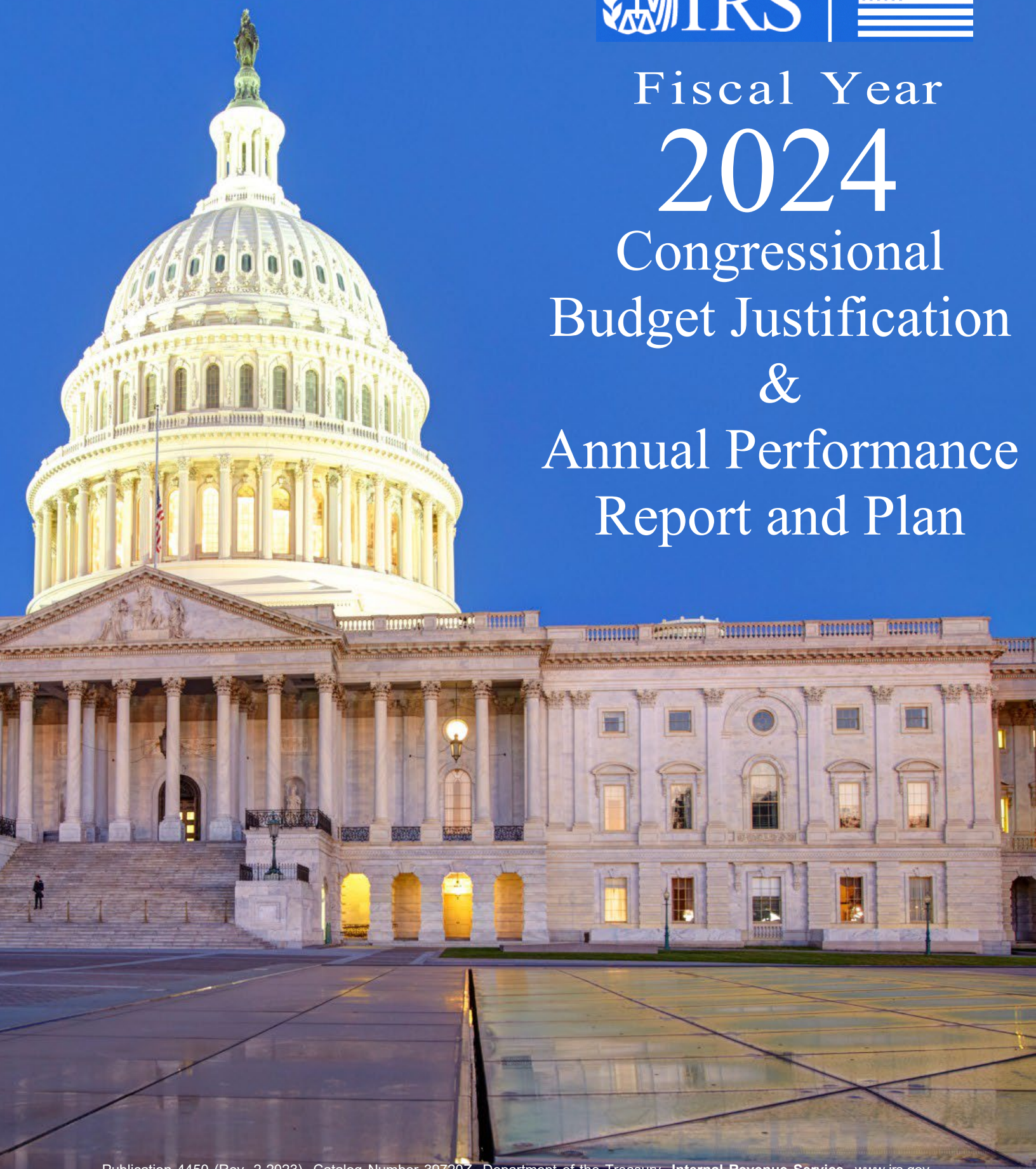




Fiscal Year  
**2024**  
Congressional  
Budget Justification  
&  
Annual Performance  
Report and Plan



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## Commissioner's Message

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In FY 2022, the Internal Revenue Service (IRS) collected more than \$4.9 trillion in taxes, approximately 96-97% of all Federal revenues. In addition to monies collected, the IRS paid out more than \$600 billion in tax refunds, credits, and other payments, demonstrating we are much more than a tax administration agency. Our efforts make it possible for the government to effectively perform vital functions and support the United States in all areas, from education to defense. Given the importance of the IRS to the nation, I believe it is imperative the agency remain in a strong position, with greater resources to support its mission.



We are intently focused on implementing new and innovative strategies to improve the taxpayer experience and help us enforce tax laws with integrity and fairness to all. We opened the 2022 filing season on January 24, 2022, two weeks earlier than in 2021. We issued \$360 billion in refunds to 110 million individual taxpayers who filed tax year 2021 returns last calendar year. Thus far in the 2023 filing season, the IRS has also hired 5,000 new customer service representatives resulting in a higher number of calls answered, processed historic levels of inventory in the 12 months preceding start of filing season 2023, and is on track to triple the number of taxpayers served at Taxpayer Assistance Centers by next year. While we continue to advance our services and operations to meet stakeholders' needs, we recognize that we have much work to do to improve taxpayer service, prevent future return processing backlogs, continue to protect, and modernize IRS systems, and support voluntary compliance.

We are grateful for the recent enactment of the substantial multi-year funding provided in Public Law 117-169, The Inflation Reduction Act of 2022 (IRA). This historic funding marks a transformational moment for our agency and an opportunity for the future of tax administration, taxpayers, tax professionals, and IRS employees. These funds will allow the IRS to significantly improve service to taxpayers and expand its enforcement reach to address large corporate and global high-net-worth taxpayers, as well as pass-through entities and multinational taxpayers with international tax issues. Resources provided by IRA will reduce the tax gap driven by high-income individuals making more than \$400,000 per year and large corporations. Consistent with Secretary Yellen's directive to the Internal Revenue Service, audit rates will not increase, relative to historic levels, for small businesses or taxpayers earning less than \$400,000 per year. These resources will similarly grant us the opportunity to accelerate our IT modernization and digitalization priorities. We are already working to implement the wide range of tax law changes in the IRA, and we are also developing strategic plans to implement this funding in the most effective and responsible manner. The IRA Strategic Operating Plan, which describes IRS's intentions for these new resources, will be released soon.

The IRS has struggled for many years with resources insufficient to modernize and fulfill our important mission. Resource constraints not only affected our capacity to deliver stellar tax administration but further limited our ability to provide services to taxpayers in the manner they expect and deserve. While we deeply appreciate the multi-year funding in the IRA, enhanced annual discretionary appropriations are still critical to improve taxpayer services and cover normal IRS operations. Without

this continued investment, IRA resources will be diverted away from transformative projects and activities to cover basic operations. That scenario would mean worse service for the American taxpayer and higher levels of tax evasion by the wealthy and large corporations. It would also significantly decrease the deficit reduction impacts of the IRA.

Maintaining a strong workforce, maintaining proper support functions, and ensuring flexible, robust service channels for taxpayers are top priorities and the premise of this budget request. In addition to increased hiring flexibility so we may staff the agency with the right people when and where we need them, the IRS needs healthy annual discretionary funding appropriated to meet taxpayer expectations and ultimately the needs of our country.

We are making progress and want to continue successfully pursuing our mission on behalf of this great country.

***Doug O'Donnell***  
***Deputy Commissioner Services and Enforcement***



## Section I – Budget Request

### A – Mission Statement

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

### 1.1 – Appropriations Detail Table

Dollars in Thousands

Internal Revenue Service	FY 2022		FY 2023		FY 2024		FY 2023 to FY 2024	
Appropriated Resources	Operating Plan <sup>1 2</sup>		Enacted <sup>3 4</sup>		Request		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Taxpayer Services	26,698	\$2,807,606	26,881	\$2,780,606	31,585	\$3,422,449	17.5%	23.1%
Pre-Filing Taxpayer Assistance and Education	4,337	680,261	4,985	784,380	5,018	823,344	0.7%	5.0%
Filing and Account Services	22,361	2,127,345	21,896	1,996,226	26,567	2,599,105	21.3%	30.2%
Enforcement	35,550	\$5,363,622	34,340	\$5,437,622	34,890	\$5,904,441	1.6%	8.6%
Investigations	3,004	700,876	3,076	744,590	3,130	818,021	1.8%	9.9%
Exam and Collections	31,599	4,447,716	30,320	4,521,758	30,735	4,897,493	1.4%	8.3%
Regulatory	947	215,030	944	171,274	1,025	188,927	8.6%	10.3%
Operations Support	10,133	\$4,147,826	11,406	\$4,100,826	11,506	\$4,520,076	0.9%	10.2%
Infrastructure		925,539		922,682		1,053,129		14.1%
Shared Services and Support	5,233	1,179,189	5,097	1,164,430	5,113	1,232,149	0.3%	5.8%
Information Services	4,900	2,043,098	6,309	2,013,714	6,393	2,234,798	1.3%	11.0%
Business Systems Modernization	267	\$275,000			197	\$289,619		
<b>Subtotal New Appropriated Resources</b>	<b>72,648</b>	<b>\$12,594,054</b>	<b>72,627</b>	<b>\$12,319,054</b>	<b>78,178</b>	<b>\$14,136,585</b>	<b>7.6%</b>	<b>14.8%</b>
<b>Other Resources</b>								
Reimbursable	521	127,319	698	168,000	734	176,400	5.2%	5.0%
Offsetting Collections (Non-reimbursable)		29,687		33,836		35,625		5.3%
User Fees	85	413,082	86	31,827	71	3,900	-17.4%	-87.7%
Recoveries from Prior Years		24,294		53,633		53,633		0.0%
Unobligated Balances from Prior Years	6,338	1,518,612	1,843	884,175		259,000	-100.0%	-70.7%
IRA Funding Usage <sup>5 6 7</sup>		105,962	10,021	2,822,260	19,545	5,818,533	95.0%	106.2%
Transfers In/Out		85		119		119		0.0%
Resources from Other Accounts <sup>8</sup>	414	114,272	469	161,471	469	161,471	0.0%	0.0%
<b>Subtotal Other Resources</b>	<b>7,358</b>	<b>\$2,333,313</b>	<b>13,117</b>	<b>\$4,155,321</b>	<b>20,819</b>	<b>\$6,508,681</b>	<b>58.7%</b>	<b>56.6%</b>
<b>Total Budgetary Resources<sup>9</sup></b>	<b>80,006</b>	<b>\$14,927,367</b>	<b>85,744</b>	<b>\$16,474,375</b>	<b>98,997</b>	<b>\$20,645,266</b>	<b>15.5%</b>	<b>25.3%</b>

<sup>1</sup> The FY 2022 Operating Plan includes an Inter-Appropriation Transfer amount of \$74 million from Enforcement to Taxpayer Services (\$27 million) and Operations Support (\$47 million). It does not include \$29.7 million of Ukraine supplemental funding enacted via P.L. 117-128 and does not include COVID supplemental funding.

<sup>2</sup> FY 2022 Other Resources and Full-Time Equivalents (FTE) represent actuals.

<sup>3</sup> The FY 2023 Enacted level does not include COVID supplemental funding or the proposed Inter-Appropriation Transfer from Enforcement (\$271.9 million) to Taxpayer Services (\$100 million), Business Systems Modernization (\$150 million), and Operations Support (\$22 million).

<sup>4</sup> FY 2023 Enacted may differ slightly from the amounts reported in the IRS FY 2023 Operating Plan due to timing of legislative actions and agency decisions.

<sup>5</sup> FY 2022 IRA Funding Usage includes amounts for Taxpayer Services (\$1 million), Operations Support (\$61 million), and Business Systems Modernization (\$44 million).

<sup>6</sup> 85 percent of the IRA funded estimated FTE levels support non-Enforcement activities. FY 2023 IRA Funding Usage includes amounts for Direct e-File (\$15 million), Taxpayer Services (\$838 million and 7,394 FTE), Enforcement (\$372 million and 1,543 FTE), Operations Support (\$1,018 million and 727 FTE), and Business Systems Modernization (\$580 million and 357 FTE).

<sup>7</sup> 63 percent of the IRA funded estimated FTE levels support non-Enforcement activities. FY 2024 IRA Funding Usage includes amounts for Energy Security tax credits (\$180 million and 1,810 FTE), Taxpayer Services (\$816 million and 6,489 FTE), Enforcement (\$1,408 million and 7,239 FTE), Operations Support (\$2,380 million and 3,810 FTE), and Business Systems Modernization (\$1,034 million and 197 FTE).

<sup>8</sup> Resources from Other Accounts reflect planned spending from Private Collection Agency retained earnings.

<sup>9</sup> In FY 2023 and FY 2024 IRS is expected to lose more than 8,000 employees per year from retirements and losses to the agency. If unable to backfill these losses, IRS FTE would decline by nearly 6,000 FTE per year.

## Introduction

The IRS Fiscal Year (FY) 2024 Budget Request (Budget) is \$14.1 billion, \$1.8 billion (15 percent) more than the FY 2023 Enacted level of \$12.3 billion. The Budget includes initiatives to improve taxpayers' experience with the IRS, ultimately leading to increased voluntary tax compliance and reduced correspondence inventory. To support increased enforcement activity funded through the IRA, annual discretionary appropriations need to provide sufficient recurring "base" resources to cover current service levels for the Enforcement and Operations Support accounts, including inflationary increases. While funding for Taxpayer Services and Business Systems Modernization (BSM) does not directly generate additional revenue, the modernization of IRS systems, expanded enforcement reach to address large corporate and global high-net-worth taxpayers, and transformation of the taxpayer experience can similarly only be achieved if base funding is maintained.

The Budget aims to fortify taxpayer services and operational efforts that will enable the IRS to deliver improved and sustained phone service along and lower correspondence inventory levels. It proposes to ensure improved telephone and in-person service and accelerate the development of digital tools to enable smarter communication with taxpayers. In addition, the Administration supports incremental funding increases to supplement limited IRA funding for Taxpayer Services, sustain deployed IT system enhancements, combat climate change, and promote evidence-based policy making.

An enforcement program with the capabilities to address large corporate and global high net-worth taxpayers will generate and protect billions in additional revenue while reducing the tax gap. The IRS has an overall enforcement return on investment (ROI) of about \$6 for every \$1 invested compared to the IRS appropriated budget, before considering the significant deterrence effects. Overall, this request proposes new and enhanced strategies for refining how the taxpayer interacts with the IRS by implementing approaches that put taxpayers first, bringing services to underserved communities, and providing new and improved online tools for taxpayers to communicate with the IRS easily and quickly.

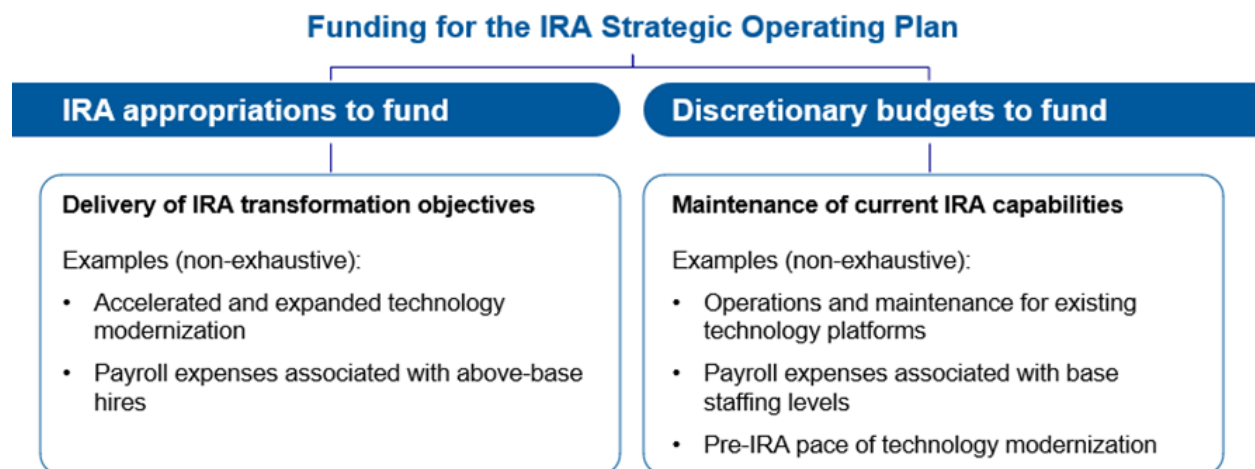
An appropriate level of funding will allow the IRS to continue enhancing the taxpayer experience, ensure the IRS can use IRA funding effectively, protect IRS systems and taxpayer data, and modernize IRS information technology systems. Taxpayer Services is only one component of funding required to serve taxpayers effectively. During the pandemic, for example, the Information Technology (IT) division, which is funded primarily by the Operations Support appropriation, provided the equipment necessary to allow thousands of IRS customer service representatives to telework, which enabled phone assistance to continue during a period of overwhelming demand while keeping employees safe.

The IRS dedicates itself to improving the taxpayer experience so that taxpayers and their representatives can understand and meet their tax obligations with minimal burden. The aim is to increase voluntary compliance by simplifying the tax filing, correction, and payment processes. To help achieve this, the IRS will direct resources towards improving education and outreach on taxpayer rights and obligations and enhancing service channels to meet taxpayer needs. In addition to improving the taxpayer experience, another priority to advance fairness in tax administration is to ensure taxpayers comply with federal tax laws. To this effect, the IRS will continue to develop innovative approaches to understanding, detecting, and resolving potential noncompliance to maintain taxpayer confidence in the tax system.

We are grateful for the recent enactment of the robust multi-year funding provided in the Inflation Reduction Act (IRA), P.L. 117-169, which supplements the IRS's existing discretionary budget. This funding marks a historic opportunity to transform the administration of the tax system and the customer service the IRS provides to taxpayers. Years of underfunding left the IRS unable to deliver the modern

customer service experience taxpayers deserve, operating on outdated IT systems that failed to keep up with a changing economy, and without the tax specialists or data scientists the agency needs to ensure wealthy and corporate tax evaders pay what they owe, necessitating a mandatory investment to transform the IRS and bring it from lagging to leading. But those investments can only be put to work if the IRS also continues funding the ongoing, annual, steady-state maintenance of the agency's operations. Otherwise, the funding for the IRS to transform will be consumed covering IRS basic operational needs. Resources provided by IRA will reduce the tax gap driven by high-income individuals making more than \$400,000 per year and large corporations. Consistent with Secretary Yellen's directive to the Internal Revenue Service, audit rates will not increase, relative to historic levels, for small businesses or taxpayers earning less than \$400,000 per year. Further, to continue the IRA-funded initiatives and investments after FY 2031, the Budget proposes to provide continued mandatory funding for the IRS for fiscal years 2032 and 2033 to supplement the annual appropriations for the agency's Enforcement and Operations Support accounts. The Administration looks forward to working with Congress to ensure the IRS has the resources it needs to continue its focus on improving customer experience in the long-term.

