



Budget in Brief

Fiscal Year

2023

Internal Revenue Service

Program Summary by Budget Activity

Dollars in Thousands

Appropriated Resources	FY 2021		FY 2022		FY 2023		FY 2023		% Change		% Change	
	Operating Plan ^{1,2}		Annualized CR ³		Request		Request with Technical Adjustment		FY 2022 to FY 2023 Request		FY 2022 to FY 2023 Request with Technical Adjustment	
	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
New Appropriated Resources:												
Taxpayer Services	25,989	\$2,587,606	27,990	\$2,763,606	32,865	\$3,385,723	33,041	\$3,684,593	17.42%	22.51%	18.05%	33.33%
Pre-Filing Taxpayer Assistance and Education	4,514	657,618	5,536	720,276	5,967	803,873	6,003	866,539	7.79%	11.61%	8.44%	20.31%
Filing and Account Services	21,475	1,929,988	22,454	2,043,330	26,898	2,581,850	27,038	2,818,054	19.79%	26.36%	20.42%	37.91%
Enforcement	34,989	\$5,004,622	35,604	\$5,004,622	38,607	\$5,861,649	38,831	\$6,272,313	8.43%	17.12%	9.06%	25.33%
Investigations	3,012	678,193	2,965	667,279	3,223	785,121	3,243	838,596	8.70%	17.66%	9.38%	25.67%
Exam and Collections	30,987	4,170,886	31,615	4,160,748	34,331	4,883,575	34,530	5,228,803	8.59%	17.37%	9.22%	25.67%
Regulatory	990	155,543	1,024	176,595	1,053	192,953	1,058	204,914	2.83%	9.26%	3.32%	16.04%
Operations Support	12,037	\$4,104,102	11,631	\$3,928,102	11,923	\$4,543,268	11,523	\$3,833,734	2.51%	15.66%	-0.93%	-2.40%
Infrastructure		886,713		918,659		1,039,852		405,408		13.19%		-55.87%
Shared Services and Support	5,122	1,046,754	5,067	1,109,740	5,183	1,200,105	4,783	1,125,014	2.29%	8.14%	-5.60%	1.38%
Information Services	6,915	2,170,635	6,564	1,899,703	6,740	2,303,311	6,740	2,303,312	2.68%	21.25%	2.68%	21.25%
Business Systems Modernization	394	\$222,724	308	\$222,724	412	\$310,027	412	\$310,027	33.77%	39.20%	33.77%	39.20%
Subtotal New Appropriated Resources	73,409	\$11,919,054	75,533	\$11,919,054	83,807	\$14,100,667	83,807	\$14,100,667	10.95%	18.30%	10.95%	18.30%
Other Resources:												
Reimbursables	694	98,412	585	157,000	614	164,851	614	164,851	4.96%	5.00%	4.96%	5.00%
Offsetting Collections - Non Reimbursables		66,504		10,000		10,500		10,500		5.00%		5.00%
User Fees	81	502,449	86	414,364	1,006	340,733	1,006	340,733	1069.77%	-17.77%	1069.77%	-17.77%
Recovery from Prior Years		35,304		19,476		19,476		19,476				
Unobligated Balances from Prior Years	1,590	652,599	3,144	1,332,422	41	421,908	41	421,908	-98.70%	-68.34%	-98.70%	-68.34%
Transfers In/Out				140		140		140				
Recoveries Paid				3,398		3,398		3,398				
Resources from Other Accounts ⁴	334	138,409	460	117,243	821	146,057	34	146,057	78.48%	24.58%	-92.61%	24.58%
Subtotal Other Resources	2,699	\$1,493,677	4,275	\$2,054,043	2,482	\$1,107,063	\$1,695	\$1,107,063	-41.94%	-46.10%	-60.35%	-46.10%
Total Budgetary Resources	76,108	\$13,412,731	79,808	\$13,973,097	86,289	\$15,207,730	\$85,502	\$15,207,730	8.12%	8.84%	7.13%	8.84%

¹ FY 2021 Other Resources represent actuals.

² FY 2021 Operating Plan includes an interappropriation transfer from Enforcement (\$208 million) to Taxpayer Services (\$32 million) and Operations Support (\$176 million).

