



IRS



Congressional Budget Justification & Annual Performance Report and Plan

Fiscal Year
2022

Table of Contents

Section I – Budget Request.....	1
A – Mission Statement	1
1.1 – Appropriations Detail Table	1
Program Integrity Allocation Adjustment.....	5
B – Summary of the Request.....	7
1.2 – Budget Adjustments Table	9
C – Base Adjustment and Program Changes Description.....	10
Base Adjustment.....	10
Maintaining Current Levels.....	10
<i>Pay Annualization (1.0%)</i>	<i>10</i>
<i>Pay Raise (2.7%).....</i>	<i>10</i>
<i>Non-Pay.....</i>	<i>10</i>
<i>Federal Employee Retirement System (FERS) Contribution Increase.....</i>	<i>10</i>
Efficiencies / Savings	10
<i>Increase e-File Savings</i>	<i>10</i>
<i>Personnel Savings</i>	<i>10</i>
Program Increases.....	11
<i>Putting Taxpayers First.....</i>	<i>11</i>
<i>Ensure Fairness of the Tax System.....</i>	<i>15</i>
<i>Improve Live Assistance</i>	<i>26</i>
<i>IRS Integrated Modernization Business Plan.....</i>	<i>27</i>
<i>Electric Vehicles and Associated Infrastructure</i>	<i>30</i>
1.3 – Object Classification (Schedule O) Obligations	31
D – Appropriations Language and Explanation of Changes	32
E – Legislative Proposals	41
F – Evidence Building Activity.....	44
Section II – Budget and Performance Plan	46
A – Strategic Alignment.....	46
Taxpayer Services	49
2.1 – Budget Adjustment Table	49
2.2 – Object Classification Obligations.....	50
2.3 – Appropriation Detail Table	51
2A – Pre-Filing Taxpayer Assistance and Education	51
2.1.1 – Budget and Performance Report and Plan	54
2B – Filing and Account Services.....	55
2.1.2 – Budget and Performance Report and Plan	59
Enforcement.....	60
2.1 – Budget Adjustments Table.....	61
2.2 – Object Classification Obligations.....	62
2.3 – Appropriation Detail Table	63

2C – Investigations	63
2.1.3 – Budget and Performance Report and Plan	67
2D – Exam and Collections	68
2.1.4 – Budget and Performance Report and Plan	74
2E – Regulatory	75
2.1.5 – Budget and Performance Report and Plan	77
Operations Support.....	78
2.1 – Budget Adjustments Table.....	79
2.2 – Object Classification Obligations.....	80
2.3 – Appropriation Detail Table	81
2F – Infrastructure	81
2.1.6 – Budget and Performance Report and Plan	84
2G – Shared Services and Support.....	84
2.1.7 – Budget and Performance Report and Plan	88
2H – Information Services	88
2.1.8 – Budget and Performance Report and Plan	92
Business Systems Modernization	93
2.1 – Budget Adjustments Table.....	93
2.2 – Object Classification Obligations.....	94
2.3 – Appropriation Detail Table	95
2I – Business Systems Modernization.....	95
2.1.9 – Budget and Performance Report and Plan	97
B - FY 2020 - FY 2022 IRS Integrated Modernization Business Plan	98
C – Changes in Performance Measures	100
Section III – Supplemental Information	101
3.1 – Summary of Capital Investments	101
3.2 – Return on Investment (ROI) for IRS Major Enforcement Programs	115
3.3 – IRS Performance Measures Table.....	117
3.4 – Summary of FY 2020 Savings Realized.....	119
Section IV – Appendix.....	120
4.1 - COVID-19 Supplemental Funding.....	120
4.2 - Mandatory Funding and Program Integrity Allocation Adjustment Proposals	123
4.3 - Appropriations Detail Table with Program Integrity Allocation Adjustment	127
Increase Audit Coverage	129
Increase Collection Coverage	131
Expand Coverage in the Tax-Exempt Sector.....	134
Enhance Return Review Program	136
Enhance Enforcement Operations.....	137
4.4 – Summary of IRS FY 2022 Request by Business Unit (including the Program Integrity Allocation Adjustment).....	139
4.5 – Summary of IRS FY 2022 Identity Theft Budget Request.....	139
4.6 – Summary of IRS FY 2022 ACA Budget Request	140

4.7 – Summary of IRS FY 2022 Cyber Security Budget Request..... 140
4.8 – Summary of IRS FY 2022 Budget Request..... 141

Section I – Budget Request

A – 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 Appropriated Resources	FY 2020 Operating Plan ¹		FY 2021 Operating Plan ²		FY 2022 Request	Change FY 2021 to FY 2022 Request	% Change FY 2021 to FY 2022 Request
	FTE	AMOUNT	FTE	AMOUNT	AMOUNT	AMOUNT	AMOUNT
New Appropriated Resources:							
Taxpayer Services	26,760	\$2,535,554	25,989	\$2,587,606	\$2,940,876	\$353,270	13.65%
Pre-Filing Taxpayer Assistance and Education	4,524	647,066	4,514	657,618	713,346	55,728	8.47%
Filing and Account Services	22,236	1,888,488	21,475	1,929,988	2,227,530	297,542	15.42%
Enforcement	35,388	\$4,909,500	34,989	\$5,004,622	\$5,462,823	\$458,201	9.16%
Investigations	2,971	648,819	3,012	698,193	773,605	75,412	10.80%
Exam and Collections	31,467	4,081,409	30,987	4,120,886	4,497,709	376,823	9.14%
Regulatory	950	179,272	990	185,543	191,509	5,966	3.22%
Operations Support	11,970	\$3,885,000	12,037	\$4,104,102	\$4,448,195	\$344,093	8.38%
Infrastructure		881,670		886,713	971,008	84,295	9.51%
Shared Services and Support	4,947	990,690	5,122	1,024,654	1,088,217	63,563	6.20%
Information Services	7,023	2,012,640	6,915	2,192,735	2,388,970	196,235	8.95%
Business Systems Modernization	426	\$180,000	394	\$222,724	\$305,032	\$82,308	36.96%
Subtotal New Appropriated Resources	74,544	\$11,510,054	73,409	\$11,919,054	\$13,156,926	\$1,237,872	10.39%
Other Resources:							
Reimbursables	790	106,965	808	179,759	189,645	9,886	5.50%
Offsetting Collections - Non Reimbursables		6,728		21,300	22,472	1,172	5.50%
User Fees	4	485,997	1,536	585,244	435,400	(149,844)	-25.60%
Recovery from Prior Years	11	16,457		16,764	16,764		
Unobligated Balances from Prior Years	385	171,189	15	318,017	327,299	9,282	2.92%
Transfers In/Out		137		140	140		
Recoveries Paid				3,604	3,604		
Resources from Other Accounts	274		434	123,039	98,153	(24,886)	-20.23%
Subtotal Other Resources	1,464	\$787,473	2,793	\$1,247,867	\$1,093,477	(\$154,390)	-12.37%
Total Budgetary Resources	76,008	\$12,297,527	76,202	\$13,166,921	\$14,250,403	\$1,083,482	8.23%

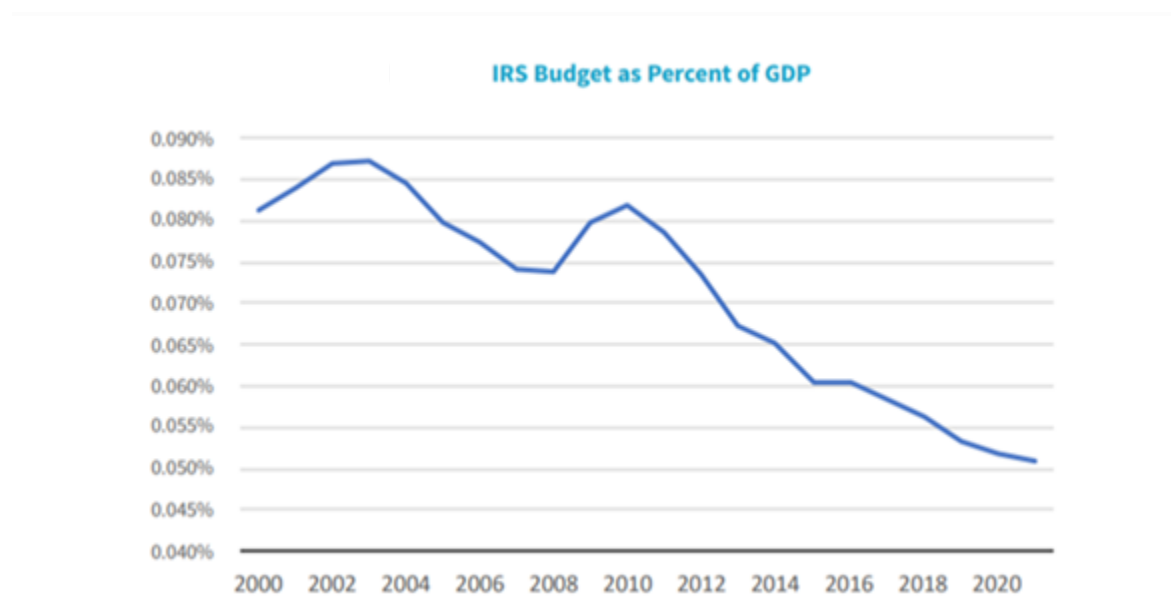
¹ FY 2020 Other Resources represent actuals.

² FY 2021 Operating Plan includes a \$176 million interappropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2021. FY 2021 Enacted amount also includes a \$32 million transfer from Enforcement to Taxpayer Services.

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

Introduction

The Internal Revenue Service (IRS) FY 2022 budget request is \$13.2 billion, \$1.2 billion (10.4 percent) more than the FY 2021 enacted level, to administer the nation's tax system fairly, collect \$3.5 trillion in taxes to fund the government, and strengthen tax compliance. In addition, the budget request proposes a \$417 million program integrity allocation adjustment investment in FY 2022 that will increase tax compliance and revenue and reduce the tax gap. In addition, the Budget includes a multi-year initiative (see Appendix 4.2) to improve tax compliance and enforcement, modernize IRS IT systems, support increased information reporting, and support the Administration's proposal to make the Child Tax Credit expansion and the advance payments permanent as well as additional authority to improve tax administration efforts. The budget request includes discussion on how the IRS assisted taxpayers by implementation initiatives supported by the Coronavirus Aid, Relief, and Economic Security Act (CARES) Act and Families First Coronavirus Response Act in section 4.2.

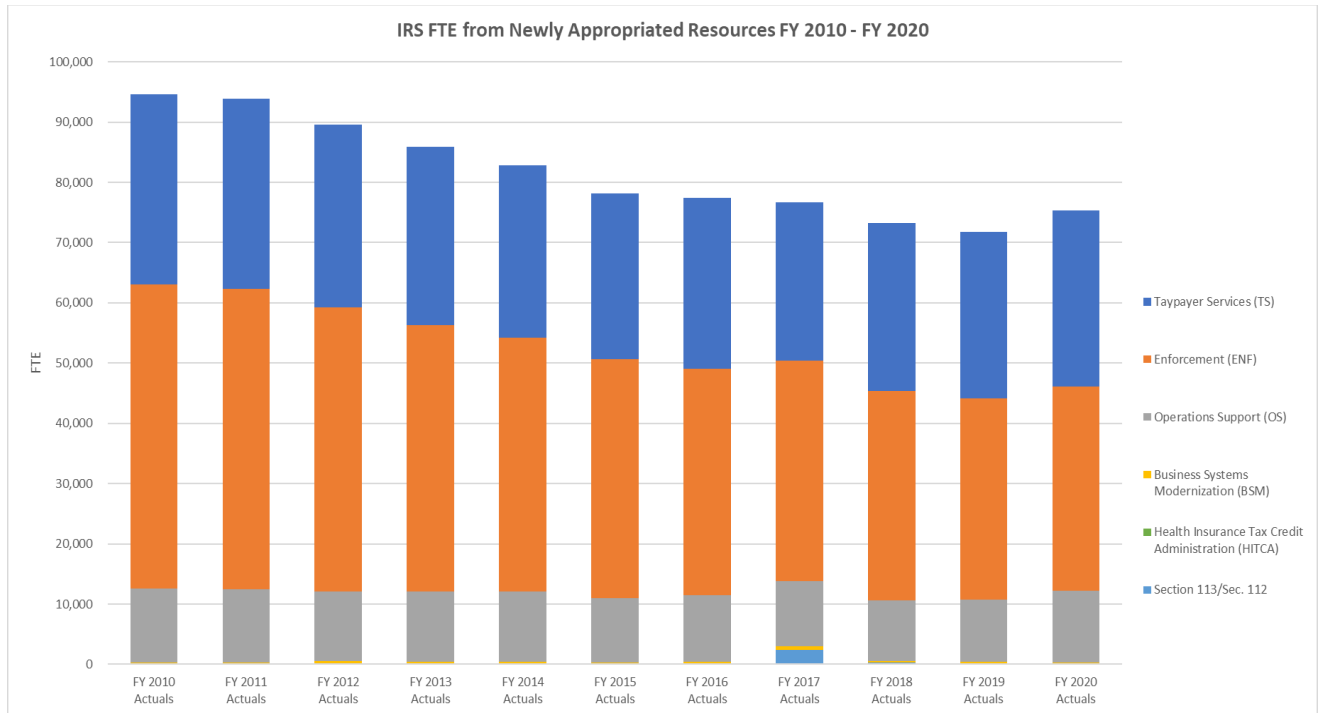


The IRS has an overall return on investment (ROI) of about \$5 for every \$1 invested, excluding significant deterrence effects. Overall, this request supports fair and equitable tax administration for all Americans, including increasing oversight of high-income/high-wealth individuals and corporations to ensure compliance. It also improves taxpayer experience by providing new and improved online tools for taxpayers to communicate with the IRS easily and quickly. This IRS continues to improve telephone and in-person taxpayer customer service. Additionally, it is expanding outreach and assistance to underserved communities. The FY 2022 Budget requests a total program increase of \$915.5 million including:

- \$176.1 million for continuing the implementation of the Taxpayer First Act implementation activities;
- \$340.0 million for establishing enforcement strategies that will ensure a fair tax system;
- \$318.0 increase live assistance including telephone level of service, correspondence, and in-person visits;
- \$78.1 million for IT modernization activities; and
- \$3.0 million to lease and maintain a fleet of electric vehicles.

Through IRS enforcement efforts and strategies for meeting the needs of taxpayers, the IRS intends to decrease the tax gap. The IRS dedicates itself to improving the taxpayer experience so that taxpayers and their representatives can understand and meet their tax obligations with minimal burden. The IRS's aim is to increase voluntary compliance through simplifying the tax filing, correction, and payment processes. To help achieve this, the IRS will focus on improving education and outreach on taxpayer rights and obligations and enhancing service channels to meet taxpayer needs. In addition to improving the taxpayer experience, another priority of the IRS is to ensure taxpayers comply with the tax law. The IRS continues to develop innovative approaches to understanding, detecting, and resolving potential noncompliance to maintain taxpayer confidence in the tax system. The IRS's efforts to improve the taxpayer experience and enforce the tax laws will lead to a reduction in the tax gap over time. Reducing the tax gap requires the IRS to maintain a robust enforcement program.

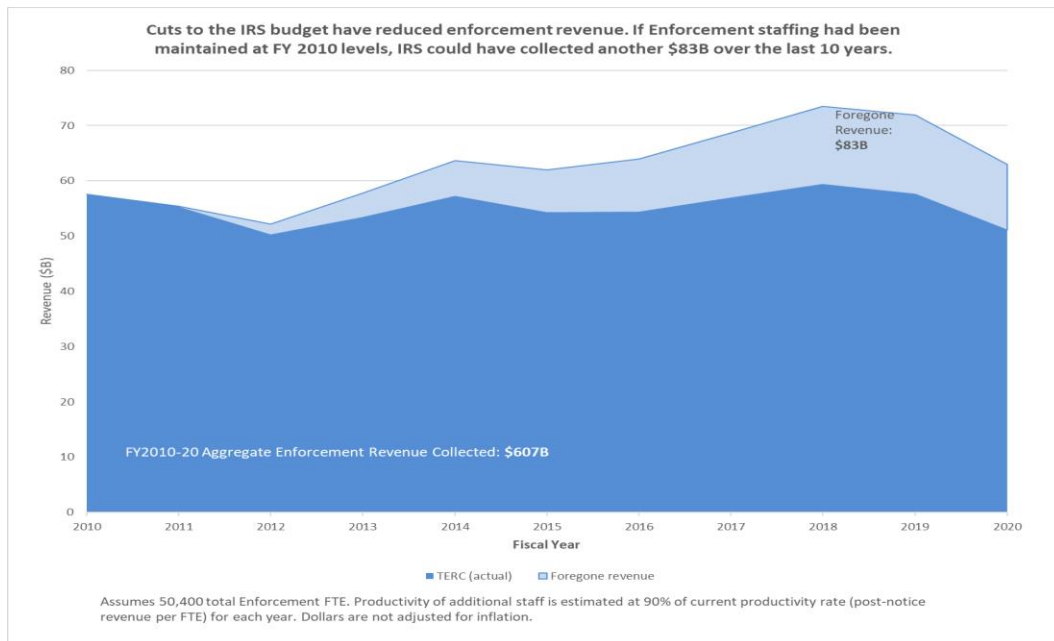
Appropriations for the IRS fell by about 20 percent (adjusted for inflation) since FY 2010. About 70 percent of the IRS's overall budget is for labor, and thus the decline in the overall IRS budget resulted in a 15 percent decline in the number of full-time employees at the agency (since FY 2010) and a 31 percent decline in the number of full-time employees working in enforcement roles (since FY 2010). The IRS lost more than 33,378 full-time personnel between FY 2010 and FY 2020, including more than 13,388 key enforcement personnel. These losses included revenue agents and revenue officers, who audit tax returns and perform collection activities, as well as special agents who investigate tax-related crimes and other issues. The number of examining revenue agents, who handle complex enforcement cases, fell by 35 percent, and field collection revenue officers, who manage difficult collections cases, dropped by 48 percent. The loss of enforcement employees since 2010 has resulted in the examination rate for individual returns falling by about 45 percent; for businesses with assets equal to or exceeding \$10 million, the examination rate fell by about 72 percent.



The effect of personnel lost is most visible in enforcement activities. Among the 33,378¹ full-time personnel lost between FY 2010 and FY 2020, more than 13,388 were enforcement personnel. These losses included revenue agents and revenue officers, who audit tax returns and perform collection activities, as well as special agents who investigate tax-related crimes and other issues. Although the IRS workforce increased over the past year, IRS staffing levels are comparable to where the IRS was in 1973, when the U.S. population was about 210 million, versus today's population of about 333 million.

¹ FY 2010 through FY 2020 full-time personnel lost, is not a net loss of FTE. This statistic does not include the number of personnel hired during the same time.

Reductions to enforcement staffing levels between FY 2010 and 2020 likely reduced total enforcement revenue collected (TERC) by around \$83 billion.



While a portion of the unpaid tax obligations that make up the tax gap result from a lack of knowledge or ambiguity and complexity in tax law, willful evasion is a significant contributing factor. The IRS could help remedy this with investments funded by the program integrity allocation adjustment, which includes targeted investments in enforcement activities that will increase revenue and lower the tax gap.

The FY 2022 request and legislative proposals provide the IRS with a blueprint to address various facets of the tax gap. The modernization plan will provide significant improvements in the taxpayer experience by increasing online service options and making it easier for taxpayers to find answers to their questions. IRS research demonstrates that making it easier for taxpayers to meet their obligations with self-service tools and user-friendly customer service improves compliance.

Program Integrity Allocation Adjustment

In addition to the base appropriations request of \$13.2 billion, the Budget proposes a \$417 million discretionary program integrity allocation adjustment in FY 2022 to fund investments in expanding and improving the effectiveness and efficiency of the IRS's overall tax enforcement program. The budget proposes \$287 million for the Enforcement account and \$129 million for the Operations Support account. These investments will generate \$38.6 billion in new direct revenue and protect \$11.6 billion over 10 years, costing \$6.7 billion. This return on investment (ROI) is likely understated

because it does not reflect the effect that enhanced enforcement has on deterring non-compliance.

B – Summary of the Request

The IRS is responsible for administering the nation's tax system and meeting the needs of America's taxpayers by helping them understand their tax responsibilities and by enforcing the law with integrity and fairness. The IRS's core 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.

In FY 2020 the IRS collected \$3.5 trillion in taxes (gross receipts before tax refunds) and generated 96 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.



Almost 96 percent of the gross revenue of the United States flows through the IRS. Every American is important to the IRS, and the IRS is important to every American. The IRS is endeavoring to continue earning the respect and trust of every American. We proudly serve all taxpayers, none more or less so than any other. We must continue to operate through their eyes, from their perspective, enhancing their experiences while striving to provide clear, meaningful guidance and services, in the language of their choice, wherever possible. In support of compliant taxpayers, we will continue to aggressively pursue non-compliant taxpayers by maintaining robust, visible, civil, and criminal enforcement efforts. To continue to deliver on our mission, the IRS requires consistent, timely, multi-year funding. The entire IRS workforce wants to do more, and with adequate resources provided by Congress to help us reach our vision, we will.

Chuck Rettig
Commissioner

FY 2022 Budget Request and Priorities

The FY 2022 request is \$13.2 billion, \$1.2 billion or 10.4 percent more than the FY 2021 operating level of \$11.9 billion. The base budget request provides funding to carry out the IRS mission.

Appropriation Account	(\$ in Millions)
Taxpayer Services	\$2,940.9
Enforcement	5,462.8
Operations Support	4,448.2
Business Systems Modernization	<u>305.0</u>
Total Appropriated Resources	\$13,156.9

This funding level includes a program increase of \$915 million for Putting Taxpayers First (\$176 million), Ensuring Fairness of the Tax System (\$340 million), Improving Live Assistance (\$318 million), and the continuance of IT Modernization efforts (\$78 million).

1.2 – Budget Adjustments Table

Dollars in thousands

Bureau: Internal Revenue Service Summary of Proposed FY 2021 Request		
	FTE	Amount
FY 2021 Operating Plan	73,409	\$11,919,054
Changes to Base:		
Maintaining Current Levels (MCLs)		\$327,995
Pay Annualization (1.0% average pay raise)		22,442
Pay Raise (2.7% average pay raise)		182,239
Non-Pay		55,641
FERS Contribution Increase		67,673
Efficiencies/Savings:	(409)	(\$5,585)
Increase e-File Savings	(101)	(5,585)
Personnel Savings	(308)	
Subtotal FY 2022 Changes to Base	(409)	\$322,410
FY 2022 Current Services	73,000	\$12,241,464
Program Changes:		
Program Increases		
Putting Taxpayers First	294	176,086
<i>User Authentication</i>		27,000
<i>Taxpayer Experience Strategy</i>	294	149,086
Ensure Fairness of the Tax System	1,833	340,267
Improve Live Assistance	4,203	318,000
Integrated Modernization Business Plan	18	78,143
Electric Vehicles and Associated Infrastructure		2,966
Subtotal FY 2022 Program Increases	6,348	\$915,462
Total FY 2022 Budget Request	79,348	\$13,156,926
PIAA Program Increases		
Increase Audit Coverage	1,043	148,810
Increase Collection Coverage	1,184	159,456
Expand Coverage in the Tax-Exempt Sector	244	37,950
Enhance Return Review Program	60	38,341
Enhance Enforcement Operations	23	32,340
Subtotal FY 2022 PIAA Program Increases	2,554	\$416,897
Total FY 2022 Request Including PIAA	81,902	\$13,573,823

See footnotes in 1.1 -- Appropriations Detail Table

C – Base Adjustment and Program Changes Description

Base Adjustment.....+\$0 / +0 FTE

The FY 2021 operating level of \$11.9 billion includes an inter-appropriation transfer of \$208 million from the Enforcement appropriation to the Taxpayer Services appropriation (\$32 million) and the Operations Support appropriation (\$176 million). The transfer will fund the necessary support costs for increased staffing levels in Enforcement and filing season activities in Taxpayer Service.

Maintaining Current Levels..... +\$327,995,000 / +0 FTE

Pay Annualization (1.0%) +\$22,442,000 / +0 FTE

Funds are requested for annualization of a 1 percent average pay raise implemented in January 2021.

Pay Raise (2.7%) +\$182,239,000 / +0 FTE

Funds are requested for a 2.7 percent average pay raise effective January 2022.

Non-Pay +\$55,641,000 / +0 FTE

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

Federal Employee Retirement System (FERS) Contribution Increase +\$67,673,000 / +0 FTE

Funds are requested for the FERS contribution rates effective FY 2022.

Efficiencies / Savings..... -\$5,585,300 / -409 FTE

Increase e-File Savings -\$5,585,300 / -101 FTE

The IRS projects a total of 1,426,500 fewer returns filed on paper (752,200 individual and 674,300 business returns). As a result, the IRS would need 101 fewer FTE in submission processing, generating a savings of \$5.6 million.

Personnel Savings + \$0 / -308 FTE

Although the budget request increases staffing resources to support strategic priorities, the IRS must manage its personnel costs through limited attrition replacement and seasonal workforce adjustments across many operational areas. These adjustments are necessary to fund the \$328 million in inflationary and labor cost increases for existing personnel, including annualization of the FY 2021 pay raise, the proposed FY 2022 pay

raise, employee promotions, and employee retirement contributions. To achieve these savings, the IRS plans to:

- Fill critical vacancies only;
- Streamline the workforce by reducing administrative, analyst, and other support positions;
- Realign mission critical occupations by hiring employees who have the background and skills to support the IRS in meeting its strategic goals, objectives, and priorities.

Program Increases..... +\$915,462,000 / +6,348 FTE

Putting Taxpayers First +\$176,086,000 / +294 FTE

Position Type/Other Costs	FTE	Positions	\$000
User Authentication			\$27,000
Contract Services			27,000
Expand Digital Services	168.50	337	\$101,754
Appeals Officer	9	18	1,273
Attorney	2	4	484
IT Specialist	157.5	315	25,188
Contract Services			74,809
Seamless Experience	115.50	231	\$35,063
Revenue Agent	50	100	12,495
Appeals Officer	16	32	2,966
IT Specialist	49.5	99	15,544
Contract Services			4,058
Underserved Strategies	10.00	20	\$12,269
Tax Law Specialist	3.5	7	456
Program Analyst	6.5	13	7,313
Contract Services			4,500
Total	294.00	588	\$176,086

The Taxpayer First Act (TFA), Public Law 116-25, mandates the IRS to reimagine and enhance the way it serves taxpayers, enforces the tax laws in a fair and impartial manner, and the way it prepares the agency's employees to deliver a world-class customer experience. The TFA consists of 45 provisions, including specific mandates to improve the taxpayer experience. Implementing the TFA will dramatically change how the IRS engages with taxpayers. These efforts will improve the experience of taxpayers as they interact with the IRS and increase the IRS's ability to secure taxpayer information, protect taxpayer identities, develop additional online capabilities for taxpayers, and develop comprehensive training for IRS employees. This investment includes:

User Authentication (+\$27,000,000 / +0 FTE)

As the IRS moves to implement the provisions of the TFA, such as the Identity Protection PIN (IP PIN) and the Taxpayer Experience Strategy. The IRS will incorporate National Institute of Standards and Technology (NIST) Special Publication 800-63-3, Digital Identity Guidelines, and the recommendations of the Electronic Tax Administration Advisory Committee regarding identity theft refund fraud. These standards and recommendations guide how the IRS identity proofs and authenticates taxpayers to allow secure access to taxpayer online services. Resources are needed to enter a contract with a third-party vendor to be able to authenticate taxpayers. This funding will allow the IRS to authenticate approximately 8 million new taxpayers who sign up for an online account. After the initial authentication, the new NIST standards require reauthenticating annually. Besides IP PIN, examples of other IRS applications taxpayers access online include Get Transcript Online, the suite of e-Services applications for tax professionals, Online Payment Agreements, and the Child Tax Credit portal.

Taxpayer Experience Strategy (+\$149,086,000 / +294 FTE)

The TFA requires the IRS to develop and implement a Taxpayer Experience Strategy (TXS) to improve the taxpayer experience with the IRS. To fulfill the TXS requirement, the IRS's Taxpayer First Act Office (TFAO), in partnership with key internal and external stakeholders and subject matter experts, identified six areas of focus to inform the development and implementation of the TFA TXS including Community of Partners, Proactive Outreach & Education, Data Management & Analytics, Expanded Digital Services, Seamless Experience, and Focused Strategies for Reaching Underserved Communities. The FY 2022 request includes additional funding for Expanded Digital Services, Seamless Experience, and Focused Strategies for Reaching Underserved Communities. These investments include:

- Expanded digital services that include secure document exchange, expanded payment options for taxpayers, and established digital authorization with eSignature;
- Deliver a more seamless experience through expanded automated callback, increased use of the appointment process tool, and expanded AI-powered interactions such as chat-bot appointments;
- Strengthened community presence by hiring and training new professionals in hard-to-reach communities;
- Improved assistance for taxpayers living abroad by establishing authentication protocols;
- Expanded multilingual strategies to increase the number of languages that forms, publications, and notices are translated into while also leveraging employee multi-lingual skills to provide multi-lingual assistance and services; and

- Strengthened access to and use of data to improve program delivery, inform Artificial Intelligence (AI) service delivery, and create a continuous feedback loop.

Expand Digital Services (+\$101,754,000 / +169 FTE)

Funding for this initiative will enhance the IRS's Online Account for individual taxpayers and expand this service to tax professionals. Some aspects of this initiative will rely on strengthening and expanding use of data. Additional authenticated online self-services will include account updates, secure messaging and notice delivery, full interaction history and issue status, refund tracking, expand digital payment options, increase electronic receipt of filings and scanning/data capture for paper filings, document upload, and more. Taxpayers will see expanded scope for e-signatures, secure document exchange and expanded payment options like Venmo and PayPal, and web chat and other digital assisted services, including:

- Expanded Online Account features:
 - View Payment, Make a Payment, and Create A Payment Plan;
 - Digital Notices w/ Opt-in Subscription for Notifications;
- Tax Professional Account: Establish Digital Power of Attorney (Form 2848) with eSignature;
- Secure document exchange: Large and Small Business Secure Messaging/File Sharing (Document Upload);
- Digitize more tax forms;
- Expanded payment options to include tools like Venmo, PayPal, Apple Wallet, and Google Pay; and
- Foundational IT infrastructure enhancements for eSignature solutions.

Seamless Experience (+\$35,063,000 / +115 FTE)

The IRS will provide taxpayers with their preferred channel of service (web, phone, in person, etc.) and guide them through the necessary assistance to fulfill their needs. Information about the taxpayer's entire experience (past and present) will be available to every representative of the organization and across all channels in real time. With the introduction of an integrated omni channel model, a taxpayer could begin on IRS.gov and then shift to click to-call or chat options to engage an assistor without leaving the website. With the introduction of AI and robotics, the IRS can help the taxpayer. The following are highlights of what will be accomplished with FY 2022 funding:

- Expand Automated Callback by adding 10 additional applications and provide Wait Time Transparency to the taxpayer. Currently, there is callback on 5 applications, representing 19 percent of total average demand;
- Continue integrating ECM systems towards a 360-degree view of the taxpayer for all taxpayer-facing employees;

- Expand appointment process and system to all taxpayer-facing employees, including both service and compliance (currently, taxpayers can only make appointments with Taxpayer Assistance Center (TAC) employees);
- Expand and improve routing options and create an escalation process to resolve issues outside the scope of the initial contact employee;
- Develop AI-Powered Digital Appointments that will allow the taxpayer to use a chatbot to make appointments.

