

Budget in Brief



Fiscal Year
2022



Internal Revenue Service

Program Summary by Budget Activity

Dollars in thousands

| Budget Activity | FY 2020 | FY 2021 | FY 2022 | FY 2021 TO FY 2022 | |
|--|-----------------------------|-----------------------------|---------------------|--------------------|---------------|
| | Operating Plan ¹ | Operating Plan ² | Request | \$ Change | % Change |
| Taxpayer Services | \$2,535,554 | \$2,587,606 | \$2,940,876 | \$353,270 | 13.65% |
| Pre-filing Taxpayer Assistance and Education | 647,066 | 657,618 | 713,346 | 55,728 | 8.47% |
| Filing and Account Services | 1,888,488 | 1,929,988 | 2,227,530 | 297,542 | 15.42% |
| Enforcement | \$4,909,500 | \$5,004,622 | \$5,462,823 | \$458,201 | 9.16% |
| Investigations | 648,819 | 698,193 | 773,605 | 75,412 | 10.80% |
| Exam and Collections | 4,081,409 | 4,120,886 | 4,497,709 | 376,823 | 9.14% |
| Regulatory | 179,272 | 185,543 | 191,509 | 5,966 | 3.22% |
| Operations Support | \$3,885,000 | \$4,104,102 | \$4,448,195 | \$344,093 | 8.38% |
| Infrastructure | 881,670 | 886,713 | 971,008 | 84,295 | 9.51% |
| Shared Services and Support | 990,690 | 1,024,654 | 1,088,217 | 63,563 | 6.20% |
| Information Services | 2,012,640 | 2,192,735 | 2,388,970 | 196,235 | 8.95% |
| Business Systems Modernization | \$180,000 | \$222,724 | \$305,032 | \$82,308 | 36.96% |
| Subtotal Internal Revenue Service | \$11,510,054 | \$11,919,054 | \$13,156,926 | \$1,237,872 | 10.39% |
| Reimbursables | 179,652 | 179,759 | 189,645 | 9,886 | 5.50% |
| Offsetting Collections - Non Reimbursables | 6,728 | 21,300 | 22,472 | 1,172 | 5.50% |
| User Fees | 485,997 | 585,244 | 435,400 | (149,844) | -25.60% |
| Recovery from Prior Years | 16,457 | 16,764 | 16,764 | | |
| Recoveries Paid | | 3,604 | 3,604 | | |
| Unobligated Balances from Prior Years | 171,189 | 318,017 | 327,299 | 9,282 | 2.92% |
| Transfers In/Out | 137 | 140 | 140 | | |
| Resources from Other Accounts | | 123,039 | 98,153 | (24,886) | -20.23% |
| Total Program Operating Level | \$12,370,214 | \$13,166,921 | \$14,250,403 | \$1,083,482 | 8.23% |
| Direct FTE | 73,240 | 73,409 | 79,348 | 5,939 | 8.09% |
| Reimbursable FTE | 790 | 808 | | (808) | -100.00% |
| Offsetting Collections - Non Reimbursables | | | 834 | 834 | |
| User Fee FTE | 4 | 1,536 | 86 | (1,450) | -94.40% |
| Recovery from Prior Years | | | | | |
| Recoveries Paid | | | | | |
| Unobligated Balances from Prior Years | 385 | 15 | 15 | | |
| Resources from Other Accounts | 274 | 434 | 434 | | |
| Total FTE | 74,693 | 76,202 | 80,717 | 4,515 | 5.93% |

¹ FY 2020 Operating Plan amounts for Other Resources represent actuals.

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

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

Summary

The IRS FY 2022 budget request is \$13.16 billion, \$1.24 billion (10.4 percent) more than the FY 2021 enacted level of \$11.92 billion.

It includes total program increases totaling \$915.46 million that includes resources for the following categories: Putting Taxpayers First (\$176.09 million); Ensure Fairness of the Tax System (\$340.27 million), Improve Live Assistance (\$318 million), IT Modernization (\$78.14 million) and Electrical Vehicles (\$2.96 million). It funds costs associated with the FY 2021 and FY 2022 pay raises and an increase in Federal Employment Retirement System contributions. It proposes a program integrity allocation adjustment of \$417 million in FY 2022 and additional adjustments through FY 2031 to generate and protect \$50 billion in revenue over 10 years and cost approximately \$7 billion resulting in an estimated net savings of \$43 billion. In addition, the Budget includes a multi-year initiative to improve tax compliance and enforcement, modernize IRS IT systems, support increased information reporting, and support the Administration's proposal to make the Child Tax Credit expansion and the advance payments permanent as well as additional authority to improve tax administration.

