



## U.S. Department of the Treasury

### How A Transformed IRS Will Improve Tax Fairness

President Biden in August 2022 signed the Inflation Reduction Act (“IRA”), providing critical resources to modernize the IRS after decades of underfunding. The Strategic Operating Plan shows how the IRS will use IRA resources to provide taxpayers with world class customer service and reduce our deficits by hundreds of billions by pursuing high dollar noncompliance.

For the first time, the IRS will help taxpayers get it right—filing accurate returns that ensure timely refunds and claiming the credits and deductions for which they are eligible. The IRS will reimagine the taxpayer experience to ensure individuals, families, and businesses are able to seamlessly interact with the IRS in the ways that work best for them: on the phone, in-person, and online.

Improved outreach, technology, and customer service will contribute to tax fairness by helping more taxpayers become aware of and correctly claim the benefits and credits for which they are eligible. The IRS will regularly evaluate and address enforcement disparities and focus its enforcement expansion on ensuring that high-income taxpayers, large corporations, and complex partnerships pay the taxes they owe. **These improvements will enable the IRS to serve all taxpayers fairly and in the way they want to be served.**

**Improved 21<sup>st</sup> century tax filing:** The IRS will become fully digital and modernize forms and processes to improve the taxpayer experience and organizational efficiency while emphasizing fairness, accessibility, and taxpayer privacy.

- The IRS will enable taxpayers to securely access their own account data, including transcripts, account balances, payment and account histories, notices, service history, and more. Current individual tax transcripts will be updated to be more user-friendly and available in more languages in 2024.
- By 2025, the IRS will develop the capability to provide data it already has in a format that is compatible with return preparation software or to authorized return preparers to help taxpayers start their tax returns. This service will reduce the chance that taxpayers accidentally make mistakes or omissions that requires filing an amended return or correcting an error after filing.

- Modernized forms will be easier to use, mobile-friendly, and take advantage of digital capabilities and interactive features that paper forms lack. Process improvements may include modernizing the Individual Tax Identification Number (ITIN) process and fully digitalized amended return processing.

**New improvements to help taxpayers understand and claim credits and deductions for which they are eligible:** By providing timely and personalized information about available credits and deductions, the IRS will help taxpayers claim the credits and deductions for which they are eligible.

- The IRS will use available data to proactively deliver clear, informative, and personalized alerts to help taxpayers claim the credits and deductions for which they are eligible.
- Taxpayers will have the ability to share life changes (i.e., marriage, divorce, job changes, births, deaths, retirements) with the IRS to learn about potential tax impacts and opt into personalized alerts.
- The IRS will also make it easier for taxpayers to help themselves, including incorporating a “credits and deductions” search function in Online Accounts and improving relevant content on IRS.gov.
- The IRS will use analytics to analyze gaps in tax credits and deductions participation in FY 2024, especially those intended to benefit underserved communities. These findings would be incorporated into IRS statistical reporting.

**Expanded taxpayer outreach to meet taxpayers where they are:** The IRS will utilize a variety of platforms and messages to reach taxpayers from underserved communities and increase the share of taxpayers filing accurate returns and successfully claiming credits and incentives for which they are eligible.

- The IRS will expand staffing, availability, and services offered at Taxpayer Assistance Centers (TACs), Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) centers, Low-Income Taxpayer Clinics (LITCs), refundable credit summits, and webinars.
- The IRS will improve direct outreach to taxpayers through social media, podcasts, radio, television, and other channels.
- The IRS will expand its partnerships with federal, state, and local government agencies, Tribal governments, private institutions, community-based organizations, and others to share information and distribute educational materials to help taxpayers access IRS services and claim the credits and deductions for which they are eligible.

**Enhanced customer service and improved accessibility:** The IRS will provide equal access to IRS services and opportunities for taxpayers, ensuring that customer service improvements are comparable across diverse taxpayer segments, including small businesses, rural populations, people with disabilities, those with limited English proficiency, and other underserved communities.

- When taxpayers reach out to IRS customer service, IRS employees will look holistically at taxpayers’ situations and ensure they are taking advantage of the credits and deductions for which they are eligible.

- All plain English notices will be translated into the top eight languages used by taxpayers.
- Digital tools will be accessible for people with disabilities and available in taxpayers' preferred languages. The IRS will develop best-in-class advanced analytics, including using techniques such as machine translation to improve taxpayer interactions in languages other than English.

**New capabilities to correct taxpayer errors quickly and easily:** By quickly resolving taxpayer issues at the front end and simplifying the process to amend returns, the IRS will reduce the gap between incentives owed and claimed.

- The IRS will use available third-party and internal data to systematically check e-filed returns for completeness and consistency and identify issues in real time. When applicable, the IRS will send notifications to taxpayers at the point of filing to help them correct errors and claim available credits and deductions.
- Within the next two years, taxpayers and preparers will be notified about simple income and processing errors and missed or incorrectly claimed credits and deductions.
- The IRS will redesign all notices so that they clearly and briefly state the issues and outline steps needed to amend returns. By FY 2024, the IRS will create digital copies of 72 notices so that taxpayers and authorized third parties can access them through their Online Accounts.
- Taxpayers will be able to resolve potential compliance issues up front through expanded pre-filing and tax certainty programs.

**Monitor and address enforcement disparities and ensure wealthy taxpayers pay what they owe:** The IRS will promote fairness in enforcement and increase enforcement activities to help ensure compliance of high-income and high-wealth individuals.

- The IRS will address the tax gap by pursuing wealthy and corporate tax evaders who have been able to skip out on their taxes while most taxpayers, including working families, pay what they owe.
- The IRS will hire experienced accountants, data analysts, and legal experts to ramp up enforcement at the top and ensure wealthy individuals, large corporations, and big partnerships pay the taxes they owe while not raising audit rates for small businesses and taxpayers making less than \$400,000 above historical levels.
- The IRS will regularly evaluate the fairness of systems, selection tools and programs, compliance strategies, and treatments, and will make real-time adjustments to its approach to address disparate impacts on specific demographic populations, geographies, and customer categories.

**Explore Direct File:** Tax filing is the most common interaction most Americans have with the federal government, and it connects working families to critical resources like the CTC and EITC, but it's burdensome, time consuming, and expensive for most taxpayers. Currently, the average American spends 13 hours and \$240 to complete their tax return. It's no question that this disproportionately burdens our most underserved communities. A viable Direct File option

would ease the burden on many taxpayers who would otherwise pay to file their taxes via third-party tax preparation services.

- The IRS will study the feasibility of building a Direct File service, making it easier for many taxpayers to prepare and file their tax returns for free directly with the IRS. This report will be issued in May 2023.

Along with IRS' annual discretionary budget, the IRA investment over 10 years will transform the IRS so that it provides world class service to taxpayers, delivers refunds quickly, enforces tax laws with a focus among high earners and corporations, supports the IRA's clean energy investments, and ensures that all Americans gain receive tax benefits for which they are eligible. These additional resources will not be used to increase the audit rates for small businesses and households making less than \$400,000, relative to historical levels. The IRS is focused on pursuing high-income and high-wealth individuals, complex partnerships, and large corporations that are not paying the taxes they owe. Put together, the IRA is a historic investment in building an economy that works for everyone.

**For Further Information:**

- [Strategic Operating Plan](#)
- [IRS.gov Tools](#)
- [Taxpayer Experience Days](#)
- [Taxpayer Online Account](#)
- [Tax Information in Non-English Languages](#)