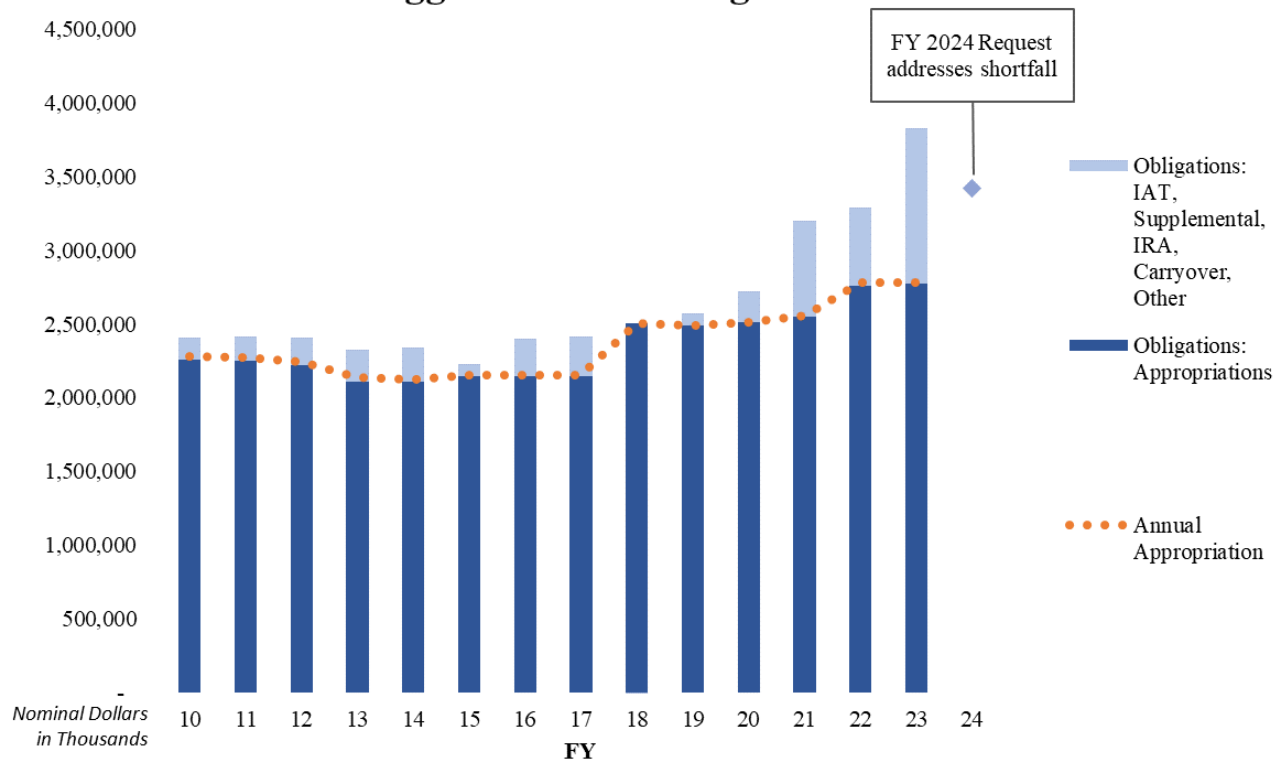
The forthcoming strategic operating plan for the IRA was built under the assumption that IRA funds will support transformation efforts but not be used to support current, "steady-state" operations. To cover steady state operations, annual discretionary appropriations must be fully maintained at least the FY 2022 level, include growth for inflation and pay raises. Any reduction in annual discretionary funds – including not providing for inflationary increases to maintain current levels – will require the use of IRA funding for general operations. This would be to the detriment of the service, technology, and compliance initiatives required for modern tax administration and outlined in the forthcoming plan. Diverting IRA funding to cover base discretionary enforcement needs would reduce revenue collection and increase deficits.





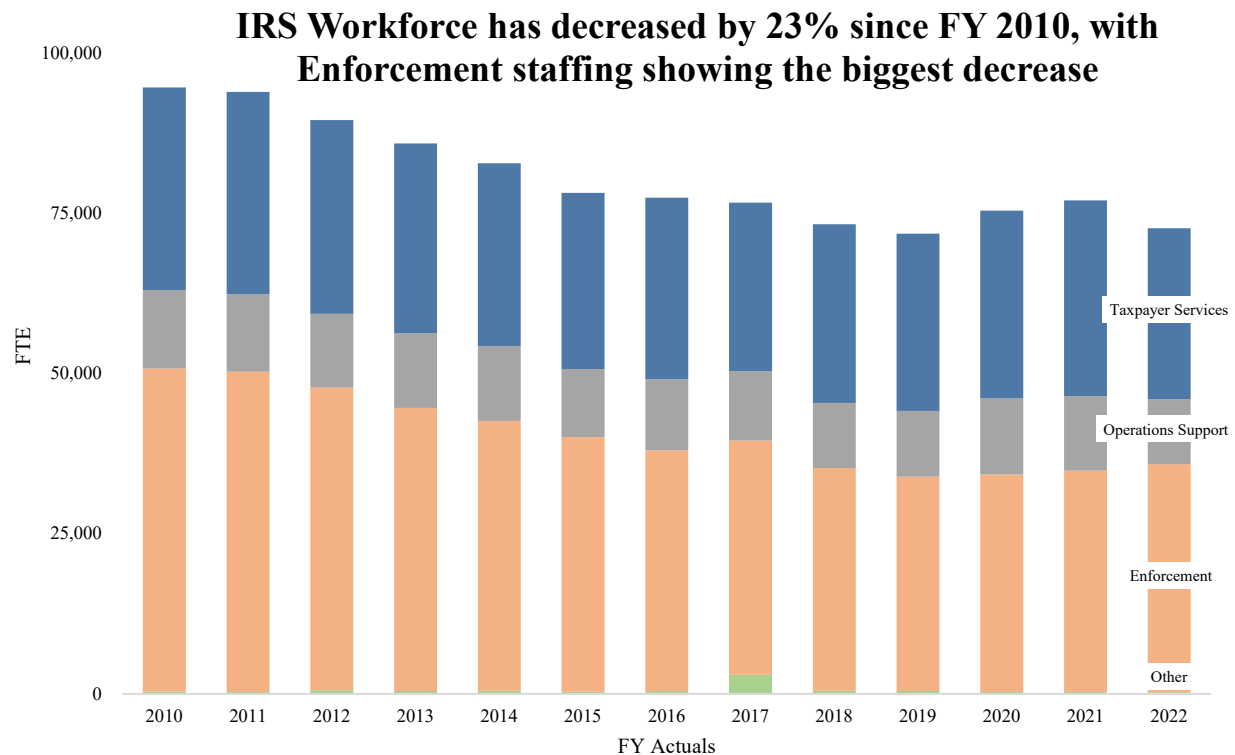
Since FY 2010, the IRS has taken extraordinary measures in utilizing supplemental funding, user fees, and relying on inter-appropriation transfers to supplement Taxpayer Services discretionary funding. Taxpayer Services resources are not only critical to the current transformative efforts of the IRS, but they are also critical to meeting the routine needs of every taxpayer. Limited appropriated resources and fluctuating demand for services has posed a substantial challenge for the IRS to provide taxpayers with the consistent quality service they should expect from a global-leading tax agency. The table below shows the substantial discrepancy between enacted funding in the IRS direct account versus how much is annually obligated across all funding sources. This incongruity has factored immensely into the service the IRS has been able to provide to taxpayers, and unless the IRS realizes sustained increases in discretionary funding, service quality will continue to suffer. The FY 2024 request includes a large increase to Taxpayer Services funding to address this issue and put the IRS on a more sustainable path towards providing the top-quality service American taxpayers deserve. The requested increase brings Taxpayer Services funding in line with the actual cost to provide the service Taxpayers expect and deserve.

### IRS taxpayer service appropriations have consistently lagged below funding needs



The need for increased Taxpayer Services appropriations has been reflected in the trend in the IRS's level of service (LOS) metric, which tracks the relative success rate of taxpayers who are attempting to reach a customer service representative (CSR) on the phone. Beginning in FY 2018, LOS began to decline, and significant pandemic-related demand exacerbated the negative trend. While the IRS will be using IRA resources to supplement appropriated Taxpayer Services funds, if additional funds are not appropriated (beyond inflationary increases), the IRS anticipates exhausting Taxpayer Services IRA funding in just four years. Sustained long-term increases in appropriated Taxpayer Services funding are needed to ensure that taxpayers receive the assistance they need and deserve.

The Administration recommends a 23.1 percent increase in the Taxpayer Services appropriation over the FY 2023 Enacted level to ensure that the IRS maintains the improvements made possible by the IRA resources.



Note: The "Other" category includes Business Systems Modernization, Health Insurance Tax Credit Administration, and Section 113/Sec. 112.

Full-Time Equivalent (FTE) staffing levels shown are funded through IRS annual appropriations, administrative provisions, and other legislation. In FY 2020, this included 2,144 FTE funded through the CARES Act. In FY 2021, this included 2,933 FTE funded through supplemental appropriations within the Consolidated Appropriations Act, 2021 and the American Rescue Plan. In FY 2022, in addition to the FTE shown in the table, the IRS realized an additional 483 FTE funded with prior year carryover money (20 FTE in Taxpayer Services, 460 FTE in Operations Support, and 3 FTE in BSM), 5,854 FTE funded by the American Rescue Plan (4,476 FTE in Taxpayer Services, 1,357 FTE in Operations Support, and 20 FTE in BSM), and 2 FTE funded by the No Surprises Act in Enforcement.

Fairly administering the tax laws within a voluntary compliance regime requires an enforcement presence to deter willful evasion. While a portion of the unpaid tax obligations that make up the tax gap result from a lack of knowledge or ambiguity and complexity in tax law, willful evasion is a significant contributing factor. Resources provided by the IRA will reduce the tax gap driven by high-income individuals making more than \$400,000 per year and large corporations. Consistent with Secretary Yellen's directive to the Internal Revenue Service, audit rates will not increase, relative to historic levels, for small businesses or taxpayers earning less than \$400,000 per year. The FY 2024 request will cover inflationary increases as well as legislative proposals to accelerate IRS hiring, which will help address various facets of the tax gap.

## Notification of Changes to the Appropriations

The IRS has identified support costs that should be charged to the mission appropriations. These charges can be moved without a change to its appropriation language. The IRS will begin transitioning appropriate costs to the Taxpayer Services and Enforcement accounts in 2024. At the start of FY 2024, the IRS will make these adjustments to the appropriations:

- Realign Human Capital Office costs that directly support Enforcement and Taxpayer Service hiring from the Operations Support account. For FY 2024, this would result in a realignment of \$83 million from Operations Support—\$52 million to Taxpayer Services, and \$31 million to Enforcement.
- Allocate all Equity, Diversity, and Inclusion staffing costs proportionately by FTEs between the Taxpayer Services, Enforcement, and Operations Support accounts (currently these costs are fully charged to Operations Support). For FY 2024, this would more accurately reflect the work performed and result in realignment of \$17.7 million from Operations Support—\$10.1 million to Taxpayer Services, and \$7.6 million to Enforcement.
- Realign all staffing costs for the Deputy Commissioner, Services and Enforcement front office and project management office from the Operations Support appropriation. This would more accurately reflect the work performed by these offices, which primarily support Enforcement programs. For FY 2024, this would result in realignment of \$4.9 million.

## 1.2 – Inflation Reduction Act Implementation

Dollars in Thousands

Internal Revenue Service	FY 2022		FY 2023		FY 2024	
Budgetary Resources	Enacted	Actual Obligations	Estimated Obligations	Estimated Obligations	Estimated Obligations	Estimated Obligations
	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	AMOUNT
Taxpayer Services	3,181,500		\$1,073	7,394	\$837,735	\$815,966
Enforcement	45,637,400			1,543	\$371,767	\$1,408,470
Operations Support	25,326,400		\$60,965	727	\$1,017,758	\$2,380,097
Business Systems Modernization	4,750,700		\$43,924	357	\$580,000	\$1,034,000
Direct eFile	15,000				\$15,000	
Energy Security	500,000					\$180,000
<b>Total Budgetary Resources</b>	<b>\$79,411,000</b>	<b>0</b>	<b>\$105,962</b>	<b>10,021</b>	<b>\$2,822,260</b>	<b>\$5,818,533</b>

The IRA provided the IRS \$79.4 billion in funding over the next decade to dramatically change the way it serves taxpayers, harness the power of modern technology, invest in, and grow its employees with new tools, skills, and capabilities, and ensure tax compliance among high-income individuals, complex partnerships, and large corporations.

With the \$2.8 billion apportioned in FY 2023 and the more than \$5.8 billion planned for FY 2024, the IRS will begin its transformation into a much more customer-focused agency that strives to help taxpayers get it right the first time – both in meeting their obligations and claiming the credits and incentives to which they are eligible.

In Enforcement, this includes addressing priority compliance issues that contribute to the tax gap, such as those related to complex partnership structures, high-net worth individuals and entities, large

corporations, and cross-border tax. Given the resources required to conduct audits of high-income individuals, partnerships, and large corporations, hiring of enforcement staff will focus on tax accountants, attorneys, and other specialized staff needed to do this complex work. For example, audits of high-income earners may take tax accountants upwards of 250 hours to complete. By comparison, audits of typical taxpayers take only five hours, are conducted through the mail, and do not require specialized tax accountants. All-in-all, audits of wealthy taxpayers take at least 50 times as long. Corporate audits average hundreds of hours over two to four years. These audits often involve more than a dozen issues that each require separate teams of tax accountants and lawyers to resolve. The goal is to front load the hiring of tax accountants, attorneys, and other specialized staff so they can be brought up to speed by the current senior experts who may be eligible to retire soon. This work is incredibly complex, and IRS does not want to lose decades of institutional knowledge through continued waves of retirements without departing experts first training the next generation of experts. All enforcement efforts will comply with Treasury's August 10, 2022, directive, to not increase audit coverage of households and small businesses making less than \$400,000 a year relative to historic norms.

Funds will also help the IRS accelerate our ability to deliver technology capabilities. New technology investments will be built on foundational platforms that are built to meet our future needs. This will require careful coordination between new capability delivery and our need to modernize legacy platforms. Data and cyber security will be at the center of all aspects of our transformation. This modernization will strengthen the IRS's competitiveness and will serve all Americans.

The IRS will also conduct a study on the cost of developing and running a free direct e-File tax return system. Additionally, the IRS will use these funds to continue implementation of the Energy Security tax credits included in the legislation including: costs for necessary IT modernization efforts and for hiring staff to support the development of implementation guidelines, associated compliance efforts, and anticipated customer-service needs.

The forthcoming Strategic Operating Plan for the IRA was built under the assumption that IRA funds will support transformation efforts while current, steady-state operations would be supported by annual appropriations. The IRA Strategic Operating Plan, which describes IRS's intentions for these new resources, will be released soon. To cover steady state operations, annual discretionary appropriations must be fully maintained at the FY 2022 level, including growth for inflation and pay raises. Any reduction in annual discretionary funds – including not providing for inflationary increases to maintain current levels – will require IRA funding to be shifted to general operations. This would be to the detriment of the service, technology, and compliance initiatives envisioned to transform the IRS. Diverting IRA funding to cover base discretionary enforcement needs would lead to higher tax evasion by the wealthy and large corporations, leading to decreased revenue collection and increased deficits.

## B – Summary of the Request

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

In FY 2022, the IRS collected more than \$4.9 trillion in taxes (gross receipts before tax refunds), nearly all the revenue that supports the Federal government’s operations. With the U.S. tax base becoming more complex, one key responsibility of the IRS is to make it easier for taxpayers to understand and meet their tax obligations.



\* Data from Jan. 1 – Oct. 28, 2022.

## FY 2024 Budget Request and Priorities

The IRS FY 2024 budget request is composed of strategic investments that are aligned with the President’s Management Agenda and mission driven efforts that will propel the trajectory of the agency to better serve the taxpayer, warrant an impartial tax system, and reduce the tax gap. The FY 2024 request is \$14.1 billion, \$1.8 billion or 14.7 percent more than the FY 2023 Enacted Budget of \$12.3 billion. The budget request includes \$13.1 billion in base resources and \$999.4 million in program increases that will:

- Improve Telephone Level of Service and Reduce Correspondence Inventory (\$267.2 million),
- Implement Green Tax Credit Legislation (\$105.6 million),
- Improve the Taxpayer Experience (\$41.4 million),
- Restore Staffing Levels (\$167.6 million),
- Invest in Fleet Electrification and Sustainable/Resilient Buildings (\$44.6 million),
- Sustain Deployed IT Capabilities and Infrastructure (\$83.4 million), and
- Restore Business Systems Modernization (\$289.6 million).



### 1.3 – Budget Adjustments Table

Dollars in Thousands

Bureau: Internal Revenue Service		
Summary of Proposed FY 2024 Request		
	Amount	FTE
<b>FY 2023 Enacted</b>	<b>\$12,319,054</b>	<b>72,627</b>
<b>Changes to Base:</b>		
Maintaining Current Levels (MCLs):	\$536,665	
Pay Annualization (4.6% average pay raise)	106,749	
Pay Raise (5.2% average pay raise)	370,725	
Non-Pay	59,190	
Technical Base Adjustments	\$281,470	
FERS Law Enforcement Rate Increase	50,234	
Improve Competitiveness of IRS Clerical Staff	44,220	
Change in Staffing Designation	187,016	
Subtotal Changes to Base	\$818,135	
<b>FY 2024 Current Services</b>	<b>\$13,137,189</b>	<b>72,627</b>
<b>Program Increases:</b>		
Strategies for Improving the Taxpayer Experience	41,381	54
Green Tax Credit Implementation	105,631	1,221
Improve Telephone Level of Service and Reduce Correspondence Inventory	267,190	3,448
Restoration of Staffing Levels	167,637	556
Fleet Electrification	15,098	3
Sustainment of Deployed IT Capabilities	55,878	43
Sustaining Infrastructure	27,500	26
Business Systems Modernization	289,619	197
Sustainable and Resilient Buildings	29,462	3
<b>Subtotal FY 2024 Program Increases</b>	<b>\$999,396</b>	<b>5,551</b>
<b>FY 2024 President's Budget Request</b>	<b>\$14,136,585</b>	<b>78,178</b>

See footnotes in 1.1 - Appropriations Detail Table.

**C – Base Adjustment and Program Changes Description**

**Maintaining Current Levels..... +\$536,665,000 / 0 FTE**

Pay Annualization (4.6%) +\$106,749,000 / 0 FTE

Funds are requested for annualization of the January 2023 4.6 percent average pay raise.

Pay Raise (5.2%) +\$370,725,000 / 0 FTE

Funds are requested for a 5.2 percent average pay raise in January 2024.

Non-Pay +\$59,190,000 / 0 FTE

Funds are requested for 2.0 percent increase in non-labor expenses such as travel, contracts, rent, supplies, and equipment due to inflation.

**Base Adjustment.....+\$281,470,000 / 0 FTE**

The FY 2024 base begins at the FY 2023 Enacted level of \$12.3 billion. In addition to \$537 million to maintain current staffing levels, the base was adjusted by \$281 million dollars to reach current operating funding levels. The additional base adjustment entails supplementary labor costs within Taxpayer Services and Enforcement.

FERS Law Enforcement Rate Increase +\$50,234,000 / 0 FTE

With the anticipated 0.6 percent Federal Employees Retirement System (FERS) contribution rate increase in FY 2024 for law enforcement officials (Criminal Investigation special agents), the IRS projects an additional labor mandate of \$50 million.

Improve Competitiveness of IRS Clerical Staff +\$44,220,000 / 0 FTE

The IRS uses clerical staff across a range of programs, resulting in multiple position descriptions that create complexity for personnel management and inflexibility in applying resources to shifting needs. Further, wages for these staff members have lagged other employers undermining recruitment efforts. IRS established new consolidated and standardized position descriptions to address these challenges. The new clerical positions are classified at a higher grade than most current submission processing clerks. This higher-grade structure will enhance the IRS’s desirability as an employer, but it will also increase labor costs. The IRS has experienced an average attrition rate of 47 percent for Submission Processing Clerks over the past five years, and low wages have undermined the effectiveness of recruiting efforts for these critical roles. To address these challenges, the IRS conducted a comprehensive review of all clerical positions to establish new consolidated and standardized position descriptions. The new clerical position will achieve the goals of leveraging staff in any clerical function as workload dictates. In addition to providing a competitive wage that is above the poverty level and competitive with other employers, implementation will have a positive impact on Submission Processing operations, enabling managers to

balance workload, and will streamline external job announcements required to fill clerical vacancies at IRS campuses.

