

Department of the Treasury
Internal Revenue Service

Congressional Budget
Justification and Annual
Performance Report and Plan

Fiscal Year 2020

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Section I – Budget Request

1A – Mission Statement

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.

1.1 – Appropriations Detail Table

Dollars in Thousands

Internal Revenue Service		FY 2018 Enacted ¹		FY 2019 Annualized CR ²		FY 2020 Request ³		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	
New Appropriated Resources:											
Taxpayer Services	27,871	\$2,512,554	28,834	\$2,571,554	26,639	\$2,402,000	(2,195)	(\$169,554)	-7.6%	-6.6%	
Pre-Filing Taxpayer Assistance and Education	4,636	640,379	4,603	634,019	4,606	634,762	3	743	0.1%	0.1%	
Filing and Account Services	23,235	1,872,175	24,231	1,937,535	22,033	1,767,238	(2,198)	(170,297)	-9.1%	-8.8%	
Enforcement	34,789	\$4,627,000	34,049	\$4,672,000	34,182	\$4,705,368	133	\$33,368	0.4%	0.7%	
Investigations	2,950	581,680	2,893	597,658	2,964	614,046	71	16,388	2.5%	2.7%	
Exam and Collections	30,876	3,875,098	30,084	3,894,129	30,209	3,923,583	125	29,454	0.4%	0.8%	
Regulatory	963	170,222	1,072	180,213	1,009	167,739	(63)	(12,474)	-5.9%	-6.9%	
Operations Support	10,389	\$4,181,000	10,340	\$3,834,000	10,683	\$4,075,021	343	\$241,021	3.3%	6.3%	
Infrastructure		870,360		858,932		853,738		(5,194)		-0.6%	
Shared Services and Support	4,315	920,283	4,269	942,568	4,287	953,686	18	11,118	0.4%	1.2%	
Information Services	6,074	2,390,357	6,071	2,032,500	6,396	2,267,597	325	235,097	5.4%	11.6%	
Business Systems Modernization	219	\$110,000	361	\$110,000	441	\$290,000	80	\$180,000	22.2%	163.6%	
Subtotal New Appropriated Resources	73,268	\$11,430,554	73,584	\$11,187,554	71,945	\$11,472,389	(1,639)	\$284,835	-2.2%	2.5%	
Other Resources:											
Reimbursables	795	171,140	521	116,551	521	122,379		5,828		5.0%	
Offsetting Collections (Non Reimbursable)		26,069		37,719		39,605		1,886		5.0%	
User Fees	14	283,267	60	563,053	71	460,900	11	36,857	18.3%	8.7%	
Recovery from Prior Years		13,233		17,994		18,905		911		5.1%	
Unobligated Balances from Prior Years	236	360,031	289	357,637	100	153,567	(189)	(343,080)	-65.4%	-69.1%	
Transfers In/Out		(4,188)									
Subtotal Other Resources	1,045	\$849,552	870	\$1,092,954	692	\$795,356	(178)	(\$297,598)	-20.5%	-27.2%	
Total Budgetary Resources	74,313	\$12,280,106	74,454	\$12,280,508	72,637	\$12,267,745	(1,817)	(\$12,763)	-2.4%	-0.1%	

¹ FY 2018 Enacted includes \$320 million in Section 113 Administrative Provision funding in the following amounts: \$19 million in Taxpayer Services, \$10 million in Enforcement, and \$291 million in Operations Support. FY 2018 Enacted also includes an interappropriation transfer of \$256 million to Operations Support (\$13 million from Taxpayer Services and \$243 million from Enforcement) and budget activity adjustments in accordance with Section 608 of Public Law 115-141. FY 2018 full-time equivalent (FTE) are actuals and reconcile to the final FY 2018 column in the FY 2020 President's Appendix. Other Resources are actuals.

² FY 2019 Annualized Continuing Resolution (CR) includes a \$200 million interappropriation transfer from Enforcement to Operations Support to cover operations and maintenance requirements in FY 2019. FY 2019 Annualized CR also includes \$77 million (\$65 million in Taxpayer Services and \$12 million in Enforcement) for the Section 112 Administrative Provision to implement requirements under the Tax Cuts and Jobs Act (Public Law 115-97). \$320 million is automatically available in a full year continuing resolution scenario under IRS Administrative Provision Section 113. Of this amount, \$243 million is excluded for illustrative purposes consistent with the requirements identified for implementing the Tax Cuts and Jobs Act and the FY 2019 Section 112 / Tax Reform Spending Plan transmitted to Congress on February 28, 2019. Additional information and a full accounting of these funds can be found in the FY 2020 President's Budget Appendix.

³ FY 2020 Request column excludes the proposed \$362 million discretionary program integrity investment in FY 2020: \$200 million for Enforcement and \$162 million for Operations Support. More information about the program integrity cap adjustment can be found in Section 4.1.

1B – Summary of the Request

The Internal Revenue Service (IRS) is responsible for administering the nation’s tax system and meeting the needs of America’s taxpayers by helping them understand and meet their tax responsibilities and by enforcing the law with integrity and fairness.

The IRS interacts with almost every American and generates 95 percent of the funding that supports the federal government’s operations. With the U.S. tax base becoming more complex, one of the IRS’s key responsibilities is to make it easier for taxpayers to understand and meet their tax obligations.

During 2018, the IRS processed 253 million tax forms, including individual income tax, corporation income tax, and employment tax returns. The IRS provided more than \$400 billion in tax refunds to taxpayers, protected billions of taxpayer records, and collected \$3.5 trillion in taxes (gross receipts before tax refunds).

The IRS’s primary operations include collection of individual and corporate taxes, examination of returns, taxpayer assistance, and oversight of tax-exempt organizations, as well as administering multiple refundable tax credits and other specialized programs.

FY 2020 Budget Request and Priorities

The FY 2020 President’s Budget (Budget) request is \$11.472 billion, \$285 million or 2.6 percent more than the FY 2019 Annualized Continuing Resolution (CR) level of \$11.188 billion. The base budget request provides funding to carry out the IRS mission.

Appropriation Account	(\$ in Millions)
Taxpayer Services	\$2,402.0
Enforcement	4,705.4
Operations Support	4,075.0
Business Systems Modernization	<u>290.0</u>
Total Appropriated Resources	\$11,472.4

The Budget includes an increase of \$344 million for four high-priority areas: modernization (the IRS Integrated Modernization Business Plan), cybersecurity and identity theft, infrastructure, and data analytics. The investment in modernization provides a down payment on a multi-year plan to modernize IRS systems and operations and deliver a customer experience comparable to the best financial institutions; the integrity of the voluntary tax compliance system depends on it. These priorities will allow the IRS to continue to support taxpayer service, protect trillions of dollars in tax revenue, and secure taxpayer information.

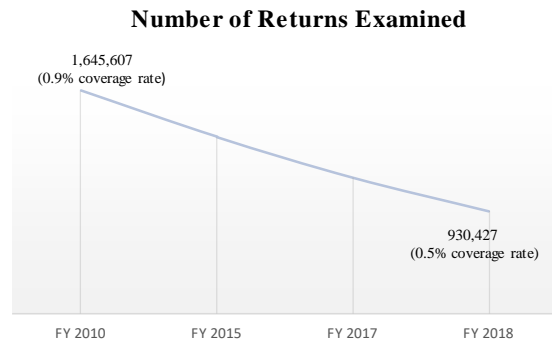
The Budget will allow the IRS to:

- Help all taxpayers meet their tax obligations by simplifying the process of filing and amending returns and submitting payments;
- Protect the integrity of the tax system by reviewing and enforcing the tax code;

- Partner with key stakeholders in the state and local tax administration, tax preparation, and international communities;
- Cultivate and retain a well-equipped, diverse, flexible, and engaged workforce;
- Advance data access, usability, and analytics to inform decision making; and
- Drive increased agility, efficiency, effectiveness, and security in operations.

Tax Administration Challenges and Risks

Over the past several years, the IRS’s workload and responsibilities increased even as staffing levels declined. For example, since FY 2010, the total number of returns filed increased by eight percent, information returns filed increased by 33 percent, and staffing decreased by about 19 percent, primarily in compliance and enforcement. In FY 2018, 0.5 percent of all returns filed were audited compared to 0.9 percent in



FY 2010. Meanwhile, cybersecurity and identity theft refund fraud prevention programs consume a larger share of the budget. In FY 2019, the IRS plans to replace attrition and hire approximately 2,000 additional enforcement personnel.

The Budget addresses the growing demand for online taxpayer services and stronger compliance efforts by investing in secure and modernized technology. The Budget would allow the IRS to leverage data and behavioral analytics to target the most effective non-compliance work in collection and enforcement, address cybersecurity threats, refresh aged IT infrastructure, and recruit top talent.

Strategic Plan 2018 - 2022

In 2018, the IRS published its FY 2018-2022 Strategic Plan. The plan articulates the IRS vision to become a taxpayer-centric and modern organization and will guide the IRS’s strategic decision-making over the coming years. The plan includes six strategic goals:

- Empower and enable all taxpayers to meet their tax obligations.
- Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.
- Collaborate with external partners proactively to improve tax administration.
- Cultivate a well-equipped, diverse, flexible and engaged workforce.
- Advance data access, usability and analytics to inform decision-making and improve operational outcomes.
- Drive increased agility, efficiency, effectiveness and security in IRS operations.

The plan aligns with five out of 17 strategic objectives in the Department of the Treasury's FY 2018-2022 Strategic Plan:

- Treasury Objective 1.1: Tax Law Implementation
- Treasury Objective 4.1: Financial Data Access and Use
- Treasury Objectives 5.1-5.3: Workforce Management, Treasury Infrastructure and Customer Value

By combatting refund fraud and identity theft, transforming taxpayer services to meet taxpayer expectations, maintaining a skilled and talented workforce, increasing operational efficiency and effectiveness, and meeting the tax needs of a diverse U.S. population, the strategic plan is a guide to accomplishing the IRS mission and vision.

Tax Reform

The IRS is responsible for implementing the most extensive tax legislation in decades, the Tax Cuts and Jobs Act (TCJA), enacted on December 22, 2017. Implementation of most of the 119 TCJA tax provisions took place during calendar year 2018 for the 2019 filing season and beyond. The IRS has created and revised more than 500 tax products and 57 systems, retrained employees, and educated millions of taxpayers about the tax changes. Congress provided \$320 million in FY 2018 and \$77 million in FY 2019 for these activities, including:

- Providing assistance to taxpayers on issues involving interpretations of the law and related published guidance.
- Training IRS employees on the new law and helping the public, tax professionals, and industry partners understand how the law applies to them.
- Reprogramming information technology systems, with special focus on return processing and compliance systems (the backbone of the tax system).

This effort required the participation of all IRS divisions and was led by the Tax Reform Implementation Office (TRIO). TRIO coordinated activities to implement the TCJA's far-reaching provisions. By the end of calendar year 2018, the IRS had initiated systems testing for almost all filing season programming and approved more than 700 hires, with more than 615 new employees selected, 367 on-board, and the remainder in progress. While the IRS experienced a delay in training, each business unit provided technical training to employees as the filing season approached. Frontline employees who interact with taxpayers during the filing season received more hours of training than they did in previous years.

In February 2018, the IRS hosted outside stakeholders in five roundtable discussions that addressed individual, withholding, business, international, and tax-exempt provisions. Since that time, the IRS has worked closely with tax professionals, industry associations, advisory groups, and many others to hear and understand practitioners' and professionals' priorities and interests.

IRS Integrated Modernization Business Plan

The Budget requests \$290 million for the IRS Integrated Modernization Business Plan (Modernization Plan) for a total budget of \$300 million in FY 2020, including at least \$10 million from IRS user fees. The plan is critical to maintaining the voluntary tax compliance system and will position the IRS to deliver a customer experience comparable to the best financial institutions in the world. The plan – validated by an independent third-party assessor – calls for a total investment of approximately \$2.3 to \$2.7 billion over six years, delivered in two phases. The technologies provided for in the plan, such as customer callback and online notifications, will simplify taxpayer interactions with the IRS across all service channels and expedite return processing times, allowing taxpayers to comply and receive refunds faster. Modernizing will stabilize rising operations and maintenance (O&M) costs. Currently, O&M costs are about \$2.2 billion a year and are projected to reach \$3 billion by FY 2026. The National Taxpayer Advocate Annual Report to Congress 2018 rated the need to replace antiquated technology systems as the IRS’s top priority:

IRS performance already is significantly limited by its aging systems, and if those systems aren’t replaced, the gap between what the IRS should be able to do and what the IRS is actually able to do will continue to increase in ways that don’t garner headlines but increasingly harm taxpayers and impair revenue collection.

The IRS Integrated Modernization Business Plan will provide a path to rectify these issues, transform the taxpayer experience, and improve compliance by focusing on the following four core areas:

Taxpayer Experience	<ul style="list-style-type: none"> • Help taxpayers resolve issues quickly and efficiently • Empower taxpayers with information about their account, obligations, and payment options • Make services available to customers when they need them • Protect taxpayer information and data
Core Taxpayer Services and Enforcement	<ul style="list-style-type: none"> • Integrate tax processing systems to increase the cost effectiveness of operations • Enable real-time processing and increase transparency of return status • Increase data usability and the use of data analytics to combat fraud
Modernized IRS Operations	<ul style="list-style-type: none"> • Reduce complexity of the technical environment • Leverage data to deliver secure, agile, and efficient applications and services • Strengthen organizational agility through automation and streamlining processes
Cybersecurity and Data Protection	<ul style="list-style-type: none"> • Establish trusted and streamlined access to information through identity and access management technologies • Proactively identify emerging threats and vulnerabilities through the use of real-time intelligence information and analytics • Protect taxpayer data and systems via end-to-end visibility & common platforms

Program Integrity Cap Adjustment

In addition to the base appropriations request of \$11.472 billion, the Budget proposes a \$362 million discretionary program integrity cap adjustment in FY 2020 to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS’s overall tax enforcement program. The Budget proposes \$200 million for the Enforcement account and \$162 million for the Operations Support account. Additional adjustments are provided in future years to fund new initiatives and inflation. These investments will generate \$47.1 billion in new revenue over 10 years and will cost about \$14.5 billion, for net revenue of \$32.6 billion. This return on investment (ROI) is likely understated because it does not reflect the effect that enhanced enforcement has on deterring non-compliance. The deterrent effect helps to ensure the continued payment of more than \$3 trillion in taxes paid voluntarily each year. More information about the cap adjustment is

found in Section 4.1 of the Appendix and in the Budget Process Chapter of the FY 2020 President's Budget.

2018 Filing Season

The IRS delivered a successful 2018 filing season that opened on January 29, 2018. The IRS held its 12th annual Earned Income Tax Credit (EITC) Awareness Day on January 26, 2018. This day marked the kickoff of a multilingual communication effort intended to increase awareness of EITC eligibility, encourage participation, and emphasize filing of accurate returns. The day also highlighted free tax preparation and electronic filing options through the Volunteer Income Tax Assistance (VITA), Tax Counseling for the Elderly (TCE), and Free-File programs.

Other highlights from the 2018 filing season:

- Achieved an 80 percent filing season telephone level of service (LOS), an increase of one percent over the 2017 filing season.
- Answered more than 10 million calls and addressed another 17 million calls through automated systems.
- Received about 137 million individual returns, with almost 91 percent filed electronically.
- Received about 31 million business returns, an increase of one percent over the 2017 filing season, with almost 20.4 million filed electronically, an increase of six percent from 2017.
- Issued more than 95 million refunds totaling \$265 billion with an average refund of \$2,780 and more than 84 percent paid through direct deposit.
- Served nearly five million taxpayers, almost three million through face-to-face assistor contacts and two million who had their issues resolved over the phone when they called for an appointment.
- Received 387 million visits to IRS.gov, with 265 million taxpayers checking the *Where's My Refund?* tool for the status of their refund. This figure represents a 24 percent increase in the use of IRS.gov and an eight percent increase in *Where's My Refund?* compared to last filing season.
- Leveraged both filtering capabilities and the Protecting Americans from Tax Hikes Act (PATH Act) refund hold to automate and expand the selection of potentially fraudulent returns. Held 9.4 million returns with \$46.9 billion in potentially fraudulent refunds until February 15 and identified about 340,000 PATH Act returns with possible overstated income or withholding issues.
- Launched the Field Assistance Scheduling Tool to schedule appointments for taxpayers in all Taxpayer Assistance Centers (TAC) and Virtual Service Delivery sites.

- Created or revised 722 tax products significantly affected by the Disaster Tax Relief and Airport and Airway Extension Act of 2017 (P.L. 115-63), the Tax Cuts and Jobs Act (P.L. 115-97), and the Bipartisan Budget Act of 2018 (P.L. 115-123).

Return on Investment

The IRS remains one of the most cost-effective investments in the federal government and one of the most efficient tax administrators in the world. In FY 2018, the IRS collected \$3.5 trillion in tax revenue. Congress appropriated \$11.4 billion for the IRS in FY 2018 and IRS enforcement programs collected \$59.4 billion, for a return on investment (ROI) of about \$5.2 for every \$1 invested in the IRS. This ROI estimate is likely understated because it does not include the revenue effect of the deterrence value of IRS enforcement programs or the effect of education and outreach on voluntary tax compliance.

Investment Labor Costing Methodology

The IRS uses a variety of methods to calculate the cost of its investments. Costs for investments that require labor funding are calculated by converting the workload to the number and type of staff (e.g., Revenue Agents, Revenue Officers, or Special Agents) needed to deliver targeted performance goals. Once the number of full-time equivalents (FTE) and type of staff are determined, the cost of the FTE is estimated using a Unit Cost Rate (UCR) calculator, a tool for projecting FTE salary and non-salary support costs and/or savings. The UCR calculator fully covers the salary, benefits, and support costs needed for each FTE.

Proposed FTE increases in the Budget assume an April 1 hire date, except for frontline positions in Submission Processing and Account Management and Assistance - Electronic/Correspondence Assistance, which assume an October 1 hire date because they provide service to taxpayers during the filing season and can be brought on board faster than most other positions. These programs are not as dependent on the traditional hiring and training process as other IRS programs because there is a large, existing seasonal workforce available to meet work demand.

1.2 – Budget Adjustments Table

Dollars in Thousands

Internal Revenue Service		
Summary of Proposed FY 2020 Request		
	FTE	Amount
FY 2019 Annualized CR Level¹	73,584	\$11,187,554
Changes to Base:		
Other Adjustments	(1,029)	
Offset to O&M for Critical IT Systems	(1,029)	
Maintaining Current Levels (MCLs)		\$50,565
Non-Pay Inflation Adjustment		50,565
Efficiencies/Savings:	(1,071)	(\$109,600)
Increase e-File Savings	(116)	(6,183)
Space Optimization		(24,700)
Reduce Contractual Services		(1,717)
Non-Recur for Section 112 Tax Reform Funding	(955)	(77,000)
Subtotal FY 2019 Changes to Base	(2,100)	(\$59,035)
FY 2019 Current Services	71,484	\$11,128,519
Program Changes:		
Program Increases		
IRS Technology Modernization Plan	80	180,000
Data Analytics to Enhance Compliance	190	33,833
Prevent Identity Theft	29	22,488
O&M of Prior-year Enterprise-wide Cybersecurity Investments		6,744
O&M of Critical Systems	162	100,805
Subtotal FY 2020 Program Increases	461	\$343,870
Total FY 2020 Budget Request	71,945	\$11,472,389

See footnotes in 1.1 -- Appropriations Detail Table

1C – Base Adjustment and Program Changes Description

Base Adjustment.....+\$77,000,000 / -391 FTE

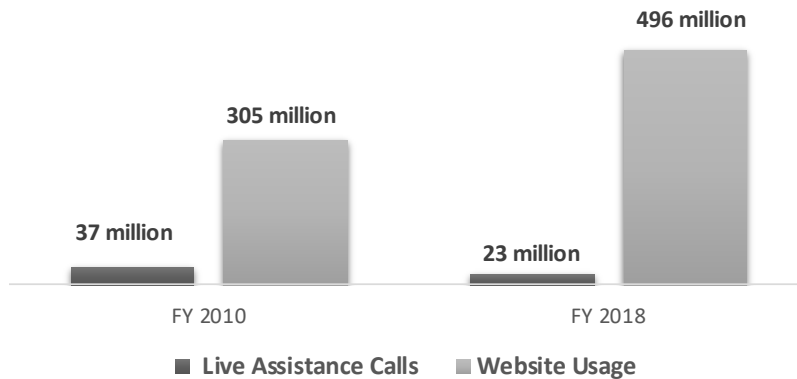
The FY 2019 Annualized Continuing Resolution (CR) level of \$11.188 billion includes a \$200 million inter-appropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2019. The IRS will submit a notice to Congress with respect to this transfer. The Annualized CR level also includes \$320 million for tax reform, although the tables only include \$77 million (\$65 million in Taxpayer Services and \$12 million in Enforcement) reflected in the expenditure plan that the IRS submitted in February 2019 for the Section 112 Administrative Provision to implement requirements under the Tax Cuts and Jobs Act (Public Law 115-97).

Other Adjustment.....\$0 / -1,029 FTE

Offset to Support O&M of Critical Systems \$0 / -1,029 FTE

The request realigns \$102 million from the Taxpayer Services account to the Operations Support account to support critical systems that benefit both Taxpayer Services and Enforcement programs. These funds will be used for the operations and maintenance of information technology that is critical to service and enforcement.

Taxpayer Assistance through Website Usage Continues to Grow
(Since FY 2010, Website Usage is Up by 62%)



Maintaining Current Levels (MCLs)..... +\$50,565,000 / 0 FTE

Non-Pay Inflation Adjustment +\$50,565,000 / 0 FTE

Funds are requested for non-labor inflationary cost increases for items such as travel, contracts, rent, supplies, and equipment.

Efficiencies / Savings-\$109,600,000 / -1,071 FTE

Increase e-File Savings -\$6,183,000 / -116 FTE

The IRS projects a total of 1,870,800 fewer returns filed on paper (1,256,100 individual and 614,700 business returns). As a result, the IRS would need 116 fewer FTE in submission processing, generating a savings of \$6.2 million.

Space Optimization -\$24,700,000 / 0 FTE

The IRS will reduce expenditures on rent and improve usage of office space across the country. Since 2013, the IRS has released 3.2 million square feet, closing 106 buildings and reducing rent costs by about 10 percent. In FY 2018, the IRS released 492,100 square feet for an estimated \$10.6 million in rent savings and will continue to consolidate space in FY 2020.

Reduce Contractual Services -\$1,717,000 / 0 FTE

The IRS will generate savings by improving the effectiveness of existing acquisition practices to reduce the cost of contracts.

Non-Recur Administrative Provision Section 112 Tax Reform -\$77,000,000 / -955 FTE

The non-recurrence of one-time funding provided by the Section 112 Administrative Provision to implement the Tax Cuts and Jobs Act.

Program Increases

IRS Integrated Modernization Business Plan +\$180,000,000 / +80 FTE

The Budget requests an increase of \$180 million for the IRS Integrated Modernization Business Plan for a total budget of \$300 million in FY 2020, including at least \$10 million from IRS user fees. The

Position Type/Other Costs	FTE	Positions	\$000
IRS Integrated Modernization Business Plan	80.00	160	\$180,000
IT Specialist	80.00	160	105,000
Contractual Services			62,106
Hardware & Software			12,894
Total	80.00	160	\$180,000

plan is essential to maintaining the voluntary tax compliance system and will position the IRS to deliver a customer experience comparable to the best financial institutions in the world. Please see page IRS-68 for additional details.

Data Analytics to Enhance Compliance +\$33,833,000 / +190 FTE

This investment in advanced data analytics will improve the IRS’s risk identification capabilities and reduce the need for manual or limited risk assessments. This change will allow IRS to focus on identifying compliance risks. Recent changes in tax law has reduced the accuracy of the current use of traditional “backward looking” risk identification tools and this investment will help IRS identify new risks. This investment will result in an additional 1,032 large business return examination closures and increase the examination coverage rate by 0.3 percent starting in FY 2022.

Position Type/Other Costs	FTE	Positions	\$000
Data Analytics to Enhance Compliance	178.00	356	\$31,792
Program Analyst	13.50	27	1,738
Manager	4.00	8	434
Attorney	1.00	2	178
Tax Law Specialist	2.00	4	333
Special Agent	25.00	50	8,948
Investigative Analyst	7.50	15	939
Data Scientist	9.50	19	1,452
Analyst	15.00	30	1,312
Revenue Agent	54.50	109	11,429
Economist	7.00	14	1,121
IT Specialist	8.50	17	1,066
Tax Technician	26.00	52	2,443
Clerical	4.50	9	399
Other Direct Costs	11.50	23	\$2,041
Attorney	7.50	15	1,593
Support Staff	2.50	5	216
Paralegal	0.50	1	61
Appeals Officer	1.00	2	171
Total	189.50	379	\$33,833

The IRS has begun applying data analytics to improve effectiveness including:

- *Identity theft prevention* – Applied analytics and modeling to the development of identity theft filters that contributed to the protection of \$6 billion in revenue in 2017.
- *Notice redesign* – Leveraged behavioral insights to improve taxpayer compliance through redesigned notices. Pilot results indicate this redesign improves results at lower cost, with up to an 11 percent improvement in payment compliance, resulting in \$650 million to \$1 billion in additional collections and up to a 31 percent increase in the use of self-service tools and a 20 percent decrease in IRS costs.
- *Compliance risk assessment* – Developed data products that use predictive models based on machine learning and risk identified by subject matter experts to assess risk among large corporations and pass-through entities. These products already identified a previously unrecognized area of noncompliance among partnerships for which appropriate treatments are now being determined.
- *Employment tax investigations* – Developed algorithms to select criminal cases for national priority initiatives. To date, the algorithm for employment tax has identified 18 cases with an average estimated tax loss 30 percent greater (\$3 million versus \$2.3 million) than traditional methods.
- *Exam selection* – Evaluated 250 data elements to develop a multi-phase statistical algorithm to predict the likelihood of change on Employee Plan returns that exceeded past program results by more than 20 percent in back testing.