³ FY 2022 Annualized CR includes an interappropriation transfer of \$208 million from Enforcement to Taxpayer Services.

⁴ Resources from Other Accounts reflect planned spending from Private Collection Agency retained earnings.

Note: The new appropriated resources do 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), and the \$1.86 billion provided by the American Rescue Plan (ARP) (P.L. 117-2). Unobligated balances in FY 2022 and FY 2023 include ARP funding.

Summary

The IRS FY 2023 budget request is \$14.1 billion, \$2.2 billion (18.3 percent) more than the FY 2022 annualized continuing resolution level of \$11.92 billion.

The Budget includes total program increases totaling \$1.31 billion that includes resources for the following categories: Putting Taxpayers First (\$320.17 million); Ensure Fairness of the Tax System (\$469.25 million), Enhance Taxpayer Service (\$389.11 million), IT Modernization (\$78.14 million), Critical IT Operations (\$39.52 million), and Reaching Underserved Communities (\$10.17 million). It funds costs associated with the FY 2022 pay annualization, FY 2023 pay raise, and non-pay inflation. The Budget comprises initiatives to improve the taxpayer's experience with the IRS, that will ultimately lead to increased voluntary tax compliance. The request also aims to ensure we stay current with paper inventory receipts and improve telephone and in-person service; facilitate better oversight of high income and corporate tax returns; and accelerate the development of digital tools to enable smarter communication with taxpayers. In addition, the Administration continues to support a multiyear investment in IRS enforcement to increase tax compliance and revenues that the President has previously proposed.

In FY 2021, the IRS delivered a successful filing season that opened February 12, 2021. IRS announced on March 17, 2021, that the deadline would be extended from April 15, 2021, to May 17, 2021. During the 2021 filing season, the IRS:

- Received about 148 million individual tax returns by mid-May and issued more than 95.6 million refunds totaling more than \$270 billion with an average individual refund of \$2,827 as of May 21, 2021. Almost 93.6 percent of these individual returns were filed electronically by mid-May;
- Achieved a 15.4 percent **filing season** level of service (LOS), defined as the relative success rate of taxpayers calling the toll-free line for assistance, 45 percent below the target of 28 percent which was set due to funding constraints and extraordinary demand;
- Answered more than 35 million calls, similar to last year's filing season, with 11 million being answered by IRS assistors and over 24 million being answered through automation;
- Served approximately 394,000 taxpayers face-to-face in the Taxpayer Assistance Centers (TAC). Almost 792,000 taxpayers called the IRS's TAC appointment line resulting in around 351,000 appointments being scheduled. Approximately 441,000 taxpayers had their issues resolved without having to make an appointment; and
- Received 1.4 billion visits to the IRS.gov website with 483 million *Where's My Refund?* completions. This represents a 15 percent increase in the use of IRS.gov and

a 14 percent increase in *Where's My Refund?* compared to the same period during 2020.

Restructuring IRS Appropriations to Align Support Costs to Mission Costs

With this budget, the Administration proposes a change to the appropriations language that would allow Taxpayer Services and Enforcement funding to be used for certain associated support costs that are currently reserved for Operations Support funding. Currently, Taxpayer Services and Enforcement funding only pays for an employee's labor cost, not the cost to hire the employee or the IT equipment and space needed to make them productive. There are significant benefits to this change – future IRS budgets would reflect the full cost of Taxpayer Services and Enforcement, to include their necessary support costs. The changes would also prompt IRS Business Units to be more efficient with their support costs because they stand to directly benefit from savings.

The IRS proposes using an internal reimbursable agreement process to carry out the proposed funding structure. In FY 2023, rental and Chief Financial Officer (CFO) costs will be reallocated from Operations Support to Taxpayer Services and Enforcement with more costs planned to move out of Operations Support in the future. A total of \$710 million will be shifted from Operations Support to Taxpayer Services (\$299 million) and Enforcement (\$411 million). For additional information, please see Section D of the IRS's Congressional Justification (CJ) – Appropriations Language and Explanation of Changes, which includes a detailed description and justification of this proposal.