*Change in Staffing Designation +\$187,016,000 / 0 FTE*

The IRS is requesting \$187 million to convert some taxpayer services hiring efforts from seasonal to permanent staffing. Thousands of additional seasonal staff have been required in recent years to address increased demand for taxpayer services. An overreliance on seasonal hiring has prevented the IRS from adequately addressing taxpayers' year-round needs for service, leading to a significant backlog in the correspondence inventory. Also, attrition is much higher for this type of staff in comparison with permanent hires, often leading to a need for additional recruiting and training of new staff, which takes 15 weeks to complete for new customer service representatives. Converting seasonal staff positions to permanent positions will play a major role year-round in enhancing the service and reducing inventory levels when telephone demand is low. These resources will allow the IRS to fulfill taxpayer needs more efficiently, as less attrition will lead to more experienced staff and less frequent recruiting and training.

**Program Increases..... +\$999,396,000 / +5,551 FTE**

*Strategies for Improving the Taxpayer Experience +\$41,381,000 / +54 FTE*

<b>Position Type/Other Costs</b>	<b>FTE</b>	<b>Positions</b>	<b>\$000</b>
<b>Strategies for Improving the Taxpayer Experience</b>	<b>54</b>	<b>108</b>	<b>\$41,381</b>
Attorney	2	4	592
IT Specialist	11	22	2,333
Analyst	41	82	10,655
Contractual Services			27,801
<b>Total</b>	<b>54</b>	<b>108</b>	<b>\$41,381</b>

The Taxpayer First Act, Public Law 116-25, requires the IRS to develop and implement strategies to improve American taxpayers' experiences with the IRS. Putting taxpayers first requires that the IRS maintains the range of services already available while using IRA to modernize the suite of available options. To fulfill this requirement, the IRS will continue to enable taxpayers and practitioners to better understand and meet their tax obligations. Requested funding will be used to expand the ways taxpayers can interact with the IRS; digital alternatives will increase efficiency and improve communication between the IRS and taxpayers. Funding will be used to maintain the number of digital assistance options taxpayers may use to access resources for complying with tax laws. Additional authenticated online self-services will include account updates, secure messaging and notice delivery, full interaction history and issue status, refund tracking, increased electronic receipt of filings, and data capture for paper filings. Funding will also further IRS efforts to enable taxpayers to receive and upload documents in a secure environment, expand payment options, utilize web chat, and other digital assisted services.

Green Tax Credit Implementation +\$105,631,000 / +1,221 FTE

Position Type/Other Costs	FTE	Positions	\$000
<b>Green Tax Credit Implementation</b>	<b>1,221</b>	<b>1,221</b>	<b>\$105,631</b>
Customer Service Representative	680	680	56,799
Manager	46	46	4,476
Seasonal	495	495	41,809
Contractual Services			2,547
<b>Total</b>	<b>1,221</b>	<b>1,221</b>	<b>\$105,631</b>

With the passage of the IRA, which included \$500 million (over 10 years) for climate and clean energy tax credit implementation, the IRS is committed to ensuring the success of all tax administration efforts associated with the law. To fully support the various IRA tax credit provisions, the IRS requires funds above-and-beyond the \$500 million provided in IRA to develop or modify forms, instructions, and notifications, conduct taxpayer education and outreach, address increased telephone, correspondence, and face-to-face demands, create processes to allow and track direct payments, and ensure compliance.

The IRS envisions significant education and training costs will be required to support implementation of the climate and clean energy tax credits in the IRA. This includes internal and external education, frequently asked questions, and communications. Procedures, notices, and training will require an extensive initial commitment of personnel in multiple business units.

Funding is also necessary to help Chief Counsel to interpret provisional requirements included in the law. The IRS also foresees increased technology demand concurrent with the deployment of these credits. Appropriately servicing taxpayers will require new technological platforms along with the standard service channels as the IRS anticipate a full ramp-up of servicing these legal requirements by FY 2024. Funding for this investment will also be supplemented with \$180 million of IRA Energy Security funding in FY 2024.

Improve Telephone Level of Service and Reduce Correspondence Inventory  
+\$267,190,000 / +3,448 FTE

Position Type/Other Costs	FTE	Positions	\$000
<b>Improve Telephone Level of Service and Reduce Correspondence Inventory</b>	<b>3,448</b>	<b>3,448</b>	<b>\$267,190</b>
Customer Service Representative	1,845	1,845	115,296
Seasonal	1,603	1,603	149,894
Contractual Services			2,000
<b>Total</b>	<b>3,448</b>	<b>3,448</b>	<b>\$267,190</b>

This investment will enable the IRS to achieve and maintain high LOS performance outcomes and supersede FY 2023 levels. 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. Taxpayer experience research continues to indicate phone service as a preferred service channel. With discretionary funding to maintain basic customer service operations and the IRA funding, the projected FY 2024 LOS is 80 percent for the fiscal year and 85 percent during the filing season.

In addition to live assistors, the IRS also provides phone service to taxpayers using automation. During FY 2022, nearly 34 million taxpayers received the answer to their questions through automation. To help capture the volume of this assisted population, the IRS is developing a measure for inclusion in performance reporting that expands on Customer Service Representative (CSR) LOS to include these automated calls. The new measure, LOS(A), for FY 2022 was 39.3 percent and IRS intends to baseline this measure in FY 2023.

Funding this investment below the requested level will reduce the LOS and negatively impact the taxpayer experience. When taxpayers cannot reach the IRS or get questions answered, taxpayers saturate other service channels like paper correspondence. Based on the prior experience with the paper volumes experienced during the pandemic, moving taxpayers to a more burdensome, costly, and time-consuming service channel will negatively impact taxpayers' abilities to comply and the IRS' ability to function effectively. Although the IRS did receive \$3.2 billion in IRA for taxpayer services, IRS will spend \$800 million just in FY 2023 to hire additional CSRs to enhance the LOS and reduce the paper backlog, and at that pace, we anticipate that the IRS will exhaust all IRA taxpayer services funding in just four years.

Together with IRA funding, this investment will allow the IRS to increase the telephone level of service (LOS) above FY 2023 levels. To date, with the supplement of IRA funding, the IRS has realized a 261 percent (23.8 percent to 85.9 percent) improvement of its filing season telephone level of service metric compared to filing season 2022. 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. Taxpayer experience research continues to indicate phone service as a preferred service channel. With this investment and the IRA funding, the projected FY 2024 LOS is 80 percent and 85 percent LOS during the individual filing season.

In addition to live assistors, the IRS also provides phone service to taxpayers using automation. During FY 2022, nearly 34 million taxpayers received the answer to their questions through automation. The IRS is developing a measure for inclusion in performance reporting that expands on CSR LOS to include these automated calls. The new measure, LOS(A), for FY 2022 is 39.3 percent and IRS intends to baseline this measure in FY 2023.

Investment funding below the requested level will reduce LOS and negatively impact the taxpayer experience. Based on historical experience, when taxpayers cannot reach the IRS in their preferred service channel (phone), it results in increases in other service channels, including paper correspondence. Based on the experience with paper, and specifically the paper volumes experienced because of the pandemic, moving taxpayers to a more burdensome, costly, and time-consuming service channel will negatively impact taxpayers' ability to comply. Although the IRS did receive \$3.2 billion in IRA for taxpayer services, the IRS will spend \$800 million just in FY 2023 to hire additional CSRs to enhance the LOS and reduce the paper backlog, and at that pace, IRS will exhaust all IRA taxpayer services funding in just four years.

The below table shows historical and projected data to illustrate how variables such as FTE spent in Accounts Management (AM), demand, calls answered, and average handle time (AHT) impact the LOS each year. The table shows AM phone demand in FY 2022 of 81.3 million was 32 percent lower than the 2021 figure of 119.9 million, but still substantially higher than the average pre-pandemic phone demand of 40 million.



**FY 2018 - FY 2022 Actuals / FY 2023 - FY 2024 Projections**

		FY18	FY19	FY20	FY21	FY22	FY23 <sup>1</sup>	FY24 <sup>2</sup>
Budget	Total FTE Spent in AM	16,660	17,677	17,237	19,127	21,462	24,949	27,800
	FTE Spent on AM Phones	7,966	7,473	6,566	8,705	6,445	11,143	13,037
	% of Budget on Phones	48%	42%	38%	46%	30%	45%	47%
	FTE Spent on Shutdown/COVID	0	1567	2954	381	125	0	0
Phones	Demand	38,200,000	37,100,000	36,400,000	119,900,000	81,300,000	38,200,000	38,200,000
	Calls Answered	25,300,000	21,300,000	17,900,000	21,700,000	13,300,000	20,890,000	26,500,000
	AHT (minutes)	12	13.4	14.3	15.4	17.0	17.1	16.8
	FY LOS Achieved	75.9%	65.4%	53.1%	18.5%	17.4%	60.0%	80.0%
Inventory	Beginning Inventory	514,478	583,854	1,083,092	1,102,753	4,055,577	2,156,144	2,856,494
	Receipts <sup>2</sup>	7,081,037	6,852,572	4,803,294	10,503,620	11,549,900	12,392,124	11,549,900
	Closures	7,011,661	6,353,334	4,783,633	7,550,796	13,449,333	11,691,774	11,627,834
	Ending Inventory	583,854	1,083,092	1,102,753	4,055,577	2,156,144	2,856,494	2,784,560

<sup>1</sup> FY 2023 assumed funding level of 24,949 FTE.

<sup>2</sup> FY 2024 assumes base appropriations plus receipt of investment proposal, plus receipt of IRA funding, assumed funding level of 27,800 FTE. Correspondence receipts are based on 100% of FY 2022 actuals.

*Restoration of Staffing Levels +\$167,637,000 / +556 FTE*

This investment will begin to restore critical staffing the IRS has been unable to replace due to a variety of factors, including unfunded inflation increases, growing needs for expanded information technology systems, and various legislative mandates. The IRS has experienced significant staff attrition over the past ten years, with a loss of over 10,000 positions since 2012,<sup>1</sup> predominately within the compliance function. In addition, an estimated 63 percent of IRS employees will be eligible for retirement in the next five years, and the IRS's current attrition rate is nearly 26 percent higher than the average for federal agencies.<sup>2</sup>

While the IRA provided the IRS with significant resources for a transformative expansion of its tax enforcement and taxpayer services efforts, there remains a need for a reversal of the multi-year inflation--adjusted decline in the IRS's foundational staffing resources.

*Fleet Electrification +\$15,098,000 / +3 FTE*

Position Type/Other Costs	FTE	Positions	\$000
<b>Fleet Electrification</b>	<b>3</b>	<b>7</b>	<b>\$15,098</b>
Program Analyst	3	7	454
Contractual Services			11,724
Equipment			2,920
<b>Total</b>	<b>3</b>	<b>7</b>	<b>\$15,098</b>

The IRS Criminal Investigation (IRS-CI) operates a fleet of 2,225 GSA-leased gas vehicles at an annual cost of approximately \$13 million. Each of these vehicles typically has a five to six-year lifespan,

<sup>1</sup> <https://www.irs.gov/statistics/irs-budget-and-workforce>

<sup>2</sup> <https://www.irs.gov/about-irs/people>. IRS statistic excludes seasonal employees.

resulting in an average of 400 vehicles being replaced annually. As mandated by President Biden’s Executive Order, “Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability,” all newly acquired light duty vehicles are required to be Zero Emission Vehicles (ZEVs) by 2027. The adoption of Electrical Vehicles (EVs) will require an initial investment for infrastructure installation. However, after the EV infrastructure is installed, the cost to operate the fleet annually will be reduced. The cost savings of operating an EV compared to a gas vehicle is \$94 per month, which equates to \$1,128 per year. Assuming a fleet of over 2,225 vehicles, this results in a cost savings of more than \$2.5 million annually after all vehicles are replaced. IRS-CI currently spends \$360,000 annually on vehicle maintenance, which would also decrease as the fleet transitions to an all-EV fleet as gas vehicle leases expire.

For example, using an average assumption of traveling 12,700 miles per year (1,058 miles per month) the cost to operate an EV is \$56 per month. To travel the same distance using traditional gas, assuming 24 miles per gallon,<sup>3</sup> the cost to operate the same vehicle is \$150 per month. Thus, the cost savings of operating an EV is roughly \$94 per month, which equates to \$1,128 per year. Assuming a fleet of over 2,225 vehicles, this results in a cost savings of over \$2.5 million annually. Furthermore, EVs are emission-free and maintenance costs are substantially less (e.g., no oil changes, brakes last longer), and any other mechanical systems would last the five to seven years IRS-CI keeps the vehicle. IRS-CI currently spends \$360,000 annually on vehicle maintenance, which would also decrease as the fleet transitions to an all-EV fleet as gas vehicle leases expire.

*Sustainment of Deployed IT Capabilities +\$55,878,000 / +43 FTE*

Position Type/Other Costs	FTE	Positions	\$000
<b>Sustainment of Deployed IT Capabilities</b>	<b>43</b>	<b>86</b>	<b>\$55,878</b>
IT Specialist	43	86	9,120
Contractual Services			46,758
<b>Total</b>	<b>43</b>	<b>86</b>	<b>\$55,878</b>

The IRS intends to use funds provided under the American Rescue Plan Act and IRA to accelerate the modernization of its core, foundational technology. However, it must continue to operate the core tax processing system while planning, designing, and executing modernization activities. IRS relies upon its recurring IT Operations Support resources, or base, to operate these systems. The base has been and remains underfunded and relies on more than \$500 million per year in supplemental resources, such as Inter-Appropriations Transfers, reimbursables, and user fees to sustain technology operations. This funding will enable a partial, yet minimal restoration of the base and fund the operations and maintenance of deployed systems. IRS will otherwise need to use IRA funds to cover ongoing operations, which would come to the detriment of implementing truly cross-cutting, modernization initiatives that position IRS for the future.

<sup>3</sup> Cost savings estimates are based on fuel assumptions that base kWh at an average of 16 cents and gas at \$3.40 per gallon. The IRS realizes kWh and gas prices vary widely across the country and change daily. Furthermore, this analysis does not consider the increased cost to acquire electrical vehicles, which will reduce cost savings related to fuel and maintenance savings.

*Sustaining Infrastructure + \$27,500,000 / +26 FTE*

Position Type/Other Costs	FTE	Positions	\$000
<b>Sustaining Infrastructure</b>	<b>26</b>	<b>52</b>	<b>\$27,500</b>
IT Specialist	26	52	5,514
Contractual Services			19,787
Hardware and Software			2,199
<b>Total</b>	<b>26</b>	<b>52</b>	<b>\$27,500</b>

The IRS owns and operates the datacenters, hardware, and software that underly most of its information systems. While the IRS has long-term ambitions to transition most of this infrastructure to the cloud—whereby the service provider bears responsibility for the infrastructure—the IRS must continue to upgrade and improve hardware and software that is approaching or has reached end of life. While the IRS continues to make progress in reducing the backlog of outdated/aged infrastructure, the IRS requires continued discretionary funding to stay on course.

*Business Systems Modernization + \$289,619,000 / +197 FTE*

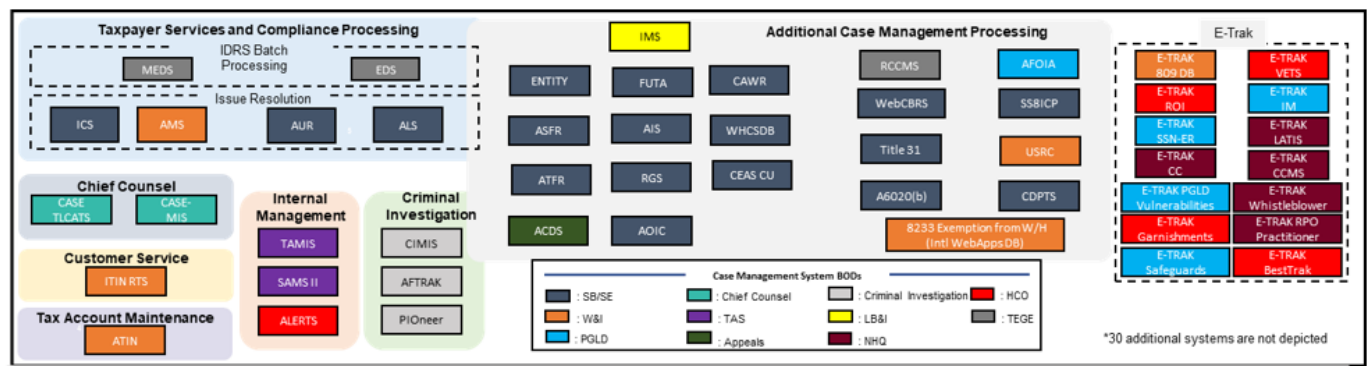
Position Type/Other Costs	FTE	Positions	\$000
<b>Business Systems Modernizations</b>	<b>197</b>	<b>394</b>	<b>\$289,619</b>
IT Specialist	197	394	41,011
Contractual Services			244,919
Hardware and Software			3,689
<b>Total</b>	<b>197</b>	<b>394</b>	<b>\$289,619</b>

Although IRS received \$4.75 billion in Business Systems Modernization (BSM) funding in IRA, the modernization essential to support 21<sup>st</sup> century tax administration requires sustained annual discretionary funding in addition to mandatory funding. Successful implementation of the forthcoming IRA Strategic Operating Plan will heavily depend on restored BSM discretionary funding. These funding sources will enable the IRS to realize the envisioned modernization objectives. Without discretionary funding, approximately one-third of the planned modernization will need to be descoped, delayed, or entirely withdrawn. A portion of this investment will provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities.

Modernization remains a key IRS priority and the BSM appropriation, along with IRA funding, provide a long-term approach to technological advances, which will transform the customer experience by making services simpler, quicker, and more responsive. The IRS will improve interactions and communications with taxpayers and third parties by providing a broad range of self-service options and establishing a secure information exchange that will enable authorized third parties and taxpayers to interact digitally with the IRS and optimize the user experience and deliver consistent and secure information no matter which channel is used to contact the IRS.

Additionally, the IRS is continuing its effort to implement a single, modernized, enterprise case management system with access to taxpayer data and standard business processes across the IRS,

resulting in the consolidation of capabilities from over 60 disparate systems (see below). This funding will accelerate the transition of capabilities from legacy case management systems to a modern ECM platform.



This will result in retirement and consolidation of the depicted legacy platforms, operational efficiencies, and transparent case processing for taxpayers. A portion of the funding will provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities. Although IRS received \$4.75 billion in BSM funding in IRA, the modernization envisioned in the forthcoming IRA Strategic Operating Plan will require that discretionary BSM funding of approximately \$290 million be restored.

*Sustainable and Resilient Buildings* +\$29,462,000 / +3 FTE

Position Type/Other Costs	FTE	Positions	\$000
<b>Sustainable and Resilient Buildings</b>	<b>3</b>	<b>6</b>	<b>\$29,462</b>
Program Analyst	3	6	620
Contractual Services			28,842
<b>Total</b>	<b>3</b>	<b>6</b>	<b>\$29,462</b>

The IRS seeks to be a leader in opportunities to implement initiatives that directly support the Bureau Climate Action Plan and ensure sustainability. In accordance with the requirements of the Administration’s Climate Agenda, and Executive Order 14008, Tackling the Climate Crisis at Home and Abroad, the U.S. Department of the Treasury and the IRS have completed Climate Action Plans that define specific actions to build climate resilient programs, invest finances and direct procurement in sustainable infrastructure, develop climate resilient real property, and create a Fleet Conversion Plan for Treasury that includes installation of non-CI electric vehicle supply equipment at IRS facilities across the country.