While the IRS has made strides in this area, it faces a changing data environment and needs to transform with it. For example, the significant changes stemming from the TCJA make the role of data analytics even more critical. Current risk assessment tools need to be adapted for

significant changes to transfer pricing rules, repatriation provisions, and base erosion provisions. Identity theft filters need to be monitored for effectiveness, modified, or retired.

The absence of historical data reflecting the new tax code provisions poses a challenge to the way these tools were traditionally developed. For example, Discriminant Index Function (DIF) scoring used for exam selection is based on past filings under the old tax law and would take years to revise using traditional techniques such as the National Research Program (NRP). The TCJA affected diverse entities, ranging from multi-national corporations to partnerships and pass-through entities to individuals, opening new risks. Also, certain documents not captured electronically (for example, information letters for Section 965 deemed repatriation tax and forms related to new Base Erosion and Profit Shifting reporting requirements) will require advanced techniques to extract and interpret data to assess compliance behaviors. Leveraging the value of data analytics is a key strategy of the IRS's Strategic Plan as well.

The IRS will use these resources to:

- Support systemic data analysis to identify emerging trends and build effective compliance strategies;
- Refine existing data models and expand the IRS's capability to apply advanced predictive modeling techniques across additional taxpayer populations with unique risk points;
- Apply advanced analytic techniques such as machine learning and natural language processing to support case selection;
- Identify previously unknown non-compliance areas;
- Pair data professionals with relevant subject matter experts to tailor data analysis and modeling to support compliance and enforcement;
- Explore partnerships with academia and other partners (e.g., Joint Chiefs of Global Tax Enforcement) to collaborate on data strategies and leverage their data and analytics experience;
- Make effective use of new data sources (such as Base Erosion and Profit Shifting (BEPS) country-by-country reporting); and
- Lead a data- driven culture change.

Other Direct Costs

<i>Dollars in thousands</i>				
IRS Activity	Cost	FTE Positions		Explanation
Appeals	\$170	1.00	2	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	\$1,871	10.50	21	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Total	\$2,041	11.50	23	

Prevent Identity Theft +\$22,488,000 / +29 FTE

This investment will support the IRS’s efforts to prevent identity theft. The IRS will use these resources to hire 29 FTE (\$7.8 million) and acquire IT contractual services for (\$14.7 million).

The additional resources would be used to:

- Develop methods to analyze more than 41 additional data points from returns filed with industry partners and determine which are accurate indicators of fraud;
- Provide development costs needed to expand the ability to securely generate and distribute secret keys to W-2 preparers and verify that the W-2 data submitted is not fraudulent;
- Fulfill IRS agreements with state/industry partners to analyze/act on millions of additional tax fraud leads in real time, thereby stopping millions of fraudulent refunds; and
- Expand Business Master File (BMF) identity theft filters and authentication efforts and expand the Entity Fabrication project to detect and prevent perpetration of fraudulent use of Employer Identification Numbers (EINs) to obtain unwarranted refunds.

Position Type/Other Costs	FTE	Positions	\$000
Criminal Investigation	22.00	44	\$6,161
Special Agent	12.00	24	4,295
Analyst	10.00	20	1,252
IT Contractual Support			614
Privacy, Government Liaison, and Disclosure	2.50	5	\$1,424
Analyst	2.50	5	326
Training/Travel			1,098
Information Sharing and Assistance Center			\$6,948
IT Contractual Support			6,948
Eliminate SSN on Materials			\$7,100
Contractual Services			7,100
Other Direct Costs	4.50	9	\$855
Attorney	3.50	7	773
Tax Admin. Specialist	1.00	2	82
Total	29.00	58	\$22,488

The funding will be used to hire additional Special Agents to conduct more criminal investigations related to Identity Theft. With these additional agents, the IRS will complete about 250 additional criminal investigations between FY 2020 and FY 2025. Most of the new investigations will happen after FY 2021-FY 2022 because the time necessary for the agents to be at full performance levels and the average cycle time to complete cases (300-400 days).

In addition, the initiative includes funding for contractor support that will: identify classes of fraud use cases; define how they vary across the fraud actor community; facilitate sharing anonymized data for analysis and identification of fraud classes; monitor tax fraud communication on the deep web to increase awareness of criminal activity; examine the fraud lifecycle to identify steps that non-compliant taxpayers take and the ways the IRS can defend against each step; determine how to build effective prevention and defense strategies early in the lifecycle and develop machine ingestible common vocabulary for fraud intelligence that allows non-compliant characteristics and techniques to be efficiently shared; operate and maintain critical databases and websites to support identity authentication; and reduce the use of Social Security Numbers (SSN) in IRS through software, infrastructure and other related support.

These resources will be used to provide investigative staff with an “investigative tool” that is an externally-hosted Virtual Desktop. Virtual Desktop Infrastructure (VDI) creates an agile

non-government attributable internet surveillance and research capability that is secure, contained, and is external to the IRS enterprise computing environment. IRS CI can use this tool to develop leads, schemes and cases by synthesizing disparate data sources, creating an integrated view of all available data using cutting edge technology and allowing CI users to complete in-depth searches and complex analytics. This additional analytical and investigative capacity will allow CI to combat cyber-criminals who exploit stolen taxpayer PII obtained through sophisticated data breaches and intrusions.

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE Positions		Explanation
Chief Counsel	\$710	4.50	9	Provide legal advice and assistance to investigations.
Total	\$710	4.50	9	

O&M of Prior-year Enterprise-wide Cybersecurity Investments +\$6,744,000 / 0 FTE

The Budget includes an increase of \$6.7 million to support O&M for prior year Cybersecurity Enhancement Account (CEA) investments. The CEA O&M will

Position Type/Other Costs	FTE	Positions	\$000
O&M of Prior-Year Enterprise-wide Cybersecurity Investments			\$6,744
Contractual Services			6,744
Total			\$6,744

be funded by Treasury bureaus through Treasury Franchise Fund (TFF) billing. This increase represents the IRS's portion of the total Departmental O&M cost of \$17.5 million.

O&M of Critical Systems +\$100,805,000 / +162 FTE

These funds will allow IRS to deliver IT services and solutions that drive effective tax administration. Development and O&M expenses have risen due to the increased sophistication of cyber threats, which require o strengthened security.

Position Type/Other Costs	FTE	Positions	\$000
Restore Operations and Maintenance of Critical Systems	162.00	324	\$100,805
IT Specialist	162.00	324	55,716
Contractual Services			24,002
Hardware & Software			21,087
Total	162.00	324	\$100,805

These funds will be used to deliver core O&M services and to address aging infrastructure by reducing aged hardware from a target of 43.8 percent in FY 2019 to 39 percent by the end of FY 2020. They will also cover maintenance on investments impacted by tax reform implementation; the continuation of the migration to the Linux operating environment; and implementing the Treasury Enterprise Infrastructure Solutions effort.

1.3 – Operating Levels Table

Dollars in thousands

Internal Revenue Service Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	5,667,801	5,749,579	5,679,699
11.3 Other than Full-Time Permanent Positions	81,640	80,924	81,045
11.5 Other Personnel Compensation	254,266	224,860	226,086
11.8 Special Personal Services Payments	31,344	32,871	32,871
11.9 Personnel Compensation (Total)	6,035,051	6,088,234	6,019,701
12.1 Personnel Benefits	2,141,461	2,198,873	2,167,992
13.0 Benefits to Former Personnel	39,998	38,668	38,667
Total Personnel and Compensation Benefits	\$8,216,510	\$8,325,775	\$8,226,360
21.0 Travel	78,871	101,244	107,356
22.0 Transportation of Things	17,286	21,452	24,794
23.1 Rental Payments to GSA	589,687	590,575	578,055
23.2 Rent Payments to Others	12,283	12,437	12,692
23.3 Communications, Utilities, & Misc	292,401	340,986	367,155
24.0 Printing & Reproduction	35,096	29,653	30,258
25.1 Advisory & Assistance Services	1,094,549	844,119	1,082,433
25.2 Other Services	90,783	85,543	96,026
25.3 Purchase of Goods & Services from Govt. Accounts	174,914	191,489	196,301
25.4 Operation & Maintenance of Facilities	186,039	189,254	193,469
25.5 Research & Development Contracts	6		
25.6 Medical Care	14,554	15,009	15,370
25.7 Operation & Maintenance of Equipment	68,855	69,437	87,911
26.0 Supplies and Materials	34,615	35,124	36,221
31.0 Equipment	458,310	286,963	368,894
32.0 Land and Structures	20,231	5,613	6,093
41.0 Grants, Subsidies	36,890	36,890	36,890
42.0 Insurance Claims & Indemnities	4,474	2,022	2,063
44.0 Refunds			
91.0 Unvouchered	4,200	3,969	4,048
Total Non-Personnel	\$3,214,044	\$2,861,779	\$3,246,029
New Appropriated Resources	\$11,430,554	\$11,187,554	\$11,472,389
Appropriations:			
Taxpayer Services	2,512,554	2,571,554	2,402,000
Enforcement	4,627,000	4,672,000	4,705,368
Operations Support	4,181,000	3,834,000	4,075,021
Business Systems Modernization	110,000	110,000	290,000
New Appropriated Resources	\$11,430,554	\$11,187,554	\$11,472,389
FTE	73,268	73,584	71,945

See footnotes in 1.1 -- Appropriations Detail Table

1D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE</p> <p style="text-align: center;">TAXPAYER SERVICES</p> <p><i>For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$2,402,000,000; of which not less than \$8,890,000 shall be for the Tax Counseling for the Elderly Program; of which not less than \$12,000,000 shall be available for low-income taxpayer clinic grants; of which not less than \$15,000,000, to remain available until September 30, 2021, shall be available for a Community Volunteer Income Tax Assistance matching grants program for tax return preparation assistance; and of which not less than \$206,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: Provided, That of the amounts made available for the Taxpayer Advocate Service, not less than \$5,000,000 shall be for identity theft casework.</i></p> <p>Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.</p> <p style="text-align: center;">ENFORCEMENT</p> <p><i>For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to</i></p>	

*violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$4,705,368,000, of which not to exceed \$50,000,000 shall remain available until September 30, 2021, and of which not less than \$60,257,000 shall be for the Interagency Crime and Drug Enforcement program: **Provided, That of the funds provided under this paragraph, \$4,705,368,000 is provided to meet the terms of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.***

In addition, not less than \$199,886,000 for tax activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such amount is additional new budget authority for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

OPERATIONS SUPPORT

For necessary expenses of the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger

Language required for the proposed program integrity cap adjustment. More information about the cap adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and Budget Process Chapter of the FY 2020 President’s Budget.

<p><i>motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; \$4,075,021,000, of which not to exceed \$250,000,000 shall remain available until September 30, 2021; of which not to exceed \$10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed \$1,000,000 shall remain available until September 30, 2022, for research; of which not to exceed \$20,000 shall be for official reception and representation expenses: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for its major information technology investments, including the purpose and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter: Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year 2020, a summary of cost and schedule performance information for its major information technology systems: Provided further, That of the funds provided under this paragraph, \$4,075,021,000 is provided to meet the terms of section 251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.</i></p> <p><i>In addition, not less than \$161,685,000 for tax activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such amount is additional new budget authority for tax activities, including tax compliance to address the Federal tax gap, as specified for purposes of section 251(b)(2) of the</i></p>	<p>Increasing two-year authority from the \$50 million cap to \$250 million to provide sufficient time for a robust IT lifecycle process including vision, strategy, solution, design, and development, thereby improving contracting outcomes; consistent with a recent recommendation from the Treasury Inspector General for Tax Administration (TIGTA), Sixty-Four Percent of the Internal Revenue Service’s Information Technology Hardware Infrastructure Is Beyond Its Useful Life.</p> <p>Language required for the proposed program integrity cap adjustment. More information about the cap adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment of the Appendix and Budget Process Chapter of the FY 2020 President’s Budget.</p>
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Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

BUSINESS SYSTEMS MODERNIZATION

*For necessary expenses of the Internal Revenue Service's business systems modernization program, \$290,000,000, to remain available until **September 30, 2022**, for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing the cost and schedule performance for major information technology investments, including the purposes and life-cycle stages of the investments; the reasons for any cost and schedule variances; the risks of such investments and the strategies the Internal Revenue Service is using to mitigate such risks; and the expected developmental milestones to be achieved and costs to be incurred in the next quarter.*

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

IRS Integrated Modernization
Business Plan FY 2020 request

ADMINISTRATIVE PROVISIONS –
INTERNAL REVENUE SERVICE
(INCLUDING TRANSFER OF FUNDS)

SEC. 101. Not to exceed 5 percent of any appropriation made available in this Act to the Internal Revenue Service may be transferred to any other Internal Revenue Service appropriation upon the advance notification of the Committees on Appropriations.

SEC. 102. The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with taxpayers, cross-cultural relations, ethics, and the impartial application of tax law.

SEC. 103. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information and protect taxpayers against identity theft.

SEC. 104. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1–800 help line service for taxpayers. The Commissioner shall continue to make improvements to the Internal Revenue Service 1–800 help line service a priority and allocate resources necessary to enhance the response time to taxpayer communications, particularly with regard to victims of tax-related crimes.

SEC. 105. The Internal Revenue Service shall issue a notice of confirmation of any address change relating to an employer making employment tax payments, and such notice shall be sent to both the employer's former and new address and an officer or employee of the Internal Revenue Service shall give special consideration to an offer-in-compromise from a taxpayer who has been the victim of fraud by a third-party payroll tax preparer.

SEC. 106. None of the funds made available under this Act may be used by the Internal Revenue Service

<p><i>to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States.</i></p> <p><i>SEC. 107. None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs.</i></p> <p><i>SEC. 108. Section 9503(a) of title 5, United States Code, is amended by striking the clause "Before September 30, 2013" and inserting "before September 30, 2023".</i></p> <p><i>SEC. 109. Section 9503(a)(5) of title 5, United States Code, is amended by inserting before the semicolon the following:</i></p> <p><i>", but are renewable for an additional two years, based on a critical organizational need".</i></p> <p><i>SEC. 110. Notwithstanding any Congressional notification requirements for a reprogramming of funds in this Act, funds provided in this Act for the Internal Revenue Service shall be available for obligation and expenditure through a reprogramming of funds that augments or reduces existing programs, projects, or activities by up to \$10,000,000 without prior Congressional notification of such action.</i></p>	<p>Restoring Streamlined Critical Pay authority through September 30, 2023.</p> <p>Providing authority to reprogram up to \$10 million within appropriations accounts without formal notification procedures. This increase will allow the IRS to allocate funds to highest priority needs at end of fiscal year, including infrastructure, and respond to late-breaking workload and program demand changes.</p>
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1E – Legislative Proposals

Lower the threshold from 250 to 10 for mandatory electronic reporting of W-2 data by employers: Providing the IRS with timely and accurate *Wage and Tax Statement* (W-2) information reported by employers facilitates pre-refund verification of wage and withholding information, which in turn reduces the issuance of questionable tax refunds through early detection of fraud and other erroneous refund claims. Extra time and resources are needed for the Social Security Administration (SSA) to process paper W-2s submitted by employers before information on paper statements can be transmitted to the IRS. Under current law, employers who file 250 or more Forms W-2 in a year must e-file these information returns, but those filing fewer than 250 Forms W-2 in a year may choose to file on paper. To enhance pre-refund W-2 checks, the Budget proposes increasing the number of employers subject to mandatory electronic reporting of W-2 data. The proposal would reduce the W-2 e-file threshold from 250 to 10 Forms W-2.

Require a social security number (SSN) that is valid for work to claim child tax credit (CTC), earned income tax credit (EITC), and credit for other dependents (ODTC): The Administration proposes requiring an SSN that is valid for work to claim the EITC, CTC (both the refundable and non-refundable portion), and/or the ODTC for the taxable year. For all credits, this requirement would apply to taxpayers (including both the primary and secondary filer on a joint return) and all qualifying children or dependents. Under current law, taxpayers who do not have an SSN that is valid for work may claim the CTC if the qualifying child for whom the credit is claimed has a valid SSN. Furthermore, the ODTC, created by the *Tax Cuts and Jobs Act*, allows taxpayers whose dependents do not meet the requirements of the CTC, including the SSN requirement, to claim this non-refundable credit. This proposal would ensure that only individuals who are authorized to work in the United States could claim these credits by extending the SSN requirement for qualifying children to parents on the tax form for the CTC and instituting an SSN requirement for the ODTC. While this SSN requirement is already current law for the EITC, this proposal also would close an administrative gap to strengthen enforcement of the provision.

Provide the IRS with greater flexibility to address correctable errors: The budget would expand the IRS authority to correct errors on taxpayer returns. Current statute only allows the IRS to correct errors on returns in certain limited instances, such as basic math errors or the failure to include the appropriate social security number or taxpayer identification number.

This proposal would expand the instances in which the IRS could correct a taxpayer's return including cases where: (1) the information provided by the taxpayer does not match the information contained in Government databases or Form W-2, or from other third party databases as the Secretary determines by regulation; (2) the taxpayer has exceeded the lifetime limit for claiming a deduction or credit; or (3) the taxpayer has failed to include with his or her return certain documentation that is required to be included on or attached to the return. This proposal would make it easier for IRS to correct clear taxpayer errors, directly improving tax compliance and reducing EITC and other improper payments and freeing IRS resources for other enforcement activities.

Increase Oversight of Paid Tax Return Preparers: Paid tax return preparers have an important role in tax administration because they assist taxpayers in complying with their obligations under the tax laws. Incompetent and dishonest tax return preparers increase collection costs, reduce revenues, disadvantage taxpayers by potentially subjecting them to penalties and interest because of incorrect returns, and undermine confidence in the tax system. To promote high quality services from paid tax return preparers, the proposal would explicitly provide that the Secretary of the Treasury has the authority to regulate all paid tax return preparers.

Improve clarity in worker classification and information reporting requirements: The Budget proposes to: (1) establish a new safe harbor that allows a service recipient to classify a service provider as an independent contractor and requires withholding of individual income taxes to this independent contractor at a rate of five percent on the first \$20,000 of payments; and (2) raises the reporting threshold for payments to all independent contractors from \$600 to \$1,000, and reduces the reporting threshold for third-party settlement organizations from \$20,000 and 200 transactions per payee to \$1,000 without regard to the number of transactions. In addition, Form 1099-K would be required to be filed with the IRS by January 31 of the year following the year for which the information is being reported. The proposal increases clarity in the tax code, reduces costly litigation, and improves tax compliance.

Except Certain Federal Student Aid (FSA) Programs from Section 6103 Restrictions: Section 6103 of the *Internal Revenue Code of 1986* (26 U.S.C. 6103) (IRC) provides that tax returns and tax return information are confidential and cannot be disclosed or used unless permitted under the IRC. The Administration proposes to authorize the IRS to disclose tax return information directly to the U.S. Department of Education for administering programs authorized by Title IV of the *Higher Education Act of 1965*. The section 6103 exception is expected to improve administration of student aid programs, enhance program cost estimation, increase servicing efficiency, and reduce improper payments.

Program Integrity Cap Adjustment: In addition to the base appropriations request, the Budget proposes a \$362 million discretionary program integrity cap adjustment in FY 2020 to fund new and continuing investments in the IRS's tax enforcement program. The Budget proposes \$200 million for the Enforcement account and \$162 million for the Operations Support account. It also proposes additional adjustments in future years to fund new initiatives and inflation. The proposed investments will generate about \$47.1 billion in additional revenue over 10 years and would cost about \$14.5 billion for a net revenue of \$32.6 billion.

Streamlined Critical Pay (SCP): The Budget proposes to reinstate *Streamlined Critical Pay* (SCP) authority through September 30, 2023. The authority to make new SCP appointments expired September 30, 2013. As a result of the expired authority, the IRS continues to face challenges recruiting top-level talent, especially IT professionals who help protect taxpayer data from cyber-attacks and who assist with modernizing the IRS's IT infrastructure. The Office of Personnel Management existing government-wide *Critical Position Pay* (CPP) authority is not a sufficient alternative to SCP.

1F - IRS Use of Evidence and Evaluation

The IRS continues to improve program performance by using data and analytics to develop evidence that informs innovation and improves program delivery.

Significant Accomplishments

Highest Priorities

Advance Data Access, Usability and Analytics to Inform Decision-Making and Improve Operational Outcomes

- TCJA: The IRS Statistics of Income (SOI) office is incorporating TCJA-related changes into its programs, updating processing routines to incorporate as many aspects of the new laws as possible. To facilitate this update, SOI has identified a senior employee to coordinate throughout IRS to ensure successful implementation. To provide its federal customers and the public with access to relevant data showing the effect of the laws, SOI will develop expanded data files and timely and innovative web products, including periodic filing-season reports.
- Creating More Accessible Statistics: SOI will continue to implement its comprehensive plan to modernize its public communications efforts. New initiatives will include developing a comprehensive taxonomy that will facilitate improved search results for customers. Further changes to the Tax Stats web pages will include improving organization and usability and incorporating new products based on the TCJA. These efforts will provide more accessible data to the public and will assist SOI in meeting OMB data dissemination requirements.
- Modernization of Business Publication Methodologies: Having completed a redesign of its business tax publications, which include data published for corporations and partnerships, SOI will update the processes it uses to prepare data for publication. The redesigned publications comply with revised disclosure guidelines set forth in *Tax Information Security Guidelines for Federal, State and Local Agencies* (Publication 1075).
- Submission Processing Center Realignment: In conjunction with the closure of select IRS Submission Processing Centers, SOI is leading a Research, Applied Analytics & Statistics (RAAS)-wide effort to realign the processing of its statistical samples among the remaining centers. Training and processing are already underway in the new centers, and SOI is working with other components to ensure that sufficient staff are assigned to each project and that all staff receive adequate training. SOI will continue to ensure that the realignment realizes cost savings, while maintaining the quality and integrity of data collected for SOI's statistical samples.
- Joint Statistical Research Program: SOI's Joint Statistical Research Program, introduced in 2012, facilitates work between RAAS staff and academics, non-profit organizations, and other federal government agencies on projects designed to address key tax administration issues.

This research examines a broad range of topics, such as the effects of economic conditions or tax law changes on taxpayer behavior. Currently, SOI is supporting a project that examines the effect of economic shocks, including tax rate changes, on charitable giving.

- Expand Available Data on Businesses: SOI publishes a variety of tables and reports that capture information on businesses, including sole proprietorships, partnerships, corporations, and S-corporations. In FY 2019, the division will expand these products, publishing a new table providing data on all income sources, deductions, tax credits, etc., for all taxpayers who report any income from a small business or farm and by updating its integrated business statistics. The latter comprises a set of tables that combines data from the various types of businesses (corporations, partnerships, sole proprietorships, etc.) to provide a comprehensive snapshot of U.S. business taxpayers.
- Providing Information on the Tax System to the Public: SOI releases a *Data Book* annually, which provides an extensive overview of IRS's operations, workforce, and budget. The Data Book contains extensive data visualizations designed to improve its accessibility and the web version includes dedicated pages for each section of the publication.

In FY 2018, SOI released detailed geographic data for individuals, including statistics by state, county, zip code, and metro- and micro-politan area. Additionally, SOI released migration data, which detail the flow of individuals between regions.

SOI also released the *2017 IRS Research Bulletin* that features selected papers from the latest IRS Research Conference. The papers, authored by researchers from IRS, academia, and other federal agencies, highlight research on key areas related to tax compliance and current tax issues affecting tax administration.

At three intervals in the year, SOI released cumulative filing season statistics based on administrative data that included return frequencies, adjusted gross income, income tax after credits, and the percentage of AGI (Adjusted Gross Income) composed of capital gains. In FY 2019, SOI plans to enhance these tables, highlighting items affected by the TCJA. The data will provide an early glimpse of the effect of the new laws on return filing patterns, payment methods, and measures of income and tax.

Additionally, SOI released five publications detailing filing projections for various tax returns. These publications included projections of information and withholding documents, multi-year return projections for the United States, including estimates for business, individual, and tax-exempt returns to be filed, individual return projections by major processing categories, including balance due and refund returns, projections of returns filed by IRS campus, and state-level projections. Recent updates include adjustments to the forecasts based on changes implemented under the TCJA. The IRS publishes these projections throughout the year. They include changes in filing patterns, economic and demographic trends, legislative requirements, and IRS administrative processes. The projections are widely used by the public and throughout the IRS to assist in workload planning.

