



# Future State Overview

*Adapted from:*  
New England Representation Conference  
Ledyard, Connecticut  
Nov. 17, 2016

Commissioner John Koskinen's  
Senate Finance Committee Testimony  
February 10, 2016

“When it costs between \$40 and \$60 to interact with a taxpayer in person, and **less than \$1 to interact online**, we must reexamine how we provide the best possible taxpayer experience, in response to taxpayer expectations and demands.”

# Background

1. Over a decade of progress improving processing, increasing filing and payment options, and expanding online services.
2. Efforts known collectively as IRS **"Future State."**
3. Gathering input and incorporating stakeholder perspectives is a necessary and ongoing effort.



# IRS comparison to private sector

The IRS collects more than **\$3.3 trillion** and funds more than **90 percent** of all federal government expenditures.



One of the **largest law firms** in the country with around **1,900 tax attorneys**



One of the **largest call centers** in the country answering more than **50 million calls** last year



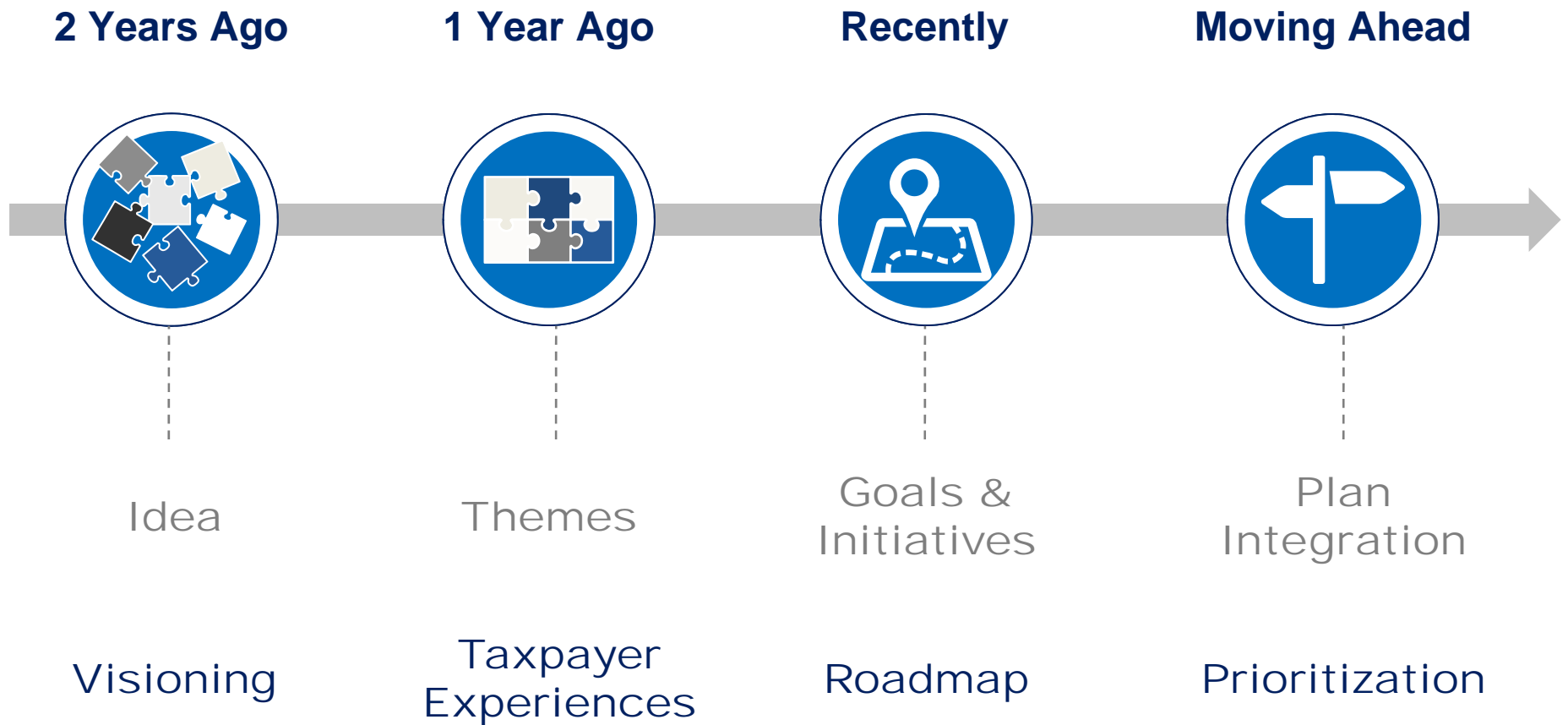
One of the **largest financial audit firms** in the country with more than **10,400 revenue agents**



