

## Internal Revenue Service

### Program Summary by Budget Activity

Dollars in thousands

Budget Activity	FY 2017	FY 2018	FY 2019	FY 2018 TO FY 2019	
	Enacted <sup>1</sup>	Annualized CR <sup>2</sup>	Request <sup>3</sup>	\$ Change	% Change
Taxpayer Services	\$2,455,754	\$2,349,688	\$2,241,000	(\$108,688)	-4.63%
Pre-filing Taxpayer Assistance and Education	607,043	603,424	607,753	4,329	0.72%
Filing and Account Services	1,848,711	1,746,264	1,633,247	(113,017)	-6.47%
Enforcement	\$4,640,000	\$4,606,996	\$4,628,204	\$21,208	0.46%
Investigations	595,206	576,802	578,949	2,147	0.37%
Exam and Collections	3,914,546	3,874,918	3,893,373	18,455	0.48%
Regulatory	130,248	155,276	155,882	606	0.39%
Operations Support	\$3,849,246	\$3,913,988	\$4,155,796	\$241,808	6.18%
Infrastructure	869,732	847,444	860,058	12,614	1.49%
Shared Services and Support	991,504	994,559	1,005,911	11,352	1.14%
Information Services	1,988,010	2,071,985	2,289,827	217,842	10.51%
Business Systems Modernization	\$290,000	\$288,031	\$110,000	(\$178,031)	-61.81%
<b>Subtotal, Internal Revenue Service</b>	<b>\$11,235,000</b>	<b>\$11,158,703</b>	<b>\$11,135,000</b>	<b>(\$23,703)</b>	<b>-0.21%</b>
Reimbursables	152,161	173,557	113,535	(60,022)	-34.58%
Offsetting Collections - Non Reimbursables	16,407	16,407	17,227	820	5.00%
User Fees	241,485	499,100	498,900	(200)	-0.04%
Recovery from Prior Years	2,497	18,351	18,331	(20)	-0.11%
Unobligated Balances from Prior Years	297,310	351,715	353,222	1,507	0.43%
Transfers In/Out	17				
<b>Total Program Operating Level</b>	<b>\$11,944,877</b>	<b>\$12,217,833</b>	<b>\$12,136,215</b>	<b>(\$81,618)</b>	<b>-0.67%</b>
Direct FTE	76,634	72,968	70,805	(2,163)	-2.96%
Reimbursable FTE	853	1,033	552	(481)	-46.56%
Offsetting Collections - Non Reimbursables					
User Fee FTE	161	75	71	(4)	-5.33%
Unobligated Balances from Prior Years	36	827		(827)	-100.00%
Resources from Other Accounts	1	1	1		
<b>Total FTE</b>	<b>77,685</b>	<b>74,904</b>	<b>71,429</b>	<b>(3,475)</b>	<b>-4.64%</b>

<sup>1</sup>FY 2017 Enacted reflects levels appropriated in H.R. 255, the Consolidated Appropriations Act of 2017. For further details on the execution of these resources, see the 2019 Budget *Appendix* chapter for the Department of the Treasury. Includes \$220 million interappropriation transfer from Enforcement to Taxpayer Services (\$90 million) and Operations Support (\$130 million). FY 2017 Enacted also includes \$290 million in Section 113 Administrative Provision funding allocated in the following amounts: \$209.2 million in Taxpayer Services and \$80.8 million in Operations Support. FY 2017 full-time equivalent (FTE) are actuals and reconcile to the final FY 2017 Obligations and Expenses report, which included the 36 FTE funded from prior year balances shown in the table above. Other Resources are actuals. Resources from Other Accounts include other direct FTE funded by the Federal Highway Administration.