In FY 2018, SOI released more than 600 additional tables and reports containing detailed information on a wide range of topics. These tables included the Tax Year

2015 Partnership tables, which include balance sheet and income statement information, as well as statistics on the number of partners. These tables are the first to be developed using the new IRS disclosure guidelines for business tax returns. SOI's other releases include updated statistical tables for individuals, sole proprietorships, estates, gifts, tax-exempt organizations and bonds, and international taxpayers and entities.

Section II – Budget and Performance Plan

Treasury Strategic Objectives and Agency Priority Goals

The Budget supports the following Department of the Treasury Strategic Objectives for FY 2018 – 2022 and Agency Priority Goals for FY 2018 – 2019 for all appropriations:

- **Strategic Goal 1:** Boost U.S. Economic Growth, Strategic Objective 1.1: Tax Law Implementation: Administer tax law to better enable all taxpayers to meet their obligations, while protecting the integrity of the tax system.
- **Strategic Goal 4:** Transform Government-wide Financial Stewardship, Strategic Objective 4.1: Financial Data Access and Use: Increase the access and use of federal financial data to strengthen government-wide decision-making, transparency, and accountability.
- **Strategic Goal 5:** Achieve Operational Excellence, Strategic Objectives 5.1 – 5.3:
 - 5.1 Workforce Management: Foster a culture of innovation to hire, engage, develop, and optimize a diverse workforce with the competencies necessary to accomplish our mission.
 - 5.2 Treasury Infrastructure: Better enable mission delivery by improving the reliability, security, and resiliency of Treasury’s infrastructure.
 - 5.3 Customer Value: Improve customer value by increasing the quality and lowering the cost of Treasury’s products and services.
- **Agency Priority Goal (aligned to strategic objective 1.1):** Reduce the amount of unprotected identity theft tax refunds paid by two percent by December 31, 2019.

Taxpayer Services

Appropriation Description

The Taxpayer Services appropriation provides funding for taxpayer service activities and programs. This includes printing forms and publications, processing tax returns and related documents, offering filing and account services, taxpayer assistance, and providing taxpayer advocacy services.

The Taxpayer Services budget request for FY 2020 is \$2,402,000,000 in direct appropriations and 26,639 FTE. This amount is a decrease of \$169,554,000, or 6.59 percent, and 2,195 FTE less than the FY 2019 Annualized Continuing Resolution level of \$2,571,554,000 and 28,834 FTE. The FY 2019 Annualized Continuing Resolution level includes \$65 million of the \$77 million provided by the Section 112 Administrative Provision to implement the Tax Cuts and Jobs Act (Public Law 115-97).

2.1 – Budget Adjustments Table

Dollars in thousands

Taxpayer Services		
Summary of Proposed FY 2020 Request	FTE	Amount
FY 2019 Annualized CR Level ¹	28,834	\$2,571,554
Changes to Base:		
Other Adjustments	(1,192)	(\$101,636)
Offset to O&M for Critical IT Systems	(1,192)	(101,636)
Maintaining Current Levels (MCLs)		\$3,161
Non-Pay Inflation Adjustment		3,161
Efficiencies/Savings:	(1,003)	(\$71,079)
Increase e-File Savings	(116)	(6,079)
Non-Recur for Section 112 Tax Reform Funding	(887)	(65,000)
Subtotal FY 2019 Changes to Base	(2,195)	(\$169,554)
FY 2019 Current Services	26,639	\$2,402,000
Total FY 2020 Budget Request	26,639	\$2,402,000

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Taxpayer Services Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	1,521,243	1,568,873	1,445,297
11.3 Other than Full-Time Permanent Positions	48,118	44,599	44,599
11.5 Other Personnel Compensation	107,257	92,380	92,317
11.8 Special Personal Services Payments		1,209	1,209
11.9 Personnel Compensation (Total)	1,676,618	1,707,061	1,583,422
12.1 Personnel Benefits	606,343	632,032	582,774
13.0 Benefits to Former Personnel	39,027	37,538	37,538
Total Personnel and Compensation Benefits	\$2,321,988	\$2,376,631	\$2,203,734
21.0 Travel	11,183	11,827	12,287
22.0 Transportation of Things	642	658	671
23.3 Communications, Utilities, & Misc	897	8,944	9,123
24.0 Printing & Reproduction	9,002	8,121	8,261
25.1 Advisory & Assistance Services	49,641	44,924	45,830
25.2 Other Services	15,540	15,247	15,554
25.3 Purchase of Goods & Services from Govt. Accounts	61,994	63,092	64,354
25.4 Operation & Maintenance of Facilities	1		
25.7 Operation & Maintenance of Equipment	63	242	247
26.0 Supplies and Materials	4,121	4,415	4,475
31.0 Equipment	349	243	248
41.0 Grants, Subsidies	36,890	36,890	36,890
42.0 Insurance Claims & Indemnities	243	320	326
Total Non-Personnel	\$190,566	\$194,923	\$198,266
New Appropriated Resources	\$2,512,554	\$2,571,554	\$2,402,000
Budget Activities:			
Pre-filing Taxpayer Assistance & Education	640,379	634,019	634,762
Filing & Account Services	1,872,175	1,937,535	1,767,238
New Appropriated Resources	\$2,512,554	\$2,571,554	\$2,402,000
FTE	27,871	28,834	26,639

See footnotes in 1.1 -- Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Taxpayer Services Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2018 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Pre-Filing Taxpayer Assistance and Education	4,636	640,379	4,603	634,019	4,606	634,762	3	743	0.07%	0.12%
Filing and Account Services	23,235	1,872,175	24,231	1,937,535	22,033	1,767,238	(2,198)	(170,297)	-9.07%	-8.79%
Subtotal New Appropriated Resources	27,871	\$2,512,554	28,834	\$2,571,554	26,639	\$2,402,000	(2,195)	(\$169,554)	-7.61%	-6.59%
Other Resources:										
Reimbursables	669	69,706	373	33,158	373	34,816		1,658		5.00%
Offsetting Collections - Non Reimbursables										
User Fees	14	797	60	13,000	71	3,900	11	(9,100)	18.33%	-70.00%
Recovery from Prior Years		134								
Unobligated Balances from Prior Years		45,900	169	17,555			(169)	(17,555)	-100.00%	-100.00%
Transfers In/Out		(41,034)		(1,000)				1,000		-100.00%
Resources from Other Accounts										
Subtotal Other Resources	683	\$75,503	602	\$62,713	444	\$38,716	(158)	(\$23,997)	-26.25%	-38.26%
Total Budgetary Resources	28,554	\$2,588,057	29,436	\$2,634,267	27,083	\$2,440,716	(2,353)	(\$193,551)	-7.99%	-7.35%

See footnotes in 1.1--Appropriations Detail Table

2A – Pre-Filing Taxpayer Assistance and Education (\$634,762,000 in direct appropriations, and an estimated \$171,000 from reimbursable programs). This budget activity funds direct labor and non-labor expenses to assist with tax return preparation, including tax law interpretation, publication, production, and advocate services. The program activities include:

- *Pre-Filing Services Management* supports headquarters staffing and support for Taxpayer Advocate Service and Customer Assistance Relationship and Education (CARE) program activities. CARE provides pre-filing taxpayer assistance and education.
- *Taxpayer Communication and Education* researches customer needs; develops and manages educational programs; establishes partnerships with stakeholder groups; and disseminates tax information to taxpayers and the public through a variety of media, including publications and mailings, websites, broadcasting, and advertising.
- *Media and Publications* develops and produces notices, forms, and publications for printed and electronic tax materials, and provides media production services to taxpayers.
- *Taxpayer Advocacy* provides advocate services to taxpayers by identifying the underlying causes of taxpayer problems and participating in the development of systematic and/or procedural remedies.
- *Account Management and Assistance – Field Assistance* provides face-to-face assistance, education, and compliance services to taxpayers. It includes return preparation, answering tax questions, resolving account and notice inquiries, and supplying forms and publications to taxpayers.
- *Taxpayer Advocate Case Processing* provides advocate services to taxpayers to resolve taxpayer problems through prompt identification, referral, and settlement.

- *W&I HQ Management and Administration* provides staffing, training, and direct support for Wage and Investment management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion, business modernization, and embedded training.
- *Taxpayer Services Research* provides resources to support taxpayer services by conducting taxpayer behavioral studies, data analysis, and uses advanced analytics to deliver results and conclusions to inform business decisions to improve IRS products and services.
- *National Distribution Center* processes orders for IRS forms and publications received from individual taxpayers, tax practitioners, and IRS tax return preparation partners.

Description of FY 2018 Performance

In FY 2018, the Timeliness of Critical Individual Filing Season (CIFS) Tax Products to the Public (i.e., tax forms, schedules, instructions, and publications) was 59.6 percent (56 out of 94 products delivered timely), falling short of the FY 2018 target of 89 percent. TCJA affected 37 (39 percent) of the 94 total CIFS tax products. The first major task required the IRS to address withholding tables. The IRS incorporated all modifications, issued the affected tax products, and planned a coordinated release of the new withholding rates by January 8, 2018. This added an unexpected additional 57 tax products to the work plan. Despite the short timeframe, about 60 percent of CIFS tax products were made available to the public on time.

The IRS will change the definition of two measures for FY 2019 to reflect the significant changes required by TCJA. For the CIFS measure, the date by which the IRS must release a CIFS tax product to the public to be considered timely will change from the *fifth workday in January* to *seven calendar days from the official IRS start of the individual filing season*. For FY 2019, the IRS expects to achieve a target of 85 percent and 89 percent for FY 2020.

The IRS will make similar changes to the Timeliness of Critical Tax Exempt/Government Entities (TE/GE) and Business (CTB) Filing Season Tax Products measure. The measure is being modified for FY 2019 to assess tax products available seven calendar days from the official IRS start of the (individual) filing season instead of the fifth workday in January. In FY 2018, the IRS Timeliness of Critical Tax TE/GE and Business Filing Season Tax products to the Public was 100 percent, exceeding the target of 91 percent. The IRS achieved these results through workload planning to prioritize critical products over other products to ensure taxpayers had the products needed to complete their tax returns timely. For FY 2019, the IRS expects to achieve a target of 85 percent and 89 percent for FY 2020.

In FY 2018, the Enterprise Self Assistance Participation Rate (ESAPR) reached 82 percent compared to the actual of 79 percent for the same period in FY 2017. This indicator represents the percentage of taxpayer assistance requests resolved using self-assisted automated services. Total taxpayer services increased by 16.8 percent from FY 2017 while taxpayer self-assistance services provided by the IRS increased by 21.2 percent. The driving factor for the increase in web services was Transcript Delivery System usage, which increased by 211 percent (80.3 million vs. 25.8 million) in FY 2018 compared to FY 2017. Other

online applications on IRS.gov contributing to the increase include: *Where's My Refund?* (up 11 percent); *Interactive Tax Assistant* (up 22 percent); *Online Payment Agreement* (up 19 percent) and electronic payments (up 10.5 percent) from FY 2017. This increase in the ESAPR measure demonstrates IRS's progress toward providing expanded service options, and taxpayers' increased adoption of self-assistance options across various IRS service channels. The ESAPR measure will be used as an indicator for FY 2019 and FY 2020.

FY 2020 Changes by Budget Activity

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FTE	Amount
FY 2019 Annualized CR Level	4,604	\$634,019
Changes to Base:		
Other Adjustments	9	\$960
Offset to O&M for Critical IT Systems	9	960
Pay Annualization		\$783
Non-Pay		783
Efficiency/Savings	(7)	(\$1,000)
Non-Recur for Section 112 Tax Reform Funding	(7)	(1,000)
Subtotal FY 2020 Changes to Base	2	\$743
FY 2020 Current Services	4,606	\$634,762
Total FY 2020 Request	4,606	\$634,762

See footnotes in 1.1 -- Appropriations Detail Table

2.1.1 – Budget and Performance Report and Plan

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Resource Level	Actual	Actual	Actual	Actual	Enacted	Annualized CR	Request
Appropriated Resources ¹	\$595,168	\$609,196	\$609,445	\$594,962	\$640,379	\$634,019	\$634,762
Reimbursable Resources ²	45	51	13	4	260	163	171
User Fees ²	22,400	4,141					
Budget Activity Total	\$617,613	\$613,388	\$609,458	\$594,966	\$640,639	\$634,182	\$634,933

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2018	FY 2019	FY 2020
Measure	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Timeliness of Critical Filing Season Tax Products to the Public (Ot) ¹	99.1%	89.0%	92.5%	93.1%	59.6%	89.0%	85.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (Ot) ¹	98.7%	92.6%	98.0%	96.7%	100.0%	91.0%	85.0%	89.0%
Enterprise Self Assistance Participation Rate (E) (L) ²	84.7%	88.7%	89.0%	79.0%	82.0%	Indicator		

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Strategic Goal Measure

¹Modified for FY 2019

²Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure (renamed to Enterprise Self Assistance Participation Rate) to include additional self-service channels including Get Transcript and payment applications such as Direct Pay and Online Payment Agreements. As new self-assistance applications are provided to the public, they will be added to the methodology.

2B – Filing and Account Services (\$1,767,238,000 in direct appropriations, \$34,645,000 from reimbursable programs, and \$3,900,000 from user fees): This budget activity funds direct labor and non-labor expenses that provide filing and account services to taxpayers, process paper and electronically-submitted tax returns, issue refunds, and maintain taxpayer accounts. The public continues to file more returns electronically (more than 90 percent of individual returns were filed electronically during the 2018 filing season). The program activities include:

- *Filing and Account Services Management* administers filing and account services programs.
- *Submission Processing* processes paper and electronically-submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- *Account Management and Assistance – Electronic/Correspondence Assistance* provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.
- *Electronic Products and Services Support (EPSS)* provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- *Electronic Tax Administration (ETA)* markets and administers electronic tax administration products and services.
- *Health Care Tax Administration* provides funds to administer the health insurance tax credit portion of the Trade Adjustment Assistance Reform Act of 2002.
- *Joint Operations Center (JOC)* provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative accuracy; and management of the enterprise telephone database.

Description of FY 2018 Performance

Millions of individual and business taxpayers file their returns electronically. In FY 2018, the IRS achieved an 87.2 percent individual e-file rate, exceeding the prior year performance of 86.9 percent, but falling slightly short of its 88 percent target. The IRS achieved a 55.6 percent business e-file rate exceeding the FY 2018 target of 54 percent. The IRS will continue to promote the benefits of e-filing (i.e., faster refunds, greater accuracy, secure and confidential submission, and quick confirmation). Starting in FY 2019, the individual e-file rate measure will be discontinued from budget reporting given how many taxpayers file electronically. The business e-file target will be increased to 58 percent for FY 2019 and 60 percent for FY 2020.

In FY 2018, Customer Accuracy – Tax Law was at 95.5 percent, exceeding the target of 95.0 percent. The IRS will continue to monitor results from the Embedded Quality Review System and continue to hold weekly conference calls throughout the year to discuss quality defects/errors and procedures to ensure the target is met. For FY 2019 and FY 2020, the IRS

set a tax law accuracy target of 92 percent since the complexity of the TCJA changes may affect performance. For Customer Accuracy – Accounts (Phones), the IRS correctly answered 96.1 percent of account questions over the telephone, exceeding the target of 95 percent. For FY 2019 and FY 2020, the IRS expects to achieve an accounts (phones) accuracy rate of 94 percent based on complexity of TCJA changes. For FY 2019, the IRS will maintain both accuracy measures to gauge the effects of tax reform

In FY 2018, the IRS Customer Contacts Resolved per Staff Year reached 31,409. This measure was baselined in FY 2017 as self-service applications, such as *Get Transcript* and *Direct Pay*, were added to the methodology and used as an indicator for FY 2018. Customer Contacts include activities such as automated and assistor calls answered, and web services completed. Several of the components that make up the Customer Contacts Resolved Per Staff Year measure also are included in the Enterprise Self Assistance Participation Rate; therefore, the IRS will discontinue this measure beginning in FY 2019.

The Customer Service Representative (CSR) Level of Service (LOS) measures the relative success rate of taxpayers wanting to speak with a CSR. In FY 2018, the CSR LOS exceeded the target of 75 percent, reaching 75.9 percent and provided a filing season LOS of 80 percent. Customer Service Representatives answered 25.3 million calls, an 8.9 percent increase compared to FY 2017. Resource levels in FY 2018 for taxpayer services and call demand allowed the IRS to increase LOS and to reduce paper correspondence. For FY 2018, this inventory totaled more than 580,000 pieces of correspondence with a 31 percent overage rate compared to a much higher 48 percent overage rate with more than 850,000 pieces of correspondence in FY 2015. The IRS created and continues to create new web-based applications for taxpayers. The increase in self-assistance web applications, along with the high level of telephone service, should continue to reduce paper correspondence receipts. In FY 2019, the IRS will continue to create detailed forecasts of expected telephone and correspondence demand. The IRS will monitor demand in real-time and resources allocated down to the half hour, allowing the IRS to shift staff between telephones and paper processing. The IRS has revised the target for FY 2019 level of service to 63 percent based on the delayed training that has overlapped with the filing season. In order to mitigate the impact of the delayed training, the IRS has allocated \$40 million in user fees (not reflected in the tables) to LOS in addition to the funds provided in the FY 2019 enacted appropriation (Public Law 116-6). The target level of service for FY 2020 is 68 percent.

Refund Timeliness is the percentage of refunds resulting from processing individual paper returns issued within 40 days or less. In FY 2018, Refund Timeliness reached 98.2 percent, exceeding the target of 97 percent. This measure is being discontinued for FY 2019 reporting because it is based on paper returns, which account for roughly 10 percent of the individual filing population.

The current Taxpayer Satisfaction indicator – the All Individual Tax Filer Score, is based on the American Customer Satisfaction Index (ACSI) survey and is included for FY 2019 reporting. The All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer Customer Satisfaction Index Scores. The ACSI is the only uniform, cross-industry/government measure of customer satisfaction with the quality of goods and services available to U.S. residents. The ACSI scores are released on an annual

basis at the end of January and are based on a 100-point scale. In FY 2018, the score was 74 and reflected a steady increase over the past five years.

FY 2020 Changes by Budget Activity

Dollars in thousands

Filing and Account Services	FTE	Amount
FY 2019 Annualized CR Level	24,231	\$1,937,535
Changes to Base:		
Other Adjustments	(1,258)	(\$102,596)
Offset to O&M for Critical IT Systems	(1,258)	(102,596)
Maintaining Current Levels (MCLs)		\$2,378
Non-Pay		2,378
Efficiency/Savings	(996)	(\$70,079)
Increase e-File Savings	(116)	(6,079)
Non-Recur for Section 112 Tax Reform Funding	(880)	(64,000)
Subtotal FY 2020 Changes to Base	(2,254)	(\$170,297)
FY 2020 Current Services	21,977	\$1,767,238
Total FY 2020 Request	21,977	\$1,767,238

See footnotes in 1.1 -- Appropriations Detail Table

2.1.2 – Budget and Performance Report and Plan

Dollars in thousands

Filing and Account Services	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Resource Level	Actual	Actual	Actual	Actual	Enacted	Annualized CR	Request
Appropriated Resources ¹	\$1,550,027	\$1,564,488	\$1,712,511	\$1,811,902	\$1,872,175	\$1,937,535	\$1,767,238
Reimbursable Resources ²	28,555	30,147	34,905	62,794	69,446	32,995	34,645
User Fees ²	160,342	40,553	69,987	3,900	797	13,000	3,900
Budget Activity Total	\$1,738,924	\$1,635,188	\$1,817,403	\$1,878,596	\$1,942,418	\$1,983,530	\$1,805,783

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percent Individual Returns Processed Electronically (Oe) ¹	84.1%	85.3%	86.4%	86.9%	87.2%	88.0%	DISC	
Percent of Business Returns Processed Electronically (Oe)	43.1%	47.0%	50.0%	52.9%	55.6%	54.0%	58.0%	60.0%
Customer Accuracy - Tax Law (Phones) (Ot)	95.0%	95.0%	96.4%	96.7%	95.5%	95.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones) (Ot)	96.2%	95.5%	96.1%	96.0%	96.1%	95.0%	94.0%	94.0%
Customer Contacts Resolved per Staff Year (E) ¹	21,018	26,245	28,497	25,535	31,409	Indicator	DISC	
Customer Service Representative Level of Service (Oe) ²	64.4%	38.1%	53.4%	77.1%	75.9%	75.0%	63.0%	68.0%
Refund Timeliness - Individual (Paper) (Ot) ¹	98.7%	98.8%	98.7%	98.4%	98.2%	97.0%	DISC	
Taxpayers Satisfied with the IRS (based on a 100 point scale) ^{3,4}	73	73	74	74	74	Indicator	Indicator	Indicator

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and L - Long Term Goal

¹Discontinued (DISC) for FY 2019

²The FY 2019 level of service target was calculated at the FY 2019 Enacted level.

³New measure added for FY 2019

⁴Based on the American Customer Satisfaction Index (ACSI) survey; the All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer customer satisfaction index scores; available on an annual basis at the end of January and computed on a 100-point scale.

Enforcement

Appropriation Description

The Enforcement appropriation provides funding for the examination of tax returns, both domestic and international; administrative and judicial settlement of taxpayer appeals of examination findings; technical rulings; monitoring of employee pension plans; determination of qualifications of organizations seeking tax-exempt status; examination of tax returns of exempt organizations; enforcement of statutes relating to detection and investigation of criminal violations of the internal revenue laws; identification of underreporting of tax obligations; securing of unfiled tax returns; and collection of unpaid accounts.

The Enforcement budget request for FY 2020 is \$4,705,368,000 in direct appropriations and 34,182 FTE, excluding the proposed program integrity cap adjustment. This amount is an increase of \$33,368,000, or 0.71 percent, and 133 FTE above the FY 2019 Annualized Continuing Resolution level of \$4,672,000,000 and 34,049 FTE. The FY 2019 Annualized Continuing Resolution level includes a \$200 million inter-appropriation transfer from Enforcement to Operations Support and \$12 million of the Section 112 funds for TCJA.

2.1 – Budget Adjustments Table

Dollars in thousands

Enforcement		
Summary of Proposed FY 2020 Request	FTE	Amount
FY 2019 Annualized CR Level ¹	34,049	\$4,672,000
Changes to Base:		
Maintaining Current Levels (MCLs)		\$6,249
Non-Pay Inflation Adjustment		6,249
Efficiencies/Savings:	(68)	(\$13,717)
Reduce Contractual Services		(1,717)
Non-Recur for Section 112 Tax Reform Funding	(68)	(12,000)
Subtotal FY 2019 Changes to Base	(68)	(\$7,468)
FY 2019 Current Services	33,981	\$4,664,532
Program Changes:		
Program Increases		
Data Analytics to Enhance Compliance	174	28,470
Prevent Identity Theft	27	12,366
Subtotal FY 2019 Program Increases	201	\$40,836
Total FY 2020 Budget Request	34,182	\$4,705,368

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Enforcement Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	3,014,050	3,017,510	3,024,426
11.3 Other than Full-Time Permanent Positions	29,115	30,459	30,459
11.5 Other Personnel Compensation	121,088	110,104	110,835
11.8 Special Personal Services Payments	30,903	31,190	31,190
11.9 Personnel Compensation (Total)	3,195,156	3,189,263	3,196,910
12.1 Personnel Benefits	1,147,736	1,169,490	1,173,134
13.0 Benefits to Former Personnel	633	783	782
Total Personnel and Compensation Benefits	\$4,343,525	\$4,359,536	\$4,370,826
21.0 Travel	53,354	70,464	75,364
22.0 Transportation of Things	3,473	7,844	10,883
23.1 Rental Payments to GSA	4		
23.2 Rent Payments to Others	233	270	282
23.3 Communications, Utilities, & Misc	1,721	1,925	2,012
24.0 Printing & Reproduction	1,988	2,371	2,422
25.1 Advisory & Assistance Services	114,963	108,991	116,444
25.2 Other Services	38,394	40,121	41,635
25.3 Purchase of Goods & Services from Govt. Accounts	33,110	45,494	46,408
25.4 Operation & Maintenance of Facilities	11	10	11
25.6 Medical Care	5	43	43
25.7 Operation & Maintenance of Equipment	927	1,790	3,749
26.0 Supplies and Materials	20,682	21,827	22,630
31.0 Equipment	6,412	6,419	7,666
32.0 Land and Structures	6	3	3
42.0 Insurance Claims & Indemnities	3,992	923	942
91.0 Unvouchered	4,200	3,969	4,048
Total Non-Personnel	\$283,475	\$312,464	\$334,542
New Appropriated Resources	\$4,627,000	\$4,672,000	\$4,705,368
Budget Activities:			
Investigations	581,680	597,658	614,046
Exam & Collections	3,875,098	3,894,129	3,923,583
Regulatory	170,222	180,213	167,739
New Appropriated Resources	\$4,627,000	\$4,672,000	\$4,705,368
FTE	34,789	34,049	34,182

See footnotes in 1.1 -- Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Enforcement Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Investigations	2,950	581,680	2,893	597,658	2,964	614,046	71	16,388	2.45%	2.74%
Exam and Collections	30,876	3,875,098	30,084	3,894,129	30,209	3,923,583	125	29,454	0.42%	0.76%
Regulatory	963	170,222	1,072	180,213	1,009	167,739	(63)	(12,474)	-5.88%	-6.92%
Subtotal New Appropriated Resources	34,789	\$4,627,000	34,049	\$4,672,000	34,182	\$4,705,368	133	\$33,368	0.39%	0.71%
Other Resources:										
Reimbursables	57	32,177	64	34,571	64	36,300		1,729		5.00%
Offsetting Collections - Non Reimbursables		26,069		37,719		39,605		1,886		5.00%
User Fees				43				(43)		-100.00%
Recovery from Prior Years		3,347		4,000		4,000				
Unobligated Balances from Prior Years		28,702		14,175		55,990		41,815		294.99%
Transfers In/Out		76		1,000				(1,000)		-100.00%
Resources from Other Accounts										
Subtotal Other Resources	57	\$90,371	64	\$91,508	64	\$135,895		\$44,387		48.51%
Total Budgetary Resources	34,846	\$4,717,371	34,113	\$4,763,508	34,246	\$4,841,263	133	\$77,755	0.39%	1.63%

See footnotes in 1.1--Appropriations Detail Table

2C – Investigations (\$614,046,000 in direct appropriations, and an estimated \$35,831,000 from reimbursable programs): This budget activity funds the Criminal Investigation (CI) programs that explore potential criminal and civil violations of tax laws; enforce criminal statutes relating to violations of tax laws and other financial crimes; and recommend prosecution as warranted. The program activities include:

- *General Management and Administration* supports the headquarters management activities of strategic planning, communications, finance, and human resources for CI activities.
- *Identity Theft*, through CI's collaboration with internal and external business partners, combats the inherent risks of Stolen Identity Refund Fraud (SIRF) by focusing on significant tax investigations, prosecutions to maximize deterrence, and preventing the IRS from issuing fraudulent refunds.
- *CI* supports the enforcement of criminal statutes relating to violations of internal revenue laws and other financial crimes. CI investigates cases of suspected intent to defraud involving both legal and illegal sources of income and recommends prosecution as warranted. This includes the investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.
- *Criminal Tax Legal Support* provides legal advice and support from IRS Counsel to CI.
- *International Investigations* supports international investigations involving U.S. citizens residing abroad, non-resident aliens, expatriates (U.S. citizens living abroad who have renounced their citizenship), and investigations involving other international issues, including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- *Cybersecurity* supports CI's cyber-efforts around inherent risks to CI's networks and systems, while focusing enforcement and investigative actions on the criminals that

pose those threats. This activity also supports security program management that protects the safeguarding of all data and systems within CI while adhering to all federal regulatory security compliance mandates and local security policies.