Focused Strategies for Reaching Underserved Communities (+ \$12,269,000 / + 10 FTE)

Bringing together ongoing efforts within the IRS and leveraging its ecosystem of partnerships, the IRS will establish a consolidated program to engage with historically underserved communities to address issues of communication, education, transparency, trust, and limited access to quality products and services. As shown by the Earned Income Tax Credit (EITC) Underserved Outreach Project in 2014, developing specific strategies for underserved communities is crucial to increasing voluntary compliance. The EITC project increased filing rates by adding 53,000 filers and \$27 million in additional taxes paid. The IRS will develop strategies for each underserved segment based on focused research, best practices, and lessons from partners on ways to improve interactions within these communities. Immediate benefits to the taxpayer will include new assistance in hard-to-reach areas where receiving help is currently difficult, convenience via virtual chatroom authentication procedures, and expanded access to additional information to assist international taxpayers. Aspects of this initiative will rely on improving the IRS's proactive outreach; expanding and strengthening the IRS's network of partnerships and leveraging relationships across public, private, and non-profit sectors. The following are highlights of what will be accomplished with FY 2022 funding:

- Establish an organization within the IRS dedicated to developing, overseeing, and implementing these strategies with an agency-wide perspective and scope;
- Establish stronger community presence by hiring and training new staff to add new professionals in hard-to-reach communities;
- Use a data-driven approach to identifying content for translation to four additional languages;
- Increase multi-lingual staffing and better leverage employee multilingual skills;
- Authenticate international online accounts;
- Host virtual chat rooms and live forums for international taxpayers; and
- Expand access to information and services to taxpayers living abroad.

Ensure Fairness of the Tax System +\$340,267,000 / +1,833 FTE

A successful economy depends on an effective tax collection system. For a tax system to operate productively, all citizens must pay their fair share. The IRS must serve taxpayers in a manner that facilitates their voluntary compliance by providing proper levels of staffing and support at points of significant taxpayer interaction. The IRS will continue to deter those who might evade their legal tax obligations and must appropriately pursue those who do so through strong, visible, and robust tax enforcement programs.

Increase Large Corporation and Global High Wealth Returns (+\$154,870,000 / +668 FTE)

Position Type/Other Costs	FTE	Positions	\$000
Increase Enforcement Returns	540	1,080	\$131,246
Revenue Agent	389	778	102,751
Manager	67.5	135	16,903
Economist	5	10	1,322
Engineer	5	10	1,292
Analyst	6	12	1,238
Support Staff	31.5	63	3,672
Tax Examiner	36	72	4,068
Other Direct Costs	128	256	\$23,624
Attorney	21	42	4,757
Support Staff	3	6	290
Appeals Officer	78	156	14,461
Revenue Agent	12	24	2,346
Tax Examiner	14	28	1,770
Total	668	1,336	\$154,870

The IRS contends with a wide variety of business organizations operating in the United States and abroad with different filing requirements. These organizations include businesses, such as sole proprietors, corporations, partnerships, and S-corporations, as well as trusts and non-profits. Partnership businesses continue to be the fastest growing segment of all tax returns filed. Due to their complexity, these returns represent a significant compliance risk. The 2019 IRS Data Book reflects that in FY 2019, partnership return filings with the IRS exceeded 4.2 million – more than double the number of returns filed by corporations other than S corporations. Publication 6292, *Fiscal Year Return Projections for the United States: 2020–2027*, shows that on average, annual partnership filings will continue to outpace 1120s (4.976 million vs. 1.6 million) from FY 2021 to FY 2027.

Another increasing source of compliance risk are high income/high wealth individuals, who frequently operate complex enterprises consisting of multiple related entities that often have international components. The IRS takes a unified look at the entire web of entities controlled by high wealth individuals to better assess the risks of noncompliance. This investment will allow the IRS to eventually double its compliance

efforts on partnerships and high wealth returns. The resources sought in this investment will also allow the IRS to devote more resources to examining large corporations with balance sheet assets > \$10 million. Audits on large corporations fell significantly over the past decade, falling from an overall audit coverage rate of 16.6 percent in FY 2010 to just 6.2 percent in FY 2019. In FY 2010, virtually all corporations with assets over \$20 billion were audited. In FY 2019, only 50 percent were under audit. Finally, this investment will allow the IRS to increase its work in the Cross Border and Treaty and Transfer Pricing Operations to fully support corporate, partnership and high wealth exams.

According to the 2019 IRS Data Book, audits on partnership returns dropped from over 12,000 audits against 3.4 million returns filed in FY 2010 to 7,500 audits against 4.2 million partnership returns in FY 2019. The taxation of partners and partnerships is governed by Subchapter K of the Internal Revenue Code, which is generally perceived to be fairly complex. In addition to a complex legal environment, IRS examiners are challenged in auditing partnerships by their tiered structures. Partnerships often have other partnerships among their partners creating layers and layers of partnerships that must be navigated by an auditor. At least one-quarter of partnerships have some tiering in their structures. In addition to a different body of substantive tax law, the Internal Revenue Code also mandates a different set of audit procedures for partnerships than other taxpayers. These audit procedures can also be complex.

This investment will allow the IRS to:

- Hire additional revenue agents who will be devoted solely to working partnership cases;
- Increase the number of auditors with specialized knowledge in partnership law and audit procedures;
- Double current audit coverage of partnerships within 4 years; and
- Generate additional enforcement revenue of approximately \$365.3 million from FY 2022-2026.

This initiative will fund IRS's Global High Wealth (GHW) program, which uses identification models to filter based on estimated net worth in the tens of millions using data points including passive vs. non-passive income, interest, dividends, etc. The overall audit rate for the identified GHW taxpayer population (which ranges from 40,000-60,000 taxpayers), is 0.2 percent. GHW uses a unique enterprise approach, which looks at the complete financial picture of high wealth individuals and the enterprises they control, that has proven successful, rather than the traditional return-by-return approach. GHW examiners average roughly \$1,300 of recommended adjustments per exam hour on

taxable entities, and over \$10,000 of recommended adjustments per exam hour on partnerships. This investment will more than double the size of GHW, thereby allowing it to double the number of examinations it conducts once new employees have completed training and become fully productive. The requested investment is projected to result in additional enforcement revenue of approximately \$794.5 million from FY 2022-2026.

This initiative will increase passthrough and GHW examinations, by increasing staffing for:

- GHW - The requested hires for GHW will allow for the creation of four additional GHW territories. Adding the additional agents will allow for an increased audit rate for its population, which presents an identified compliance risk.
- Ogden Tax Equity and Fiscal Responsibility Act (TEFRA)/ Bipartisan Budget Act (BBA) Unit - The Ogden TEFRA Unit/BBA Unit will handle IRS-wide processing of all BBA cases and some non-BBA case processing. The Ogden TEFRA/BBA Unit will be responsible for new parts of a partnership audit created by the BBA. These new processes are extremely complex and critical to the successful implementation of BBA and successful partnership level examinations. In addition to handling the processing of the increased partnership audits intended under BBA, the Ogden TEFRA/BBA Unit will continue to work remaining TEFRA and non-TEFRA cases for several years due to overlaps in the TEFRA and BBA regimes. The requested hires will allow for creation of eight additional groups to handle BBA inventory.
- Pass-through Entity (PTE) Practice Networks - The PTE practice networks currently support the revenue agents in the field with new and complex issues including subchapter K issues, tax reform and BBA. They also play a large role in campaign development and execution. As the number of partnership exams is increased, as is planned to address this identified compliance risk as intended by the BBA, the need for field support by the practice networks will grow. Additional staff is needed to grow the practice networks to a size that can effectively support increased passthrough examinations. The requested hires will allow for the creation of six additional practice network groups.
- Geographic Practice Areas - Passthrough exams that are not part of the GHW program are conducted by revenue agents in three geographic practice areas. To significantly increase the number of passthrough examinations, additional geographic revenue agents are needed. The proposed hires would allow for creation of four new teams in each of the three geographic practice areas. Resources are requested for technical services positions and to support the new

workload generated by the new hires, who will process the highly technical cases and prepare the statutory notices generated by the closures.

Other Direct Costs (+\$23,624,000 / +128 FTE)

Dollars in Millions

IRS Activity	Cost	FTE	Explanation
Appeals	18,577	104	The initiative will generate additional work for Appeals Team Case Leader (ATCL) in the Compliance Integration CIC workstream, the GHW arena and the Partnership arena. For Appeals to provide a high level of customer service and appropriately resolve these cases Appeals will require an additional positions.
Chief Counsel	5,047	24	The initiative staffing request is projected to increase the number of audits for the GHW, PTE and Large Corporate Compliance (LCC) programs. In order to support this investment, Counsel is requesting 48 additional positions. The additional staffing will provide a mix of attorneys in the LB&I Division Counsel to provide legal advice to the client and handle the additional trial cases generated by the expansion of these programs, additional subject matter experts in the Technical Associate Offices, and accompanying legal support. The number and mix of requested positions is based on the complexity and estimated increase in workload.
Total	\$23,624	128	

Expand Cyber Crimes and Applied Data Analytics Efforts (+\$41,095,000 / +98 FTE)

Position Type/Other Costs	FTE	Positions	\$000
Cyber Crimes and Data Analytics	93	186	\$40,013
Special Agent	42	84	29,449
Analyst	41	82	5,244
IT Specialist	10	20	1,452
Contractual Services			3,868
Other Direct Costs	5	10	\$1,082
Attorney	4	8	992
Support Staff	1	2	90
Total	98	196	\$41,095

Data sets and data science methodologies now exist to connect the most remote financial transaction between apparent disparate actors which can be the key piece of evidence to break open the most complex financial investigation. These techniques are integral to the work of the IRS's Criminal Investigation Division (CI) and criminal case development.

This investment will be used to:

- Establish a Criminal Data Team to identify existing and new data sources;
- Hire inventory data and categorize its use;

- Perform validation as needed;
- Allow CI to intake, interrogate, mine and operationalize its available data appropriately; and
- Align leading data practices in the private sector and other innovation opportunities.

Currently, the data created/received through investigations, received from law enforcement partners, and received through disclosures and referrals is not categorized or stored in an accessible location. As a result, CI's ability to use that data for analytics and enforcement operations is very limited. New data sources, including open source and data held by other agencies, are identified almost daily and in most cases is currently not obtained or mined for its potential. A CI Data Team responsible for all CI data activities will make data intake and processing routine to enable effortless integration into CI's most complex investigations and ultimately advance CI's ability to enforce tax compliance.

CI is authorized to use a wide array of investigative techniques, including developing innovative approaches to investigations using existing data sets, commercial (purchased) data sets, data sets from other government agencies, and open source data sets. Purchase and ingestion of this data into a modern computing environment available to CI users requires funding. Additionally, CI partners with internal and external stakeholders to use robust advanced modeling and data-driven algorithms to deliver high impact investigations which either preempt or quickly address emerging threats and advance the mission of the IRS. A portion of these activities will require contractor funding for lead generation and case development using these modern techniques.

In FY 2020, CI's new National Analytics team within CI's Applied Analytics section worked with 9 Field and HQ offices on pilot projects to test the efficacy of advanced analytical modeling in case development and field office investigations. As a result, the need for analytical services across the field offices to pursue criminal tax enforcement far outpaced CI's Applied Analytics capacity. This initiative will hire and train an additional 82 analysts (investigative analysts and data scientists) to work across the field offices on larger initiatives using advanced statistical modeling and machine learning techniques to identify criminals, criminal patterns, and illicit behaviors. CI's Applied Analytics would stand up two or more teams to work with CI's investigative offices. With this initiative, CI will develop and train Field Office and Headquarters personnel in the tools/technology and the methodologies used to grow overall cyber and analytical capabilities. CI will also bring advanced modeling initiatives to maturity and provide more opportunities for innovation. In addition, funding will allow the IRS to advance IT technology to assist in the efforts of investigating cybercrimes.

CI continues to advance the level and degree of work performed in cybercrimes, whether it pertains to the investigation of dark web marketplaces, cryptocurrency-related fraud, or a host of other internet-based activities. The Cyber Support Unit will allow the IRS to provide a specialized skillset of capabilities around open source intelligence, dark web research and cryptocurrency tracing aspects in support of ongoing investigations in the field.

CI traces money all around the world, whether transmitted within the shadows of the dark web or otherwise. An example of CI's ability to detect criminal activity involved a darknet-based Bitcoin Mixing Service. This major case investigated a darknet search engine and money laundering service that was integrated into major darknet markets such as AlphaBay, Silk Road II, Abraxxas, and many others. It worked by tumbling bitcoins from users and vendors on darknet markets with new, "clean" bitcoin to obfuscate the illicit source of the bitcoin. Approximately 356,000 bitcoins moved through the site, with a value of over \$300 million at the time of the transactions. Data obtained from these servers will assist investigations all around the world, since criminals use tumblers to obfuscate the crypto trail. Evidence obtained from this investigation will serve as the missing link or puzzle piece in many sophisticated bitcoin transaction investigations.

Cyber Agents will be working the most complex cyber investigations within CI and afforded the necessary access to specialized tools and resources needed to prosecute this level of criminals. IRS will use these funds to stand-up and equip the Advanced Collaboration and Data Center (ACDC), including 84 Special Agents, tools, technology, and capabilities in one physical location. This new center will be able to complete approximately 300 additional criminal investigations from FY 2022 to FY 2026.

Other Direct Costs (+\$1,082,000 / +5 FTE)

These funds will be used to hire an additional attorney foreach of the six Criminal Tax geographic areas; two attorneys in the national Office; two administrative support positions; and one cyber-focused administrative position. These positions will provide critical mission support to the cybercrime and data analytics efforts.

IRS Activity	Cost	FTE	Positions	Explanation
Chief Counsel	1,082	5	10	Support case agents investigating cybercrimes or cyber-enabled investigations (including crypto currency) and render advice to CCUs thereby reducing the tax gap in this area.
Total	\$1,082	5	10	

Strengthen Taxpayer Confidence in the Tax-Exempt Sector (+\$13,473,000 / +84 FTE)

Position Type/Other Costs	FTE	Positions	\$000
Protect Retirement Plans	34.5	69	\$5,527
Revenue Agent	30	60	4,860
Manager	3	6	456
Support Staff	1.5	3	211
Protect Tax-Exempt Sectors and Government Entities	34.5	69	\$5,526
Revenue Agent	30	60	4,860
Manager	3	6	456
Support Staff	1.50	3	210
Fraud Prevention	15	30	\$2,420
Revenue Agent	14	28	2,268
Manager	1	2	152
Total	84	168	\$13,473

The IRS strives to support taxpayer needs in the tax-exempt sector. There are over 1.8 million exempt organizations which are estimated to have over \$2.9 trillion in revenue. In addition, there are 130 million retirement plan participants with \$8 trillion in retirement assets.

Taxpayer confidence in the tax-exempt sector is essential to preserving and protecting charitable tax deductions and the retirement savings of everyday Americans. The IRS proposes a multifaceted approach to increase taxpayer confidence and ultimately protect these taxpayer investments to include:

- **Protect Retirement Plans:** Conduct enforcement activities to identify compliance issues with sponsored retirement plans and assist small businesses with their regulatory requirements to maintain their tax preferred status. These activities ultimately protect their employees' retirement plan contributions.
- **Address Unrelated Business Income Tax (UBIT):** Assess unpaid taxes for taxable activities in the exempt organization sector through face-to-face and remote enforcement activities. Overall, these activities will result in increased compliance and help preserve the public's confidence in their charitable donations.
- **Fraud Prevention:** Support expanded fraud enforcement activities. While most stakeholders and taxpayers in the tax-exempt sector strive to remain compliant, there are purposeful bad actors engaging in increasingly complex transactions and structures to avoid taxation and even mask other illegal activities. These resources will be applied to directly address these emerging fraudulent activities and trends in the tax-exempt sector.

Once these staffing resources are fully trained, the IRS will be able to conduct an additional 3,192 closures related to enforcement activities. As a result, the public's confidence will be strengthened as retirement plans become more compliant, unrelated business income taxes are addressed, and fraud is prevented in these important tax-exempt arenas.

Increase Pre-Refund Audit and Examination (+\$32,895,000 / +332 FTE)

Position Type/Other Costs	FTE	Positions	\$000
Increase Pre-Refund Audit & Exam			
Tax Examiner	332	332	29,256
Contractual Services			3,639
Total	332	332	\$32,895

The Correspondence Examination program addresses the tax gap through increased enforcement individual reporting compliance, such as refundable credits. The additional staffing will be used to reverse and prevent a decline in the audit coverage rate.

Enhance Enforcement Efforts (+\$77,065,000 / +589 FTE)

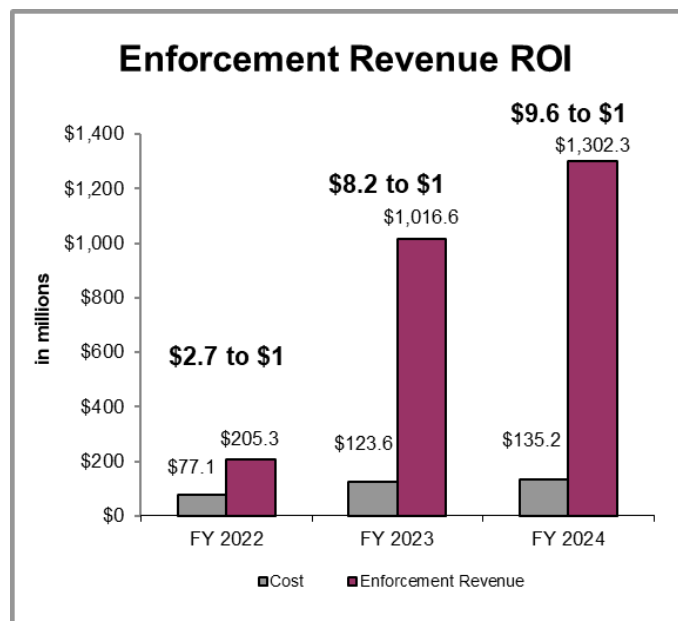
Position Type/Other Costs	FTE	Positions	\$000
Collection Programs	252.5	505	\$29,574
Revenue Officer	85	170	13,379
Customer Service Representative	85	170	8,568
Tax Examiner	79.5	159	7,329
Support Staff	3	6	298
Examination Programs	249.5	499	\$32,740
Revenue Agent	132	264	21,627
Tax Examiner	113.5	227	10,733
Support Staff	4	8	380
Office of Fraud Enforcement	7	14	\$984
Revenue Agent	7	14	984
Other Direct Costs	80	160	\$13,767
Revenue Agent	14	28	2,882
Appeals Officer	21	42	3,893
Attorney	26	52	5,125
Analyst	19	38	1,867
Total	589	1,178	\$77,065

This initiative requests additional employees to increase efforts in critical Examination and Collection activities. The decline in staffing since FY 2010 has led to a decrease in the individual audit coverage rate from 1.0 percent in Tax Year 2010 to 0.43 percent in Tax Year 2017, which increases the risk to the integrity of the nation's voluntary tax

compliance system. The collection coverage rate, which is defined as the volume of collection work disposed compared to the volume of collection work available, has also seen a decline, dropping from 50.1 percent in FY 2010 to just 34.9 percent in FY 2020. These trends, if they continue unabated, will lead to an increased risk in tax reporting or failure to file required tax returns. The additional resources will fund compliance priorities and allow for earlier case assignments and resolution.

Examination programs will provide increased emphasis on audits of small corporations and sole proprietors with business income. Collection programs will focus their efforts on high income non-filers and delinquent employment taxes. These resources will:

- Increase the number of audits and close more than 4,669 field examination cases and 40,610 correspondence examination cases;
- Expand programs that address non-filing and underpayment of taxes to handle 9,100 additional collection cases;
- Address an additional 113,400 Automated Collection System (ACS) cases;
- Expand several Compliance Services Collection Operations programs that address non-filing of taxes through the notice process by 159,000 notice dispositions and cases; and
- Strengthen ties between the civil and criminal enforcement arms of the IRS and with other federal departments and agencies to facilitate civil enforcement action in all situations.



Major Activities	Projected Revenue (\$M)	Projected Closures
Field Collection	175.7	9,123
Automated Collection System	418.4	113,401
Compliance Services Collection Operation/Non-Filer	60.3	159,030
Field Examination	132.6	4,669
Correspondence Examination	212.0	40,610
Document Matching	303.3	200,574
Total	\$1,302.3	286,223

Other Direct Costs (+\$13,767,000 / +80 FTE)

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	6,630	35	70	Support Collection efforts and appropriately resolve these cases while providing a high level of customer service.
Chief Counsel	5,125	26	52	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
SB/SE Operations Support	824	6	12	Support hiring, training, human capital, technology needs, data analytics and resource requirements for the Business Unit.
Privacy, Governmental Liaison, and Disclosure	916	11.5	23	Address the increase in Freedom of Information Act requests as a result of increased compliance activity.
Human Capital Office	272	1.5	13	Handle the increase in front-line positions and the expectation that new managerial positions will be created. Labor Relations support begins in the first year and continues throughout a manager's career, as needed.
Total	\$13,767	80	170	

Expand Tax Compliance (+\$20,869,000 / +62 FTE)

Position Type/Other Costs	FTE	Positions	\$000
Expand Tax Compliance			
Special Agent	48	96	\$19,027
Analyst	8	16	\$1,023
IT Specialist	6	12	\$819
Total	62	124	\$20,869

This investment will enhance overall enforcement efforts, increase the number of convictions, and expand the IRS's capabilities in core tax enforcement areas. An additional 300 investigations will be completed after the new agents reach full potential. This investment will support IRS Strategic Goals by enforcing domestic and international compliance across all program areas while utilizing innovative approaches and strengthening existing expertise. Further, this investment will support initiatives designed to identify trends, detect high-risk areas of noncompliance, and prioritize enforcement approaches by applying advanced analytics.

These resources will also allow the IRS to increase its participation in multi-agency task forces dedicated to tax administration, which will:

- Enhance cooperation with state and local law enforcement agencies in jurisdictions where prosecutorial actions would have the greatest influence;
- Obtain information about ongoing criminal activity involving federal and state tax refunds allowing expedited prosecution by the Department of Justice to reduce the financial loss to the IRS and the taxpayer; and

- Target larger-scale crime rings for maximum compliance results and publicity.

These resources will also support special agents conducting outreach to state and local law enforcement to expand the Law Enforcement Assistance Program. In addition, special agents will extend outreach efforts to practitioners from filing season only to year-round to provide information and address return preparer concerns.

This investment also will provide analysts to support this investment by gathering data to identify violations of tax and other financial laws and regulations. They will provide analysis of this information, capturing the full scope of the identified questionable activities and provide hands-on support to the criminal investigation. They will develop queries to obtain the necessary information and to perform an assessment of the responses to discern the interrelationships to determine impact and possible ramifications of the tax-related criminal and financial activities.

Improve Live Assistance +\$318,000,000 / +4,203 FTE

*Increase Telephone Level of Service & Reduce Correspondence Inventory
(+\$286,640,000 / +3,853 FTE)*

Position Type/Other Costs	FTE	Positions	\$000
Improve Level of Service	3,606	2,715	\$265,465
Seasonal	2,297	1,406	162,582
Customer Service Representative	1,226	1,226	97,222
Manager	83	83	5,661
Reduce Correspondence Inventory	247	247	\$21,175
Customer Service Representative	227	227	19,811
Manager	20	20	1,364
Total	3,853	2,962	\$286,640

This investment will allow the IRS to increase the telephone level of service (LOS) and significantly reduce the correspondence inventory. The IRS toll-free telephone customer service operation is a key part of the IRS's service delivery. This investment provides a projected LOS of 75 percent in FY 2022, assuming phone demand returns to pre-pandemic levels and the IRS can provide in-person services at pre-pandemic levels. These funds will also be used to reduce the current projected FY 2022 ending correspondence inventory by about 400,000. The FY 2022 projection is down from a projected FY 2021 ending correspondence level of about 1.4 million. Providing quality taxpayer service is crucial to ensuring voluntary compliance.

TAC Optimization Strategy (+\$31,360,000 / +350 FTE)

Position Type/Other Costs	FTE	Positions	\$000
Taxpayer Assistance Centers (TAC)			
Accounts Management Representative	350	350	29,225
Contractual Services			2,135
Total	350	350	\$31,360

This investment funds staffing increases to achieve optimal staffing levels for IRS Taxpayer Assistance Centers (TACs), improving the taxpayer experience. These staffing levels will allow the IRS to re-open TACs and restore office hours, allowing taxpayers to schedule appointments sooner. With increased TAC funding, the IRS anticipates additional contacts with over 880,000 taxpayers.

IRS Integrated Modernization Business Plan +\$78,143,000 / +18 FTE

Position Type/Other Costs	FTE	Positions	\$000
Integrated Modernization Business Plan			
IT Specialist	17.5	35	1,270
Contractual Services			65,045
Hardware and Software			11,828
Total	17.5	35	\$78,143

The Integrated Modernization Business Plan is a key IRS priority. The plan provides a roadmap for improving IRS systems and taxpayer services. Additionally, the plan will enable the IRS to provide quality customer service to taxpayers and deliver long-term budget efficiencies as the IRS modernizes capabilities currently provided via legacy applications. The budget requests an increase of \$78 million for a total appropriated budget of \$305 million in FY 2022.

The request funds:

- Web Applications (\$30 million): The IRS will expand the capability for taxpayers to use an online account, building on current capabilities to create and submit online installment agreements and make payments. In addition, it will expand the Tax Pro effort benefiting authorized tax professionals with capabilities that modernize certain paper-based processes to help resolve issues with the IRS on behalf of their clients. In FY 2022, the IRS will begin expanding the Tax Pro capabilities to include the ability to view/manage new and pending authorization requests, view/print confirmations of submission, and expiration of out-of-date authorizations. These capabilities will reduce the amount of paper forms, reduce taxpayer and tax professional burden, reduce the time it takes to submit authorizations, and increase data accuracy and security to ensure the entire process is secure in confirming and protecting identity.
- Taxpayer Digital Communications Outbound Notification (\$10 million): The IRS will continue developing digital notices available through a secure online account for taxpayers who prefer that channel over mailed correspondence. In addition, the IRS will allow taxpayers the choice to opt in or opt out of receiving paper notices and receive notifications through email or text message. This investment will increase taxpayer response rates to notices, reduce burden on taxpayers and the IRS, reduce printing and postage requirements, and promote more efficient interactions.
- Live Assistance (\$15 million): The investment funds the Live Assistance program to expand customer callback capabilities, allowing taxpayers to keep their place

in queue without remaining on the phone, and the Live Chat capability that allows taxpayers to interact with assistors in a web-based chat session. The IRS will also deploy machine learning and natural language processing to quickly answer common taxpayer inquiries and improve call routing to deliver expert service to customers and empower taxpayers with real-time responses.

- Customer Account Data Engine 2 (CADE2) (\$105 million): Since the Individual Master File (IMF) was built almost 60 years ago, the IRS has changed legacy base code to reflect annual tax law changes. As a result, the base code of IMF includes embedded business logic written in outdated programming languages that only an extremely small number of IRS personnel understand. The Individual Tax Processing Engine (ITPE) is a critical project which converts approximately 200,000 lines of legacy assembly language code to modern software language. This code conversion is a major milestone towards retiring the Individual Master File (IMF). In FY 2022, funding will be used to continue the ITPE project and code conversion. Upon conclusion, this will reduce the burden of ongoing maintenance and routine updates due to tax law changes through a common data model. It will enable enhanced data accessibility both within the IRS and for taxpayers, and security controls. CADE 2 will support advanced analytical capabilities addressing key issues of compliance, fraud, and identity theft. These funds will also be used to start:
 - The CADE 2 Target State which provide state-of-the-art individual taxpayer account processing and data-centric technologies for maintaining and balancing individual taxpayer account data to reduce operations and maintenance costs, improve taxpayer service quality, enhance responsiveness to legislative changes, and eliminate financial weaknesses. The program will allow the IRS to retire the most complex portion of the Individual Master File (IMF), a step towards fully retiring the IMF.
- Enterprise Case Management (ECM) (\$64 million): ECM provides the IRS with an enterprise solution for streamlining case and workload management processes to improve the quality and effectiveness of case interactions with individual taxpayers, small and large businesses, tax-exempt organizations, and a wide spectrum of intermediaries. ECM will digitize case information, provide business automation, and increase resource alignment across IRS business units to improve customer service and reduce the timeframe for case resolution. In FY 2020 and FY 2021, initial releases delivered the foundational platform and capabilities of a new cloud-based case management solution. Subsequent ECM releases will provide integrated case management across the IRS. In FY 2022, ECM

will include the data integration with individual taxpayer account data needed for several business processes. These capabilities will enable the program to scale and migrate additional business processes concurrently in the Release 4 timeframe.

- NextGen Infrastructure (NGI) (\$15 million): This investment will allow the IRS to continue modernizing its infrastructure base (hardware, software, network resources, and services) and support agile software development and delivery practices.
- Vulnerability and Threat Management (\$20 million): This investment will enable the IRS to improve security integration in system development and automate security testing, apply use cases to enhance security audit analytics and compliance, and enhance data protection through encryption.
- Identity and Access Management (\$19 million): This investment in user identity controls, privileged access protections, building access security, and software security configuration will help the IRS mitigate the risk of unauthorized access to tax data as the IRS delivers new online tools to taxpayers and the number of private sector data breaches increases.
- Security Operations and Management (\$12 million): This investment will deliver a next generation secure operations center, improved incident analysis and forensic network investigation, and protect High Value Assets by blocking network access for unauthorized users.
- Architecture, Integration, and Management (\$15 million): This investment provides engineering management capabilities essential to delivering a large, complex modernization program. 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.

Electric Vehicles and Associated Infrastructure +\$2,966,000 / +0 FTE

Position Type/Other Costs	FTE	Positions	\$000
Electric Vehicles and Associated Infrastructure			
Contractual Services			2,966
Total			\$2,966

Following the lead from Executive Order (E.O.) 14008, "Tackling the Climate Crises at Home and Abroad", the U.S. Department of the Treasury joins in the Administration's priority to develop a comprehensive plan to create good jobs and stimulate clean energy industries by revitalizing the Federal Government's sustainability efforts. This includes Treasury's commitment to use all available procurement authorities to augment its Departmentwide fleet management program with a continued focus on the leasing of electric vehicles (EV) and purchasing, installing, and maintaining essential infrastructure. The planned resources will help Treasury comply with the requirements set forth by E.O. 14008 and reduce the carbon footprint of emissions into the atmosphere by acquiring an updated fleet of zero-emissions vehicles that can support mission operations.

- For FY 2022, the IRS-CI will receive \$2,576,000 to fund the initial investment of its fleet to EV. Of that money, a to be determined amount will be allocated to the purchase, installation, maintenance, and/or upgrade of infrastructure required to maintain an EV fleet management program. Currently, IRS-CI has a total of 2,294 vehicles in its fleet, of which zero are EVs.
- For FY 2022, the Facilities Management and Security Services (IRS-FMSS) will receive \$390,000 to fund the initial investment of its fleet to EV. Of that money, a to be determined amount will be allocated to the purchase, installation, maintenance, and/or upgrade of infrastructure required to maintain an EV fleet management program. Currently, IRS-FMSS has a total of 246 vehicles in its fleet, of which zero are EVs.

