

Department of the Treasury  
Internal Revenue Service

Congressional Budget  
Justification and Annual  
Performance Plan and Report

FY 2027

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## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

On behalf of the dedicated employees of the Internal Revenue Service, I am pleased to present the IRS Fiscal Year (FY) 2027 Congressional Justification. This request describes how the IRS will responsibly steward taxpayer resources to administer the nation's tax laws with integrity, efficiency, and a strong commitment to service, while supporting the Administration's pro-growth economic agenda.



The tax relief enacted through the One Big Beautiful Bill Act remains a cornerstone of that agenda. The IRS plays a central role in ensuring that its historic benefits—including No Tax on Tips, No Tax on Overtime, the new deduction for car loan interest, and expanded deductions for seniors and families—are delivered in a timely manner and as intended. Our workforce continues to implement these provisions while maintaining reliable taxpayer service and safeguarding federal revenue.

The changes made by the One Big Beautiful Bill Act set the stage for an historic filing season for taxpayers in 2026, with an estimated tax benefit for individuals of \$220 billion. An important part of this benefit will be an increase in refunds for individual taxpayers—we expect the highest refunds in recent history—which means real money landing in the pockets of working families.

As we look toward FY 2027, the IRS is focused on three strategic priorities:

- **Data-Driven Enforcement.**  
The IRS is modernizing enforcement through expanded use of artificial intelligence, advanced analytics, and improved data integration. These tools allow us to more precisely identify high-risk noncompliance and fraud, deter identity theft, and focus enforcement resources on higher-value cases, improving fairness while minimizing burden on compliant taxpayers.
- **A Simplified, Digital-First Taxpayer Experience.**  
We are transforming how taxpayers interact with the IRS by expanding secure online services that allow taxpayers to manage their affairs with greater ease and transparency. At the same time, we remain committed to ensuring taxpayers receive high-quality assistance by phone and in person for those who need or prefer it. Our FY 2027 investments balance digital innovation with accessible, personalized service.
- **A Renewed Commitment to Taxpayer Privacy and Security.**  
Protecting taxpayer information is fundamental to public trust. The IRS continues to strengthen cybersecurity defenses, modernize security infrastructure, and enforce rigorous data protection protocols to ensure taxpayer data remains secure.

The IRS supports the U.S. economy by collecting revenues that fund essential government programs, including national defense, infrastructure, healthcare, Social Security, and other critical services, while at the same time ensuring improper and fraudulent tax payments and

abusive tax practices are reduced and mitigated. In recent years, the IRS has also served as a key partner in advancing a more efficient, responsive, and accountable federal government.

Our recent performance demonstrates the results of disciplined management and strategic investment. In FY 2025, the IRS collected more than \$5.3 trillion in revenue, processed over 271 million returns, and issued approximately 113 million refunds totaling nearly \$358 billion. We delivered one of the most successful filing seasons in years, with telephone assistors answering 87 percent of calls received on our main telephone lines with an average wait time of just three minutes.

The IRS achieved these gains by spending smarter and through operational discipline. In FY 2025, the IRS eliminated approximately \$2 billion in planned information technology spending primarily through contract renegotiations and reprioritizing end-user license agreements. We are also reducing costly paper-based processes through automation, policy changes, and process redesign.

The FY 2027 budget request and IRS' supplemental funding builds on this progress by supporting targeted technology modernization, operational efficiency, and workforce investments. In addition to discretionary funding, the IRS depends on supplementary funding sources to sustain key tax law enforcement activities and maintain service to taxpayers. Continued collaboration with Congress will be essential to ensure IRS operations evolve in ways that taxpayers deserve. The IRS is at a pivotal moment—transforming operations, embracing innovation, and strengthening accountability. With the support of Congress, we will continue to build an IRS that works better for taxpayers, supports economic growth, and ensures the trust of the American people.

**Frank J. Bisignano**  
**Chief Executive Officer of Internal Revenue**

## Section I – Budget Request

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### A – Mission Statement

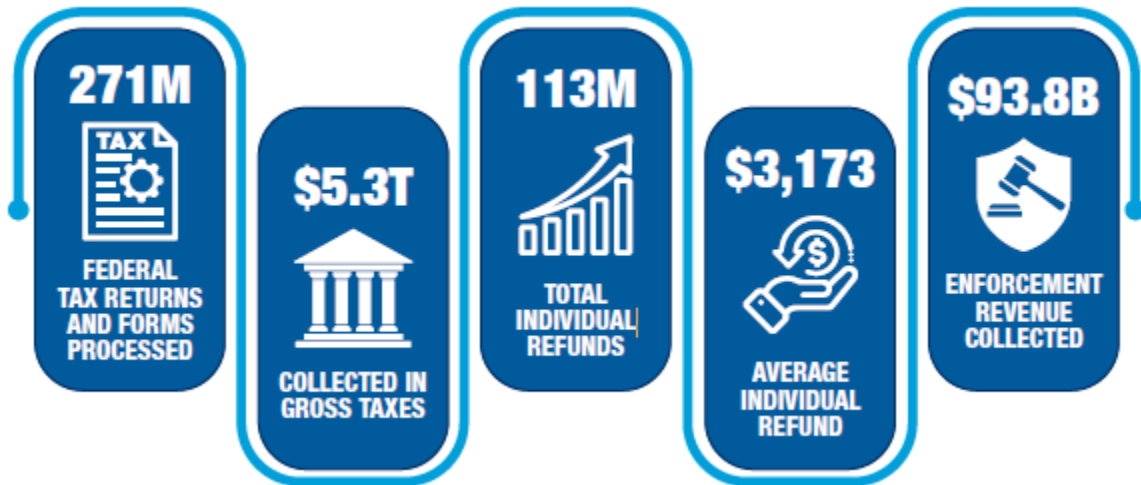
Provide America’s taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

### B – Summary of the Request

The IRS is responsible for administering the Federal Government’s tax system and meeting the needs of U.S. taxpayers by helping them understand their tax responsibilities and enforcing the law with integrity and fairness. Operations at the IRS, as required by law, include collection of individual and corporate taxes, examination of returns, taxpayer assistance, oversight of tax-exempt organizations, administering multiple refundable tax credits, and other specialized programs.

In FY 2025, the IRS collected about \$5.3 trillion in taxes from 271 million returns, which represents a vast majority of the revenue that supports operations of the federal government. Due to the complexity of the U.S. tax code, core responsibilities of the IRS include making it easier for taxpayers to understand and meet their tax obligations.

### Some Key Tax Statistics in FY 2025 Include:



**Note:** These statistics are from October 1, 2024, through September 30, 2025. The Average Individual Refund amount includes refunds issued in FY 2025 for all tax years.

## **FY 2027 Budget Request and Priorities**

The FY 2027 Budget requests \$9.8 billion from Congress, a decrease in funding of \$1.4 billion or 12.2 percent from the FY 2026 Enacted level of \$11.2 billion. When including other resources, the total request of \$15.9 billion represents a change of -2.5 percent from FY 2026.

The FY 2027 Congressional Justification represents a comprehensive assessment of the IRS's financial condition and underscores its stewardship of public resources in service of the American people. Central to the Administration's economic agenda is the implementation of the One Big Beautiful Bill Act (OB3) and Working Families Tax Cuts, which deliver historic tax relief measures such as No Tax on Tips, No Tax on Overtime, and expanded deductions for seniors and families. Throughout FY 2025, IRS employees focused on ensuring these benefits were delivered accurately, efficiently, and on time. To support this mission, the IRS aligned its efforts around three strategic priorities: data-driven enforcement, a simplified digital-first taxpayer experience, and a renewed commitment to taxpayer privacy.

Through modernized systems and advanced analytics, including artificial intelligence, the IRS strengthened its ability to identify fraud, reduce non-compliance, and protect taxpayers from identity theft, allowing enforcement staff to focus on higher-value work. At the same time, the IRS significantly improved taxpayer service by expanding online account capabilities and enhancing guidance and resources, while maintaining strong phone and in-person support. These efforts contributed to exceptional operational results in FY 2025, including the collection of more than \$5.3 trillion in revenue, the processing of over 271 million returns and forms, and the issuance of approximately 113 million refunds totaling nearly \$358 billion. Service improvements culminated in the most successful filing season in years, with telephone assistors answering 87 percent of calls and an average wait time of just three minutes.

These achievements were realized through smarter spending and operational discipline. An all-inclusive review of the IRS technology portfolio eliminated roughly \$2 billion in planned, mostly one-time, IT spending, reduced inefficiencies tied to outdated paper processes, and redirected resources toward modernization. The IRS also maintained strong financial accountability, earning an unmodified audit opinion for the 26th consecutive year and demonstrating reliable internal controls over financial reporting. As the IRS continues its transformation, it remains focused on advancing technology, strengthening its workforce, and fostering a culture of efficiency, integrity, and accountability—laying the foundation for a modern IRS that Americans can trust to fulfill its mission. IRS is also modernizing how we measure customer service by sunseting our legacy Customer Service Representative Level of Service measure and replacing it with new enterprise metrics to reflect new technologies and service channels.

## **Reducing Interest Costs Through Investment in Taxpayer Services**

Unresolved U.S. federal tax returns can result in interest payments on delayed refunds—costs borne directly by the U.S. Treasury. In FY 2025, these payments totaled \$16.82 billion, up from \$3.54 billion in FY 2022.

Adequate funding for the Taxpayer Services account is necessary to support timely return processing and reduce inventory levels, particularly older returns that drive interest accrual.

Lower and more stable inventory levels help limit the growth of interest costs over time. Accordingly, reducing interest costs requires both sustained Taxpayer Services funding and targeted operational improvements. The IRS is focused on reducing existing inventory, prioritizing older returns, improving processing times, and preventing future backlogs.