<sup>2</sup>FY 2018 Annualized Continuing Resolution (CR) reflects a rescission of 0.6791 percent applied to the FY 2017 Enacted levels. FY 2018 Annualized CR also includes a notional \$220 million interappropriation transfer from Enforcement to Operations Support to cover anticipated operations and maintenance requirements in FY 2018. The IRS will submit a formal transfer to request to Congress as part of the IRS FY 2018 operating plan upon enactment of a final appropriations bill. FY 2018 Annualized CR includes \$288 million in Section 113 Administrative Provision funding in the following amounts: \$208 million in Taxpayer Services and \$80 million in Operations Support. FY 2018 Annualized CR does not include resources to implement new requirements under the Tax Cuts and Jobs Act (Public Law 115-97).

<sup>3</sup>FY 2019 Request in this table excludes the proposed \$362 million discretionary program integrity investment in FY 2019: \$205 million for Enforcement and \$157 million for Operations Support. More information about the program integrity cap adjustment can be found in Section 4.1 of the IRS FY 2019 Congressional Justification.

## **Summary**

The IRS FY 2019 base budget request of \$11.135 billion provides funding to administer the nation's tax system, generate more than \$3 trillion in revenue to fund critical defense and general program requirements, meet demand from hundreds of millions of taxpayers, issue more than \$400 billion in tax refunds and outlays, protect billions of taxpayer records, and strengthen tax compliance.

The Budget invests in high-priority programs that will allow the IRS to administer the new tax law and to become more efficient and effective and ultimately assist more taxpayers. These investments include modernizing taxpayer services and expanding opportunities for taxpayers and their representatives to complete certain service and compliance interactions through their preferred channel, be it online, by telephone, or in person at one of the IRS's 365 Taxpayer Assistance Centers. Modernizing taxpayer services will help simplify filing returns for the vast majority of taxpayers and result in more resources for taxpayers who use traditional service channels, all of which will increase voluntary compliance and improve tax administration. The Budget invests in technology and analytics to take advantage of the most effective tax enforcement strategies and protect taxpayers' refunds from fraudulent schemes. The Budget also increases funding for security and replacing obsolete hardware to protect taxpayer-sensitive data from ever-increasing cyber threats.

The Department of the Treasury's strategic plan for FY 2018 – 2022 and the forthcoming IRS Strategic Plan FY 2018–2022 (Plan) guide the IRS's resource decisions, programs, and operations to meet the changing needs and expectations of taxpayers and members of the tax community who serve taxpayers. The Plan aligns with the goals and objectives in Treasury's strategic plan, namely increasing U.S. economic growth by administering tax

laws to better enable all taxpayers to meet their obligations while protecting the integrity of the tax system; transforming government-wide financial stewardship by increasing access to and usage of data; and achieving operational excellence.

In FY 2017, the IRS delivered a successful filing season that opened on January 23, 2017. During the 2017 filing season, the IRS:

- Received about 136 million individual tax returns and issued 97 million refunds totaling \$268 billion with an average individual refund of \$2,862. More than 90 percent of these individual returns received were filed electronically;
- Filing season LOS, the relative success rate of taxpayers that call the toll-free number seeking assistance from a customer service representative, reached 79.1 percent, its highest level since 2007;
- Received almost 30.9 million business returns, 3.3 percent more than in 2016 of which almost 19.3 million were filed electronically, an increase of almost 10 percent from 2016; and
- In calendar year 2017, using new screening criteria, the IRS stopped \$5.2 billion in fraudulent refunds claimed by identity thieves on 567,000 tax returns from January 2017 through October 2017.

## ***Tax Reform***

The Tax Cuts and Jobs Act (Public Law 115-97) is the most significant revision of the U.S. tax code in over 30 years. With hundreds of provisions intended to provide relief to American families and make America's businesses more competitive, the new law will require extensive administrative work in calendar years 2018 and 2019. To ensure successful implementation, the IRS will need immediate additional resources to address the following requirements:

- Create new and revised taxpayer forms, instructions, and publications;
- Provide technical support to taxpayers on issues involving interpretations of the law

and of related published guidance. Preliminary estimates suggest assistors may need to answer four million additional phone calls. This represents a potential 17 percent increase over the 23 million assisted calls answered by the IRS in FY 2017;