Description of FY 2018 Performance

CI serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. CI uses the following measures to evaluate its success in achieving its mission.

In FY 2018, CI completed 3,051 criminal investigations, exceeding the year-end target of 3,000. Overall performance in FY 2018 continued to be affected by a steady decrease in the number of special agents as well as CI's focus on traditional tax case programs, which tend to have a longer cycle time. Cases of a legal and illegal source nature decreased 3.1 percent and 6.5 percent, respectively, while narcotics cases increased 11 percent compared to FY 2017. Legal source cases include people that earn their income legally, but willfully violate the tax laws (i.e. Tax Evasion). Illegal cases include income from sources such as embezzlement, mortgage fraud, telemarketing fraud, money laundering, etc. Narcotics cases are similar to illegal, these cases are specific to profit, and financial gains of organized drug groups involved in narcotics trafficking and/or narcotics/money laundering. CI will continue to utilize proven case development strategies, expand case development efforts, and leverage interagency partnerships to identify, initiate, and complete criminal investigations in all program areas, based on projected staffing, the IRS reduced its FY 2019 target to 2,800 completed investigations and its FY 2020 target to 2,700 completed investigations.

In FY 2018, the number of criminal convictions was 1,879, an 18.3 percent decrease compared to FY 2017 and slightly below the target of 1,900. Fewer special agents has led to a decline in the number of cases initiated and consequently in the number of cases recommended for prosecution, which contributed to lower inventory levels in the judicial process. Despite this decline, quality investigations initiated and completed in previous years continue to be recommended for prosecution and are processed by the Department of Justice (DOJ). CI management will continue to ensure appropriate and consistent contact with the DOJ Tax Division and U.S. Attorney Offices regarding prosecutorial priorities and appropriate movement of pipeline investigations. Starting in FY 2019, the IRS will discontinue this measure because it is a component of an existing measure (conviction rate).

The FY 2018 conviction rate was slightly higher than it was in FY 2017 (91.7 percent vs. 91.5 percent) but below the year-end target of 92 percent, because of attrition, case complexity, and bandwidth at partner agencies. Acquittals and dismissals decreased by 31.3 percent and 19.8 percent, respectively, compared to FY 2017. Appropriate case selection and effective field performance continue to increase the number of cases resulting in convictions and likely mitigated other effects. Consequently, CI's rate of conviction, one of the highest in federal law enforcement, continues to be a strong indicator of investigative quality. Since CI does not prosecute its own cases, it must depend on DOJ's ability to accept its cases for prosecution and to move such cases through the courts. CI management will continue to coordinate with the DOJ Tax Division and U.S. Attorney Offices on prosecutorial priorities

and on the appropriate movement of pipeline investigations to ensure a high rate of conviction and to meet the FY 2019 and FY 2020 targets of 92 percent.

FY 2020 Changes by Budget Activity

Dollars in thousands

Investigations	FTE	Amount
FY 2019 Annualized CR Level	2,893	\$597,659
Changes to Base:		
Maintaining Current Levels (MCLs)		\$1,165
Non-Pay		1,165
Subtotal FY 2020 Changes to Base		\$1,165
FY 2020 Current Services	2,893	\$598,824
Program Changes:		
Program Increases	71	\$15,222
Data Analytics to Enhance Compliance	45	9,958
Prevent Identity Theft	26	5,264
Subtotal FY 2020 Program Increases	71	\$15,222
Total FY 2020 Request	2,964	\$614,046

See footnotes in 1.1 -- Appropriations Detail Table

2.1.3 – Budget and Performance Report and Plan

Dollars in thousands

Investigations	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Resource Level	Actual	Actual	Actual	Actual	Enacted	Annualized CR	Request
Appropriated Resources ¹	\$601,740	\$601,665	\$591,449	\$589,295	\$581,680	\$597,658	\$614,046
Reimbursable Resources ²	27,133	29,957	29,053	33,618	28,295	34,125	35,831
User Fees ²							
Budget Activity Total	\$628,873	\$631,622	\$620,502	\$622,913	\$609,975	\$631,783	\$649,877

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Investigations	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2018	FY 2019	FY 2020
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Criminal Investigations Completed (Ot)	4,606	4,486	3,721	3,089	3,051	3,000	2,800	2,700
Number of Convictions (Oe) ¹	3,110	2,879	2,672	2,300	1,879	1,900	DISC	
Conviction Rate (Oe)	93.4%	93.2%	92.1%	91.5%	91.7%	92.0%	92.0%	92.0%

Key: Oe - Outcome Measure, Ot - Output/Workload Measure

¹Discontinued (DISC) for FY 2019

2D – Exam and Collections (\$3,923,583,000 in direct appropriations and an estimated \$107,000 from reimbursable programs): This budget activity funds programs that enforce the tax laws and increase compliance through examination and collection programs that ensure proper payment and tax reporting. This budget activity also includes campus support of the Questionable Refund program and appeals and litigation activities associated with exam and collection. The program activities include:

- *Compliance Services Management* supports management associated with exam and compliance program activities.
- *Payment Compliance – Correspondence Collection* supports IRS collection activities by initiating contact and collecting delinquent taxpayer liabilities through written notices and other means.

- *Automated Collections and Support* initiates contact and collects delinquent taxpayer liabilities through the centralized Automated Collection System (ACS).
- *Payment Compliance – Field Collection* conducts field investigations and collection efforts associated with delinquent taxpayer and business entity liabilities, including direct taxpayer contact and outreach programs to protect the interest of the Federal Government in delinquent tax liability situations.
- *Tax Reporting Compliance – Document Matching* supports the Automated Underreporter (AUR), Combined Annual Wage Reporting (CAWR), Federal Unemployment Tax Act (FUTA), and other Document Matching Programs.
- *Tax Reporting Compliance – Electronic/Correspondence Exam* initiates written correspondence with taxpayers related to tax issues arising from claims on their tax returns.
- *Tax Reporting Compliance – Field Exam* compares taxpayer income levels and corresponding tax liabilities to ensure the accuracy of taxpayer returns.
- *Fraud/Bank Secrecy Act* enforces the anti-money laundering provisions of the *Bank Secrecy Act of 1970* (BSA) and the *USA Patriot Act of 2001*. It examines non-bank financial institutions for compliance with these laws, receives and processes more than 15 million financial reports annually, and manages a centralized database of that information for the Financial Crimes Enforcement Network. The Fraud program follows the money trail to support the criminal investigation of tax evasion operations. Fraud technical advisors and revenue agents provide investigative leads and referrals to federal, state, and local law enforcement agencies.
- *Appeals* provides an administrative review process that provides a channel for impartial case settlement before a case is docketed in a court of law.
- *Litigation* provides legal support for the IRS in litigation of cases, including interpretation of the tax law.
- *Specialty Programs – Exams* examines federal tax returns of businesses and individuals responsible for the filing and payment of employment, excise, estate, and gift taxes.
- *International Collection* supports international field collection efforts associated with delinquent taxpayer and business entity liabilities from U.S. citizens residing abroad, non-resident aliens, expatriates (U.S. citizens living abroad who have renounced their citizenship), and those involving other international issues (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion).
- *International Exams* supports the international exam program involving U.S. citizens residing abroad, non-resident aliens, expatriates, and other examinations involving other international issues including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- *Enforcement Research* provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful treatments of taxpayer non-compliant behavior.

- *Unit General Management and Administration* provides staffing, training, and direct support for headquarters management activities of strategic planning, communication and liaison, finance, human resources, equity, diversity and inclusion, business system planning, and embedded training.
- *EITC Management and Administration* supports headquarters management associated with administering the Earned Income Tax Credit (EITC) program.
- *Integrity & Verification Operations* supports civil fraud detection and prevention efforts in a pre-refund environment including monitoring performance and developing policy, procedures, and guidance for processing civil revenue protection programs.
- *ID Theft Victim Assistance* has end-to-end responsibility and accountability for identity theft victim assistance policy and operations, which includes paper inventories from tax related- ID theft, the Identity Theft Protection Specialized Unit (IPSU), and Return Preparer Misconduct.
- *Whistleblower Office* provides staffing, training, and direct support to process, assess, and analyze tips from individuals who identify tax problems in the course of their daily business, regardless of where encountered (including workplace).
- *Communications and Liaison* coordinates local government and liaison relationships; manages congressional, state, and national stakeholder relationships and issues; coordinates crosscutting issues, including audit management and legislative implementation; manages national media contacts and local media relationships; and ensures compliance with disclosure and privacy laws.
- *Return Integrity, Verification & Program Management* provides policy and program oversight of revenue protection efforts such as detection, prevention and treatment of improper refunds (identity theft and non-compliance), including managing systemic solutions regarding payment of valid refund claims and the development of innovative technology solutions supporting service-wide revenue protection strategies.

Description of FY 2018 Performance – Exam

The Examination program provides taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness. The performance goals that the IRS uses to gauge the Examination program’s performance are discussed below.

In FY 2018, Individual Exam Coverage was 0.6 percent, meeting the target. There IRS completed about 22,000 fewer individual audits, a 2.5 percent decrease compared to FY 2017. Examination will continue to address cycle time, length of audits, work in process and planned starts to maintain the current level of closures and ensure it meets future targets. The IRS will balance this data with the current level of attrition and projected hiring. For FY 2019 and FY 2020, the IRS will lower the target to 0.5 percent due to fewer staff available to work cases and the increase in the number of individual filers.

In FY 2018, the Field Exam National Quality Review Score was 89.1 percent, exceeding the target of 84.4 percent. Examination analyzes quality data trends and the effect of

organizational changes on quality scores. This measure will be discontinued from budget reporting in FY 2019 because the quality scores have been relatively constant

In FY 2018, Office Exam Quality was 87.2 percent, exceeding the target of 86.7 percent. Improvement efforts included delivery of educational workshops, completion of case closing check sheets and the use of job aids. This measure will be discontinued from budget reporting starting in FY 2019 because the quality scores have been relatively constant over the years. The Program Office will continue to monitor the scores to improve quality.

The Examination Quality – Large Business measure is calculated through a review of a statistically valid random sample of closed large-business return cases. Case scores are based on the percentage of elements passed within each of the three Examination audit standards (planning, executing, and resolving). In FY 2018, Examination Quality – Large Business was 76 percent, 14 percentage points below the target of 90 percent. The decline in the Examination Quality Score is a result of low scores in all three audit standards. Actions taken to improve scores include: considering the filing/compliance requirements of related tax returns and subsequent year tax returns; documenting the reconciliation of the internal financial information to the tax return; and documenting the audit trail and techniques used for resolving the case. This measure will be discontinued from budget reporting in FY 2019 because the quality scores have been flat over the last two years and are not directly affected by funding levels. The Program Office will continue to monitor the scores to improve quality.

The Examination Coverage – Business (Assets > \$10 million) measure is calculated by taking the total number of LB&I returns with assets of more than \$10 million, including all partnerships examined and closed by LB&I during the current fiscal year, divided by total filings for the preceding calendar year. In FY 2018, Business Examination Coverage was 2.2 percent, below the target of 2.4 percent. The IRS's Large Business & International Division met the mid-size corporations closure FY 2018 target but fell short of the target for flow-thru and high-corporation closures. Factors contributing to the FY 2018 performance shortfall included suspension of new inventory for a period in FY 2017 while workload selection methods were reviewed, and fewer resources available to close large business returns because of higher than predicted attrition and Federal Emergency Management Agency disaster assistance. In addition, resources were redirected to develop and implement compliance campaigns. Some of the campaigns involve new compliance treatment streams that use methods other than examining returns, which results in fewer return closures. The FY 2019 target is 2.2 percent. 1.5 percent in 2020.

In FY 2018, Exam Efficiency - Individual (the number of closures divided by the total Exam FTE) was 131, below the target of 134. While 9.5 percent fewer FTEs were expended for FY 2018 in closing individual returns, Examination completed 22,600 fewer individual audits, only a 2.5 percent decrease compared to FY 2017. Examination will continue to address cycle time, length of audits, work in process and planned starts to maintain the current level of closures to ensure it meets FY 2019 targets. The FY 2019 Exam Efficiency – Individual is 109 and the FY 2020 target is 121.

The Automated Underreporter (AUR) Efficiency measure is calculated by taking the total number of W&I and SB/SE contact closures (a closure resulting from a case where IRS made

contact) divided by the total FTEs, including overtime. In FY 2018, AUR Efficiency was 2,205, exceeding the year-end target of 2,133, a one percent improvement compared to FY 2017. This measure will be discontinued from budget reporting in FY 2019.

The AUR Coverage measure is calculated by taking the total number of contact closures divided by total prior calendar year individual filings. In FY 2018, AUR Coverage was 2.0 percent, exceeding the target of 1.9 percent. Examination will monitor resources, work in process, and planned starts to ensure future targets are met. The target in FY 2019 is 1.6 percent for FY 2019 and 1.7 percent for FY 2020

The Time to Start Compliance Resolution is a new measure and will be used as an indicator in FY 2019. It is the percentage of all individual income tax enforcement cases started within six months of the return posting date. It will reflect the effect of expedited issue detection and more integrated enforcement approaches. It supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and data and analytics to improve issue identification and treatment selection.

Time to Resolve Compliance Issue After Filing is a new measure and will be used as an indicator in FY 2019. It measures the average time (in days) it takes to close all individual income tax enforcement cases. This measure reflects the complete life cycle from return filing to resolution. It will reflect the effect of process enhancements, such as new self-correction capabilities, including Online Account. It supports expedited document matching and enhanced anomaly detection, which will lead to faster issue identification.

Repeat Non-Compliance Rate is a new measure and will be used as an indicator in FY 2019. It measures the percentage of individual taxpayers with repeat non-compliance two years after the initial tax year for filing, payment, or reporting compliance. This measure supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and Enterprise Case Management. It also promotes improved customer service through expanded access to new self-correction capabilities and improved behavioral analytics. It allows the IRS to better understand and change non-compliant taxpayer behavior.

Description of FY 2018 Performance – Collection

The Collection program collects delinquent taxes, secures delinquent tax returns through the fair and equitable application of tax laws, and provides education to customers to promote future compliance. The performance goals that the IRS uses to gauge collection program performance are discussed below.

The Collection Coverage measure is calculated by taking the total volume of collection work disposed (i.e., completed) divided by total collection work available. In FY 2018, Collection Coverage was 41.6 percent, exceeding the target of 38.6 percent. Net dispositions decreased 1 percent compared to FY 2017 (20.4 million vs. 20.6 million). Beginning Inventory, and Returned to Inventory cases decreased 0.6 percent and 6.9 percent, respectively, while New Issuance Receipts and Reissuances increased 13.5 percent and 75 percent, respectively. The IRS will set a target of 40.1 percent for FY 2019 and 38.3 percent in FY 2020 based on the most recent disposition and inventory projections.

The Collection Efficiency measure is the volume of collection work disposed divided by total collection FTE. In FY 2018, Collection Efficiency was 2,216, exceeding the target of 2,101. While FTEs declined almost 5 percent, total closures decreased only one percent compared to FY 2017 with improved efficiency (2,216 vs. 2,135). This measure will be discontinued from budget reporting in FY 2019.

The Field Collection Quality measure is calculated by taking the quality attributes reviewed and determined to be correct by a third-party quality reviewer divided by the total number of quality attributes reviewed. In FY 2018, the Field Collection National Quality Review Score was 79.2 percent, exceeding the target of 78 percent. The advanced technical training conducted in FY 2018 was a major contributor to improved quality scores. This measure will be discontinued from budget reporting in FY 2019 but maintained by the program office as required by the IRS Restructuring and Reform Act of 1998.

The Automatic Collection System (ACS) Accuracy measure reflects the percentage of correct responses from a random weighted sampling of calls selected for quality review by the Centralized Quality Review System. In FY 2018, the ACS Accuracy was 94.0 percent, below the target of 95 percent. Factors such as new hires and more complex work contributed to the shortfall. Additionally, two new call sites in Ogden and Cincinnati stood up and were added to the quality results in May 2018. This measure will be discontinued from budget reporting in FY 2019.

The Cost to Collect \$100 (in cents) measure is an existing metric that has not been reported with the Budget request before and will be used as an indicator in FY 2019. This measure is computed as total operating costs divided by gross collection divided by 100.

FY 2020 Changes by Budget Activity

Dollars in thousands

Exam and Collections	FTE	Amount
FY 2019 Annualized CR Level	30,084	\$3,894,129
Changes to Base:		
Maintaining Current Levels (MCLs)		\$4,630
Non-Pay		4,630
Efficiency/Savings		(\$700)
Non-Recur for Section 112 Tax Reform Funding		(700)
Subtotal FY 2020 Changes to Base		\$3,930
FY 2020 Current Services	30,084	\$3,898,059
Program Changes:		
Program Increases	130	\$25,524
Data Analytics to Enhance Compliance	129	18,422
Prevent Identity Theft	1	7,102
O&M of Critical Systems		
Subtotal FY 2020 Program Increases	130	\$25,524
Total FY 2020 Request	30,214	\$3,923,583

See footnotes in 1.1 -- Appropriations Detail Table

2.1.4 – Budget and Performance Report and Plan

Dollars in thousands

Exam and Collections Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources ¹	\$4,154,342	\$4,018,292	\$3,945,578	\$3,901,041	\$3,875,098	\$3,894,129	\$3,923,583
Reimbursable Resources ²		640	456	450	3,289	102	107
User Fees ²			36			43	
Budget Activity Total	\$4,154,342	\$4,018,932	\$3,946,070	\$3,901,491	\$3,878,387	\$3,894,274	\$3,923,690

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Exam and Collections Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Examination Coverage - Individual (Oe)	0.9%	0.8%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%
Field Exam National Quality Review Score (Oe) ¹	88.4%	86.7%	86.8%	85.0%	89.1%	84.4%	DISC	
Office Exam National Quality Review Score (Oe) ¹	90.6%	88.3%	88.4%	87.9%	87.2%	86.7%	DISC	
Examination Quality - Large Business (Oe) ¹	83.0%	86.0%	83.0%	78.0%	76.0%	90.0%	DISC	
Examination Coverage - Business (Assets > \$10 million) (Oe)	4.3%	3.9%	3.0%	2.5%	2.2%	2.4%	2.2%	1.5%
Examination Efficiency - Individual (E)	138	148	143	121	131	134	122	122
Automated Underreporter (AUR) Efficiency (E) ¹	1,935	2,209	2,196	2,188	2,205	2,133	DISC	
Automated Underreporter (AUR) Coverage (E)	2.6%	2.3%	2.3%	2.2%	2.0%	1.9%	1.6%	1.7%
Time to Start Compliance Resolution (E, L) ²						N/A	Indicator	
Time to Resolve Compliance Issue After Filing (E) ²						N/A	Indicator	
Repeat Non-Compliance Rate (Ot) ²						N/A	Indicator	
Collection Coverage - Units (Ot)	45.9%	46.3%	43.4%	42.2%	41.6%	38.6%	40.1%	38.3%
Collection Efficiency - Units (E) ¹	2,051	2,448	2,266	2,135	2,216	2,101	DISC	
Field Collection National Quality Review Score (Ot) ¹	81.6%	79.2%	79.2%	76.7%	79.2%	78.0%	DISC	
Automated Collection System (ACS) Accuracy (Oe) ¹	95.2%	95.3%	95.4%	94.7%	94.0%	95.0%	DISC	
Cost to Collect \$100 (in cents) (E) ²	0.38	0.35	0.35	0.34		Indicator		

Key: Oe - Outcome Measure, E - Efficiency Measure, L - Strategic Plan Goal, Ot - Output/Workload Measure

¹Discontinued (DISC) for FY 2019

²New measure added for FY 2019

2E – Regulatory (\$167,739,000 in direct appropriations and an estimated \$362,000 from reimbursable programs): This budget activity funds the development of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The activities include:

- *Tax Law Interpretation and Published Guidance* interprets tax law through published guidance, technical advice, and other technical legal services.
- *General Legal Services* provides advice to the IRS on non-tax legal issues, including procurement, personnel, labor relations, equal employment opportunity, fiscal law, tort claims and damages, ethics, and conflict of interest.

- *Rulings and Agreements* applies the tax law to specific taxpayers in the form of pre-filing agreements, determination letters, advance pricing agreements, and other pre-filing determinations and advice.
- *International Regulatory Legal Support* supports Counsel’s work in tax law interpretation and rulings and agreements related to international issues.
- *Return Preparer Strategy* provides staffing, training, and direct support associated with the Return Preparer Strategy.
- *Office of Professional Responsibility* identifies, communicates, and enforces *Treasury Circular 230* standards of competence, integrity, and conduct of those who represent taxpayers before the IRS, including attorneys, Certified Public Accountants (CPAs), enrolled agents, enrolled actuaries and appraisers, and other professionals.

Description of FY 2018 Performance

Tax Exempt and Government Entities (TE/GE) Determination Case Closures includes both applications for tax-exempt status for employee retirement plans and applications from various charitable entities seeking tax-exempt status. The IRS reviews applications to determine eligibility and closes them upon approval or disapproval. In FY 2018, TE/GE completed 98,249 Determination Case Closures, exceeding the target of 94,103. Employee Plans (EP) Determinations Division of TE/GE began the year with 71 technical employees. With a significant decrease in submissions, in November 2017, EP Determinations Division started to realign non-Determination work to all employees. This process allowed for additional support for the Voluntary Compliance and EP Exam Divisions within TE/GE to assist with their workload. Exempt Organization (EO) Determinations will explore ways to increase the number of closures in a shorter period, thus striving to close more cases in FY 2019 than originally planned through piloting new methods. This measure will be discontinued from budget reporting in FY 2019

FY 2020 Changes by Budget Activity

Dollars in thousands

Regulatory	FTE	Amount
FY 2019 Annualized CR Level	1,072	\$180,213
Changes to Base:		
Maintaining Current Levels (MCLs)		\$454
Non-Pay		454
Efficiency/Savings		(\$13,017)
Reduce Contractual Services		(1,717)
Non-Recur for Section 112 Tax Reform Funding		(11,300)
Subtotal FY 2020 Changes to Base		(\$12,563)
FY 2020 Current Services	1,072	\$167,650
Program Changes:		
Program Increases	1	\$88
Data Analytics to Enhance Compliance	1	88
O&M of Critical Systems		
Subtotal FY 2020 Program Increases	1	\$88
Total FY 2020 Request	1,073	\$167,738

See footnotes in 1.1 -- Appropriations Detail Table

2.1.5 – Budget and Performance Report and Plan

Dollars in thousands

Regulatory Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources ¹	\$158,415	\$147,605	\$137,245	\$131,662	\$170,222	\$180,213	\$167,739
Reimbursable Resources ²	792	363	202	160	593	344	362
User Fees ²	13,241	18,485	9,233	9,537			
Budget Activity Total	\$172,448	\$166,453	\$146,680	\$141,359	\$170,815	\$180,557	\$168,101

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Regulatory Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
TE/GE Determination Case Closures (Ot) ¹	136,746	111,940	99,973	102,749	98,249	94,103	DISC	

Key: Ot - Output/Workload Measure

¹Discontinued (DISC) for FY 2019

Operations Support

Appropriation Description

The Operations Support appropriation provides funding for overall planning, direction, and support for the IRS, including shared service support related to facilities services, rent payments, printing, postage, and security. This appropriation funds headquarters policy and management activities such as corporate support for strategic planning; communications and liaison; finance; human resources; equity, diversity, and inclusion; research and statistics of income; and necessary expenses for information systems and telecommunication support, including development, security, and maintenance of the IRS's information systems.