### **An Ounce of Prevention is Worth a Pound of Cure**

In FY 2024, the IRS estimated an overall improper payment rate of 21.9 percent and estimated improper payments totaling \$21.4 billion for the Additional Child Tax Credit, American Opportunity Tax Credit, Earned Income Tax Credit, and Net Premium Tax Credit. Besides ensuring taxpayer compliance with the Internal Revenue Code, funding to strengthen enforcement, data analytics and matching, and outreaching and education reduces improper payments which are currently double the total of this budget request. Adequate IRS Enforcement funding ensures taxpayer compliance and limits wasteful overpayments of taxpayer-funded credits.

## **IRS Appropriations and Activities**

### ***Taxpayer Services***

- *Pre-Filing Taxpayer Assistance and Education* funds expenses to assist with tax form preparation, including tax law interpretation, publication, production, and advocate services.
- *Filing and Account Services* funds programs that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts.

### ***Enforcement***

- *Investigations* funds the Criminal Investigative (IRS-CI) programs that investigate 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.
- *Examinations and Collections* funds programs that enforce the tax laws and increase compliance through Examination and Collection programs, which ensure proper payment and tax reporting.
- *Regulatory* 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.

### ***Technology and Operations Support***

- *Infrastructure* funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, security countermeasures and non-IT equipment.
- *Shared Services and Support* funds policy management, administration, IRS-wide research support; strategic planning; communications and liaison; protection of sensitive information

and the privacy of taxpayers and employees; finance, human resources, printing and postage; business systems planning; and procurement.

- *Information Services* funds staffing, equipment, and related costs to manage, develop, modernize, enhance, maintain, and operate the information systems supporting IRS critical business operations and tax administration programs.

## 1.1 – Appropriations Detail Table

Dollars in Thousands

Appropriated Resources	FY 2025 Operating Plan <sup>1</sup>		FY 2026 Enacted		FY 2027 Request		FY 2026 to FY 2027 % Change	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
<b>New Appropriated Resources</b>								
<b>Taxpayer Services</b>	<b>23,001</b>	<b>\$2,780,606</b>	<b>23,227</b>	<b>\$3,036,606</b>	<b>24,299</b>	<b>\$3,130,969</b>	<b>5%</b>	<b>3%</b>
Pre-filing Taxpayer Assistance and Education	4,582	778,608	4,078	782,013	4,078	782,013		
Filing and Account Services	18,419	2,001,998	19,149	2,254,593	20,221	2,348,956	6%	4%
<b>Enforcement</b>	<b>32,350</b>	<b>\$5,437,622</b>	<b>27,522</b>	<b>\$4,999,000</b>	<b>22,728</b>	<b>\$4,102,376</b>	<b>-17%</b>	<b>-18%</b>
Investigations	2,968	758,132	3,146	809,106	2,678	676,237	-15%	-16%
Exam and Collections	28,475	4,505,595	23,548	4,033,962	19,397	3,299,780	-18%	-18%
Regulatory	907	173,895	828	155,932	653	126,359	-21%	-19%
<b>Technology and Operations Support</b>	<b>10,371</b>	<b>\$4,100,826</b>	<b>9,131</b>	<b>\$3,159,759</b>	<b>9,110</b>	<b>\$2,598,023</b>	<b>0%</b>	<b>-18%</b>
Infrastructure		916,955		892,795		331,059		-63%
Shared Services and Support	4,176	1,149,693	4,353	1,143,908	4,332	1,143,908	0%	
Information Services	6,195	2,034,178	4,778	1,123,056	4,778	1,123,056		
<b>Subtotal New Appropriated Resources</b>	<b>65,722</b>	<b>\$12,319,054</b>	<b>59,880</b>	<b>\$11,195,365</b>	<b>56,137</b>	<b>\$9,831,368</b>	<b>-6%</b>	<b>-12%</b>
<b>Other Resources</b>								
Reimbursables	641	117,029	888	162,000	932	170,100	5%	5%
Offsetting Collections (Non-reimbursable)		39,874		50,152		52,659		5%
User Fees <sup>2</sup>	72	2,900			8,388	1,256,400		
Recoveries from Prior Years <sup>3</sup>		13,405		16,620		16,620		
Unobligated Balances from Prior Years <sup>4</sup>	2,285	514,850	1,265	631,000	700	70,000	-45%	-89%
IRA Funding Usage <sup>5</sup>	24,220	6,735,757	7,596	4,507,900	1,674	4,246,817	-78%	-6%
Operational	23,137	4,569,516	7,086	2,293,900	1,164	2,093,817	-84%	-9%
Modernization	1,083	2,166,241	510	2,214,000	510	2,153,000	0%	-3%
Transfers In/Out		51		83		83		
Resources from Other Accounts <sup>6</sup>	1,155	271,916	1,200	272,000	1,200	275,000		1%
<b>Subtotal Other Resources</b>	<b>28,373</b>	<b>\$7,695,782</b>	<b>10,949</b>	<b>\$5,639,755</b>	<b>12,894</b>	<b>\$6,087,679</b>	<b>18%</b>	<b>8%</b>
<b>Total Budgetary Resources</b>	<b>94,095</b>	<b>\$20,014,836</b>	<b>70,829</b>	<b>\$16,835,120</b>	<b>69,031</b>	<b>\$15,919,047</b>	<b>-3%</b>	<b>-5%</b>

<sup>1</sup> FY 2025 represents the Operating Plan level before the Inter-Appropriations Transfer (IAT) of up to \$272 million from Enforcement to Taxpayer Services. Other Resources and Full-time Equivalents (FTE) reflect actuals.

<sup>2</sup> FY 2027 User Fees will be allocated as follows: \$1B to Enforcement and \$256M to Taxpayer Services.

<sup>3</sup> These amounts are adjusted to exclude IRA recoveries.

<sup>4</sup> Unobligated balances from prior years includes unexpired amounts that remain available for obligation in the year shown (FY 2026 actual of \$631 million and FY 2027 estimate of \$70 million).

<sup>5</sup> Reflects the rescissions to enforcement including \$1.4 billion from the Fiscal Responsibility Act of 2023 (P.L. 118-5), \$20.2 billion from the Further Consolidated Appropriations Act, 2024 (P.L. 118-47), \$20.2 billion from the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), and \$11.661 billion from the Consolidated Appropriations Act, 2026 (P.L. 119-75). In addition, this includes the proposed budget cancellation of \$371 million of unobligated balances from Energy Security appropriated by P.L. 117-169.

<sup>6</sup> Resources from Other Accounts reflect planned spending from Private Collection Agency retained earnings.

### 1.1.1 – Inflation Reduction Act (IRA) Appropriations Detail Table

IRS IRA funding was almost \$80 billion at enactment, however, \$54 billion has been rescinded as of FY 2026. The IRS has relied heavily on IRA funds. IRA funding is expected to be exhausted in FY 2028. While the IRS remains focused on technology to improve productivity and efficiency, with the impending exhaustion of these funds, the IRS is in the process of re-evaluating its modernization plan to duly prioritize investments in FY 2026 and FY 2027. The IRS looks forward to partnering with Congress to maintain and continue modernization of its IT portfolio.

Dollars in Thousands

Budgetary Resources	FY 2022 Enacted <sup>1</sup>	Rescission <sup>2</sup>	Enacted Post Rescission	FY 2022 to FY 2024 Actual Obligations <sup>3</sup>	FY 2025 Actual Obligations <sup>3</sup>	FY 2026 Estimated Obligations <sup>4</sup>	FY 2027 Estimated Obligations <sup>4</sup>	Remaining Balance
Taxpayer Services	3,181,500		3,181,500	1,290,125	1,185,939	636,852	68,584	
Enforcement	45,637,400	(41,789,525)	3,847,875	1,633,145	2,075,784	138,946		
Operations Support	25,326,400	(11,661,000)	13,665,400	3,970,894	2,665,253	2,994,754	3,450,933	583,566
Business Systems Modernization	4,750,700		4,750,700	2,043,894	804,292	671,848	727,300	503,366
Direct File Study	15,000		15,000	11,603				
Energy Security	500,000	(370,876)	129,124	59,135	4,489	65,500		
<b>Total</b>	<b>\$79,411,000</b>	<b>(\$53,821,401)</b>	<b>\$25,589,599</b>	<b>\$9,008,796</b>	<b>\$6,735,757</b>	<b>\$4,507,900</b>	<b>\$4,246,817</b>	<b>\$1,086,932</b>

<sup>1</sup> Amounts reflect original enacted IRA level, before rescissions or proposed cancellations.

<sup>2</sup> Reflects the rescissions to enforcement including \$1.4 billion from the Fiscal Responsibility Act of 2023 (P.L. 118-5), \$20.2 billion from the Further Consolidated Appropriations Act, 2024 (P.L. 118-47), \$20.2 billion from the Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4), and \$11.661 billion from the Consolidated Appropriations Act, 2026 (P.L. 119-75). In addition, this includes the proposed budget cancellation of \$371 million of unobligated balances from Energy Security appropriated by P.L. 117-169.

<sup>3</sup> Includes adjustments to prior year obligations and does not include recoveries.

<sup>4</sup> FY 2026 and 2027 estimated obligations will be adjusted to align with actuals in future submissions.

The table below is a summary of actual and estimated IRA FTE.

Internal Revenue Service FTE	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Estimated	FY 2027 Estimated
Taxpayer Services	10,518	3,956	11,182	6,241	1,024
Enforcement	495	8,047	8,676	745	
Operations Support	2,317	3,608	3,693	300	350
Business Systems Modernization	327	621	612	310	300
Direct File Study	4				
Energy Security		764	57		
<b>Total Budgetary FTE</b>	<b>13,661</b>	<b>16,996</b>	<b>24,220</b>	<b>7,596</b>	<b>1,674</b>

IRA resources in FY 2026 and FY 2027 will be used to support customer service for taxpayers and for technology modernization and operations.