# The case for change

1. **Evolving** taxpayer expectations.
2. **Increasing** complexity.
3. **Combatting** noncompliance, identity theft & refund fraud.
4. **Coping** with limited budgets.
5. **Incorporating** stakeholders perspectives.

# Future State timeline



# Future State themes

1

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

2

**Understand** non-compliant 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

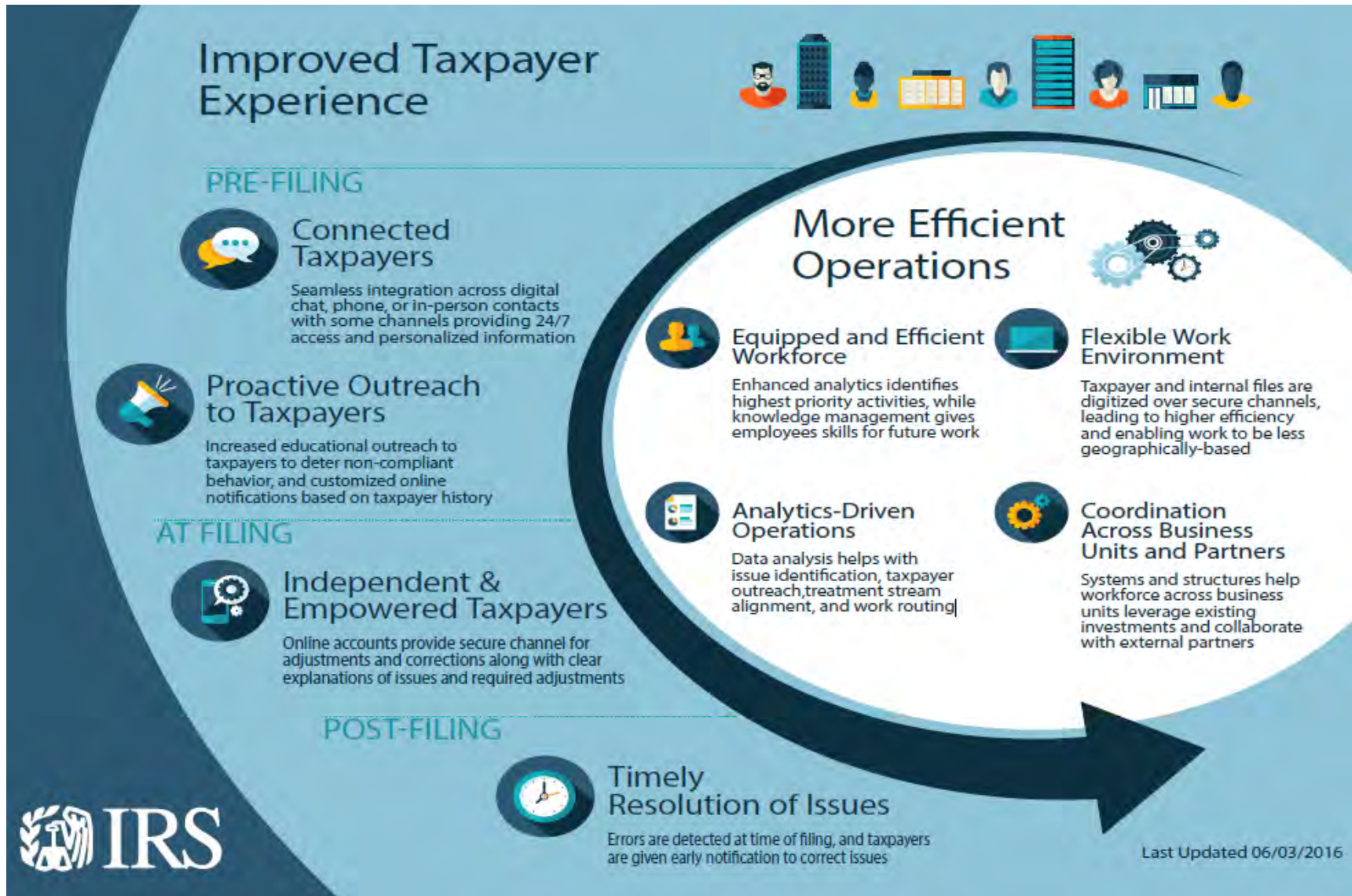
5

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

6

**Drive** more agility, efficiency, and effectiveness in IRS operations

# Future State concept diagram





# Future State for Small Business

1. **Expand** early interaction programs.
2. **Educate** and enable taxpayers.
3. **Modify** behavior to enhance compliance.
4. **Improve** collection case selection and assignment.
5. **Enable** data-driven decisions regarding taxpayer contacts.

# Future State for Small Business

## Current Challenges

- 42 percent reduction in field collection revenue officers in past five years.
- \$59 billion unpaid tax from Forms 941 (as of June 2016).
- Declining survival rates for compliant businesses as a result of the unfair advantage of those not paying taxes withheld in trust.