In accordance with the Government Performance and Results Act Modernization Act (GPRAMA) of 2010, the Department of the Treasury is currently developing the FY 2022 – 2026 Departmental Strategic Plan. The Strategic Plan is scheduled for publication in 2022. The Annual Performance Plan will be updated in the FY 2023 President's Budget to reflect new departmental strategic goals and objectives. IRS will publish a component plan that aligns bureau activities and priorities to the Department's by the spring of 2022.

In FY 2020, the IRS delivered a successful filing season that opened January 27, 2020 but due to the pandemic, extended to July 15, 2020. During the 2020 filing season, the IRS:

- Processed about 145 million individual tax returns and issued more than 100 million refunds totaling more than \$276 billion with an average individual refund of \$2,034. Almost 96.9 percent of these individual returns were filed electronically;
- Achieved a 53.1 percent filing season level of service (LOS), the relative success rate of taxpayers calling the toll-free line for assistance, 11.5 percent below the target of 60 percent;
- Answered more than 35 million calls, with 10 million being answered by IRS assistors and over 25 million being answered through automation;
- Served approximately 537,000 taxpayers face-to-face in the Taxpayer Assistance Centers (TAC). More than 715,000 taxpayers called the IRS's TAC appointment line resulting in around 364,000 appointments being scheduled. Approximately 351,000 taxpayers had their issues resolved without having to make an appointment; and

- Received 1.4 billion visits to the IRS.gov website with 469 million *Where's My Refund?* completions. This represents a 164 percent increase in the use of IRS.gov and a 31 percent increase in *Where's My Refund?* compared to the same period during 2019.

IRS FY 2022 Budget Highlights

Dollars in Thousands

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

Budget Adjustments

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

The FY 2021 enacted level of \$11.9 billion is the base of this budget.

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

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

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

Pay Raise (2.7% in FY 2022) +\$182,239,000 / 0 FTE

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

FERS Contribution Increase +\$67,673,000 / 0 FTE

Funds are requested for the Federal Employee Retirement System (FERS) contribution rates effective FY 2022.

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

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

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

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

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

Personnel Savings \$0 / -308 FTE

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

- Fill critical vacancies only;

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

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

Implementing the Taxpayer First Act +\$176,086,000 / +294 FTE

Implementing the Taxpayer First Act dramatically change how the IRS engages with taxpayers. These efforts will improve the experience of taxpayers as they interact with the IRS and increase the IRS's ability to secure taxpayer information, protect taxpayer identities, develop additional online capabilities for taxpayers, and develop comprehensive training for IRS employees. This investment includes:

- \$27 million to add increased security and flexibilities to how the IRS identity proofs and authenticates taxpayers to allow secure access to taxpayer online services such as Identity Protection (IP) PINs in accordance with NIST standards; and
- \$149.09 million to develop and implement a Taxpayer Experience Strategy to improve the American taxpayer's experience with the IRS through expanded digital services, increased multilingual services, and an increased presence in hard to reach communities.

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

A successful economy depends on an effective tax collection system. In order for a tax system to operate productively, all citizens must pay their fair share. The IRS must facilitate taxpayers' voluntary compliance to deter those who might evade their legal tax obligations. Highlights of the investment include:

- \$154.87 million to increase the audit coverage rate of large corporations (with balance sheet assets > \$10 million), pass-through entities, and high-wealth individuals with adjusted gross income of more than \$10 million. Currently, this audit rate is half of what it was in FY 2010;
- \$41.09 million to expand oversight of cyber-crimes and allow for applied data analytics which IRS can leverage to connect the most remote financial transaction between apparent disparate actors which can be the key piece of evidence to break open the most complex financial investigation;
- \$13.47 million to enhance taxpayer confidence in the tax-exempt sector which is essential to preserving and protecting charitable tax deductions and the retirement savings of everyday Americans;

- \$32.90 million to address pre-refund audit coverage;
- \$77.06 million for additional examination and collection employees to increase the individual audit and collection coverage rates; and
- \$20.87 million to enhance overall enforcement efforts, increase the number of convictions and expand the IRS's capabilities in core tax enforcement areas.

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

Highlights of the investment include:

- \$265.46 million increase the telephone level of service to approximately 75 percent and significantly reduce the correspondence inventory. The IRS toll-free telephone customer service operation is one of the world's largest and is a key part of the IRS's service delivery;
- \$21.18 million to reduce a projected FY 2021 ending correspondence level of about 1.4 million by 400,000; and
- \$31.36 million to increase staffing levels for IRS Taxpayer Assistance Centers. This investment will restore office hours, increase the number of appointments available, and will improve the taxpayer experience.