## 1.2 – Budget Adjustments Table

Dollars in Thousands

	FTE	Amount
<b>FY 2026 Enacted</b>	<b>59,880</b>	<b>\$11,195,365</b>
<b>Changes to Base:</b>		
<b>FY 2027 Maintaining Current Levels (MCLs):</b>		<b>\$22,969</b>
Pay Annualization (1.0% average pay raise)		\$22,969
<b>Subtotal Changes to Base</b>		<b>\$22,969</b>
<b>FY 2027 Current Services</b>	<b>59,880</b>	<b>\$11,218,334</b>
<b>Program Changes:</b>		
<b>Program Increases</b>	<b>1,132</b>	<b>\$94,363</b>
Maintain Customer Service	1,132	\$94,363
<b>Program Decreases</b>	<b>(4,875)</b>	<b>(\$1,481,329)</b>
Reduction to Offset Unfunded FY 2026 MCLs	(161)	(\$22,969)
Staff Reductions	(4,714)	(\$777,841)
Non-Labor Reductions		(\$680,519)
<b>Subtotal FY 2027 Program Changes</b>	<b>(3,743)</b>	<b>(\$1,386,966)</b>
<b>FY 2027 President's Budget Request</b>	<b>56,137</b>	<b>\$9,831,368</b>

## C – Base Adjustment and Program Changes Description

**Maintaining Current Levels..... +\$22,969,000 / 0 FTE**

*Pay Annualization (1.0% in 2026) +\$22,969,000 / 0 FTE*

Per guidance issued by the Office of Management and Budget, funds are requested for annualization of the January 2026 1% average pay raise.

**Program Increase..... +\$94,363,000 / +1,132 FTE**

*Maintain Customer Service +\$94,363,000 / +1,132 FTE*

This investment will provide funding to meet OB3-related phone and online demands, to implement OB3-related outreach activities that inform taxpayers about new legislative initiatives and provide support to taxpayers and tax practitioners on multiple platforms that encourage voluntary tax compliance.

Implementing the OB3 is a coordinated and involved effort to turn new law into stellar services for taxpayers and tax practitioners. OB3 implementation updates involve careful planning, clear communication, and strong coordination across IRS Business Units to ensure the IRS is responsive to taxpayers' needs while improving the taxpayer experience.

The IRS toll-free telephone customer service operation is one of the world's largest service providers and is a key part of the IRS's service delivery. Taxpayer experience research continues to indicate phone service as a preferred service channel. If the IRS does not receive full funding, taxpayers will experience longer telephone wait times, delayed responses on the IRS's online service portals and to correspondences. Historically, when taxpayers are unable to access streamlined and efficient service channels, telephone and online communication demands shift to higher cost service channel options such as paper correspondence. Taxpayers' use of less efficient service channels will negatively impact taxpayers' ability to remain tax compliant.

**Program Decreases..... -\$1,481,329,000 / -4,875 FTE**  
Reduction to Offset Unfunded FY 2026 MCLs -\$22,969,000 / -161 FTE

The IRS will reduce staffing to offset the unfunded FY 2027 annualization cost of the FY 2026 1.0% pay raise.

Staff Reductions -\$777,841,000 / -4,714 FTE

IRS is in the process of conducting workforce restructuring efforts that will result in fewer staff by the end of FY 2027. This effort will yield significant savings to the taxpayer, once fully implemented.

Non-Labor Reductions -\$680,519,000 / 0 FTE

IRS is in the process of conducting workforce restructuring efforts that will result in reduced non-labor spending by the end of FY 2027.

**1.3 – Object Classification (Schedule O) Obligations Table**

Dollars in Thousands

Object Classification	FY 2025 Operating Plan	FY 2026 Estimated Obligations <sup>1</sup>	FY 2027 Estimated Obligations
11.1 - Full-time permanent	6,259,980	6,055,631	5,596,925
11.3 - Other than full-time permanent	78,371	64,124	59,779
11.5 - Other personnel compensation	421,338	505,389	478,246
11.8 - Special personal services payments	101,036	92,946	78,328
<b>11.9 - Personnel Compensation (Total)</b>	<b>\$6,860,725</b>	<b>\$6,718,091</b>	<b>\$6,213,278</b>
12.1 - Personnel benefits	2,357,683	2,297,166	2,113,811
13.0 - Benefits for former personnel	12,486	6,571	6,486
<b>Total Personnel and Compensation Benefits</b>	<b>\$9,230,894</b>	<b>\$9,021,828</b>	<b>\$8,333,575</b>
21.0 - Travel and transportation of persons	65,607	62,013	50,586
22.0 - Transportation of things	31,842	31,393	27,271
23.1 - Rental payments to GSA	610,845	591,037	211,846
23.2 - Rental payments to others	1,271	983	423
23.3 - Communications, utilities, and miscellaneous charges	289,136	257,478	240,006
24.0 - Printing and reproduction	41,987	37,276	36,471
25.1 - Advisory and assistance services	916,981	332,392	287,598
25.2 - Other services from non-Federal sources	112,058	107,083	89,383
25.3 - Other goods and services from Federal sources	317,890	290,592	255,799
25.4 - Operation and maintenance of facilities	194,707	192,338	77,265
25.6 - Medical care	19,095	19,124	19,044
25.7 - Operation and maintenance of equipment	34,860	2,638	2,194
26.0 - Supplies and materials	61,951	58,568	43,025
31.0 - Equipment	252,531	60,932	56,005
32.0 - Land and structures	42,698	40,946	12,734
41.0 - Grants, subsidies, and contributions	81,000	86,000	86,000
42.0 - Insurance claims and indemnities	3,701	2,745	2,142
91.0 - Unvouchered	10,000		
<b>Total Non-Personnel</b>	<b>\$3,088,160</b>	<b>\$2,173,537</b>	<b>\$1,497,793</b>
<b>Total Obligations</b>	<b>\$12,319,054</b>	<b>\$11,195,365</b>	<b>\$9,831,368</b>
<b>Full-time Equivalents (FTE)</b>	<b>66,796</b>	<b>59,880</b>	<b>56,137</b>

Amounts reflect obligations of annually appropriated discretionary resources. FY 2026 and FY 2027 excludes obligations from multi-year carryover. See footnotes in 1.1 - Appropriations Detail Table.

**D – Appropriations Language and Explanation of Changes**

Appropriations Language	Explanation of Changes
<p style="text-align: center;"><b>TAXPAYER SERVICES</b></p> <p><i>For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$3,130,969,000; Provided, That not to exceed \$206,500,000 of the amounts provided under this heading shall remain available until September 30, 2028, of which not less than \$17,000,000 shall be for the Tax Counseling for the Elderly Program, not less than \$22,000,000 shall be available for low-income taxpayer clinic grants, including grants to individual clinics of up to \$200,000, not less than \$62,500,000 shall be available for the Community Volunteer Income Tax Assistance (VITA) Matching Grants Program for tax return preparation assistance, and not more than \$5,000,000 shall be available for the VITA Incubator Grant Program: Provided further, That not less than \$251,600,000 of the amounts provided under this heading shall be available for operating expenses of the Taxpayer Advocate Service, of which not less than \$7,000,000 shall be for identity theft and refund fraud casework.</i></p> <p style="text-align: center;"><b>ENFORCEMENT</b></p> <p><i>For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger</i></p>	

*motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$4,102,375,000; of which not to exceed \$250,000,000 shall remain available until September 30, 2028; of which not less than \$60,257,000 shall be for the Interagency Crime and Drug Enforcement program; and of which not to exceed \$35,000,000 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 "Technology and Operations Support" heading.*

TECHNOLOGY AND OPERATIONS  
SUPPORT

*For necessary expenses to operate the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance and security; the hire of passenger 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; \$2,598,024,000 , of which not to exceed \$275,000,000 shall remain available until September 30, 2028; 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,*

2029, for research; and of which not to exceed \$70,000 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 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: Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year 2028, a summary of cost and schedule performance information for its major information technology systems.

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

*SEC. 101. Not to exceed 5 percent of any funds made available to the Internal Revenue Service in this Act or any other provision of law may be transferred to any other Internal Revenue Service appropriation upon the advance notification 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. The Secretary of the Treasury (or the Secretary's delegate) may use the funds made available in this Act, subject to such policies as the Secretary (or the Secretary's delegate) may establish, to utilize direct hire authority to recruit and appoint qualified applicants, without regard to any notice or preference requirements, directly to positions in the competitive service to process backlogged tax returns and return information.*

*SEC. 112. Notwithstanding section 1344 of title 31, United States Code, funds appropriated to the Internal Revenue Service in this Act may be used to provide passenger carrier transportation and protection between the Commissioner of Internal Revenue's residence and place of employment.*

*Sec 113. None of the funds made available by this Act may be used to purchase firearms or ammunition for the Internal Revenue Service above the levels in the possession of the Internal Revenue Service on December 22, 2022.*

The budget proposes allocating an additional \$5 million for the Volunteer Income Tax Assistance (VITA) Incubator Grant Program. This would allow the IRS to expand on the success of its existing VITA and Tax Counseling for the Elderly (TCE) grant programs. The VITA Incubator Program Grant would provide financial support for organizations that are new to the VITA program, which provides free tax return preparation services to low and middle-income taxpayers. These startup grants will allow organizations to implement their tax preparation infrastructure and operations, while engaging volunteers and providing initial return preparation services during the first year as a grant recipient. Recipients of the VITA incubator grant would not be required to provide matching funds equal to the grant award.