The IRS, in partnership with the Department of Energy, will contract for the completion of Energy Savings Performance Contracts (ESPC) at the Austin, Martinsburg, Memphis, and Ogden campuses. ESPCs will help enhance the IRS’s ability to anticipate, prepare for, and adapt to changing conditions and to withstand, respond to, and recover rapidly from disruptions at major work sites. The IRS is also developing a Fleet Conversion Plan for Treasury that includes installation of non-Criminal Investigation electric vehicle supply equipment (EVSE) at IRS facilities across the country to achieve 100 percent zero-emission light duty federal fleet vehicle acquisitions by 2027.

## 1.4 – Object Classification (Schedule O) Obligations

Dollars in Thousands

<b>Internal Revenue Service</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Object Classification</b>	<b>Operating Plan</b>	<b>Estimated Obligations</b>	<b>Request</b>
11.1 - Full-time permanent	6,034,701	6,265,491	7,055,862
11.3 - Other than full-time permanent	64,278	71,924	76,231
11.5 - Other personnel compensation	376,851	358,998	388,651
11.8 - Special personal services payments	36,163	69,079	72,598
<b>11.9 - Personnel Compensation (Total)</b>	<b>6,511,993</b>	<b>6,765,492</b>	<b>7,593,342</b>
12.0 - Personnel benefits	2,435,210	2,504,443	2,832,190
13.0 - Benefits for former personnel	7,273	12,583	13,224
<b>Total Personnel and Compensation Benefits</b>	<b>\$8,954,476</b>	<b>\$9,282,518</b>	<b>\$10,438,756</b>
21.0 - Travel and transportation of persons	38,632	121,327	132,216
22.0 - Transportation of things	22,302	25,007	36,350
23.1 - Rental payments to GSA	584,918	607,157	625,993
23.2 - Rental payments to others	786	512	525
23.3 - Communications, utilities, and miscellaneous charges	294,900	289,684	312,573
24.0 - Printing and reproduction	70,900	39,652	41,649
25.1 - Advisory and assistance services	1,594,635	869,504	1,268,268
25.2 - Other services from non-Federal sources	62,128	101,551	120,763
25.3 - Other goods and services from Federal sources	193,641	221,629	230,969
25.4 - Operation and maintenance of facilities	195,722	192,706	208,404
25.6 - Medical care	28,176	19,619	21,016
25.7 - Operation and maintenance of equipment	56,874	65,568	71,263
26.0 - Supplies and materials	31,748	47,424	53,052
31.0 - Equipment	318,991	282,480	351,980
32.0 - Land and structures	60,184	65,382	135,268
41.0 - Grants, subsidies, and contributions	54,000	77,000	77,000
42.0 - Insurance claims and indemnities	23,541	2,334	2,380
91.0 - Unvouchered	7,500	8,000	8,160
<b>Total Non-Personnel</b>	<b>\$3,639,578</b>	<b>\$3,036,536</b>	<b>\$3,697,829</b>
<b>Total Obligations</b>	<b>\$12,594,054</b>	<b>\$12,319,054</b>	<b>\$14,136,585</b>
<b>Full-time Equivalents (FTE)</b>	<b>72,648</b>	<b>72,627</b>	<b>78,178</b>

Amounts reflect obligations of annually appropriated discretionary resources.

See footnotes in 1.1 - Appropriations Detail Table.



## D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">TAXPAYER SERVICES</p> <p>For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, [<del>\$2,780,606,000</del>]<del>\$3,422,449,000</del>, of which not to exceed \$100,000,000 shall remain available until September 30,<del>[2024]</del> 2025, of which not less than \$11,000,000 shall be for the Tax Counseling for the Elderly Program, of which not less than \$26,000,000 shall be available for low-income taxpayer clinic grants, including grants to individual clinics of up to \$200,000, of which not less than \$40,000,000, to remain available until September 30,<del>[2024]</del> 2025, shall be available for the Community Volunteer Income Tax Assistance Matching Grants Program for tax return preparation assistance, and of which not less than \$236,000,000 shall be available for operating expenses of the Taxpayer Advocate Service: <i>Provided</i>, That of the amounts made available for the Taxpayer Advocate Service, not less than \$7,000,000 shall be for identity theft and refund fraud casework.</p> <p style="text-align: center;">ENFORCEMENT</p> <p>For necessary expenses for tax enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner,<del>[\$5,437,622,000]</del></p>	

\$5,904,441,000; of which not to exceed \$250,000,000 shall remain available until September 30, [2024] 2025; of which not less than \$60,257,000 shall be for the Interagency Crime and Drug Enforcement program; and of which not to exceed \$25,000,000 shall be for investigative technology for the Criminal Investigation Division: Provided, That the amount made available for investigative technology for the Criminal Investigation Division shall be in addition to amounts made available for the Criminal Investigation Division under the "Operations Support" heading.

#### OPERATIONS SUPPORT

For necessary expenses to operate the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; [\$4,100,826,000] \$4,520,076,000, of which not to exceed \$275,000,000 shall remain available until September 30, [2024] 2025; of which not to exceed \$10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed \$1,000,000 shall remain available until September 30, [2025] 2026, for research; and of which not to exceed \$20,000 shall be for official reception and representation expenses: *Provided*, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the

Comptroller General of the United States detailing major information technology investments in the Internal Revenue Service [Integrated Modernization Business Plan] portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year: *Provided further*, That the Internal Revenue Service shall include, in its budget justification for fiscal year [2024] 2025, a summary of cost and schedule performance information for its major information technology systems.

#### BUSINESS SYSTEMS MODERNIZATION

*For necessary expenses of the Internal Revenue Service's business systems modernization program, \$289,619,000, to remain available until September 30, 2026 for the capital asset acquisition of information technology systems, including management and related contractual costs of said acquisitions, including related Internal Revenue Service labor costs, and contractual costs associated with operations authorized by 5 U.S.C. 3109: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing major information technology investments in the Internal Revenue Service portfolio including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year.*

With the FY 2023 Enacted Budget not providing any BSM resources, the IRS remains committed to delivering the required technological portfolio that will foster modernization mandates.

The administration proposes the inclusion of the Business Systems Modernization appropriations language in the FY 2024 President's Budget in order to request funding for transformative information technology efforts.

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

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

SEC. 102. The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with taxpayers, cross-cultural relations, ethics, and the impartial application of tax law.

SEC. 103. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information and protect taxpayers against identity theft.

SEC. 104. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1-800 help line service for taxpayers. The Commissioner shall continue to make improvements to the Internal Revenue Service 1-800 help line service a priority and allocate resources necessary to enhance the response time to taxpayer communications, particularly with regard to victims of tax-related crimes.

SEC. 105. The Internal Revenue Service shall issue a notice of confirmation of any address change relating to an employer making employment tax payments, and such notice shall be sent to both the employer's former and new address and an officer or employee

of the Internal Revenue Service shall give special consideration to an offer-in-compromise from a taxpayer who has been the victim of fraud by a third-party payroll tax preparer.

SEC. 106. None of the funds made available under this Act may be used by the Internal Revenue Service to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States.

SEC. 107. None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs.

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

SEC. 109. None of the funds made available in this Act to the Internal Revenue Service may be obligated or expended—  
(1) to make a payment to any employee under a bonus, award, or recognition program; or  
(2) under any hiring or personnel selection process with respect to re-hiring a former employee;  
unless such program or process takes into account the conduct and Federal tax compliance of such employee or former employee.



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

SEC. 111. The Secretary of the Treasury (or the Secretary's delegate) may use the funds made available in this Act, subject to such policies as the Secretary (or the Secretary's delegate) may establish, to utilize direct hire authority to recruit and appoint qualified applicants, without regard to any notice or preference requirements, directly to positions in the competitive service to process backlogged tax returns and return information.

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

*SEC. 113. The Secretary of the Treasury (or the Secretary's delegate) may use funds made available to the Internal Revenue Service in this or any other provision of law to appoint, without regard to sections 3304 and 3309 through 3319 of title 5, United States Code, qualified candidates to positions in the competitive service in occupations for which the Secretary of the Treasury (or the Secretary's delegate) has determined in writing that there is a critical hiring need or severe shortage of highly qualified candidates: Provided, That the Secretary (or the Secretary's delegate) shall consult with the Office of Personnel Management on the positions to recruit (including quantity), as well as candidate recruitment, assessment, and selection policies; issue guidance to human resources practitioners in the Internal Revenue Service on use of this authority; use Office of Personnel Management qualification standards in all recruitments made; and exercise the authority under*

Direct hire authority (DHA) provides the ability to expedite the hiring process in order to hire more efficiently during a severe shortage of highly qualified candidates or during a critical hiring need. As the IRS works to rapidly implement plans to utilize Inflation Reduction Act resources, DHA will help to ensure that staffing requirements are not an obstacle. Current expanded Direct Hire Authority granted by OPM to IRS for specific positions expires November 30, 2024.

*chapter 71 of title 5, United States Code and applicable collective bargaining agreements: Provided further, That, the appointment authority provided by this section shall expire on September 30, 2027: Provided further, That, not later than 180 days after expiration of this authority, the Secretary shall, in consultation with the Director of the Office of Personnel Management, provide a report to Congress that includes demographic data of individuals hired pursuant to this authority; salary information of individuals hired pursuant to this authority; and how IRS exercised this authority consistent with merit systems principles.*

*SEC. 114. The Secretary of the Treasury (or the Secretary's delegate) may use funds made available to the Internal Revenue Service in this Act or any other provision of law, subject to such policies as the Secretary (or the Secretary's delegate) may establish, to take such personnel actions as the Secretary (or the Secretary's delegate) determines necessary to administer the Internal Revenue Code of 1986, including (1) in addition to the authority under section 7812(1) of the Internal Revenue Code of 1986, appointing not more than 200 individuals to positions in the Internal Revenue Service under streamlined critical pay authority subject to the requirements and conditions under section 9503 of title 5, United States Code, except that subsection 9503(a)(3) of such title shall not apply; and (2) appointing not more than 300 individuals to positions in the Internal Revenue Service at any one time for which (A) the rate of basic pay may be established by the Secretary of the Treasury (or the Secretary's delegate) at a rate that does not exceed the salary set in accordance with section 104 of title 3, United States Code; and (B) the total annual compensation paid to an employee in such a position, including allowances, differentials, bonuses, awards, and similar cash payments, may not exceed the maximum amount of total annual compensation payable at the salary set in accordance with section 104 of title 3, United States Code: Provided, That the authority provided under this paragraph shall expire on September 30, 2031.*

Streamlined Critical Pay authority gives the IRS a management tool to quickly recruit and retain employees with high levels of expertise in technical or professional fields that are crucial to the success of the IRS's transformative efforts by allowing for higher base salaries for these hires than would otherwise be possible.

## Section II – Budget and Performance Plan

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### A – Strategic Alignment

The IRS is developing an IRA Strategic Operating Plan (SOP) that will be released soon. The IRA SOP will provide a framework for how the IRS will use the resources to transform tax administration and improve services for taxpayers.

#### **Alignment to Treasury Strategic Plan and President’s Management Agenda (PMA)**

The IRS Strategic Plan aligns to the Treasury Strategic Plan FY 2022-2026 and the PMA.

The following shows the IRS’s alignment to the Treasury Strategic Plan:

The IRS co-leads one objective with the Office of Tax Policy.

1. Goal 1: Promote Equitable Economic Growth and Recovery
  - Objective 1.1 Tax Administration and Policy

The IRS supports four goals and eight objectives with other Treasury Department Offices and Bureaus:

1. Goal 2: Enhance National Security
  - Objective 2.1 Cyber Resiliency of Financial Systems and Institutions
  - Objective 2.4 Transparency in the Financial System
2. Goal 3: Protect Financial Stability and Resiliency
  - Objective 3.3 Financial Innovation
3. Goal 4: Combat Climate Change
  - Objective 4.4 Sustainable Treasury Operations
4. Goal 5: Modernize Treasury Operations
  - Objective 5.1 Recruit and Retain Diverse and Inclusive Workforce
  - Objective 5.2 Future Work Routines
  - Objective 5.3 Better Use of Data
  - Objective 5.4 Customer Experience Practices

The IRS aligns to the three PMA priorities:

- PMA Priority 1 Strengthening and Empowering the Federal Workforce.
- PMA Priority 2 Delivering Excellent, Equitable, and Secure Federal Services and Customer Experience
- PMA Priority 3 Managing the Business of Government.

### **Agency Priority Goal (APG)**

The IRS supports the Bureau of Fiscal Service's (BFS) Improving the Payment Experience APG. The purpose of the APG is to create a modern, seamless, inclusive, and secure Federal payment experience for the public that meets customer needs while reducing costs, expanding financial inclusion, and improving climate sustainability of Treasury's operations. The IRS continued to partner with BFS and collaborate with the tax industry to promote direct deposit for tax refunds and reduce paper checks. A key APG milestone, direct deposit capability for amended returns was rolled out on February 5, 2023, at the beginning of the current tax filing season. The tax refund electronic payment rate indicator as published in the FY 2022 APG report came in at 80.1 percent slightly below the 80.5 percent target for the FY 2022 fiscal year, in large part due to paper refund check requests related to inventory processing.

### **FY 2022 Achievements**

- Tax Assistance Centers (TACs) served over 900,000 taxpayers in approximately 350 locations throughout the country, including assistance during special Saturday hours at designated TACs during filing season.
- CI investigated some of the largest and most sophisticated tax crimes and identified more than \$31 billion in tax fraud and other financial crimes.
- IRS used direct hire authority to make on-the-spot offers at several in-person recruitment events across the country.
- IRS converted 100 percent of its core legacy code into a modern programming language.
- IRS awarded more than \$12.1 million in matching grants to 131 organizations of qualified Low Income Taxpayer Clinics (LITC) for the 2022 grant year.
- IRS awarded matching funds to support Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) tax preparation services in all 50 states and the District of Columbia.

### **FY 2023 Priorities**

IRA funding for the IRS will add resources for tax service, enforcement, and technology. Resources invested for hiring, training and IT systems will allow the IRS to better serve taxpayers in alignment with Treasury's goals and objectives.

So far in FY 2023 IRS:

- Hired 5,000 new customer service representatives to staff the phones, resulting in lower wait times and a higher number of calls answered.
- Processed historic levels of inventory in the 12 months preceding start of filing season 2023.
- Is on track to triple the number of taxpayers served at TACs (from 900,000 to 2.7 million) by next year with increased staffing at TACs to help more taxpayers in-person and having reopened four TACs that had been closed for years.
- As of February 9, implemented the ability for people electronically filing their Form 1040-X, Amended U.S Individual Income Tax Return, to select direct deposit for any resulting refund for quicker delivery of funds.
- Rolled out a new portal that allows small businesses to submit Forms 1099 online for the first time.
- Implementing new technology will allow IRS to scan and electronically process paper returns. The IRS will be able to shorten the processing time for taxpayers who file paper returns. IRS projects to scan millions of paper returns in Calendar Year 2023.

## **FY 2024 Initiatives**

In FY 2024 IRS initiatives will support the following Treasury Strategic Objectives:

- Strategies for Improving the Taxpayer Experience will support the following Treasury Strategic Objectives: 1.1 - Tax Administration and Policy, 2.1 - Cyber Resiliency of Financial Systems and Institutions, 3.3 - Financial Innovation, 5.3 - Better Use of Data, and 5.4 - Customer Experience Practices.
- Green Tax Credit Implementation will support the following Treasury Strategic Objectives: Objective 4.4 Sustainable Treasury Operations.
- Improve Telephone Level of Service and Reduce Correspondence Inventory will support the following Treasury Strategic Objectives: 1.1 - Tax Administration and Policy, 5.4 - Customer Experience Practices.
- Restoration of Staffing Levels will support the following Treasury Strategic Objectives: 1.1 - Tax Administration and Policy, 2.1 - Cyber Resiliency of Financial Systems and Institutions, 2.4 - Transparency in the Financial System, 3.3 - Financial Innovation, 5.3 - Better Use of Data, and 5.4 - Customer Experience Practices.
- Fleet Electrification will support the following Treasury Strategic Objectives: Objective 4.4 Sustainable Treasury Operations.
- Sustainment of Deployed IT Capabilities will support the following Treasury Strategic Objectives: 1.1 - Tax Administration and Policy, 5.3 - Better Use of Data.
- Sustaining Infrastructure will support the following Treasury Strategic Objectives: 1.1 - Tax Administration and Policy, 5.3 - Better Use of Data.
- Business Systems Modernization will support the following Treasury Strategic Objectives: 1.1 - Tax Administration and Policy, 3.3 - Financial Innovation, Objective 5.2 Future Work Routines 5.3 - Better Use of Data, and 5.4 - Customer Experience Practices.

## **Taxpayer Services**

### **Appropriation Description**

The Taxpayer Services appropriation provides funding for taxpayer service activities and programs. This includes printing forms and publications, processing tax returns and related documents, offering filing and account services, taxpayer assistance, and providing taxpayer advocacy services.

The Taxpayer Services budget request for FY 2024 is \$3,442,449,000 in direct appropriations and 31,585 FTE. This amount is an increase of \$641,843,000 or 23.08 percent, and an increase of 4,704 FTE, or 17.50 percent from the FY 2023 Enacted Budget of \$2,780,606,000 and 26,881 FTE.

## 2.1 – Budget Adjustments Table

Dollars in Thousands

<b>Taxpayer Services</b>		
<b>Summary of Proposed FY 2024 Request</b>		
	<b>Amount</b>	<b>FTE</b>
<b>FY 2023 Enacted</b>	<b>\$2,780,606</b>	<b>26,881</b>
<b>Changes to Base:</b>		
Maintaining Current Levels (MCLs):	\$132,617	
Pay Annualization (4.6% average pay raise)	27,980	
Pay Raise (5.2% average pay raise)	99,226	
Non-Pay	5,411	
Technical Base Adjustments	\$231,236	
Improve Competitiveness of IRS Clerical Staff	44,220	
Change in Staffing Designation	187,016	
Subtotal Changes to Base	\$363,853	
<b>FY 2024 Current Services</b>	<b>\$3,144,459</b>	<b>26,881</b>
<b>Program Increases:</b>		
Strategies for Improving the Taxpayer Experience	9,000	35
Green Tax Credit Implementation	75,233	1,221
Improve Telephone Level of Service and Reduce Correspondence Inventory	193,757	3,448
<b>Subtotal FY 2024 Program Increases</b>	<b>\$277,990</b>	<b>4,704</b>
<b>FY 2024 President's Budget Request</b>	<b>\$3,422,449</b>	<b>31,585</b>

See footnotes in 1.1 - Appropriations Detail Table.

## 2.2 – Object Classification Obligations

Dollars in Thousands

<b>Taxpayer Services</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Object Classification</b>	<b>Operating Plan</b>	<b>Estimated Obligations</b>	<b>Request</b>
11.1 - Full-time permanent	1,611,414	1,633,940	2,066,742
11.3 - Other than full-time permanent	32,475	36,350	38,400
11.5 - Other personnel compensation	177,442	163,314	179,591
<b>11.9 - Personnel Compensation (Total)</b>	<b>1,821,331</b>	<b>1,833,604</b>	<b>2,284,732</b>
12.0 - Personnel benefits	631,613	587,176	761,617
13.0 - Benefits for former personnel	7,156	12,255	12,879
<b>Total Personnel and Compensation Benefits</b>	<b>\$2,460,100</b>	<b>\$2,433,035</b>	<b>\$3,059,228</b>
21.0 - Travel and transportation of persons	3,104	10,392	12,220
22.0 - Transportation of things	1,175	494	504
23.3 - Communications, utilities, and miscellaneous charges	1,149	1,194	1,218
24.0 - Printing and reproduction	10,166	10,911	11,130
25.1 - Advisory and assistance services	174,316	140,850	149,695
25.2 - Other services from non-Federal sources	12,407	22,919	23,874
25.3 - Other goods and services from Federal sources	79,435	76,035	79,260
25.6 - Medical care	6,601	2,864	2,921
25.7 - Operation and maintenance of equipment	38	33	34
26.0 - Supplies and materials	3,703	3,815	4,279
31.0 - Equipment	418	411	419
41.0 - Grants, subsidies, and contributions	54,000	77,000	77,000
42.0 - Insurance claims and indemnities	994	653	666
<b>Total Non-Personnel</b>	<b>\$347,506</b>	<b>\$347,571</b>	<b>\$363,220</b>
<b>Total Obligations</b>	<b>\$2,807,606</b>	<b>\$2,780,606</b>	<b>\$3,422,449</b>
<b>Full-time Equivalents (FTE)</b>	<b>26,698</b>	<b>26,881</b>	<b>31,585</b>

Amounts reflect obligations of annually appropriated discretionary resources.