1.3 – Object Classification (Schedule O) Obligations

Dollars in thousands

Internal Revenue Service Object Classification	FY 2020 Operating Plan	FY 2021 Operating Plan	FY 2022 Request
11.1 Full-Time Permanent Positions	6,107,285	6,106,908	6,650,828
11.3 Other than Full-Time Permanent Positions	85,443	86,007	88,934
11.5 Other Personnel Compensation	208,386	301,867	323,250
11.8 Special Personal Services Payments	20,646	29,681	30,358
11.9 Personnel Compensation (Total)	6,421,760	6,524,463	7,093,370
12.1 Personnel Benefits	2,328,557	2,400,622	2,651,834
13.0 Benefits to Former Personnel	28,280	20,240	20,701
Total Personnel and Compensation Benefits	\$8,778,597	\$8,945,325	\$9,765,905
21.0 Travel	123,645	69,038	119,661
22.0 Transportation of Things	23,786	23,287	34,776
23.1 Rental Payments to GSA	590,109	579,736	602,332
23.2 Rent Payments to Others	12,161	7,196	7,450
23.3 Communications, Utilities, & Misc	320,953	317,042	355,711
24.0 Printing & Reproduction	32,597	32,307	34,005
25.1 Advisory & Assistance Services	745,831	1,021,158	1,109,192
25.2 Other Services	102,366	89,204	120,456
25.3 Purchase of Goods & Services from Govt. Accounts	144,519	155,815	174,617
25.4 Operation & Maintenance of Facilities	186,183	199,042	215,473
25.5 Research & Development Contracts			
25.6 Medical Care	14,275	15,098	17,068
25.7 Operation & Maintenance of Equipment	64,025	70,123	83,295
25.8 Subsistence & Support of Persons			
26.0 Supplies and Materials	31,521	32,281	38,460
31.0 Equipment	247,204	269,122	365,756
32.0 Land and Structures	37,633	32,645	50,778
33.0 Investments & Loans			
41.0 Grants, Subsidies	48,000	54,000	54,960
42.0 Insurance Claims & Indemnities	2,149	2,135	2,448
43.0 Interest and Dividends			
44.0 Refunds			
91.0 Unvouchered	4,500	4,500	4,583
Total Non-Personnel	\$2,731,457	\$2,973,729	\$3,391,021
New Appropriated Resources	\$11,510,054	\$11,919,054	\$13,156,926
Appropriations:			
Taxpayer Services	2,535,554	2,587,606	2,940,876
Enforcement	4,909,500	5,004,622	5,462,823
Operations Support	3,885,000	4,104,102	4,448,195
Business Systems Modernization	180,000	222,724	305,032
New Appropriated Resources	\$11,510,054	\$11,919,054	\$13,156,926
FTE	74,726	73,409	79,348

See footnotes in 1.1 -- Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">TAXPAYER SERVICES</p> <p>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, [\$2,555,606,000] \$2,940,876,000, of which not less than \$11,000,000 shall be for the Tax Counseling for the Elderly Program, of which not less than 13,000,000 shall be available for low-income taxpayer clinic grants, of which not less than \$30,000,000, to remain available until September 30, [2022] 2023, shall be available for the Community Volunteer Income Tax Assistance Matching Grants Program for tax return preparation assistance, and of which not less than \$211,000,000 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 \$5,500,000 shall be for identity theft and refund fraud casework. <i>(Department of the Treasury Appropriations Act, 2022.)</i></p> <p style="text-align: center;">ENFORCEMENT</p> <p>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 violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles</p>	<p>Language required for the proposed program integrity allocation adjustment. More information about the allocation adjustment can be found in section 4.1 – Appropriations Detail Table with Program Integrity Allocation Adjustment of the Appendix.</p>

(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, [\$5,212,622,000] \$5,462,823,000, of which not to exceed \$250,000,000 shall remain available until September 30, [2022] 2023; of which not less than \$60,257,000 shall be for the Interagency Crime and Drug Enforcement program; and of which not to exceed [\$15,000,000] \$21,000,000 shall be for investigative technology for the Criminal Investigation Division: Provided, That the amount made available for investigative technology for the Criminal Investigation Division shall be in addition to amounts made available for the Criminal Investigation Division under the "Operations Support" heading.

In addition, \$287,452,000, for an additional amount to meet the terms of a concurrent resolution on the budget for tax enforcement activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such additional amounts may not be transferred or reprogrammed for any other activity. (Department of the Treasury Appropriations Act, 2022.)

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;

<p>information technology development, enhancement, operations, maintenance, and security; the hire of passenger 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; [\$3,928,102,000] \$4,448,195,000, of which not to exceed \$275,000,000 shall remain available until September 30, [2022] 2023; 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, [2023] 2024, for research; of which not less than \$10,000,000, to remain available until expended, shall be available for establishment of an application through which entities registering and renewing registrations in the System for Award Management may request an authenticated electronic certification stating that the entity does or does not have a seriously delinquent tax debt; and 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 major information technology investments in the Internal Revenue Service Integrated Modernization Business Plan portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and</p>	
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costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year: Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year [2022] 2023, a summary of cost and schedule performance information for its major information technology systems.

In addition, \$129,445,000, for an additional amount to meet the terms of a concurrent resolution on the budget for tax enforcement activities under this heading, including tax compliance to address the Federal tax gap: Provided, That such additional amounts may not be transferred or reprogrammed for any other activity. (Department of the Treasury Appropriations Act, 2022.)

BUSINESS SYSTEMS MODERNIZATION

For necessary expenses of the Internal Revenue Service's business systems modernization program, [\$222,724,000] \$305,032,000, to remain available until September 30, [2023] 2024, 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 major information technology investments in the Internal Revenue Service Integrated Modernization Business Plan portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year.

(Department of the Treasury Appropriations Act, 2022.)

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

SEC. 101. Not to exceed 4 percent of the appropriation made available in this Act to the Internal Revenue Service under the "Enforcement" heading, and not to exceed 5 percent of any other appropriation made available in this Act to the Internal Revenue Service, may be transferred to any other Internal Revenue Service appropriation upon [the] advance [approval of]notice to the Committees on Appropriations of the House of Representatives and the Senate.

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 to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States.

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.

SEC. 108. None of funds made available by this Act to the Internal Revenue Service shall be obligated or expended on conferences that do not adhere to the procedures, verification processes, documentation requirements, and policies issued by the Chief Financial Officer, Human Capital Office, and Agency-Wide Shared Services as a result of the recommendations in the report published on May 31, 2013, by the Treasury Inspector General for Tax Administration entitled "Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California" (Reference Number 2013-10-037).

SEC. 109. None of the funds made available in this Act to the Internal Revenue Service may be obligated or expended—

(1) to make a payment to any employee under a bonus, award, or recognition program; or
(2) under any hiring or personnel selection process with respect to re-hiring a former employee; unless such program or process takes into account the conduct and Federal tax compliance of such employee or former employee.

SEC. 110. None of the funds made available by this Act may be used in contravention of section 6103 of the Internal Revenue Code of 1986 (relating to confidentiality and disclosure of returns and return information).

SEC. 111. 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.

SEC. 112. There is hereby established the Internal Revenue Service Working Capital Fund (Fund), which shall be available without fiscal year limitation, for expenses necessary for facility services, technology, and other centralized services that the Commissioner of Internal Revenue, subject to prior notice to the Office of Management and Budget, deems appropriate and advantageous to provide on a reimbursable basis: Provided, That amounts deposited in the Fund shall be in addition to funds otherwise available for such purposes, and shall remain available until expended: Provided further, That the Fund may receive advances and reimbursements from funds available to the business units and offices of the Internal Revenue Service for which such centralized services are performed at rates which will return in full all expenses of operation: Provided further, That unobligated balances of expired amounts appropriated or otherwise made available for this or any succeeding fiscal year to the Internal Revenue Service may be transferred and merged into the Fund no later than the end of the fifth fiscal year after the last fiscal year for which such funds are available for the purposes for which appropriated: Provided

further, That no funds may be transferred pursuant to the previous proviso unless advance notification is provided to the Committees on Appropriations of the House of Representatives and the Senate.

(Department of the Treasury Appropriations Act, 2022.)

E – Legislative Proposals

Increase Oversight of Paid Tax Return Preparers

The proposal would amend Title 31, U.S. Code (Money and Finance) to provide the Secretary with explicit authority to regulate all paid preparers of Federal tax returns, including by establishing mandatory minimum competency standards.

The proposal would be effective on the date of enactment.

Increase penalties on ghost preparers

The proposal would increase the penalty amount to the greater of \$500 per return or 100 percent of the income derived per return by a ghost preparer. The proposal would also increase the limitations period during which the penalty may be assessed from three years to six years.

The proposal would be effective for returns required to be filed after December 31, 2021.

Introduce Comprehensive Financial Account Information Reporting to Improve Tax Compliance

This proposal would create a comprehensive financial account information reporting regime. Financial institutions would report data on financial accounts in an information return. The annual return will report gross inflows and outflows with a breakdown for physical cash, transactions with a foreign account, and transfers to and from another account with the same owner. This requirement would apply to all business and personal accounts from financial institutions, including bank, loan, and investment accounts¹, with the exception of accounts below a low de minimis gross flow threshold of \$600 or fair market value of \$600.

Other accounts with characteristics similar to financial institution accounts will be covered under this information reporting regime. In particular, payment settlement entities would collect Taxpayer Identification Numbers (TINs) and file a revised Form 1099-K expanded to all payee accounts (subject to the same de minimis threshold), reporting not only gross receipts but also gross purchases, physical cash, as well as payments to and from foreign accounts, and transfer inflows and outflows.

¹Current income reporting by financial institutions would be expanded to all entities, including certain corporations. Interest payments would be included in the loan account reporting. Transferee information would be reported for all real estate transactions on Form 1099-S.

Similar reporting requirements would apply to crypto asset exchanges and custodians. Separately, reporting requirements would apply in cases in which taxpayers buy crypto assets from one broker and then transfer the crypto assets to another broker, and businesses that receive crypto assets in transactions with a fair market value of more than \$10,000 would have to report such transactions.

The Secretary would be given broad authority to issue regulations necessary to implement this proposal.

The proposal would be effective for tax years beginning after December 31, 2022.

Enhance Accuracy of Tax Information

Expand the Secretary's authority to require electronic filing for forms and returns

Electronic filing would be required for returns filed by taxpayers reporting larger amounts or that are complex business entities, including: (1) income tax returns of individuals with gross income of \$400,000 or more; (2) income, estate, or gift tax returns of all related individuals, estates, and trusts with assets or gross income of \$400,000 or more in any of the three preceding years; (3) partnership returns for partnerships with assets or any item of income of more than \$10 million in any of the three preceding years; (4) partnership returns for partnerships with more than 10 partners; (5) returns of REITs, REMICs, RICs, and all insurance companies; and (6) corporate returns for corporations with \$10 million or more in assets or more than 10 shareholders. Further, electronic filing would be required for the following forms: (1) Forms 8918, "Material Advisor Disclosure Statement"; (2) Forms 8886, "Reportable Transaction Disclosure Statement"; (3) Forms 1042, "Annual Withholding Tax Return for U.S. Source Income of Foreign Persons"; (4) Forms 8038-CP, "Return for Credit Payments to Issuers of Qualified Bonds"; and (5) Forms 8300, "Report of Cash Payments Over \$10,000 Received in a Trade or Business."

Return preparers that expect to prepare more than 10 corporation income tax returns or partnership returns would be required to file such returns electronically.

The Secretary would also be authorized to determine which additional returns, statements, and other documents must be filed in electronic form in order to ensure the efficient administration of the internal revenue laws without regard to the number of returns that a person files during a year.

Improve information reporting for reportable payments subject to backup withholding

The proposal would also treat all information returns subject to backup withholding similarly. Specifically, the IRS would be permitted to require payees of any reportable

payments to furnish their TINs to payors under penalty of perjury. The proposal would be effective for payments made after December 31, 2021.

Implement A Program Integrity Allocation Adjustment and Provide Additional Funding for Tax Administration

The Administration proposes a multi-year adjustment to the discretionary spending allocation for the IRS Enforcement and Operations Support accounts. The total adjustment would be \$6.7 billion over the budget window. The proposed allocation adjustment for 2022 would fund \$417 million in enforcement and compliance initiatives and investments above current levels of activity. The adjustment would cover inflation and the cost to sustain the new initiatives and investments through 2031.

In addition, the Administration proposes to provide the IRS \$72.5 billion in mandatory funding over the budget window. A portion of these proposed IRS resources would fund improvements and expansions in enforcement and compliance activities. The proposed mandatory funding would also provide the IRS with resources to enhance its information technology capability, including implementation of the proposed financial information reporting regime, and to strengthen taxpayer service.

The proposal would direct that additional resources go toward enforcement against those with the highest incomes, rather than Americans with actual income of less than \$400,000.

Details about these IRS funding programs are provided elsewhere in the Budget.

IRS Centralized Services Fund / Working Capital Fund

The Budget includes appropriations language to establish a working capital fund for IRS centralized services. The fund will allow the IRS to achieve cost savings, promote economies of scale, establish more consistent processes and policies, and improve how it delivers facility services, technology, and other centralized services for its business units. For FY 2022, the fund proposes to start with several pilot projects that would test use of the fund, including potentially IT development and operations projects, facilities projects, and/or postage funding

F – Evidence Building Activity

The Foundations for Evidence-Based Policymaking Act requires agencies to assess their ability and infrastructure to carry out evidence-building activities. This capacity assessment will be published in conjunction with the FY 22-26 Strategic Plan. The law also requires agencies to monitor and use the results of these activities.

In addition to the projects listed below, IRS is also working with the Department of Treasury and OMB on several evaluation projects related to Executive Order 13985, "On Advancing Racial Equity and Support for Underserved Communities Through the Federal Government"

Type of Evidence Building Activity	Major Activities and Planned Projects	Resource Types	Use
Evaluation <i>Collection and analysis of data to assess effectiveness and efficiency of programs, policies, or procedures</i> Estimated share of all Evidence-Building Activities: <u>20 %</u>	Major activities: <ul style="list-style-type: none"> Notice Redesign Using Behavioral Insights (A) Customer Callback Initiative (A) FY21 and FY22 projects: <ul style="list-style-type: none"> Marginal Revenue/Cost Case Selection (A) Measuring the Impact of Proactive Outreach and Education (P) Online Accounts usability testing (A) Employee misclassification modeling (A) Issue Recommender for Examination Program Enhancement (A) Evaluating Equity and Fairness in IRS workload section models (P) 	Occupational Series: Management and Program Analysis Information Technology Management Miscellaneous Administration and Program Operations Research Economist Program Manager Mathematical Statistics Computer Science Statistics Social Science	<input checked="" type="checkbox"/> For internal policy decision-making <input checked="" type="checkbox"/> During internal strategic management processes <input type="checkbox"/> By external partners (government) <input type="checkbox"/> By external partners (non-government) <input type="checkbox"/> By unaffiliated external researchers <input type="checkbox"/> Other (describe)
Research <i>Modeling or other systematic use of data to explore emerging issues or potential scenarios to generate new knowledge</i> Estimated share of all Evidence-Building Activities:	Major activities: <ul style="list-style-type: none"> Taxpayer Experience Strategy Initiative (A) Network Approaches for Emerging and Undetected Identify Theft Selections (A) Small Business/Self Employed Emerging Issues (A) Tax Gap research initiatives (A) Measuring Indirect Effects of enforcement activities (A) 	Occupational Series: Management and Program Analysis Information Technology Management Miscellaneous Administration and Program Operations Research Economist Program Manager Mathematical Statistics Computer Science Statistics	<input checked="" type="checkbox"/> For internal policy decision-making <input checked="" type="checkbox"/> During internal strategic management processes <input checked="" type="checkbox"/> By external partners (government) <input type="checkbox"/> By external partners (non-government) <input type="checkbox"/> By unaffiliated external researchers <input type="checkbox"/> Other (describe)

Type of Evidence Building Activity	Major Activities and Planned Projects	Resource Types	Use
<u>35 %</u>	FY21 and FY22 projects: <ul style="list-style-type: none"> Promoting Productivity in Nonfiler Programs (A) Exam Planning Scenario Tool (A) 	Social Science	
Analysis <i>Routine and frequent use of data that produces insights for decision making and program management</i> <u>25 %</u>	Major activities: <ul style="list-style-type: none"> Performance Measurement (A) Employment Tax noncompliance study (A) FY21 and FY22 projects: <ul style="list-style-type: none"> Power of Attorney fraud analysis (A) Graphic Database Visualization studies (A) 	Occupational Series: Management and Program Analysis Information Technology Management Miscellaneous Administration and Program Operations Research Economist Program Manager Mathematical Statistics Computer Science Statistics Social Science	<input checked="" type="checkbox"/> For internal policy decision-making <input checked="" type="checkbox"/> During internal strategic management processes <input checked="" type="checkbox"/> By external partners (government) <input checked="" type="checkbox"/> By external partners (non-government) <input type="checkbox"/> By unaffiliated external researchers <input type="checkbox"/> Other (describe)
Statistics <i>Collection, compilation, and processing of data for describing or estimating characteristics or insights concerning groups</i> Estimated share of all Evidence-Building Activities: <u>20 %</u>	Major activities: <ul style="list-style-type: none"> Statistical Research Program (A) SOI Statistics on Individual, tax-exempt organizations, and government bonds (A) SOI Statistics on Corporation, small business, and Farms (A) FY21 and FY22 projects: <ul style="list-style-type: none"> None 	Occupational Series: Management and Program Analysis Information Technology Management Miscellaneous Administration and Program Operations Research Economist Program Manager Mathematical Statistics Computer Science Statistics Social Science	<input checked="" type="checkbox"/> For internal policy decision-making <input type="checkbox"/> During internal strategic management processes <input checked="" type="checkbox"/> By external partners (government) <input checked="" type="checkbox"/> By external partners (non-government) <input checked="" type="checkbox"/> By unaffiliated external researchers <input type="checkbox"/> Other (describe)

Section II – Budget and Performance Plan

A – Strategic Alignment

IRS FY 2018-2022 Strategic Goals

The Internal Revenue Service (IRS) FY 2018 – 2022 Strategic Plan articulates the IRS vision for accomplishing our mission and will guide the IRS's strategic decision-making. The plan includes six strategic goals organized around three foundational areas: Mission, People, and Foundation.



Mission:

- 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.

People:

- Collaborate with external partners proactively to improve tax administration.
- Cultivate a well-equipped, diverse, flexible, and engaged workforce.

Foundation:

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

Strategic Alignment

In accordance with the Government Performance and Results Act Modernization Act (GPRAMA) of 2010, the Department of the Treasury is currently developing the FY 2022

– 2026 Departmental Strategic Plan for publication in 2022. The Annual Performance Plan will be updated in the FY 2023 President’s Budget to reflect new departmental strategic goals and objectives. The IRS will publish a component plan that aligns bureau activities and priorities to the Department’s by the spring of 2022.

FY 2021 and FY 2022 Initiatives:

The FY 2021 and FY 2022 initiatives contribute to three IRS strategic focus areas: Putting Taxpayers First, Modernizing the IRS, and Improving Compliance, as well as all six IRS strategic goals. The FY 2021 and FY 2022 initiatives build on each other and seek to transform IRS operations to improve taxpayer and employee experience and provide digital tools to increase voluntary compliance. Also, Modernization and improved Customer Experience remain top priorities and key drivers of transformation for the IRS. The table on the next page summarizes key FY 2021 and FY 2022 initiatives under their relevant strategic focus area.

Putting Taxpayers First	Modernizing the IRS	Improving Compliance
<p>Taxpayer First Act (FY 2021/FY 2022)</p> <ul style="list-style-type: none"> FY21: Planning for the implementation of TFA provisions and developing the Taxpayer Experience Strategy, the comprehensive training strategy, and the organizational re-design plan. FY22: Implementing the Taxpayer Experience Strategy, and other key provisions. FY22: The IRS will consolidate exam operations and processes that currently span across multiple business units. This consolidated exam office will be responsible for all examination processes across all taxpayer segments but would maintain some degree of specialization to address unique taxpayer needs and emerging high-risk compliance areas. The consolidated exam office will bring together resources and expertise needed to address the more complex tax returns, including Global High Wealth individuals, large and multi-national corporations and, partnerships. <p>Improve Live Assistance (FY22)</p> <ul style="list-style-type: none"> Improving the Telephone Level of Service (LOS) to 75%, reducing correspondence inventory, and optimizing staffing at Taxpayer Assistance Centers (TAC). 	<p>IRS Integrated Business Modernization Plan (FY21/22)</p> <ul style="list-style-type: none"> Continuing progress on the overall Modernization Plan, and specifically making digital communication improvements to transform the taxpayer experience and support the IRS Taxpayer Experience Strategy implementation. 	<p>Reducing the Tax Gap (FY21/22)</p> <ul style="list-style-type: none"> Providing robust civil and criminal enforcement to protect against those who pursue overly aggressive tax positions, while ensuring honest taxpayers have access to the services they need. <p>Program Integrity Allocation Adjustment (FY21/22)</p> <ul style="list-style-type: none"> Expanding and improving the effectiveness and efficiency of the IRS’s tax enforcement program. <p>Ensure Fairness of the Tax System (FY22)</p> <ul style="list-style-type: none"> Expanding enforcement efforts to cover large corporations, global high wealth, cyber-crime, and tax-exempt areas.

Collaboration with Other Agencies:

- Providing Pandemic Relief to Taxpayers
 - The IRS cooperates with the Bureau of Fiscal Service (BFS), Social Security Administration, and the Department of Veterans Affairs to share data in order to quickly and efficiently send Economic Impact Payments (EIP) to taxpayers, and reduce the burden/ barriers in some taxpayers being able to receive the payments.
- IRS also works closely with BFS on strategies to achieve the FY 21-22 goals.
- Evidence Act
 - IRS collaborates with Tobacco Tax and Trade Bureau (TTB) on Treasury's Learning Agenda
 - IRS Research Director serves as the Chief Statistical Officer on Treasury's Chief Data Council
 - IRS Research provides data support and analysis for Treasury's Office of Tax Policy

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 2022 is \$2,940,876,000 in direct appropriations and 29,838 FTE, excluding the proposed program integrity allocation adjustment. This amount is an increase of \$353,270,000, or 13.65 percent, and an increase of 3,849 FTE, or 14.81 percent from the FY 2021 Operating Plan level (post-transfer) of \$2,587,606,000 and 25,989 FTE.

2.1 – Budget Adjustment Table

Dollars in thousands

Taxpayer Services Summary of Proposed FY 2021 Request		
	FTE	Amount
FY 2021 Operating Plan	25,989	\$2,587,606
Changes to Base:		
Maintaining Current Levels (MCLs)		\$75,138
Pay Annualization (1.0% average pay raise)		5,930
Pay Raise (2.7% average pay raise)		48,152
Non-Pay		4,138
FERS Contribution Increase		16,918
Efficiencies/Savings:	(409)	(\$5,494)
Increase e-File Savings	(101)	(5,494)
Personnel Savings	(308)	
Subtotal FY 2022 Changes to Base	(409)	\$69,644
FY 2022 Current Services	25,580	\$2,657,250
Program Changes:		
Program Increases		
Putting Taxpayers First	55	35,459
User Authentication		27,000
Taxpayer Experience Strategy	55	8,459
Improve Live Assistance	4,203	248,167
Subtotal FY 2022 Program Increases	4,258	\$283,626
Total FY 2022 Budget Request	29,838	\$2,940,876

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Object Classification Obligations

Dollars in thousands

Taxpayer Services Object Classification	FY 2020 Operating Plan	FY 2021 Operating Plan	FY 2022 Request
11.1 Full-Time Permanent Positions	1,562,252	1,599,165	1,808,921
11.3 Other than Full-Time Permanent Positions	46,130	53,855	55,591
11.5 Other Personnel Compensation	72,365	122,409	132,558
11.8 Special Personal Services Payments			
11.9 Personnel Compensation (Total)	1,680,747	1,775,429	1,997,070
12.1 Personnel Benefits	628,759	576,632	667,191
13.0 Benefits to Former Personnel	27,645	19,887	20,340
Total Personnel and Compensation Benefits	\$2,337,151	\$2,371,948	\$2,684,601
21.0 Travel	12,649	5,162	9,710
22.0 Transportation of Things	697	671	685
23.1 Rental Payments to GSA	1		
23.3 Communications, Utilities, & Misc	1,347	1,289	1,318
24.0 Printing & Reproduction	9,624	9,791	10,026
25.1 Advisory & Assistance Services	41,007	45,729	74,006
25.2 Other Services	21,773	25,190	25,729
25.3 Purchase of Goods & Services from Govt. Accounts	58,228	68,677	74,064
25.7 Operation & Maintenance of Equipment	249	51	56
26.0 Supplies and Materials	4,135	4,209	4,817
31.0 Equipment	244	400	406
41.0 Grants, Subsidies	48,000	54,000	54,960
42.0 Insurance Claims & Indemnities	449	489	498
Total Non-Personnel	\$198,403	\$215,658	\$256,275
New Appropriated Resources	\$2,535,554	\$2,587,606	\$2,940,876
Budget Activities:			
Pre-filing Taxpayer Assistance & Education	647,066	657,618	713,346
Filing & Account Services	1,888,488	1,929,988	2,227,530
New Appropriated Resources	\$2,535,554	\$2,587,606	\$2,940,876
FTE	26,816	25,989	29,838

See footnotes in 1.1 -- Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

2.3 – Appropriation Detail Table

Dollars in thousands

Taxpayer Services								Change		% Change	
Appropriated Resources	FY 2020 Operating Plan		FY 2021 Operating Plan		FY 2022 Request		FY 2021 to FY 2022 Request		FY 2021 to FY 2022 Request		
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	
New Appropriated Resources:											
Pre-Filing Taxpayer Assistance and Education	4,524	647,066	4,514	657,618	4,777	713,346	(263)	55,728	5.83%	8.47%	
Filing and Account Services	22,236	1,888,488	21,475	1,929,988	25,061	2,227,530	(3,586)	297,542	16.70%	15.42%	
Subtotal New Appropriated Resources	26,760	\$2,535,554	25,989	\$2,587,606	29,838	\$2,940,876	(3,849)	\$353,270	14.81%	13.65%	
Other Resources:											
Reimbursables	660	73,347	674	67,501	696	71,214	22	3,713	3.26%	5.50%	
Offsetting Collections - Non Reimbursables											
User Fees			1,521	99,900	71	3,900	(1,450)	(96,000)	-95.33%	-96.10%	
Recovery from Prior Years		11		59		59					
Unobligated Balances from Prior Years		4,737		1,142				(1,142)		-100.00%	
Transfers In/Out											
Recoveries Paid				3		3					
Resources from Other Accounts											
Subtotal Other Resources	660	\$78,095	2,195	\$168,605	767	\$75,176	(1,428)	(\$93,429)	-65.06%	-55.41%	
Total Budgetary Resources	27,420	\$2,613,649	28,184	\$2,756,211	30,605	\$3,016,052	(5,277)	\$259,841	8.59%	9.43%	

See footnotes in 1.1--Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

2A – Pre-Filing Taxpayer Assistance and Education (\$713,346,000 in direct appropriations and an estimated \$1,557,000 in reimbursable programs). This budget activity funds direct labor and some 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.
- Wage and Investment (W&I) HQ Management and Administration provides staffing, training, and direct support for W&I 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.

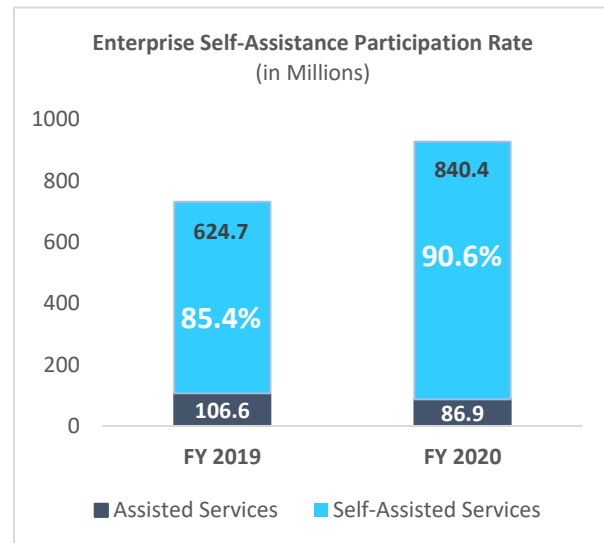
Description of FY 2020 Performance – Pre-Filing and Taxpayer Assistance

In FY 2020, the Timeliness of Critical Individual Filing Season (CIFS) Tax Products to the Public (i.e., tax forms, schedules, instructions, and publications) was 78.4 percent (69 out of 88 products delivered timely), falling short of the FY 2020 target of 89 percent by 12 percent. The December 20, 2019 enactment of Public Law 116-94 did not allow enough time to incorporate the new laws into the tax products by the measure date of January 20, 2020. The legislation effected over 160 tax products; 34 (40 percent) of these were CIFS, many of which had already been released to the public. Despite prioritization, workload planning, and the use of overtime, compensatory hours, and credit hours by IRS employees on weekdays, weekends, and holidays, the results fell just short of the annual target. The IRS expects to achieve a target of 85 percent for FY 2021 and 89 percent for FY 2022.

In FY 2020, the IRS Timeliness of Critical Tax TE/GE and Business (CTB) Filing Season Tax products to the Public was 96 percent, exceeding the target of 89 percent. These results

were achieved through the prioritization of critical products to ensure those products were available by the start of filing season, exceptional workload planning and monitoring by management and the extraordinary efforts of our employees, and overtime, credit, and compensatory time during workdays and weekends. Public Law 116-94, enacted on December 20, 2019, had less of an impact on CTB tax products. While the legislation impacted over 160 tax products, only 12 of these were CTB. The IRS expects to achieve a target of 85 percent for FY 2021 and 89 percent for FY 2022.

The FY 2020 Enterprise Self-Assistance Participation Rate (ESAPR) was 90.6 percent, exceeding the FY 2020 target by 10.5 percent and the FY 2019 result by 6 percent. The web services that had the highest increases were Interactive Tax Assistant (128 percent), Where's My Refund (37.1 percent), and Get Transcript Online (74.6 percent). Compared to FY 2019, total services increased by 26.8 percent, self-assisted services increased by 34.5 percent and assisted services fell 18.5 percent due, in part, to the Coronavirus (COVID-19) pandemic as the IRS had several employee-assisted services either shutdown or reduced. Beginning in FY 2020, five new components were added to the methodology: Web applications ID-Verify, IP PIN, Online Account Sessions, Tax Withholding Estimator, and Employee Services Taxpayer Protection Program (TPP) calls. The ESAPR FY 2021 and FY 2022 target is set at 89 percent.



FY 2022 Changes by Budget Activity

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FTE	Amount
FY 2021 Operating Plan	4,515	\$657,618
Changes to Base:		
Maintaining Current Levels (MCLs)		\$19,453
Pay Annualization (1.0% average pay raise)		1,415
Pay Raise (2.7% average pay raise)		11,491
Non-Pay		1,785
FERS Contribution Increase		4,762
Efficiencies/Savings		\$8,492
Increase e-File Savings		
Personnel Savings		8,492
Subtotal FY 2022 Changes to Base		\$27,945
FY 2022 Current Services	4,515	\$685,563
Program Increases:		
Putting Taxpayers First	13	1,498
<i>Taxpayer Experience Strategy</i>	13	1,498
Improve Live Assistance	350	26,285
Subtotal FY 2022 Program Increases	363	\$27,783
Total FY 2022 Request	4,878	\$713,346
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	363	\$55,728
Percent Change FY 2022 Request over FY 2021 Operating Plan	8.04%	8.47%

2.1.1 – Budget and Performance Report and Plan

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$609,445	\$594,962	\$640,379	\$621,907	\$632,893	\$657,618	\$713,346
Reimbursable Resources ²	13	4	260	118	578	1,476	1,557
User Fees ²							
Budget Activity Total	\$609,458	\$594,966	\$640,639	\$622,025	\$633,471	\$659,094	\$714,903

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2021 Target	FY 2022 Target
Timeliness of Critical Filing Season Tax Products to the Public (O) ¹	92.5%	93.1%	59.6%	92.6%	78.4%	89.0%	85.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public (O) ¹	98.0%	96.7%	100.0%	96.1%	96.0%	89.0%	85.0%	89.0%
Enterprise Self Assistance Participation Rate (E) (L) ²	89.0%	79.0%	82.0%	85.4%	90.6%	82.0%	89.0%	89.0%

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

¹Modified for FY 2019

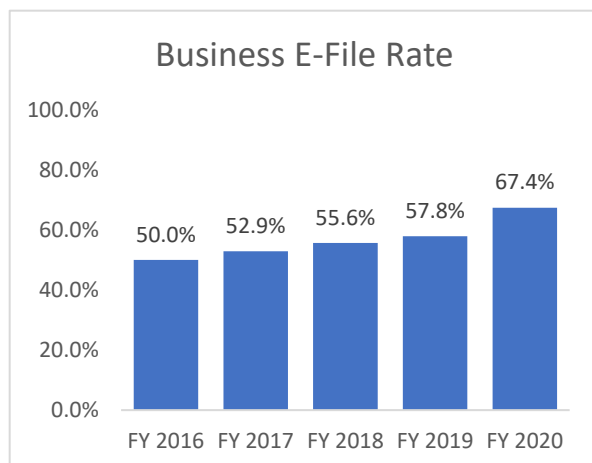
²Starting in FY 2017, the IRS modified the Taxpayer Self Assistance Rate measure (renamed to Enterprise Self Assistance Participation Rate) to include additional self-service channels including Get Transcript and payment applications such as Direct Pay and Online Payment Agreements. As new self-assistance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

2B – Filing and Account Services

(\$2,227,530,000 in direct appropriations, \$69,657,000 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 (CSR) accuracy; and management of the enterprise telephone database.