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

Modernization is an IRS priority. The plan will enable the IRS to provide consistently superior service to taxpayers and deliver long-term budget efficiencies as the IRS modernizes capabilities currently provided via legacy applications. This investment is in addition to the \$1 billion in IT Modernization funds that the IRS received in the American Rescue Plan. The 2022 requested level of \$ \$305.03 million includes:

- \$105 million for the Customer Account Data Engine(CADE) 2 project to continue replacing legacy code established almost 60 years ago;
- \$64 million for Enterprise Case Management to establish a common cloud infrastructure, automate business functions, and enable seamless case transfers;
- \$30 million for web applications to provide taxpayers and tax professionals a digital service channel to establish and manage taxpayer/tax professional authority relationships;
- \$10 million for Taxpayer Digital Communications Outbound Notification Project which provides digital notices available through a secure online account for taxpayers who prefer that channel over mailed correspondence;
- \$15 million for the live assistance program to expand customer callback capabilities on IRS phone lines;
- \$15 million to modernize IRS infrastructure base and support software development;
- \$20 million to improve security integration in system development and enhance data protection through encryption;

- \$19 million to mitigate the risk of unauthorized access to tax data;
- \$12 million to deliver a next generation secure operations center and block network access for unauthorized users; and
- \$15 million to provide engineering management capabilities essential to delivering a large, complex modernization program, and in management reserves.

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

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

Legislative Proposals

The FY 2022 budget request includes tax administration legislative proposals.

Increase Oversight of Paid Tax Return Preparers

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

The proposal would be effective on the date of enactment.

Increase penalties on ghost preparers

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

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

Introduce Comprehensive Financial Account Information Reporting to Improve Tax Compliance

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

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

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

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

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

Enhance Accuracy of Tax Information

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

Electronic filing would be required for returns filed by taxpayers reporting larger amounts or that are complex business entities, including: (1) income tax returns of individuals with gross income of \$400,000 or more; (2) income, estate, or gift tax returns of all related individuals, estates, and trusts with assets or gross income of \$400,000 or more in any of the three preceding years; (3) partnership returns for partnerships with assets or any item of income of more than \$10 million in any of the three preceding

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

years; (4) partnership returns for partnerships with more than 10 partners; (5) returns of REITs, REMICs, RICs, and all insurance companies; and (6) corporate returns for corporations with \$10 million or more in assets or more than 10 shareholders. Further, electronic filing would be required for the following forms: (1) Forms 8918, "Material Advisor Disclosure Statement"; (2) Forms 8886, "Reportable Transaction Disclosure Statement"; (3) Forms 1042, "Annual Withholding Tax Return for U.S. Source Income of Foreign Persons"; (4) Forms 8038-CP, "Return for Credit Payments to Issuers of Qualified Bonds"; and (5) Forms 8300, "Report of Cash Payments Over \$10,000 Received in a Trade or Business."

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

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

Improve information reporting for reportable payments subject to backup withholding

The proposal would also treat all information returns subject to backup withholding similarly. Specifically, the IRS would be permitted to require payees of any reportable payments to furnish their TINs to payors under penalty of perjury. The proposal would be effective for payments made after December 31, 2021.

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

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

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

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

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

IRS Centralized Services Fund / Working Capital Fund

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

IRS Performance Highlights

| Budget Activity | Performance Measures | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2021 Target | FY 2022 Target |
|--|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Pre-Filing Taxpayer Assistance and Education | Enterprise Self-Assistance Participation Rate (ESAPR) | 82.0% | 85.4% | 90.6% | 89.0% | 89.0% |
| Filing and Account Services | Customer Service Representative (CSR) Level of Service (LOS) | 75.9% | 65.4% | 53.1% | 32.0% | 75.0% |
| Investigations | Criminal Investigations Completed | 3,051 | 2,797 | 2,624 | 2,600 | 2,600 |
| Investigations | Conviction Rate | 91.7% | 91.2% | 90.4% | 92.0% | 92.0% |
| Exam and Collections | Exam Efficiency - Individual | 131 | 109 | 76 | 111 | 117 |
| Information Services | Percentage of Aged Hardware | 45.5% | 31.0% | 16.0% | 20.0% | 20.0% |

Description of Performance

In FY 2020, the IRS continued to provide quality service to taxpayers and to enforce the laws with integrity and fairness. The IRS continued to deliver improvements in key areas, including international, tax exempt, refund fraud, and identity theft. These accomplishments are in addition to the IRS significant accomplishments in administering Economic Impact Payments, implementing major tax law changes including business tax relief, providing administrative relief to taxpayers while the IRS faced operational challenges to protect the health and safety of its employees. For additional information, please reference the Treasury Coronavirus Relief, Response, Aid, and Recovery Programs Congressional Justification.