See footnotes in 1.1 - Appropriations Detail Table.

## 2.3 – Appropriation Detail Table

Dollars in Thousands

Taxpayer Services	FY 2022		FY 2023		FY 2024		FY 2023 to FY 2024	
Appropriated Resources	Operating Plan		Enacted		Request		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Pre-Filing Taxpayer Assistance and Education	4,337	680,261	4,985	784,380	5,018	823,344	0.7%	5.0%
Filing and Account Services	22,361	2,127,345	21,896	1,996,226	26,567	2,599,105	21.3%	30.2%
<b>Subtotal New Appropriated Resources</b>	<b>26,698</b>	<b>\$2,807,606</b>	<b>26,881</b>	<b>\$2,780,606</b>	<b>31,585</b>	<b>\$3,422,449</b>	<b>17.5%</b>	<b>23.1%</b>
<b>Other Resources</b>								
Reimbursable	392	32,580	529	44,000	556	46,200	5.1%	5.0%
Offsetting Collections (Non-reimbursable)								
User Fees	71	78,900	71	3,900	71	3,900		
Recoveries from Prior Years		1		7,399		7,399		
Unobligated Balances from Prior Years	4,496	429,056		118,195				-100.0%
IRA Funding Usage		1,073	7,394	837,735	6,489	815,966	-12.2%	-2.6%
Transfers In/Out								
Resources from Other Accounts	1	107						
<b>Subtotal Other Resources</b>	<b>4,960</b>	<b>\$541,717</b>	<b>7,994</b>	<b>\$1,011,229</b>	<b>7,116</b>	<b>\$873,465</b>	<b>-11.0%</b>	<b>-13.6%</b>
<b>Total Budgetary Resources</b>	<b>31,658</b>	<b>\$3,349,323</b>	<b>34,875</b>	<b>\$3,791,835</b>	<b>38,701</b>	<b>\$4,295,914</b>	<b>11.0%</b>	<b>13.3%</b>

See footnotes in 1.1 - Appropriations Detail Table.

## 2A – Pre-Filing Taxpayer Assistance and Education

(\$823,344,000 in direct appropriations and an estimated \$105,000 in reimbursable programs): This budget activity funds direct labor and some non-labor expenses to assist with tax return preparation, including tax law interpretation, publication, production, and taxpayer advocate services. The program activities include:

- Pre-Filing Services Management supports headquarters staffing and support for Taxpayer Advocate Service and Customer Assistance Relationship and Education (CARE) program activities. CARE provides pre-filing taxpayer assistance and education.
- Taxpayer Communication and Education researches the needs of customers; develops and manages educational programs; establishes partnerships with stakeholder groups; and disseminates tax information to taxpayers and the public through a variety of media, including publications and mailings, websites, broadcasting, and advertising.
- Media and Publications develops and produces notices, forms, and publications for printed and electronic tax materials, and provides media production services to taxpayers.
- Taxpayer Advocacy provides advocate services to taxpayers by identifying the underlying causes of taxpayer problems and participating in the development of systematic and/or procedural remedies.
- Account Management and Assistance – Field Assistance provides face-to-face assistance, education, and compliance services to taxpayers. It includes return preparation, answering tax questions, resolving account and notice inquiries, and supplying forms and publications to taxpayers.
- Taxpayer Advocate Case Processing provides advocate services to taxpayers to resolve taxpayer problems through prompt identification, referral, and settlement.
- Wage and Investment (W&I) HQ Management and Administration provides staffing, training, and direct support for W&I management activities of strategic planning, communications and liaison,



finance, human resources, equity, diversity and inclusion, business modernization, and embedded training.

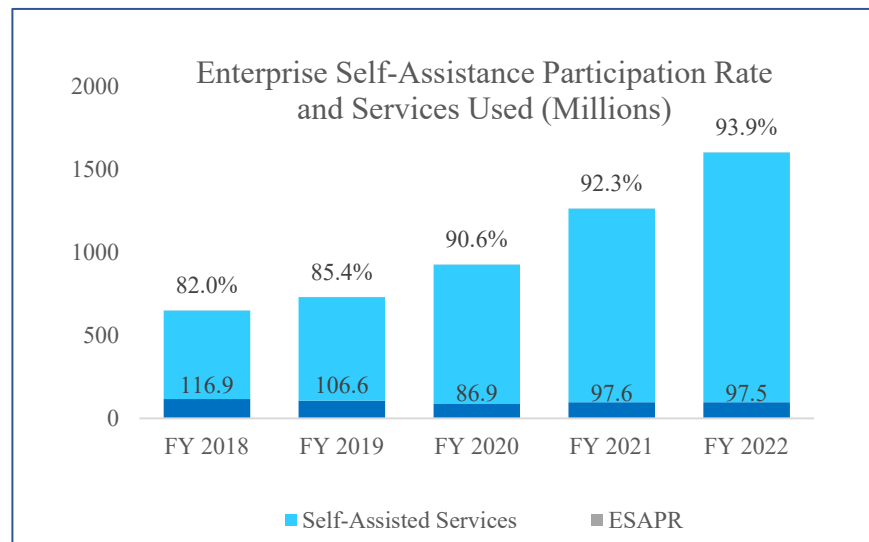
- Taxpayer Services Research provides resources to support taxpayer services by conducting taxpayer behavioral studies, data analysis, and uses advanced analytics to deliver results and conclusions to inform business decisions to improve IRS products and services.

#### Description of FY 2022 Performance – Pre-Filing and Taxpayer Assistance

In FY 2022, the Timeliness of Critical Individual Filing Season (CIFS) Tax Products to the Public (i.e., tax forms, schedules, instructions, and publications) was 96.4 percent, 8.3 percent above the target of 89 percent and a 4.8 percent increase over FY 2021. In FY 2022, 81 of 84 CIFS tax products were available to the public in a timely manner. Critical tax product timeliness is defined as making tax products available to the public seven calendar days before the official IRS start of the (individual) filing season. IRS prioritized work on the release of critical products, especially forms and instructions, over other products; utilized overtime, credit, and compensatory time during workdays, weekends, and holidays; and utilized workload planning and monitoring by management to exceed the target. The IRS expects to achieve a target of 83 percent for FY 2023 and 89 percent in FY 2024.

In FY 2022, the IRS Timeliness of Critical Tax TE/GE and Business (CTB) Filing Season Tax products to the Public was 96 percent, 7.9 percent above the target of 89 percent and a 3.3 percent increase compared to FY 2021. In FY 2022, 72 of 75 tax products were available to the public in a timely manner. There were five more tax products included FY 2022 compared to FY 2021. Additional factors that contributed to exceeding this year's target include prioritizing work on the release of critical products; granting of overtime, credit, and compensatory time during workdays, weekends, and holidays; and workload planning and monitoring by management as well as the efforts of our employees. The IRS expects to achieve a target of 85 percent for FY 2023 and 87 percent in FY 2024.

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). The ESAPR of 93.9 percent was 3.2 percent higher than the target of 91.0 percent. In FY 2022, the total self-assisted services of 1.5 billion were around 29 percent higher than FY 2021 of 1.16 billion. Total assisted services of 97.5 million were nearly equal to the 97.6 million in FY 2021. Total services were 1.6 billion compared to the 1.26 billion in FY 2021. Beginning in FY 2022, ESAPR included Business Master File data in the installment agreements, Online Payment Agreements, electronic payments, and paper payments for a more inclusive metric. The IRS expects to achieve a target of 94 percent for FY 2023 and 93 percent for FY 2024.



## FY 2024 Changes by Budget Activity

Dollars in Thousands

Pre-Filing Taxpayer Assistance and Education Summary of Proposed FY 2024 Request		
	Amount	FTE
<b>FY 2023 Enacted</b>	<b>\$784,380</b>	<b>4,985</b>

### Changes to Base:

Maintaining Current Levels (MCLs):	\$34,571	
Pay Annualization (4.6% average pay raise)	7,589	
Pay Raise (5.2% average pay raise)	26,032	
Non-Pay	950	
Subtotal Changes to Base	\$34,571	

<b>FY 2024 Current Services</b>	<b>\$818,951</b>	<b>4,985</b>
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### Program Increases:

Strategies for Improving the Taxpayer Experience	4,393	33
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<b>Subtotal FY 2024 Program Increases</b>	<b>\$4,393</b>	<b>33</b>
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<b>FY 2024 President's Budget Request</b>	<b>\$823,344</b>	<b>5,018</b>
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See footnotes in 1.1 - Appropriations Detail Table.

## 2.1.1 – Budget and Performance Report and Plan

Dollars in thousands

Pre-Filing Taxpayer Assistance & Education Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$640,379	\$621,907	\$632,893	\$658,344	\$680,261	\$784,380	\$823,344
Reimbursable Resources <sup>2</sup>	260	118	578	142	75	100	105
<b>Budget Activity Total</b>	<b>\$640,639</b>	<b>\$622,025</b>	<b>\$633,471</b>	<b>\$658,486</b>	<b>\$680,336</b>	<b>\$784,480</b>	<b>\$823,449</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

Pre-Filing Taxpayer Assistance & Education Measure	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2023 Target	FY 2024 Target
Timeliness of Critical Filing Season Tax Products to the Public	59.6%	92.6%	78.4%	92.0%	96.4%	89.0%	83.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	100.0%	96.1%	96.0%	92.9%	96.0%	89.0%	85.0%	87.0%
Enterprise Self Assistance Participation Rate	82.0%	85.4%	90.6%	92.3%	93.9%	91.0%	94.0%	93.0%

Note - FY 2023 and FY 2024 targets assume discretionary and IRA funding.

## **2B – Filing and Account Services**

*(\$2,599,105,000 in direct appropriations, \$46,095,000 from reimbursable programs, and \$3,900,000 from user fees):* This budget activity funds direct labor and non-labor expenses that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts. The public continues to file more returns electronically, with 91.7 percent of individual returns filed electronically during the 2022 filing season—an increase of 2.2 percent over 2021. The program activities include:

- Filing and Account Services Management administers filing and account services programs.
- Submission Processing processes paper and electronically submitted tax returns and supplemental documents, accounts for tax revenue, processes information documents, and issues refunds and tax notices.
- Account Management and Assistance – Electronic/Correspondence Assistance provides education and assistance to taxpayers and resolves accounts and notice inquiries through telephone, paper, and internet correspondence.
- Electronic Products and Services Support (EPSS) provides centralized operations and support capabilities for the IRS suite of electronic products, including e-help desk, technology support, and operations support.
- Electronic Tax Administration (ETA) markets and administers electronic tax administration products and services.
- Joint Operations Center (JOC) provides service, support, and technology for telephone, correspondence, and electronic media inquiries; real time monitoring and routing of inbound calls; monitoring of Customer Service Representative (CSR) accuracy; and management of the enterprise telephone database.

### *Description of FY 2022 Performance – Filing and Account Services*

In FY 2022 Customer Accuracy - Tax Law, which is the percent of correct answers given by a live assistor on toll-free tax law inquiries, was 92 percent, which was 3.4 percent above the target of 89 percent. The IRS will continue to monitor results through data-driven analysis of reports to achieve future goals. Ongoing efforts have and will continue to focus on production meetings with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. The IRS set the Tax Law Accuracy target at 87 percent for FY 2023 and 89 percent for FY 2024.

In FY 2022 Customer Accuracy - Accounts, which is the percent of correct answers given by a live assistor on toll-free account inquiries, was 91.8 percent, which was 3.1 percent above the target of 89 percent. The IRS will continue to monitor results through data-driven analysis of reports to achieve future goals. Ongoing efforts have and will continue to focus on production meetings with field sites, promoting coding consistency of product reviews, and providing training to managers and employees to ensure quality service to customers. The IRS set the Tax Law Accounts target at 87 percent for FY 2023 and 89 percent for FY 2024.

The Customer Service Representative (CSR) Level of Service (LOS) measures the relative success rate of taxpayers wanting to speak with an assistor. In FY 2022, CSR LOS was 17.4 percent which was 42 percent below the target of 30 percent. This decrease was due to the IRS reducing phone staffing to focus on working the paper inventory backlog that had accumulated because of the pandemic. In

FY 2022, IRS made substantial progress, closing 116.4 percent of receipts, contributing to the significant reduction in year-end inventory compared to FY 2021. Phone Demand in FY 2022 of 81.3 million was 32 percent lower than the 2021 figure of 119.9 million, but still substantially higher than the average pre-pandemic phone demand of 40 million. In FY 2022, total ending inventory was 2.1 million, a significant decrease compared to the 4.1 million at the same time in FY 2021. The Primary Abandoned Call Rate of 18.2 percent in FY 2022 was 21 percent lower than FY 2021. IRS will continue to monitor demand in real time and adjust resource allocations to regularly shift staff between telephones and paper processing to address demand. With the receipt of funding from the IRA, IRS plans to deliver a higher level of service in FY 2023.

From the beginning of filing season, which started on January 23, 2023, through March 6, 2023, the telephone level of service on individual toll-free lines was 85.85 percent compared to about 24 percent at this point in time last year. The average speed to answer time was 5 minutes compared to 23 minutes at this point in time last year. The total number of assistor calls answered was 2.9 million, a 23 percent increase over last year's 2.4 million calls answered at this point in time.

FY 2022 LOS	Assistor Calls Answered (Millions)	Level of Service (Percent)	Automated Calls Answered (Millions)
Accounts Management/CSR	13.3	17.4	33.6
Collection/ACS	5.0	35.1	0.83
Enterprise	21.7	21.3	35.1

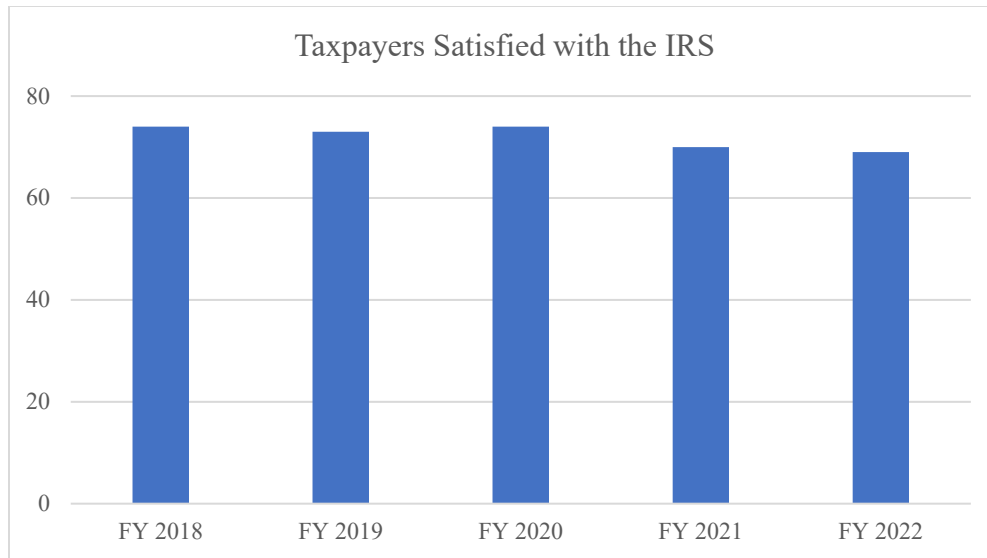
In FY 2022, the IRS developed and implemented two new inventory indicators. These indicators provide a full picture of the CSRs whose daily priorities include both answering phones and processing paper inventory. The indicators measure the total ending accounts management adjustments and correspondence inventory and the percentage of that inventory that was closed during the fiscal year compared to the amount received. These provide a clear picture of the volume of work as well as the progress made in reducing outstanding case amounts compared to current year receipts.

The IRS is committed to continuing to deliver an improved experience for taxpayers. For FY 2023, the IRS is striving to achieve an 85 percent LOS during the 2023 individual filing season and a 60 percent LOS for the entire fiscal year as CSRs continue to balance answering phones with processing the elevated paper inventory.

For FY 2024, the IRS intends to onboard additional CSRs to further improve LOS, process the paper inventory, and reduce the need to realign resources from other priority functions to support filing season. The IRS will again strive to achieve an 85 percent LOS during individual filing season and deliver an 80 percent cumulative LOS for the fiscal year. The IRS will also continue to explore opportunities to deliver an even higher level of service through the rollout of additional self-service options, internal process improvements, and technology modernization.

In addition to live assistors, the IRS also provides phone service to taxpayers using automation. During FY 2022, nearly 34 million taxpayers received the answer to their questions through automation. To help capture the volume of this assisted population, the IRS is developing a measure for inclusion in performance reporting that expands on Customer Service Representative (CSR) LOS to include these automated calls. The new measure, LOS(A), for FY 2022 was 39.3 percent and IRS intends to baseline this measure in FY 2023.

The Taxpayers Satisfied with the IRS indicator – the former All Individual Tax Filers Score--is based on the annual American Customer Satisfaction Index (ACSI) Survey, which is the only uniform, cross-industry/government measure of customer satisfaction with the quality of goods and services available to U.S. residents. The measure is calculated as a weighted combination of the ACSI Individual Electronic Tax Filer and Individual Paper Tax Filer Customer Satisfaction Index scores based on a 100-point scale. The Taxpayers Satisfied with the IRS measure declined one point in 2022 to 69. The IRS experienced pandemic-related issues that were still affecting IRS operations during the 2022 ACSI survey. Unprecedented amounts of unprocessed paper returns and correspondence that contributed to higher call volumes and related taxpayer inquiries likely affected the drop in the 2022 ACSI *Taxpayers Satisfied with the IRS* measure.



## FY 2024 Changes by Budget Activity

Dollars in Thousands

Filing and Account Services		
Summary of Proposed FY 2024 Request		
	Amount	FTE
<b>FY 2023 Enacted</b>	<b>\$1,996,226</b>	<b>21,896</b>
<b>Changes to Base:</b>		
Maintaining Current Levels (MCLs):	\$98,046	
Pay Annualization (4.6% average pay raise)	20,391	
Pay Raise (5.2% average pay raise)	73,194	
Non-Pay	4,462	
Technical Base Adjustments	\$231,236	
Improve Competitiveness of IRS Clerical Staff	44,220	
Change in Staffing Designation	187,016	
Subtotal Changes to Base	\$329,282	
<b>FY 2024 Current Services</b>	<b>\$2,325,508</b>	<b>21,896</b>
<b>Program Increases:</b>		
Strategies for Improving the Taxpayer Experience	4,607	2
Green Tax Credit Implementation	75,233	1,221
Improve Telephone Level of Service and Reduce Correspondence Inventory	193,757	3,448
<b>Subtotal FY 2024 Program Increases</b>	<b>\$273,597</b>	<b>4,671</b>
<b>FY 2024 President's Budget Request</b>	<b>\$2,599,105</b>	<b>26,567</b>

See footnotes in 1.1 - Appropriations Detail Table.