## Section II – Annual Performance Plan and Report

### A – Budget and Performance

Treasury carries a great responsibility for fostering prosperity and security for the American people. The IRS plays a critical role both in the U.S. economy and globally to meet the needs of the nation. The Treasury Strategic Plan 2026–2030<sup>1</sup> charts a course to guide meeting the responsibilities to the public. As the Bureau Strategic Plans are finalized, more information on measures such as validation and verification of data and explanations of results will be developed. Subsequently, the IRS will release its Strategic Plan 2026-2030, which focuses our efforts on delivering a modern taxpayer experience, strengthening compliance, modernizing our operations, providing a renewed commitment to taxpayer privacy, and addressing the tax gap.

### 2.1 – Budget Activities

Dollars in Thousands

Taxpayer Services Resource Level	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2026 Enacted	FY 2027 Request
<b>Pre-Filing Taxpayer Assistance and Education</b>	<b>\$674,187</b>	<b>\$685,038</b>	<b>\$765,860</b>	<b>\$891,895</b>	<b>\$959,064</b>	<b>\$854,152</b>	<b>\$797,159</b>
Appropriated Resources	658,343	677,927	732,797	765,985	757,316	782,013	782,013
Reimbursables	142	75	176	277	74	139	146
Unobligated Balances from Prior Years	1,500		15,000	29,324	11,000	15,000	15,000
IRA Funding Usage			17,063	96,308	190,674	57,000	
Resources from Other Accounts <sup>1</sup>	14,202	7,036	823				
<b>Filing &amp; Account Services</b>	<b>\$2,574,103</b>	<b>\$2,645,899</b>	<b>\$3,142,688</b>	<b>\$3,304,501</b>	<b>\$3,479,760</b>	<b>\$2,968,306</b>	<b>\$2,773,944</b>
Appropriated Resources	1,927,220	2,111,293	2,118,270	2,390,038	2,358,301	2,254,593	2,348,956
Reimbursables	39,307	32,505	27,069	27,220	22,916	42,861	45,004
User Fees	64,900	78,900	3,900	520,404	2,900		256,400
Unobligated Balances from Prior Years	9,055	2,129	9,783	1,494	89,553	91,000	55,000
IRA Funding Usage		1,073	872,050	365,346	1,006,091	579,852	68,584
Resources from Other Accounts <sup>1</sup>	533,622	420,000	111,616				
<b>Budget Activity Total</b>	<b>\$3,248,291</b>	<b>\$2,646,584</b>	<b>\$3,908,547</b>	<b>\$4,196,396</b>	<b>\$4,438,824</b>	<b>\$3,822,458</b>	<b>\$3,571,103</b>
<b>Full-time Equivalents (FTE)</b>	<b>32,025</b>	<b>31,658</b>	<b>37,469</b>	<b>38,760</b>	<b>39,012</b>	<b>31,058</b>	<b>30,565</b>

<sup>1</sup> Includes Emergency Paid Leave, PCA, and Covid Supplemental Funds.

<sup>1</sup> <https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/strategic-plan>

Dollars in Thousands

<b>Enforcement Resource Level</b>	<b>FY 2021 Actual</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Actual</b>	<b>FY 2024 Actual</b>	<b>FY 2025 Actual</b>	<b>FY 2026 Enacted</b>	<b>FY 2027 Request</b>
<b>Investigations</b>	<b>\$725,362</b>	<b>\$792,024</b>	<b>\$865,341</b>	<b>\$993,932</b>	<b>\$1,085,710</b>	<b>\$1,026,553</b>	<b>\$1,084,908</b>
Appropriated Resources	630,093	674,705	720,335	730,339	723,167	809,106	676,237
Reimbursables	1,950	2,152	45,400	34,562	38,329	53,266	55,929
Offsetting Collections (Non-reimbursable)	57,370	64,628	6,372	13,539	39,874	50,152	52,659
User Fees							300,000
Unobligated Balances from Prior Years	27,591	45,603	28,889	24,684	18,589	35,000	
IRA Funding Usage			34,548	182,096	256,921	78,946	
Transfers In/Out	136	85	119	67	51	83	83
Resources from Other Accounts <sup>1</sup>	8,222	4,852	29,678	8,645	8,780		
<b>Exam &amp; Collection</b>	<b>\$4,302,694</b>	<b>\$4,544,349</b>	<b>\$4,785,362</b>	<b>\$5,503,737</b>	<b>\$6,102,057</b>	<b>\$4,486,170</b>	<b>\$4,175,349</b>
Appropriated Resources	3,987,323	4,268,195	4,196,705	4,160,701	4,006,797	4,033,962	3,299,780
Reimbursables	1,719	1,371	1,966	288	1,859	2,208	2,319
User Fees							667,000
Unobligated Balances from Prior Years	143,195	181,127	177,873	49,087	107,677	190,000	
IRA Funding Usage			261,300	1,133,938	1,782,909	57,000	
Resources from Other Accounts <sup>1</sup>	170,458	93,657	147,517	159,723	202,815	203,000	206,250
<b>Regulatory</b>	<b>\$158,990</b>	<b>\$201,989</b>	<b>\$167,792</b>	<b>\$199,332</b>	<b>\$210,614</b>	<b>\$184,458</b>	<b>\$159,910</b>
Appropriated Resources	132,507	176,447	127,446	132,224	150,238	155,932	126,358
Reimbursables	222	243	60	86	442	526	552
User Fees							33,000
Unobligated Balances from Prior Years	26,189	25,000	37,000	47,735	22,000	25,000	
IRA Funding Usage			3,142	19,287	37,933	3,000	
Resources from Other Accounts <sup>1</sup>	72	300	144				
<b>Budget Activity Total</b>	<b>\$5,187,046</b>	<b>\$5,538,363</b>	<b>\$5,818,494</b>	<b>\$6,697,001</b>	<b>\$7,398,381</b>	<b>\$5,697,181</b>	<b>\$5,420,167</b>
<b>Full-time Equivalents (FTE)</b>	<b>35,492</b>	<b>36,017</b>	<b>33,969</b>	<b>39,310</b>	<b>43,479</b>	<b>29,718</b>	<b>28,582</b>

<sup>1</sup> Includes Emergency Paid Leave, PCA, and Covid Supplemental Funds.

Dollars in Thousands

<b>Technology and Operations Support Resource Level</b>	<b>FY 2021 Actual</b>	<b>FY 2022 Actual</b>	<b>FY 2023 Actual</b>	<b>FY 2024 Actual</b>	<b>FY 2025 Actual</b>	<b>FY 2026 Enacted</b>	<b>FY 2027 Request</b>
<b>Infrastructure</b>	<b>937,590</b>	<b>933,687</b>	<b>1,042,452</b>	<b>1,096,769</b>	<b>952,442</b>	<b>1,108,492</b>	<b>953,498</b>
Appropriated Resources	885,606	912,624	890,992	901,871	886,698	892,795	331,060
Reimbursables	854	564	596	634	591	697	732
Unobligated Balances from Prior Years	16,656	5,343	16,422	1,745	5,225	20,000	
IRA Funding Usage			100,351	150,111	4,709	140,000	566,706
Resources from Other Accounts <sup>1</sup>	34,474	15,156	34,091	42,408	55,219	55,000	55,000
<b>Shared Services</b>	<b>1,406,233</b>	<b>1,381,274</b>	<b>1,310,927</b>	<b>1,467,098</b>	<b>1,491,788</b>	<b>1,380,606</b>	<b>1,354,309</b>
Appropriated Resources	1,040,954	1,141,596	1,133,584	1,137,436	1,117,077	1,143,908	1,143,908
Reimbursables	27,874	28,433	42,146	41,177	25,177	29,698	31,183
Unobligated Balances from Prior Years	29,297	1,000	22,571	20,982	74,409	30,000	
User Fees		37,454					
IRA Funding Usage		12,289	108,893	265,247	263,922	166,000	168,218
Resources from Other Accounts <sup>1</sup>	308,107	160,501	3,734	2,257	11,204	11,000	11,000
<b>Information Services</b>	<b>2,852,713</b>	<b>2,910,329</b>	<b>3,499,991</b>	<b>3,795,329</b>	<b>4,246,628</b>	<b>4,079,035</b>	<b>3,882,670</b>
Appropriated Resources	2,061,216	1,988,182	2,047,004	1,587,191	1,552,614	1,123,056	1,123,056
Reimbursables	26,344	27,036	27,562	30,188	27,641	32,605	34,235
User Fees	408,044	291,706	9,872				
Recoveries from Prior Years				9	10,132	6,620	6,620
Unobligated Balances from Prior Years	35,134	112,959	67,422	135,919	186,398	225,000	
IRA Funding Usage		48,676	1,275,636	2,040,842	2,467,164	2,688,754	2,716,009
Resources from Other Accounts <sup>1</sup>	321,975	441,771	72,496	1,180	2,679	3,000	2,750
<b>Budget Activity Total</b>	<b>5,196,536</b>	<b>5,225,290</b>	<b>5,853,370</b>	<b>6,359,196</b>	<b>6,690,858</b>	<b>6,568,133</b>	<b>6,190,477</b>
<b>Full-time Equivalents (FTE)</b>	<b>11,867</b>	<b>12,041</b>	<b>12,369</b>	<b>13,118</b>	<b>13,919</b>	<b>9,550</b>	<b>9,585</b>

<sup>1</sup> Includes Emergency Paid Leave, PCA, and Covid Supplemental Funds.