The Operations Support budget request for FY 2020 is \$4,075,021,000 in direct appropriations and 10,683 FTE, excluding the proposed program integrity cap adjustment. This is an increase of \$241,021,000, or 6.29 percent, and 343 FTE more than the FY 2019 Annualized Continuing Resolution of \$3,834,000,000 and 10,340 FTE. The FY 2019 Annualized Continuing Resolution level includes a \$200 million inter-appropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2019.

2.1 – Budget Adjustments Table

Dollars in thousands

Operations Support		
Summary of Proposed FY 2020 Request	FTE	Amount
FY 2019 Annualized CR Level¹	10,340	\$3,834,000
Changes to Base:		
Other Adjustments	163	\$101,636
Offset to O&M for Critical IT Systems	163	101,636
Maintaining Current Levels (MCLs)		\$41,155
Non-Pay Inflation Adjustment		41,155
Efficiencies/Savings:		(\$24,804)
Increase e-File Savings		(104)
Space Optimization		(24,700)
Subtotal FY 2019 Changes to Base	163	\$117,987
FY 2019 Current Services	10,503	\$3,951,987
Program Changes:		
Program Increases		
Data Analytics to Enhance Compliance	16	5,363
Prevent Identity Theft	2	10,122
O&M of Prior-year Enterprise-wide Cybersecurity Investments		6,744
O&M of Critical Systems	162	100,805
Subtotal FY 2019 Program Increases	180	\$123,034
Total FY 2020 Budget Request	10,683	\$4,075,021

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Operations Support Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	1,100,060	1,117,741	1,154,274
11.3 Other than Full-Time Permanent Positions	3,980	5,839	5,960
11.5 Other Personnel Compensation	25,111	21,985	22,399
11.8 Special Personal Services Payments	441	472	472
11.9 Personnel Compensation (Total)	1,129,592	1,146,037	1,183,105
12.1 Personnel Benefits	376,366	383,648	394,989
13.0 Benefits to Former Personnel	338	347	347
Total Personnel and Compensation Benefits	\$1,506,296	\$1,530,032	\$1,578,441
21.0 Travel	14,201	18,652	19,268
22.0 Transportation of Things	13,171	12,950	13,240
23.1 Rental Payments to GSA	589,683	590,575	578,055
23.2 Rent Payments to Others	12,050	12,167	12,410
23.3 Communications, Utilities, & Misc	289,783	330,117	356,020
24.0 Printing & Reproduction	24,106	19,161	19,575
25.1 Advisory & Assistance Services	866,878	648,579	741,804
25.2 Other Services	36,840	30,162	38,744
25.3 Purchase of Goods & Services from Govt. Accounts	79,806	82,898	85,534
25.4 Operation & Maintenance of Facilities	186,027	189,244	193,458
25.5 Research & Development Contracts	6		
25.6 Medical Care	14,549	14,966	15,327
25.7 Operation & Maintenance of Equipment	66,654	66,844	81,612
26.0 Supplies and Materials	9,806	8,865	9,099
31.0 Equipment	450,680	272,399	325,549
32.0 Land and Structures	20,225	5,610	6,090
42.0 Insurance Claims & Indemnities	239	779	795
Total Non-Personnel	\$2,674,704	\$2,303,968	\$2,496,580
New Appropriated Resources	\$4,181,000	\$3,834,000	\$4,075,021
Budget Activities:			
Infrastructure	870,360	858,932	853,738
Shared Services & Support	920,283	942,568	953,686
Information Services	2,390,357	2,032,500	2,267,597
New Appropriated Resources	\$4,181,000	\$3,834,000	\$4,075,021
FTE	10,389	10,340	10,683

See footnotes in 1.1 -- Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Operations Support Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Infrastructure		870,360		858,932		853,738		(5,194)		-0.60%
Shared Services and Support	4,315	920,283	4,269	942,568	4,287	953,686	18	11,118	0.42%	1.18%
Information Services	6,074	2,390,357	6,071	2,032,500	6,396	2,267,597	325	235,097	5.35%	11.57%
Subtotal New Appropriated Resources	10,389	\$4,181,000	10,340	\$3,834,000	10,683	\$4,075,021	343	\$241,021	3.32%	6.29%
Other Resources:										
Reimbursables	69	69,257	84	48,822	84	51,263		2,441		5.00%
Offsetting Collections - Non Reimbursables										
User Fees		205,052		411,000		427,000		16,000		3.89%
Recovery from Prior Years		9,752		10,830		11,741		911		8.41%
Unobligated Balances from Prior Years		91,901		192,377		63,482		(128,895)		-67.00%
Transfers In/Out		36,770								
Resources from Other Accounts										
Subtotal Other Resources	69	\$412,732	84	\$663,029	84	\$553,486		(\$109,543)		-16.52%
Total Budgetary Resources	10,458	\$4,593,732	10,424	\$4,497,029	10,767	\$4,628,507	343	\$131,478	3.29%	2.92%

See footnotes in 1.1--Appropriations Detail Table

2F – Infrastructure (\$853,738,000 in direct appropriations and an estimated \$730,000 from reimbursable programs): This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment. The program activities include:

- *Building Delegation* oversees and manages the IRS GSA-delegated buildings, including cleaning, maintenance, utilities, protection, administrative, and recurring and one-time repair costs.
- *Rent* provides resources for all IRS rent needs.
- *Space and Housing/Non-IT Equipment* provides management of all IRS building services, maintenance, space alterations, guard services, custodial overtime, utility service needs, and non-IT equipment.
- *Security* covers all physical security costs, including guard services, security equipment and maintenance, countermeasures, Homeland Security Presidential Directive 12 (HSPD-12) and Treasury Enterprise Identity Credential and Access Management (TEICAM).

Description of FY 2018 Performance

The IRS continued to release excess office space through building closures and consolidations.

The Rentable Square Feet per Person indicator is the amount of rentable square feet the IRS maintains per person requiring space. Through FY 2018, the Rentable Sq. Ft. per Person was 301 compared to 297 in FY 2017. The IRS continued to release excess office space through building closures and consolidations. The IRS released 10 buildings and 492,110 square feet

of space from its portfolio in FY 2018, which will generate about \$10.5 million in annual rent savings. The IRS expanded the number of offices that incorporate hoteling or shared workspace for employees and contractors who do not require full-time space. The IRS also intends to place new hires in existing space and renew leases at existing sites rather than opening new locations, when cost effective and when permitted by procurement regulations. These and other actions will help limit projected rent cost increases. The IRS also is analyzing how the submission processing ramp downs in Covington, KY and Fresno, CA might affect office space needs at those locations.

FY 2020 Changes by Budget Activity

Dollars in thousands

Infrastructure	FTE	Amount
FY 2019 Annualized CR Level		\$858,932
Changes to Base:		
Maintaining Current Levels (MCLs)		\$17,176
Non-Pay		17,176
Efficiency/Savings		(\$24,700)
Space Optimization		(24,700)
Subtotal FY 2020 Changes to Base		(\$7,524)
FY 2020 Current Services		\$851,408
Program Changes:		
Program Increases		\$2,330
Data Analytics to Enhance Compliance		1,889
Prevent Identity Theft		441
Subtotal FY 2020 Program Increases		\$2,330
Total FY 2020 Request		\$853,738

See footnotes in 1.1 -- Appropriations Detail Table

2.1.6 – Budget and Performance Report and Plan

Dollars in thousands

Infrastructure Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources ¹	\$845,558	\$833,846	\$838,048	\$856,655	\$870,360	\$858,932	\$853,738
Reimbursable Resources ²	16,694	928	626	634	662	695	730
User Fees ²	17,137					1,000	
Budget Activity Total	\$879,389	\$834,774	\$838,674	\$857,289	\$871,022	\$860,627	\$854,468

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Infrastructure Measure	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Rentable Square Feet per Person (new for FY 2017) (Ot, L)				297	301		Indicator	

Key: Ot - Output/Workload Measure L - Strategic Plan Goal

2G – Shared Services and Support (\$953,686,000 in direct appropriations, and an estimated \$30,447,000 from reimbursable programs): This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, security, legal services, and procurement. The program activities include:

- *National Headquarters Management and Administration* directs the management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion programs, business systems planning, embedded training, and the Treasury Franchise Fund. It sets policies and goals, provides leadership and direction for the IRS, and builds partner relationships with key stakeholders (Congress, GAO, OMB, and the Oversight Board). It provides policy guidance for conducting planning and budgeting strategies, conducting analyses of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.
- *Facilities Management & Security Services* provides facilities and security services to deliver a safe, secure and optimal work environment to IRS customers.
- *Procurement* supports the procurement function of the IRS.
- *Equity, Diversity and Inclusion Field Services* provides staffing, training, and direct support to plan and manage the IRS's Equity, Diversity and Inclusion program.
- *Communications and Liaison* coordinates local government and liaison relationships; handles congressional, state, and national stakeholder relationships and issues; coordinates cross-cutting issues, including managing audits and legislative implementation; handles national media contacts and local media relationships; and ensures IRS-wide compliance with disclosure and privacy laws.
- *Employee Support Services* plans and manages financial services, including relocation, travel, purchase cards, corporate express, and employee clearances.
- *Treasury Complaint Centers* plan and manage the Treasury Complaint Centers.
- *Shared Support not provided by Agency-Wide Shared Services* provides resources for shared cross-functional support, such as postage meters, shredders, courier services, and post office boxes.
- *Printing and Postage – Media and Publications* provides operating divisions with printing and postage, including shipping of taxpayer and internal-use materials.
- *Statistics of Income* provides resources for researching annual income, financial, and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- *Research* provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful strategies to address taxpayer noncompliance behavior.
- *Protection of Sensitive Information* manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, and assets, and the protection and proper use of identity information.
- *Wage and Investment (W&I) Business Modernization Support* provides staffing, training, and direct support for W&I's enterprise-wide business modernization efforts, including Customer Account Data Engine 2 (CADE 2) and Account Management Services (AMS) technology solutions, and re-engineered business processes.

Description of FY 2018 Performance

Through support activities that include management and administration of human resources, security, and research, Operations Support continues to provide shared services to all IRS programs.

Human Capital

The future of the IRS depends on a workplace culture that empowers employees to improve the taxpayer experience and uphold the tax code fairly. In FY 2018, the IRS:

- Worked with all Treasury Bureaus to procure a Treasury-wide Integrated Talent Management (ITM) system. Continued to focus on encouraging the transfer of institutional knowledge and developed three strategies for a Service-wide approach to knowledge management solutions based on four best practice pillars: promote collaboration (Connect), knowledge capture before employee separation (Learn), data sharing (Share), and build employee expertise (Improve). These strategies include:
 - A centralized online content repository (virtual library and video library) to capture and transfer best practices from an experienced workforce
 - A learning portal designed to consolidate various resources into a one-stop site for all aspects of training, course development, curriculum development, and career enhancement; and
 - A corporate interactive platform to identify and transfer knowledge and expertise across all IRS business organizations.

Security

Security of taxpayer data and providing a secure environment for employees are of utmost importance to the IRS. In FY 2018, the IRS:

- Continued to improve the physical security of IRS facilities against internal and external threats
- Improved authentication by launching a tool, *Identity Verify* (IDVerify), for the Taxpayer Protection Program (TPP), that allows taxpayers to answer three simple questions to confirm their identity and validate suspected identity theft returns with functions such as *See Balance Due* and a link to *Make a Payment*.
- Developed indicators and models to detect and prevent fraudulent activity in IRS online applications.

The IRS worked on several initiatives related to the Security Summit, a collaborative effort between the IRS, state tax administrators and private-sector tax partners. In FY 2018, the IRS:

- Conducted awareness campaigns for tax professionals – Protect Your Clients; Protect Yourself: Don't Take the Bait – and for taxpayers – National Tax Security Awareness Week – because everyone has a role in fighting identity theft.
- Held a summer campaign – Protect Your Clients; Protect Yourself: Tax Security 101 – which featured 10 news releases. In addition to raising awareness, the series helped support identity theft education efforts at five Nationwide Tax Forum sessions attended by more than 10,000 tax professionals.
- Conducted the second Tax Security Awareness Week, which generated news articles across the country following 32 local press and partner events. In all, 24 state revenue departments and dozens of other partner groups participated.

Research

The IRS invests in research to improve its ability to make data-driven decisions to improve operational outcomes. In FY 2018, the IRS delivered the first *Enterprise Research Plan*, a comprehensive document that contains active links to the Research and Analytic Project Repository and a database of more than 1,200 active and closed research projects.

The plan established a new data and analytics steering group to create an enterprise framework to improve coordination, decision making, and alignment of data and analytics initiatives across business units.

Dollars in thousands

Shared Services and Support	FTE	Amount
FY 2019 Annualized CR Level	4,270	\$942,568
Changes to Base:		
Maintaining Current Levels (MCLs)		\$7,246
Non-Pay		7,246
Subtotal FY 2020 Changes to Base		\$7,246
FY 2020 Current Services	4,270	\$949,814
Program Changes:		
Program Increases	16	\$3,872
Data Analytics to Enhance Compliance	14	2,189
Prevent Identity Theft	2	1,683
Subtotal FY 2020 Program Increases	16	\$3,872
Total FY 2020 Request	4,286	\$953,686

See footnotes in 1.1 -- Appropriations Detail Table

2.1.7 – Budget and Performance Report and Plan

Dollars in thousands

Shared Services and Support	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Resource Level	Actual	Actual	Actual	Actual	Enacted	Annualized CR	Request
Appropriated Resources ¹	\$1,127,931	\$1,126,230	\$1,090,192	\$964,702	\$920,283	\$942,568	\$953,686
Reimbursable Resources ²	19,886	17,126	19,443	19,194	27,995	28,997	30,447
User Fees ²	7,819	1,768	1,000	1,000	1,000		
Budget Activity Total	\$1,155,636	\$1,145,124	\$1,110,635	\$984,896	\$949,278	\$971,565	\$984,133

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

2H – Information Services (\$2,267,597,000 in direct appropriations, \$20,086,000 in reimbursable resources, and \$427,000,000 from user fees): This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. This includes the design and operation of security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems. The program activities include:

- *Enterprise Program Management Office (EPMO)* provides oversight and project integration into daily IT processes for large-scale development, modernization and enhancement projects. It enables a coordinated, cross-functional project planning, implementation and performance assessment effort aimed at improving IT systems quality, cost and delivery schedule.
- *Security Services* ensures effective security policies and programs to safeguard taxpayer records, IRS employees, facilities, business processes, systems and other resources. The program is responsible for corrective action efforts to establish adequate service-wide security, including Security Policy Support and Oversight, Mission Assurance, and Modernization Security.
- *IT Executive Oversight* provides support to the immediate Office of the Chief Information Officer, and the Stakeholder Management (including Communications Services and Program Oversight). The program provides executive direction for the

IT organization, enabling IT to be a customer-focused supplier of IT solutions that is responsive to customer business priorities and meets functional and operational needs effectively.

- *Application Development* performs the analysis, design, development, testing, and implementation of about 85,000 application programs supporting critical tax processing, management information reporting and financial management support systems for the IRS. This program also supports external trading partner data exchanges with federal government agencies, state and local governments, and other third-party entities. The program controls application source code and deploys applications to the production environment.
- *Enterprise Operations* designs, develops, and maintains IT that supports critical tax processing, management information reporting, and financial management support systems for the IRS. It supports data exchanges with external organizations, such as other federal agencies, state and local governments, and external entities (e.g., employers and banks), and includes a comprehensive disaster recovery capability to ensure continued operations in the event of a major interruption of service.
- *Enterprise Network* provides telecommunications service delivery to all customer segments, including management of day-to-day operations of the telecommunications environment. This includes the operation of equipment and services to meet business user needs and the execution of routine changes for scheduled and unscheduled modifications to the telecommunications infrastructure and applications. It addresses all phases of engineering, acquisition, implementation, and operation of telecommunications systems and services, including voice, video, and data communications.
- *Enterprise Services* plans and manages service and delivery methods used across the IT organization, including demand analysis, enterprise architecture, configuration management, project reporting, enterprise life cycle management, release management, systems engineering, dashboard reporting, and internal management.
- *End User & Network Services* maintains the IRS automated business processes at headquarters and field sites, effectively allowing the IRS to fulfill its missions. The support includes technical systems and applications software support to end users, maintaining legacy operations, local and corporate systems administration activities, email and domain user account maintenance. This activity monitors IRS network and systems administration by utilizing automated management tools. It performs asset management activities, and maintenance of the voice and data infrastructure at the territory offices.
- *Strategy and Planning* provides the management and oversight of investments in IT, demand analysis, project reporting, portfolio management, financial management, acquisition planning, and other IT operational priorities.
- *Information Technology Security Certification and Accreditation* provides design and operations of security controls and the technical mechanisms used by the IRS systems and applications as part of the development of the system security plan, system risk assessment, and IT contingency plan. It also supports security testing and evaluation

as part of the certification process, including time preparing system documentation, interviewing contractors, and responding to information requests.

- *Disaster Recovery* supports activities related to Enterprise Disaster Recovery planning, including testing, evaluations, plan development, and technical and business assessments.
- *Infrastructure Currency (IC)* funds the upgrade or replacement of outdated and aged technology solutions related to the IT hardware, software and applications development product portfolio.
- *IT Infrastructure* centralizes the resources achieved through efficiencies in various parts of IT to ensure that replacement of the aging infrastructure is addressed corporately.

Description of FY 2018 Performance

The Percent of Aged Hardware is a new measure and shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use. For FY 2018, the Percent of Aged Hardware was 45.5 percent versus 52.3 percent in FY 2017. The nearly seven percentage point reduction in FY 2018 from FY 2017 was attributable to:

- Replacing nearly 21,000 assets aging during FY 2018 to prevent growth in IRS aged hardware inventory; and,
- Removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the aged calculation to define the inventory that is reflective of risk to the Information Technology (IT) environment more accurately.

For FY 2019 and FY 2020, the IRS will lower the target to 43.8 percent and 39 percent respectively, as the IRS continues to dedicate funding to reducing the backlog. The measure definition changed in FY 2018, removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the calculation to more accurately define the inventory that is reflective of risk to the IT environment. The IRS will monitor progress against FY 2019 aged hardware replacement targets.

FY 2020 Changes by Budget Activity

Dollars in thousands

Information Services	FTE	Amount
FY 2019 Annualized CR Level	6,071	\$2,032,500
Changes to Base:		
Other Adjustments	163	\$101,636
Offset to O&M for Critical IT Systems	163	101,636
Maintaining Current Levels (MCLs)		\$16,733
Non-Pay		16,733
Efficiency/Savings		(\$104)
Increase e-File Savings		(104)
Subtotal FY 2020 Changes to Base	163	\$118,265
FY 2020 Current Services	6,234	\$2,150,765
Program Changes:		
Program Increases	163	\$116,831
Data Analytics to Enhance Compliance	1	1,284
Prevent Identity Theft		7,998
O&M of Prior-year Enterprise-wide Cybersecurity Investments		6,744
O&M of Critical Systems	162	100,805
Subtotal FY 2020 Program Increases	163	\$116,831
Total FY 2020 Request	6,397	\$2,267,596

See footnotes in 1.1 -- Appropriations Detail Table

2.1.8 – Budget and Performance Report and Plan

Dollars in thousands

Information Services	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Resource Level	Actual	Actual	Actual	Actual	Enacted	Annualized CR	Request
Appropriated Resources ¹	\$1,749,110	\$1,641,360	\$1,883,667	\$1,950,191	\$2,390,357	\$2,032,500	\$2,267,597
Reimbursable Resources ²	4,734	24,262	19,660	35,307	40,600	19,130	20,086
User Fees ²	198,206	373,610	263,250	201,584	204,032	410,000	427,000
Budget Activity Total	\$1,952,050	\$2,039,232	\$2,166,577	\$2,187,082	\$2,634,989	\$2,461,630	\$2,714,683

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursables and user fees.

Information Services	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2018	FY 2019	FY 2020
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percent of Aged Hardware (Ot, L) ¹		56.5%	52.2%	52.3%	45.5%	53.1%	43.8%	39.0%

Key: Ot - Output/Workload Measure L - Strategic Plan Goal

¹ This is a new budget level metric; the measure definition changed in FY 2018; removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the calculation to more accurately define the inventory that's reflective of risk to the IT environment.

Business Systems Modernization

Appropriation Description

The Business Systems Modernization (BSM) appropriation provides resources for the planning and capital asset acquisition of IT to modernize the IRS business systems.

The BSM budget request for FY 2020 is \$290,000,000 in direct appropriations and 441 FTE. This amount is an increase of \$180,000,000, or 163.64 percent, and 80 FTE more than the FY 2019 Annualized Continuing Resolution level of \$110,000,000 and 361 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Business Systems Modernization		
Summary of Proposed FY 2020 Request		
	FTE	Amount
FY 2019 Annualized CR Level ¹	361	\$110,000
FY 2019 Current Services	361	\$110,000
Program Changes:		
Program Increases		
IRS Technology Modernization Plan	80	180,000
Subtotal FY 2019 Program Increases	80	\$180,000
Total FY 2020 Budget Request	441	\$290,000

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Operating Levels Table

Dollars in thousands

Business Systems Modernization Object Classification	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
11.1 Full-Time Permanent Positions	32,448	45,455	55,702
11.3 Other than Full-Time Permanent Positions	427	27	27
11.5 Other Personnel Compensation	810	391	535
11.9 Personnel Compensation (Total)	33,685	45,873	56,264
12.1 Personnel Benefits	11,016	13,703	17,095
Total Personnel and Compensation Benefits	\$44,701	\$59,576	\$73,359
21.0 Travel	133	301	437
25.1 Advisory & Assistance Services	63,067	41,625	178,355
25.2 Other Services	9	13	93
25.3 Purchase of Goods & Services from Govt. Accounts	4	5	5
25.7 Operation & Maintenance of Equipment	1,211	561	2,303
26.0 Supplies and Materials	6	17	17
31.0 Equipment	869	7,902	35,431
Total Non-Personnel	\$65,299	\$50,424	\$216,641
New Appropriated Resources	\$110,000	\$110,000	\$290,000
Budget Activities:			
IT Investments	110,000	110,000	290,000
New Appropriated Resources	\$110,000	\$110,000	\$290,000
FTE	219	361	441

See footnotes in 1.1 -- Appropriations Detail Table

2.3 – Appropriation Detail Table

Dollars in thousands

Business Systems Modernization Appropriated Resources	FY 2018 Enacted		FY 2019 Annualized CR		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Business Systems Modernization	219	110,000	361	110,000	441	290,000	80	180,000	22.16%	163.64%
Subtotal New Appropriated Resources	219	\$110,000	361	\$110,000	441	\$290,000	80	\$180,000	22.16%	163.64%
Other Resources:										
Reimbursables										
Offsetting Collections - Non Reimbursables										
User Fees		77,418		139,010		30,000		(109,010)		-78.42%
Recovery from Prior Years				3,164		3,164				
Unobligated Balances from Prior Years	236	193,528	120	133,530	100	34,095	(20)	(99,435)	-16.67%	-74.47%
Transfers In/Out										
Resources from Other Accounts										
Subtotal Other Resources	236	\$270,946	120	\$275,704	100	\$67,259	(20)	(\$208,445)	-16.67%	-75.60%
Total Budgetary Resources	455	\$380,946	481	\$385,704	541	\$357,259	60	(\$28,445)	12.47%	-7.37%

See footnotes in 1.1--Appropriations Detail Table

2I – Business Systems Modernization (\$290,000,000 in direct appropriations, and \$30,000,000 in user fees): This budget activity funds the planning and capital asset acquisition of information technology (IT) to modernize IRS business systems, including labor and related contractual costs.

The IRS is implementing its multiyear Modernization Plan to address the long-term sustainability and affordability of its technological environment. The Plan will define the scope of projects, set timelines and target, describe milestones, and ultimately, include outcome measures for the investment.

In FY 2020, the funding for the *Modernization Plan* is reflected in four pillars: *Taxpayer Experience, Core Taxpayer Services and Enforcement, Modernized IRS Operations, and Cybersecurity and Data Protection* and is further defined by investments in the Business Systems Modernization appropriation.

Taxpayer Experience: +\$40 million / +95 FTE

By funding Taxpayer Experience modernization investments, the IRS expects to achieve the following outcomes and will measure performance using the key indicators in the table below.