Description of FY 2020 Performance – Filing and Account Services



Millions of business taxpayers file their returns electronically. The IRS achieved a 67.4 percent business e-file rate in FY 2020 surpassing the target of 60 percent. The IRS processed 30.7 million business returns electronically—a five-year high and a 5.7 percent increase from FY 2019. Employment tax returns (Form 941, *Employer's Quarterly Federal Tax Return*), continue to increase as a share of business returns filed from 39 percent in FY 2016 to 41 percent in FY

2020. 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 2021, the business e-file rate measure will be discontinued from budget reporting as it is reported elsewhere.

In FY 2020, Customer Accuracy – Tax Law Phones was at 91 percent, 1.1 percent below the target of 92 percent. All Tax Law toll-free applications were inactive from April 1 through June 12 due to the shutdown of toll-free sites at the beginning of the pandemic. When the Tax Law toll-free sites resumed operations on Monday, June 15, the inactivity due to the COVID-19 pandemic impacted the Enterprise quality. The IRS will continue to monitor results through data-driven analysis of reports obtained from the Embedded Quality Review System to ensure achievement of future goals. Ongoing efforts have and will continue to focus on production meetings with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. For FY 2021 and FY 2022, the IRS set a Customer Accuracy – Tax Law Phones target of 90 percent.

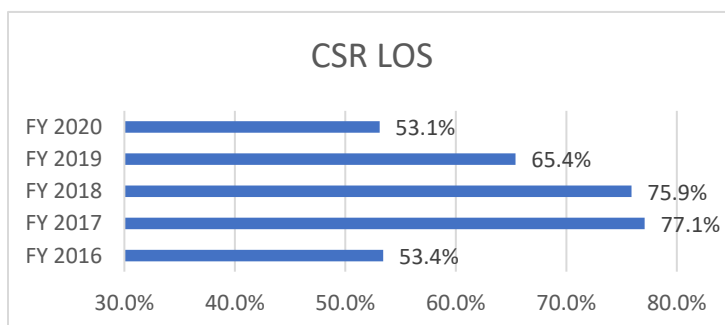
For Customer Accuracy – Accounts (Phones), the IRS answered 93.5 percent of account questions over the telephone correctly, 0.5 percent below the FY 2020 target of 94 percent. The IRS closed all toll-free lines on March 31 to stop the spread of COVID-19 and began opening with limited staffing in early May with services limited to the Taxpayer Protection Program lines only. Other lines resumed operations throughout May and June. Taxpayer Assistance Centers was the last product line to reopen on June 26. The IRS continues to monitor Account Telephone Customer Accuracy results through data-driven analysis of reports obtained from Embedded Quality Review System to achieve future goals. To ensure quality service to customers, IRS is conducting production meetings with field sites, promoting coding consistency of product reviews,

and providing training to managers and employees. For FY 2021 and FY 2022, the IRS set an accounts accuracy target of 91 percent.

Customer Service Representative (CSR) Level of Service (LOS) measures the relative success rate of taxpayers wanting to speak with a CSR. CSR LOS includes telephone lines answered by Accounts Management Customer Service Representatives. These telephone phone lines service 78 percent of all telephone traffic. In FY 2020, the CSR LOS was 53.1 percent, which is lower than the target of 60.0 percent. This was primarily due to

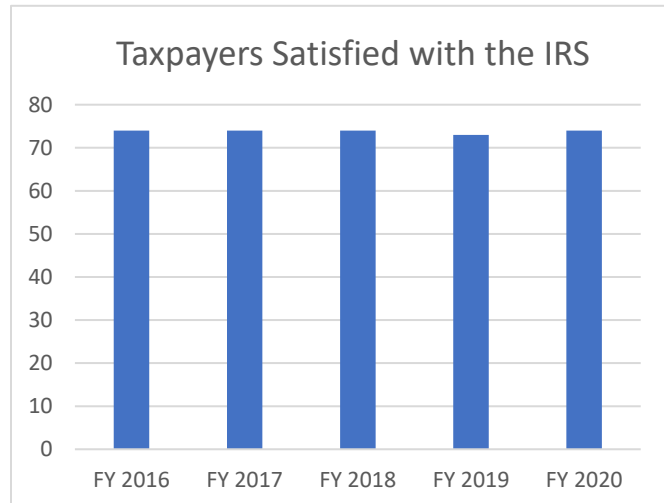
actions taken in response to the COVID-19 pandemic and the additional phone calls and correspondence inventory generated by EIP, changes to the filing season deadline, and other tax-law changes that were implemented to help individuals and businesses during the pandemic. Starting March 16, IRS implemented COVID-19 pandemic safety measures by closing call sites incrementally. On March 31, IRS closed all sites and toll-free lines. Throughout May and June, IRS took a phased approach to reopen Accounts Management phone lines as it increased telework capacity for more employees.

Taxpayer Assistance Center lines reopened June 26. IRS also extended the filing season deadline to July 15. Due to the impact the pandemic had on the workforce and the resulting changes in IRS operating procedures to protect the workforce, the increased work due to a second and third rounds of EIPs in December and March 2021, and a dramatic increase in call volume as taxpayers sought information on EIPs and other tax changes, the IRS will lower its FY 2021 LOS target for CSR LOS to 32 percent. At a 32 percent LOS, the IRS can maintain a manageable correspondence inventory level of approximately 1.4 million, which will help prevent additional demand and/or duplicate correspondence from taxpayers waiting for resolution. The FY 2022 target is set at 75 percent.



The IRS' Enterprise level of service (LOS) metric measures the relative success rate of taxpayers calling to speak with an IRS Assistant on any public facing toll-free line. Part of the Enterprise LOS are the phone lines used to calculate the CSR LOS. Additionally, the Automated Collection System (ACS) line for compliance related inquiries, is part of the Enterprise LOS but not part of the CSR LOS. For FY 2020 Enterprise LOS was 51.2 percent, CSR LOS was 53.2 percent, and the ACS LOS was 39.8 percent. Due to COVID-19 evacuation orders, most toll-free phone operations were closed in mid-March 2020 and began a phased reopening in May 2020.

The Taxpayers Satisfied with the IRS indicator – the All Individual Tax Filers Score, is based on the annual American Customer Satisfaction Index (ACSI) Survey, which is the only uniform, cross-industry/government measure of customer satisfaction with the quality of goods and services available to U.S. residents. The measure is calculated as a weighted combination of the ACSI Individual Electronic Tax Filer and Individual Paper Tax Filer Customer



Satisfaction Index scores based on a 100-point scale. The Taxpayers Satisfied with the IRS measure rebounded a point in 2020 to 74, due to a statistically significant increase in the electronic filer score.

FY 2022 Changes by Budget Activity

Dollars in thousands

Filing and Account Services	FTE	Amount
FY 2021 Operating Plan	21,474	\$1,929,988
Changes to Base:		
Maintaining Current Levels (MCLs)		\$55,686
Pay Annualization (1.0% average pay raise)		4,515
Pay Raise (2.7% average pay raise)		36,661
Non-Pay		2,354
FERS Contribution Increase		12,156
Efficiencies/Savings	(409)	(\$13,986)
Personnel Savings	(308)	(8,492)
Subtotal FY 2022 Changes to Base	(409)	\$41,700
FY 2022 Current Services	21,065	\$1,971,688
Program Increases:		
Putting Taxpayers First	42	33,960
User Authentication		27,000
Taxpayer Experience Strategy	42	6,960
Improve Live Assistance	3,853	221,882
Subtotal FY 2022 Program Increases	3,895	\$255,842
Total FY 2022 Request	24,960	\$2,227,530
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	3,486	\$297,542
Percent Change FY 2022 Request over FY 2021 Operating Plan	16.23%	15.42%

2.1.2 – Budget and Performance Report and Plan

Dollars in thousands

Filing and Account Services	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$1,550,027	\$1,564,488	\$1,712,511	\$1,872,175	\$1,901,467	\$1,929,988	\$2,227,530
Reimbursable Resources ²	28,555	30,147	34,905	62,794	72,769	66,025	69,657
User Fees ²	160,342	40,553	69,987	3,900		99,900	3,900
Budget Activity Total	\$1,738,924	\$1,635,188	\$1,817,403	\$1,938,869	\$1,974,236	\$2,095,913	\$2,301,087

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2021 Target	FY 2022 Target
Percent of Business Returns Processed Electronically (Oe)	50.0%	52.9%	55.6%	57.8%	67.4%	60.0%	Discontinued	Discontinued
Customer Accuracy - Tax Law (Phones) (Ot)	96.4%	96.7%	95.5%	91.6%	91.0%	92.0%	90.0%	90.0%
Customer Accuracy - Accounts (Phones) (Ot)	96.1%	96.0%	96.1%	94.3%	93.5%	94.0%	91.0%	91.0%
Customer Service Representative Level of Service (Oe) ¹	53.4%	77.1%	75.9%	65.4%	53.1%	60.0%	32.0%	75.0%
Taxpayers Satisfied with the IRS (based on a 100 point scale) ²	74	74	74	73	74	Indicator	Indicator	Indicator

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

¹CSR LOS is computed based on Accounts Management telephone phone lines only. These telephone phone lines service 78% of all telephone traffic. The FY20 Enterprise LOS is 51.2%. The Enterprise LOS measures the relative success rate of taxpayers calling to speak with an IRS Assistor on any IRS toll-free line—not just those answered by Accounts Management CSRs.

²Based 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 2022 is \$5,462,823,000 in direct appropriations and 36,905 FTE, excluding the proposed program integrity allocation adjustment. This amount is an increase of \$458,201,000, or 9.16 percent, and 1,916 FTE more than the FY 2021 Operating Plan level (post-transfer) of \$5,004,622,000 and 34,989 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Enforcement		
Summary of Proposed FY 2021 Request	FTE	Amount
FY 2021 Operating Plan	34,989	\$5,004,622
Changes to Base:		
Maintaining Current Levels (MCLs)		\$148,473
Pay Annualization (1.0% average pay raise)		11,650
Pay Raise (2.7% average pay raise)		94,603
Non-Pay		6,725
FERS Contribution Increase		35,495
Subtotal FY 2022 Changes to Base		\$148,473
FY 2022 Current Services	34,989	\$5,153,095
Program Changes:		
Program Increases		
Putting Taxpayers First	96	36,294
<i>Taxpayer Experience Strategy</i>	96	36,294
Ensure Fairness of the Tax System	1,820	270,858
Electric Vehicles and Associated Infrastructure		2,576
Subtotal FY 2022 Program Increases	1,916	\$309,728
Total FY 2022 Budget Request	36,905	\$5,462,823
PIAA Program Increases		
Increase Audit Coverage	1,028	109,317
Increase Collection Coverage	1,164	113,122
Expand Coverage in the Tax-Exempt Sector	244	29,952
Enhance Return Review Program	60	3,388
Enhance Enforcement Operations	23	31,673
Subtotal FY 2022 PIAA Program Increases	2,519	\$287,452
Total FY 2022 Request Including PIAA	39,424	\$5,750,275

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Object Classification Obligations

Dollars in thousands

Enforcement Object Classification	FY 2020 Operating Plan	FY 2021 Operating Plan	FY 2022 Request
11.1 Full-Time Permanent Positions	3,164,876	3,130,581	3,386,406
11.3 Other than Full-Time Permanent Positions	33,239	26,773	27,748
11.5 Other Personnel Compensation	116,058	145,294	154,439
11.8 Special Personal Services Payments	20,474	29,500	30,173
11.9 Personnel Compensation (Total)	3,334,647	3,332,148	3,598,766
12.1 Personnel Benefits	1,241,318	1,327,650	1,452,470
13.0 Benefits to Former Personnel	578	323	330
Total Personnel and Compensation Benefits	\$4,576,543	\$4,660,121	\$5,051,566
21.0 Travel	93,954	55,527	99,618
22.0 Transportation of Things	9,021	8,580	18,758
23.2 Rent Payments to Others	328	282	303
23.3 Communications, Utilities, & Misc	2,146	4,208	4,354
24.0 Printing & Reproduction	2,690	2,770	2,995
25.1 Advisory & Assistance Services	123,021	173,410	153,013
25.2 Other Services	50,531	34,826	50,054
25.3 Purchase of Goods & Services from Govt. Accounts	15,111	30,394	36,989
25.4 Operation & Maintenance of Facilities	4	5	5
25.6 Medical Care	8	125	125
25.7 Operation & Maintenance of Equipment	1,421	1,966	6,851
26.0 Supplies and Materials	18,234	20,830	23,141
31.0 Equipment	10,770	6,108	9,479
32.0 Land and Structures	1		
42.0 Insurance Claims & Indemnities	1,217	970	989
91.0 Unvouchered	4,500	4,500	4,583
Total Non-Personnel	\$332,957	\$344,501	\$411,257
New Appropriated Resources	\$4,909,500	\$5,004,622	\$5,462,823
Budget Activities:			
Investigations	648,819	698,193	773,605
Exam & Collections	4,081,409	4,120,886	4,497,709
Regulatory	179,272	185,543	191,509
New Appropriated Resources	\$4,909,500	\$5,004,622	\$5,462,823
FTE	35,448	34,989	36,905

See footnotes in 1.1 -- Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

2.3 – Appropriation Detail Table

Dollars in thousands

Enforcement Appropriated Resources	FY 2020 Operating Plan		FY 2021 Operating Plan		FY 2022 Request		Change FY 2021 to FY 2022 Request		% Change FY 2021 to FY 2022 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Investigations	2,971	648,819	3,012	698,193	3,175	773,605	163	75,412	5.41%	10.80%
Exam and Collections	31,467	4,081,409	30,987	4,120,886	32,736	4,497,709	1,749	376,823	5.64%	9.14%
Regulatory	950	179,272	990	185,543	994	191,509	4	5,966	0.40%	3.22%
Subtotal New Appropriated Resources	35,388	\$4,909,500	34,989	\$5,004,622	36,905	\$5,462,823	1,916	\$458,201	5.48%	9.16%
Other Resources:										
Reimbursables	49	41,734	63	40,394	65	42,615	2	2,221	3.17%	5.50%
Offsetting Collections - Non Reimbursable		6,728		21,300		22,472		1,172		5.50%
User Fees		2,454								
Recovery from Prior Years		4,962		1,114		1,114				
Recoveries Paid				3,392		3,392				
Unobligated Balances from Prior Years	329	69,806		200,055		200,255		201		0.10%
Transfers In/Out		137		140		140				
Resources from Other Accounts	272		434	96,190	434	70,942		(25,248)		-26.25%
Subtotal Other Resources	650	\$125,821	497	\$362,585	499	\$340,931	2	(\$21,654)	0.40%	-5.97%
Total Budgetary Resources	36,038	\$5,035,321	35,486	\$5,367,207	37,404	\$5,803,754	1,918	\$436,547	5.40%	8.13%

See footnotes in 1.1--Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

2C – Investigations

(\$773,605,000 in direct appropriations, and an estimated \$42,615,000 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.

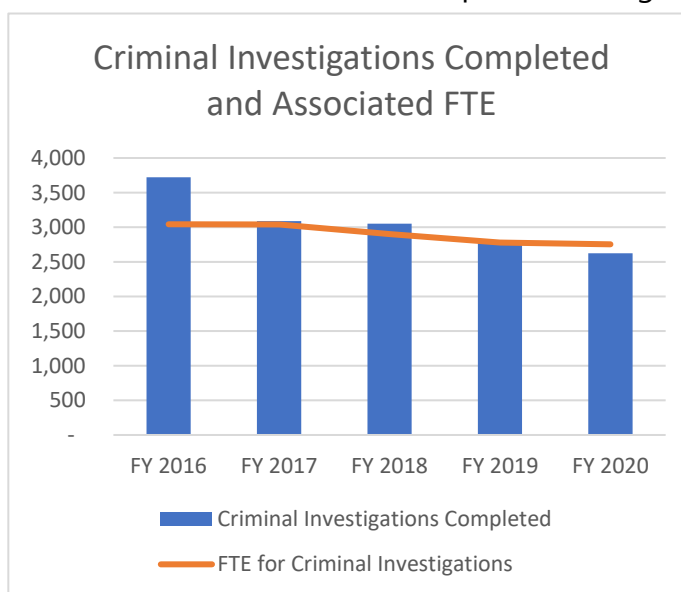
- International Investigations supports international investigations involving U.S. citizens residing abroad, non-resident aliens, expatriates (U.S. citizens living abroad who have renounced their citizenship), and investigations involving other international issues, including legal support (e.g., Foreign 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.

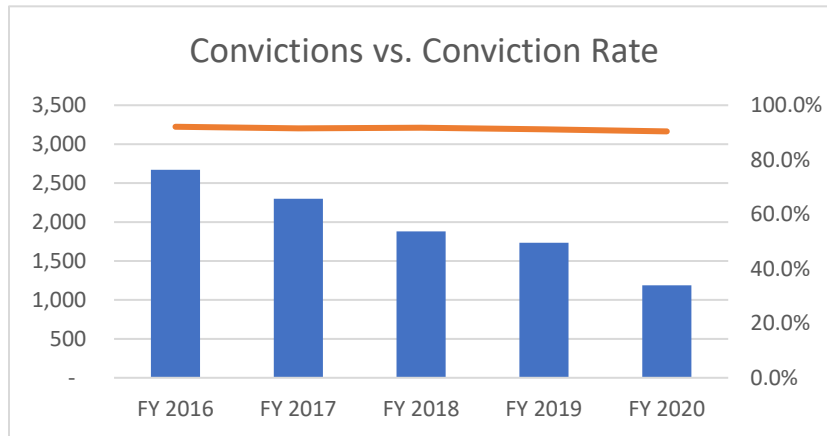
Description of FY 2020 Performance – Investigations

Criminal Investigation (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 2020, CI completed 2,624 criminal investigations, falling just short of the year-end target of 2,700, a 6.2 percent decrease compared to FY 2019. Cases related to legal source income, illegal source income, and narcotics source income completed through the fourth quarter decreased 4.1 percent, 7.4 percent, and 8.0 percent, respectively, compared to the same period in FY 2019. Legal source cases include people that earn their income legally, but willfully violate the tax laws (tax evasion). Examples of illegal cases include

embezzlement, mortgage fraud, telemarketing fraud, and money laundering. Narcotics cases are like illegal cases; however, these cases are specific to profits and financial gains of organized drug groups involved in narcotics, narcotics trafficking, and money laundering. Year-end performance for criminal investigations completed is currently projected at 2,600 for FY 2021 and FY 2022. Year-end projections account for recent hires, attrition levels, impact of on-the-job instructors and current performance trends. They also account for setbacks and challenges presented because of the COVID-19 pandemic and its impact on future performance. In FY 2020, the pandemic impacted daily investigative activities and contributed to a higher cycle time for investigations completed. CI also focuses on traditional tax case programs which tend to have a higher cycle time. Despite these challenges, CI continues to use proven case development strategies, expand case development efforts, and leverage interagency partnerships to identify, initiate, and complete significant criminal investigations in all program areas.





The FY 2020 conviction rate of 90.4 percent was 1.7 percent below the year-end target of 92 percent and reflects a 0.8 percentage point decrease compared to FY 2019. In response to the pandemic, courts closed temporarily throughout the country. As a result, fewer criminal

cases were heard in court resulting in a lower number of convictions in FY 2020 denoted by the blue bars. Additionally, decreases in the number of special agents in previous years resulted in fewer cases initiated and consequently recommended for prosecution. Nonetheless, appropriate case selection and effective field performance continue to positively affect the quality of cases, resulting in a high conviction rate. CI's rate of conviction continues to be a strong indicator of investigative quality given that it is one the highest in federal law enforcement. CI will continue to coordinate with the Department of Justice (DOJ) Tax Division and U.S. Attorney Offices (USAO) regarding prosecutorial priorities and the appropriate development of investigations to maintain a high rate of conviction. The FY 2021 and FY 2022 targets for Conviction Rate will remain at 92 percent based on historical averages. Future performance depends on DOJ and USAO. CI does not prosecute its own cases. DOJ and USAO must accept cases for prosecution. DOJ and USAO may have to respond to other legislative and prosecutorial priorities and they cannot always prosecute CI cases.

FY 2022 Changes by Budget Activity

Dollars in thousands

Investigations	FTE	Amount
FY 2021 Operating Plan	3,012	\$698,193
Changes to Base:		
Maintaining Current Levels (MCLs)		\$20,454
Pay Annualization (1.0% average pay raise)		1,492
Pay Raise (2.7% average pay raise)		12,113
Non-Pay		1,515
FERS Contribution Increase		5,334
Subtotal FY 2022 Changes to Base		\$20,454
FY 2022 Current Services	3,012	\$718,647
Program Increases:		
Putting Taxpayers First	2	\$247
Taxpayer Experience Strategy	2	\$247
Ensure Fairness of the Tax System	160	\$62,135
Convert Vehicle Fleet to Electric		\$2,576
Subtotal FY 2022 Program Increases	162	\$54,958
Total FY 2022 Request (Before PIAA)	3,174	\$773,605
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	162	\$75,412
Percent Change FY 2022 Request over FY 2021 Operating Plan	5.38%	10.80%

2.1.3 – Budget and Performance Report and Plan

Dollars in thousands

Investigations	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$591,449	\$589,295	\$581,680	\$595,686	\$619,227	\$698,193	\$773,605
Reimbursable Resources ²	29,053	33,618	28,295	27,749	41,233	40,080	42,284
User Fees ²							
Budget Activity Total	\$620,502	\$622,913	\$609,975	\$623,435	\$660,460	\$738,273	\$815,889

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

Investigations	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2020	FY 2021	FY 2022
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Criminal Investigations Completed (Ot)	3,721	3,089	3,051	2,797	2,624	2,700	2,600	2,600
Conviction Rate (Oe)	92.1%	91.5%	91.7%	91.2%	90.4%	92.0%	92.0%	92.0%

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

2D – Exam and Collections

(\$4,497,709,000 in direct appropriations, and an estimated \$28,000 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 supply investigative leads and referrals to federal, state, and local law enforcement agencies.
- Appeals supplies an administrative review process that provides a channel for impartial case settlement before a case is docketed in a court of law.

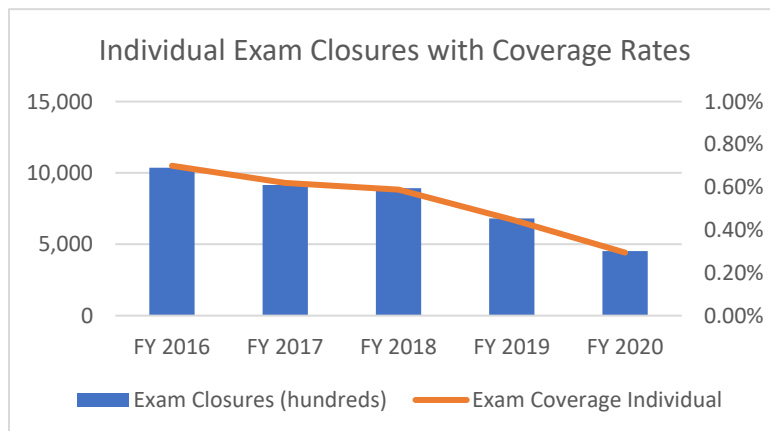
- Litigation provides legal support for the IRS in litigation of cases, including interpretation of the tax law.
- Specialty Programs – Exams examines federal tax returns of businesses and individuals responsible for the filing and payment of employment, excise, estate, and gift taxes.
- International 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 EITC.
- 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, and Return Preparer Misconduct.
- Whistleblower Office provides staffing, training, and direct support to process, assess, and analyze tips from individuals who identify tax problems during 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 IRS-wide revenue protection strategies.

Description of FY 2020 Performance – Exam

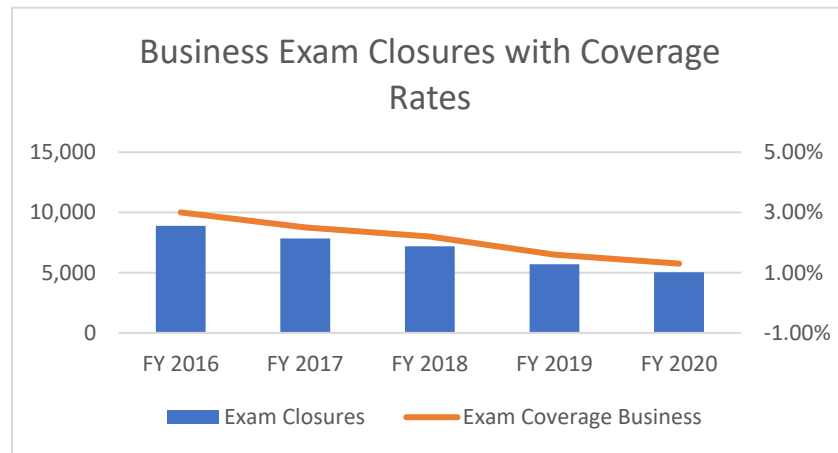
The Examination program provides taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness. The performance metrics IRS uses to gauge the Examination program's performance are discussed below.

In FY 2020, Individual Exam Coverage was 0.29 percent which was below the target of 0.48 percent. The effects of the pandemic shutdown drove closures 33 percent lower than FY 2019 while tax return filings continued to rise. From April 1 through July 15, 2020, the IRS's People First Initiative provided taxpayers experiencing COVID-19 related hardships relief from certain collection actions and processes.



For FY 2021, the IRS is considering discontinuing the reporting of this measure for budget purposes and replacing it with a measure that allows IRS to highlight the strategic direction, including putting greater emphasis on large business, high-income/high-wealth taxpayers, and partnerships.

Examination Coverage – Business (Assets > \$10 million) measure is calculated by taking the total number of Large Business and International (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 prior calendar year. In FY 2020, Business Examination Coverage was 1.3 percent, below the target of 1.7 percent. Coverage for large business returns is below target as a result of several non-examination activities including: new hires in training and examiners

conducting new hire training; examiners taking make-up Tax Cuts and Jobs Act of 2017 (TCJA) training; hiring new and moving current managers to new training groups; and loss of productivity due to the COVID-19 working environment and the People First Initiative, which includes reduced contacts with taxpayers.

For FY 2021, the IRS is considering discontinuing the reporting of this measure for budget purposes and replacing with a measure that allows IRS to highlight the strategic direction, including greater emphasis on large business, high-income / high-wealth taxpayers, and partnerships.

In FY 2020, Exam Efficiency - Individual (the number of closures divided by the total Exam FTE) was 76, below the target of 115 and down 30 percent from FY 2019, primarily due to the pandemic. The IRS set a target of 111 in FY 2021 and a target of 117 in FY 2022. IRS will monitor starts and inventory to meet its targets in the upcoming fiscal years.

Automated Underreporter Coverage ended FY 2020 at 0.6 percent, below the target of 1.7 percent, due to office closures because of COVID-19. When employees returned to the office, they prioritized screening since they did not have access to all correspondence due to backlogs in mailrooms. Early in the year, the number of closures decreased due to fewer cases being available because of the FY 2019 lapse in appropriations. Starting in FY 2021, this measure will be discontinued from budget reporting, as automated underreporter coverage is factored into two other indicators: Time to Resolve Compliance Issue After Filing and Time to Start Compliance Resolution.

The Time to Start Compliance Resolution is a new indicator for FY 2020 and is defined as the percentage of all individual income tax enforcement cases started within six months of the return posting date. It reflects the effect of expedited issue detection and more integrated enforcement approaches.

Time to Start	2017	2018	2019	2020
Collection	86.2%	86.7%	80.1%	85.6%
Bal Due	90.1%	90.3%	90.5%	90.2%
AUR	0.1%	0.1%	0.1%	0.1%
Exam	40.9%	41.8%	39.3%	39.3%
Total	58.8%	60.1%	60.9%	66.3%

It supports expedited document matching, enhanced anomaly detection leading to faster issue identification, and data and analytics to improve issue identification and treatment selection. For

FY 2020, the percent of individual enforcement cases started within 6 months was 66.3 percent compared to 60.9 percent for FY 2019.

Time to Resolve Compliance Issue After Filing is a new indicator for FY 2020 and is

Time to Resolve	2017	2018	2019	2020
Collection: Bal due notice	379	368	330	400
Collection: non-notice	650	755	373	345
AUR	556	581	602	618
Exam	507	502	551	597
Total	491	494	469	491

defined as the median time it takes to close all individual income tax enforcement cases in days. This measure reflects the complete life cycle from return filing to resolution. It also reflects 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 and resolution. For FY 2020, the overall Time to Resolve Compliance Issue After Filing was 491 days up from 469 days in FY 2019.

Repeat Non-Compliance Rate is a new indicator for FY 2020 and is defined as 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,

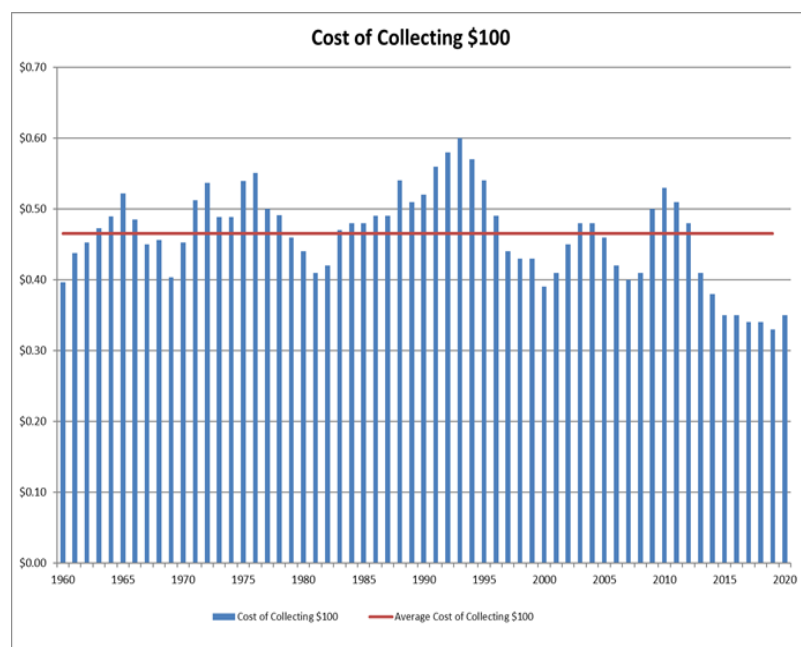
Repeat Non-Compliance Rate	2017	2018	2019	2020
Reporting	7.3%	7.4%	7.7%	8.1%
Filing	39.1%	38.1%	39.8%	43.9%
Payment	30.0%	30.5%	29.9%	28.6%
Total	29.2%	30.0%	31.4%	35.6%

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. For FY 2020, the Repeat Non-Compliance Rate was 35.6 percent compared to 31.4 percent for FY 2019.

Description of FY 2020 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 completed divided by total collection work available. Collection Coverage was 34.9 percent, below the FY 2020 target of 39.7 percent because of a decrease in collection dispositions related to COVID-19 and a decrease in available inventory. Total new receipts were down 20 percent while available inventory decreased 11.7 percent. Collection coverage is expected to meet the FY 2021 and FY 2022 target of 33 percent based on the projected case closures calculated on the work and staffing plans.



The Cost to Collect to \$100 is computed as total operating costs divided by gross collection and then multiplied by 100. Total operating costs include dollars obligated, expended, and disbursed against appropriated funds, and excludes costs reimbursed by other federal agencies and private entities for services performed for these external parties. Gross collections are before refunds are issued and include penalties and interest in

addition to taxes collected. For FY 2020, IRS total operating costs were approximately \$12.3 billion while gross collections were approximately \$3.45 trillion. The FY 2020 Cost to Collect \$100 was 35 cents—24 percent below the 61-year average cost of 46 cents.