## 2.1.2 - Budget and Performance Report and Plan

Dollars in thousands

Filing and Account Services Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$1,712,511	\$1,872,175	\$1,901,467	\$1,927,220	\$2,127,345	\$1,996,226	\$2,599,105
Reimbursable Resources <sup>2</sup>	34,905	62,794	72,769	39,307	32,505	43,900	46,095
User Fees <sup>2</sup>	69,987	3,900		64,900	78,900	3,900	3,900
<b>Budget Activity Total</b>	<b>\$1,817,403</b>	<b>\$1,938,869</b>	<b>\$1,974,236</b>	<b>\$2,031,427</b>	<b>\$2,238,750</b>	<b>\$2,044,026</b>	<b>\$2,649,100</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

Filing and Account Services Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2023 Target	FY 2024 Target
Customer Accuracy - Tax Law (Phones)	95.5%	91.6%	91.0%	92.8%	92.0%	89.0%	87.0%	89.0%
Customer Accuracy - Accounts (Phones)	96.1%	94.3%	93.5%	93.0%	91.8%	89.0%	87.0%	89.0%
Customer Service Representative (CSR) Level of Service (LOS) <sup>1</sup>	75.9%	65.4%	53.1%	18.5%	17.4%	30.0%	60.0%	80.0%
Total Ending Inventory (Millions) (New FY 2022) <sup>2</sup>	600	1,100	1,100	4,100	2,156	Indicator	Indicator	Indicator
Percent of Closures to Receipts (New FY 2022) <sup>2</sup>	99.0%	92.7%	99.6%	71.9%	116.4%	Indicator	Indicator	Indicator
LOS(A) (New FY 2023) <sup>2</sup>	86.7%	79.2%	71.6%	38.2%	39.3%	N/A	Baseline	TBD
Taxpayers Satisfied with the IRS (based on a 100 point scale) <sup>3</sup>	74	73	74	70	69	Indicator	Indicator	Indicator

Note - FY 2023 and FY 2024 targets assume discretionary and IRA funding.

<sup>1</sup> The CSR LOS includes toll-free telephone lines answered by Accounts Management assistants only. The IRS will strive to achieve an 85 percent LOS during individual filing season for both FY 2023 and FY 2024.

<sup>2</sup> Historical data provided for comparative purposes.

<sup>3</sup> Based on the American Customer Satisfaction Index (ACSI) survey; the All-Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer.

## Enforcement

### Appropriation Description

The Enforcement appropriation provides funding for the examination of tax returns, both domestic and international; administrative and judicial settlement of taxpayer appeals of examination findings; technical rulings; monitoring of employee pension plans; determination of qualifications of organizations seeking tax-exempt status; examination of tax returns of exempt organizations; enforcement of statutes relating to detection and investigation of criminal violations of the internal revenue laws; identification of underreporting of tax obligations; securing of unfiled tax returns; and collection of unpaid accounts. The IRS has experienced significant staff attrition over the past ten years, with a loss of over 10,000 positions since 2012, predominately within the compliance function. While the IRA provided the IRS with significant resources for a transformative expansion of its tax enforcement efforts, there remains a need for a reversal of the multi-year inflation-adjusted decline in the IRS's foundational staffing resources.

The Enforcement budget request for FY 2024 is \$5,904,441,000 in direct appropriations and 34,890 FTE. This amount is an increase of \$466,819,000 or 8.58 percent, and 550 FTE or 1.60 percent more than the FY 2023 Enacted Budget of \$5,437,622,000 and 34,340 FTE.



## 2.1 – Budget Adjustments Table

Dollars in Thousands

Enforcement		
Summary of Proposed FY 2024 Request	Amount	FTE
FY 2023 Enacted	\$5,437,622	34,340
Changes to Base:		
Maintaining Current Levels (MCLs):	\$261,401	
Pay Annualization (4.6% average pay raise)	56,683	
Pay Raise (5.2% average pay raise)	194,545	
Non-Pay	10,173	
Technical Base Adjustments	\$50,234	
FERS Law Enforcement Rate Increase	50,234	
Subtotal Changes to Base	\$311,635	
FY 2024 Current Services	\$5,749,257	34,340
Program Increases:		
Restoration of Staffing Levels	143,115	547
Fleet Electrification	12,069	3
Subtotal FY 2024 Program Increases	\$155,184	550
FY 2024 President's Budget Request	\$5,904,441	34,890

See footnotes in 1.1 - Appropriations Detail Table.

## 2.2 – Object Classification Obligations

Dollars in Thousands

<b>Enforcement</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Object Classification</b>	<b>Operating Plan</b>	<b>Estimated Obligations</b>	<b>Request</b>
11.1 - Full-time permanent	3,269,199	3,282,284	3,528,623
11.3 - Other than full-time permanent	25,703	28,393	30,206
11.5 - Other personnel compensation	165,590	155,797	166,266
11.8 - Special personal services payments	36,143	69,079	72,598
<b>11.9 - Personnel Compensation (Total)</b>	<b>3,496,635</b>	<b>3,535,553</b>	<b>3,797,693</b>
12.0 - Personnel benefits	1,375,954	1,393,110	1,504,610
13.0 - Benefits for former personnel	106	298	313
<b>Total Personnel and Compensation Benefits</b>	<b>\$4,872,695</b>	<b>\$4,928,961</b>	<b>\$5,302,616</b>
21.0 - Travel and transportation of persons	28,433	94,359	102,176
22.0 - Transportation of things	8,300	11,123	21,614
23.2 - Rental payments to others	193	219	226
23.3 - Communications, utilities, and miscellaneous charges	4,697	7,288	7,476
24.0 - Printing and reproduction	3,221	3,425	3,502
25.1 - Advisory and assistance services	310,470	222,081	280,387
25.2 - Other services from non-Federal sources	25,216	46,678	57,387
25.3 - Other goods and services from Federal sources	37,596	59,750	62,326
25.4 - Operation and maintenance of facilities	5	4	4
25.6 - Medical care	4,075	1,997	2,037
25.7 - Operation and maintenance of equipment	1,390	1,929	2,435
26.0 - Supplies and materials	24,780	38,457	39,576
31.0 - Equipment	12,737	12,384	13,532
42.0 - Insurance claims and indemnities	22,314	967	986
91.0 - Unvouchered	7,500	8,000	8,160
<b>Total Non-Personnel</b>	<b>\$490,927</b>	<b>\$508,661</b>	<b>\$601,824</b>
<b>Total Obligations</b>	<b>\$5,363,622</b>	<b>\$5,437,622</b>	<b>\$5,904,441</b>
<b>Full-time Equivalents (FTE)</b>	<b>35,550</b>	<b>34,340</b>	<b>34,890</b>

Amounts reflect obligations of annually appropriated discretionary resources.

See footnotes in 1.1 - Appropriations Detail Table.

## 2.3 – Appropriation Detail Table

Dollars in Thousands

Enforcement	FY 2022		FY 2023		FY 2024		FY 2023 to FY 2024	
Appropriated Resources	Operating Plan		Enacted		Request		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Investigations	3,004	700,876	3,076	744,590	3,130	818,021	1.8%	9.9%
Exam and Collections	31,599	4,447,716	30,320	4,521,758	30,735	4,897,493	1.4%	8.3%
Regulatory	947	215,030	944	171,274	1,025	188,927	8.6%	10.3%
<b>Subtotal New Appropriated Resources</b>	<b>35,550</b>	<b>\$5,363,622</b>	<b>34,340</b>	<b>\$5,437,622</b>	<b>34,890</b>	<b>\$5,904,441</b>	<b>1.6%</b>	<b>8.6%</b>
<b>Other Resources</b>								
Reimbursable	56	38,706	69	47,000	73	49,350	5.8%	5.0%
Offsetting Collections (Non-reimbursable)		29,687		33,836		35,625		5.3%
User Fees		5,054						
Recoveries from Prior Years		2,945		4,231		4,231		0.0%
Unobligated Balances from Prior Years	2	252,740	1,802	269,083		250,000		-7.1%
IRA Funding Usage <sup>1</sup>			1,543	371,767	7,239	1,408,470	369.2%	278.9%
Transfers In/Out		85		119		119		0.0%
Resources from Other Accounts	410	93,657	435	122,110	435	122,110		0.0%
<b>Subtotal Other Resources</b>	<b>468</b>	<b>\$422,874</b>	<b>3,849</b>	<b>\$848,146</b>	<b>7,747</b>	<b>\$1,869,905</b>	<b>101.3%</b>	<b>120.5%</b>
<b>Total Budgetary Resources</b>	<b>36,018</b>	<b>\$5,786,496</b>	<b>38,189</b>	<b>\$6,285,768</b>	<b>42,637</b>	<b>\$7,774,346</b>	<b>11.6%</b>	<b>23.7%</b>

<sup>1</sup>The FY 2024 FTE percentage change reflects only the Enforcement increase. The FY 2024 IRA Funding Usage FTE in Enforcement represent 7 percent of the total discretionary request FTE.

See footnotes in 1.1 - Appropriations Detail Table.

## 2C – Investigations

*(\$818,021,000 in direct appropriations, and an estimated \$44,730,000 from reimbursable programs):*

This budget activity funds the Criminal Investigation (CI) programs that explore potential criminal and civil violations of tax laws; enforce criminal statutes relating to violations of tax laws and other financial crimes; and recommend prosecution as warranted. The program activities include:

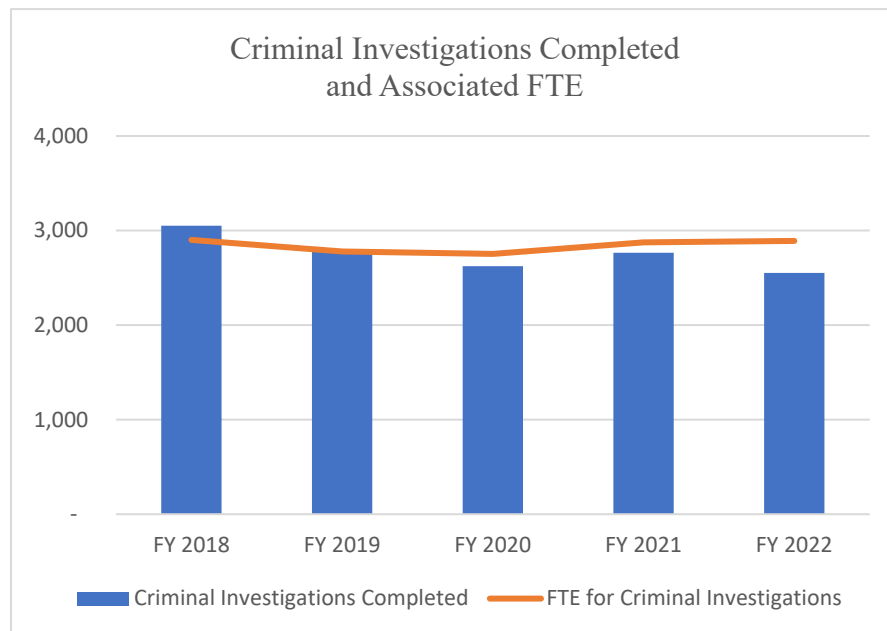
- General Management and Administration supports the headquarters management activities of strategic planning, communications, finance, and human resources for CI activities.
- CI supports the enforcement of criminal statutes relating to violations of internal revenue laws and other financial crimes. CI investigates cases of suspected intent to defraud involving both legal and illegal sources of income and recommends prosecution as warranted. This activity includes the investigation and prosecution of tax and money-laundering violations associated with narcotics organizations.
- Criminal Tax Legal Support provides legal advice and support from IRS Counsel to CI.
- International Investigations provides policy, guidance, strategic planning, and investigative support impacting international investigations, travelers and personnel stationed abroad. International investigations involve U.S. citizens residing abroad, non-resident aliens, expatriates, and other international issues. This activity includes support for international programs/investigations such as Foreign Account Tax Compliance Act (FATCA), Organization for Economic and Cooperation Development (OECD), Joint Chiefs of Global Tax Enforcement (J5), International Fraud Referrals/Schemes, transnational organized crime, narcotics, and counterterrorism.

- Cybersecurity supports CI's cyber-efforts around inherent risks to CI's networks and systems, by focusing enforcement and investigative actions on the criminals that pose those threats. This activity also supports security program management that protects the safeguarding of all data and systems within CI and adhering to all federal regulatory security compliance mandates and local security policies.

### Description of FY 2022 Performance – Investigations

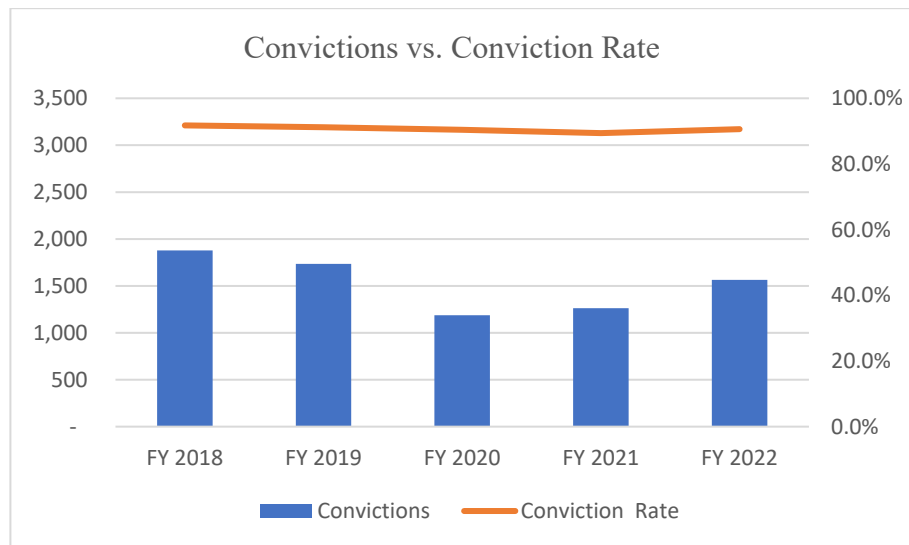
CI serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. CI uses the following measures to evaluate its success in achieving its mission.

In FY 2022, CI completed 2,552 Criminal Investigations, missing the year-end target of 2,600 by 1.8 percent. Prosecutions recommended for legal-sourced income cases and narcotics cases decreased 3.1 and 23.4 percent, respectively, compared to the same period in FY 2021. Prosecutions recommended for illegal-sourced income cases increased 3.2 percent. Legal source cases include people that earn their income legally, but willfully violate the tax laws (tax evasion). Examples of illegal cases include embezzlement, mortgage fraud, telemarketing fraud, and money laundering. Narcotics cases are like illegal cases; however, these cases are specific to profits and financial gains of organized crime groups involved in narcotics, narcotics trafficking, and money laundering. The measure, Criminal Investigations completed, decreased compared to last year as COVID-19 pandemic continued to impact day-to-day investigative activities thereby contributing to a higher cycle time for investigations completed. Based on projected staffing levels and setbacks and challenges presented due to the COVID-19 pandemic, the IRS has set a target of 2,500 for FY 2023 and FY 2024.



The FY 2022 **Conviction Rate** of 90.6 percent was 1.5 percent below the year-end target of 92.0 percent while convictions are up 23.8 percent from 1,263 in FY 2021 to 1,564 in FY 2022. The COVID-19 pandemic continues to limit court availability throughout the country and impact day-to-day investigative activities in support of the judicial system, contributing to less cases being processed than in years before

COVID-19. Additionally, decreases in the number of special agents in previous years has led to a decline in the total amount of cases initiated and consequently recommended for prosecution. Despite this, appropriate case selection and effective field performance continue to positively affect the quality of cases resulting in convictions. The IRS will keep the Conviction Rate targets for FY 2023 and FY 2024 at 92.0 percent.



## FY 2024 Changes by Budget Activity

Dollars in Thousands

Investigations		
Summary of Proposed FY 2024 Request		
	Amount	FTE
<b>FY 2023 Enacted</b>	<b>\$744,590</b>	<b>3,076</b>

### Changes to Base:

Maintaining Current Levels (MCLs):	\$34,696	
Pay Annualization (4.6% average pay raise)	7,359	
Pay Raise (5.2% average pay raise)	25,244	
Non-Pay	2,093	
Technical Base Adjustments	\$6,976	
FERS Law Enforcement Rate Increase	6,976	
Subtotal Changes to Base	\$41,672	
<b>FY 2024 Current Services</b>	<b>\$786,262</b>	<b>3,076</b>

### Program Increases:

Restoration of Staffing Levels	19,690	52
Fleet Electrification	12,069	2
<b>Subtotal FY 2024 Program Increases</b>	<b>\$31,759</b>	<b>54</b>
<b>FY 2024 President's Budget Request</b>	<b>\$818,021</b>	<b>3,130</b>

See footnotes in 1.1 - Appropriations Detail Table

## 2.1.3 – Budget and Performance Report and Plan

Dollars in thousands

Investigations Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY2022 Actual	FY 2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$581,680	\$595,686	\$619,227	\$630,093	\$700,876	\$744,590	\$818,021
Reimbursable Resources <sup>2</sup>	28,295	27,749	41,233	1,950	37,092	42,600	44,730
<b>Budget Activity Total</b>	<b>\$609,975</b>	<b>\$623,435</b>	<b>\$660,460</b>	<b>\$632,043</b>	<b>\$737,968</b>	<b>\$787,190</b>	<b>\$862,751</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

Investigations Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2023 Target	FY 2024 Target
Criminal Investigations Completed <sup>1</sup>	3,051	2,797	2,624	2,766	2,552	2,600	2,500	2,500
Conviction Rate	91.7%	91.2%	90.4%	89.4%	90.6%	92.0%	92.0%	92.0%

Note - FY 2023 and FY 2024 targets assume discretionary and IRA funding.

<sup>1</sup> The impact of hiring on performance is not immediate due to required academy and on-the-job training (6+ months) as well as the average cycle time it takes to complete an investigation (400-500 days).

## 2D – Exam and Collections

*(\$4,897,493,000 in direct appropriations, and an estimated \$4,095,000 from reimbursable programs): This budget activity funds programs that enforce the tax laws and increase compliance through examination and collection programs that ensure proper payment and tax reporting. This budget activity also includes campus support of the Questionable Refund program and appeals, and litigation activities associated with exam and collection. The program activities include:*

- Compliance Services Management supports management associated with exam and compliance program activities.
- Payment Compliance – Correspondence Collection supports IRS collection activities by initiating contact and collecting delinquent taxpayer liabilities through written notices and other means.
- Automated Collections and Support initiates contact and collects delinquent taxpayer liabilities through the centralized Automated Collection System (ACS).
- Payment Compliance – Field Collection conducts field investigations and collection efforts associated with delinquent taxpayer and business entity liabilities, including direct taxpayer contact and outreach programs to protect the interest of the federal government in delinquent tax liability situations.
- Tax Reporting Compliance – Document Matching supports the Automated Under Reporter (AUR), Combined Annual Wage Reporting (CAWR), Federal Unemployment Tax Act (FUTA), and other document matching programs.
- Tax Reporting Compliance – Electronic/Correspondence Exam initiates written correspondence with taxpayers related to tax issues arising from claims on their tax returns.
- Tax Reporting Compliance – Field Exam compares taxpayer income levels and corresponding tax liabilities to ensure the accuracy of taxpayer returns.
- Fraud/Bank Secrecy Act enforces the anti-money laundering provisions of the Bank Secrecy Act of 1970 (BSA) and the USA Patriot Act of 2001. It examines non-bank financial institutions for compliance with these laws, receives and processes more than 15 million financial reports annually, and manages a centralized database of information for the Financial Crimes Enforcement Network. The Fraud program follows the “money trail” to support CI of tax evasion operations. Fraud technical advisors and revenue agents provide investigative leads and referrals to federal, state, and local law enforcement agencies.