Modernization Plan Pillar	Expected Outcomes	Key Performance Indicators
Pillar 1: Taxpayer Experience	<ul style="list-style-type: none"> ▪ Provide an option for customers to receive a call back rather than wait on the phone ▪ Reduce in-person visits by identity theft victims through an online ID verification service ▪ Make online tax payments easier and more secure 	<ul style="list-style-type: none"> ▪ Enterprise Self-Assistance Participation Rate ▪ Percentage (%) of taxpayers offered a callback that accept it ▪ Percentage (%) of notices available electronically

	<ul style="list-style-type: none"> ▪ Enable tax professionals to quickly and securely sign power of attorney online ▪ Communicate digitally with taxpayers 	via Taxpayer Digital Communications Online Notice
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Web Applications (+\$25 million / +91 FTE) – WebApps delivers a secure, unified online experience, accessible through a single online account. It provides taxpayers and business users accurate account information, transparent explanations and next steps to resolve tax-related issues, along with full-service payment options. This allows taxpayers to resolve more issues online with fewer direct interactions with the IRS over the telephone and in person. In FY 2020, Web Applications will continue to develop the capability for taxpayers to create and submit installment agreements online.

Expected Benefits:

- Eliminate the requirement for in-person visits by identify theft victims through an online ID verification service;
- Make online tax payments easier; and
- Enable tax professionals to quickly and securely sign powers of attorney online.

Taxpayer Digital Communications Online Notice (\$5 million / 4 FTE) – Taxpayer Digital Communications Online Notice (TDC-ON) will improve the user experience through the proliferation of reliable, user-friendly, secure online services. Funding will be used to develop digital notices through the secure messaging platform that provides communications to taxpayers who prefer that channel over mailed correspondence, including digital chat.

Expected Benefits:

- Increase taxpayer response rate to notices
- Lower the burden on taxpayers and the IRS for tax compliance and enforcement.

Live Assistance - Callback (\$10 million / 0 FTE) – In the current IRS Contact Center environment, taxpayers wait in a live queue until a Customer Service Representative (CSR) is available. Wait times have averaged between 6-10 minutes on most of IRS’s primary telephone product lines over the past two years. Customer Callback will allow call center customers to keep their place in queue without remaining on the telephone. The system will call customers back when they are next in queue to be assisted by a CSR.

Funding will be used to build a robust callback solution for all toll-free telephone services. In addition, the multi-year solution will provide robust call handling and enhanced call monitoring and reporting to reduce the risk for any additional wait times upon reconnect.

Expected Benefits:

- Reduce wait time on telephone assistance applications for taxpayers and IRS employees; and

- Reduce burden by offering options for a callback or to remain in the live queue.

Core Taxpayer Services and Enforcement: +\$160 million / +270 FTE

By funding Core Taxpayer Services and Enforcement modernization investments, the IRS expects to achieve the following outcomes and will measure performance using the key indicators in the table below.

Modernization Plan Pillar	Expected Outcomes	Key Performance Indicators
Pillar 2: Core Taxpayer Services and Enforcement	<ul style="list-style-type: none"> ▪ Fewer system interactions to resolve a business transaction for cases ▪ Streamlined and integrated case management, treatment, and execution across Business Units ▪ Additional revenue protection through at-filing anomaly and fraud detection ▪ Expand data analytics for fraud detection ▪ Modernize Individual Master File (IMF) Core components of posting, settlement, and analysis functions (runs 12 and 15) 	<ul style="list-style-type: none"> ▪ Percentage (%) of Business Master File (BMF) tax returns screened by the Return Review Program (RRP) ▪ Number of lines of legacy code converted to modern code

Customer Account Data Engine 2 (CADE2) (+\$80 million (+\$70 million in direct appropriations and +\$10 million in user fees) / +134 FTE) – Since the Individual Master File (IMF) was built almost 60 years ago, the IRS has made additions to the base code to reflect annual tax law changes. As a result, the base code of IMF now reflects every tax law change made since 1962 and includes embedded business logic that only an extremely small number of IRS personnel understand. Funding will be used to re-engineer the IMF core components of posting, settlement and analysis functions for individual taxpayer accounts by applying modern programming languages to the most complex areas of the Individual Master File.

Expected Benefits:

- Simplifies modernization;
- Simplifies subsequent maintenance of system; and
- Allows business logic to be maintained by a broader set of business users rather than a limited number of developers.

Enterprise Case Management (\$45 million / 85 FTE) – Enterprise Case Management (ECM) will modernize, upgrade, and consolidate existing case management systems. The IRS has 60+ legacy case management systems built on aging non-modernized platforms. These legacy systems have limited integration to transfer case information, resulting in taxpayer and IRS employee frustration as they must often work with multiple offices/systems to resolve

issues. The enterprise platform will have common infrastructure, business functions and services that will allow for transfer of cases across business units. In FY 2020, ECM expects to deliver incremental capabilities and features to the ECM platform, allowing IRS business units to migrate their users to the new platform.

Expected Benefits:

- Providing readily available case data, including relevant historical data;
- Treating and resolving cases seamlessly and consistently across business units;
- Streamlining existing manual processes through enhanced automation;
- Storing electronic case files instead of paper;
- Utilizing a configurable, flexible and scalable COTS case management solution; and
- Simplifying the IT environment.

Return Review Program (\$35 million / 50 FTE) – The Return Review Program (RRP) detects, addresses, and prevents tax refund fraud and protects tax revenue. The RRP fraud framework is critical for IRS’s success in tackling ever-evolving tax schemes in a sophisticated, scalable and adaptable manner. Since filing season 2015, RRP has protected more than \$8.9 billion in confirmed fraud and has a return on investment (ROI) of \$18.5 to \$1.

The IRS will improve and expand analytical capabilities that protect increasing levels of revenue from individual and business tax return fraud, enable predictive fraud and non-compliance detection, and incorporate tools that reveal patterns and relationships in masses of data to help identify returns that share traits indicative of schemes and other tax fraud or non-compliance. Additionally, IRS will develop fraud detection functionality and enhance automated verification for business returns and research and explore the fraud detection opportunities for foreign account withholding.

Expected Benefits:

- At-filing anomaly and fraud detection to increase revenue protection; and
- Improved access to data from RRP for business analytics and fraud modeling.

Modernized IRS Operations: +\$20 million / 15 FTE:

These investments achieve the following outcomes and will measure performance using the key indicators in the table below.

Modernization Plan Pillar	Expected Outcomes	Key Performance Indicators
Pillar 3: Modernized IRS Operations	<ul style="list-style-type: none"> ▪ Automate manual processes using artificial intelligence and other advanced techniques freeing up IRS staff for more value-added work ▪ Quicker software deployment through automating delivery and infrastructure provisioning ▪ Create standard, reusable services and common application programming interface (API) code, reducing duplicative/ “recreate” work for IRS employees ▪ More efficient, scalable, resilient and secure infrastructure 	<ul style="list-style-type: none"> ▪ Percentage (%) of Tier 2 software currency (formerly Filing Season System Software Currency) ▪ Percentage (%) of servers using Standard Stack configurations

Robotic Process Automation (+\$4 million) – Robotic Process Automation (RPA) is the implementation of smart software designed to perform high-volume, repeatable tasks that are normally labor intensive. The software would be capable of navigating across different IT systems, mimicking the way staff perform certain work functions. These new tools will record the actions an employee takes to complete a computer-based task, then will rapidly replicate those actions as many times as necessary, with more accuracy. This will enhance the speed and accuracy of business process execution and allow IRS staff to focus on other work.

Expected Benefits:

- Labor is freed up for more complex, value-add activities;
- Self-service for employees is increased; and
- Business processes are more accurate and efficient.

Cloud Execution (+\$5 million) – Cloud Execution (CX) refers to the implementation of the IRS cloud strategy, leveraging a defined roadmap and process to ensure an effective and accelerated transition to the cloud. Current time-to-market for business applications is lengthened by complex internal architecture, systems, procurement timelines, and capacity – both technical and human resources. Additionally, keeping pace with hardware and software versions and timely application of patches can be difficult and must be prioritized as part of overall workload.

To address this challenge, the IRS is establishing cloud management, security, and governance and identifying potential Infrastructure-as-a-Service (IaaS), Platform-as-a-Service (PaaS), and Software-as-a-Service (SaaS) candidates for future migration. This move toward enterprise-wide cloud adoption will provide the IRS with convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be provisioned rapidly and released with minimal management effort or service provider interaction.

Expected Benefits:

- Improve time-to-market;
- Increase operational efficiency and resilience;
- Enable increased innovation; and
- Enhance or maintain appropriate security posture.

NextGen Infrastructure (NGI) (+\$10 million) – NGI addresses the aged infrastructure base (i.e., hardware, software, programming language) at the foundation of the IRS’s critical systems. Such conditions introduce security risks, excessive system downtime, increased costs, and incompatibilities across systems and programs. The IRS is shifting towards more efficient infrastructure that can more quickly provision and utilize virtual computing, network and storage solutions, and continuous operations monitoring technologies (as well as Cloud configurations on and off premise). NGI will enable the IRS to transform its software delivery using agile and DevOps methodologies, new automation tools, standardization (via Standard Stack configurations) and innovative collaboration practices that will reduce the time it takes to build working software.

Expected Benefits:

- Smaller physical hardware footprint;
- Rapid provisioning of infrastructure and software;
- Limited downtime through insight into end user computing to diagnose and resolve issues rapidly; and
- Improved efficiencies through automated security and functionality testing earlier in the development life cycle.

Application Program Interface (API) (+\$1 million) – API includes the creation of an integrated strategy for building common interfaces. Authorized third parties will have easier access and a streamlined data exchange with the IRS through standard, reusable services and common programming code. This effort also addresses security risks by changing the mechanisms by which systems across the IT ecosystem interact.

Cybersecurity and Data Protection: +\$80 million / +61 FTE

The Cybersecurity and Data Protection modernization investment will achieve the following outcomes, the performance of which the IRS will measure using the key indicator in the table below.

Modernization Plan Pillar	Expected Outcomes	Key Performance Indicators
Pillar 4: Cybersecurity and Data Protection	<ul style="list-style-type: none"> ▪ Implement Data at Rest Encryption (DARE) ▪ Provide DHS and Treasury with the ability to monitor IRS network ▪ Prevent insider threats 	<ul style="list-style-type: none"> ▪ NIST cybersecurity maturity at the IRS

The IRS defends against more than one million cyberattacks daily and has operated strong network perimeter defenses to mitigate threats, detect vulnerabilities, and monitor network security. This investment will fund:

Vulnerability and Threat Management (+\$31 million) – The effectiveness of vulnerability and threat management depends on the organization’s ability to keep up with current security threats and trends. Investment in this area allows for expanded capabilities and improved execution for the identification and mitigation of vulnerabilities across the disparate, geographically dispersed, IRS technology infrastructure.

Expected Benefits:

- Leverage machine learning and predictive analytics to detect and respond to fraud and internal threat;
- Enhance data collection, cleansing, and events management; and
- Reduce risk of data leaks.

Identity & Access Management (+\$25 million) – The risk of unauthorized access to tax accounts continues to grow as the IRS focuses its efforts on delivering online tools to taxpayers. The IRS must control information about users on computers, including information that authenticates the identity of a user and information that describes information and actions they are authorized to access and/or perform.

In addition, the IRS must ensure appropriate access to resources This covers issues such as how users gain an identity, the protection of that identity, and the technologies supporting that protection (e.g., network protocols, digital certificates, passwords, etc.).

Expected Benefits:

- User identity control, privileged access protection, and critical data security; and

- Security compliance for building access.

Security Operations and Management (+\$24 million) – The IRS engages in a collection of associated security activities that maintain the ongoing security posture. It consists of the monitoring, maintenance and management of the security aspects of the IT environment, its people, and its processes.

Expected Benefits:

- In-depth real-time intrusion detection;
- Automated malware analysis of email and web-based threats;
- Improved incident analysis and forensic investigation through increased capabilities for capturing network activity; and
- Accelerated detection and response with prioritized cyber threat intelligence.

Architecture Integration and Management (AIM) (+31.9 million): \$14 million in user fees (+\$17.9 million multi-year funding)

AIM provides engineering management capabilities essential to delivering a program of BSM's magnitude and complexity. It also delivers IRS systems strategy, architecture, and engineering capabilities for the major modernization projects across all technology platforms; IT Infrastructure, Business Applications, Data Management, and IT Security. The AIM program translates enterprise and project objectives into targeted, actionable investments to provide the framework and direction for cohesive, successful modernization. This investment is not considered part of the IRS Integrated Modernization Business Plan.

Core Infrastructure (+\$19 million): \$6 million in user fees (+\$13 million multi-year funding)

Core Infrastructure provides mission-critical services for designing, engineering, testing, and deploying standardized, consolidated, virtual, and secure modernized development and production environments for use by BSM projects. This support effort scales with the development projects in the BSM portfolio. This investment is not considered part of the IRS Integrated Modernization Business Plan.

Description of FY 2018 Performance

The IRS’s modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity. The 2019 and 2020 target is 90 percent.

Major IT (BSM and Non-BSM) Investments*		
Fiscal Year	Percent within +/- 10% Cost Variance	Percent within +/- 10% Schedule Variance
2018	72.2%	83.3%

Percent of Major IT Investments within +/- 10 percent Cost Variance at the Investment Level: Thirteen of 18 major investments (72.2 percent) were within the cost variance threshold at the end of FY 2018 and below the 90 percent target. Shown below are the investments falling short of the cost variance target.

- **Affordable Care Act Administration (ACA)** the cost underrun is because of all ACA projects being closed out and moved into operations and maintenance (O&M).
- **Customer Account Data Engine 2 (CADE 2)** the cost underrun is caused by the Release 4 Authoritative Data Source (ADS) deployment project being closed out early.
- **Web Applications** cost underruns were caused by the actual spending for the 2018 Agile Development (first half) and Program 11 activities being less than planned.
- **Integrated Financial System/CORE Financial System (IFS)** the cost overrun was due to the need for more contractor support than originally planned.
- **IRS Mainframes and Servers Services and Support (MSSS)** displays a cost underrun due to a project mistakenly entered into Treasury’s SharePoint Investment Knowledge Exchange (SPIKE*) and then closed out shortly after.

Percent of Major IT Investments within +/- 10 percent Schedule Variance at the Investment Level: Fifteen of 18 major investments (83.3 percent) were within the schedule

variance threshold at the end of FY 2018. Shown below are the investments falling short of the 90 percent schedule variance target.

- **ACA** the schedule variance is showing ahead of schedule due to all ACA projects being closed out and moved into operations and maintenance (O&M).
- **CADE 2** displays an ahead of schedule variance caused by the Release 4 Authoritative Data Source (ADS) deployment project being closed out early.
- **MSSS** displays an ahead of schedule variance due to a project mistakenly entered into Treasury's SharePoint Investment Knowledge Exchange (SPIKE) and then closed out shortly after.

IRS BSM Project Activities

	Business Systems Modernization		Funding Category ¹	FY 2018 Actuals	FY 2019 Projected Spend	FY 2020 Request	FY 2020 Projected Funding and Spend ²
	<i>Dollars in thousands</i>						
Summary	FY 2018 Actuals/FY 2019 Likely Enacted/ FY 2020 CJ Request			110,000	110,000	290,000	290,000
	Carryover balances ³			192,946	132,900	0	30,900
	User Fees Subtotal			77,418	139,000	30,000	30,000
	Total Funding			\$380,364	\$381,900	\$320,000	\$350,900
		Capital		92,128	132,053	215,907	226,939
		Support		360	621	734	853
		Labor		76,619	79,326	73,359	93,109
		User Fees		77,418	139,000	30,000	30,000
	Subtotal Projected Spending			246,525	351,000	320,000	350,900
	Management Reserve			0	0	0	0
Total FTE			454	481	441	561	
Pillar	Total Spending			\$246,525	\$351,000	\$320,000	\$350,900
Taxpayer Experience	Web Applications			\$39,953	\$25,000	\$25,000	\$25,000
	<i>Providing easy access to taxpayer information via digital channels. Funding will drive the IRS transition to digital government and supports the long-term vision of migrating services from expensive traditional channels to the internet. To keep pace with the ever changing state of web technology and increasing taxpayer demand for IRS service, the IRS must create and enhance online self-service capabilities for taxpayers, tax practitioners, and internal IRS stakeholders. Web Applications will continue to enhance the taxpayer's experience by providing them the ability to enter into an installment agreement online.</i>		Capital	11,501	9,788	9,788	9,788
			Support	215	170	170	170
			Labor	14,674	15,042	15,042	15,042
			U. Fees	13,562	0	0	0
			FTE	92	91	91	91
	Taxpayer Digital Communications - Online Notice			\$0	\$5,000	\$5,000	\$5,000
	<i>Providing digital notices through the secure messaging platform to taxpayers who prefer that channel over mailed correspondence, including digital chat and online notifications.</i>		Capital	0	5,000	4,300	4,300
			Support	0	0	72	72
			Labor	0	0	628	628
			U. Fees	0	0	0	0
			FTE	0	0	4	4
	Live Assistance - Callback			\$0	\$5,000	\$10,000	\$10,000
	<i>Providing expanded toll-free capacity to enhance Taxpayer communication and provide a foundation for FY 2021 full customer callback capability . Funding will expand toll-free capacity, building toward a robust callback solution that will empower taxpayers with options, when estimated wait times for their desired service meet the business rules for callback.</i>		Capital	0	0	10,000	10,000
			Support	0	0	0	0
Labor			0	0	0	0	
U. Fees			0	5,000	0	0	
FTE			0	0	0	0	
Taxpayer Experience - Subtotal			\$39,953	\$35,000	\$40,000	\$40,000	
FTE			92	91	95	95	

IRS BSM Project Activities (continued)

	Business Systems Modernization <i>Dollars in thousands</i>	Funding Category ¹	FY 2018 Actuals	FY 2019 Projected Spend	FY 2020 Request	FY 2020 Projected Funding and Spend ²
Pillar	Total Spending		\$246,525	\$351,000	\$320,000	\$350,900
Core Taxpayer Services and Enforcement	Customer Account Data Engine (CADE 2)		\$69,972	\$85,000	\$80,000	\$80,000
	<i>Ensuring Taxpayer data is secure. CADE2 will continue work on completion of Java code conversion to modernize Individual Master File core components.</i>	Capital	27,772	24,730	47,730	47,730
		Support	76	105	105	105
		Labor	25,093	22,165	22,165	22,165
		U. Fees	17,030	38,000	10,000	10,000
		FTE	153	134	134	134
	Enterprise Case Management		\$34,125	\$60,000	\$45,000	\$45,000
	<i>Providing a modernized case management platform. Working cases more efficiently to lessen taxpayer burden and increase employee productivity. Continuously deliver incremental capabilities and features to the ECM platform allowing Business Operating Divisions (BODs) to migrate users to the new platform.</i>	Capital	19,276	34,750	30,750	30,750
		Support	51	150	150	150
		Labor	9,001	14,100	14,100	14,100
	U. Fees	5,797	11,000	0	0	
	FTE	56	86	85	85	
Return Review Program		\$53,871	\$35,000	\$35,000	\$35,000	
<i>Providing leading-edge technologies to advance the IRS effectiveness in detecting, addressing, and preventing tax refund fraud. RRP continues to evolve and enhance its system capabilities, and in FY 2020 will develop fraud detection functionality and enhance automated verification for business returns and expand the fraud detection functionality for foreign account withholding.</i>	Capital	11,722	26,654	26,654	26,654	
	Support	3	77	77	77	
	Labor	7,622	8,269	8,269	8,269	
	U. Fees	34,523	0	0	0	
	FTE	43	50	50	50	
	Core Tax Administration - Subtotal		\$157,967	\$180,000	\$160,000	\$160,000
	FTE		252	270	270	270
Modernized IRS Operations	IRS Operations		0	20,500	20,000	20,000
	<i>Providing tactical improvements to streamline IRS operations. The requirement for IT to provide better, more accurate service with fewer resources is ultimately the need that will drive IT operational efficiency to perform at its best. Toward this goal, IRS plans to pursue multiyear investments that would allow for a more agile and efficient operation. In FY 2020, the modernizing IRS Operations effort will continue to automate certain processes, define Application Programming Interface strategy, deliver a cloud-based ECM release, and continue to integrate DevOps into business processes.</i>	Capital	0	0	17,372	17,372
		Support	0	0	32	32
		Labor	0	0	2,596	2,596
		U. Fees	0	20,500	0	0
	FTE	0	0	15	15	
	IRS Operations - Subtotal		\$0	\$20,500	\$20,000	\$20,000
	FTE		0	0	15	15
Cybersecurity and Data Protection	Cybersecurity		\$0	\$64,500	\$80,000	\$80,000
	<i>Enhancing the IRS Cybersecurity posture. The IRS defends more than one million cyberattacks daily and has historically operated strong network perimeter defenses to mitigate threats, detect vulnerabilities, and monitor network security. In FY 2020, IRS will focus on: Vulnerability and Threat Management, Identity and Access Management, and Security Operations and Management.</i>	Capital	0	0	69,313	69,313
		Support	0	0	128	128
		Labor	0	0	10,559	10,559
		U. Fees	0	64,500	0	0
	FTE	0	0	61	61	
	Cybersecurity - Subtotal		0	64,500	80,000	80,000
	FTE		0	0	61	61
	Enterprise Case Selection⁴		\$873	0	0	0
	Other Adjustments⁵		-14	0	0	0
	Subtotal IRS Technology Modernization Plan		\$197,920	\$300,000	\$300,000	\$300,000
	FTE		345	362	441	441
	Architecture, Integration, and Management		\$31,184	\$32,000	\$14,000	\$31,900
	<i>Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.</i>	Capital	18,877	24,702	0	10,603
		Support	15	47	0	47
		Labor	6,947	7,251	0	7,251
		U. Fees	5,346	0	14,000	14,000
		FTE	41	44	0	44
	Core Infrastructure		\$17,425	\$19,000	\$6,000	\$19,000
	<i>Provide shared infrastructure that leverages reusable engineering design patterns and best practices for standardized, virtual, and secure environments. These environments allow multiple BSM projects to develop, test, deploy, operate, and monitor in a common approach.</i>	Capital	2,979	6,429	0	429
		Support	0	72	0	72
		Labor	13,286	12,499	0	12,499
	U. Fees	1,160	0	6,000	6,000	
	FTE	69	76	0	76	
	Subtotal AIM and Core Infrastructure		\$48,609	\$51,000	\$20,000	\$50,900
	FTE		110	120	0	120

¹ Capital Investment funding: capital and contractor labor costs. Support funding: training, travel, supplies costs. Labor funding: IRS employee pay and benefits costs. FTE: FY 2020 Initiative FTEs are costed at 1/2 year hiring, which equates to 0.5 FTEs per position.

² FY 2020 level excludes \$3.168M in non-BSM Corporate Costs and also \$0.115M of BSM which is aligned to the Stewardship Financial Plan (non-IT).

³ Includes Recoveries that were re-obligated in FY 2018.

^{4,5} Enterprise Case Selection, Modernize eFile, and Event Driven Architecture had adjustments appearing in FY 2018.

FY 2020 Changes by Budget Activity

Dollars in thousands

Business Systems Modernization	FTE	Amount
FY 2019 Annualized CR Level	361	\$110,000
Changes to Base:		
Subtotal FY 2020 Changes to Base		
FY 2020 Current Services	361	\$110,000
Program Changes:		
Program Increases	80	\$180,000
IRS Technology Modernization Plan	80	180,000
Subtotal FY 2020 Program Increases	80	\$180,000
Total FY 2020 Request	441	\$290,000

See footnotes in 1.1 -- Appropriations Detail Table

2.1.9 – Budget and Performance Report and Plan

Dollars in thousands

Business Systems Modernization Resource Level	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Enacted	FY 2019 Annualized CR	FY 2020 Request
Appropriated Resources ¹	\$145,235	\$107,746	\$190,945	\$166,263	\$110,000	\$110,000	\$290,000
Reimbursable Resources ²				25,464	77,418	139,010	30,000
User Fees							
Budget Activity Total	\$145,235	\$107,746	\$190,945	\$191,727	\$187,418	\$249,010	\$320,000

¹The FY 2014 - FY 2018 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2014 - FY 2018 columns represent realized resources for reimbursable resources and user fees.

Business Systems Modernization Measures	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2018 Target	FY 2019 Target	FY 2020 Target
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level (E) ¹	66.7%	73.7%	76.2%	50.0%	72.2%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level (E) ¹	100.0%	89.5%	85.7%	88.9%	83.3%	90.0%	90.0%	90.0%

Key: E - Efficiency Measure

¹ Starting in FY 2015, the measure includes all major investments (BSM and non-BSM).

Section III – Supplemental Information

3.1 – Summary of Capital Investments

A summary of capital investment resources, including major information technology and nontechnology investments, can be viewed/downloaded at:

<http://www.treasury.gov/about/budget-performance/pages/summary-of-capital-investments.aspx>.

This website also contains a digital copy of this document.

3A – Capital Investment Strategy

The IRS Information Technology (IT) organization is a key enabler of efficient and effective tax administration. IT provides critical support as the IRS faces an increasingly complex tax administration environment. IT works to address evolving taxpayer expectations, pressure to achieve program and cost efficiencies, frequent tax law changes, growing challenges in combating refund fraud and identity theft, and workforce shortages. Specific challenges, such as aging infrastructure, insertion of emerging technologies, and expanding cybersecurity threats, further complicate the IT operating environment.

To ensure that the organization’s technology is aligned with the *IRS Strategic Plan 2018-2022*, the enterprise needs to leverage modern technologies and adopt IT best practices. Guided by the Strategic Plan, the IT Vision 2.0, the Digital IRS Blueprint and Technology Roadmap, the IRS Integrated Modernization Business Plan articulates a vision to strengthen and modernize the IRS IT environment. The Capital Investment Strategy outlines the technology initiatives and IT investments undertaken to achieve that vision.