## 2.2 – Performance Measures

Performance Measure	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Actual	FY 2025 Target	FY 2026 Target	FY 2027 Target
Total Ending Inventory (Thousands) <sup>1</sup>	4,100	2,156	2,923	3,242	2,864	I	I	I
Percent of Closures to Receipts <sup>1</sup>	71.9%	116.4%	93.8%	96.5%	104.1%	I	I	I
Customer Accuracy - Tax Law (Phones)	92.8%	92.0%	91.4%	90.4%	86.3%	89.0%	87.0%	89.0%
Customer Accuracy - Accounts (Phones)	93.0%	91.8%	89.2%	90.2%	85.2%	87.0%	87.0%	89.0%
Timeliness of Critical Individual Filing Season Tax Products to the Public	92.0%	96.4%	96.4%	96.6%	97.3%	91.0%	78.0%	85.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	92.9%	96.0%	86.5%	94.8%	97.1%	89.0%	77.0%	83.0%
Enterprise Self-Assistance Participation Rate	92.3%	93.9%	94.2%	95.8%	96.6%	94.0%	96.4%	96.3%
Assistor Service Rate <sup>2</sup>	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD
Enterprise Service Completion Rate <sup>2</sup>	N/A	N/A	N/A	N/A	N/A	N/A	B	TBD
Examination Efficiency - Individual	108	101	103	82	71	91	95	90
Time to Start Compliance Resolution	66.0%	68.0%	72.0%	76.0%	76.0%	I	I	I
Time to Resolve Compliance Issue After Filing (days)	484	404	372	344	351	I	I	I
Repeat Non-Compliance Rate	30.7%	28.1%	18.9%	18.9%	28.9%	I	I	I
Collection Coverage	41.2%	38.3%	34.9%	39.1%	38.8%	37.2%	31.0%	28.4%
Exam Starts - High Income Individuals <sup>3</sup>	2,227	3,625	4,326	4,052	3,692	6,786	2,264	2,486
Exam Starts - Partnerships <sup>4</sup>	4,327	3,155	6,709	2,285	1,589	3,174	2,932	2,248
Exam Starts - Large Corporations (Assets>=\$250M) <sup>5</sup>	1,490	1,365	1,400	1,263	1,483	1,375	1,629	1,593
Cost to Collect \$100	\$0.33	\$0.29	\$0.34	\$0.36	\$0.36	I	I	I
Criminal Investigations Completed <sup>6</sup>	2,766	2,552	2,584	2,481	2,850	2,500	2,600	2,600
Conviction Rate	89.4%	90.6%	88.4%	90.0%	89.0%	92.0%	92.0%	92.0%
Rentable Square Feet per Person	278	264	248	224	230	229	306	299
Percent of Aged Hardware <sup>7</sup>	9.3%	7.1%	19.9%	17.6%	13.1%	20.0%	20.0%	20.0%
Percent of Reportable IT Investments within +/- 10% Cost Variance at the Investment Level <sup>8</sup>	94.1%	81.3%	85.7%	85.7%	60.0%	90.0%	90.0%	90.0%
Percent of Reportable IT Investments within +/- 10% Schedule Variance at the Investment Level <sup>9</sup>	100.0%	87.5%	92.8%	71.4%	30.0%	90.0%	90.0%	90.0%

Key: B – Baseline; I – Indicator; TBD – To Be Determined; N/A Not Applicable

<sup>1</sup> New FY 2022. Historical data provided for comparative purposes.

<sup>2</sup> New FY 2026. Baseline in FY 2026 and report as a measure with a target starting FY 2027.

<sup>3</sup> Audits of high-income individuals may take a revenue agent upwards of 250 hours to complete.

<sup>4</sup> Due to the timing of hiring and the start date of the lengthy training cycle, the impact of hiring on performance is not immediate.

<sup>5</sup> The impact of hiring on performance is not immediate due to required training for new Revenue Agents and the average case cycle time of about 36 months for these large corporations.

<sup>6</sup> The impact of hiring on performance is not immediate due to required academy, on-the-job training (6+ months), and the average time it takes to complete an investigation (400-500 days).

<sup>7</sup> Target based on industry standard.

<sup>8</sup> FY 2025, the name changed from Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level.

<sup>9</sup> FY 2025, the name changed from Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level.

## 2.3 - Performance Measure Description

Budget Level Performance Measure Description	
Total Ending Inventory	The total number of accounts management and correspondence inventory.
Percent of Closures to Receipts	The number of adjustment cases closed divided by the number of adjustment cases received, shown as a percentage.
Customer Accuracy – Tax Law (Phones)	The number of correct answers given by a live assistant on Toll-free tax law inquiries divided by the total number of inquiries, shown as a percentage.
Customer Accuracy – Customer Accounts (Phones)	The number of correct answers given by a live assistant on Toll-free account inquiries divided by the total number of inquiries, shown as a percentage.
Timeliness of Critical TE/GE & Business Tax Products to the Public	The number 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 divided by the total number of products, shown as a percentage. 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.).
Timeliness of Critical Individual Filing Season Tax Products to the Public	The number 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 divided by the total number of products, shown as percentage. CIFS tax products are those tax forms, schedules, instructions, and publications required by large number of filers to prepare a complete and reasonably accurate Individual Income Tax Return.
Enterprise Self Assistance Participation Rate (ESAPR)	The number of taxpayer self-assisted services completed divided by the total number of services, shown as a percentage.
Assistor Service Rate (ASR)	The number of completed contacts by assistors through phone or live chat divided by contacts received, shown as a percentage.
Enterprise Service Completion Rate (ESCR)	The number of completed services through phone, live chat, and bots divided by contacts received, shown as a percentage.
Examination Efficiency – Individual (1040)	The sum of all individual 1040 returns closed by Small Business/Self-Employed, Taxpayer Services, and Large Business and International (Field Exam and Correspondence Exam programs) divided by the total full-time equivalent expended in relation to those individual returns.
Time to Start Compliance Resolution	The number of all individual income tax enforcement cases started within six months of the return posting date, divided by the total number of cases closed, shown as a percentage.
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 number 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, divided by the total number of taxpayers, shown as a percentage.
Collection Coverage	The volume of collection work disposed divided by the total volume of collection work available, shown as a percentage.
Exam Starts - High Income Individuals	The number of examinations started during the fiscal year of individuals with a total positive income of \$10 million and above.
Exam Starts - Partnerships	The number of partnership examinations started during the fiscal year.
Exam Starts - Large Corporations	The number of examinations started during the fiscal year of large corporate returns reporting assets of \$250 million and above.
Cost to Collect \$100	The cost of collecting \$100 is computed as total operating costs divided by gross collections multiplied by 100. Operating costs are comprised of items charged to discretionary appropriations, mandatory appropriations, and user fees. This includes costs charged to the IRA, which was enacted August 12, 2022.
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 total number of convictions divided by the total of adjudicated criminal cases, shown as a percentage.
Rentable Square Feet per Person	The amount of Rentable Square Feet the IRS maintains per person requiring space.
Percent of Aged Hardware	The quantity of IT hardware in operation past its useful life divided by the total hardware in use, shown as a percentage.
Percent of Reportable IT Investments within +/- 10% Cost Variance at the Investment Level	Number of reportable IT investments within +/-10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of reportable IT investments in that fiscal year, shown as a percentage.
Percent of Reportable IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of reportable IT investments within +/-10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of reportable IT investments in that fiscal year, shown as a percentage.

## **2.4 – Performance Summary**

In FY 2025, the IRS tracked 24 budget-level performance measures, including 18 with established targets and six indicators without targets. Overall, the IRS met or exceeded nine of the 18 targets. Performance was strongest in Taxpayer Services, mixed in Enforcement, and more limited in Technology and Operations Support.

### **Taxpayer Services**

Taxpayer Services performance outcomes reflect a strong filing season execution and continued improvement in service delivery. Timeliness of Critical Individual Filing Season Tax Products to the public was 97.3 percent, exceeding the 91 percent target, with 110 of 113 products delivered on time. There were no major tax law changes affecting filing season preparation which supported this performance result. The Enterprise Self-Assistance Participation Rate reached 96.6 percent, surpassing the 94 percent target. Self-assisted services totaled approximately 2.8 billion, a 21.7 percent increase from FY 2024, while employee-assisted services declined 1.7 percent to 99.1 million. Total services provided increased 20.7 percent to approximately 2.9 billion, reflecting continued migration to digital and automated channels.

To support a shift toward a digital-first taxpayer experience, the IRS is modernizing how it measures service performance by introducing two new enterprise metrics: the Assistor Service Rate and the Enterprise Service Completion Rate. These metrics reflect Taxpayer Services' broader effort to modernize service channels and better align performance measurement with how taxpayers interact with the IRS today. Both measures will establish baseline results in FY 2026, with performance targets beginning in FY 2027.

Together, these metrics provide a more comprehensive and integrated view of the taxpayer service experience across both live and automated channels. The Assistor Service Rate measures the percentage of services completed by assistors through live interactions, including telephone assistance and live chat.

The Enterprise Service Completion Rate expands upon this view by capturing a holistic picture of service completion across multiple service channels. In addition to live telephone assistance and live chats, the Enterprise Service Completion Rate reflects continued advancements in automated and digitally enabled services, including vendor services, voicebots, and chatbots. By evaluating performance across these various platforms, the Enterprise Service Completion Rate demonstrates how well the IRS is integrating technology with traditional service methods to meet taxpayer needs efficiently and effectively.

The introduction of these metrics strengthens the IRS's ability to measure performance in a way that reflects today's service environment, which combines human-assisted support with automated, self-service tools. This integrated approach enhances visibility into service delivery outcomes and supports the agency's broader goal of delivering the best possible taxpayer experience through improved access, responsiveness, and service completion across all channels.