Appropriation	FY 2023 Request	Proposed Adjustments			Proposed Funding Levels
		Rent	CFO	Adjustment Total	
Taxpayer Services	3,385,723	265,830	33,040	298,870	3,684,593
Enforcement	5,861,649	368,613	42,051	410,664	6,272,313
Operations Support	4,543,268	(634,443)	(75,091)	(709,534)	3,833,734
Business Systems Modernization	310,027				310,027
Grand Total	\$14,100,667	-	-	-	\$14,100,667

IRS FY 2023 Budget Highlights

Dollars in Thousands

Bureau: Internal Revenue Service Summary of FY 2023 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2022 Annualized CR (ACR)	\$2,763,606	27,990	\$5,004,622	35,604	\$3,928,102	11,631	\$222,724	308	\$11,919,054	75,533
Changes to Base:										
FY 2023 Maintaining Current Levels (MCLs)	\$108,631		\$202,663		\$119,339		\$5,730		\$436,363	
Pay Annualization (2.7% average pay raise)	17,105		32,228		12,812		401		62,546	
Pay Raise (4.6% average pay raise)	88,016		165,832		65,928		2,061		321,837	
Non-Pay	3,510		4,603		40,599		3,268		51,980	
Base Adjustment	\$90,285	825	\$229,176	358	\$115,991		\$3,430		\$438,882	1,183
Adjustment to Reach Current Operating Levels	90,285	825	229,176	358	115,991		3,430		438,882	1,183
Subtotal FY 2023 Changes to Base	\$198,916	825	\$431,839	358	\$235,330		\$9,160		\$875,245	1,183
FY 2023 Current Services	\$2,962,522	28,815	\$5,436,461	35,962	\$4,163,432	11,631	\$231,884	308	\$12,794,299	76,716
Program Increases:										
Putting Taxpayers First	119,034	192	54,331	152	146,805	229			320,170	573
<i>User Authentication</i>	81,000								81,000	
<i>Taxpayer Experience Strategy</i>	38,034	192	54,331	152	146,805	229			239,170	573
Ensure Fairness of the Tax System			370,857	2,493	98,366	20			469,253	2,513
Enhance Taxpayer Service	304,167	3,858			84,945				389,112	3,858
Integrated Modernization Business Plan							78,143	104	78,143	104
Critical IT Operations					39,521	36			39,521	36
Focused Strategies for Reaching Underserved Communities					10,169	7			10,169	7
Subtotal FY 2023 Program Increases	\$423,201	4,050	\$425,188	2,645	\$379,836	292	\$78,143	104	\$1,306,368	7,091
Total FY 2023 Request	\$3,385,723	32,865	\$5,861,649	38,607	\$4,543,268	11,923	\$310,027	412	\$14,100,667	83,807
Dollar/FTE Change FY 2023 Request over FY 2022 ACR	\$622,117	4,875	\$857,027	3,003	\$615,166	292	\$87,303	104	\$2,181,613	8,274
Percent Change FY 2023 Request over FY 2022 ACR	22.51%	17.42%	17.12%	8.43%	15.66%	2.51%	39.20%	33.77%	18.30%	10.95%
Technical Adjustments										
Rent Adjustment	265,830		368,613		(634,443)					
CFO Adjustment	33,040	176	42,051	224	(75,091)	(400)				
Subtotal FY 2023 Technical Adjustments	\$298,870	176	\$410,664	224	(\$709,534)	(400)				
Total FY 2023 Request including Technical Adjustments	\$3,684,593	33,041	\$6,272,313	38,831	\$3,833,734	11,523	\$310,027	412	\$14,100,667	83,807
Dollar/FTE Change FY 2023 Request Including Technical Adjustments over FY 2022 ACR	\$920,987	5,051	\$1,267,691	3,227	(\$94,368)	(108)	\$87,303	104	\$2,181,613	8,274
Percent Change FY 2023 Request Including Technical Adjustments over FY 2022 ACR	33.33%	18.05%	25.33%	9.06%	-2.40%	-0.93%	39.20%	33.77%	18.30%	10.95%

Budget Adjustments

Maintaining Current Levels (MCLs)..... +\$436,363,000 / 0 FTE

Pay Annualization (2.7%) +\$62,546,000 / 0 FTE

Funds are requested for annualization of the January 2022 2.7 percent average pay raise.

Pay Raise (4.6% in FY 2023) +\$321,837,000 / 0 FTE

Funds are requested for a 4.6 percent average pay raise in January 2023.