- Train IRS employees on the new law and help the public, tax professionals and other industry partners understand how the law applies to them; and
- Reprogram approximately 140 interrelated information technology systems, with special focus on return processing and compliance systems.

for modification or repeal consistent with law and Executive Order 13789 (Identifying and Reducing Tax Regulatory Burdens). In October of 2017, the Department released a report recommending actions to eliminate or mitigate the burdens imposed on taxpayers by eight regulations. In addition, the IRS and the Department have initiated a comprehensive review, coordinated by the Treasury Regulatory Reform Task Force, of all tax regulations, regardless of when they were issued. As part of this process, the IRS Office of Chief Counsel has already identified over 200 regulations for potential revocation, most of which have been outstanding for many years.

### Reducing Regulatory Burden

The IRS and the Department continue to work to identify overly burdensome tax regulations

### IRS FY 2019 Budget Highlights

Bureau: Internal Revenue Service Summary of FY 2019 CJ Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
<b>FY 2018 Annualized CR Level</b>	<b>\$2,349,688</b>	<b>26,977</b>	<b>\$4,606,996</b>	<b>34,662</b>	<b>\$3,913,988</b>	<b>10,813</b>	<b>\$288,031</b>	<b>516</b>	<b>\$11,158,703</b>	<b>72,968</b>
<b>Changes to Base</b>										
<b>Maintaining Current Levels (MCLs)</b>	<b>\$13,115</b>		<b>\$26,598</b>		<b>\$53,808</b>		<b>\$172</b>		<b>\$93,693</b>	
Pay Annualization	9,697		21,035		7,823		172		38,727	
Non-Pay Inflation Adjustment	3,418		5,563		45,985				54,966	
<b>Efficiency/Savings</b>	<b>(\$6,695)</b>	<b>(128)</b>			<b>(\$6,103)</b>				<b>(\$12,798)</b>	<b>(128)</b>
Increase e-File Savings	(6,695)	(128)			(102)				(6,797)	(128)
Space Optimization					(6,001)				(6,001)	
<b>Reinvestment</b>					<b>12,798</b>				<b>12,798</b>	
Support Aging IT Infrastructure					12,798				12,798	
<b>Subtotal FY 2019 Changes to Base</b>	<b>\$6,420</b>	<b>(128)</b>	<b>\$26,598</b>		<b>\$60,503</b>		<b>\$172</b>		<b>\$93,693</b>	<b>(128)</b>
<b>FY 2019 Current Services</b>	<b>\$2,356,108</b>	<b>26,849</b>	<b>\$4,633,594</b>	<b>34,662</b>	<b>\$3,974,491</b>	<b>10,813</b>	<b>\$288,203</b>	<b>516</b>	<b>\$11,252,396</b>	<b>72,840</b>
<b>Program Changes</b>										
<b>Program Decreases</b>										
Actions to Achieve Workforce Management Goals	(\$133,134)	(2,307)	(\$5,390)						(\$138,524)	(2,307)
Realignment from BSM to Operations Support							(\$178,203)		(\$178,203)	
<b>Subtotal FY 2019 Program Decreases</b>	<b>(\$133,134)</b>	<b>(2,307)</b>	<b>(\$5,390)</b>				<b>(\$178,203)</b>		<b>(\$316,727)</b>	<b>(2,307)</b>
<b>Program Increases (Before Cap Adjustment)</b>										
<b>Stabilize, Secure and Transform IT Operations</b>										
Strengthen Cyber Security					181,305	146			181,305	146
Identity Assurance - e-Authentication Enhancements and Authorization Integration					40,000	10			40,000	10
Aging Technology Infrastructure					24,300	21			24,300	21
Migration to Cloud Services					39,000				39,000	
Stabilize IT Operations					20,000				20,000	
Support Taxpayer Services and Online Account Activities	18,026	126			58,005	115			58,005	115
<b>Subtotal FY 2019 Program Increases</b>	<b>\$18,026</b>	<b>126</b>			<b>\$181,305</b>	<b>146</b>			<b>\$199,331</b>	<b>272</b>
<b>Total FY 2019 Request (Before Cap Adjustment)</b>	<b>\$2,241,000</b>	<b>24,668</b>	<b>\$4,628,204</b>	<b>34,662</b>	<b>\$4,155,796</b>	<b>10,959</b>	<b>\$110,000</b>	<b>516</b>	<b>\$11,135,000</b>	<b>70,805</b>