## Future State Solutions

- Federal Tax Deposit Alert System
  - FTD Alert X Coded Pilot
  - EFTPS Early Alerts

# Example: Third-party payroll risk

## Business Risk

- Payroll tax fraud
- Late or unfiled tax returns
- Underreported tax liabilities
- Late or undeposited tax payments
- Limited notification if a problem arises

## Initiatives to Mitigate Risk

- Return Preparer Complaint, Form 14157
- Dual Notice Initiative
- Electronic Federal Tax Payment System enhancements
  - Inquiry PINs
  - Email confirmation
- Federal Tax Deposit Alerts
- Trust Fund Recovery Penalty

# Compliance and Enforcement

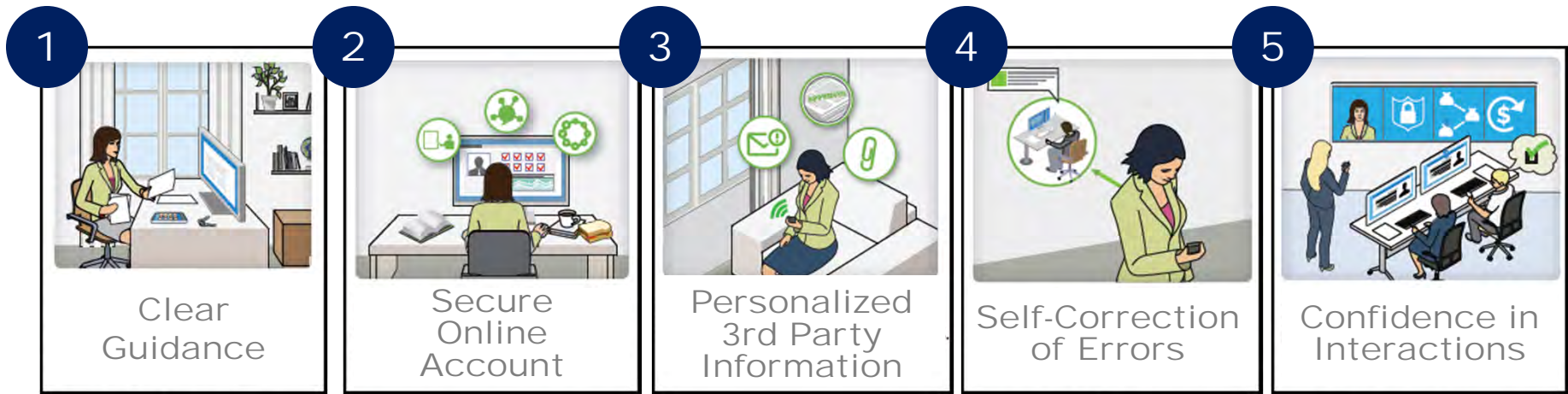
## Above & Beyond Early Interaction

- Levy of bank accounts, receivables
- Seizure of property
- Disqualified Employment Tax Levy (DETL)
- Trust Fund Recovery Penalty (IRC 6672)
- Suits for Injunctive Relief
- Criminal Referrals

# Future State for the individual

1. **Increased** online and virtual assistance offerings.
2. **More robust** authentication to guard against stolen identity refund fraud.
3. **Early issue** identification for timely resolution.
4. **End-to-end** experience reducing unnecessary interactions.
5. **Expanded** data analytics to better focus service and enforcement.