Non-Pay +\$51,980,000 / 0 FTE

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

Base Adjustment..... \$438,882,000 / +1,183 FTE

The FY 2022 annualized CR level of \$11.9 billion is the base of this budget. In addition to \$436 million to maintain current staffing levels, the base was adjusted by \$439 million dollars to reach current operating funding level.

Program Increases..... +\$1,306,368,000 / +7,091 FTE

Bureau: Internal Revenue Service Summary of FY 2023 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATION S SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2023 Program Increases										
Putting Taxpayers First	83,575	138	15,461	55	42,082	86			141,118	279
User Authentication	54,000								54,000	
Taxpayer Experience Strategy	29,575	138	15,461	55	42,082	86			87,118	279
Ensure Fairness of the Tax System										
Enhance Taxpayer Service	156,000	1,510			44,000				200,000	1,510
Critical IT Operations					39,521	36			39,521	36
Focused Strategies for Reaching Underserved Communities					10,169	7			10,169	7
Subtotal FY 2023 Program Increases	\$239,575	1,648	\$15,461	55	\$136,772	129			\$390,808	1,832
FY 2022 Program Increases										
Putting Taxpayers First	40,036	54	38,870	97	100,146	143			179,052	294
User Authentication	27,000								27,000	
Taxpayer Experience Strategy	13,036	54	38,870	97	100,146	143			152,052	294
Ensure Fairness of the Tax System			370,857	2,493	98,386	20			469,253	2,513
Enhance Taxpayer Service	148,167	2,348			40,945				189,112	2,348
Integrated Modernization Business Plan							78,143	104	78,143	104
Subtotal FY 2022 Program Increases	\$188,203	2,402	\$409,727	2,590	\$239,487	163	\$78,143	104	\$915,560	5,259
Total FY 2023 Program Increases	\$427,778	4,050	\$425,188	2,645	\$375,259	292	\$78,143	104	\$1,306,368	7,091

Enhance Taxpayer Service +\$389,112,000 / +3,858 FTE

This investment will allow the IRS to increase the telephone LOS and enhance information technologies to improve taxpayer services. This investment will build on the IRS's efforts to improve telephone services for underserved communities such as those who are deaf or hard of hearing, limited English proficiency communities, and victims of identity theft. This investment provides a projected LOS of 85 percent in FY 2023 assuming phone demand return to pre-pandemic levels and the IRS can provide in-person services at pre-pandemic levels This investment will continue to return the IRS's

LOS to pre-pandemic levels. During the 2021 filing season, the IRS's LOS fell short of its targets because of the COVID-19 pandemic and legislation aimed at providing relief that resulted in massively increased demand for the toll-free lines. Individual and Business taxpayer telephone demand increased by 456 percent and 244 percent, respectively during the 2021 filing season. In FY 2021, the number of taxpayers calling to schedule appointments at Taxpayer Assistance Centers (TACs) was 3.9 million above the same period in the prior year.

In addition to expanding LOS for underserved communities, funding for this initiative will improve the ways taxpayers interact with IRS by enhancing and expanding the range of modern, digital tools provided by IRS to deliver a service experience comparable to those available in the private sector. By empowering taxpayers to address certain needs without requiring live assistance, development of these tools is essential to IRS's long-term success in satisfying taxpayer expectations and meeting the ongoing growth in demand for assistance.

Critical Information Technology Operations +\$39,521,000 / +36 FTE

The IRS continues to transform its technological landscape and it has made progress on its modernization journey to provide taxpayers with a seamless customer experience, while empowering employees with the tools and systems needed to provide top quality services and enforce the tax law. These successes have increased the need to sustain critical IT operations to maintain optimum network performance and functionality. The IRS continues to deploy and incorporate new, modernized tools for taxpayers, tax professionals and employees. Taxpayer service improvements (additional digital services, up-to-the-minute account information, etc.), enterprise efficiency advances (automation, artificial intelligence, machine learning, etc.) and new employee tools (case management, collaboration, learning platforms, etc.) all require additional bandwidth to sustain a high volume of users processing digitalized capabilities.