IRS Strategic Plan FY 2018-2022

The IRS Strategic Plan FY 2018–2022 sets the strategic direction and priorities for achieving the organization’s mission. The plan establishes a strategic foundation with six broad goals and twenty-one strategic objectives. Figure 1 illustrates the relationships among the six Strategic Plan goals, which include:

- Empower and enable all taxpayers to meet their tax obligations.
- Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code.
- Collaborate with external partners proactively to improve tax administration.
- Cultivate a well-equipped, diverse, flexible and engaged workforce.



Figure 1 IRS Strategic Plan 2018-2022

- Advance data access, usability and analytics to inform decision making and improve operational outcomes.
- Drive increased agility, efficiency, effectiveness and security in IRS operations.

The IRS Strategic Plan defines the business strategic direction for the enterprise and is subsequently utilized to inform the IT strategic direction.

IRS Integrated Modernization Business Plan

The IRS's Integrated Modernization Business Plan supports the IRS's mission to help America's taxpayers understand and meet their tax responsibilities, while enforcing tax laws to ensure integrity and fairness for all. The Plan establishes a multi-year modernization approach to provide effective, reliable, IT solutions for taxpayers to fulfill their tax obligations

3.2 – Return on Investment (ROI) for IRS Major Enforcement Programs

The actual cost and actual revenue collected for FY 2012 through FY 2018 for the three major enforcement programs, Examination, Collection, and Automated Underreporter (AUR) are provided below. The activities included in these programs include:

Examination Program conducts examinations of tax returns of individual taxpayers, businesses, and other types of organizations to verify that the tax reported is correct. This includes examinations of individuals, small businesses, self-employed, large corporate businesses, partnerships, international, estate and gift, excise tax and employment tax-exempt organizations, qualified pension benefit plans, and government entities. The examination costs include the cost of the Field Exam, Correspondence Exam, IRS Chief Counsel, and Appeals functions.

Collection Program collects delinquent taxes and secures delinquent tax returns through the appropriate use of enforcement tools, such as lien, levy, seizure of assets, installment agreement, offer in compromise, substitute for return, summons, and IRC section 6020(b) (which allows the IRS to prepare returns if a taxpayer neglects or refuses to file), and provides education to taxpayers to enable future compliance. The cost of the Collection program includes Automated Collection System (ACS), Field Collection, and Payment Compliance/Correspondence Collection.

Automated Underreporter (AUR) Program matches payer information returns (Forms 1099, W-2, etc.) against data reported to the IRS on individual tax returns. The information is verified to identify any discrepancies. If a discrepancy is found, the case is given to a tax examiner for research and analysis. If the tax examiner is unable to resolve the discrepancy, the IRS issues a proposed notice and generates a proposed assessment.

ROI is calculated by dividing revenue by cost. This information provides an indication of the ROI for the three major enforcement programs over time but note that enforcement revenue collected in a fiscal year includes tax, interest, and penalties from multiple tax years. Some enforcement activities take more than a year to close and may generate revenue over several years

In addition, these data reflect the average return on investment for these programs and do not include the indirect effects of IRS enforcement activities on voluntary compliance. Net revenue is maximized only when resources are allocated according to *marginal direct and indirect* return on investment, but those ratios are much more challenging to estimate than the average ROI shown here. As a result, the IRS will continue to allocate enforcement resources across a range of enforcement activities to ensure taxpayers pay the taxes they owe.

Return on Investment for IRS Major Enforcement Programs

Dollars in Millions

Enforcement Program	FY 2014			FY 2015			FY 2016			FY 2017			FY 2018		
	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI
IRS Total	\$5,839	\$57,146	9.8	\$5,644	\$54,203	9.6	\$5,592	\$54,291	9.7	\$5,506	\$53,214	9.7	\$5,559	\$59,366	10.7
Examination	3,965	18,983	4.8	3,974	13,320	3.4	3,782	12,023	3.2	3,695	14,510	3.9	3,716	15,017	4.0
Collection	1,618	33,198	20.5	1,419	35,740	25.2	1,576	37,259	23.6	1,598	33,701	21.1	1,635	38,985	23.8
Automated Underreporter (AUR)	256	4,965	19.4	251	5,143	20.5	234	5,009	21.4	214	5,003	23.4	208	5,364	25.8

¹The cost of the enforcement programs was calculated using budget data from the IRS Integrated Financial System (IFS) and includes direct dollars and FTE from the Enforcement appropriation, Exam and Collections budget activity, and dollars from the Operations Support appropriation prorated using actual FTE realized for each major enforcement program.

3.3 – IRS Performance Measures Table

Performance Measures	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2018 Target	FY2019 Target	FY2020 Target
Customer Service Representative Level of Service (LOS) ¹	64.4%	38.1%	53.4%	77.1%	75.9%	75.0%	63.0%	68.0%
Customer Contacts Resolved per Staff Year ²	21,018	26,245	28,497	25,535	31,409	Indicator	DISC	
Customer Accuracy - Tax Law (Phones)	95.0%	95.0%	96.4%	96.7%	95.5%	95.0%	92.0%	92.0%
Customer Accuracy - Accounts (Phones)	96.2%	95.5%	96.1%	96.0%	96.1%	95.0%	94.0%	94.0%
Timeliness of Critical Filing Season Tax Products to the Public ⁴	99.1%	89.0%	92.5%	93.1%	59.6%	89.0%	85.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public ⁴	98.7%	92.6%	98.0%	96.7%	100.0%	91.0%	85.0%	89.0%
Percent Individual Returns Processed Electronically ²	84.1%	85.3%	86.4%	86.9%	87.2%	88.0%	DISC	
Percent of Business Returns Processed Electronically	43.1%	47.0%	50.0%	52.9%	55.6%	54.0%	58.0%	60.0%
Refund Timeliness - Individual (Paper) ²	98.7%	98.8%	98.7%	98.4%	98.2%	97.0%	DISC	
Enterprise Self-Assistance Participation Rate ³	84.7%	88.7%	89.0%	79.0%	82.0%	Indicator		
Taxpayers Satisfied with the IRS (based on 100 point scale) ^{5, 6}	73	73	74	74	74	Indicator		
Examination Coverage - Individual	0.9%	0.8%	0.7%	0.6%	0.6%	0.6%	0.5%	0.5%
Field Exam Nat'l Quality Review Score ²	88.4%	86.7%	86.8%	85.0%	89.1%	84.4%	DISC	
Office Exam Nat'l Quality Review Score ²	90.6%	88.3%	88.4%	87.9%	87.2%	86.7%	DISC	
Examination Quality - Large Business ²	83.0%	86.0%	83.0%	78.0%	76.0%	90.0%	DISC	
Examination Coverage - Business (Assets > \$10 million)	4.3%	3.9%	3.0%	2.5%	2.2%	2.4%	2.2%	1.5%
Examination Efficiency - Individual	138	148	143	121	131	134	122	122
Automated Underreporter Efficiency ²	1,935	2,209	2,196	2,188	2,205	2,133	DISC	
Automated Underreporter Coverage	2.6%	2.3%	2.3%	2.2%	2.0%	1.9%	1.6%	1.7%
Time to Start Compliance Resolution ⁵						N/A	Indicator	
Time to Resolve Compliance Issue After Filing ⁵						N/A	Indicator	
Repeat Non-Compliance Rate ⁵						N/A	Indicator	
Collection Coverage (Units)	45.9%	46.3%	43.4%	42.2%	41.6%	38.6%	40.1%	38.3%
Collection Efficiency (Units) ²	2,051	2,448	2,266	2,135	2,216	2,101	DISC	
Cost to Collect \$100 (in cents) ⁵	0.38	0.35	0.35	0.34	TBD	Indicator		
Field Collection Nat'l Quality Review Score ²	81.6%	79.2%	79.2%	76.7%	79.2%	78.0%	DISC	
Automated Collection System Accuracy ²	95.2%	95.3%	95.4%	94.7%	94.0%	95.0%	DISC	
Criminal Investigations Completed	4,606	4,486	3,721	3,089	3,051	3,000	2,800	2,700
Number of Convictions ²	3,110	2,879	2,672	2,300	1,879	1,900	DISC	
Conviction Rate	93.4%	93.2%	92.1%	91.5%	91.7%	92.0%	92.0%	92.0%
TE/GE Determination Case Closures ²	136,746	111,940	99,973	102,749	98,249	94,103	DISC	
Rentable Square Feet per Person (new for FY 2017)				297	301	Indicator		
Percent of Aged Hardware ⁶		56.5%	52.2%	52.3%	45.5%	53.1%	43.8%	39.0%
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level ⁷	66.7%	73.7%	76.2%	50.0%	72.2%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level ⁷	100.0%	89.5%	85.7%	88.9%	83.3%	90.0%	90.0%	90.0%

3.3 – IRS Performance Measures Table (Continued)

¹ The FY 2019 level of service target was calculated at the FY 2019 Enacted level.

² Discontinued (DISC) for FY 2019

³ Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure (renamed to Enterprise Self Assistance Participation Rate) to include additional self-service channels including Get Transcript and payment applications such as Direct Pay and Online Payment Agreements. As new self-assistance applications are provided to the public, they will be added to the methodology.

⁴ Modified for FY 2019

⁵ New measure added for FY 2019

⁶ This is a new budget level metric; the measure definition changed in FY 2018; removing certain asset categories (fax machines, low-end printers and scanners) that are no longer being actively refreshed from the calculation to more accurately define the inventory that's reflective of risk to the IT environment.

⁷ Starting in FY 2015, the measure includes all major investments (BSM and non-BSM).

* Based on the American Customer Satisfaction Index (ACSI) survey; the All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer customer satisfaction index scores; available on an annual basis at the end of January and computed on a 100-point scale.

3.3 – IRS Performance Measures Table (Continued)

Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service	The number of toll free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Customer Contacts Resolved per Staff Year	The number of Customer Contacts resolved in relation to staff years expended.
Customer Accuracy – Tax Law Phones	The percentage of correct answers given by a live assistant on Toll-free tax law inquiries.
Customer Accuracy – Customer Accounts (Phones)	The percentage of correct answers given by a live assistant on Toll-free account inquiries.
Timeliness of Critical Individual Filing Season Tax Products to the Public	The percentage of critical individual filing season tax products (tax forms, schedules, instructions, and publications required by many filers to prepare a complete and accurate tax return) available to the public in a timely fashion.
Timeliness of Critical TE/GE & Business Tax Products to the Public	Percentage of critical business tax products (tax forms, schedules, instructions, and publications used by a large number of TE/GE and Business filers to prepare a complete and accurate return or form) available to the public in a timely fashion.
Percent Individual Returns Processed Electronically	The percentage of electronically filed individual tax returns divided by the total individual returns filed.
Percent Business Returns Processed Electronically	The percentage of electronically filed business tax returns divided by the total business returns filed.
Refund Timeliness – Individual (Paper)	The percentage of refunds resulting from processing individual master file paper returns issued within 40 days or less.
Enterprise Self Assistance Participation Rate	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Taxpayers Satisfied with the IRS	The percentage of taxpayers satisfied with the IRS according to the American Customer Satisfaction Index (ACSI) survey. The All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer Customer Satisfaction Index Scores. Based on a 100 point scale.
Examination Coverage – Individual (1040)	The sum of all individual 1040 returns closed by Small Business/Self Employed (SB/SE), Wage & Investment (W&I), Tax Exempt and Government Entities (TE/GE), and Large Business and International (LB&I) (Field Exam and Correspondence Exam programs) divided by the total individual return filings for the prior calendar year.
Field Exam Nat'l Quality Review Score	The score awarded to a reviewed field examination case by a Quality Reviewer using the National Quality Review System (NQRS) quality attributes.
Office Exam Nat'l Quality Review Score	The score awarded to a reviewed office examination case by a Quality Reviewer using the NQRS quality attributes.
Examination Quality – Large Business	The average of the scores of the Large Business Return cases reviewed by LB&I Quality Review & Analysis. Case scores are based on the percentage of elements passed within each of the three auditing standards.
Examination Coverage – Business Assets >\$10 Million)	The number of LB&I returns (C and S Corporations with assets over \$10 million and all partnerships) examined and closed by LB&I during the current fiscal year divided by the number of filings for the preceding calendar year.
Examination Efficiency – Individual (1040)	The sum of all individual 1040 returns closed by SB/SE, W&I, TE/GE, and LB&I (Field Exam and Correspondence Exam programs) divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns.
Automated Underreporter (AUR) Efficiency	The total number of W&I and SB/SE contact closures (a closure resulting from a case where we made contact) divided by the total FTE, including overtime.
Automated Underreporter (AUR) Coverage	A percentage representing the total number of W&I and SB/SE contact closures (a closure resulting from a case where SBSE and W&I made contact) divided by the total return filings for the prior year.
Time to Start Compliance Resolution	The percentage of all individual income tax enforcement cases started within six months of the return posting date.
Time to Resolve Compliance Issue After Filing	The average time it takes to close all individual income tax enforcement cases in days. This is an annual measure based on all cases closed in a fiscal year.
Repeat Non-Compliance Rate	The percentage of individual taxpayers in a fiscal year with additional non-compliance two years after the initial tax year that contains a filing, payment, or reporting compliance issue, compared to total taxpayers
Collection Coverage – Units	The volume of collection work disposed compared to the volume of collection work available.
Collection Efficiency – Units	The volume of collection work disposed divided by total collection FTE.
Cost to Collect \$100(in cents)	The cost of collecting \$100 is computed as total operating costs divided by gross collection divided by 100.
Field Collection Nat'l Quality Review Score	The score awarded to a reviewed collection cases by a Quality Reviewer using the NQRS quality attributes.
Automated Collection System (ACS) Accuracy	The percent of taxpayers who receive the correct answer to their ACS question.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.
Number of Convictions	The number of criminal convictions.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
TE/GE Determination Case Closures	The number of cases closed in the Employee Plans or Exempt Organizations Determination programs, regardless of type of case or type of closing.
Rentable Square Feet per Person	The amount of Rentable Square Feet the IRS maintains per Personnel requiring space. IRS will use this as an indicator for FY 2018.
Percent of Aged Hardware	This measure shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use.
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of major IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

3.4 – Summary of FY 2018 Savings Realized

The IRS FY 2018 Current Services level of \$11.434 resulted in a shortfall of \$3.1 million versus the FY 2018 Enacted budget of \$11.431 billion.

Dollars in Millions	
Internal Revenue Service	
FY 2017 Enacted	\$11,235.0
Changes to Base:	
Maintaining Current Levels (MCLs)	\$50.6
FY 2018 Current Services	\$11,433.7
FY 2018 Enacted	\$11,430.6
Current Services Shortfall	-\$3.1

Increase e-File Savings

FY 2020 Projected Savings: (-\$6,183,000 / -116 FTE)

FY 2018 Actual Savings Realized: (-\$2,169,600 / -48 FTE)

The IRS realized savings of 48 FTE and \$2.17 million in FY 2018 as a result of increases in electronically filed returns. The number of paper returns received by the IRS decreased by 1 million from FY 2016 to FY 2017 while the number of electronically filed returns increased by 3.4 million over the same period.

Rent

FY 2020 Projected Annualized Savings: (-\$24,700,000)

FY 2018 Annualized Savings: (-\$10,500,000)

Rent is one of the IRS's largest operating expenses. The IRS will complete 28 projects in FY 2020 to release more than 567,986 rentable square feet of space from inventory.

Section IV – Appendix

4.1 – Appropriations Detail Table with Program Integrity Cap Adjustment

Dollars in thousands

Internal Revenue Service Appropriated Resources	FY 2018 Enacted ¹		FY 2019 Annualized CR ²		FY 2020 Request		Change FY 2019 to FY 2020 Request		% Change FY 2019 to FY 2020 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Taxpayer Services	27,871	\$2,512,554	28,834	\$2,571,554	26,639	\$2,402,000	(2,195)	(\$169,554)	-7.61%	-6.59%
Pre-Filing Taxpayer Assistance and Education	4,636	640,379	4,603	634,019	4,606	634,762	3	743	0.07%	0.12%
Filing and Account Services	23,235	1,872,175	24,231	1,937,535	22,033	1,767,238	(2,198)	(170,297)	-9.07%	-8.79%
Enforcement	34,789	\$4,627,000	34,049	\$4,672,000	35,757	\$4,905,254	1,708	\$233,254	5.02%	4.99%
Investigations	2,950	581,680	2,894	597,658	3,051	642,973	157	45,315	5.43%	7.58%
Exam and Collections	30,876	3,875,098	30,083	3,894,129	31,661	4,090,585	1,578	196,456	5.25%	5.04%
Regulatory	963	170,222	1,072	180,213	1,045	171,696	(27)	(8,517)	-2.52%	-4.73%
Operations Support	10,389	\$4,181,000	10,340	\$3,834,000	10,868	\$4,236,706	528	\$402,706	5.11%	10.50%
Infrastructure		870,360		858,932		879,715		20,783		2.42%
Shared Services and Support	4,315	920,283	4,269	942,568	4,415	986,161	146	43,593	3.42%	4.62%
Information Services	6,074	2,390,357	6,071	2,032,500	6,453	2,370,830	382	338,330	6.29%	16.65%
Business Systems Modernization	219	\$110,000	361	\$110,000	441	\$290,000	80	\$180,000	22.16%	163.64%
Subtotal New Appropriated Resources	73,268	\$11,430,554	73,584	\$11,187,554	73,705	\$11,833,960	121	\$646,406	0.16%	5.78%
Other Resources:										
Reimbursables	795	171,140	521	116,551	521	122,379		5,828		5.00%
Offsetting Collections - Non Reimbursables		26,069		37,719		39,605		1,886		5.00%
User Fees	14	283,267	60	563,053	71	460,900	11	(102,153)	18.33%	-18.14%
Recovery from Prior Years		13,233		17,994		18,905		911		5.06%
Unobligated Balances from Prior Years	236	360,031	289	357,637	100	153,567	(189)	(204,070)	-65.40%	-57.06%
Transfers In/Out		(4,188)								
Resources from Other Accounts										
Subtotal Other Resources	1,045	\$849,552	870	\$1,092,954	692	\$795,356	(178)	(\$297,598)	-20.46%	-27.23%
Total Budgetary Resources	74,313	\$12,280,106	74,454	\$12,280,508	74,397	\$12,629,316	(57)	\$348,808	-0.08%	2.84%

¹FY 2018 Enacted includes \$320 million in Section 115 Administrative Provision funding in the following amounts: \$18 million in Taxpayer Services, \$10 million in Enforcement, and \$291 million in Operations Support. FY 2018 Enacted also includes the actual inter-appropriation transfer of \$256 million to Operations Support (\$13 million from Taxpayer Services and \$243 million from Enforcement), and inter-BAC transfer in accordance with Section 608 of the public law. FY 2018 full-time equivalent (FTE) are actuals and reconcile to the final FY 2018 President's Appendix. Other Resources are actuals.

²FY 2019 Annualized Continuing Resolution (CR) includes a \$200 million interappropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2019. FY 2019 Annualized CR also includes \$77 million for the Section 112 Administrative Provision to implement requirements under the Tax Cuts and Jobs Act (Public Law 115-97). \$320 million is automatically available in a full year continuing resolution scenario under IRS Administrative Provision Section 113. Of this amount, \$243 million is excluded for illustrative purposes consistent with the requirements identified for implementing the Tax Cuts and Jobs Act and the FY 2019 Section 112 / Tax Reform Spending Plan transmitted to Congress on February 28, 2019. Additional information and a full accounting of these funds can be found in the FY 2020 President's Budget Appendix.

Program Integrity Cap Adjustment

In addition to the base appropriations request of \$11.472 billion, the FY 2020 Budget proposes a \$362 million cap adjustment to fund new and continuing investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The proposed FY 2020 enforcement investments will yield additional revenue. The Budget also proposes additional cap adjustments for new investments each year through FY 2024 that are sustained with additional adjustments through FY 2029 to account for economic factors, such as inflation. The investments will generate about \$47.1 billion in additional revenue over 10 years and will cost about \$14.5 billion for an estimated savings of \$32.6 billion. Notably, the return on investment (ROI) likely is understated because it includes only amounts directly recovered; it does not reflect the effect that enhanced enforcement has on deterring noncompliance.

Return on Investment (ROI) for FY 2020 Enforcement Investments

Enforcement efforts generate and protect revenue and they also encourage voluntary compliance for taxpayers who would otherwise seek to avoid meeting their tax obligations under the law. The IRS calculates a return on investment for both revenue generating and revenue protecting investments. Revenue generated is from compliance efforts that yield direct, measurable results through enforcement activities such as examination and collection returns. Protected revenue is revenue the IRS protects from being refunded erroneously. It is associated with activities that occur before issuing a taxpayer's refund, including the identification of fraud and questionable returns.

FY 2020 Revenue Generating Investments

The FY 2020 Budget includes \$311.3 million in investments for traditional enforcement and strategic revenue programs, which are projected to generate more than \$2 billion in revenue once the investments reach full potential in FY 2022 with an expected total ROI of \$5.7 to \$1. This request includes \$118.6 million to support strategic revenue producing investments, including improving strengthening the Return Review Program and fighting cybercrimes, among other initiatives. While these investments do not have an immediately measurable ROI, they have clear long-term positive revenue effects.

Return on Investment (ROI) for IRS FY 2020 Enforcement Initiatives

	First Year (FY 2020)			Second Year (FY 2021)			Full Performance (FY 2022)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
FY 2020 Revenue Producing Enforcement Initiatives	\$311.3	\$381.9	1.2	\$405.4	\$1,684.2	4.2	\$397.4	\$2,249.4	5.7
Before Cap Adjustment Enforcement Initiatives	\$4.0	\$0.0	0.0	\$4.0	\$0.0	0.0	\$4.0	\$0.0	0.0
Increase Audit Coverage	2.5	0.0	0.0	2.5	0.0	0.0	2.5	0.0	0.0
Increase Collection Coverage	1.5	0.0	0.0	1.5	0.0	0.0	1.5	0.0	0.0
Cap Adjustment Enforcement Initiatives	\$311.3	\$381.9	1.2	\$405.4	\$1,684.2	4.2	\$397.4	\$2,249.4	5.7
Immediate and Directly Measurable Revenue-Producing Initiatives	\$192.7	\$381.9	2.0	\$285.8	\$1,684.2	5.9	\$279.2	\$2,249.4	8.1
Increase Audit Coverage	121.1	251.8	2.1	181.3	911.7	5.0	176.3	1,270.6	7.2
Increase Collection Coverage	71.6	130.1	1.8	104.5	772.5	7.4	102.9	978.8	9.5
Strategic Revenue-Producing Initiatives (which do not have immediately measurable ROI, but clear long-term revenue effects)	\$118.6	\$0.0	0.0	\$119.6	\$0.0	0.0	\$118.2	\$0.0	0.0
Return Review Program	52.5	0.0	0.0	52.0	0.0	0.0	52.0	0.0	0.0
Fight Cybercrimes and Counterterrorism	40.2	0.0	0.0	41.7	0.0	0.0	40.3	0.0	0.0
IT Support for Enforcement Efforts	25.9	0.0	0.0	25.9	0.0	0.0	25.9	0.0	0.0

FY 2020 Revenue Protecting Investments

The benefits of IRS activities that prevent erroneous refunds are not captured in IRS's ROI calculations above. However, the IRS estimates that investment in these activities should protect \$675 million in revenue that otherwise would need to be recovered from downstream enforcement actions for an estimated ROI of \$8.9 to \$1 by FY 2022. These investments also support IRS's Agency Priority Goal on Fraud Prevention, which is part of the *Treasury Strategic Plan 2018-2022* to reduce the amount of unprotected identity theft tax refunds paid by two percent by December 21, 2019.