# Example: Future State for the individual taxpayer



Taxpayer  
& Outreach  
Education

e-  
Authenticate  
&  
Digital  
Taxpayer  
Account  
Management

Third Party  
Services

Taxpayer  
Self-  
Correction

Digital  
Content  
Management  
&  
Privacy and  
Security  
Management

# Digital showcase for Future State

1. **Increased** online & virtual assistance offerings.
2. **More robust** authentication to guard against stolen identity refund fraud.
3. **Early issue** identification for timely resolution.
4. **End-to-end** experience reducing unnecessary interactions.
5. **Expanded** data analytics to better focus service and enforcement.

# Online Account

An official website of the United States Government

IRS

Welcome, AL DAND... Logout

As of Oct 20, 2016, you owe:

**\$982.76**

The information provided is based on our current data.

Penalties and interest continue to accrue until tax is paid in full.

Payment Options

PAY BY BANK ACCOUNT

PAY BY CARD

Fees apply when paying by card.

NEED MORE TIME TO PAY?

2015 Tax Year [← Back](#)

Income Tax	You Owe
Assessed Total	\$971.98
Accrued Failure to Pay Penalty	\$0.00
Accrued Interest	\$10.78
<b>Income Tax Total</b>	<b>\$982.76</b>
<b>Shared Responsibility Payment</b>	
Assessed Total	\$0.00
Accrued Interest	\$0.00
<b>Shared Responsibility Payment Total</b>	<b>\$0.00</b>
<b>TOTAL</b>	<b>\$982.76</b>

Illustrative



# Taxpayer Digital Communication



Illustrative

## Welcome to IRS Secure Messaging

The IRS is pleased to provide a new, secure way for you to communicate online with us for specific matters related to your tax account. Secure Messaging allows you to correspond with our tax representatives through your web browser at your convenience. Electronic documentation can be submitted quickly and securely allowing us to resolve issues faster than ever. Communicating through secure messaging will reduce or eliminate the need for you to call or wait days for mail.

### Get Started

To establish a secure messaging account, you will need to answer a few questions to ensure your identity.

REGISTER FOR SECURE MESSAGING

LOGIN

### The benefits of secure messaging

- Quickly correspond with a tax representative
- Upload scanned documents
- Avoid long waits on the phone
- Set up online notifications

# Secure Message Page



Menu ☰

JD Jane Doe

Illustrative

## Secure Message Center

**Inbox** | Sent Messages | Drafts

From	Subject	Date
• IRS	Welcome to IRS Secure Messaging	August 2



### Frequently Asked Questions

How secure is my personal information? >

How do I change my preferred contact information? >

How often will I be contacted? >



Use the Penalties & Interest Calculator to know how much your balance will be on a future date.

P&I Calculator

[IRS.gov](#)

[Privacy Policy](#) [Contact Us](#)

# **The Future State**

## **Developing goals to improve the taxpayer experience**

# Developing Future State goals

- **Expedite** compliance issue resolution.
- **Improve** capabilities for self-correction and self-service.
- **Facilitate** resolution via efficient, effective channels.
- **Decrease** recurring compliance issues.
- **Cultivate** an engaged and flexible workforce.
- **Increase** customer (taxpayer) satisfaction.
- **Enable** more agile and efficient business operations.

# Next steps

- **Aggregate**, prioritize and re-sequence envisioned initiatives into a consolidated roadmap toward the future.
- **Pursue** priority initiative development, with a continual focus on engaging stakeholders.
- **Update** the IRS Strategic Plan (2018 - 2022).
- **Track** performance toward future state goals, report results and gather input from stakeholders.



# Taxpayer Bill of Rights

- Right to Be Informed
- Right to Quality Service
- Right to Pay No More than the Correct Amount of Tax
- Right Challenge the IRS's Position - and Be Heard
- Right to Appeal IRS Decision in an Independent Forum
- Right to Finality
- Right to Privacy
- Right to Confidentiality
- Right to Retain Representation
- Right to A Fair & Just Tax System