Focused Strategies for Reaching Underserved Communities +\$10,169,000 / +7 FTE

The IRS will cultivate new opportunities for adults and students in underserved communities by partnering with state labor and human services officials to identify talent and design training programs for adult candidates. Additionally, the IRS will develop a talent pipeline by partnering with colleges, universities (with a special focus on Historically Black Colleges and Universities and other minority servicing institutions) and high schools to design training programs to prepare participants for IRS careers. These partnerships will foster equitable economic growth, establish long-term federal employment options, and develop a continual stream of talent suited to further enhance the taxpayer experience and support the IRS mission. As a first step, the IRS plans to

create a center in the Mississippi Delta Region, which currently has the highest rate of poverty in the United States, excluding the U.S. territories.

During the latter part of the development of the 2023 Budget, a full year FY 2022 appropriations bill was not enacted. Therefore, we assume the starting point to be an annualized CR, the FY 2023 budget includes proposed FY 2022 CJ program increases. Although the investments vary slightly in cost, the overall amounts originally proposed in FY 2022 remain the same. The FY 2022 budget levels may impact the prioritization of these investments in FY 2023. The following descriptions are summarized from the FY 2022 CJ:

- \$320.2 million for continuing the execution of the Taxpayer First Act implementation activities, including developing a Taxpayer Experience Strategy (TXS) and delivering new online service platforms to facilitate filing and payment for individuals and businesses;
- \$469.3 million for establishing enforcement strategies that will ensure a fair tax system, so Americans can feel confident that all taxpayers are paying their fair share of taxes. These enforcement efforts will also help increase the audit coverage rate which, in aggregate, has been cut in half since FY 2010 of large corporations, pass-through entities, and high wealth individuals;
- \$78.1 million for the Integrated Modernization Business Plan is a key IRS priority. The plan provides a roadmap for improving IRS systems and taxpayer services. Additionally, the plan will enable the IRS to provide quality customer service to taxpayers and deliver long-term budget efficiencies as the IRS modernizes capabilities currently provided via legacy applications.

For information on the FY 2023 revenue legislative proposals, please follow this link:
<https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals>

Reduce Paperwork Burden by Permanently Authorizing Current Home to Work Transportation for the IRS Commissioner

The IRS requests that the IRS Commissioner position be permanently added to 31 U.S.C. § 1344(b)(6) as one of the government officials authorized home-to-work transportation. The IRS Criminal Investigations unit completed an extensive assessment of the Commissioner's threat environment and has classified the threat status as high.

PROPOSAL:

Amend Title 31 U.S.C. § 1344(b)(6) to include "the Commissioner of Internal Revenue" as a Federal executive with authorization for passenger carrier transportation between residence and place of employment.

REASONS FOR CHANGE:

As head of one of the most controversial organizations in the Federal government, the Commissioner is the "face of the IRS" and a frequent fixture in national media. Historically, Commissioners average multiple formidable threats per year directed at them and their family members, including threats of assassination. The internet has allowed anyone with a web browser to access personal information of government officials, including photos and home addresses. Instances of individuals phoning, mailing, or visiting a Commissioner's residence, including the current Commissioner, are common and well documented.

Dignitary protection experts have long recognized the vulnerability of protected individuals who are engaged in predictable activities, such as commuting to/from the workplace and for many years IRS Criminal Investigation Division (CI) has consistently provided transportation for the IRS Commissioner from Home to Work under recurring 90-day authorizations. The administrative burden of compiling, organizing, and summarizing the information required for the recurring 90-day Home to Work authorizations is significant, requiring executive approval from IRS's Chief of Criminal Investigations, Treasury's Assistant Secretary for Management, and the Secretary of the Treasury.

Fund the Federal Payment Levy Program via collections (proposal also included in the Fiscal CJ)

Estimated costs: \$220 million in Fiscal Service costs to operate the Tax Levy Program in the Treasury Offset Program over 10 years. Fiscal Service is currently being reimbursed for this cost from IRS appropriated funding.

This proposal improves the way the Fiscal Service collects its reimbursement from IRS to cover Fiscal Service's costs in developing and operating the Federal Payment Levy Program (FPLP), which utilizes the Treasury Offset Program to process levies of federal payments to collect delinquent tax debts. Under the Economy Act, the IRS pays fees to Fiscal Service from the IRS annual discretionary appropriation. This proposal authorizes Fiscal Service to recover its costs from levy collections, rather than from IRS's direct appropriation, which reduces administrative and overhead costs for both Fiscal Service and IRS. It would also allow IRS to re-direct the use of appropriated dollars that are currently needed to fund FPLP to other initiatives that will aid in the collection of delinquent tax debt.