See footnotes in 1.1 – Appropriations Detail Table

## ***FY 2019 Budget Adjustments***

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### ***Resource Adjustment***

#### ***Base Realignment for Support Services \$0 / 0 FTE***

The FY 2018 Annualized CR level of \$11.159 billion assumes \$220 million will be transferred from Enforcement to Operations Support in FY 2018 to cover recurring operations and maintenance costs. The IRS will submit a formal notification to Congress in its FY 2018 operating plan. In recognition of the recurring nature of these expenses, the Budget includes the \$220 million in the FY 2019 current services or base estimate for Operations Support.

### ***Adjustments to Request***

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#### ***Maintaining Current Levels (MCLs)***

##### ***Pay Annualization +\$38,727,000 / 0 FTE***

Funds are requested for annualization of the January 2018 pay-raise.

##### ***Non-Pay +\$54,966,000 / 0 FTE***

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

#### ***Efficiencies and Savings***

##### ***Increase e-File Savings -\$6,797,000***

##### ***/ -128 FTE***

The IRS projects the receipt of 1,902,000 fewer returns filed on paper in FY 2019 (1,301,700 individual and 600,300 business returns) than in FY 2018, saving 128 FTE and \$6,797,000.

##### ***Space Optimization -\$6,001,000 / 0 FTE***

The IRS will reduce rent expenses and improve use of office space across the country. The IRS plans to reduce its real estate footprint by approximately 500,000 square feet by closing or consolidating space for estimated rent savings of \$6 million in FY 2019.

## ***Reinvestment***

### ***Support Aging IT Infrastructure***

#### ***+\$12,798,000 / 0 FTE***

Funding will be applied to refresh and replace critical IT infrastructure that has aged three to four times beyond industry replacement standards. The IRS requires about \$136 million to replace assets that have aged in the past fiscal year, and estimates every \$10 million spent above the \$136 million threshold will result in a one percent reduction of the aged assets. Thus, \$12.8 million should allow for replacement of about 1.3 percent of aged assets.

### ***Program Changes***

#### ***Program Increases***

##### ***Secure and Transform IT Operations***

##### ***+\$181,305,000 / +146 FTE***

The IRS will protect sensitive data by executing a multi-year plan to enhance cyber security, pursue new technologies for identity proofing and authentication, decrease the time and effort required to resolve account issues, refresh and replace critical IT infrastructure, migrate to cloud computing service delivery models, and focus on developing innovative technology solutions.

##### ***Support Taxpayer Services and Online***

##### ***Account Activities +\$18,026,000 / +126 FTE***

The additional customer service representatives will handle downstream effect on collection, account management, and submission processing operations. The additional Taxpayer Advocate Services (TAS) specialists will ensure that the IRS does not create unnecessary burdens or compromise taxpayers' rights. While the IRS has made significant strides in implementing Secure Access, there are many enhancements needed to improve success rates for taxpayers, reduce technical errors, refine business rules, improve monitoring capabilities, and integrate additional applications with the Secure Access process. This investment also will include support for the e-Authentication Help Desk to

assist taxpayers establish or access their online accounts.

### **Program Decreases**

#### ***Actions to Achieve Workforce Management Goals -\$138,524,000 / -2,307 FTE***

This decrease is expected to lower the telephone Level of Service from an estimated 75 percent in FY 2018 to 47 percent in FY 2019. This decrease may delay the sorting and shipping of incoming mail within normal mail; delay responses to transcript requests and other paper receipts from taxpayers; and result in seasonal employees being placed into non-work status. Proposed investments in systems and online services will mitigate these effects to some extent.