FY 2022 Changes by Budget Activity

Dollars in thousands

Exam and Collections	FTE	Amount
FY 2021 Operating Plan	30,987	\$4,120,886
Changes to Base:		
Maintaining Current Levels (MCLs)		\$122,895
Pay Annualization (1.0% average pay raise)		9,764
Pay Raise (2.7% average pay raise)		79,287
Non-Pay		4,828
FERS Contribution Increase		29,016
Subtotal FY 2022 Changes to Base		\$122,895
FY 2022 Current Services	30,987	\$4,243,781
Program Increases:		
Putting Taxpayers First	94	\$36,047
<i>Taxpayer Experience Strategy</i>	94	36,047
Ensure Fairness of the Tax System	1,656	217,881
Subtotal FY 2022 Program Increases	1,750	\$253,928
Total FY 2022 Request (Before PIAA)	32,737	\$4,497,709
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	1,750	\$376,823
Percent Change FY 2022 Request over FY 2021 Operating Plan	5.65%	9.14%

2.1.4 – Budget and Performance Report and Plan

Dollars in thousands

Exam and Collections	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$3,945,578	\$3,901,041	\$3,875,098	\$3,907,290	\$3,933,597	\$4,120,886	\$4,497,709
Reimbursable Resources ²	466	460	3,289	240	249	27	28
User Fees ²	36			42	2,454		
Budget Activity Total	\$3,946,070	\$3,901,491	\$3,878,387	\$3,907,572	\$3,936,300	\$4,120,913	\$4,497,737

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

Exam and Collections Measures	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2021 Target	FY 2022 Target
Examination Coverage - Individual (Oe) ¹	0.7%	0.6%	0.6%	0.45%	0.29%	0.48%	Discontinued	Discontinued
Examination Coverage - Business (Assets > \$10 million) (Oe) ¹	3.0%	2.5%	2.2%	1.6%	1.3%	1.7%	Discontinued	Discontinued
Examination Efficiency - Individual (E)	143	121	131	109	76	115	111	117
Automated Underreporter (AUR) Coverage (E) ²	2.3%	2.2%	2.0%	1.3%	0.6%	1.7%	Discontinued	Discontinued
Time to Start Compliance Resolution (E, L) ³		58.8%	60.1%	60.9%	66.3%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (E) ³		491	494	469	491	Indicator	Indicator	Indicator
Repeat Non-Compliance Rate (O) ³		29.2%	30%	31.4%	35.6%	Indicator	Indicator	Indicator
Collection Coverage - Units (O)	43.4%	42.2%	41.6%	41.3%	34.9%	39.7%	33.0%	33.0%
Cost to Collect \$100 (E)	\$0.35	\$0.34	\$0.34	\$0.33	\$0.35	Indicator	Indicator	Indicator

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

¹Requested discontinuing measure for FY 2021 budget reporting; new measures under development for FY 2021

²Discontinued in FY 2020

³New measure added for FY 20; historical data provided for comparative purposes.

2E – Regulatory

(\$191,509,000 in direct appropriations and an estimated \$303,000 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 2020 Performance - Regulatory

In FY 2020, IRS published 172 items: 120 Priority Guidance Plan (PGP) projects and 52 ministerial rulings. Ministerial projects are publications that only involve ministerial matters (such as applicable federal interest rates and monthly bond factor amounts). They are usually published on an annual basis. Many items published in FY 2020 involved complex and novel issues. For example, four of the published items pertain to a provision revised by the Tax Cuts and Jobs Act (TCJA) limiting the business interest deduction. Two items addressed the new Opportunity Zone provisions of the TCJA, which provide preferential tax treatment to investments made in economically distressed communities. Over twenty items were published to implement the Families First Coronavirus Response Act (FFCRA) and the Coronavirus Aid, Relief, and Economic Security Act (CARES) and provided relief in response to the COVID-19 pandemic emergency. The 2020-2021 PGP, published on November 17, 2020 and covering July 2020 through June 2021, lists 191 projects.

To help improve the taxpayer experience, the IRS remains firmly committed to educating tax professionals about their responsibilities and limitations under Treasury Department Circular 230, Regulations Governing Practice before the Internal Revenue Service (Circular 230), and their ethical obligations to taxpayers and tax administration. A regulation project is underway to revise Circular 230 to, reflect adverse litigation and align its rules with modern practice standards. In addition, the Administration has proposed legislation to allow the IRS to regulate paid tax return preparers by imposing minimum standards, thereby increasing the quality of return preparation and related advice provided to taxpayers. These standards will also enable the agency to more effectively combat the problems to tax administration caused by untrained and unscrupulous preparers.

During FY 2020, the IRS performed its outreach activities through in-person and virtual presentations conducted through on-line webinars, telephonic operations, and electronic media. The IRS created a new webinar titled, *The Office of Professional Responsibility: Circular 230 and What You Need to Know About Practicing before the IRS*, viewed by more than 11,300 tax professionals. The IRS educated tax professionals about Circular 230 provisions at numerous events, including the IRS Nationwide Tax Forums. In FY 2020, the IRS reached nearly 31,900 tax professionals and IRS employees during 25 events, which consisted of in-person, telephonic, and electronic media.

FY 2022 Changes by Budget Activity

Dollars in thousands

Regulatory	FTE	Amount
FY 2021 Operating Plan	990	\$185,543
Changes to Base:		
Maintaining Current Levels (MCLs)		\$5,124
Pay Annualization (1.0% average pay raise)		394
Pay Raise (2.7% average pay raise)		3,203
Non-Pay		382
FERS Contribution Increase		1,145
Subtotal FY 2022 Changes to Base		\$5,124
FY 2022 Current Services	990	\$190,667
Program Increases:		
Ensure Fairness of the Tax System	4	\$842
Subtotal FY 2022 Program Increases	4	\$842
Total FY 2022 Request (Before PIAA)	994	\$191,509
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	4	\$5,966
Percent Change FY 2022 Request over FY 2021 Operating Plan	0.40%	3.22%

2.1.5 – Budget and Performance Report and Plan

Dollars in thousands

Regulatory	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$137,245	\$131,662	\$170,222	\$174,624	\$157,374	\$185,543	\$191,509
Reimbursable Resources ²	202	160	593	412	252	287	303
User Fees ²	9,233	9,537					
Budget Activity Total	\$146,680	\$141,359	\$170,815	\$175,036	\$157,626	\$185,830	\$191,812

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

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 2022 is \$4,448,195,000 in direct appropriations and 12,193 FTE, excluding the proposed program integrity allocation adjustment. This is an increase of \$344,093,000, or 8.38 percent, and 156 FTE more than the FY 2021 Operating Plan level of \$4,104,102,000 and 12,037 FTE (post-transfer).

2.1 – Budget Adjustments Table

Dollars in thousands

Operations Support Summary of Proposed FY 2021 Request		
	FTE	Amount
FY 2021 Operating Plan	12,037	\$4,104,102
Changes to Base:		
Maintaining Current Levels (MCLs)		\$100,219
Pay Annualization (1.0% average pay raise)		4,699
Pay Raise (2.7% average pay raise)		38,157
Non-Pay		42,546
FERS Contribution Increase		14,817
Efficiencies/Savings:		(\$91)
Increase e-File Savings		(91)
Subtotal FY 2022 Changes to Base		\$100,128
FY 2022 Current Services	12,037	\$4,204,230
Program Changes:		
Program Increases		
Putting Taxpayers First	143	104,333
<i>Taxpayer Experience Strategy</i>	143	104,333
Ensure Fairness of the Tax System	13	69,409
Improve Live Assistance		69,833
Electric Vehicles and Associated Infrastructure		390
Subtotal FY 2022 Program Increases	156	\$243,965
Total FY 2022 Budget Request	12,193	\$4,448,195
PIAA Program Increases		
Increase Audit Coverage	15	39,493
Increase Collection Coverage	20	46,334
Expand Coverage in the Tax-Exempt Sector		7,998
Enhance Return Review Program		34,953
Enhance Enforcement Operations		667
Subtotal FY 2022 PIAA Program Increases	35	\$129,445
Total FY 2022 Request	12,228	\$4,577,640

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Object Classification Obligations

Dollars in thousands

Operations Support Object Classification	FY 2020 Operating Plan	FY 2021 Operating Plan	FY 2022 Request
11.1 Full-Time Permanent Positions	1,318,072	1,339,822	1,404,468
11.3 Other than Full-Time Permanent Positions	5,990	5,350	5,536
11.5 Other Personnel Compensation	19,400	33,940	35,886
11.8 Special Personal Services Payments	172	181	185
11.9 Personnel Compensation (Total)	1,343,634	1,379,293	1,446,075
12.1 Personnel Benefits	441,837	483,805	515,146
13.0 Benefits to Former Personnel	57	30	31
Total Personnel and Compensation Benefits	\$1,785,528	\$1,863,128	\$1,961,252
21.0 Travel	16,823	7,938	10,161
22.0 Transportation of Things	14,068	14,036	15,333
23.1 Rental Payments to GSA	590,108	579,736	602,332
23.2 Rent Payments to Others	11,833	6,914	7,147
23.3 Communications, Utilities, & Misc	317,460	311,545	350,039
24.0 Printing & Reproduction	20,283	19,746	20,984
25.1 Advisory & Assistance Services	490,855	638,496	686,961
25.2 Other Services	30,051	29,188	44,673
25.3 Purchase of Goods & Services from Govt. Accounts	71,176	56,744	63,564
25.4 Operation & Maintenance of Facilities	186,179	199,037	215,468
25.6 Medical Care	14,267	14,973	16,943
25.7 Operation & Maintenance of Equipment	61,774	66,088	73,796
26.0 Supplies and Materials	9,145	7,240	10,501
31.0 Equipment	227,335	255,972	317,302
32.0 Land and Structures	37,632	32,645	50,778
42.0 Insurance Claims & Indemnities	483	676	961
91.0 Unvouchered			
Total Non-Personnel	\$2,099,472	\$2,240,974	\$2,486,943
New Appropriated Resources	\$3,885,000	\$4,104,102	\$4,448,195
Budget Activities:			
Infrastructure	881,670	886,713	971,008
Shared Services & Support	990,690	1,024,654	1,088,217
Information Services	2,012,640	2,192,735	2,388,970
New Appropriated Resources	\$3,885,000	\$4,104,102	\$4,448,195
FTE	12,036	12,037	12,193

See footnotes in 1.1 -- Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

2.3 – Appropriation Detail Table

Dollars in thousands

Operations Support Appropriated Resources	FY 2020 Operating Plan		FY 2021 Operating Plan		FY 2022 Request		Change FY 2021 to FY 2022 Request		% Change FY 2020 to FY 2021 Request	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:										
Infrastructure		881,670		886,713		971,008		84,295		9.51%
Shared Services and Support	4,947	990,690	5,122	1,024,654	5,140	1,088,217	18	63,563	0.35%	6.20%
Information Services	7,023	2,012,640	6,915	2,192,735	7,053	2,388,970	138	196,235	2.00%	8.95%
Subtotal New Appropriated Resources	11,970	\$3,885,000	12,037	\$4,104,102	12,193	\$4,448,195	156	\$344,093	1.30%	8.38%
Other Resources:										
Reimbursables	81	64,571	71	71,864	73	75,816	2	3,952	2.82%	5.50%
Offsetting Collections - Non Reimbursables										
User Fees	4	374,671	15	455,844	15	431,500		(24,344)		-5.34%
Recovery from Prior Years		2,104		10,328		10,328				
Recoveries Paid				6		6				
Unobligated Balances from Prior Years		66,455		87,247		90,238		2,991		3.43%
Transfers In/Out										
Resources from Other Accounts	2			26,849		27,211		362		1.35%
Subtotal Other Resources	87	\$507,801	86	\$652,138	88	\$635,099	2	(\$17,039)	2.33%	-2.61%
Total Budgetary Resources	12,057	\$4,392,801	12,123	\$4,756,240	12,281	\$5,083,294	158	\$327,054	1.30%	6.88%

See footnotes in 1.1--Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

2F – Infrastructure

(\$971,008,000 in direct appropriations and an estimated \$1,235,000 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 2020 Performance - Infrastructure

Rent

The Rentable Square Feet per Person is the amount of rentable square feet the IRS maintains per person requiring space. After payroll, rent is the IRS's largest operating expense; therefore, the IRS continues to take steps to reduce its total office space. Through FY 2020, the Rentable Sq. Ft. per Person was 278 compared to 298 in FY 2019. The IRS continued to use data to select the best opportunities to release excess facility space by leveraging the timing of expiring leases and planned renovation projects, and by analyzing IRS housing needs to plan building closures and consolidations. In FY 2020, the IRS released 600,000 square feet of space including the closure of eight buildings from its portfolio and the closure of the former submission processing building in Covington, Kentucky. The FY 2021 target is set at 280 sq. ft. while the FY 2022 target is 270 sq. ft.

Security

Security of taxpayer data and providing a secure environment for employees are of utmost importance to the IRS. Unlike any other filing season, the IRS had to modify key operations in response to the COVID-19 pandemic, such as closing Taxpayer Assistance Centers, tax processing centers, and offices nationwide. Nonetheless, core IRS functions continued, and the IRS continued to deliver the filing season.

Throughout the COVID-19 pandemic, technology was the cornerstone of the IRS's ability to continue mission-critical work to support the American taxpayer. In FY 2020, the IRS ensured continuity of services and support to taxpayers by:

- Accelerating an initiative to enable customer service representatives (CSR) and tax examiners (TE) to telework. By June 2020, the IRS had supplied telework equipment for more than 11,300 CSRs and TEs, representing about 81 percent of this workforce.
- Establishing the Crisis Relief Hotline, a voice mailbox for the IRS Chief Counsel to address taxpayer concerns related to COVID-19 relief.
- Standing up a new phone line to answer the most common questions about Economic Impact Payments.
- Supplying about 20,000 laptops to newly teleworking employees, enabling continuity of critical services.
- Delivering an IRS-wide solution to enable secure email with attachments. This enables taxpayers and the IRS to communicate electronically and exchange information securely.
- Expanding enterprise electronic fax capabilities to support existing programs, such as income verification express service and setting up new fax numbers to

support advanced refundable credits, Small Business Administration disaster claims, and other tax forms as part of the CARES Act. The IRS can accept 90,000 faxes a day.

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 2020, the IRS:

- Held its annual Security Summit meeting in December 2019. The Security Summit continues to demonstrate the strength of the public-private partnership to combat identity theft.
- Continued the Identity Theft Tax Refund Fraud – Information Sharing and Analysis Center (ISAC) initiative, which is an important platform for the IRS and its partners in their daily efforts to combat identity theft by sharing current data on emerging trends.
- Hosted a Virtual Currency Summit that brought together stakeholders to discuss virtual currency industry issues and subsequently issued several pieces of guidance, including Notice 2014-21 and Revenue Ruling 2019-24. The IRS sent about 10,000 letters to virtual currency owners advising them to file amended returns and pay back taxes if they omitted or inaccurately reported virtual currency transactions.

FY 2022 Changes by Budget Activity

Dollars in thousands

Infrastructure	FTE	Amount
FY 2021 Operating Plan		\$886,713
Changes to Base:		
Maintaining Current Levels (MCLs)		\$17,868
Pay Annualization (1.0% average pay raise)		1
Pay Raise (2.7% average pay raise)		7
Non-Pay		17,859
FERS Contribution Increase		1
Efficiencies/Savings		\$1
Personnel Savings		1
Subtotal FY 2022 Changes to Base		\$17,869
FY 2022 Current Services		\$904,582
Program Increases:		
Putting Taxpayers First		3,743
<i>Taxpayer Experience Strategy</i>		3,743
Ensure Fairness of the Tax System		29,340
Improve Live Assistance		33,343
Subtotal FY 2022 Program Increases		\$66,426
Total FY 2022 Request (Before PIAA)		\$971,008
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan		\$84,295
Percent Change FY 2022 Request over FY 2021 Operating Plan		9.51%

2.1.6 – Budget and Performance Report and Plan

Dollars in thousands

Infrastructure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$838,048	\$856,655	\$870,360	\$891,140	\$867,354	\$886,713	\$971,008
Reimbursable Resources ²	626	634	662	681	747	1,170	1,235
User Fees ²				999			
Budget Activity Total	\$838,674	\$857,289	\$871,022	\$892,820	\$868,101	\$887,883	\$972,243

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

Infrastructure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2020	FY 2021	FY 2022
Measure	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Rentable Square Feet per Person (Ot, L)		297	301	298	278	298	280	270

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

2G – Shared Services and Support

(\$1,088,217,000 in direct appropriations, and an estimated \$35,558,000 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, and OMB). 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 employees.
- 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 Facilities Management & Security 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.*
- W&I Business Modernization Support provides staffing, training, and support for W&I's enterprise-wide business modernization efforts, *including re-engineered business processes.*

Description of FY 2020 Performance – Shared Services and Support

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 2020, the IRS:

- **Developed practical COVID-19 safety measures** that included temporarily scaling back in-person meetings, closing Taxpayer Assistance Centers, and suspending telephone lines. The IRS frequently reminded employees that tools were available to them through the Employee Assistance Program (EAP) and encouraged them to use the EAP. Frequent town halls, news alerts, and human-interest features in monthly publications encouraged all employees to stay in touch during the pandemic period.
- **Revitalized its Enterprise Workforce Planning Program (WFP)** to improve talent management agency-wide, with an agile IRS workforce responsive to current and future operational requirements and changes as its primary goal. The Enterprise WFP promotes integrating human capital management business strategies, processes, and procedures to inform Talent Management function and enables the delivery of a sustainable workforce planning capability.
- **Developed and deployed Career+ career pathing and career broadening** experiences. The newly created Enterprise Talent Development Program provides career management for similar occupational series to align career goals with developmental and training opportunities.
- **Entered a new partnership with Gallaudet University** to expand Disability Service Division employees' knowledge and understanding of the "deaf culture" customer experience and expectations. In fostering a diverse and inclusive workforce, the IRS encouraged employees to self-identify known disabilities and update the human resources system to obtain accurate demographics for IRS employees with disabilities.

Research

The IRS invests in research projects to help its leaders make data and evidence-driven improvements to IRS operations and taxpayer services. In FY 2020, the IRS:

- Developed new features for the graph database that included a pattern search capability and enhanced reporting on specific compliance issues. The graph data environment currently supports identity theft detection, evaluations of money laundering issues for field examination, with a planned expansion to detect changes in the tax structures of large corporations.

- Developed its first learning agenda, which outlines key research questions that align to its FY 2018-2022 Strategic Plan goals and objectives. This was the first learning agenda of any bureau within Treasury and is a significant step in the implementation of the Foundations for Evidence-Based Policymaking Act of 2018.
- Created a forecasting tool to leverage sets of data to provide a balanced workforce planning approach. Data sets used in the forecasting tool included projected retirements and anticipated hiring and training needs to accurately identify human resource needs.
- Developed data-driven methodologies to prioritize and validate IRS Mission Critical positions. The results of this initiative inform the IRS's initial workforce planning service delivery model and business processes.

FY 2022 Changes by Budget Activity

Dollars in thousands

Shared Services and Support	FTE	Amount
FY 2021 Operating Plan	5,122	\$1,024,654
Changes to Base:		
Maintaining Current Levels (MCLs)		\$29,687
Pay Annualization (1.0% average pay raise)		1,829
Pay Raise (2.7% average pay raise)		14,853
Non-Pay		7,167
FERS Contribution Increase		5,838
Efficiencies/Savings		(\$10,057)
Personnel Savings		(10,057)
Subtotal FY 2022 Changes to Base		\$19,630
FY 2022 Current Services	5,122	\$1,044,284
Program Increases:		
Putting Taxpayers First	5	1,760
<i>Taxpayer Experience Strategy</i>	5	1,760
Ensure Fairness of the Tax System	13	16,096
Improve Live Assistance		6,840
Convert Vehicle Fleet to Electric		390
Subtotal FY 2022 Program Increases	18	\$25,086
Total FY 2022 Request (Before PIAA)	5,140	\$1,069,370
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	18	\$44,716
Percent Change FY 2022 Request over FY 2021 Operating Plan	0.35%	4.36%

2.1.7 – Budget and Performance Report and Plan

Dollars in thousands

Shared Services and Support	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$1,090,192	\$964,702	\$920,283	\$900,287	\$961,999	\$1,024,654	\$1,088,217
Reimbursable Resources ²	19,443	19,194	27,995	30,360	27,368	33,705	35,558
User Fees ²	1,000	1,000	1,000				
Budget Activity Total	\$1,110,635	\$984,896	\$949,278	\$930,647	\$989,367	\$1,058,359	\$1,123,775

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

2H – Information Services

(\$2,388,970,000 in direct appropriations, \$39,023,000 in reimbursable resources, and \$431,500,000 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 IRS-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 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.

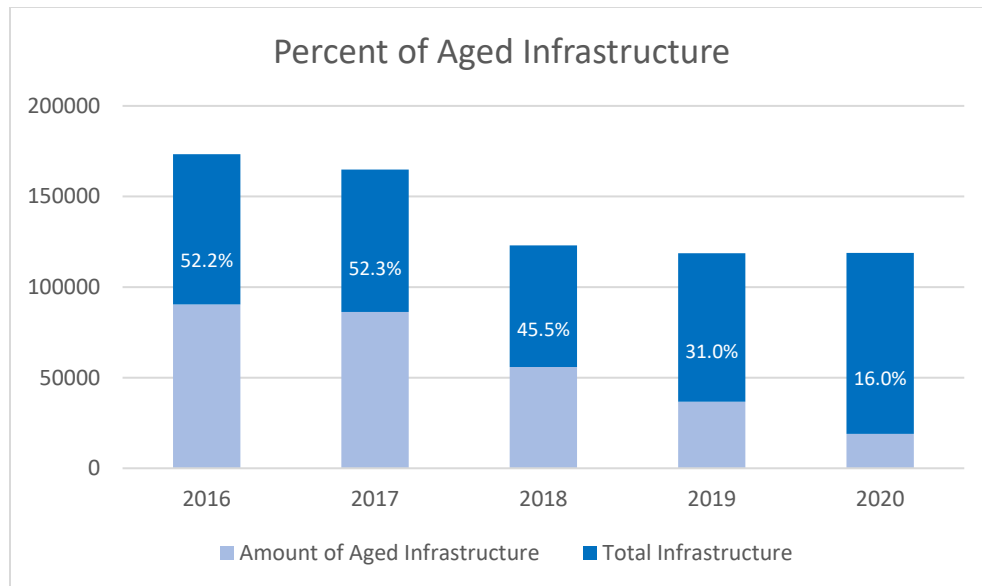
- Application Development performs the analysis, design, development, testing, and implementation of about 85,000 application programs supporting critical tax processing, management information reporting and financial management support systems for the IRS. This program also supports external trading 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 provides efficient and reliable computing services for all IRS business entities and taxpayers including the deployment and maintenance of infrastructure that supports critical tax processing, management information reporting, and financial management support systems for the IRS. It also 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 (ES) plans and manages service and delivery methods used across the IT organization, including defining the current and target technology architecture and developing the transition strategy towards the target environment. ES shares in the responsibility that translates enterprise and project objectives into targeted, actionable investments to provide the framework and direction for cohesive, successful modernization across the IT enterprise. ES also provides systems engineering services that promote standards-based, enterprise technology solutions and serves as the enterprise testing authority partnering with customers to improve the quality of IT systems, products, and services. Also, ES provides 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.
- End User & Network Services maintains the IRS automated business processes at headquarters and field sites, effectively allowing the IRS to fulfill its mission. 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, strategic planning, financial management, acquisition planning, and other IT operational priorities. It also provides expertise for requirements guidance, processes, procedures, and tools that allows for transformation of the IT enterprise.
- 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 2020 Performance – Information Services

The Percent of Aged Hardware is a measure that shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use. The IRS made considerable progress reducing the percentage of aged hardware within the IT environment from 31 percent at the end of FY 2019 to 16 percent at the end of FY 2020 which exceeded the goal of 30 percent. This represents a reduction of nearly 18,000 aged assets during the fiscal year through efforts such as refreshing employee workstations.



IRS will set the target at 20 percent and in FY 2021 and FY 2022. The IRS will monitor progress against FY 2021 aged hardware replacement targets.

FY 2022 Changes by Budget Activity

Dollars in thousands

Information Services	FTE	Amount
FY 2021 Operating Plan	6,915	\$2,192,735
Changes to Base:		
Maintaining Current Levels (MCLs)		\$52,663
Pay Annualization (1.0% average pay raise)		2,869
Pay Raise (2.7% average pay raise)		23,296
Non-Pay		17,520
FERS Contribution Increase		8,978
Efficiencies/Savings		\$9,965
Increase e-File Savings		(91)
Personnel Savings		10,056
Subtotal FY 2022 Changes to Base		\$62,628
FY 2022 Current Services	6,915	\$2,255,363
Program Increases:		
Putting Taxpayers First	138	98,831
<i>Taxpayer Experience Strategy</i>	138	98,831
Ensure Fairness of the Tax System		23,973
Improve Live Assistance		29,650
Subtotal FY 2022 Program Increases	138	\$152,454
Total FY 2022 Request (Before PIAA)	7,053	\$2,407,817
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	138	\$215,082
Percent Change FY 2022 Request over FY 2021 Operating Plan	2.00%	9.81%

2.1.8 – Budget and Performance Report and Plan

Information Services Budget and Performance Plan

Dollars in thousands

Information Services	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$1,883,667	\$1,950,191	\$2,390,357	\$2,126,973	\$1,972,916	\$2,192,735	\$2,388,970
Reimbursable Resources ²	19,660	35,307	40,600	27,153	36,456	36,989	39,023
User Fees ²	263,250	201,584	204,032	222,399	374,671	441,216	431,500
Budget Activity Total	\$2,166,577	\$2,187,082	\$2,634,989	\$2,376,525	\$2,384,043	\$2,670,940	\$2,859,493

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursables and user fees.

Information Services	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2020	FY 2021	FY 2022
Measures	Actual	Actual	Actual	Actual	Actual	Target	Target	Target
Percent of Aged Hardware (Ot, L) ¹	52.2%	52.3%	45.5%	31.0%	16.0%	30.0%	20.0%	20.0%

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

¹The 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 2022 is \$305,032,000 in direct appropriations and 412 FTE, excluding the proposed integrity allocation adjustment. This amount is an increase of \$82,308,000, or 36.96 percent, and 18 FTE more than the FY 2021 Operating Plan level of \$222,724,000 and 394 FTE.

2.1 – Budget Adjustments Table

Dollars in thousands

Business Systems Modernization Summary of Proposed FY 2021 Request			FTE	Amount
FY 2021 Operating Plan			394	\$222,724
Changes to Base:				
Maintaining Current Levels (MCLs)				\$4,165
Pay Annualization (1.0% average pay raise)				163
Pay Raise (2.7% average pay raise)				1,327
Non-Pay				2,232
FERS Contribution Increase				443
Subtotal FY 2022 Changes to Base				\$4,165
FY 2022 Current Services			394	\$226,889
Program Changes:				
Program Increases				
Integrated Modernization Business Plan			18	\$78,143
Subtotal FY 2022 Program Increases			18	\$78,143
Total FY 2022 Budget Request			412	\$305,032

See footnotes in 1.1 -- Appropriations Detail Table

2.2 – Object Classification Obligations

Dollars in thousands

Business Systems Modernization Object Classification	FY 2020 Actuals	FY 2021 Operating Plan	FY 2022 Request
11.1 Full-Time Permanent Positions	62,085	37,340	51,033
11.3 Other than Full-Time Permanent Positions	84	29	59
11.5 Other Personnel Compensation	563	224	367
11.9 Personnel Compensation (Total)	62,732	37,593	51,459
12.1 Personnel Benefits	16,643	12,535	17,027
Total Personnel and Compensation Benefits	\$79,375	\$50,128	\$68,486
21.0 Travel	219	411	172
25.1 Advisory & Assistance Services	90,948	163,523	195,212
25.2 Other Services	11		
25.3 Purchase of Goods & Services from Govt. Accounts	4		
25.7 Operation & Maintenance of Equipment	581	2,018	2,592
26.0 Supplies and Materials	7	2	1
31.0 Equipment	8,855	6,642	38,569
Total Non-Personnel	\$100,625	\$172,596	\$236,546
New Appropriated Resources	\$180,000	\$222,724	\$305,032
Budget Activities:			
IT Investments	180,000	222,724	305,032
New Appropriated Resources	\$180,000	\$222,724	\$305,032
FTE	426	394	412

See footnotes in 1.1 -- Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

2.3 – Appropriation Detail Table

Dollars in thousands

Business Systems Modernization							Change		% Change		
Appropriated Resources		FY 2020 Operating Plan		FY 2021 Operating Plan		FY 2022 Request		FY 2021 to FY 2022 Request		FY 2021 to FY 2022 Request	
		FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:											
Business Systems Modernization		426	180,000	394	222,724	412	305,032	18	82,308	4.57%	36.96%
Subtotal New Appropriated Resources		426	\$180,000	394	\$222,724	412	\$305,032	18	\$82,308	4.57%	36.96%
Other Resources:											
Reimbursables											
Offsetting Collections - Non Reimbursables											
User Fees			108,872		29,500				(29,500)		-100.00%
Recovery from Prior Years			9,380		5,263		5,263				
Recoveries Paid					203		203				
Unobligated Balances from Prior Years		56	30,191	15	29,573	15	36,805		7,232		24.45%
Transfers In/Out											
Resources from Other Accounts											
Subtotal Other Resources		56	\$148,443	15	\$64,539	15	\$42,271		(\$22,268)		-34.50%
Total Budgetary Resources		482	\$328,443	409	\$287,263	427	\$347,303	18	\$60,040	4.40%	20.90%

See footnotes in 1.1--Appropriations Detail Table

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

2I – Business Systems Modernization

(\$305,032,000 in direct appropriations): This budget activity funds the planning and capital asset acquisition of information technology to modernize IRS business systems and processes, including labor and related contractual costs, in support of the IRS mission. The IRS is implementing its multiyear modernization plan to address the long-term sustainability and affordability of its technological environment, eliminating organizational silos, and driving efficiencies and cost savings throughout the enterprise. The plan defines the scope of capabilities, sets timelines, and targets, describes milestones, and includes outcome measures for each investment.

Description of FY 2020 Performance - BSM

The IRS's modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity. Major IT investments are measured by the proportion of projects within +/- 10 percent of budgeted cost and schedule variance. The FY 2021 and FY 2022 targets for both measures are 90 percent. For more detail about BSM 2020 accomplishments and 2021 performance goals, please see Publication 5453, Information Technology (IT) Annual Key Insights Report, February 2021: <https://www.irs.gov/pub/irs-pdf/p5453.pdf>.

Percent of Major IT Investments within +/- 10 percent Cost Variance at the

Investment Level: Sixteen of 19 major investments (84.2 percent) were within the cost variance threshold in FY 2020 failing to meet the target of 90 percent. Shown below are the three investments falling outside the +/- 10 percent cost variance.

- **Account Management Services (AMS)** – IRS allocated 10 fewer full time equivalent (FTEs) to the AMS project, resulting in a cost variance. The FY 2020 labor budget initially allocated 70 FTE to the project.
- **Customer Account Data Engine 2 (CADE 2)** – This project called for two phases of design, development, and test activities. FY 2020 budgeted for the increased resources needed for phase two. In the first quarter of FY 2020, IRS decided to continue with phase one resource levels. The project stabilized with the phase one level of resources and IRS will not allocate additional resources to the project.
- **Foreign Account Tax Compliance Act (FATCA)** – IRS categorized the FATCA program as a “keep the lights on” only project, pausing enhancements originally planned. As a result, this project underran its cost for FY 2020.

Percent of Major IT Investments within +/- 10 percent Schedule Variance at the

Investment Level: Eighteen of 19 major investments (94.7 percent) were within the schedule variance threshold at the close of FY 2020 exceeding the target of 90 percent. Shown below is the one investment that fell outside the +/- 10 schedule variance.

- **Modernized IRS Operations Investment** – IRS funds multiple modernization programs. Components of this investment were ahead of schedule causing a positive variance greater than 10 percent.

IRS IT will closely monitor cost and schedule reporting for investments in FY 2021 to improve current performance levels for this measure.