IRS Performance Highlights

Budget Activity	Performance Measures	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Target	FY2023 Target
Pre-Filing Taxpayer Assistance and Education	Enterprise Self-Assistance Participation Rate ¹	85.4%	90.6%	92.3%	91.0%	91.0%
Filing and Account Services	Customer Service Representative Level of Service (LOS) ²	65.4%	53.1%	18.5%	30.0%	85.0%
Investigations	Criminal Investigations Completed	2,797	2,624	2,766	2,600	2,500
Investigations	Conviction Rate	91.2%	90.4%	89.4%	92.0%	92.0%
Exam and Collections	Examination Efficiency - Individual	109	76	108	100	114
Information Services	Percent of Aged Hardware	31.0%	16.0%	9.3%	20.0%	20.0%

¹ In FY2017, the IRS renamed the Taxpayer Self Assistance Rate measure to Enterprise Self Assistance Participation Rate.

² The CSRLCS includes toll-free telephone phone lines answered by Accounts Management assistors only. These lines service 82 percent of all telephone traffic. Achieving the FY2023 LOS target of 85 percent requires timely enactment of appropriations so the IRS can complete hiring and training ahead of the filing season and assumes that demand and in person services return to pre-pandemic levels. The IRS's Automated Collection System (ACS) toll-free line is used by taxpayers for compliance related inquiries. For FY2021, the ACS LOS was 37.8 percent. These are both included in the Enterprise LOS, which measures the relative success rate of taxpayers calling to speak with an IRS Assistor on any IRS toll-free telephone line. The Enterprise LOS in FY2021 was 21.3 percent.

Description of Performance

In FY 2021, the IRS continued to provide service to taxpayers and to enforce the laws with integrity and fairness. During the pandemic, IRS's experienced, talented workforce overcame numerous obstacles to serve taxpayers, uphold the law and maintain the integrity of the tax system. IRS has been called on repeatedly to provide economic relief during this national crisis, while also fulfilling our core responsibilities of tax administration. For additional information on IRS's COVID related programs, please reference the Treasury Coronavirus Relief, Response, Aid, and Recovery Programs Congressional Justification. The IRS's core responsibilities include collecting more than \$4 trillion in gross taxes each year and generating approximately 96 percent of the funding that supports the federal government's operations.

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 rate of 92 percent of Timeliness of Critical Individual Filing Season Tax Products to the Public (i.e., tax forms, schedules, instructions, and publications) with 81 out of 88 products delivered timely, exceeding the FY 2021 target of 85 percent by 8.3 percent. The FY 2022 and FY 2023 targets are 89 percent;
- Achieved an accuracy rate of 92.9 percent in terms of Customer Accuracy – Tax Law, exceeding the target of 85 percent by 9.3 percent. The FY 2022 and FY 2023 targets are 89 percent. IRS will continue to monitor results through data-driven analysis of reports to achieve future goals;
- Answered more than 67.7 million calls, a 33 percent increase compared to the same period last year; and
- Answered over 93 percent of account questions over the telephone correctly.

In delivering the Economic Impact Payments, we took every step possible to reach potential recipients. The IRS expanded its taxpayer services through proactive outreach efforts to connect with underserved communities such as those with limited English proficiency, lower-income earners, military, veterans, retired and homeless, among other communities. The IRS engaged hundreds of local and national groups, religious organizations, and numerous others to help contact underserved communities.

The IRS's toll-free telephone line is one of the world's largest customer service phone operations. New legislation resulted in added, unplanned demand for toll-free assistance. Compared to FY 2020, total assistor demand was up more than 200 percent, with some lines seeing increases of more than 2 million calls. Despite these challenges, the IRS was able to answer 3.8 million more calls in FY 2021 than the prior year. The IRS will continue to monitor demand in real time and shift staff between telephones and

paper processing to address demand. Due to the unprecedented increase in correspondence inventory levels, the IRS will lower its FY 2022 LOS target to 30 percent. The Budget requests additional resources for Taxpayer Services to increase of the FY 2023 LOS target to 85 percent assuming phone demand returns to pre-pandemic levels and the IRS can provide in-person services at pre-pandemic levels, and as inventories are expected to reach normal levels.