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 a 67.4 percent business e-file rate;
- Delivered a fiscal year telephone LOS of 53.1 percent;
- Answered more than 35 million calls; and
- Answered over 90 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.

The IRS's toll-free telephone line is one of the world's largest customer service phone operations. In March 2020, the IRS suspended customer service phone operations in response to the COVID-19 pandemic. In May, the IRS gradually began resuming CSR-assisted phone lines. For FY 2020, the IRS delivered a 53.1 percent CSR LOS, which measures the relative success rate of taxpayers who call the toll-free number and connect with an assistor. The IRS will lower its FY 2021 CSR LOS target to 32 percent resulting from the increased work due to the delivery of the EIPs and a dramatic increase in call volume. A large increase in usage of IRS.gov helped to compensate for disruptions in the CSR service. IRS.gov had the 22 highest traffic days in history, all in the window of April 13 through May 5. The FY 2022 LOS target is set at 75 percent.

The IRS continues to improve taxpayer services by developing and improving self-assistance tools. In FY 2020 ESAPR was 90.6 percent, exceeding the target of 82 percent. Total services increased 26.8 percent and self-assisted services increased 34.5 percent compared to the prior year. The applications having the highest increases are Interactive Tax Assistant (128 percent), Where's My Refund (37.1 percent), Get Transcript Online (74.6 percent). The ESAPR FY 2021 and FY 2022 target is set at 89 percent.

Enforcement

In FY 2020, the IRS collected \$51.1 billion through enforcement programs, a return on investment (ROI) of about \$5 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.

The IRS Criminal Investigation (CI) 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 2020 CI completed 2,624 criminal investigations, achieved 1,187 convictions with a rate of 90.4 percent, and achieved a Department of Justice case acceptance rate of 91.6 percent and a U.S. Attorney case acceptance rate of 92.4 percent, which compares favorably with other federal law enforcement agencies.

The Examination program provides taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness. In FY 2020, Exam Efficiency - Individual (the number of closures divided by the total Exam FTE) was 76, below the target of 115 and down 30 percent from FY 2019, primarily due to the pandemic. The effects of the COVID-19 shutdown drove closures 24.9 percent lower than FY 2019 while filings continued to rise. The IRS set a target of 111 in FY 2021 and a target of 117 in FY 2022. IRS will continue to monitor starts and inventory to meet future targets.

Operations Support

The Percentage of Aged Hardware measure shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use. The IRS made considerable progress reducing the percentage of aged hardware from 31 percent at the end of FY 2019 to 16 percent at the end of FY 2020. The major driver in exceeding this goal was the large volume of refreshed workstations. For FY 2021, IT will utilize an Enterprise Demand Management tool to improve processing efficiency by increasing the visibility of overall IT demand for aged infrastructure refresh. The target will be set at 20 percent for FY 2021 and FY 2022.

Business Systems Modernization

In FY 2020, the IRS made considerable progress toward modernization. Some key accomplishments were:

- Completed approximately 64,000 lines of code of the CADE 2 conversion from Assembly Language Code (ALC) to Java—bringing the completion to-date to over 128,000 lines of code converted;
- Procured a cloud based, commercial-off-the-shelf platform and delivered the first increment of Enterprise Case Management, making the new platform ready for use. Within six months of the contract award, IRS effectively worked the first case in production. Deployed Application Programming Interface for certain e-Services used by tax professionals, including a new auto enrollment functionality for the Transcript Delivery System, Taxpayer Identification Number Matching and the Secure Object Repository. We successfully enabled access to the new functionality for more than 50 external customers, making it more convenient to self-register and securely receive requested data in real-time while significantly reducing administrative burden;
- Reduced IRS aged hardware to approximately 16 percent, a significant improvement since FY 2017 when aged hardware was estimated to be over 64 percent;
- Standardized how the IRS delivers servers, reducing delivery times from an estimated 7,200 minutes on average to 28 minutes; and
- Used robotic process automation to modify active procurement contracts, resulting in a time savings of 2,788 hours per year and automated the monitoring of small business offer in compromise agreements has now automated the manual process of monitoring agreements, saving approximately 26,800 hours of manual work per year and reducing the risk of human error.

In FY 2021, IRS plans to build on its FY 2020 successes. In addition to its base resources, the IRS plans to use the \$1.0 billion it received in the American Rescue Plan to address foundational needs in the areas of applications, infrastructure, security, data and

workforce to enable a modernized IRS IT shop and to accelerate and/or initiate business and taxpayer-facing modernization capabilities.