FY 2022 Changes by Budget Activity

Dollars in thousands

Business Systems Modernization	FTE	Amount
FY 2021 Operating Plan	394	\$222,724
Changes to Base:		
Maintaining Current Levels (MCLs)		\$4,165
Pay Annualization (1.0% average pay raise)		1,490
Non-Pay		2,232
FERS Contribution Increase		443
Subtotal FY 2022 Changes to Base		\$4,165
FY 2022 Current Services	394	\$226,889
Program Increases:		
IRS Integrated Modernization Business Plan	18	78,143
Subtotal FY 2022 Program Increases	18	\$78,143
Total FY 2022 Request (Before PIAA)	412	\$305,032
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	18	\$82,308
Percent Change FY 2022 Request over FY 2021 Operating Plan	4.57%	36.96%

2.1.9 – Budget and Performance Report and Plan

Dollars in thousands

Business Systems Modernization	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Resource Level	Actual	Actual	Actual	Actual	Actual	Operating Plan	Request
Appropriated Resources ¹	\$190,945	\$166,263	\$110,000	\$150,000	\$180,000	\$222,724	\$305,032
Reimbursable Resources ²							
User Fees		25,464	77,418	89,713	108,872	29,500	
Budget Activity Total	\$190,945	\$191,727	\$187,418	\$239,713	\$288,872	\$252,224	\$305,032

¹The FY 2016 - FY 2020 appropriated resources represents the approved operating plan including any inter-BAC transfers and inter-appropriation transfers.

²The FY 2016 - FY 2020 columns represent realized resources for reimbursable resources and user fees.

Business Systems Modernization Measures	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2021 Target	FY 2022 Target
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level (E) ¹	76.2%	50.0%	72.2%	88.9%	84.2%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level (E) ¹	85.7%	88.9%	83.3%	88.9%	94.7%	90.0%	90.0%	90.0%

Key: E - Efficiency Measure

B - FY 2020 - FY 2022 IRS Integrated Modernization Business Plan

Pillar	Business Systems Modernization <i>Dollars in thousands</i>	Funding Category ¹	FY 2020 Actuals	FY 2021 Operating Plan	FY 2022 CJ Submission
	FY 2020 Actuals / FY 2021 Operating Plan / FY 2022 CJ Submission		150,436	222,724	305,032
	Carryover Balance²		39,511	29,756	0
	User Fees		108,939	29,500	0
	Total Funding		\$298,886	\$281,980	\$305,032
		Capital	233,385	208,906	232,336
		Support	225	105	178
		Labor	65,276	64,117	68,486
	Subtotal Spend		\$298,886	\$273,128	\$301,000
	FTE		354	394	412
	Management Reserve		0	8,852	4,032
	Total Spend plus MR		\$298,886	\$281,980	\$305,032
Taxpayer Experience	Web Applications		\$30,266	\$32,945	\$30,000
	Improving interactions and communications with taxpayers, the IRS, and third parties by providing a broad range of self-service options, establishing secure information exchange, and building internal capabilities. By enabling authorized third parties and taxpayers to interact digitally with the IRS, the investment provides a better user experience and delivers consistent data and services. Web Apps continues to deliver additional capabilities to the taxpayer in FY 2022 and beyond. Funding will expand on a broad range of digital services the taxpayer and their representatives can complete securely using their personal IRS online account. Taxpayers will be able to: update contact information, make tax payments; schedule and modify scheduled payments; store bank information, all within online account, thus improving revenue collection, and promoting voluntary compliance.	Capital	20,769	21,242	16,200
		Support	46	3	0
		Labor	9,451	11,700	13,800
		FTE	54	81	95
	Taxpayer Digital Communications Outbound Notification (TDC-ON)		\$3,103	\$8,255	\$10,000
	Providing taxpayers access to fast, secure, and personalized digital communications delivered through a secure messaging platform. The IRS will continue developing digital notices available through a secure online account for taxpayers who prefer that channel over mailed correspondence. IRS will expand the capability to allow taxpayers the choice to opt in or opt out of receiving paper notices and receive notifications through email and text message when a notice is available. TDC-ON will allow the IRS to move away from paper-based notifications and allow taxpayers to navigate directly to IRS online payment tools, increasing the likelihood of taxpayer acts and expediting the resolution of tax-related issues.	Capital	2,435	6,555	9,000
		Support	0	0	0
		Labor	668	1,700	1,000
		FTE	4	11	6
Core Taxpayer Services and Enforcement	Live Assistance		\$107	\$0	\$15,000
	Implementation of Call Center technologies to improve the taxpayer experience. This includes both taxpayer-facing capabilities and infrastructure improvement to support the capabilities. Funding for Live Assistance ensures functionality that may include callback, live chat, automated chat, natural language processing, etc., which will help alleviate taxpayer frustration related to long wait times, when millions of phone calls are received each year via IRS' many toll-free numbers, especially during the filing season.	Capital	0	0	12,000
		Support	0	0	0
		Labor	107	0	3,000
		FTE	1	0	18
	Taxpayer Experience - Subtotal		\$33,476	\$41,200	\$55,000
	FTE		58	92	119
	Customer Account Data Engine (CADE 2)		\$95,908	\$100,000	\$100,000
	Providing modernized individual tax processing. Completion of the "Customer Account Data Engine" (CADE) Transition State 2 (TS2) will help modernize the technology environment that enables the IRS to process more than 150 million individual tax returns each year. This modernization enables enhanced data accessibility for online taxpayer services; implements the latest financial requirements and security controls; and, supports business units to deploy advanced analytical capabilities addressing key issues of compliance, fraud, and identity theft. Funding in FY 2022 will ensure the Individual Tax Processing Engine (ITPE) project, which is a key component of TS2, is able to convert approximately 200,000 lines of legacy assembly language code to modern software language.	Capital	70,635	76,767	76,227
		Support	23	52	52
Core Taxpayer Services and Enforcement		Labor	25,250	23,181	23,721
		FTE	138	136	139
	Customer Account Data Engine (CADE 2) Target State	Capital	\$0	\$0	\$5,000
	CADE 2 Target State will provide state-of-the-art individual taxpayer account processing and data-centric technologies for maintaining and balancing individual taxpayer account data to reduce operations & maintenance costs, improve taxpayer service quality, enhance responsiveness to legislative changes, and eliminate financial weaknesses. The program will allow the IRS to retire the most complex portion of the Individual Master File (IMF), a step towards fully retiring the IMF.				
	Enterprise Case Management		\$63,143	\$64,000	\$64,000
	Providing a modernized case management platform. The IRS routinely interacts with individual taxpayers, small and large businesses, tax-exempt organizations, and a wide spectrum of intermediaries. The current case management environment, comprised of multiple systems that often do not communicate with each other, causes the IRS to treat each selected interaction as a separate case, which significantly limits the effectiveness and efficiency of each case interaction. This disconnect adds frustration and prolongs case resolution. Funding will ensure the complex undertaking of transitioning to an enterprise case management system with standard business processes. The main benefit is that authorized IRS employees will be able to see an individual taxpayer's entire range of tax issues, relevant case data, and communications, which will ultimately resolve cases faster.	Capital	48,031	43,318	43,475
		Support	114	50	50
		Labor	14,998	20,632	20,475
		FTE	81	113	112
	Core Taxpayer Services and Enforcement - Subtotal		\$159,051	\$164,000	\$169,000
	FTE		219	249	251

Modernized IRS Operations	Robotics Process Automation		\$983	\$855	\$0
	<i>Automating repetitive, rule-based, manual tasks and mitigating human error risks. Robotic Process Automation (RPA) has emerged as an effective enabling technology to gain efficiencies by doing just this. Combining RPA with Artificial Intelligence (AI) has further enhanced opportunities to empower organizations to take on more complex processes and gain value through cognitive automation. The goal of the RPA program is to build the capability (i.e.; technology, people, and processes) for IRS to take advantage of these emerging technologies. IRS business units are highly motivated to find operational efficiencies to improve services and automate workflow for a wide range of taxpayers to significantly relieve administrative burden. Funding this effort will ensure that a series of initial limited use projects and activities will provide additional functionality and efficiency gains.</i>	Capital	607	606	0
		Support	4	0	0
		Labor	372	249	0
		FTE	2	5	0
	Application Program Interface (API) Implementation		\$0	\$5,000	\$0
	<i>APIs are a set of protocols, routines, functions and/or commands that programmers use to develop software or facilitate interaction between distinct systems. In response to growing demands to integrate systems internally and externally, the IRS plans to expand the use of APIs across its ecosystem.</i>	Capital	0	4,730	0
		Support	0	0	0
		Labor	0	270	0
		FTE	0	2	0
Cybersecurity and Data Protection	Cloud Execution		\$2,502	\$10,000	\$0
	<i>Leveraging cloud technologies to provide value and improved service to taxpayers. The IRS has adopted a cloud strategy, which aligns to the Federal strategy, and will migrate various workloads to the cloud as appropriate. Because the IRS can securely host tax applications in the cloud, even for major efforts like Enterprise Case Management, funding this set of capabilities will be critical to stabilizing the cost of operations and maintenance and further enhancing the agency's security posture.</i>	Capital	2,217	8,500	0
		Support	3	0	0
		Labor	282	1,500	0
		FTE	1	9	0
	Next Generation Infrastructure		\$226	\$73	\$15,000
	<i>Providing a more efficient, scalable and flexible architecture. Funding will ensure the implementation of advanced IT infrastructure tools and technologies for compute, network and storage activities. The combination of these capabilities will help further automate and modernize the technology infrastructure and convert legacy code to modern programming languages.</i>	Capital	0	0	14,000
		Support	1	0	0
		Labor	225	73	1,000
		FTE	1	2	6
Modernized IRS Operations - Subtotal			\$3,711	\$15,928	\$15,000
FTE			5	17	6
Supporting Projects	Vulnerability and Threat Management		\$31,729	\$23,171	\$20,101
	<i>Enabling proactive threat and vulnerability identification. This is achieved by using real-time intelligence information and analytics, enhance security testing and process automation, protect sensitive data at rest through encryption, and enhance both application and infrastructure audit capabilities to detect breaches and mitigate internal and external threats effectively. Funding will ensure the IRS focuses on preventing unauthorized access to tax accounts and unauthorized disclosure of taxpayer data. These capabilities provide full visibility into servers and endpoints for monitoring and analyzing data to identify and prevent threats.</i>	Capital	30,939	21,136	17,451
		Support	0	0	0
		Labor	790	2,035	2,650
		FTE	5	12	18
	Identity and Access Management		\$14,790	\$9,123	\$19,305
	<i>Preventing malicious and unintended access and disclosure of taxpayer and other sensitive data by establishing trusted and streamlined access to information through implementing Identity Access Management, Infrastructure Integrity, and Privilege Management capabilities. Identity and Access Management (IAM) refers to the processes, technologies and policies for managing users' digital identities and controlling their use to access enterprise resources.</i>	Capital	14,561	8,533	19,105
		Support	0	0	0
		Labor	229	590	200
		FTE	1	4	2
Supporting Projects	Security Operations and Management		\$14,894	\$13,705	\$11,594
	<i>Securing taxpayer data and systems. Funding security operations and management includes those activities needed to secure taxpayer data and the systems that handle or store that data through full visibility of hardware and software on the network, as well as enhance incident response and detection of internal threats to data and systems.</i>	Capital	14,588	13,185	11,444
		Support	32	0	0
		Labor	274	520	150
		FTE	1	3	1
Cybersecurity and Data Protection - Subtotal			\$61,413	\$46,000	\$51,000
FTE			7	19	21
Supporting Projects	Architecture, Integration, and Management		\$26,567	\$6,000	\$11,000
	<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	20,036	4,333	8,434
		Support	2	0	76
		Labor	6,529	1,667	2,490
		FTE	33	10	15
	Core Infrastructure³		\$14,668	\$0	\$0
	<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	8,567	0	0
		Support	0	0	0
		Labor	6,101	0	0
		FTE	32	0	0
Subtotal Supporting Projects			\$41,235	\$6,000	\$11,000
FTE			65	10	15

¹ Capital Investment funding: capital and contractor labor costs. Support funding: training, travel, supplies costs. Labor funding: IRS employee pay and benefits costs.

² For the Carryover Balance, the FY 2021 Operating Plan amount reflects a reduction of \$11.3K to account for BSM Management Reserve funding that was transferred to a Q-Fund to cover a prior year obligation.

³ Effective FY 2021, Core Infrastructure will be paid from the Operations Support appropriation because those expenses are enterprise costs and not specific to the BSM program.

C – Changes in Performance Measures

Performance Measure or Indicator	Proposed Change and Justification
1. Rentable Square Feet per Person (RSFPP) – modify	In previous budget submissions this measure was reported as an indicator with no target. IRS collected sufficient longitudinal data to set targets for this measure. RSFPP will be reported as a measure in the FY 2022 CJ.

Section III – Supplemental Information

3.1 – Summary of Capital Investments

I. Introduction

The IRS Information Technology (IT) organization enables the business operations and modernization of the nation's tax system. IT continues to provide the critical support needed as the IRS faces an ever-changing and complex tax administration environment. The IRS embraced the opportunity for change this year, significantly enhanced cybersecurity defenses, and delivered on modernization commitments. The IRS achieved its core mission while responding and adjusting to the needs of taxpayers and IRS employees facing the COVID-19 pandemic, which included extending the tax filing season, rapidly implementing economic impact payments and tax changes, and enabling a remote workforce. Simultaneously, the IRS implemented provisions of the Taxpayer First Act (TFA), which will significant improvements in the way the agency serves taxpayers, while continuing to enforce the tax laws in a fair and impartial manner. For IRS IT specifically, TFA implementation included developing a multi-year strategic plan (IT Strategic Plan), securing an independent validation and verification of major program plans, and implementing other provisions. The IRS IT Annual Key Insights Report summarizes major accomplishments delivered each year, as well as progress in meeting key performance measures associated with the eight goals of the IRS IT Strategic Plan.

Given that approximately 96 percent of the gross receipts of the United States are processed through the IRS, the success of our country depends, in significant part, upon the continued success of IRS IT. The IRS Strategic Plan 2018-2022, the IT Strategic Plan, Enterprise Technology Blueprint, and IRS Integrated Modernization Business Plan set a foundation to articulate a vision for a 21st century IRS IT environment leveraging modern technologies and adopting IT best practices. The American Rescue Plan (ARP) Act of 2021 provided \$1.0 billion for IT modernization efforts reshape which will allow the IRS to modernize its technology landscape and improve cybersecurity across the IRS IT infrastructure. The Capital Investment Strategy outlines and expands the technology initiatives and IT investments to achieve this vision. The American Rescue Plan Act and Modernization section provides an overview of modernization enabled through the ARP. IV. The Enterprise Technology Blueprint section covers each of the existing Modernization Plan technology initiatives and IT investments. The Modernization Initiatives Alignment to IT Strategic Plan section presents how the initiatives and investments align to the IT Strategic Plan goals.

II. IT Strategic Plan

As part of TFA, the IRS developed and is implementing a multi-year IT strategic plan that strengthens the agency's ability to communicate and plan for long-term technology needs. The Plan articulates the goals and objectives to achieve the IRS technology target state and deliver value to taxpayers. This plan is structured to address key factors driving the opportunity for change, including the need to meet the public's expectations, simplify the existing IRS technology base, adopt emerging technology trends, stay ahead of cybersecurity threats, comply with federal mandates and guidelines, and support the workforce with the advanced technology training needed to stay current in their skills. The implementation of these goals and objectives is captured through the Annual Key Insights Report (AKIR) and the integrated enterprise architecture, which includes the Enterprise Technology Blueprint (ETB) and the Target Enterprise Architecture (TEA). Figure 2 summarizes IT's strategic goals for FY 2020–2024.









	GOAL 1	Customer Experience	Enhance the experience for taxpayers, third parties, and IRS employees through omnichannel solutions that are transparent, easy-to-use, and secure
	GOAL 2	Applications and Services	Architect modular and reusable technology solutions to incrementally reduce technical debt
	GOAL 3	Data	Advance data quality, access, usability and analytics to inform decision making and improve tax administration
	GOAL 4	Platforms and Infrastructure	Increase the efficiency and currency of technology investments through the reuse of common enterprise services on resilient, scalable, and open platforms
	GOAL 5	Security	Protect the security and integrity of the tax system
	GOAL 6	Workforce	Cultivate a well-equipped, diverse, flexible and engaged workforce
	GOAL 7	Technology Management	Adopt and embrace modern technology management practices that keep pace with industry
	GOAL 8	Innovation	Continually drive adoption of new ways of working

Figure 2 - IT Strategic Goals FY 2020-2024

The IT Strategic goals set the enterprise-wide technological priorities, which then inform the long-term technological vision published in the Enterprise Technology Blueprint.

III. Enterprise Technology Blueprint (ETB)

The Enterprise Technology Blueprint articulates the envisioned long-range technology environment and describes how technology will be employed in support of the strategic IRS business direction. The ETB depicts the adoption of advancing capabilities, modernizing applications and technical services within the IRS production environment.

The ETB is organized around the interrelated elements of the IRS Enterprise Architecture framework, as shown in Figure 3, to provide a cross-cutting frame of reference for analyzing the current state of IRS operations and to envision a future state. It is intended to facilitate dialogue among IRS business and IT leaders around future vision and priorities, align business and IT strategies, guide enterprise architecture planning and solutions development, and enable line of sight for evaluating investment proposals. The ETB also encompasses a set of interrelated views that depict the future of tax systems, IT operations, and IT services to achieve the IRS vision. The ETB is a living document that is continuously reviewed and updated as appropriate.

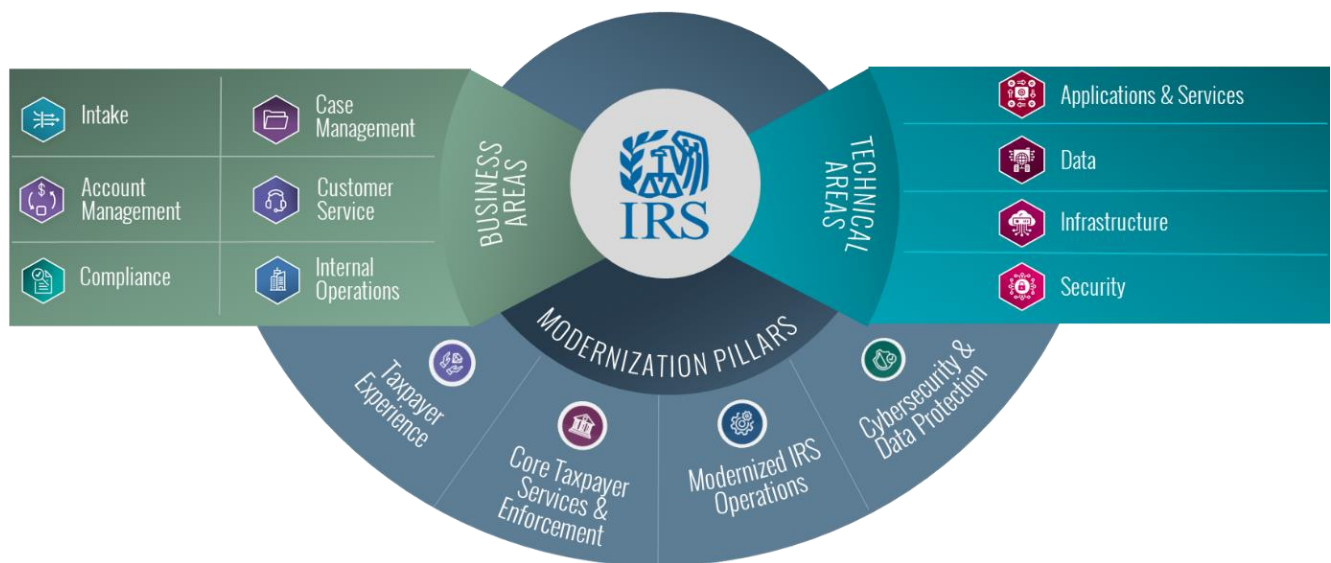


Figure 3 IRS Enterprise Architecture Framework

In combination with the IRS and IT Strategic Plans, the ETB captures the enterprise vision for the IRS technology environment. The IRS Integrated Modernization Business Plan, described in Section VI, highlights specific technology initiatives and IT investments that realize this vision.

IV. American Rescue Plan Act and Modernization

Funding provided in the American Rescue Plan (ARP) Act P.L. signed into law on March 11, 2021 will allow the IRS to accelerate the current IRS modernization plan, transform foundational IRS technology to allow future innovation, and make meaningful improvements in taxpayer service and compliance. FY 2022 funding will support modernization progress across the following areas:

- **Taxpayer / Customer Experience:** Enhances the taxpayer experience through modern platforms and capabilities aligned with the TFA Taxpayer Experience Strategy; expands availability for the Tax Pro portal; improves the customer experience for employees who support tax administration; accelerates access for:

multilingual taxpayers to IRS information/data, Enterprise Case Management (ECM), and Digitization efforts.

- **Infrastructure:** Accelerates IRS ability to leverage off-premise capabilities and efficiencies in the cloud; establishes off-premise infrastructure to house modern applications.
- **Security:** Accelerates Cyber Security modernization efforts; accelerates Secure Access Digital Identity (SADI) expansion across all taxpayer facing applications.
- **Data:** Establishes new data platform to enable data analytics and data driven decisions across IRS for Services, Enforcement and Operations efforts; enables use of CADE2 data to provide near real-time access to modernized individual account data; expands use of intelligent automation (robotics, AI, and machine learning) to improve tax administration.
- **Legacy Systems Modernization:** Accelerates IRS technology footprint reduction through retirement, consolidation, and refactoring of legacy applications; implements IMF retirement portfolio; provides for architecture and engineering support for the broader portfolio.

The ARP Modernization surge will accelerate existing work and longer-term modernization work. IT will continue to be fully transparent and communicate the investment impacts to enhance tax administration, improve operations, and positively contribute to the agency's long-term success.

V. IRS Integrated Modernization Business Plan

The IRS has made significant progress on its IRS Integrated Modernization Business Plan. The plan was developed with a phased implementation approach that acknowledged the need to adjust based on emerging priorities, technology advances, legislation, and evolving customer expectations. the FY 2021 IRS IT Annual Key Insights Report (AKIR) will provide updates on how the annual funding and the \$1 billion provided in the ARP interact with the IRS technology modernization portfolio.

Executing the IRS Integrated Modernization Business Plan strategic direction enables the IRS to continue to meet federal and agency mandates, while further reducing reliance on legacy systems and aged technology that put the broader IT infrastructure at risk. The IRS has made considerable progress in the initial years of the plan, delivering 19 modernized capabilities in FY 2019, 40 capabilities in FY 2020 and on track to deliver 31 capabilities in FY 2021. The FY 2020 AKIR ([Publication 5453, Information Technology \(IT\) Annual Key Insight Report](#)) published on April 1, 2021 summarizes the progress delivered by the modernization plan program and initiatives.

MODERNIZATION PILLAR	KEY OBJECTIVES	KEY PROGRAMS & INITIATIVES
Taxpayer Experience: Deliver a service experience comparable to private industry	<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 	<ul style="list-style-type: none"> • WebApps (Web Applications) • Taxpayer Digital Communications Outbound Notifications (TDC—ON) • Live Assistance
Core Taxpayer Services & Enforcement: Streamline and integrate IT programs that enable top-quality service	<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 returns status • Increase data usability and the use of data analytics to combat fraud 	<ul style="list-style-type: none"> • Customer Account Data Engine (CADE) 2 Transition State 2 (TS2) • CADE 2 Target State • Enterprise Case Management (ECM) • Information Returns Processing
Modernized IRS Operations: Retire and decommission legacy systems in place of more sustainable infrastructure	<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 	<ul style="list-style-type: none"> • Robotics Process Automation (RPA) • Application Programming Interface (API) Management • Cloud Execution • Next Generation Infrastructure • Data Digitization • Universal Data Hub / Analytics Tools/Platform
Cybersecurity & Data Protection: Continue to protect taxpayer data and address emerging threats	<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 using real-time intelligence information and analytics • Protect taxpayer data and systems via end-to-end visibility and common platforms 	<ul style="list-style-type: none"> • Vulnerability & Threat Management • Identity & Access Management (IAM) • Security Operations & Management

Figure 4 – IRS Modernization Portfolio and Pillars

A. Taxpayer Experience

- **Web Applications (Web Apps):** The Web Apps program and initiatives improve interactions and communications with taxpayers, the IRS, and third parties by providing a broad range of self-service options, establishing secure information exchange, and building internal capabilities. By enabling authorized third parties and taxpayers to interact digitally with the IRS, the investment provides a better user experience and delivers consistent data and services through reusable Application Programming Interfaces (APIs). Web Apps will continue to transform the way the IRS does business by enhancing the taxpayer experience and delivering new digital services that allow taxpayers expanded capabilities in FY2022. Taxpayers will be able to update contact information (address and phone number) through online account, ensuring their information is up to date. In addition, taxpayers will be able to make tax payments within online account without re-authentication or leaving the online account experience, thus improving revenue collection, and promoting voluntary compliance. Additional features will allow taxpayers to schedule/modify scheduled payments and store bank information. As part of the Tax Pro effort, authorized tax professionals will benefit from the capabilities that modernize certain paper-based processes to help resolve issues with the IRS on behalf of their clients. These include the ability to manage new and pending authorization requests, view/print confirmation of submission and expiration of out-of-date authorizations, and, in future release, view/manage all existing authorizations. The taxpayer will be able to initiate Power of Attorney and Taxpayer Information Authorization forms in future release of Tax Pro. These capabilities will reduce the amount of paper forms, reduce taxpayer and tax professional burden, and reduce the time it takes to submit authorizations. Increased data accuracy and security will ensure the entire process is secure in confirming and protecting identity. The Modernized Installment Agreement capabilities will also expand, enabling taxpayers to establish long-term payment plans in Online Account.
- **Taxpayer Digital Communications Outbound Notifications (TDC-ON):** TDC-ON provides taxpayers access to fast, secure, and personalized digital communications delivered through a secure messaging platform. The IRS will continue to develop more digital notices, anticipating that 50 percent of all outbound notice volume will be digitalized by the end of FY 2022. Taxpayers will be able to opt in or opt out of receiving paper notices and receive notifications through email and SMS when a notice is available. TDC-ON will allow the IRS to move away from paper-based notifications and allow taxpayers to navigate directly to IRS online payment tools, increasing the

likelihood of taxpayer action and expediting the resolution of tax-related issues.

- **Live Assistance:** IRS is engaged in several projects to enhance the experience for taxpayers who call IRS for live assistance, including expanding customer call-back, redesigned customer voice portal, and improved identity verification. Future live assistance enhancements will broaden service channels to include live text chat, virtual assistant capabilities, and video chat assistance. In FY 2020, the IRS finished its second successful year of offering Customer Callback (CCB) service. The IRS expanded CCB from one application to five toll-free applications and offered CCB service to 1.22 million taxpayers. Of these, nearly 835,000 callers accepted the CCB option, representing a 68 percent acceptance (take rate), about 10 percentage points above industry averages. In total, CCB achieved a success rate of nearly 90 percent and saved taxpayers 486,000 hours of live hold time by allowing them to leave a callback number, disconnect, and await their reconnect call with an available phone agent. In FY 2021 IT has already expanded CCB to a total of 16 applications including 2 Spanish language lines. For FY 2022, IRS plans to initiate work to create a "Digital Customer Service" model via a "multi-channel" platform that provides real-time assistance to taxpayers via their choice of channel. Agent Desktop Modernization offers numerous benefits including the ability improve agent efficiency by making taxpayer knowledge easier to find, and the flexibility of product makes it configurable, to provide a platform that brings together voice, chat, secure messaging, and virtual assistance via a digital agent.

B. Core Taxpayer Services and Enforcement

- **CADE 2 Transition State (TS2):** The Customer Account Data Engine 2 (CADE 2) Program will modernize the taxpayer account processing environment and develop an integrated, near real-time processing environment to support tax returns, information returns, payments, and other transactions. Key TS2 accomplishments include:
 - Implementation of common code across IRS systems to enable consistent and accurate Penalty and Interest calculations on financial statements
 - Deployment of database conversion capability allowing IRS to retain expanded taxpayer history for approximately two billion taxpayer records, improving service and enhancing compliance

The Individual Tax Processing Engine (ITPE) project is a critical TS2 project which will convert approximately 200,000 lines of legacy assembly language

code to modern software language. This code conversion is a major milestone towards retiring the Individual Master File (IMF). In FY 2022, the program will continue execution of the ITPE project, with a planned development end date of April 2023.

- **CADE 2 Target State:** CADE 2 Target State will provide state-of-the-art individual taxpayer account processing and data-centric technologies for maintaining and balancing individual taxpayer account data to reduce operations & maintenance costs, improve taxpayer service quality, enhance responsiveness to legislative changes, and eliminate financial weaknesses. The program will allow the IRS to retire the most complex portion of the Individual Master File (IMF), a step towards fully retiring the IMF. The CADE 2 Target State stand up and planning will address future capabilities that will allow direct visibility and access to taxpayer account detail on a near real-time basis and furthers the overarching effort to retire the IMF. Achieving these main goals of the CADE 2 program will result in enhancements to taxpayer experience by providing accelerated account info updates in near-real time, streamlined customer service operations by distributing data to downstream systems for accelerated issue resolution. CADE 2 Target State also aids in stabilizing the IRS's legacy footprint and realizing enterprise priorities for legacy code conversion. The first two releases will primarily cover four capabilities:
 1. Support Financial Reconciliation reports to confirm CADE 2 data is in balance within accounting cycles
 2. Provide taxpayer account data to downstream account management systems from the CADE 2 database
 3. Development of specialized individual taxpayer reports and data feeds for refunds, transcripts, notices, and feeds to other federal agencies
 4. Establish an analytical data store of individual tax data for analytics platforms that support enterprise-wide data access strategy
- **Enterprise Case Management (ECM):** ECM provides the IRS with an enterprise solution for streamlining case and workload management processes to improve the quality and effectiveness of case interactions with individual taxpayers, small and large businesses, tax-exempt organizations, and a wide spectrum of intermediaries. ECM will digitize case information, provide business automation, and increase resource alignment across IRS business units to improve customer service and reduce the timeframe for case resolution. In FY 2020, ECM Release 1 delivered the foundational platform and

capabilities of a new cloud-based case management solution. Subsequent ECM releases in FY 2021 and beyond will provide integrated case management to a widening circle of business units across the IRS. In FY 2022, ECM will include the data integration with individual taxpayer account data needed for the Small Business/Self Employed, Appeals, and Counsel – Offer in Compromise and Office of Professional Responsibility business processes. These capabilities will enable the program to scale and migrate additional business processes concurrently in the Release 4 timeframe.

- **Information Returns System Processing (IRSP):** IRSP consists of a modern intake database and applications that allow for improved document matching to improve intake consistency. This initiative provides capabilities that will enable a modernized solution for acceptance, validation, perfection, management, and use of Information Returns (IR) data. IRSP will also enhance compliance processing by providing modern data distribution of IR data. The scope of IRSP includes evaluating the impact of IR modernization across multiple business processes (corporate data, submission, corporate processing, compliance, etc.), coordinating the IR business processes across intake, validation, posting, assimilation and data sharing, performing modernization of legacy systems that perform functions across the IR workflow, and designing and developing a scalable solution and modernized intake platform to accommodate all IR form types. IR Modernization has been broken into four main phases, the first of which addresses Taxpayer First Act (TFA) Provision 2102 mandates to develop an internet portal for 1099 Information Returns. Phases 2-4 include modernization of extension and waivers, conversion of all IR compliance programs into a modern platform, and modern reporting and analytical capabilities, respectively. The IRSP target architecture transitions and replaces legacy systems to modern, adaptive, and sustainable technologies to reduce operations and maintenance (O&M), provides increased architecture flexibility and elasticity to support growing IR volumes, types, and emerging business requirements, and increases availability, reliability, and distribution of IR data to support enhanced compliance and security processes.