#### ***Realignment from BSM to Operations Support -\$178,203,000 / 0 FTE***

The IRS will continue investing in modernizing systems with the proposed \$110 million request for Business Systems Modernization. This decrease takes into account the projected \$237 million in unobligated balances brought forward estimated to be available to support modernization in FY 2019 and the need to continue investing in IT infrastructure, security, and web services within Operations Support.

### ***Explanation of Budget Activities***

#### ***Taxpayer Services***

The FY 2019 President's Budget request is \$2,241,000,000 in direct appropriations. This appropriation funds the following budget activities:

#### ***Pre-filing Taxpayer Assistance & Education (\$607,753,000 from direct appropriations, an estimated \$1,237,000 from reimbursable resources, and an estimated \$5,000,000 from unobligated balances from prior years)***

This budget activity funds services to help taxpayers understand and meet their tax obligations, including tax law interpretation, publication, production, and advocate services.

#### ***Filing & Account Services (1,633,247,000 from direct appropriations, an estimated \$35,519,000 from reimbursable resources, and an estimated \$67,900,000 from user fees)***

This budget activity funds programs that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts.

### ***Enforcement***

The FY 2019 President's Budget request is \$4,628,204,000 in direct appropriations. This appropriation funds the following budget activities:

#### ***Investigations (\$578,949,000 from direct appropriations, an estimated \$32,769,000 from reimbursable resources, an estimated \$17,227,000 from offsetting collections – non-reimbursables, an estimated \$2,964,000 from recoveries paid, and an estimated \$13,378,000 from unobligated balances from prior years)***

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 when warranted. These programs identify and document the movement of legal and illegal sources of income and instances of suspected intent to defraud. This budget activity also provides resources for international investigations involving U.S. citizens residing abroad, non-resident aliens, and expatriates,

and includes investigation and prosecution of tax and money laundering violations associated with narcotics organizations.

***Exam & Collections (\$3,893,373,000 from direct appropriations, an estimated \$986,000 from reimbursable resources, and \$17,229,000 from unobligated balances from prior years)***

This budget activity funds programs that enforce the tax laws, increase compliance through examination and collection, and ensure proper payment and tax reporting. It also includes campus support of the Questionable Refund program and appeals and litigation activities associated with exam and collection.

***Regulatory (\$155,882,000 from direct appropriations, an estimated \$177,000 from reimbursable resources)***

This budget activity funds the development and printing of published IRS guidance materials including the interpretation of tax laws, internal advice to the IRS on general non-tax legal issues, enforcement of regulatory rules, laws, and approved business practices, and support of taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The Return Preparer Program is funded within this activity, as is the Office of Professional Responsibility, which identifies, communicates, and enforces Treasury Circular 230 standards of competence, integrity, and conduct of professionals representing taxpayers before the IRS.

**Operations Support**

The FY 2019 President's Budget request is \$4,155,796,000 in direct appropriations. This appropriation funds the following budget activities:

***Infrastructure (\$860,058,000 from direct appropriations, an estimated \$711,000 from reimbursable resources, an estimated \$779,000 from recoveries, and an***

***estimated \$18,191,000 from unobligated balances from prior years)***

This budget activity funds administrative services such as space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment.

***Shared Services & Support (\$1,005,911,000 from direct appropriations, an estimated \$21,399,000 from reimbursable resources, an estimated \$1,000,000 from user fees, an estimated \$4,000 from recoveries, and an estimated \$16,004,000 from unobligated balances from prior years)***

This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, protection of sensitive information and the privacy of taxpayers and employees, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, physical security, legal services, and procurement.

***Information Services (\$2,289,827,000 from direct appropriations, an estimated \$20,737,000 from reimbursable resources, an estimated \$396,000,000 from user fees, an estimated \$10,264,000 from recoveries, an estimated \$466,000 from recoveries paid, and an estimated \$46,501,000 from unobligated balances from prior years)***

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.