FY 2020 Revenue Protecting Enforcement Initiatives

Dollars in Millions									
	First Year (FY 2020)			Second Year (FY 2021)			Full Performance (FY 2022)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
Revenue Protecting Initiatives <i>(which protect taxpayer information, prevents identity theft, and results in long-term revenue protection)</i>	\$50.3	\$56.0	1.1	\$78.4	\$405.0	5.2	\$75.9	\$675.0	8.9
Cap Adjustment Revenue Protecting Initiative	\$50.3	\$56.0	1.1	\$78.4	\$405.0	5.2	\$75.9	\$675.0	8.9
Increase Audit Coverage (revenue-protecting portion)	14.0	56.0	4.0	20.2	405.0	20.0	20.1	675.0	33.6
Expand Coverage in the Tax-Exempt Sector	36.3	0.0	0.0	58.2	0.0	0.0	55.8	0.0	0.0

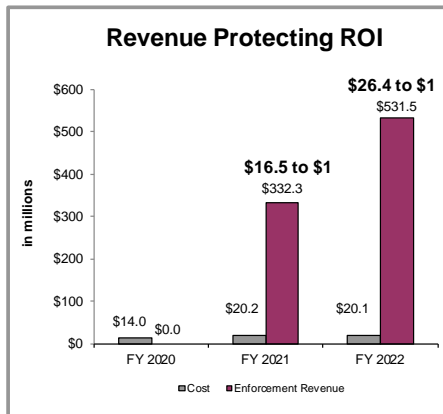
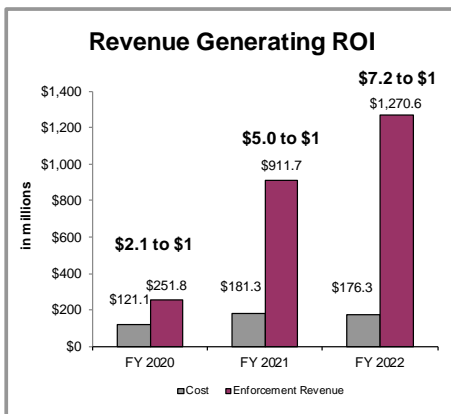
Cap Adjustment Program Increases.....+\$361,571,000 / +1,760 FTE

Increase Audit Coverage +\$135,097,000 / +943 FTE

The IRS is requesting additional examination employees to reverse the decline in staffing. The individual audit coverage rate has shrunk from 1.1 percent in FY 2010 to a target of 0.5 percent in FY 2019, which increases the risk to the nation’s voluntary tax compliance system. Examination program resources will cover a broad range of compliance priorities, including earlier case assignment and resolution. The investment is projected to produce more than \$1.3 billion in additional revenue annually and an ROI estimated at \$7.2 to \$1, once the new hires reach full potential in FY 2022. These resources will help to:

- Close more than 162,000 correspondence examination cases and 38,000 individual field examination cases;
- Improve the individual audit coverage rate, and expand examination coverage on cases involving employment taxes, estate and gift taxes, and Bank Secrecy Act reporting; and
- Expand the Automated Underreported (AUR) program to process more than 470,000 additional cases and other document matching programs that will process an additional 133,000 cases (document matching of individuals decreased 36 percent from FY 2011 to FY 2018).

Position Type/Other Costs	FTE	Positions	\$000
Examination Coverage	290.50	581	\$52,973
Revenue Agent	196.00	392	38,818
Tax Technician	78.00	156	12,753
Manager/Support Staff	16.50	33	1,402
Specialty Programs	44.00	88	\$9,344
Revenue Agent	34.50	69	8,091
Tax Technician	1.00	2	119
Tax Examiner	2.50	5	258
Attorney	3.50	7	590
Support Staff	2.50	5	286
Correspondence Examination	230.00	460	\$22,611
Tax Technician	1.50	3	210
Tax Examiner	195.50	391	19,090
Manager/Support Staff	33.00	66	3,311
Document Matching	161.00	322	\$17,262
Tax Technician	2.50	5	314
Tax Examiner	141.00	282	14,969
Support Staff	17.50	35	1,979
Other Direct Costs	218.00	350	\$32,907
Revenue Agent	25.00	50	4,018
Tax Examiner	18.00	36	2,021
Appeals Officer	40.00	80	6,828
Attorney	29.50	59	5,715
Paralegal	4.00	8	486
TAS Specialist			96
Contact Representative			372
Seasonal			274
Manager/Program Analyst/Support Staff	101.50	117	13,097
Total	943.50	1,801	\$135,097



Major Activities	Protected Revenue (\$M)	Projected Revenue (\$M)	Pre-Refund Closures	Projected Closures
Field Examination		228.9		32,272
Specialty Programs		37.1		6,347
Correspondence Examination	531.5	216.0	120,800	41,860
AUR		541.6		471,393
BMF Underreporter/Document Matching		225.1		133,785
Total	\$531.5	\$1,248.7	120,800	685,657

Other Direct Costs

Dollars in thousands

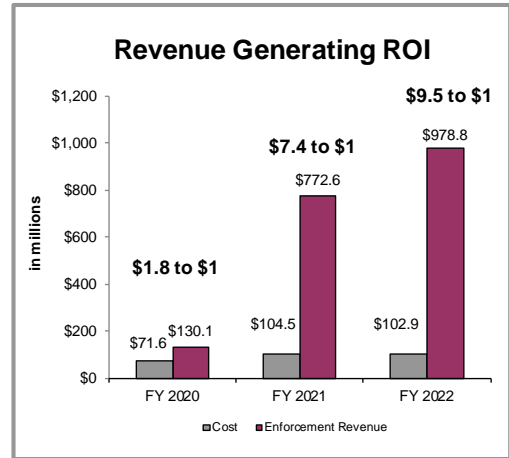
IRS Activity	Cost	FTE Positions		Explanation
Appeals	\$12,867	83.00	166	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	\$6,946	41.50	83	Provide support for increases in requests for legal advice, litigation assistance, and published guidance on issues raised in audits.
Human Capital Office	\$11,353	88.00	90	LR support to handle the increase in front-line positions and the expectation that new managerial positions will be created. LR support begins in the first year and continues throughout a manager's career, as needed. One LR Specialist supports 42 managers. Employment - bargaining unit positions require internal and external postings that involve various assessments and work processes. Personnel Security FTE are needed to handle the background and suitability checks of these new hires.
SB/SE Human Capital Office	\$786	4.00	8	Hiring positions will support the successful onboarding of new hires. Training positions will focus on developing and updating course material and delivering effective training for new hires.
Privacy, Governmental Liaison and Disclosure	\$195	1.50	3	Address the increase in Freedom of Information Act requests as result of increased compliance activity.
Taxpayer Advocate Service (TAS)	\$96			Ensure the IRS follows appropriate procedures and does not create unnecessary burdens or compromise taxpayers' rights.
WAGE -- Customer Service Representatives	\$664			Support examination efforts by ensuring staffing is available to handle downstream impact in accounts management operations.
Total	\$32,907	218.00	350	

Increase Collection Coverage +\$71,557,000 / +441 FTE

The IRS is requesting additional resources to improve its capacity to work the collection inventory and answer taxpayer phone calls. Increased staffing will address the overall collection coverage rate, which has declined 16 percent from FY 2010 to FY 2017. This investment is expected to produce additional annual enforcement revenue of \$978.8 million, an ROI of \$9.5 to \$1, once the new hires reach full potential in FY 2022. These resources will help the IRS to:

- Provide nearly 350 additional field collection staff to expand programs that address non-filing and underpayment of taxes to handle more than 60,000 additional collection cases (currently there are more than one million cases with an aggregate assessed balance of more than \$45.9 billion in the queue);
- Provide more than 220 additional Automated Collection System (ACS) staff to address an additional 358,000 ACS cases, including incoming calls generated by the issuance of levies, delinquent returns, and/or unpaid tax liabilities. ACS staffing has decreased by 25 percent since the end of FY 2010, resulting in a substantial increase in unhandled ACS cases and a decreased level of service to taxpayers; and
- Expand several Compliance Services Collection Operations (CSCO) programs that address non-filing and underpayment of taxes through the notice process by more than 350,000 notice dispositions and cases. CSCO investments will increase balance due work and expand the following programs: Automated Substitute for Return, Offers in Compromise, and Insolvency.

Position Type/Other Costs	FTE	Positions	\$000
Field Collection Coverage	172.50	335	\$34,872
Revenue Officer	172.50	335	34,872
ACS & ACS Support	113.00	226	\$14,253
Customer Service Representative	113.00	226	14,253
Correspondence Collection (CSCO)	32.00	64	\$3,117
Tax Examiner	21.50	43	1,900
Manager/Support Staff	10.50	21	1,217
Other Direct Costs	123.00	212	\$19,315
Tax Examiner - Appeals	9.00	18	1,011
Appeals Officer	52.00	104	8,877
Paralegal	2.00	4	243
Attorney	12.50	25	2,400
Program Analyst	3.50	7	456
Manager/Support Staff	9.00	18	1,375
TAS Specialist			191
Contact Representative			152
Seasonal			91
HR Specialist	35.00	36	4,519
Total	440.50	837	\$71,557



Major Activities	Projected Revenue (\$M)	Projected Closures
Field Collection	330.6	63,470
Automated Collection System	405.6	358,658
Offers In Compromise	5.2	3,510
Compliance Services Collection Operation	15.2	65,919
Total	\$756.6	491,557

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE Positions		Explanation
Appeals	\$9,887	61.00	122	Support collection efforts and provide a high level of customer service on key compliance areas, particularly the Trust Fund Recovery Penalty and Collection Due Process workstreams.
Chief Counsel	\$3,020	18.50	37	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Human Capital Office	\$4,519	35.00	36	LR support to handle the increase in front-line positions and the expectation that new managerial positions will be created. LR support begins in the first year and continues throughout a manager's career, as needed. One LR Specialist supports 42 managers. Employment - bargaining unit positions require internal and external postings that involve various assessments and work processes. Personnel Security FTE are needed to handle the background and suitability checks of these new hires.
SB/SE Human Capital Office	\$982	5.00	10	Hiring positions will support the successful onboarding of new hires. Training positions will focus on developing and updating course material and delivering effective training for new hires.
Privacy, Governmental Liaison and Disclosure	\$456	3.50	7	Address the increase in Freedom of Information Act requests as result of increased compliance activity.
Taxpayer Advocate Service (TAS)	\$191			Ensure the IRS follows appropriate procedures and does not create unnecessary burdens or compromise taxpayers' rights.
WAGE -- Customer Service Representatives	\$261			Support collection efforts by ensuring staffing is available to handle downstream impact in accounts management operations.
Total	\$19,315	123.00	212	

Fight Cybercrimes and Counterterrorism +\$40,197,000 / +87 FTE

Funding for this investment will strengthen cybercrimes and counterterrorism by enhancing several areas to include increasing Special Agent and Investigative Support resources to combat cyber-criminals that exploit stolen taxpayer Personally Identifiable Information

Position Type/Other Costs	FTE	Positions	\$000
Special Agents	39.00	78	\$13,057
Special Agent	24.00	48	8,590
Analyst	11.00	22	1,377
IT Specialist	4.00	8	525
Contractual Services			2,565
Other Direct Costs	48.00	96	\$27,140
Special Agent	48.00	96	27,140
Total	87.00	174	\$40,197

(PII) obtained through sophisticated data breaches and intrusions. This will allow increased participation in multi-agency cyber and counterterrorism task forces to target large-scale crime rings to maximize compliance. It will expand criminal investigations through analysis of rich data from Suspicious Activity Reports (SARs) and fund the build-out of CI’s cybersecurity and cybercrime divisions.

Since 9/11, IRS Criminal Investigation has occupied a pivotal role in the United States’ counterterrorism efforts, from identifying more than \$2 billion in assets embezzled by Saddam Hussein and repatriating \$1.3 billion to participating in many prosecutions of counterterrorism financing investigations. Moreover, CI agents have assisted in many high-profile terrorist investigations, from the domestic attacks in Boston, San Bernardino, Tampa and New York, to the international tragedies in Paris, Brussels and Manchester. CI continues to be a powerful force behind disrupting and dismantling attacks against the homeland and targeting the rise of the violent jihadists and the Islamic State.

The FBI’s Joint Terrorism Task Forces (JTTF) are CI’s main gateway to the national security community. CI staffs about half of the 104 task forces and supports the others as needed. This request will allow CI to increase its JTTF footprint and dedicate additional resources to national security investigations including counterintelligence, counterespionage and counter-proliferation investigations. Additionally, CI has formed a mobile counterterrorism Jump Team to respond to national security incidents/events as needed in support of the United States National Security interests.

This funding would support the hiring of 144 Special Agents to conduct criminal investigations related to cyber and counterterrorism. As a result, the IRS should be able to complete about 900 additional criminal investigations in total by FY 2025. The number of completed cases will not immediately materialize (probably not until at least FY 2021/2022) because of the time it takes to train agents and bring them up to full performance and the time it takes to complete investigations (300-400 days).

The investigation of a terrorist attack is, at its core, a violent crime investigation. As with any violent crime, time is of the essence and the ability to rapidly identify, locate and assess evidence is paramount to thwarting future crimes and ensuring the prosecution of offenders. This axiom extends to financial crimes linked to terror attacks. CI’s ability to be present and working with other investigators is vital to success. The passage of time can easily result in the destruction or concealment of evidence, transfer of criminal proceeds used to fund future attacks, or even missed opportunities to identify conspirators and abettors.

Imbedding CI with existing law enforcement response teams, such as the FBI response teams, accelerates coordination of government resources and allows for methodical, expeditious harvesting of financial evidence, exhaustive analysis in tracing and linking funds, and the increased likelihood of criminal prosecution and forfeitures for financial-related crimes. This request funds contractor support which will:

- Identify classes of fraud use cases, defining how they vary across the fraud actor community, and will facilitate sharing anonymized data for analysis and identification of fraud classes.
- Monitor tax fraud communication on the deep web to increase awareness of criminal activity focused on undermining protection barriers and fraud filters.
- Examine the fraud lifecycle to identify steps that non-compliant taxpayers take, and the ways CI can defend against each step.
- Determine how to build effective prevention and defense early in the fraud lifecycle.
- Develop machine-ingestible common vocabulary for fraud intelligence that allows non-compliant characteristics and techniques to be shared efficiently in a timely way.
- Validate fraud prevention mechanisms to assess their effectiveness and maintain and share current contact information with all partners.

Other Direct Costs

Dollars in thousands

IRS Activity	Cost	FTE Positions		Explanation
Special Agent	\$27,140	48.00	96	Conduct more criminal investigations related to cyber and counterterrorism.
Total	\$27,140	48.00	96	

Return Review Program +\$52,466,000 / +57 FTE

This investment provides funding for 57 FTEs, hardware, software, and contractual services for deployed Return Review Program (RRP) applications. RRP deployed an Integrated Data Warehouse, In-Line Screening engine, and Offline Prevention environment that enhanced the IRS's ability to detect, resolve, and prevent criminal fraud and civil tax non-compliance.

Position Type/Other Costs	FTE	Positions	\$000
Return Review Program O&M	57.00	57	\$52,466
IT Specialist	57.00	57	8,614
Contractual Services			43,852
Total	57.00	57	\$52,466

Since October 2016, the Return Review Program (RRP) has been the IRS's primary system for detecting tax return fraud and other anomalies in tax filings, with a current focus on individual tax return data. RRP has protected more than \$8.9 billion in confirmed fraud and has a return on investment (ROI) of \$18.5 to \$1.

Funding will allow the IRS to provide support for the deployed capabilities by:

- Enhancing applications, data modeling and mining, database development, business rules development, infrastructure support, performance engineering and testing, and application testing;
- Providing annual maintenance fees from hardware vendors and purchases to refresh computers, network equipment, and storage;
- Updating and maintaining the system software including operating systems, database, data integration, and utility software; and
- Working with the business to update the rules engines and data analytics.

Other Direct Costs

There are no other direct costs associated with the initiative.

IT Support for Enforcement Efforts +\$25,945,000 / 0 FTE

This investment will improve Information Technology Operations & Support activities related to compliance systems used by IRS employees. These systems support the day-to-day activities of about 17,000 revenue agents and tax examiners conducting audits, 3,000 revenue officers collecting taxes, and 2,000 special agents conducting criminal investigations.

Position Type/Other Costs	FTE	\$000
IT Support for Enforcement Efforts	0.00	\$25,945
Contractual Services		14,002
Hardware & Software		11,943
Total	0.00	\$25,945

Expand Coverage in the Tax-Exempt Sector +\$36,309,000 / +232 FTE

Funding for this investment will allow the IRS to use a multi-faceted data-driven approach to enhance taxpayer education and compliance that will help protect the tax-exempt status of associated assets and revenue.

This investment supports the following efforts, which will increase taxpayer service and education and improve overall compliance and protection of funds.

- Enhance enforcement coverage of employee retirement plans, including but not limited to those sponsored by small businesses, exempt organizations, and governments, which make up almost half of all retirement plans in the United States;
- Address Exempt Organizations and Tax-Exempt Bond non-compliance to ensure adherence with complex and often confusing tax laws; and
- Increase voluntary compliance using low cost correction opportunities, to enhance taxpayer education and compliance.

Position Type/Other Costs	FTE	Positions	\$000
Expand Protection and Coverage of Small Business and Tax Exempt Sponsored Plans	36.5	73	\$6,225
Revenue Agent	31.5	63	5,597
Manager	2.5	5	338
Support Staff	2.5	5	290
Address EO Noncompliance with UBI	100.0	200	\$17,277
Revenue Agent	84.0	168	14,927
Tax Compliance Officer	8.0	16	928
Manager	8.0	16	1,422
Enhance Up-front Compliance for Applicant for Tax-Exempt Status	33.5	67	\$4,631
Revenue Agent	15.0	30	2,514
Tax Examiner	12.5	25	1,394
Manager	3.0	6	389
Support Staff	3.0	6	334
Increase Voluntary Compliance	58.5	117	\$7,489
Revenue Agent	7.5	15	1,332
Tax Technician	22.0	44	2,726
Tax Examiner	21.0	42	2,436
Manager	3.5	7	473
Research Analyst	1.0	2	116
Support Staff	3.5	7	406
Other Direct Costs	3.5	7	\$687
Attorney	3.0	6	599
Appeals Officer	0.5	1	88
Total	232.00	464	\$36,309

4.2 – Summary of IRS FY 2020 Identity Theft Budget Request

Bureau: Internal Revenue Service Summary of FY 2020 Identity Theft Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2019 Annualized CR Level	\$129,499	1,827	\$244,290	2,305	\$53,209	65	\$24,000	50	\$450,998	4,247
Changes to Base:										
Maintaining Current Levels (MCLs)	\$2		\$233		\$299				\$534	
Non-Pay Inflation Adjustment	2		233		299				534	
Subtotal FY 2020 Changes to Base	\$2		\$233		\$299				\$534	
FY 2020 Current Services	\$129,501	1,827	\$244,523	2,305	\$53,508	65	\$24,000	50	\$451,532	4,247
Program Changes:										
Program Increases:										
IRS Technology Modernization Plan							\$11,000		11,000	
Prevent Identity Theft			6,948						6,948	
O&M of Critical Systems					232				232	
Subtotal FY 2020 Program Increases			\$6,948		\$232		\$11,000		\$18,180	
Total FY 2020 Request	\$129,501	1,827	\$251,471	2,305	\$53,740	65	\$35,000	50	\$469,712	4,247
Dollar/FTE Change FY 2020 Request over FY 2019 Annualized CR Level	\$2		\$7,181		\$531		\$26,562		\$18,714	(41)
Percent Change FY 2020 Request over FY 2019 Annualized CR Level	0.00%		2.94%		1.00%		130.36%		4.15%	-0.97%
Cap Adjustment Program Increases										
Return Review Program					6,739	20			6,739	20
Subtotal FY 2020 Cap Adjustment Investments					\$6,739	20			\$6,739	20
Total FY 2020 Request Including Cap Adjustment	\$129,501	1,827	\$251,471	2,305	\$60,479	85	\$35,000	50	\$476,451	4,267
Dollar/FTE Change FY 2020 Request Including Cap Adj over FY 2019 Annualized CR Level	\$2		\$7,181		\$7,270	20	\$11,000		\$25,453	20
Percent Change FY 2020 Request Including Cap Adj over FY 2019 Annualized CR Level	0.00%		2.94%		31.62%	30.30%	130.36%		5.64%	0.47%

4.3 – Summary of IRS FY 2020 ACA Budget Request

Bureau: Internal Revenue Service Summary of FY 2020 ACA Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2019 Annualized CR Level	\$111,537	1,870	\$16,806	165	\$73,338	208	\$73,338	208
Changes to Base:								
Maintaining Current Levels (MCLs)	\$1		\$3		\$3		\$7	
Non-Pay Inflation Adjustment	1		3		3		7	
Subtotal FY 2020 Changes to Base	\$1		\$3		\$3		\$7	
FY 2020 Current Services	\$111,538	1,870	\$16,809	165	\$73,341	208	\$73,341	208
Total FY 2020 Request	\$111,538	1,870	\$16,809	165	\$73,341	208	\$73,341	208
Dollar/FTE Change FY 2020 Request over FY 2019 Annualized CR Level	\$1		\$3		\$3		\$3	2
Percent Change FY 2020 Request over FY 2019 Annualized CR Level	0.00%		0.02%		0.00%		0.00%	0.96%

4.4 – Summary of IRS FY 2020 Cyber Security Budget Request

Bureau: Internal Revenue Service Summary of FY 2020 Cyber Security Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2019 Annualized CR Level	\$14,000	22	\$17,000	60	\$235,000	438	\$65,000		\$331,000	520
Changes to Base:										
Maintaining Current Levels (MCLs)	\$280		\$340		\$4,700				\$5,320	
Non-Pay Inflation Adjustment	280		340		4,700				5,320	
Subtotal FY 2020 Changes to Base	\$280		\$340		\$4,700				\$5,320	
FY 2020 Current Services	\$14,280	22	\$17,340	60	\$239,700	438	\$65,000		\$336,320	520
Program Changes:										
Program Increases:										
O&M of Prior-year Enterprise-wide Cybersecurity Investments					6,744				6,744	
Subtotal FY 2020 Program Increases					\$6,744				\$6,744	
Total FY 2020 Request	\$14,280	22	\$17,340	60	\$246,444	438	\$65,000		\$343,064	520
Dollar/FTE Change FY 2020 Request over FY 2019 Annualized CR Level	\$280		\$340		\$11,444				\$12,064	
Percent Change FY 2020 Request over FY 2019 Annualized CR Level	2.00%		2.00%		4.87%				3.64%	

4.5 – Summary of IRS FY 2020 Request

Bureau: Internal Revenue Service	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
Summary of FY 2020 Request	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2019 Annualized CR Level (Pre-IAT and TCJ Adjustments)	\$2,506,554	27,947	\$4,860,000	35,327	\$3,634,000	10,340	\$110,000	361	\$11,110,554	73,975
Planned Interappropriation Transfer			(200,000)	(1,346)	200,000					(1,346)
Section 112 Administrative Provision	65,000	887	12,000	68					\$77,000	955
FY 2019 Annualized CR Level	\$2,571,554	28,834	\$4,672,000	34,049	\$3,834,000	10,340	\$110,000	361	\$11,187,554	73,584
Changes to Base:										
Other Adjustments	(\$101,636)	(1,192)			\$101,636	163				(1,029)
Offset to O&M for Critical IT Systems	(101,636)	(1,192)			101,636	163				(1,029)
Maintaining Current Levels (MCLs)	\$3,161		\$6,249		\$41,155				\$50,565	
Non-Pay Inflation Adjustment (2.0%)	3,161		6,249		41,155				50,565	
Efficiency/Savings	(\$71,079)	(1,003)	(\$13,717)	(68)	(\$24,804)				(\$109,600)	(1,071)
Increase e-File Savings	(6,079)	(116)			(104)				(6,183)	(116)
Space Optimization					(24,700)				(24,700)	
Reduce Contractual Services			(1,717)						(1,717)	
Non-Recur for Section 112 Tax Reform Funding	(65,000)	(887)	(12,000)	(68)					(77,000)	(955)
Subtotal FY 2020 Changes to Base	(\$169,554)	(2,195)	(\$7,468)	(68)	\$117,987	163			(\$59,035)	(2,100)
New FY 2020 Current Services	\$2,402,000	26,639	\$4,664,532	33,981	\$3,951,987	10,503	\$110,000	361	\$11,128,519	71,484
Program Changes:										
Program Increases:			\$40,836	201	\$123,034	180	\$180,000	80	\$343,870	461
IRS Technology Modernization Plan							180,000	80	180,000	80
Data Analytics to Enhance Compliance			28,470	174	5,363	16			33,833	190
Prevent Identity Theft			12,366	27	10,122	2			22,488	29
O&M of Prior-year Enterprise-wide Cybersecurity Investments					6,744				6,744	
O&M of Critical Systems					100,805	162			100,805	162
Subtotal FY 2020 Program Changes			\$40,836	201	\$123,034	180	\$180,000	80	\$343,870	461
Total FY 2020 Request	\$2,402,000	26,639	\$4,705,368	34,182	\$4,075,021	10,683	\$290,000	441	\$11,472,389	71,945
Dollar/FTE Change FY 2020 Request over FY 2019 Annualized CR	(\$169,554)	(2,195)	\$33,368	133	\$241,021	343	\$180,000	80	\$284,835	(1,639)
Percent Change FY 2020 Request over FY 2019 Annualized CR	-6.59%	-7.61%	0.71%	0.39%	6.29%	3.32%	163.64%	22.16%	2.55%	-2.23%
Cap Adjustment Program Increases										
Increase Audit Coverage			92,557	854	42,540	89			135,097	943
Increase Collection Coverage			50,344	402	21,213	39			71,557	441
Fight Cybercrimes and Counterterrorism			28,927	87	11,270				40,197	87
Return Review Program					52,466	57			52,466	57
IT Support for Enforcement Efforts					25,945				25,945	
Expand Coverage in the Tax-Exempt Sector			28,058	232	8,251				36,309	232
Subtotal FY 2020 Cap Adjustment Investments			\$199,886	1,575	\$161,685	185			\$361,571	1,760
Total FY 2020 Request Including Cap Adjustment	\$2,402,000	26,639	\$4,905,254	35,757	\$4,236,706	10,868	\$290,000	441	\$11,833,960	73,705
Dollar/FTE Change FY 2020 Request Including Cap Adj over FY 2019 Annualized CR	(\$169,554)	(2,195)	\$233,254	1,708	\$402,706	528	\$180,000	80	\$646,406	121
Percent Change FY 2020 Request Including Cap Adj over FY 2019 Annualized CR	-6.59%	-7.61%	4.99%	5.02%	10.50%	5.11%	163.64%	22.16%	5.78%	0.16%