## **Enforcement**

In FY 2025, enforcement operations demonstrated mixed results. The IRS completed 2,850 Criminal Investigations, a 14.9 percent increase from FY 2024, exceeding the 2,500 target, driven by increased staffing and a focus on shorter cycle-time cases. The criminal conviction rate declined slightly from FY 2024 and remained below target, reflecting reliance on external partners, including the Department of Justice and U.S. Attorney's Offices, for prosecution and court outcomes. Collection Coverage was 38.8 percent, exceeding the 37.2 percent target but decreasing 0.8 percent from FY 2024; net dispositions increased 2.6 percent, while total available inventory rose 3.3 percent, supported by the resumption of delinquent return and balance due notices. Exam Starts for Large Corporations with assets of \$250 million or more totaled 1,483, a 17.4 percent increase from FY 2024, exceeding the 1,375 target, with continued growth anticipated as newly trained employees reach full productivity.

Although the IRS continues to work closely with prosecutorial partners to maintain strong case selection and oversight, criminal conviction rate declined slightly from FY 2024 and remained below the FY 2025 target as resources were shifted to other priorities. IRS Criminal Investigation must depend on partners outside IRS control, including reliance on Department of Justice and U.S. Attorney's office, to accept its cases for prosecution and move them through the courts.

## **Technology and Operations Support**

Within Technology and Operations Support, the IRS notably exceeded its goal for reducing aged hardware. Percent of Aged Hardware was 13.1 percent, outperforming the 20 percent industry standard target, reflecting focused hardware refresh strategies and timely implementation to improve infrastructure reliability and operational efficiency.

In FY 2025, the IRS advanced its transformation agenda through phased development of major modernization initiatives aimed at substantially completing most efforts within the next two years. The focus is on expanding automation, strengthening enterprise data integration, and improving system interoperability to enhance taxpayer service and compliance operations. Key initiatives include the Enterprise Data Platform (EDP) to standardize and secure enterprise data access, the Zero Paper initiative to digitize paper submissions through AI-enabled processing and reduce cycle times, and the Developer Experience Platform to streamline software development and deployment across the enterprise. Combined with continued investments in cybersecurity, cloud scalability, digital intake, and legacy system replacement, these efforts position the IRS to operate as a more agile, secure, and data-driven organization while delivering a seamless and reliable taxpayer experience.

The IRS also made great progress by expanding digital scanning and e-filing capabilities to reduce backlog and speed up processing. The IRS achieved online and mobile accessibility for 21 additional non-tax forms, bringing the total to 71 available for online submission.

**Overall Performance Outlook**

The IRS remains committed to maintaining current levels of performance and service delivery while managing all resources responsibly. To support continued success, the IRS is making targeted investments to build organizational capacity, including modernizing systems and processes and strengthening the tools and infrastructure needed to operate effectively in an evolving environment. These efforts position the IRS for greater resilience and sustained effectiveness.

Continued investment in digital services is expected to strengthen service delivery across channels and improve the taxpayer experience by expanding access to self-service options and reducing reliance on assisted channels. As system integration efforts continue, these investments are expected to support improved operational efficiency, more reliable service delivery, and the IRS’s ability to respond to evolving taxpayer needs and expectations.

Within Compliance and Technology and Operations Support, FY 2027 targets are supported by risk-based enforcement strategies, strengthened governance, and disciplined project management. The complexity and timing of high-income, partnership, and large corporate casework may contribute to year-to-year variability; however, continued use of data analytics and targeted resource alignment is expected to support steady progress in enforcement outcomes. In parallel, ongoing infrastructure modernization, reduced aged hardware, and facilities optimization are expected to enhance operational resilience, cybersecurity, and workforce productivity, supporting achievement of FY 2027 performance targets.

**B – Changes in Performance Measures**

Performance Measure or Indicator	Proposed Change and Justification
1. Customer Service Representative (CSR) Level of Service (LOS) (discontinue)	<p><b>Discontinue</b> – This measure is discontinued for FY 2026 reporting in the FY 2027 CJ.</p> <p>The IRS is replacing LOS with Assistor Service Rate to more accurately capture how the IRS serves taxpayers today and better capture performance across live and automated service channels.</p>
2. LOS(A) (discontinue)	<p><b>Discontinue</b> – This measure is discontinued for FY 2026 reporting in the FY 2027 CJ.</p> <p>The IRS is replacing LOS(A) with Enterprise Service Completion Rate to more accurately capture how the IRS serves taxpayers today and better capture enterprise performance across all service channels.</p>
3. Assistor Service Rate (new FY 2026)	<p><b>New</b> – Assistor Service Rate is defined as the percent of services provided over the phone or through live chat completed by assistors.</p>

	<p>This measure provides information on Assistor Calls Answered, Informational Messages, Assistor Live Chat, Telephone Busies, Telephone Emergency Closed, Telephone Secondary Abandons, Telephone Disconnects, Live Chat Abandons.</p> <p>This measure will baseline in FY 2026 with no target reporting in the FY 2027 CJ and begin reporting a target effective for FY 2027 in the FY 2028 CJ.</p>
<p>4. Enterprise Service Completion Rate (new FY 2026)</p>	<p><b>New</b> – Enterprise Service Completion Rate is defined as the percent of services provided to taxpayers through phone, bot, and live chat service channels.</p> <p>This measure provides information on Assistor Calls Answered, Informational Messages, Voice Bot Automation Completions, Assistor Live Chat, Chatbot Automation Completions, Telephone Busies, Telephone Emergency Closed, Telephone Secondary Abandons, Telephone Disconnects, Voice Bot Disconnects, Live Chat Abandons.</p> <p>This measure will baseline in FY 2026 with no target reporting in the FY 2027 CJ and begin reporting a target effective FY 2027 in the FY 2028 CJ.</p>
<p>5. Taxpayer Satisfied with the IRS (discontinue)</p>	<p><b>Discontinue</b> – The interagency agreement was terminated as of 3/21/2025, leaving FY 2024 as the final score available for this measure; discontinued for FY 2026 reporting in the FY 2027 CJ.</p>
<p>6. Percent of Major IT Investments within +/- 10% Cost Variance (modify)</p>	<p><b>Modify</b> – Name change to Percent of Reportable IT Investments within +/- 10% Cost Variance effective FY 2025; modified for FY 2026 reporting in the FY 2027 CJ.</p> <p>For better alignment based on Treasury Reporting requirements, the Cost and Schedule variance data uses eligible reportable Investments. The name was changed to reflect this alignment.</p>

<p>7. Percent of Major IT Investments within +/- 10% Schedule Variance - modify</p>	<p><b>Modify</b> – Name change to Percent of Reportable IT Investments within +/- 10% Schedule Variance effective FY 2025; modified for FY 2026 reporting in the FY 2027 CJ.</p> <p>For better alignment based on Treasury Reporting requirements, the Cost and Schedule variance data uses eligible reportable Investments. The name was changed to reflect this alignment.</p>
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## Section III – Additional Information

### A – Summary of Capital Investments

#### I. Introduction

Technology and Operations Support (TOS) funding is essential for maintaining the technology infrastructure and systems that support the IRS mission of tax administration. The funding enables IT to deliver a successful filing season, provides employees and taxpayers with reliable and efficient technology tools to perform compliance and customer service, and ensures robust cybersecurity controls are in place to protect sensitive taxpayer data.

The table below shows the IT budget with its discretionary and mandatory funding sources including IRA Business System Modernization funding. Non-discretionary funding for IT allows the IRS to dedicate 30-35% of its IT budget towards new development, modernization, and enhancements. In the years when the IRS had a discretionary BSM allocation, it could only dedicate roughly 10% of its total IT budget to Development, Modernization, and Enhancement (DME) activities.

Dollars in Millions

FY 2027 IRS IT Budget by IT Investment	DME	O&M	Total
Case Management	144	119	263
Compliance	75	82	157
Compute Services		493	493
Digital Services	241	110	350
Engagement Channels	37	53	91
Enterprise IT Management	123	278	401
Filing and Intake	168	186	354
Infrastructure Management	99	226	326
Internal Operations	32	259	291
IRS Cybersecurity	17	427	444
Network Services	90	344	434
Platforms and Applications	154	210	364
Storage Services		74	74
Tax Account Management	195	76	271
User Services		277	277
<b>Total</b>	<b>\$1,375</b>	<b>\$3,215</b>	<b>\$4,590</b>

Dollars in Thousands

FY 2027 IT Funding Sources with Percent Breakdown		
IT Funding Source	Total	% of Total
Technology and Operations Support	1,124,324	24%
IRA Business Systems Modernization	727,300	16%
IRA Operations Support	2,716,009	59%
Reimbursable	22,000	0%
Private Collection Agencies	281	0%
<b>Total</b>	<b>\$4,589,914</b>	<b>100%</b>

A summary of capital investments, including major information technology and non-technology investments, can be accessed at <https://www.treasury.gov/about/budget-performance/Pages/summary-of-capital-investments.aspx>.

## II. IRS Key Initiative Overview

In FY 2027, the IRS will continue advancing critical IT modernization initiatives that strengthen service delivery, automate end-to-end taxpayer processes, and improve operational efficiency while reducing long-term costs. These investments include capabilities designed to automate, integrate and standardize data across the enterprise, strengthen analytics and reporting, and accelerate the delivery of digital services. Modernization of infrastructure is essential to ensure the IRS can adapt to evolving technologies, protect sensitive taxpayer information, and administer the tax code effectively. Without modernization, the IRS would be unable to sustain performance with a reduced headcount. The FY 2027 IT modernization budget, allocated across the IT Investments, supporting key modernization initiatives below, represents a prudent and necessary investment to sustain performance, enable future workforce efficiencies, and deliver enduring value to taxpayers and the Nation.