C. Modernized IRS Operations

- **Robotics Process Automation (RPA):** Robotic Process Automations (RPA) will enhance business process execution, efficiency, speed, and accuracy by automating repeatable manual tasks, allowing IRS employees to focus on higher value-added work and decreasing business cost. To prove the benefits of implementing automations within the IRS, a focus group of six manual processes across four business areas were selected for automation. These target automation efforts produced an average efficiency improvement of 77 percent over the manual processes, with one automation providing an improvement of 92 percent. During FY 2022 funding will be used to create enterprise RPA platform and automation development approach that can scale to meet the growing IRS automation demand and leverage intelligent automation technologies like artificial intelligence and machine learning for the future.
- **Data Digitization:** Data Digitization is the process of converting analog information into a machine-readable digital format that can be stored digitally through traditional scanning processes, transcription, or other technology, and can be processed by a computer to be easily shared and accessed. The IRS achieved significant operational efficiencies by digitizing paper processes and increasing access to electronic data to support advanced analytics. This effort will implement new technology to scan and store incoming paper forms and correspondence in an electronic format, as well as modify the paper processing pipeline and retire additional legacy systems. IRS seeks a coordinated approach to scan paper, convert it to OCR content, apply standardized metadata, and integrate the digital result with records and content management systems so that content is systematically maintained and easily retrieved. Data Digitization will modernize and integrate technologies and systems that support secure, flexible, and accurate work across IRS functions and promote operational efficiencies and coordination across business units. Data Digitization promotes centralized scanning and data extraction across all business units to reduce operational complexity, streamlines business processes and enhances portfolio rationalization by adopting existing systems to process both paper and electronic forms, and strengthens data intake capabilities to enable the validation, storage, protection, and sharing of data.

- **Application Programming Interface (API) Implementation:** API Implementation incorporates efforts to drive internal and external API deployment. APIs allow data exchange through services via standard, reusable common programming code, allowing software developers to design applications that interact with one another and expose back-end data/systems in a uniform and consistent way. The implementation of capabilities will provide:
 - Physical environments for deploying new APIs that support IRS business operations and stakeholders who rely on IRS data
 - An environment where authorized parties have easier access to IRS data and streamlines the data exchange, which places the IRS in a better position to serve clients and helps ensure the most efficient use of common services
 - An environment where customers can have secure access to taxpayer data
 - A governance and life cycle management framework for the design, development, test, deployment, and maintenance of APIs

API implementation has developed the API Initial Operating Capability and deployed three APIs on the Enterprise Systems Access Management (ESAM) platform for automated registration. In the future, API Implementation will continue to enable Enterprise API Deployment and Management through tools and deployment of services for both producers and consumers of APIs as well as a consistent approach for API development, utilization, as well as management through imbedded system automation.

- **Universal Data Hub / Analytics Tools / Platform (UDH):** UDH consists of a modernized infrastructure providing universal data access under a unified technology platform. This effort is instrumental to delivering on IRS' Strategic Goal of using facts and data to inform decision-making and provide more robust access to data. This program will streamline data availability and allow for more data-driven business decisions. UDH will also support foundational architecture and technology elements that enable business capabilities like real-time processing, error correction, expanded online tools and data analytics capabilities, improved fraud detection, and other anomaly detection capabilities. UDH provides universal access to tax data, 3rd party metadata and other data in formats most suitable for operational use and analytical consumption. While UDH will provide analytics tools and service, the true value lies in establishing a data pipeline to provide data to Business and IT

users in a seamless and expedited fashion and make data more readily available for analytics and operational use.

- **Cloud Execution:** The Enterprise Cloud program will adopt cloud technologies to enable the delivery of secure, agile, and efficient service offerings to the enterprise and the taxpayer. The IRS Cloud Target State calls for achieving a hybrid, multi-cloud ecosystem with multiple Cloud Service Providers (CSPs), service models, and deployment models. The program has developed a Cloud Roadmap which is a three-year plan/view of activities to progress towards the IRS Cloud Target State. To mature the ecosystem, it completed NetHub AWS GovCloud (IRS's cloud of choice for FY 2021) Release 1 providing access to AWS GovCloud for cloud consumers and built a Continuous Integration/Continuous Development pipeline that will deploy containerized applications to AWS GovCloud environments and support cloud migrations. An application modernization approach was developed to identify and determine future cloud migrations and migration paths. The program has also developed a framework to assess impacted workforce and identify training needs for cloud consumers and cloud foundational capabilities identified in the Cloud Roadmap. Future plans include maturing the cloud ecosystem, introducing new or improve existing capabilities to accelerate app migration, enhancing cyber security resilience, and streamline provisioning of cloud services.
- **Next Generation Infrastructure:** Next Generation Infrastructure provides a more efficient, scalable, and flexible architecture by implementing advanced IT infrastructure tools and technologies for compute, network, and storage activities. The combination of these capabilities will help further automate and modernize the technology infrastructure and convert legacy code to modern programming languages.

D. Cybersecurity and Data Protection









- **Vulnerability and Threat Management (VTM):** VTM enhances the ability to secure taxpayer data and systems through full visibility of hardware and software on the network and enhances incident response and detection of internal threats to data and systems yielding increased vigilance and proactive monitoring of overall risk. VTM provided an Initial Operating Capability (IOC) for the Enhanced Security Testing (EST) and Process automation to deliver enhanced security testing throughout the system development lifecycle which is expected to achieve over 80 percent code vulnerability reduction and over 85 percent review time reduction during FY 2021 filing season. VTM delivered IOC capabilities for analytics tools which will leverage machine learning to

proactively identify and respond to emerging insider threats and fraudulent behavior. VTM will continue to enhance security testing capabilities, with specific emphasis on detecting insider threats and fraudulent activity. It will also embed and integrate security into the system development lifecycle, so security concerns are identified and addressed prior to system deployment, and will continue to aggregate collected data from a diverse set of security tools, analyze and query the data, and provide overall situational awareness by establishing a dashboard that helps identify cybersecurity risks and enables rapid remediation.

- **Identity and Access Management (IAM):** IAM includes development of a common platform for secure authorization and authentication services to protect sensitive data at rest and in transit through discrete encryption capabilities. Leveraging the common platform in the organization's operational architecture as well as its cloud migration plan, the IAM program successfully provided initial operating capability. As a result, prevention/mitigation of malicious or unintended access and disclosure of taxpayer and other sensitive data was achieved. Through continued modernization and phased maturation of common platform capabilities, as well as process improvement efforts, the IAM program will deliver final operating capability. The program is responsive and agile, adapting to changing requirements of the operational environment throughout its implementation. The program is currently on track to support the intended end-state solution for data protection at rest and in transit. A fully functional IAM capability allows the organization to understand who is on the network and is conducive to supporting the Privileged Access Management (PAM) function for automated provisioning/deprovisioning of access to devices on the network.
- **Security Operations and Management (SOM):** SOM provides enhanced capability to secure taxpayer data and systems through full visibility of hardware and software on the network and improve incident response and detection of internal threats to data systems. The organizational requirement for effective and efficient security within systems spans across multiple environments. SOM establishes security standards, services, and tools appropriate and adaptable to an evolving technology landscape. Integration of security processes into service designs, operational lifecycles, and everyday business practices ensures delivery of systems and technology with inherent security-minded characteristics and features. SOM is an iterative and continuous business best practice focused on security measures throughout the enterprise and development lifecycle. Integrating security throughout the

delivery lifecycle requires phased testing at all stages of technological development, collaboration between teams to define and support secure approaches, and the proactive embedding of cybersecurity within new technologies prior to entering production. This capability is on track to deliver the desired end state of end-to-end visibility and common platforms. In concert with IAM and VTM, SOM facilitates a stronger security posture for the agency through technological advancement and process modernization. SOM provides IRS security practitioners the information needed to stay ahead of the curve, and to proactively build-in the system capacity for responsiveness and resilience against known, unknown, or unanticipated threats.

VI. Modernization Initiatives Alignment to IT Strategic Plan

IT Strategic Plan Goals		Modernization Plan Initiatives	Web Applications	Taxpayer Digital Communications Outbound Notifications (TDC-ON)	Live Assistance (Callback & Omnichannel)	Customer Account Data Engine (CADE) 2 Transition State / CADE 2 Target State	Enterprise Case Management	Real-Time Tax Processing	Information Returns System Processing	Application Programming Interface (API)	Cloud Execution	Data Digitization	Next Generation Infrastructure	Robotics Process Automation	Universal Data Hub / Analytics Tools/Platform	Identity & Access Management (IAM)	Security Operations & Management	Vulnerability & Threat Management
	GOAL 1	Customer Experience Enhance the experience for taxpayers, third parties, and IRS employees through omnichannel solutions that are transparent, easy-to-use, and secure	✓	✓	✓			✓		✓	✓	✓	✓		✓	✓	✓	✓
	GOAL 2	Applications and Services Architect modular and reusable technology solutions to incrementally reduce technical debt	✓				✓	✓	✓	✓	✓	✓	✓		✓			
	GOAL 3	Data Advance data quality, access, usability and analytics to inform decision making and improve tax administration				✓		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
	GOAL 4	Platforms and Infrastructure Increase the efficiency and currency of technology investments through the reuse of common enterprise services on resilient, scalable, and open platforms	✓			✓	✓	✓		✓	✓	✓	✓		✓			
	GOAL 5	Security Protect the security and integrity of the tax system	✓	✓	✓						✓				✓	✓	✓	✓
	GOAL 6	Workforce Cultivate a well-equipped, diverse, flexible and engaged workforce				✓	✓							✓				
	GOAL 7	Technology Management Adopt and embrace modern technology management practices that keep pace with industry		✓	✓	✓	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓
	GOAL 8	Innovation Continually drive adoption of new ways of working	✓				✓	✓		✓			✓					

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

The actual cost and actual revenue collected for FY 2016 through FY 2020 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. 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. 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 2016			FY 2017			FY 2018			FY 2019			FY 2020		
	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI	Cost ¹	Revenue	ROI
IRS Total	\$5,592	\$54,291	9.7	\$5,506	\$56,914	10.3	\$5,559	\$59,366	10.7	\$5,418	\$57,523	10.6	\$6,542	\$51,085	7.8
Examination	3,782	12,023	3.2	3,693	15,102	4.1	3,716	15,017	4.0	3,568	10,877	3.0	4,764	8,253	1.7
Collection	1,576	37,259	23.6	1,600	36,498	22.8	1,635	38,985	23.8	1,625	41,793	25.7	1,588	38,948	24.5
Automated Underreporter (AUR)	234	5,009	21.4	214	5,314	24.9	208	5,364	25.7	225	4,853	21.6	190	3,884	20.4

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

3.3 – IRS Performance Measures Table

IRS Performance Measures								
Performance Measures	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2020 Target	FY2021 Target	FY2022 Target
Customer Service Representative Level of Service (LOS) ¹	53.4%	77.1%	75.9%	65.4%	53.1%	60.0%	32.0%	75.0%
Customer Accuracy - Tax Law (Phones)	96.4%	96.7%	95.5%	91.6%	91.0%	92.0%	90.0%	90.0%
Customer Accuracy - Accounts (Phones)	96.1%	96.0%	96.1%	94.3%	93.5%	94.0%	91.0%	91.0%
Timeliness of Critical Filing Season Tax Products to the Public ²	92.5%	93.1%	59.6%	92.6%	78.4%	89.0%	85.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public ²	98.0%	96.7%	100.0%	96.1%	96.0%	89.0%	85.0%	89.0%
Percent of Business Returns Processed Electronically ^{3a}	50.0%	52.9%	55.6%	57.8%	67.4%	60.0%	Discontinued	Discontinued
Enterprise Self-Assistance Participation Rate ⁴	89.0%	79.0%	82.0%	85.4%	90.6%	82.0%	89.0%	89.0%
Taxpayers Satisfied with the IRS (based on 100 point scale) ⁵	74	74	74	73	74	Indicator	Indicator	Indicator
Examination Coverage - Individual ^{3b}	0.7%	0.6%	0.6%	0.45%	0.29%	0.48%	Discontinue	Discontinue
Examination Coverage - Business (Assets > \$10 million) ^{3b}	3.0%	2.5%	2.2%	1.6%	1.3%	1.7%	Discontinue	Discontinue
Examination Efficiency - Individual	143	121	131	109	76	115	111	117
Automated Underreporter Coverage ^{3a}	2.3%	2.2%	2.0%	1.3%	0.6%	1.7%	Discontinued	Discontinued
Time to Start Compliance Resolution ⁶		58.8%	60.1%	60.9%	66.3%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing ⁶		491	494	469	491	Indicator	Indicator	Indicator
Repeat Non-Compliance Rate ⁶		29.2%	30%	31.4%	35.6%	Indicator	Indicator	Indicator
Collection Coverage (Units)	43.4%	42.2%	41.6%	41.3%	34.9%	39.7%	33.0%	33.0%
Cost to Collect \$100	\$0.35	\$0.34	\$0.34	\$0.33	\$0.35	Indicator	Indicator	Indicator
Criminal Investigations Completed	3,721	3,089	3,051	2,797	2,624	2,700	2,600	2,600
Conviction Rate	92.1%	91.5%	91.7%	91.2%	90.4%	92.0%	92.0%	92.0%
Rentable Square Feet per Person		297	301	298	278	298	280	270
Percent of Aged Hardware ⁷	52.2%	52.3%	45.5%	31.0%	16.0%	30.0%	20.0%	20.0%
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	76.2%	50.0%	72.2%	88.9%	84.2%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	85.7%	88.9%	83.3%	88.9%	94.7%	90.0%	90.0%	90.0%

¹ These telephone phone lines service 78% of all telephone traffic. The FY20 Enterprise LOS is 51.2%. The Enterprise LOS measures the relative success rate of taxpayers calling to speak with an IRS Assistant on any IRS toll-free line—not just those answered by Accounts Management CSRs.

² Modified in FY 2019

³ a. Discontinued in FY 2020; b. Requested discontinuing measure for FY 2021 budget reporting; new measures under development for FY 2021.

⁴ 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.

⁵ 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.

⁶ New measure added for FY20; historical data provided for comparative purposes.

⁷ The measure definition changed in FY18; 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.

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 Accuracy - Tax Law Phones	The percentage of correct answers given by a live assistant on Toll-free tax law inquiries.
Customer Accuracy - 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 (CIFS) tax products available to the public seven calendar days before the official IRS start of the (individual) filing season. CIFS tax products are those tax forms, schedules, instructions, and publications required by large number of filers to prepare a complete and
Timeliness of Critical TE/GE & Business Tax Products to the Public	The percentage of Critical Tax Exempt/Government Entities (TE/GE) and Business (CTB) tax products available to the public seven calendar days before the official IRS start of the individual filing season. CTB tax products are forms, schedules, instructions, and publications used by large number of TE/GE and Business filers to prepare a complete and reasonably accurate return or form by the filing date occurring during the fiscal year (e.g., income tax, excise tax, exempt organization return, etc.).
Percent of Business Returns Processed Electronically	The percentage of electronically filed business tax returns divided by the total business returns filed.
Enterprise Self Assistance Participation Rate	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Taxpayers Satisfied with the IRS (based on a 100-point scale)	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	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.
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) 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 median time it takes to close all individual income tax enforcement cases in days (excluding disaster, bankruptcy, and TEFRA cases for exam and collection cases that are not closed as full paid), starting from filing date.
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.
Cost to Collect \$100	The cost of collecting \$100 is computed as total operating costs divided by gross collection multiplied by 100.
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.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
Rentable Square Feet per Person	The amount of Rentable Square Feet the IRS maintains per person requiring space.
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 2020 Savings Realized

Increase e-File Savings

FY 2020 Actual Savings: -\$9,600,000 / -180 FTE

FY 2022 Projected Savings: -\$5,585,000 / -101 FTE

The IRS realized savings of \$9,600,000 and 180 FTE in FY 2020 because of the decrease in the number of paper returns processed/filed. The number of paper returns received by the IRS decreased by 2,343,531 from FY 2019 to FY 2020 which included 915,062 fewer individual paper returns and 1,428,469 fewer business paper returns.

Section IV – Appendix

4.1 - COVID-19 Supplemental Funding

Table 1: Spend Plan Including Realignment and OED through March 31, 2021

Appropriation \$ in Thousands	Initial Spend Plan	Realignments through March 31, 2021 ¹	Current Spend Plan	OED through March 31, 2021	Balance Remaining
CARES Act and Families First Coronavirus Response					
Taxpayer Services	\$352,900	\$7,891	\$360,791	\$346,293	\$14,498
CARES Act - Rebates (P.L. 116-136)	293,500	7,891	301,391	289,183	12,208
CARES Act - Supplemental (P.L. 116-136)	59,400		59,400	57,110	2,290
Enforcement	\$79,200	(\$16,497)	\$62,703	\$40,734	\$21,969
CARES Act - Rebates (P.L. 116-136)	37,200	(16,497)	20,703	7,145	13,558
CARES Act - Supplemental (P.L. 116-136)	42,000		42,000	33,588	8,412
Operations Support	\$333,600	\$8,606	\$342,206	\$287,554	\$54,652
Families First Coronavirus Response Act (P.L. 116-127)	15,000		15,000	14,988	12
CARES Act - Rebates (P.L. 116-136)	170,000	8,606	178,606	141,746	36,860
CARES Act - Supplemental (P.L. 116-136)	148,600		148,600	130,820	17,780
Total CARES Act and Families First Coronavirus Response	\$765,700		\$765,700	\$674,581	\$91,119
Consolidated Appropriations Act, FY 2021 (EIP3)					
Taxpayer Services	\$196,435		\$196,435	\$157,982	\$38,453
Consolidated Appropriations Act, FY 2021 (P.L. 116-260)	196,435		196,435	157,982	38,453
Operations Support	\$312,565		\$312,565	\$129,290	\$183,275
Consolidated Appropriations Act, FY 2021 (P.L. 116-260)	312,565		312,565	129,290	183,275
Total Consolidated Appropriations Act, FY 2021	\$509,000		\$509,000	\$287,272	\$221,728
American Rescue Plan					
Taxpayer Services	\$422,125		\$422,125		\$422,125
Advance Tax Year 2021 Child Tax Credit (P.L. 117-2)	206,300		206,300		206,300
Cost of Economic Impact Payment 3 (P.L. 117-2)	215,825		215,825		215,825
Operations Support	\$939,575		\$939,575		\$939,575
Advance Tax Year 2021 Child Tax Credit (P.L. 117-2)	190,900		190,900		190,900
Cost of Economic Impact Payment 3 (P.L. 117-2)	248,675		248,675		248,675
Cost to Integrate, Modernize, and Secure IRS Systems (P.L. 117-2)	500,000		500,000		500,000
Business Systems Modernization	\$500,000		\$500,000		\$500,000
Cost to Integrate, Modernize, and Secure IRS Systems (P.L. 117-2)	500,000		500,000		500,000
Total American Rescue Plan	\$1,861,700		\$1,861,700		\$1,861,700
Total by account					
Taxpayer Services	971,460	7,891	979,351	504,275	475,076
Enforcement	79,200	(16,497)	62,703	40,734	21,969
Operations Support	1,585,740	8,606	1,594,346	416,844	1,177,502
Business Systems Modernization	500,000		500,000		500,000
Total	\$3,136,400		\$3,136,400	\$961,853	\$2,174,547

CARES Act and Families First Coronavirus Response Act (P.L. 116-36)

Beginning in mid-March 2020, IRS employees worked around the clock to implement major provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The IRS and Treasury began delivering the first round of EIPs within two weeks of the legislation. The IRS ultimately issued more than 160 million EIPs to taxpayers across the country totaling over \$270 billion, while simultaneously managing an extended filing season. The IRS also delivered hundreds of printed products on the COVID-19 pandemic, more than 1,300 social media postings, and more than 500 informational postings on IRS.gov. Working with partners in the tax professional community, the IRS translated key EIP information into 35 different languages.

The 2020 filing season brought its own unique challenges, but the IRS responded by

breaking records—Modernized e-File (MeF) receipts topped 303 million, including a single-day record that totaled more than 10 million receipts. IRS processed more than 2.275 million e-filed returns at a record hourly rate of 631 submissions per second, resulting in refunds reaching taxpayers faster. IRS shifted its response to the pandemic by extending filing season to July 15, 2020, using innovative programming, which allowed us to implement the changes quickly with no impact to American taxpayers. Undertaking implementation of this complex legislation during the 2020 filing season was very resource intensive. By February 2021, IRS implemented programming changes in IT systems to update Recovery Refund Credit (RRC) eligibility criteria, ensuring all returns with a RRC claim were processed accurately in compliance with the tax law. Due to the closure of more than 90 percent of our buildings, IRS rescaled operations for activities such as paper processing and sending notices. We maintained core operations with about 57,000 employees teleworking and others remaining in various facilities.

Throughout the COVID-19 pandemic, technology was the cornerstone of the IRS's ability to continue mission-critical work to support the American taxpayer. The IRS ensured continuity of services and support to taxpayers utilizing technology. As of September 2020, 100 percent of customer service representatives were teleworking capable. IRS enabled more than 77,000 telework end users with remote virtual private network (ERAP) access to securely connect to the IRS network.

On July 15, 2020, IRS began to test, package and then successfully deployed Zoom Government (Zoom.Gov) collaboration capabilities. Zoom capabilities were initially made available to 1,400 Office of Chief Counsel personnel, enabling attorneys to perform U.S. Tax Court litigation activities in a virtual environment. Ultimately, Zoom collaboration capabilities were extended to all employees by November 2020. This accomplishment provided employees enhanced video conferencing capabilities to conduct large virtual office collaboration meetings.

IRS expanded the 'Live Assistance/Callback' feature, resulting in offering 77 percent of filing season 2020 telephone callers the option to receive a callback, with over 85 percent of callbacks successful. For filing season 2021, IRS has worked to increase the scope of customer callback for toll-free taxpayer calls from 5 phone business applications/product lines to 16 phone applications/product lines. This should increase coverage from 19 percent of taxpayer calls to approximately 40 percent. Customer Callback for filing season 2021 went live on January 4, 2021.

Consolidated Appropriations Act, FY 2021 (P.L. 116-260)

A second round of EIPs were signed into law on December 27, 2020, and payments began posting to bank accounts just two days after legislation was enacted. IRS processed 147 million payments totaling \$142 billion. As of March 31, 2021, IRS has sent more than 138 million notices to an eligible taxpayer. IRS also issued approximately 36.6 million EIPs (includes reissued payments) in the form of paper checks or debit cards for taxpayers where the IRS did not have direct deposit information. Between January 25 – 28, 2021, IRS processed the EIP 2 Reissuance Payments of 5.2 million rebate refunds, totaling \$5.8 billion.

IRS increased EIP telephone service through a contract that assists with the increased volume of taxpayer questions and concerns related to EIPs using an IRS prepared scripts to answer general EIP taxpayer questions. This allows IRS CSRs to focus on more complex EIP inquiries, critical filing season calls and refund protection concerns. Approximately 23.2 million total EIP 2 calls were answered through March 12 (cut-off date for EIP 2); of that volume approximately 730 thousand were answered by IRS assistors, 17.9 million were answered through automation, and 4.5 million were answered by the contractor.

American Rescue Plan (P.L. 117-2)

The American Rescue Plan was enacted on March 11, 2021, IRS was allocated \$1.862 billion. Of this, \$397.2 million was for the implementation of the advance tax year 2021 child tax credit, \$464.5 million to administer the third round of economic impact payments (EIP 3), and \$1 billion for to integrate, modernize, and secure IRS systems. As of May 12, 2021, the IRS, in partnership with Treasury and the Bureau of Fiscal Service, disbursed approximately 165 million round-three EIPS, with a total value of approximately \$388 billion.

In addition, the U.S. Department of the Treasury and IRS announced in May that the first monthly payment of the expanded and newly-advanceable Child Tax Credit (CTC) from the American Rescue Plan will be made on July 15. Roughly 39 million households — covering 88 percent of children in the United States — are slated to begin receiving monthly payments without any further action required.

Treasury and the IRS also announced the increased CTC payments, will be made on the 15th of each month, unless the 15th falls on a weekend or holiday, allowing families who receive the credit by direct deposit to plan their budgets around receipt of the benefit. Eligible families will receive a payment of up to \$300 per month for each child under age 6 and up to \$250 per month for each child age 6 and above. Households covering more

than 65 million children will receive the monthly CTC payments through direct deposit, paper check, or debit cards, and Treasury and the IRS are committed to maximizing the use of direct deposit to ensure fast and secure delivery. While most taxpayers will not be required to take any action to receive their payments, Treasury and the IRS will continue outreach efforts with partner organizations over the coming months to make more families aware of their eligibility.

4.2 - Mandatory Funding and Program Integrity Allocation Adjustment Proposals

A well-functioning tax system requires that all taxpayers pay what they owe. An unfortunate characteristic of the current system, however, is an asymmetric adherence to tax law by the nature of income received. While reporting compliance is roughly 99% on wages, compliance across other forms of income is substantially less as the IRS has difficulty verifying whether income from opaque sources is properly reported. Noncompliance is concentrated at the top of the income distribution. A recent study found that the top one percent of earners failed to report 20 percent of their income and failed to pay nearly \$175 billion in taxes owed annually.¹

Lower levels of compliance not only impact the fairness of the tax system, but they also lower tax revenue and deteriorate our nation's fiscal position. Left unaddressed, this tax gap—the difference between taxes owed to the government and taxes actually paid—will total about \$7 trillion over the course of the next decade. This massive gap in revenue means policymakers must choose between higher taxes elsewhere in the tax system, lower spending on fiscal priorities, or rising budget deficits.

The tax gap has many underlying causes, chief among them being insufficient IRS enforcement. Budget cuts over the past decade have resulted in an agency that lacks the capacity to address sophisticated tax evasion efforts. Over this period, audit rates for taxpayers making over \$1 million in income have fallen by almost 80 percent.

A robust and sustained investment is necessary to ensure the IRS can do its job of administering a fair and effective tax system. The IRS requires more resources to conduct investigations into underreported income and to pursue high-income taxpayers who evade their tax liability through complex schemes. It requires 21st century technology to unpack complex tax returns and track income across various opaque sources. The IRS also needs access to better information so that the agency can target its efforts at the most egregious offenders, while helping compliant taxpayers avoid unnecessary and costly audits. This investment will also put the IRS in a position to provide taxpayers with timely answers to questions.

These considerations provide the basis for a series of proposals in the American Families Plan that overhaul tax administration and provide the IRS with the resources and information it needs to address tax evasion. A key component of this initiative is the provision of a sustained, multi-year stream of funding for tax administration. The President's proposals provide roughly \$80 billion to the IRS, including \$72.5 billion in mandatory funding and a \$6.7 billion program integrity allocation adjustment, over a decade to fund an array of priorities. The proposals also direct that additional resources go toward enforcement against those with the highest incomes, rather than Americans with actual income of less than \$400,000. Specifically, the proposals will.

- **Provide the IRS with the resources it needs to stop sophisticated tax evasion.** Over the last decade, a declining IRS budget has deprived it of the resources it needs to effectively enforce our nation's tax laws. After accounting for inflation, the IRS budget has fallen by about 20 percent, and its workforce has been depleted, with the number of revenue agents (who are dedicated to high-end evasion and large corporate cases) falling by 35 percent. As a result, IRS audits have fallen across the board, and particularly for the highest earners.

The IRS has made clear that it needs additional resources to pursue costly tax evasion. These are not easy cases to resolve; the average investigation of a high-wealth individual takes two years to complete and often requires the IRS to commit substantial resources.

¹ TAX EVASION AT THE TOP OF THE INCOME DISTRIBUTION: THEORY AND EVIDENCE
<http://www.nber.org/papers/w28542>

Moreover, the lack of adequate investment in compliance has significant revenue consequences. Indeed, several hundred taxpayers who committed the most egregious form of evasion—failing to file taxes all together—cost the Federal Government \$10 billion over a period of just three years.

- **Overhaul outdated technology to help the IRS identify tax evasion.** Elements of IRS IT systems are antiquated and make it difficult for the IRS to identify those who are not paying their taxes and to help those who want to comply. The President's proposal provides the IRS much-needed resources to modernize its technological infrastructure. Leveraging 21st century data analytic tools will enable the IRS make use of new information about income that accrues to high-earners and will help revenue agents unpack complex structures, like partnerships, where income is not easily traced.

- **Improve taxpayer service and deliver tax credits.** A well-functioning tax system requires that taxpayers be able to interact with the IRS in an efficient and meaningful manner. Inadequate resources often mean that IRS customer service representatives are unable to provide taxpayers timely answers to their tax questions. Service enhancement will improve the ability of the IRS to communicate with taxpayers securely and promptly. Importantly, the proposal also includes the necessary resources to ensure that the IRS effectively and efficiently delivers tax credits to families and workers, including newly expanded Child Tax Credits and Child and Dependent Care Tax Credits.
- **Regulate paid tax preparers.** Taxpayers often make use of unregulated tax preparers who lack the ability to provide accurate tax assistance. These preparers submit more tax returns than all other preparers combined, and they make costly mistakes that subject their customers to painful audits, sometimes even intentionally defrauding taxpayers for their own benefit. The President's plan calls for giving the IRS the legal authority to implement safeguards in the tax preparation industry. It also includes stiffer penalties for unscrupulous preparers who fail to identify themselves on tax returns and defraud taxpayers (so-called "ghost preparers").

The table below shows the breakdown of the proposed mandatory funding by account and by year.

Mandatory Proposal by Appropriation
In Millions

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total
Taxpayer Services	187	196	209	224	239	254	270	277	284	291	2,431
Enforcement	-	509	1,267	2,212	3,381	4,772	6,527	8,468	10,881	11,256	49,273
Operations Support	695	857	1,012	1,177	1,367	1,867	2,103	2,349	2,631	2,672	16,730
Business Systems Modernization	260	533	547	561	576	296	303	311	319	327	4,033
Mandatory total	\$1,142	\$2,095	\$3,035	\$4,174	\$5,563	\$7,189	\$9,203	\$11,405	\$14,115	\$14,546	\$72,467

The table below shows the revenue effects of the two proposals. These proposals will generate a total of \$316.2 billion in direct revenue and revenue protected and will cost \$79.2 billion over the course of a decade, for net revenue of \$237.0 billion over 10 years. Direct revenue is the enforcement revenue generated from IRS examination and collection efforts. Protected revenue results when IRS enforcement actions prevent the release of funds in response to taxpayers' efforts to recoup previously assessed and paid taxes.

Return on Investing in the IRS												Return Per Dollar Invested
\$M	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Total	
Mandatory												
Cost ¹	1,142	2,095	3,035	4,174	5,563	7,189	9,203	11,405	14,115	14,546	72,467	
FTE	2,642	6,729	13,326	20,874	29,783	39,803	51,770	64,770	80,349	81,743		
Direct Revenue	-	631	3,098	6,959	12,435	19,758	29,903	40,730	53,721	63,780	231,015	3.2
Revenue Protected	-	-	214	603	1,402	2,584	4,178	6,211	8,532	11,157	34,881	
Direct & Protected Revenue	-	631	3,312	7,562	13,837	22,342	34,081	46,941	62,253	74,937	265,896	3.7
Program Integrity Allocation Adjustment (FY 2022 Hiring Wave Only)												
Cost	417	647	643	660	677	694	712	731	750	769	6,700	
FTE	2,555	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109	5,109		
Direct Revenue	334	1,690	2,826	3,538	4,099	4,565	4,954	5,279	5,554	5,794	38,633	5.8
Revenue Protected	-	168	339	517	795	1,324	1,641	1,964	2,242	2,657	11,647	
Direct & Protected Revenue	334	1,858	3,165	4,055	4,894	5,889	6,595	7,243	7,796	8,451	50,280	7.5
Mandatory and Allocation Adjustment Combined												
Cost	1,559	2,742	3,678	4,834	6,240	7,883	9,915	12,136	14,865	15,315	79,167	
FTE	5,197	11,838	18,435	25,983	34,892	44,912	56,879	69,879	85,458	86,852		
Direct Revenue	334	2,321	5,924	10,497	16,534	24,323	34,857	46,009	59,275	69,574	269,648	3.4
Revenue Protected	-	168	553	1,120	2,197	3,908	5,819	8,175	10,774	13,814	46,528	
Direct & Protected Revenue ²	334	2,489	6,477	11,617	18,731	28,231	40,676	54,184	70,049	83,388	316,176	4.0

¹All costs represent budget authority in millions.

²Even with these adjustments, ROI estimates are a lower bound because they omit general deterrence effects that are difficult to measure.

4.3 - Appropriations Detail Table with Program Integrity Allocation Adjustment

In addition to the base appropriations request of \$13.2 billion request, the Budget proposes a \$417 million discretionary program integrity allocation adjustment in FY 2022 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 \$287 million for the Enforcement account and \$129 million for the Operations Support account. These investments will generate and protect \$50.3 billion in additional enforcement revenue over 10 years and will cost \$6.7 billion, for a net revenue of \$43.6 billion over 10 years. This return on investment (ROI) is likely understated because it does not reflect the effect that enhanced enforcement has on deterring non-compliance.