- Appeals supplies an administrative review process that provides a channel for impartial case settlement before a case is docketed in a court of law.
- Litigation provides legal support for the IRS in litigation of cases, including interpretation of the tax law.
- Specialty Programs – Exams examines federal tax returns of businesses and individuals responsible for the filing and payment of employment, excise, estate, and gift taxes.
- International Collection supports international field collection efforts associated with delinquent taxpayer and business entity liabilities from U.S. citizens residing abroad, non-resident aliens, expatriates, and those involving other international issues (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion).
- International Exams supports the international exam program involving U.S. citizens residing abroad, non-resident aliens, expatriates, and other examinations involving other international issues including legal support (e.g., Foreign Tax Credit and Foreign Earned Income Exclusion, Corporations, Non-Profits, Pension Plans, etc.).
- Enforcement Research provides resources for market-based research to identify compliance issues, for conducting tests of treatments to address noncompliance, and for the implementation of successful treatments of taxpayer non-compliant behavior.
- Unit General Management and Administration provides staffing, training, and direct support for the unit headquarters management activities of strategic planning, communications and liaison, finance, human resources, Equal Employment Opportunity and diversity, and business systems planning and embedded training.
- Earned Income Tax Credit (EITC) Management and Administration supports headquarters management associated with EITC program service wide.
- Integrity and Verification Operations supports IRS civil fraud detection and prevention efforts in a pre-refund environment, which include monitoring program performance and developing policy, procedures, and guidance for processing civil revenue protection program(s).
- Whistleblower Office provides staffing, training, and direct support to process, assess, and analyze tips from individuals who identify tax problems during their daily business, regardless of where encountered (including workplace).
- Communications and Liaison coordinates local government and liaison relationships; manages congressional, state, and national stakeholder relationships and issues; coordinates crosscutting issues, including audit management and legislative implementation; manages national media contacts and local media relationships; and ensures compliance with disclosure and privacy laws.
- Return Integrity, Verification and Program Management provides policy and program oversight of revenue protection efforts such as detection, prevention, and treatment of improper refunds (identity theft and non-compliance), including managing systemic solutions regarding payment of valid refund claims and the development of innovative technology solutions supporting IRS-wide revenue protection strategies.

#### Description of FY 2022 Performance – Exam

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

**Exam Starts – High Income Individual** is a measure to monitor resources associated with examinations of individual return filers reporting over \$10 million of total positive income. The IRS started 3,625 new High-Income Individual tax return examinations in FY 2022, while also continuing to allocate resources to work the exams started in prior fiscal years. When comparing FY 2022 to the 2,227 new High-Income Individual tax return examinations started in FY 2021, there was an increase of 62.8 percent. Throughout the year, the IRS will monitor resources, work in process and planned starts, and continue to devote senior level staff to train new hires. New hires generally take time to fully contribute to casework due to training. IRS expects to start 3,817 cases in FY 2023 and 4,830 in FY 2024.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Exam Starts – High Income Individuals</b>	2,307	2,108	2,693	2,227	3,625

**Exam Starts – Partnerships** is a measure to monitor resources associated with the examination of Partnership returns. The IRS started 3,155 new Partnership tax return examinations in FY 2022, while also continuing to allocate resources to work the exams started in prior fiscal years. Projected examinations are trending up for partnerships due to new hires, who recently completed training. However due to the timing of hiring and the start date of their lengthy training cycle, the impact of hiring from IRA funding on performance will not be realized until at least FY 2025 and the FY 2024 target is lower than FY 2023. In FY 2023 the IRS expects to start 8,852 cases and 5,253 in FY 2024.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Exam Starts – Partnerships</b>	9,033	5,823	4,106	4,327	3,155

**Exam Starts – Large Corporations** is a measure to monitor resources associated with examinations of large corporate returns reporting assets of \$250 million and above. The IRS started 1,365 new Large Corporation tax return examinations in FY 2022. New Revenue Agents require additional training to work these cases and the average case cycle time is about 36 months for these large corporations so the impact of hiring on performance is not immediate. Targets in FY 2024 are lower due to the training needs of new hires, case cycle time, and resources being applied to work High Income Individual and Partnership cases (more than 2,500 total in FY 2023 and 2,800 in FY 2024). In FY 2023 IRS expects to start 1,121 cases and 947 in FY 2024.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Exam Starts – Large Corporations</b>	2,396	2,009	1,700	1,490	1,365

**Exam Efficiency – Individual** is the sum of all individual 1040 returns closed divided by the total FTE expended in relation to those individual returns. Exam Efficiency – Individual was 101 in FY 2022, while exceeding the target of 100, this measure fell 6.5 percent from 108 in FY 2021. The FY 2023 target is set at 92 and FY 2024 at 80. The IRS will closely monitor starts and inventory levels to ensure the targets are met.



**Time to Start Compliance Resolution** is the percentage of all individual income tax enforcement cases started within six months of the return posting date. This indicator reflects the effect of expedited issue detection and more integrated enforcement approaches. It supports expedited document matching and enhanced anomaly detection, which leads to faster issue identification and data and analytics that improve issue identification and treatment selection. For FY 2022, the percent of individual enforcement cases started within 6 months was 68 percent, a 3 percent increase from FY 2021.

Time to Start	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Collection	86.7%	80.1%	85.6%	86.0%	85.0%
Bal Due	90.3%	90.5%	90.2%	88.0%	87.0%
AUR	0.1%	0.1%	0.1%	0.0%	0.0%
Exam	41.8%	39.3%	39.3%	52.0%	40.0%
<b>Total</b>	<b>60.1%</b>	<b>60.9%</b>	<b>66.3%</b>	<b>66.0%</b>	<b>68.0%</b>

**Time to Resolve Compliance Issue After Filing** is the median time it takes to close all individual income tax enforcement cases in days. This indicator reflects the complete life cycle from return filing to resolution. It also reflects the effect of process enhancements, such as new self-correction capabilities, including Online Account. It supports expedited document matching and enhanced anomaly detection, which will lead to faster issue identification. For FY 2022, the overall Time to Resolve Compliance Issue After Filing was 404 days, a 16.5 percent decrease compared to FY 2021.

Time to Resolve	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Collection: Bal due notice	368	330	400	286	246
Collection: non-notice	755	373	345	491	757
AUR	581	602	618	756	651
Exam	502	551	597	626	550
<b>Total</b>	<b>494</b>	<b>469</b>	<b>491</b>	<b>484</b>	<b>404</b>

**Repeat Non-Compliance Rate** is the percentage of individual taxpayers with repeat non-compliance two years after the initial tax year for filing, payment or reporting compliance. This indicator supports expedited document matching and enhanced anomaly detection, leading to faster issue identification. It also promotes improved customer service through expanded access to new self-correction capabilities and improved behavioral analytics. It allows the IRS to better understand and change non-compliant taxpayer behavior. For FY 2022, the Repeat Non-Compliance Rate was 28.1 percent compared to 30.7 percent for FY 2021.

Repeat Non-Compliance Rate	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Reporting	7.4%	7.7%	8.1%	5.5%	4.03%
Filing	38.1%	39.8%	43.9%	39.6%	39.81%
Payment	30.5%	29.9%	28.6%	29.0%	23.5%
<b>Total</b>	<b>30.0%</b>	<b>31.4%</b>	<b>35.6%</b>	<b>30.7%</b>	<b>28.1%</b>

#### Description of FY 2022 Performance – Collection

The Collection program collects delinquent taxes, secures delinquent tax returns through the fair and equitable application of tax laws, and provides education to customers to promote future compliance. The performance goals that the IRS uses to gauge collection program performance are discussed below.

**The Collection Coverage** measure is calculated by taking the total volume of collection work completed divided by total collection work available. Collection Coverage was 38.3 percent, exceeding the FY 2022 target of 36.5 percent. Based on the additional staff we will be hiring with the additional IRA funding; the target will be set at 33.4 percent for FY 2023 and 34.8 percent for FY 2024.

**The Cost to Collect to \$100** is computed as total operating costs divided by gross collection and then multiplied by 100. Total operating costs exclude costs reimbursed by other federal agencies and private entities for services performed for these external parties. Gross collections are before refunds are issued and include penalties and interest in addition to taxes collected. The FY 2022 Cost to Collect \$100 was 29 cents, compared to 33 cents for FY 2021. In FY 2022, total operating costs were approximately \$14.2 billion, while gross collections were approximately \$4.9 trillion. Gross collections increased approximately 19 percent from FY 2021 to FY 2022.

### **FY 2024 Changes by Budget Activity**

Dollars in Thousands

<b>Exam and Collections</b>		
<b>Summary of Proposed FY 2024 Request</b>		
	<b>Amount</b>	<b>FTE</b>
<b>FY 2023 Enacted</b>	<b>\$4,521,758</b>	<b>30,320</b>

#### **Changes to Base:**

Maintaining Current Levels (MCLs):	\$218,097	
Pay Annualization (4.6% average pay raise)	47,398	
Pay Raise (5.2% average pay raise)	162,696	
Non-Pay	8,003	
Technical Base Adjustments	\$43,258	
FERS Law Enforcement Rate Increase	43,258	
Subtotal Changes to Base	\$261,355	
<b>FY 2024 Current Services</b>	<b>\$4,783,113</b>	<b>30,320</b>

#### **Program Increases:**

Restoration of Staffing Levels	114,380	415
<b>Subtotal FY 2024 Program Increases</b>	<b>\$114,380</b>	<b>415</b>
<b>FY 2024 President's Budget Request</b>	<b>\$4,897,493</b>	<b>30,735</b>

See footnotes in 1.1 - Appropriations Detail Table.

## 2.1.4 – Budget and Performance Report and Plan

Dollars in thousands

Exam and Collections Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$3,875,098	\$3,907,290	\$3,933,597	\$3,987,323	\$4,447,716	\$4,521,758	\$4,897,493
Reimbursable Resources <sup>2</sup>	3,289	240	249	1,719	1,371	3,900	4,095
User Fees <sup>2</sup>		42	2,454				
<b>Budget Activity Total</b>	<b>\$3,878,387</b>	<b>\$3,907,572</b>	<b>\$3,936,300</b>	<b>\$3,989,042</b>	<b>\$4,449,087</b>	<b>\$4,525,658</b>	<b>\$4,901,588</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

Exam and Collections Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2023 Target	FY 2024 Target
Exam Starts - High Income Individuals (new FY 2021) <sup>1,2,3</sup>	2,307	2,108	2,693	2,227	3,625	Indicator	3,817	4,830
Exam Starts - Partnerships (new FY 2021) <sup>1,2,4</sup>	9,033	5,823	4,106	4,327	3,155	Indicator	8,852	5,253
Exam Starts - Large Corporations (new FY 2021) <sup>1,2,5</sup>	2,396	2,009	1,700	1,490	1,365	Indicator	1,121	947
Examination Efficiency - Individual	131	109	76	108	101	100	92	80
Time to Start Compliance Resolution (new FY 2020) <sup>1</sup>	60.1%	60.9%	66.3%	66.0%	68.0%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (new FY 2020) <sup>1</sup>	494	469	491	484	404	Indicator	Indicator	Indicator
Repeat Non-Compliance Rate (new FY 2020) <sup>1</sup>	30.0%	31.4%	35.6%	30.7%	28.1%	Indicator	Indicator	Indicator
Collection Coverage	41.6%	41.3%	34.9%	41.2%	38.3%	36.5%	33.4%	34.8%
Cost to Collect \$100	\$0.34	\$0.33	\$0.35	\$0.33	\$0.29	Indicator	Indicator	Indicator

Note - FY 2023 and FY 2024 targets assume discretionary and IRA funding.

<sup>1</sup> Historical data provided for comparison.

<sup>2</sup> This measure was an indicator in FY 2022 and transitioned to a measure with a target starting in FY 2023.

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

<sup>4</sup> Due to the timing of hiring and the start date of the lengthy training cycle, the impact of hiring from IRA funding on performance will not be realized until at least FY 2025 and the FY 2024 target is lower than FY 2023.

<sup>5</sup> The impact of hiring on performance is not immediate due to required training for new Revenue Agents and the average case cycle time of about 36 months for these large corporations. Targets in FY 2024 are lower due to the training needs of new hires, case cycle time, and resources being applied to work High Income Individual and Partnership cases (more than 2,500 total in FY 2023 and 2,800 in FY 2024).

## 2E – Regulatory

*(\$188,927,000 in direct appropriations and an estimated \$525,000 from reimbursable programs):* This budget activity funds the development of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements. The activities include:

- Tax Law Interpretation and Published Guidance interprets tax law through published guidance, technical advice, and other technical legal services.
- General Legal Services provides advice to the IRS on non-tax legal issues, including procurement, personnel, labor relations, equal employment opportunity, fiscal law, tort claims and damages, ethics, and conflict of interest.
- Rulings and Agreements applies the tax law to specific taxpayers in the form of pre-filing agreements, determination letters, advance pricing agreements, and other pre-filing determinations and advice.
- International Regulatory Legal Support supports Counsel's work in tax law interpretation and rulings and agreements related to international issues.
- Office of Professional Responsibility identifies, communicates, and enforces Treasury Circular 230 standards of competence, integrity, and conduct of those who represent taxpayers before the IRS, including attorneys, Certified Public Accountants (CPAs), enrolled agents, enrolled actuaries and appraisers, and other professionals.

### Description of FY 2022 Performance - Regulatory

This budget activity funds the development and printing of published IRS guidance materials, 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 for taxpayers in the areas of pre-filing agreements, determination letters, including granting 501(c)(3) status and approving pension plans, and advance pricing agreements.

In FY 2022, the IRS published 71 Priority Guidance Plan (PGP) projects and 67 ministerial rulings. Ministerial projects are publications that only involve matters such as applicable Federal interest rates and monthly bond factor amounts. Many items published in FY 2022 involved complex and novel issues. Four of the published items pertain to implementing the Infrastructure Investment and Jobs Act, including guidance on the retroactive termination of the employee retention credit and information about superfund chemicals. The first piece of guidance under the IRA of 2022 was published, providing guidance for making a claim for sale or use of alternative fuels. The 2022-2023 PGP was published on November 4, 2022, and covers July 2022 through June 2023, listing 205 projects.

In FY 2022, the IRS made 94,466 Exempt Organizations (EO) Determinations, 92,795 were for new organizations applying for exempt status. In FY 2021, IRS made 136,708 total determinations of which 134,621 were for new organizations. In FY 2022, IRS closed 3,270 EO examinations, which is slightly more than the 3,249 closures in FY 2021. IRS completed 1,277 Employee Plan (EP) Determinations on pension plans in FY 2022, which was a 39 percent decrease from the 2,104 closures in FY 2021. In FY 2022, IRS closed 3,944 EP examinations, which was a 9 percent decrease from the 4,295 closed in FY 2021.

The Office of Professional Responsibility (OPR) remains firmly committed to educating tax professionals about their responsibilities and limitations under Circular 230, and their ethical obligations to taxpayers and tax administration.

During FY 2022, the OPR focused on multilingual assistance, increased digital services, and refined strategies to identify possible Circular 230 violations of significance going unidentified using technology tools and data analytics.

The OPR performed its outreach activities through presentations conducted in-person and virtually through online webinars including the IRS Nationwide Tax Forums, telephonically, and via video conferencing platforms throughout FY 2022.

The annual IRS Nationwide Tax Forums have been held each summer for more than 30 years. The Tax Forum is the agency's marquee event for providing important tax information to these valued partners and stakeholders. The 2022 Tax Forum was again held virtually, with a program stretching over five weeks in July and August. The program featured livestreamed webinars delivered by several partner organizations and IRS officials on subjects including tax law, professional ethics, virtual currency, collection issues, and many other topics. Some of the webinars were offered in both English and Spanish. The Nationwide Tax Forums are an integral part of OPR's external outreach efforts, as thousands of tax professionals attend these forums. These outreach events helped ensure taxpayers received competent and ethical representation before the agency.

## FY 2024 Changes by Budget Activity

Dollars in Thousands

Regulatory Summary of Proposed FY 2024 Request		
	Amount	FTE
<b>FY 2023 Enacted</b>	<b>\$171,274</b>	<b>944</b>

### Changes to Base:

Maintaining Current Levels (MCLs):	\$8,608	
Pay Annualization (4.6% average pay raise)	1,926	
Pay Raise (5.2% average pay raise)	6,605	
Non-Pay	77	
Subtotal Changes to Base	\$8,608	
<b>FY 2024 Current Services</b>	<b>\$179,882</b>	<b>944</b>

### Program Increases:

Restoration of Staffing Levels	9,045	81
<b>Subtotal FY 2024 Program Increases</b>	<b>\$9,045</b>	<b>81</b>
<b>FY 2024 President's Budget Request</b>	<b>\$188,927</b>	<b>1,025</b>

See footnotes in 1.1 - Appropriations Detail Table.

## 2.1.5 – Budget and Performance Report and Plan

Dollars in thousands

Regulatory Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$170,222	\$174,624	\$157,374	\$132,506	\$215,030	\$171,274	\$188,927
Reimbursable Resources <sup>2</sup>	593	412	252	222	243	500	525
<b>Budget Activity Total</b>	<b>\$170,815</b>	<b>\$175,036</b>	<b>\$157,626</b>	<b>\$132,728</b>	<b>\$215,273</b>	<b>\$171,774</b>	<b>\$189,452</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

## Operations Support

### Appropriation Description

The Operations Support appropriation as currently defined funds rent payments; facilities services; printing; postage; physical security; headquarters policy and management activities; research and statistics of income; and necessary expenses for information systems and telecommunication support, including development, security, and maintenance of the IRS's information systems.

The Operations Support budget request for FY 2024 is \$4,520,476,000 in direct appropriations and 11.506 FTE. This is an increase of \$419,250,000 or 10.22 percent, and 100 FTE more than the FY 2023 Enacted Budget level of \$4,100,826,000 and 11,406 FTE.

### 2.1 – Budget Adjustments Table

Dollars in Thousands

<b>Operations Support</b>		
<b>Summary of Proposed FY 2024 Request</b>		
	<b>Amount</b>	<b>FTE</b>
<b>FY 2023 Enacted</b>	<b>\$4,100,826</b>	<b>11,406</b>
<b>Changes to Base:</b>		
Maintaining Current Levels (MCLs):	\$142,647	
Pay Annualization (4.6% average pay raise)	22,086	
Pay Raise (5.2% average pay raise)	76,955	
Non-Pay	43,606	
Subtotal Changes to Base	\$142,647	
<b>FY 2024 Current Services</b>	<b>\$4,243,473</b>	<b>11,406</b>
<b>Program Increases:</b>		
Strategies for Improving the Taxpayer Experience	32,381	19
Green Tax Credit Implementation	30,398	
Improve Telephone Level of Service and Reduce Correspondence Inventory	73,433	
Restoration of Staffing Levels	24,522	9
Fleet Electrification	3,029	
Sustainment of Deployed IT Capabilities	55,878	43
Sustaining Infrastructure	27,500	26
Sustainable and Resilient Buildings	29,462	3
<b>Subtotal FY 2024 Program Increases</b>	<b>\$276,603</b>	<b>100</b>
<b>FY 2024 President's Budget Request</b>	<b>\$4,520,076</b>	<b>11,506</b>

See footnotes in 1.1 - Appropriations Detail Table.