### **Business Systems Modernization**

The FY 2019 President's Budget request is \$110,000,000 in direct appropriations. This appropriation funds the following budget activity:

***Business Systems Modernization (\$110,000,000 in direct appropriations, this is a decrease of \$178,031,000, or 61.8 percent less than the FY 2018 Annualized Continuing Resolution level of \$288,031,000 and 516 FTE)***

This budget activity funds the planning and capital asset acquisition of IT to modernize IRS business systems, including labor and related contractual costs. It funds' investments in systems that enhance the IRS's capability to detect, resolve, and prevent tax refund fraud and protect U.S. Treasury revenue, simplify the taxpayer's online experience, provide secure digital communications, and add more interactive capabilities to existing web self-service products.

### **Legislative Proposals**

The FY 2019 President's Budget request includes four legislative proposals.

**Program Integrity Cap Adjustment:** In addition to the base appropriations request of \$11.135 billion, the Budget proposes a \$362 million discretionary program integrity cap adjustment in FY 2019 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 \$205 million for the Enforcement account and \$157 million for the Operations Support account. It also proposes additional adjustments in future years to fund new initiatives and inflation. The proposed investments will generate approximately \$44 billion in additional revenue over 10 years and will cost about \$15 billion for net savings of \$29 billion.

**Streamlined Critical Pay (SCP):** Streamlined Critical Pay authority through September 30, 2022. The authority to make

new SCP appointments expired September 30, 2013. Currently, there are no Streamlined Critical Pay appointees employed by the IRS. If the SCP is not renewed, the IRS will continue to face challenges recruiting top-level talent, especially IT professionals who help protect taxpayer data from cyber-attacks and who assist with modernizing the IRS's IT infrastructure. According to Treasury Inspector General for Tax Administration report 2015-IE-R001, *The Internal Revenue Service's Use of Its Streamlined Critical Pay Authority*, "Private sector expertise had been crucial to introducing new leadership to supplement in-house expertise, and the IRS had taken advantage of the private sector expertise by retaining the critical pay appointees whenever feasible." The IG concluded in its report that the IRS ran the program well and effectively.

**Correctable Error Authority:** When the IRS identifies certain mathematical or clerical errors, or other specific irregularities on returns during processing, it automatically adjusts the return for the taxpayer. At various times, Congress has expanded this math error authority on a case-by-case basis. The IRS would be able to improve tax administration significantly, including reducing improper payments and cutting down on the need for costly audits, if Congress were to expand this authority to allow the IRS to correct returns for specific errors.

**Increase Oversight of Paid Tax Return Preparers:** Since 2011, the D.C. District Court (and the D.C. Circuit Court affirming on appeal) has prevented the IRS from enforcing regulations on the grounds that the IRS's authority to regulate practitioners is insufficient to permit regulation of tax return preparers who do not practice or represent taxpayers before an office of the Treasury Department. The Administration continues to hold that improved regulation of preparers is

an effective means to improve voluntary compliance. Thus, the Administration requests that the IRS be granted the authority to require minimum standards for all 400,000 tax preparers without credentials.

### **IRS Performance Highlights**

Budget Activity	Performance Measures	FY 2015	FY 2016	FY 2017	FY 2017	FY 2018	FY 2019
		Actual	Actual	Actual	Target	Target	Target
Filing and Account Services	Customer Service Representative Level of Service (LOS)	38.1%	53.4%	77.1%	64.0%	75.0%	47.0%
Filing and Account Services	Customer Accuracy - Accounts (Phones)	95.5%	96.1%	96.0%	95.0%	95.0%	95.0%
Filing and Account Services	Percent Individual Returns Processed Electronically	85.3%	86.4%	86.9%	87.0%	88.0%	89.0%
Exam and Collections	Examination Efficiency - Individual	148	143	121	118	134	129
Exam and Collections	Automated Underreporter Coverage	2.3%	2.3%	2.2%	2.0%	1.9%	1.9%
Exam and Collections	Automated Collection System Accuracy	95.3%	95.4%	94.7%	95.0%	95.0%	95.0%

### **Description of Performance**

In FY 2017, the IRS continued to provide quality service to taxpayers and enforce the laws with integrity and fairness. However, the IRS was unable to maintain some of its performance levels due to ongoing resource and staffing constraints. The IRS continued to deliver improvements in key areas, including international, tax exempt, refund fraud, and identity theft.