The IRS continues to improve taxpayer services by developing and improving self-assistance tools. The Enterprise Self-Assistance Participation Rate (ESAPR) represents the percent where a taxpayer uses one of the IRS's self-assistance service channels (e.g., automated calls, web services) versus needing support from an IRS employee (e.g., face-to-face, over the phone, or via paper correspondence). In FY 2021 ESAPR was 92.3 percent, exceeding the target by 3.7 percent. The web services that had the largest percent change are: Where's My Amended Return (226.4 percent); Online Accounts Sessions (117.8 percent); and Get Transcripts Online (108.1 percent). Compared to FY 2020, total services increased by 36.4 percent, self-assisted services increased by 38.9 percent and assisted services rose 12.4 percent. In FY 2022, IRS will update the existing Online Payment Agreements (OPA) and Installment Agreements (IA) applications to include business taxpayers and include a new chatbot application for OPAs and IAs for small business and self-employed taxpayers. The FY 2022 and FY 2023 target is 91 percent.

Enforcement

In FY 2021, the IRS collected \$75 billion through enforcement programs, a return on investment (ROI) of about \$5 to \$1 compared to the IRS appropriated budget. 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 Division (CI) serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. In FY 2021, CI completed 2,766 criminal investigations, achieved 1,263 convictions with a rate of 89.4 percent, and achieved a Department of Justice case acceptance rate of 93.6 percent and a U.S. Attorney case acceptance rate of 93.2 percent, which compares favorably with other federal law enforcement agencies. The criminal investigations completed performance measure has a FY 2022 target of 2,600 and a FY 2023 target of 2,500, and the FY 2022 and FY 2023 conviction rate target is 92.0 percent.

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 2021, Exam Efficiency - Individual (the number of 1040 return closures divided by the total Exam FTE) was 108, below the target of 111 and up from the FY 2020 level of 76. The IRS lowered the target to 100 for FY 2022 as qualified Exam staff will be reassigned to work unprecedented correspondence inventory levels. The FY 2023 target is 114.

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 16 percent at the end of FY 2020 to 9.3 percent at the end of FY 2021. This represents a reduction of more than 8,000 aged assets during the fiscal year. The major driver in exceeding this goal was the large volume of refreshed workstations. The industry standard for aged hardware is between 20 and 25 percent. The IRS will maintain that target at 20 percent for fiscal years 2022 and 2023.

Business Systems Modernization

In FY 2021, the IRS continued to strengthen its IT infrastructure and introduce new electronic services to taxpayers. Some key accomplishments were:

- IRS Enterprise Case Management Release 1 occurred, which enhanced data analytics, reporting, and automation capabilities that increase productivity and efficiency;
- Expanded the Customer Callback feature, which offers taxpayers and opportunity to choose between waiting for a representative or receiving a call back when an assistor is available;
- Implemented the first phase of releasing the electronic Form 1040X enabling taxpayers to electronically file an amended return; and
- Deployed the Child Tax Credit Update Portal and the Advance Child Tax Credit Eligibility Assistant. These systems inform users of their eligibility of the Advance Child Tax Credit, verify their banking and personal information, and unenroll in the tax credit.

The IRS has navigated unexpected changes that have both challenged and accelerated modernization efforts—from the emergence of new technology and taxpayer expectations to sustaining technological resilience throughout an ongoing global pandemic. At an inflection point, having concluded the first phase of the six-year IRS Integrated Modernization Business Plan, the IRS will continue to adapt as it embraces industry-leading technology and meets taxpayer needs in an ever-evolving digital world. With the funding provided through the American Rescue Plan (ARP) Act of 2021 and other resources, the IRS has strong momentum behind modernization, with a clear

vision for delivering near-term impact and long-term transformation. IRS employees are making a difference and want to continue to successfully pursue the mission on behalf of our country. The road ahead is full of challenges, both known and unknown, but we are confident that the plan, if adequately resourced, paves the way to providing the highest-quality service to taxpayers and the tax community.