Taxpayers have secure, digital means to share information, expediting issue resolution
- Employees have digital access to taxpayer history and case information to facilitate communications with taxpayers and transfers within IRS
- Earlier, more complete intelligence to identify and understand taxpayer disputes and criminal issues, and to direct for appropriate treatment

What will it take to get there?

- Enterprise strategies to coordinate range of appropriate treatments
- Increased range of treatment options
- Next best case selection capability
- Electronic case management
 - Access to taxpayer account and contact history
 - Seamless case assignment and transfer
- Secure authentication, authorization and access
- Secure digital and virtual communications, including data and document exchange
- Knowledge management, including access to subject matter experts to equip employees to resolve issues



What does Future State look like?

- IRS will cultivate a culture of collaboration, knowledge-sharing and innovation
- IRS will continuously collect feedback from taxpayers, tax pros, industry partners and employees to improve both the employee and taxpayer experience
- IRS will assess performance outcomes and progress toward achieving our goals to inform continuous operational improvements

What will it take to get there?

- Enhanced data access to support analytics
- Analytics to continuously evaluate treatment effectiveness and downstream impacts
- Enterprise case management
- Robust and adaptive fraud and anomaly detection system
- Continuously updated knowledge management
- Continuous employee skills assessment and further development



What's next for IRS Future State

Continuously building and refining capabilities to improve the taxpayer and employee experience.

- Continue to refine the identified capabilities to better understand what it will take for iterative builds that will be needed to make the Future State a reality.
- Develop an integrated roadmap to capture the sequencing and dependencies among capability builds.
- Baseline the enterprise goals and associated measures as well as set targets to assess progress toward the envisioned Future State over time.
- The insights gained will be used to
 - Facilitate implementation by guiding resource allocation and investment decisions,
 - Monitor performance and track progress and
 - Inform the next IRS Strategic Plan.
- The Future State is not a fixed destination, but instead will be continuously updated based on changes in the tax environment, leadership decisions and the impact of investments on the taxpayer and employee experience.