### IRS IT Modernization Estimates Key Initiatives

Dollars in Millions

Vertical/Foundational Area	Key Initiative	Discretionary TOS Planned DME	IRA BSM Planned DME	IRA OS Planned DME	Total Planned DME
Taxpayer Services & Online Accounts	Taxpayer Service		136	23	159
	Online Accounts		128	30	159
Tax Processing	Zero Paper		136	7	143
	Unisys Modernization		18	9	26
Compliance	Case Management		53	27	79
	Case Selection & Anomaly Detection		64	15	79
Filing Season and Legislative Delivery <sup>1</sup>	Filing Season and Legislative Delivery			159	159
Data & Platform Engineering	Enterprise Data Platform (EDP)		85	20	106
Infrastructure Tech Ops	Virtual Infrastructure Replacement			106	106
<b>Subtotal</b>		<b>0</b>	<b>620</b>	<b>396</b>	<b>1,015</b>
Mission-driven infrastructure, telecommunication, network bandwidth, cybersecurity, government labor, equipment, software, and business-driven enhancements			60	477	537
<b>Total</b>		<b>\$0</b>	<b>\$680</b>	<b>\$873</b>	<b>\$1,553</b>

Note: All estimates are pre-decisional and do not include labor costs.

<sup>1</sup> Filing Season and Legislative Delivery, while not formally a key modernization initiative, includes funding to strengthen core systems, improve capability and performance, and increase operational flexibility—supporting a successful Filing Season and enabling timely implementation of legislative requirements, including the One Big Beautiful Bill Act (OB3).

### Taxpayer Services and Online Accounts

#### *Taxpayer 360*

Taxpayer 360 (TP360) will continue to advance the modernization of the IRS contact center by building a single, unified interface that provides customer service representatives with the right data, at the right time, and in the right format to resolve taxpayer inquiries. This “single pane of glass” approach reduces manual tasks, unifies taxpayer data, and incorporates knowledge management and artificial intelligence-enabled features such as agent assist and real-time research support. Once fully implemented, TP360 is expected to reduce average call handle time by 40 to 60 percent, improving both customer service representative productivity and taxpayer satisfaction.

### *Online Accounts*

IRS digital services enable taxpayer or representative self-service, reduce operational burden, and ensure system accuracy and stability for filing season. This capability gives taxpayers and representatives easier access and control of their account information, more ability to complete necessary actions via self-service, and reduce paper-based processes. More than 38 million taxpayers have accessed their Individual Online Account since inception, with additional growth expected. In FY 2027, IRS continues to expand access to more partnerships, exempt organizations, and tax professionals to view account status, make payments, and manage authorizations through the same digital channel. Additional authorization tools will allow taxpayers and their representatives to securely share information with approved third parties—such as tax software providers and mortgage lenders—through time-limited, consent-based access, reducing the need for paper copies and manual data entry.

## **Tax Processing**

### *Zero Paper*

This effort transforms how the IRS manages tax form submissions and correspondence by shifting away from manual, paper-based processing at campus centers and instead relocating paper mail to third-party sites for digital scanning and ingestion. Using cloud-based technology, this modernization enables data to be extracted and transmitted directly into IRS processing systems, reducing the need for physical storage, and improving efficiency. In FY 2027, this initiative will continue enterprise scanning and data capture enabling large-scale digitization of the next priority forms beyond Forms 940, 941, and 1040. The Zero Paper initiative will continue building upon its scanning capacity to scale digital intake across forms and correspondence prioritized by the IRS to include high-volume tax forms, correspondence, and information returns. This work will be connected to back-end inventory management systems such as Accounts Management Services (AMS) and Digital Inventory Management (DIM), so that scanned work is routed digitally to downstream teams without delay, helping reduce backlogs and speed resolution for taxpayers.

### *Unisys Modernization*

This initiative replaces the IRS's aging Unisys mainframe tax processing systems with modern technology so returns can be processed faster and more reliably. Today, more than 45 subsystems—built on 15+ million lines of COBOL—handle validation, error resolution, and access to return data for over 30,000 employees. Although artificial intelligence is reducing the burden, legacy systems are expensive to maintain and increasingly hard to support as the workforce with these skills shrinks. Moving these core functions to secure, scalable platforms with modern languages, interfaces, and automation will reduce operational risk, improve system uptime during filing season, and ensure the IRS can continue to process returns and serve taxpayers efficiently in the years ahead. In FY 2027, modernization of validation, perfection, and error processing for additional forms continues, reducing reliance on Unisys while improving the speed and consistency of extension processing. IRS also plans to migrate more Integrated Data Retrieval System subsystems to the modern architecture, prioritizing those that most directly enable Unisys retirement and better, more timely access to taxpayer account data.

## **Compliance**

### *Case Management*

The Case Management initiative is replacing fragmented legacy systems with a unified and automated platform that streamlines the full lifecycle of compliance cases. By consolidating applications into modern environments such as leading commercial Software-as-a-Service platforms and calculators, the IRS is building streamlined workflows that provide integrated access to taxpayer data and offer customizable platforms and advanced tools that enhance productivity of IRS employees, improve case cycle time, and promote taxpayer compliance. This initiative will reduce operational costs, improve case accuracy, shorten issue resolution times, allowing compliance personnel to spend more time on high-value work while enabling taxpayers to receive more efficient case resolutions. In FY 2027, the program continues to broaden both the technology platform and the range of workloads it supports by deploying several new modern workflows onto the Pega platform.

### *Case Selection & Anomaly Detection*

The Case Selection & Anomaly Detection initiative is modernizing the IRS's ability to identify and prioritize compliance cases by moving from legacy systems to a next-generation, data-driven platform. This investment leverages artificial intelligence and machine learning to improve fraud detection, prioritize high-impact cases, and embed real-time compliance verification into tax return submissions. By transforming how the IRS selects and routes compliance work, Case Selection will enable faster identification of pre-refund risks, shorten audit cycles, and improve both compliance revenue and taxpayer fairness.

In FY 2027, Case Selection & Anomaly Detection will continue to implement new capabilities that use artificial intelligence to augment examiner capacity by automating evaluation of taxpayer responses and onboarding workflows to the enterprise platform to expand automation to additional workloads.

## **Data and Platform Engineering**

### *Enterprise Data Platform*

The Enterprise Data Platform initiative makes IRS data easily accessible to any authorized application by providing a semantic layer that standardizes data across the enterprise, enabling seamless access and collaboration, exposing curated, contextualized data through Open API-compliant interfaces, and accelerating integration with modern applications and services. In FY 2027, the program will consolidate data from approximately 40 distinct systems into a unified Enterprise Data Platform. The objective is to consolidate 120 systems and expand integration to more than 200 data sets in the future state. This gives users a single, trusted source they can reuse across efforts, reducing duplicate data stores and helping initiatives like Taxpayer 360, Online Accounts, and Unisys Modernization move faster and more reliably with more consistent and secure data.

## **Infrastructure Tech Ops**

### *Virtual Infrastructure Replacement*

The Virtual Infrastructure Replacement initiative is modernizing the IRS's virtual infrastructure by transitioning from legacy systems to a unified, cloud-ready platform and moving off older,

more expensive systems. This effort will improve scalability and resiliency, reduce operational costs, and provide a secure foundation for mission-critical applications. By consolidating environments and leveraging modern tools, the IRS will be able to support faster deployments, strengthen cybersecurity, and ensure that infrastructure remains aligned with evolving business needs. By FY 2027, the initiative will execute the migration of approximately 10,000 virtual machines with no interruption to production services, shifting workloads to lower-cost, higher-performing infrastructure and transitioning day-to-day operations from a managed service provider to in-house staff.

## **Cybersecurity**

### *Zero Trust*

Instead of assuming that anything inside the IRS network is trusted, Zero Trust requires every user, device, and system to prove who they are and what they are allowed to do — every time they try to access data or applications. This is important because it strengthens defenses against modern cyber threats, better protects taxpayer information across cloud and on-premise systems, and keeps the IRS aligned with federal cybersecurity requirements.

### **3.1 – Return on Investment (ROI) for IRS Major Enforcement Programs**

This section describes the IRS’s three major enforcement programs—Examination, Collection, and Automated Underreporter (AUR). These programs show the actual program costs to actual revenue collected from FY 2022 through FY 2025. The purpose of this analysis is to provide insight into how efficiently enforcement resources generate revenue and support overall tax compliance. The data reflects real-world operational outcomes and serves as an indicator of average return on investment (ROI) over time, rather than a precise measure of individual enforcement actions.

The **Examination Program** verifies the accuracy of tax reported by individuals, businesses, and other entities, including large corporations, partnerships, international filers, tax-exempt organizations, estates, and government entities. Examination activities include both field and correspondence audits and are supported by the IRS Chief Counsel and Appeals functions. Program costs reflect the full scope of resources required to conduct these examinations.

The **Collection Program** focuses on securing delinquent taxes and unfiled returns through enforcement tools such as liens, levies, asset seizures, installment agreements, offers-in-compromise, substitute-for-return procedures, and summons authority. It also emphasizes taxpayer education to promote future compliance. Program costs include activities carried out through the Automated Collection System, Field Collection, and correspondence-based payment compliance efforts and an estimate of associated support costs which include dollars from the Operations Support appropriation prorated using actual FTE realized for each major enforcement program.

The **Automated Underreporter (AUR) Program** compares information returns filed by third parties—such as Forms W-2 and 1099—with amounts reported on individual tax returns. When

discrepancies are identified, tax examiners review and research the cases. If discrepancies cannot be resolved, the IRS issues proposed notices and assessments. The AUR program is largely data-driven and plays a key role in identifying underreported income.