#### **Taxpayer Services**

The IRS strives to deliver high quality and timely service to taxpayers and stakeholders and help them understand and meet their tax obligations. The IRS:

Achieved an 86.9 percent individual e-file rate and a 52.9 percent business e-file rate;

- Delivered a fiscal year telephone LOS of 77.1 percent;
- Answered more than 23 million calls, and addressed another 18 million calls through automated systems. The average speed of answer was eight minutes, compared to 18 minutes in fiscal year 2016; and

- Answered 96.0 percent of account questions over the telephone correctly.

The IRS continues to improve and expand its outreach and educational services through partnerships with state taxing authorities, volunteer groups, and other organizations. Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites provided free tax assistance for the elderly, disabled, and limited English proficient individuals and families.

#### **Enforcement**

In FY 2017, the IRS collected \$56.9 billion through enforcement programs, a return on investment (ROI) of about \$5.1 to \$1 for all appropriations. For Enforcement only, the projected ROI is \$12 to \$1. This number is likely understated, since the ROI estimate does not include the revenue effect of the indirect deterrence value of IRS enforcement programs, which is conservatively estimated to be at least three times the direct revenue effect. The IRS CI program investigates potential criminal violations of the Internal Revenue Code and related financial crimes, such as



money laundering, currency violations, tax-related identity theft fraud, and terrorist financing that adversely affect tax administration.

In FY 2017, CI completed 3,089 criminal investigations, within 0.4 percent of the year-end target. The number of completions decreased 17 percent from FY 2016. CI has experienced a steady decrease in the number of special agents available to work cases (due to attrition and limited hiring) as well as a continued focus on existing judicial process inventory and traditional tax case programs, which tend to have a higher cycle time than identity-theft/refund fraud cases that contributed to prior year completions. CI obtained 2,300 convictions in FY 2017.

During the past year, the IRS maintained its international enforcement presence, leveraged the tax return preparer community, and prioritized refund fraud prevention. The IRS stopped \$5.2 billion in fraudulent refunds claimed by identity thieves on 567,000 tax returns using new screening criteria. In addition, the IRS continued to work with its Security Summit partners from state tax agencies and the broader tax community to add extra layers of security protection for the filing season. During the year, the IRS issued news releases about scams and tax tips to advise taxpayers and tax professionals.

### ***Business Systems Modernization***

IRS modernization efforts continued in FY 2017. Some key accomplishments were:

- Deployed several CADE 2 Transition State 2 projects for filing season 2017, which allowed a more effective way to record and retain taxpayer history, corrected automated failure to pay calculations for the adjusted refundable credits, and aggregated and provided taxpayer data to downstream systems across the IRS;
- Deployed maintenance and enhancements for the Return Review Program in preparation for the 2017 filing season, which allowed for receipt of Forms W-2, *Wage and Tax Statement*, directly from reporting agents and other Form W-2 issuers earlier in the filing season to verify income and reduce fraud and anomalies. Receiving the Form W-2 information earlier allowed the IRS to release correct returns sooner in the fraud detection process, which reduced taxpayer burden; and
- Continued to enhance Web Applications to improve interactions and communications with taxpayers, employers, and third parties by providing a broad range of self-service options, establishing secure information exchange options, and building internal capabilities. By enabling third parties and taxpayers to interact digitally with the IRS, the investment will provide a better user experience, achieve significant savings by moving services to lower cost channels, and deliver consistent data and services through reusable application programming interfaces (APIs).