IRS Program Integrity Allocation Adjustment FY 2022 – FY 2031

<i>Dollars in Millions</i>											
Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2031
Base	\$9,334	\$9,577	\$9,826	\$10,082	\$10,344	\$10,613	\$10,889	\$11,172	\$11,462	\$11,760	\$105,058
Allocation	\$417	\$647	\$643	\$660	\$677	\$694	\$712	\$731	\$750	\$769	\$6,700
Outlays	\$375	\$620	\$641	\$657	\$676	\$692	\$710	\$729	\$749	\$767	\$6,616
Total (Base + Allocation)	\$9,751	\$10,224	\$10,469	\$10,741	\$11,020	\$11,307	\$11,601	\$11,902	\$12,212	\$12,529	\$111,758
Direct Revenue	\$334	\$1,690	\$2,826	\$3,538	\$4,100	\$4,564	\$4,954	\$5,279	\$5,553	\$5,795	\$38,634
Revenue Protected	\$0	\$168	\$339	\$517	\$795	\$1,324	\$1,641	\$1,964	\$2,242	\$2,657	\$11,647
Total Revenue	\$334	\$1,858	\$3,165	\$4,055	\$4,895	\$5,888	\$6,595	\$7,243	\$7,795	\$8,452	\$50,281

Return on Investment (ROI) for FY 2022 Enforcement Investments

Enforcement efforts generate and protect revenue, as well as encourage voluntary compliance for taxpayers who would otherwise seek to avoid meeting their tax obligations under the law. The IRS calculates an ROI for both revenue generating and revenue protecting investments. Generated revenue 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 2022 Revenue Generating Investments

The allocation adjustment includes \$308.2 million in investments for traditional enforcement and strategic revenue programs, such as examinations and collection activities, which are projected to generate more than \$4.6 billion in revenue once the investments reach full potential in FY 2024 with an expected total ROI of \$8.5 to \$1.

<i>Dollars in Millions</i>									
	First Year (FY 2022)			Second Year (FY 2023)			Full Performance (FY 2024)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
FY 2022 Revenue Producing Enforcement Initiatives	\$308.2	\$723.2	2.3	\$498.9	\$3,621.8	7.3	\$544.0	\$4,645.3	8.5
PI Allocation Adjustment Enforcement Initiatives	\$308.2	\$723.2	2.3	\$498.9	\$3,621.8	7.3	\$544.0	\$4,645.3	8.5
Immediate and Directly Measurable Revenue-Producing Initiatives	\$308.2	\$723.2	2.3	\$498.9	\$3,621.8	7.3	\$544.0	\$4,645.3	8.5
Increase Audit Coverage	148.8	394.1	2.6	245.6	1,652.6	6.7	267.6	2,150.9	8.0
Increase Collection Coverage	159.4	329.1	2.1	253.3	1,969.2	7.8	276.4	2,494.4	9.0

FY 2022 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 \$339.1 million in revenue that otherwise would need to be recovered from downstream enforcement actions for an estimated ROI of \$2.4 to \$1 by FY 2024.

FY 2022 Revenue Protecting Enforcement Initiatives

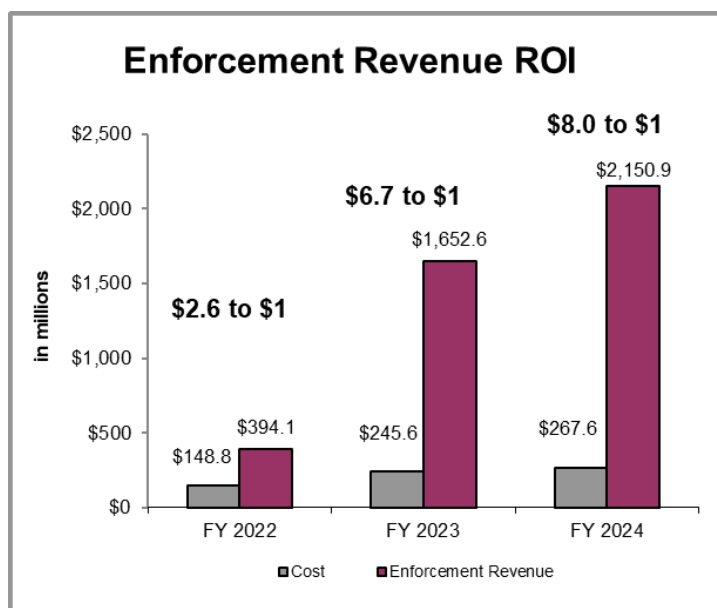
	First Year (FY 2022)			Second Year (FY 2023)			Full Performance (FY 2024)		
	Cost	Revenue	ROI	Cost	Revenue	ROI	Cost	Revenue	ROI
Revenue Protecting Initiatives <i>(which protect taxpayer information, prevents identity theft, and results in long-term revenue protection)</i>	\$108.5	\$0.0	0.0	\$144.0	\$168.0	1.2	\$140.7	\$339.1	2.4
PI Allocation Adjustment Revenue Protecting Initiative	\$108.5	\$0.0	0.0	\$144.0	\$168.0	1.2	\$140.7	\$339.1	2.4
Return Review Program	38.3	0.0	0.0	43.0	163.9	3.8	42.9	321.6	7.5
Expand Coverage in the Tax-Exempt Sector	37.9	0.0	0.0	66.7	0.0	0.0	64.5	0.0	0.0
Enhance Enforcement Operations	32.3	0.0	0.0	34.3	4.1	0.1	33.3	17.5	0.5

Increase Audit Coverage +\$148,810,000 / +1,043 FTE

Position Type/Other Costs	FTE	Positions	\$000
Examination Coverage	519	1,038	\$85,074
Revenue Agent	449	898	74,504
Tax Technician	70	140	10,570
Correspondence Examination	169	338	\$16,224
Revenue Agent	3	6	467
Tax Examiner	162	324	15,377
Manager/Support Staff	4	8	380
Document Matching	200	400	\$19,060
Tax Examiner	200	400	19,060
Other Direct Costs	155	310	\$28,452
Revenue Agent	38	76	7,429
Paralegal	7	14	895
Appeals Officer	6	12	1,112
Attorney	50	100	10,525
Tax Examiner	8	16	1,011
Seasonal		0	870
Support Staff	46	92	6,610
Total	1,043	2,086	\$148,810

This initiative requests additional examination employees. The decline in staffing since FY 2010 has led to a decrease in the individual audit coverage rate from 1.0 percent in Tax Year 2010 to 0.43 percent in Tax Year 2017, which increases the risk to the integrity of the nation's voluntary tax compliance system. As audit coverage rates have declined, individuals and businesses may decide that the chance of an IRS audit is minimal. Lower coverage rates can lead to taking riskier positions in tax reporting, especially since the IRS's audit coverage decline has been widely reported. The additional resources will fund a broad range of compliance priorities and allow for earlier case assignment and resolution. This investment is expected to annually produce additional revenue of \$2.2 billion, once the new hires reach full potential in FY 2024, an ROI of \$8.0 to \$1. These resources will help to:

- Improve the individual audit coverage rate by closing more



than 23,700 individual field examination cases and 58,700 correspondence examination cases; and

- Expand the Automated Underreported (AUR) program to process more than 570,000 additional cases (document matching of individuals decreased 80 percent from FY 2011 to FY 2020). Note that the FY 2020 rate was also impacted by COVID work restrictions.

Major Activities	Projected Revenue (\$M)	Projected Closures
Field Examination	509.2	23,752
Correspondence Examination	586.6	58,764
Document Matching/AUR	1,055.1	570,826
Total	\$2,150.9	653,342

Other Direct Costs (+\$28,452,000 / +155 FTE)

Dollars in thousands

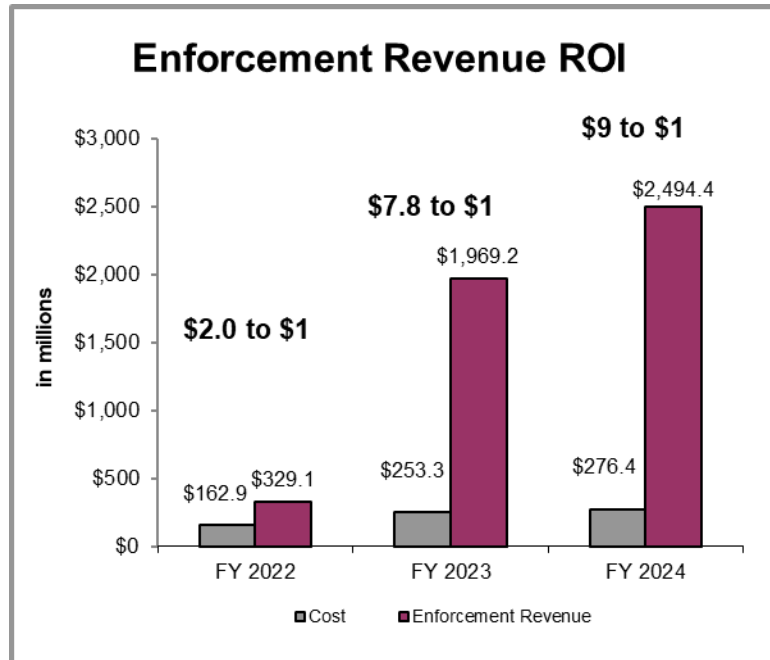
IRS Activity	Cost	FTE	Positions	Explanation
Appeals	\$9,553	52	104	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	\$14,212	74	148	Provide support for increases in requests for legal advice, litigation assistance, and published guidance on issues raised in audits.
Human Capital Office	\$1,643	9	9	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.
SB/SE Operations Support	\$1,922	14	28	Support hiring, training, human capital, technology needs, data analytics and resource requirements for the BU.
Privacy, Governmental Liaison and Disclosure	\$1,122	6	12	Address the increase in Freedom of Information Act requests as result of increased compliance activity.
Total	\$28,452	155	301	

Increase Collection Coverage +\$159,456,000 / +1,184 FTE

Position Type/Other Costs	FTE	Positions	\$000
Field Collection Coverage	458	916	\$73,655
Revenue Officer	458	916	73,655
ACS & ACS Support	359	718	\$36,360
Customer Service Representative	284	568	28,627
Tax Examiner	64	128	6,099
Support Staff	11	22	1,634
Correspondence Collection (CSCO)	168	336	\$15,497
Tax Examiner	149	298	13,768
Manager and Support Staff	19	38	1,729
Specialty Collection	25	50	\$2,961
Revenue Officer	19	38	2,263
Tax Examiner	3	6	277
Manager/Support Staff	3	6	421
Other Direct Costs	174	348	\$30,983
Paralegal	5	10	639
Appeals Officer	76	152	14,090
Attorney	31	62	6,341
Tax Examiner	14	28	1,770
Seasonal			726
Support Staff	48	96	7,417
OLS & EDI			
Total	1,184	2,368	\$159,456

These resources will be used to improve the IRS's capacity to work the collection inventory and answer taxpayer phone calls. Increased staffing will increase the overall collection coverage rate, which has declined 30 percent from FY 2010 to FY 2020 as millions of collection cases available to work were not disposed of each year due to lack of staffing and operational interruptions brought on by COVID in FY 2020. During the pandemic, collection operations were hindered by office shutdowns, a suspension of enforcement actions, and a suspension of balance due notices for case creation. This investment is expected to produce additional annual enforcement revenue of \$2.5 billion, an ROI of \$9.0 to \$1 once the new hires reach full potential in FY 2024. These resources will help the IRS to:

- Provide 916 additional field collection staff to expand programs that address non-filing and underpayment of taxes to handle 46,000 additional collection cases. Currently, there are over one million cases in the queue with an aggregate assessed balance of more than \$61 billion - 661,221 of these cases are high risk, which are cases that have a potentially higher collection yield and represent a higher compliance risk;



- Provide 568 additional Automated Collection System (ACS) staff to address an additional 378,000 ACS cases. The recent impact from COVID has further strained the ACS limited staff in its ability to work inventory and service taxpayers; and
- Expand several Compliance Services Collection Operations (CSCO) programs that address non-filing and underpayment of taxes through the notice process by 1 million notice dispositions and cases. More than 4,600 Offers-in-Compromise cases will also be closed, providing taxpayers another option to resolve their tax liability.

Major Activities	Projected Revenue (\$M)	Projected Closures
Field Collection	884.8	45,938
Automated Collection System	1,455.8	378,894
Offers In Compromise	22.1	4,672
Compliance Services Collection Operation/Non-Filer	131.7	899,584
Total	\$2,494.4	1,329,088

Other Direct Costs (+\$30,983,000 / +174 FTE)

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	16,960	90	180	Support Collection efforts and appropriately resolve these cases while providing a high level of customer service.
Chief Counsel	8,138	48	96	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Small Business/Self Employed Operations Support	2,197	16	32	Support hiring, training, human capital, technology needs, data analytics and resource requirements for the BU.
Privacy, Governmental Liaison and Disclosure	1,309	7	14	Address the increase in Freedom of Information Act requests as a result of increased compliance activity.
Human Capital Office	2,379	13	26	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.
Total	\$30,983	174	348	

Expand Coverage in the Tax-Exempt Sector *+\$37,950,000 / +244 FTE*

Position Type/Other Costs	FTE	Positions	\$000
Expand Protection and Coverage of Small Business and Tax Exempt Sponsored Plans	36.5	73	\$5,847
Revenue Agent	31.5	63	5,103
Manager	2.5	5	383
Support Staff	2.5	5	361
Protect Tax-Exempt Sectors and Government Entities	100	200	\$15,987
Revenue Agent	84	168	13,608
Tax Compliance Officer	8	16	1,155
Manager	8	16	1,224
Enhance Up-front Compliance for Applicant for Tax-Exempt Status	37	74	\$4,293
Revenue Agent	15	30	2,105
Tax Examiner	12.5	25	970
Manager	3	6	296
Support Staff	3	6	260
Attorney	3	6	570
Appeals Officer	0.5	1	93
Increase Voluntary Compliance	58	116	\$8,466
Revenue Agent	7	14	1,215
Tax Technician	22	44	3,045
Tax Examiner	21	42	3,032
Manager	3.5	7	536
Research Analyst	1	2	144
Support Staff	3.5	7	494
Other Direct Costs	12.5	25	\$3,357
Special Agent	5	10	1,982
Analyst	1.5	3	192
Attorney	5	10	1,086
Support Staff	1	2	97
Total	244	488	\$37,950

The tax-exempt sector comprises a large, diverse, and complex population, including:

- Over 1.8 million exempt organizations, reporting over \$4.5 trillion in assets and over \$2 trillion in revenue;
- Almost 800,000 employee plans, holding over \$8 trillion in assets for over 130 million plan participants;
- Over 25,000 government bond issues, representing over \$461 billion in bond proceeds, and over 2,750 tax-exempt private activity bond issues, representing over \$127 billion in bond proceeds; and
- Federal, state, and local governments employing than 21 million employees.

The IRS proposes a multifaceted approach to increase taxpayer confidence and ultimately protect taxpayers by enhancing taxpayer education, voluntary compliance, and enforcement coverage for employee retirement plans, exempt organizations, tax-exempt bonds, and Federal, state, and local governments. These resources will be used to expand taxpayer education, voluntary compliance, and general compliance activities in the tax-exempt sector. In addition, these resources will help prevent fraud and ultimately improve taxpayer confidence in the tax-exempt.

Once the requested staff are fully trained, the IRS anticipates these additional resources will increase the number of examination closures by approximately 9,291.

Other Direct Costs (+\$3,357,000 / + 12.5 FTE)

Dollars in thousands

IRS Activity	Cost	FTE	Positions	Explanation
Appeals	\$97	1	2	Support examination efforts on key compliance areas focused on improving voluntary compliance and providing a high level of customer service.
Chief Counsel	\$1,086	5	10	Provide support for increases in requests for legal advice, litigation assistance, and collection due process.
Criminal Investigation	\$2,174	6.5	13	Support Criminal Investigations pertaining to refund fraud prevention. Examination efforts on fraud prevention enforcement, advance complex cases, litigation advance cases and other tax compliance areas focused on improving high level service.
Total	\$3,357	12.5	25	

Enhance Return Review Program +\$38,341,000 / +60 FTE

Position Type/Other Costs	FTE	Positions	\$000
Improve Return Review Program			
Tax Examiner	60	120	5,427
Contractual Services			32,914
Total	60	120	\$38,341

This investment provides funding for staff, hardware, software, and contractual services for deployed Return Review Program (RRP) applications.

Since October 2016, the 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. In FY 2020, RRP confirmed more than \$826 million in Identify Theft and \$2.3 billion in Non-Identity Theft fraud protection. In FY 2020 RRP had a return on investment (ROI) of \$56 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 funds for annual maintenance 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 service to update the rules engines and data analytics.

Enhance Enforcement Operations +\$32,340,000 / +23 FTE

Position Type/Other Costs	FTE	Positions	\$000
Enhance Enforcement Operations			
IT Specialist	23	46	3,340
Hardware and Software			6,000
Contractual Services			23,000
Total	23	46	\$32,340

Funding for this investment will allow the IRS's Criminal Investigation division (IRS-CI) to:

- Expand the use of specialized contractor support service provided by a group of cyber/crypto experts;
- Build an internal dashboard for cryptocurrency/blockchain analytics;
- Establish a One-IRS approach to cryptocurrency non-compliance around both tax and non-tax case development;
- Seek private sector expertise in applied analytics, cybercrime, forensic accounting/discovery support, investigative support, and related consulting services; and
- Support the following functions:

Cyber/Crypto Experts

Currently, IRS-CI has contractors to perform three distinct functions: case support and analysis on the highest priority cases; implementing and maintaining cyber-crimes data environment (operational datasets, servers, workstations, and support); and developing operational tools and capabilities to hunt cyber criminals. These contractors have been embedded within IRS-CI's Eastern Cyber Crimes Unit (CCU) since its establishment and continue to be a critical lifeline for the success of the program area. In IRS-CI's Western CCU, a specialized contractor assists in the development efforts to build an internal, CI-owned dashboard, called STRIKES, for cryptocurrency/blockchain analytics. This tool harnesses the power of existing vendor products to combine them and take advantage of the strengths each provides. Due to the interoperability with IRS-CI data (Cyber data, Under Cover (UC) information, subpoenas, search warrants, Open-source intelligence (OSINT)), this tool will soon become an enterprise-wide capability.

Crypto Case Development

IRS-CI, in conjunction with the Advanced Collaboration and Data Center (ACDC), will look to establish a One-IRS approach to cryptocurrency non-compliance around both tax and non-tax case development. Partnering with other IRS business units, this contract would bring on investigators to provide illicit activity pattern identification and

monitoring. Paired with extensive intelligence gathering, these contractors would supply proactive lead generation around tax compliance and illegal activities involving cryptocurrency. Additionally, these contractors would be strategically positioned within the ACDC facility to leverage training and subject matter expertise. The plan would be to expand the scope of work and reassess the return on investment each year to determine continuation.

Strategic Priorities, Accelerated Results (SPAR)

The IRS must make use of technology and data to help drive case selection and efficiency in the critical work IRS-CI performs. Funding for SPAR will allow the IRS to use resources for applied analytics, cybercrimes, related consulting services, investigative support, and forensic accounting/discovery support, and will:

- Maintain and improve the IRS's ability to trace virtual currency transactions in financial investigations and utilize emerging tools and technology to combat cyber enabled financial crimes;
- Modernize training of investigative staff, including special agents and investigative analysts, which will enable IRS-CI to improve its ability to enforce the law, ensure tax compliance with tax responsibilities, and aid the IRS in combating fraud;
- Allow investigations of large-scale fraud in a more efficient manner, utilizing forensic accounting jump teams to provide support as needed in significant tax investigations;
- Provide models, algorithms, and the means to efficiently review the millions of records and evidence IRS-CI obtains to help identify areas of tax fraud;
- Allow the use of data analytics and other technologies like "predictive policing" to help give a clearer picture to IRS-CI for future enforcement areas; and
- Modernize processes and infrastructure to allow efficient and effective use of resources.

4.4 – Summary of IRS FY 2022 Request by Business Unit (including the Program Integrity Allocation Adjustment)

	Taxpayer Services		Enforcement		Operations Support		BSM		Total	
By Business Unit:	Dollars	% of TS Appropriation	Dollars	% of ENF Appropriation	Dollars	% of OS Appropriation	Dollars	% of BSM Appropriation	Dollars	% of Total Budget
Information Technology					2,370,703,165	53.30%			2,675,735,157	20.34%
Wage & Investment	2,505,410,796	85.19%	276,687,263	5.06%	213,835,324	4.81%			2,995,933,383	22.77%
Small Business/Self-Employed			2,332,417,204	42.70%					2,332,417,204	17.73%
Facilities Management and Security Services					1,144,142,685	25.72%			1,144,142,685	8.70%
Large Business and International	785,308	0.03%	1,003,019,659	18.36%	1,008,138	0.02%			1,004,813,105	7.64%
Criminal Investigation			722,677,719	13.23%	3,867,431	0.09%			726,545,150	5.52%
Chief Counsel	23,388,595	0.80%	400,564,811	7.33%	34,509	0.00%			423,987,915	3.22%
Human Capital Office					310,036,846	6.97%			310,036,846	2.36%
Tax Exempt & Government Entities	8,160,951	0.28%	254,943,157	4.67%					263,104,108	2.00%
Taxpayer Advocate Service	235,068,642	7.99%			204,661	0.00%			235,263,303	1.79%
Corporate Reserve and Payments	62,261,204	2.12%	124,255,498	2.27%	36,197,915	0.81%			222,714,617	1.69%
Appeals			233,847,080	4.28%					233,847,080	1.78%
Research, Applied Analytics, and Statistics	2,959,519	0.10%	28,982,867	0.53%	52,159,280	1.17%			84,101,666	0.64%
Chief Financial Officer			23,549,840	0.43%	73,394,465	1.65%			96,944,325	0.74%
Privacy, Governmental Liaison and Disclosure	42,964,962	1.46%	2,191,749	0.04%	77,046,650	1.73%			122,203,361	0.93%
Procurement					73,691,231	1.66%			73,691,231	0.56%
Communications & Liaison	17,355,843	0.59%	5,885,867	0.11%	29,474,834	0.66%			52,726,544	0.40%
Online Services	41,179,204	1.40%							41,179,204	0.31%
Return Preparer Office	830,499	0.03%	13,951,991	0.26%	219,094				15,001,584	0.11%
Enterprise Digitalization and Case Management Office			27,976,853	0.51%		0.00%			27,976,853	0.21%
Equity, Diversity & Inclusion					33,559,310	0.75%			33,559,310	0.26%
Front Office ²	520,467	0.02%	496,453	0.01%	21,344,524	0.48%			22,361,444	0.17%
Whistleblower Office			7,427,697	0.14%					7,427,697	0.06%
Office of the Chief Risk Officer					6,129,347	0.14%			6,129,347	0.05%
Office of Professional Responsibility			3,937,139	0.07%					3,937,139	0.03%
Taxpayer First Act Office				0.00%	1,145,961	0.03%			1,145,961	0.01%
Total	2,940,875,990		5,462,822,847		4,448,195,390		305,031,992		13,156,926,219	

Note: These figures reflect full requirements before taking any proposed reductions (Operations Support Hiring Reduction/Delay, RMSS Physical Infrastructure/Security Reduction/Delay, IT Reduction/Delay).

² Includes Commissioner, Chief of Staff, DOOS, DCSE offices, and Project Management Offices for ACA/FATCA and Services & Enforcement.

4.5 – Summary of IRS FY 2022 Identity Theft Budget Request

Bureau: Internal Revenue Service Summary of FY 2022 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2021 Operating Plan	\$78,519	1,027	\$116,257	1,278	\$6,902	28	\$201,678	2,333
Changes to Base:								
Maintaining Current Levels (MCLs)	\$3,691		\$4,113		\$257		\$8,061	
Pay Annualization (1.0% average pay raise)	196		241		16		453	
Pay Raise (2.7% average pay raise)	2,807		2,826		183		5,816	
Non-Pay	1		303		9		313	
FERS Contribution Increase	687		743		49		1,479	
Subtotal FY 2022 Changes to Base	\$3,691		\$4,113		\$257		\$8,061	
FY 2022 Current Services	\$82,210	1,027	\$120,370	1,278	\$7,159	28	\$209,739	2,333
Total FY 2022 Request (Before PIAA)	\$82,210	1,027	\$120,370	1,278	\$7,159	28	\$209,739	2,333
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	\$3,691		\$4,113		\$257		\$8,061	
Percent Change FY 2022 Request over FY 2021 Operating Plan	4.70%		3.54%		3.72%		4.00%	

4.6 – Summary of IRS FY 2022 ACA Budget Request

Bureau: Internal Revenue Service Summary of FY 2022 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2021 Operating Plan	\$74,746	1,088	\$14,719	139	\$22,339	127	\$111,804	1,354
Changes to Base:								
Maintaining Current Levels (MCLs)	\$3,518		\$584		\$871		\$4,973	
Pay Annualization (1.0% average pay raise)	187		37		55		279	
Pay Raise (2.7% average pay raise)	2,665		439		646		3,750	
Non-Pay	1		2		6		9	
FERS Contribution Increase	665		106		164		935	
Subtotal FY 2022 Changes to Base	\$3,518		\$584		\$871		\$4,973	
FY 2022 Current Services	\$78,264	1,088	\$15,303	139	\$23,210	127	\$116,777	1,354
Total FY 2022 Request (Before PIAA)	\$78,264	1,088	\$15,303	139	\$23,210	127	\$116,777	1,354
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	\$3,518		\$584		\$871		\$4,973	
Percent Change FY 2022 Request over FY 2021 Operating Plan	4.71%		3.97%		3.90%		4.45%	

4.7 – Summary of IRS FY 2022 Cyber Security Budget Request

Bureau: Internal Revenue Service Summary of FY 2022 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2021 Operating Plan	\$69,412	33	\$107,796	77	\$340,380	530	\$53,552	19	\$571,140	659
Changes to Base:										
Maintaining Current Levels (MCLs)	\$468		\$599		\$6,918				\$7,985	
Pay Annualization (1.0% average pay raise)	15		35		233				283	
Pay Raise (2.7% average pay raise)	211		414		2,720				3,345	
Non-Pay	195		41		3,232				3,468	
FERS Contribution Increase	47		109		733				889	
Subtotal FY 2022 Changes to Base	\$468		\$599		\$6,918				\$7,985	
FY 2022 Current Services	\$69,880	33	\$108,395	77	\$347,298	530	\$53,552	19	\$579,125	659
Program Increases:										
Putting Taxpayers First	27,000				45				27,045	
User Authentication	27,000								27,000	
Taxpayer Experience Strategy					45				45	
Ensure Fairness of the Tax System					366				366	
Improve Live Assistance					427				427	
IRS Integrated Modernization Business Plan							5,348	2	5,348	2
Subtotal FY 2022 Program Increases	\$27,000				\$838		\$5,348	2	\$33,186	2
Total FY 2022 Request (Before PIAA)	\$96,880	33	\$108,395	77	\$348,136	530	\$58,900	21	\$612,311	661
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	\$27,468		\$599		\$7,756		\$5,348	2	\$41,171	2
Percent Change FY 2022 Request over FY 2021 Operating Plan	39.57%		0.56%		2.28%		9.99%	10.53%	7.21%	0.30%
PIAA Program Increases										
Increase Audit Coverage					216				216	
Increase Collection Coverage					243				243	
Expand Coverage in the Tax-Exempt Sector					49				49	
Enhance Return Review Program					12				12	
Enhance Enforcement Operations					5				5	
Subtotal FY 2022 PIAA Investments					\$525				\$525	
Total FY 2022 Request Including PIAA	\$96,880	33	\$108,395	77	\$348,661	530	\$58,900	21	\$612,836	661
Dollar/FTE Change FY 2022 Request Including PIAA over FY 2021 Operating Plan	\$27,468		\$599		\$8,281		\$5,348	2	\$41,696	2
Percent Change FY 2022 Request Including PIAA over FY 2021 Operating Plan	39.57%		0.56%		2.43%		9.99%	10.53%	7.30%	0.30%

Note: This table does not include the \$15 million in the Families First Coronavirus Response Act (FFCRA) (P.L. 116-127), \$750.7 million under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-36), the \$509 million provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2), the \$417 million Program Integrity Allocation Adjustment, and the \$79 billion mandatory funding proposal.

4.8 – Summary of IRS FY 2022 Budget Request

Bureau: Internal Revenue Service Summary of FY 2022 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2021 Operating Plan	\$2,587,606	25,989	\$5,004,622	34,989	\$4,104,102	12,037	\$222,724	394	\$11,919,054	73,409
Changes to Base:										
Maintaining Current Levels (MCLs)	\$75,138		\$148,473		\$100,219		\$4,165		\$327,995	
Pay Annualization (1.0% average pay raise)	5,930		11,650		4,699		163		22,442	
Pay Raise (2.7% average pay raise)	48,152		94,603		38,157		1,327		182,239	
Non-Pay	4,138		6,725		42,546		2,232		55,641	
FERS Contribution Increase	16,918		35,495		14,817		443		67,673	
Efficiencies/Savings	(\$5,494)	(409)			(\$91)				(\$5,585)	(409)
Increase e-File Savings	(5,494)	(101)			(91)				(5,585)	(101)
Personnel Savings		(308)								(308)
Subtotal FY 2022 Changes to Base	\$69,644	(409)	\$148,473		\$100,128		\$4,165		\$322,410	(409)
FY 2022 Current Services	\$2,657,250	25,580	\$5,153,095	34,989	\$4,204,230	12,037	\$226,889	394	\$12,241,464	73,000
Program Increases:										
Putting Taxpayers First	35,459	55	36,294	96	104,333	143			176,086	294
User Authentication	27,000								27,000	
Taxpayer Experience Strategy	8,459	55	36,294	96	104,333	143			149,086	294
Ensure Fairness of the Tax System			270,858	1,820	69,409	13			340,267	1,833
Improve Live Assistance	248,167	4,203			69,833				318,000	4,203
Integrated Modernization Business Plan							78,143	18	78,143	18
Electric Vehicles and Associated Infrastructure			2,576		390				2,966	
Subtotal FY 2022 Program Increases	\$283,626	4,258	\$309,728	1,916	\$243,965	156	\$78,143	18	\$915,462	6,348
Total FY 2022 Request (Before PIAA)	\$2,940,876	29,838	\$5,462,823	36,905	\$4,448,195	12,193	\$305,032	412	\$13,156,926	79,348
Dollar/FTE Change FY 2022 Request over FY 2021 Operating Plan	\$353,270	3,849	\$458,201	1,916	\$344,093	156	\$82,308	18	\$1,237,872	5,939
Percent Change FY 2022 Request over FY 2021 Operating Plan	13.65%	14.81%	9.16%	5.48%	8.38%	1.30%	36.96%	4.57%	10.39%	8.09%
PIAA Program Increases										
Increase Audit Coverage			109,317	1,028	39,493	15			148,810	1,043
Increase Collection Coverage			113,122	1,164	46,334	20			159,456	1,184
Expand Coverage in the Tax-Exempt Sector			29,952	244	7,998				37,950	244
Enhance Return Review Program			3,388	60	34,953				38,341	60
Enhance Enforcement Operations			31,673	23	667				32,340	23
Subtotal FY 2022 PIAA Investments			\$287,452	2,519	\$129,445	35			\$416,897	2,554
Total FY 2022 Request Including PIAA	\$2,940,876	29,838	\$5,750,275	39,424	\$4,577,640	12,228	\$305,032	412	\$13,573,823	81,902
Dollar/FTE Change FY 2022 Request Including PIAA over FY 2021 Operating Plan	\$353,270	3,849	\$745,653	4,435	\$473,538	191	\$82,308	18	\$1,654,769	8,493
Percent Change FY 2022 Request Including PIAA over FY 2021 Operating Plan	13.65%	14.81%	14.90%	12.67%	11.54%	1.59%	36.96%	4.57%	13.88%	11.57%