ROI is calculated by dividing enforcement revenue by program cost, providing an estimate of how much revenue is generated for every dollar invested in enforcement activities. Enforcement revenue includes tax, interest, and penalties collected during a fiscal year, even when the enforcement actions relate to prior tax years or extend across multiple years. Because some enforcement cases take significant time to resolve, costs and collections may not align within the same fiscal year, making the ROI an average measure rather than a precise annual return.

### Limitations and Use of ROI in Resource Allocation

The section emphasizes that the reported ROI reflects only direct enforcement outcomes and does not account for indirect effects, such as increased voluntary compliance resulting from the deterrent impact of enforcement activities. While net revenue is theoretically maximized when resources are allocated based on marginal direct and indirect returns, those marginal effects are difficult to measure reliably. As a result, the IRS uses average ROI as one of several tools to guide decision-making and continues to allocate enforcement resources across a broad range of activities to ensure fairness, compliance, and that taxpayers pay the taxes they owe.

Dollars in Millions

Enforcement Program	FY 2022			FY 2023			FY 2024			FY 2025		
	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI
<b>IRS Total</b>	<b>\$5,969</b>	<b>\$72,366</b>	<b>12.1</b>	<b>\$6,419</b>	<b>\$86,051</b>	<b>13.4</b>	<b>\$7,682</b>	<b>\$98,685</b>	<b>12.8</b>	<b>\$8,480</b>	<b>\$93,760</b>	<b>11.1</b>
Examination	4,000	9,170	2.3	4,429	12,246	2.8	5,098	12,174	2.4	6,309	8,070	1.3
Collection	1,741	57,874	33.2	1,762	69,769	39.6	2,296	82,117	35.8	1,894	81,809	43.2
Automated Underreporter (AUR)	228	5,323	23.4	227	4,036	17.7	288	4,393	15.3	278	3,881	14

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

The table below shows the different types of FTEs and how they drive compliance activities leading to high measurable ROI (across a ten-year average). Reductions in enforcement spending create missed opportunities and lost revenue for the United States, as compliance activities generate more revenue than their operating costs.

Business Unit	Type	Description	Total Revenue (\$ in millions)	ROI
Small Business/Self-Employed	Individual	Revenue Agent	\$5.18	3.8
	Small Business Specialty	Revenue Agent	\$16.67	12.2
	Small Corps/Partnerships	Revenue Agent	\$3.03	1.8
Large Business & International	High-net-worth (HNW) (Global High Wealth)	Revenue Agent	\$6.27	3.7
	Pass Through Entity (PTE)	Revenue Agent	\$9.33	5.6
	Large Corporate	Revenue Agent	\$29.31	17.4
Small Business/Self-Employed	Individual	Tax Compliance Officer	\$5.30	3.9
Collection	Campus Collection (CSCO)	Compliance Services Collection Operations (CSCO)	\$4.15	3
	Field Collection	Collection Field Function (Revenue Officer)	\$12.26	8.9
	Automated Collection System (ACS)	ACS	\$31.23	22.8
Automated Underreporter (AUR)	AUR	AUR	\$47.20	34.5
Small Business/Self-Employed	Individual	Service Center	\$27.83	20.3

## B – Summary of Facilities Improvements and Equipment

In the Joint Explanatory Statement accompanying the Consolidated Appropriations Act of 2026, P.L. 119-75, Congress directed the IRS to include in the FY 2027 budget request “a table and description of the equipment acquired, and the construction, repair, and renovation of facilities made in the prior year and planned for the current and budget years by project, location, and office.”

FY 2025 Actuals		
Facilities Location	Equipment	Improvements
Alabama	60	
Alaska	2	
Arizona		58
California	198	222
Delaware		1
Florida		110
Georgia	9	166
Idaho		1
Illinois		47
Indiana	1	4
Iowa	7	
Kansas		2
Kentucky	744	728
Louisiana		42
Maryland	156	1
Massachusetts	252	721
Michigan	5	75
Minnesota	3	
Missouri	142	180
Nebraska		142
New Jersey		5,971
New York	8	717
Ohio	335	347
Pennsylvania		280
Puerto Rico	313	875
Tennessee	678	524
Texas	37	1,914
Utah	172	97
Virginia		256
Washington	8	16
Wisconsin		4
West Virginia		1,958
Wyoming	235	
<b>Total</b>	<b>\$3,365</b>	<b>\$15,459</b>

FY 2026 Plan		
Facilities Location	Equipment	Improvements <sup>1</sup>
California	11	2,555
Idaho		485
Illinois		1,721
Indiana		1,288
Iowa		301
Louisiana		261
Massachusetts	107	
Michigan		407
Missouri		4,133
Nebraska		140
North Dakota		50
Ohio		422
Oregon		533
Pennsylvania		784
South Dakota		48
Texas		1,741
Utah		156
Washington		1,605
Washington DC		4,794
<b>Grand Total</b>	<b>118</b>	<b>\$21,423</b>

<sup>1</sup> Amounts include the cost of space consolidation.

Equipment purchases include furniture acquisition, appliances, A/V equipment, electrical infrastructure, warehouse equipment, installation services, and associated logistics/administrative costs. The items reflect both new office setups and upgrades to existing workspaces, including conference rooms, open offices, training rooms, warehouse areas, and breakrooms.

Plans for FY 2027 have not yet been developed; new equipment and facilities expenses are currently expected to be consistent with previous years.

## Section IV – Additional Information

### 4.1 – Summary of IRS FY 2027 Discretionary Budget Request

Dollars in Thousands

FY 2027 IRS Budget Request	TAXPAYER SERVICES		ENFORCEMENT		TECHNOLOGY and OPERATIONS SUPPORT		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
<b>FY 2026 Enacted</b>	<b>\$3,036,606</b>	<b>23,227</b>	<b>\$4,999,000</b>	<b>27,522</b>	<b>\$3,159,759</b>	<b>9,131</b>	<b>\$11,195,365</b>	<b>59,880</b>
<b>Changes to Base:</b>								
FY 2027 Maintaining Current Levels (MCLs)	6,006		12,359		4,604		22,969	
Pay Annualization (1.0% average pay raise)	6,006		12,359		4,604		22,969	
<b>Subtotal FY 2027 Changes to Base</b>	<b>6,006</b>		<b>12,359</b>		<b>4,604</b>		<b>22,969</b>	
<b>FY 2027 Current Services</b>	<b>\$3,042,612</b>	<b>23,227</b>	<b>\$5,011,359</b>	<b>27,522</b>	<b>\$3,164,363</b>	<b>9,131</b>	<b>\$11,218,334</b>	<b>59,880</b>
<b>Program Changes:</b>								
Program Increases	\$94,363	1,132					\$94,363	1,132
Maintain Customer Service	\$94,363	1,132					94,363	1,132
Program Decreases	(\$6,006)	(60)	(\$908,984)	(4,794)	(\$566,339)	(21)	(\$1,481,329)	(4,875)
Reduction to Offset Unfunded FY 2027 MCLs	(6,006)	(60)	(12,359)	(80)	(4,604)	(21)	(22,969)	(161)
Staff Reductions			(777,841)	(4,714)			(777,841)	(4,714)
Non-Labor Reductions			(118,784)		(561,735)		(680,519)	
<b>Subtotal FY 2027 Program Changes</b>	<b>\$88,357</b>	<b>1,072</b>	<b>(908,984)</b>	<b>(4,794)</b>	<b>(\$566,339)</b>	<b>(21)</b>	<b>(\$1,386,966)</b>	<b>(3,743)</b>
<b>Total FY 2027 Request</b>	<b>\$3,130,969</b>	<b>24,299</b>	<b>\$4,102,375</b>	<b>22,728</b>	<b>\$2,598,024</b>	<b>9,110</b>	<b>\$9,831,368</b>	<b>56,137</b>
Dollar/FTE Change FY27 Request over FY 2026 Enacted	\$94,363	1,072	(\$896,625)	(4,794)	(\$561,735)	(21)	(\$1,363,997)	(3,743)
Percent Change FY27 Request over FY 2026 Enacted	3.11%	4.62%	-17.94%	-17.42%	-17.78%	-0.23%	-12.18%	-6.25%

#### 4.2 – Summary of IRS FY 2027 Total Resources Budget Request

The following provides a summary of the FY 2027 budget request, which totals \$9.8 billion in discretionary resources and assumes the use of additional IRS budgetary resources. Continued collaboration with Congress will be essential to ensure sufficient discretionary funding to support full IRS operations.

Dollars in Thousands

Funding Source	Taxpayer Services	Enforcement	Technology and Operations Support	Business Systems Modernization	Total
Discretionary	3,130,969	4,102,375	2,598,024		\$9,831,368
Carryover	70,000				\$70,000
Inflation Reduction Act	68,584		3,450,933	\$727,300	\$4,246,817
User Fees	256,400	1,000,000			\$1,256,400
Other Resources <sup>1</sup>	45,150	317,792	141,520	10,000	\$514,462
<b>Total</b>	<b>\$3,571,103</b>	<b>\$5,420,167</b>	<b>\$6,190,477</b>	<b>\$737,300</b>	<b>\$15,919,047</b>

<sup>1</sup> Includes reimbursables, offsetting collections, transfers, recoveries from prior years, and Private Collection Agencies

#### 4.3 – Summary of IRS FY 2027 Total Resources FTE

Funding Source	Taxpayer Services	Enforcement	Technology and Operations Support	Business Systems Modernization	Total
Discretionary	24,299	22,728	9,110		56,137
Carryover	700				700
Inflation Reduction Act	1,024		350	300	1,674
User Fees	3,828	4,560			8,388
Other Resources <sup>1</sup>	714	1,294	125		2,133
<b>Total</b>	<b>30,565</b>	<b>28,582</b>	<b>9,585</b>	<b>300</b>	<b>69,032</b>

<sup>1</sup> Includes reimbursables and Private Collection Agencies