## 2.2 – Object Classification Obligations

Dollars in Thousands

<b>Operations Support</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Object Classification</b>	<b>Operating Plan</b>	<b>Estimated Obligations</b>	<b>Request</b>
11.1 - Full-time permanent	1,113,711	1,349,267	1,430,652
11.3 - Other than full-time permanent	5,914	7,181	7,547
11.5 - Other personnel compensation	31,767	39,887	42,176
11.8 - Special personal services payments	20	0	0
<b>11.9 - Personnel Compensation (Total)</b>	<b>1,151,412</b>	<b>1,396,335</b>	<b>1,480,374</b>
12.0 - Personnel benefits	413,076	524,157	555,231
13.0 - Benefits for former personnel	11	30	32
<b>Total Personnel and Compensation Benefits</b>	<b>\$1,564,499</b>	<b>\$1,920,522</b>	<b>\$2,035,637</b>
21.0 - Travel and transportation of persons	6,792	16,576	17,791
22.0 - Transportation of things	12,827	13,390	14,231
23.1 - Rental payments to GSA	584,918	607,157	625,993
23.2 - Rental payments to others	593	293	299
23.3 - Communications, utilities, and miscellaneous charges	289,054	281,202	303,879
24.0 - Printing and reproduction	57,513	25,316	27,017
25.1 - Advisory and assistance services	902,288	506,573	593,566
25.2 - Other services from non-Federal sources	24,505	31,954	39,502
25.3 - Other goods and services from Federal sources	76,610	85,844	89,383
25.4 - Operation and maintenance of facilities	195,717	192,702	208,401
25.6 - Medical care	17,500	14,758	16,058
25.7 - Operation and maintenance of equipment	55,378	63,606	68,794
26.0 - Supplies and materials	3,260	5,152	9,190
31.0 - Equipment	295,955	269,685	334,339
32.0 - Land and structures	60,184	65,382	135,268
42.0 - Insurance claims and indemnities	233	714	728
<b>Total Non-Personnel</b>	<b>\$2,583,327</b>	<b>\$2,180,304</b>	<b>\$2,484,439</b>
<b>Total Obligations</b>	<b>\$4,147,826</b>	<b>\$4,100,826</b>	<b>\$4,520,076</b>
<b>Full-time Equivalents (FTE)</b>	<b>10,133</b>	<b>11,406</b>	<b>11,506</b>

Amounts reflect obligations of annually appropriated discretionary resources.

See footnotes in 1.1 - Appropriations Detail Table.

## 2.3 – Appropriation Detail Table

Dollars in Thousands

Operations Support	FY 2022		FY 2023		FY 2024		FY 2023 to FY 2024	
Appropriated Resources	Operating Plan		Enacted		Request		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Infrastructure		925,539		922,682		1,053,129		14.1%
Shared Services and Support	5,233	1,179,189	5,097	1,164,430	5,113	1,232,149	0.3%	5.8%
Information Services	4,900	2,043,098	6,309	2,013,714	6,393	2,234,798	1.3%	11.0%
<b>Subtotal New Appropriated Resources</b>	<b>10,133</b>	<b>\$4,147,826</b>	<b>11,406</b>	<b>\$4,100,826</b>	<b>11,506</b>	<b>\$4,520,076</b>	<b>0.9%</b>	<b>10.2%</b>
<b>Other Resources</b>								
Reimbursable	73	56,033	100	77,000	105	80,850	5.0%	5.0%
Offsetting Collections (Non-reimbursable)								
User Fees	14	329,128	15	27,927			-100.0%	-100.0%
Recoveries from Prior Years		20,839		36,074		36,074		0.0%
Unobligated Balances from Prior Years	1,817	695,383	41	336,667		9,000	-100.0%	-97.3%
IRA Funding Usage		60,965	727	1,017,758	3,810	2,380,097	424.1%	133.9%
Transfers In/Out								
Resources from Other Accounts	3	20,508	34	39,361	34	39,361	0.0%	0.0%
<b>Subtotal Other Resources</b>	<b>1,907</b>	<b>\$1,182,856</b>	<b>917</b>	<b>\$1,534,787</b>	<b>3,949</b>	<b>\$2,545,382</b>	<b>330.6%</b>	<b>65.8%</b>
<b>Total Budgetary Resources</b>	<b>12,040</b>	<b>\$5,330,682</b>	<b>12,323</b>	<b>\$5,635,613</b>	<b>15,455</b>	<b>\$7,065,458</b>	<b>25.4%</b>	<b>25.4%</b>

See footnotes in 1.1 - Appropriations Detail Table.

## 2F – Infrastructure

*(\$1,053,129,000 in direct appropriations and an estimated \$1,050,000 from reimbursable programs):*

This budget activity funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, and non-IT equipment. The program activities include:

- Building Delegation oversees and manages the IRS GSA-delegated buildings, including cleaning, maintenance, utilities, protection, administrative, and recurring and one-time repair costs.
- Rent provides resources for all IRS rent needs.
- Space and Housing/Non-IT Equipment provides management of all IRS building services, maintenance, space alterations, guard services, custodial overtime, utility service needs, and non-IT equipment.
- Security covers all physical security costs including guard services, security equipment and maintenance, countermeasures, Homeland Security Presidential Directive 12 (HSPD-12) and Treasury Enterprise Identity Credential and Access Management (TEICAM).



## Description of FY 2022 Performance - Infrastructure

### *Rent*

**Rentable Square Feet per Person** is the amount of rentable square feet the IRS maintains per person requiring space. After payroll, rent is one of the IRS's largest operating expenses; therefore, the IRS continues to take steps to closely monitor and right-size its total office space.

Through FY 2022, the Rentable Square Feet per Person was 264, which is five percent lower than the prior year of 278. Rentable Square Feet per Person is driven in the positive direction by either a decrease in square footage, increase in staffing or a combination of both. In FY 2022, there was a 1.5 percent increase in personnel requiring space and a 3.9 percent decrease in rentable square footage.

The submission processing consolidation resulted in the release of the Fresno, California center in FY 2022. Additionally, IRS closed three posts of duty (buildings in Washington, D.C., Danville, VA, and Redding, CA). The IRS continues to release excess office space through building closures and consolidations and continues to look to incorporate new hires into existing space where possible. The IRS will set its FY 2023 target to 261 square feet and the FY 2024 target to 258 square feet.

### *Security and Safety*

Security of IRS facilities and providing a secure and safe environment for employees are of utmost importance to the IRS.

In FY 2022, IRS maintained a high-level emphasis on the physical security of its facilities, taxpayers' information, employees, and visitors. This was accomplished through various actions. Noteworthy examples included:

- Increased management and oversight of physical security countermeasures by leveraging technology and incorporating new tools that allow the IRS to better manage security postures at facilities. Physical security countermeasures are deployed based on requirements and recommendations set forth by the Department of Homeland Security and the Interagency Security Committee (ISC).
- Initiated an Out-Of-Cycle Security Review of most IRS facilities. This focused on enhancing security equipment and accessing control systems, intrusion detection systems, and video surveillance systems.
- Delivered enhanced security training sessions to all IRS employees virtually and in-person and continued to issue systematic and consistent communications surrounding security procedures, protocols, and safety tips.
- Completed the Federal Protective Service-led Physical Security Training Program for IRS Physical Security Specialists, adhering to ISC guidance (on-going).

## FY 2024 Changes by Budget Activity

Dollars in Thousands

Infrastructure		
Summary of Proposed FY 2024 Request		
	Amount	FTE
<b>FY 2023 Enacted</b>	<b>\$922,682</b>	
<b>Changes to Base:</b>		
Maintaining Current Levels (MCLs):	\$18,467	
Pay Annualization (4.6% average pay raise)	6	
Pay Raise (5.2% average pay raise)	16	
Non-Pay	18,445	
Subtotal Changes to Base	\$18,467	
<b>FY 2024 Current Services</b>	<b>\$941,149</b>	
Program Increases:		
Strategies for Improving the Taxpayer Experience	4,159	
Green Tax Credit Implementation	20,460	
Improve Telephone Level of Service and Reduce Correspondence Inventory	40,907	
Restoration of Staffing Levels	15,392	
Fleet Electrification	74	
Sustainment of Deployed IT Capabilities	1,273	
Sustaining Infrastructure	770	
Sustainable and Resilient Buildings	28,945	
<b>Subtotal FY 2024 Program Increases</b>	<b>\$111,980</b>	
<b>FY 2024 President's Budget Request</b>	<b>\$1,053,129</b>	

See footnotes in 1.1 - Appropriations Detail Table

## 2.1.6 – Budget and Performance Report and Plan

Dollars in thousands

Infrastructure Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$870,360	\$891,140	\$867,354	\$885,606	\$925,539	\$922,682	\$1,053,129
Reimbursable Resources <sup>2</sup>	662	681	747	854	564	1,000	1,050
User Fees <sup>2</sup>		999					
<b>Budget Activity Total</b>	<b>\$871,022</b>	<b>\$892,820</b>	<b>\$868,101</b>	<b>\$886,460</b>	<b>\$926,103</b>	<b>\$923,682</b>	<b>\$1,054,179</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

Infrastructure Measure	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2023 Target	FY 2024 Target
Rentable Square Feet per Person	301	298	278	278	264	270	261	258

Note - FY 2023 and FY 2024 targets assume discretionary and IRA funding.

## 2G – Shared Services and Support

*(\$1,232,149,000 in direct appropriations, and an estimated \$36,750,000 from reimbursable programs):*

This budget activity funds policy management, IRS-wide support for research, strategic planning, communications and liaison, finance, human resources, and equity, diversity, and inclusion programs. It also funds printing and postage, business systems planning, security, legal services, and procurement. The program activities include:

- National Headquarters Management and Administration directs the management activities of strategic planning, communications and liaison, finance, human resources, equity, diversity and inclusion programs, business systems planning, embedded training, and the Treasury Franchise Fund. It sets policies and goals, provides leadership and direction for the IRS, and builds partner relationships with key stakeholders (Congress, U.S. Government Accountability Office, and the Office of Management and Budget (OMB)). It provides policy guidance for conducting planning and budgeting strategies, conducting analyses of programs and investments to support strategic decision-making, and developing and managing human resources. It also includes official reception and representation expenses.
- Facilities Management and Security Services provides facilities and security services to deliver a safe, secure, and optimal work environment for IRS employees. Facilities Management and Security Services: provides facilities and security services to deliver a safe, secure, and optimal work environment for IRS employees.
- Equity, Diversity, and Inclusion Field Services provides staffing, training, and direct support to plan and manage the IRS's Equity, Diversity, and Inclusion program.
- Communications and Liaison: coordinates local government and liaison relationships; handles congressional, state, and national stakeholder relationships and issues; coordinates cross-cutting issues, including managing audits and legislative implementation; handles national media contacts and local media relationships; and ensures IRS-wide compliance with disclosure and privacy laws.
- Shared Support not provided by Facilities Management and Security Services, which includes resources for shared cross-functional support like copiers, postage meters, shredders, courier services, and post office boxes.

- Printing and Postage – Media and Publications: provides operating divisions with printing and postage, including shipping of taxpayer and internal-use materials.
- Statistics of Income: provides resources for researching annual income, financial and tax data from tax returns filed by individuals, corporations, and tax-exempt organizations.
- Protection of Sensitive Information: manages and oversees the staffing, training, equipment, and direct support for the protection of IRS employees, facilities, assets, and the protection and proper use of identity information.
- Benefit Payments: provides resources to fund Workers' Compensation benefits and Unemployment Compensation for federal employee payments.
- Shared Services: provides additional services, including the Public Transit Subsidy.

### *Description of FY 2022 Performance – Shared Services and Support*

Through support activities that include management and administration of human resources, protection and use of identity information, and research, Operations Support continues to provide shared services to all IRS programs.

#### *Human Capital*

The future of the IRS depends on a workplace culture that empowers employees to improve the taxpayer experience and uphold the tax code fairly. In FY 2022, the IRS obtained direct hire authority (DHA) through the Office of Personnel Management (OPM) and the Consolidated Appropriations Act, 2022, to reach a broader applicant pool and reduce the number of days to hire. These authorities were used to hire personnel such as Tax Examiners, Clerks, Customer Service Representatives, and critical operations support positions. The OPM DHA allows for 10,000 new hires through December 2023 and is limited to the Submission Processing and Accounts Management functions in Wage and Investment. Treasury delegated the IRS additional direct hiring authority under the Consolidated Appropriations Act, 2023, for unlimited hires in support of the backlog reduction through September 30, 2023.

#### *Protection and Proper use of Identity Information*

IRS delivered the Data At Rest Encryption effort aimed to eliminate or reduce critical security vulnerabilities, improving the depth of IRS's cyber defenses by protecting stored taxpayer data in the event of an unauthorized access. Completed encryption for multiple payment systems including Electronic Federal Posting Payment System and Tax Account Processing System.

The Security Summit, a public-private sector partnership between the IRS, state revenue departments, software developers, tax professionals, and financial services groups, is now in its sixth year of establishing repetitive iterative processes that support taxpayer security initiatives. The annual Security Summit Co-Leads meeting between the IRS, Industry, and States was held virtually in June 2022. As a result of the Security Summit workgroup efforts, the IRS is preventing more identity theft than previous years and leads related to identity theft continue to increase. The Security Summit continues to protect taxpayers by combating ID theft tax refund fraud through enhanced communication and information sharing between and among the parties involved in the electronic transmission and processing of federal and state income tax return filings.

## *Research*

The IRS invests in Service-wide research projects to help its leaders make data and evidence-driven improvements to IRS operations and taxpayer services.

In FY 2022, the IRS:

- **Integrated numerous data and analytics capabilities in support of initiatives** to enhance delivery of the IRS mission and improve the customer experience by helping taxpayers identify and resolve issues timely and accurately.
- **Began an enterprise initiative developing a comprehensive Data Strategy** providing the IRS with a framework to assess, prioritize, and address data access and analytics needs across the IRS and to guide critical program and policy decisions.
- **Expanded access to data and use of advanced data analytics** to support IRS compliance programs and front-line employees. In FY 2022, more than 3,000 front line compliance employees accessed a network analytics tool 100,000 times to get a more complete picture of the taxpayer's situation leading to quicker identification and resolution of compliance issues. Research provided top-down network analysis to identify and inform a range of emerging compliance issues including labor broker schemes, paycheck protection loan fraud and syndicated conservation easements.
- **Shared results and lessons learned** from its Innovation Lab program. The IRS Innovation Lab concept encourages new approaches and solutions to prevalent compliance issues, bringing together employees with varied specialties to work collaboratively to support the IRS mission in a unified way across the traditional organizational boundaries. As a result of insights drawn from innovation lab initiatives, the IRS has been able to increase collaboration across business units in identifying and selecting high risk, noncompliant cases among tax professionals, as well as developing a better understanding of behavioral attributes associated with taxpayers involved in digital assets transactions.
- **Established a new “Digital Workforce,”** automating thousands of requests and conversations without the need for human intervention. The IRS is now able to provide real-time assistance in English or Spanish to taxpayers via some communication channel through chatbots. When interacting with a chatbot, customers can request “live chat” with an agent. This self-service technology will improve the taxpayer experience and free IRS assistors to focus on more complex inquiries during a period of unprecedented demand.
- **Implemented enhancements to IRS Online Accounts** offering taxpayers with an online account experience that is reliable, robust, and integrates module information through a collection of digital products/services and empowers taxpayers to ‘self-serve’ in securely managing and fulfilling their federal tax obligations.
- **Continued momentum with its digitalization strategy.** The strategy allows flexibility within inventory management, electronic workflows, and business continuity. Benefits include new digital channel options that enhance the portability of work and leverage resources across the Service. Additionally, the strategy allows for seamless access to taxpayer imaged cases without

additional burdens on the taxpayer to provide documents. This transparency reduces risk for both taxpayers and the IRS.

- **Increased data-literacy opportunities** to support data analysis training needs of staff by developing a preliminary set of learning paths to guide course selection in our internal training environment and launched an analytical primer curriculum to help employees understand the science of analytics. Consequently, it improves their collective ability to conduct, evaluate, and communicate data-driven decisions.

## FY 2024 Changes by Budget Activity

Dollars in Thousands

<b>Shared Services and Support</b>		
<b>Summary of Proposed FY 2024 Request</b>		
	<b>Amount</b>	<b>FTE</b>
<b>FY 2023 Enacted</b>	<b>\$1,164,430</b>	<b>5,097</b>

### Changes to Base:

Maintaining Current Levels (MCLs):	\$47,060	
Pay Annualization (4.6% average pay raise)	8,833	
Pay Raise (5.2% average pay raise)	30,301	
Non-Pay	7,926	
Subtotal Changes to Base	\$47,060	
<b>FY 2024 Current Services</b>	<b>\$1,211,490</b>	<b>5,097</b>

### Program Increases:

Strategies for Improving the Taxpayer Experience	3,826	5
Green Tax Credit Implementation	1,928	
Improve Telephone Level of Service and Reduce Correspondence Inventory	3,593	
Restoration of Staffing Levels	7,745	8
Fleet Electrification	2,926	
Sustainment of Deployed IT Capabilities	103	
Sustaining Infrastructure	62	
Sustainable and Resilient Buildings	476	3
<b>Subtotal FY 2024 Program Increases</b>	<b>\$20,659</b>	<b>16</b>
<b>FY 2024 President's Budget Request</b>	<b>\$1,232,149</b>	<b>5,113</b>

See footnotes in 1.1 - Appropriations Detail Table

## 2.1.7 – Budget and Performance Report and Plan

Dollars in thousands

Shared Services and Support Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$920,283	\$900,287	\$961,999	\$1,040,955	\$1,179,189	\$1,164,430	\$1,232,149
Reimbursable Resources <sup>2</sup>	27,995	30,360	27,368	27,874	28,433	35,000	36,750
User Fees <sup>2</sup>	1,000				37,454		
<b>Budget Activity Total</b>	<b>\$949,278</b>	<b>\$930,647</b>	<b>\$989,367</b>	<b>\$1,068,829</b>	<b>\$1,245,076</b>	<b>\$1,199,430</b>	<b>\$1,268,899</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

## 2H – Information Services

*(\$2,234,798,000 in direct appropriations, \$43,050,000 in reimbursable resources, and \$0 from user fees):*

This budget activity funds staffing, equipment, and related costs to manage, maintain, and operate the information systems critical to the support of tax administration programs. This includes the design and operation of security controls and disaster recovery planning. This budget activity funds the development and maintenance of the millions of lines of programming code that support all aspects and phases of tax processing and the operation and administration of mainframes, servers, personal computers, networks, and a variety of management information systems. The program activities include:

- Enterprise Program Management Office provides oversight and project integration into daily IT processes for large-scale development, modernization, and enhancement projects. It enables a coordinated, cross-functional project planning, implementation and performance assessment effort aimed at improving IT systems quality, cost, and delivery schedule.
- Cybersecurity protects Taxpayer information and the IRS's electronic systems, services, and data from internal and external cyber security related threats. The program operates a 24x7x365 Computer Security Incident Response Center to provide detection, prevention, monitoring, analysis, and reporting of security incidents and threats. The program reduces online fraud and prevents critical data loss. It is responsible for performing security risk assessments, tracking compliance, monitoring security risk remediation activities, performing comprehensive security control testing, managing the system certification and accreditation process, and coordinating the enterprise continuous monitoring process. The program also provides security policy management and interpretation, delivers security engineering services, and implements cybersecurity and data protection solutions.
- IT Executive Oversight provides support to the immediate Office of the Chief Technology Officer, as well as the direct reports for Equity, Diversity and Inclusion, and the Director, Stakeholder Management (including Communications Services and Program Oversight). The program provides executive direction for the IT organization, enabling IT to be a customer-focused supplier of IT solutions that are responsive to customer business priorities and meet functional and operational needs effectively.
- Applications Development performs the analysis, design, development, testing, and implementation of approximately 85,000 application programs supporting critical tax processing, management information reporting and financial management support systems for the IRS. This program also supports external trading partner data exchanges with federal government agencies, state and local governments, and other third-party entities. The program controls application source code and deploys applications to the production environment.

- Enterprise Operations designs, develops, and maintains IT that supports critical tax processing, management information reporting and financial management support systems for the IRS. The program supports data exchanges with external organizations, such as other federal agencies, state and local governments, and external entities (e.g., employers and banks), and includes a comprehensive disaster recovery capability to ensure continued operations in the event of a major interruption of service.
- Enterprise Network provides telecommunications service delivery to all customer segments, including management of day-to-day operations of the telecommunications environment. This includes the operation of equipment and services to meet business user needs and the execution of routine changes for scheduled and unscheduled modifications to the telecommunications infrastructure and applications. It addresses all phases of engineering, acquisition, implementation, and operation of telecommunications systems and services, including voice, video, and data communications.
- Enterprise Services plans and manages service and delivery methods used across the IT organization, including demand analysis, enterprise architecture, configuration management, project reporting, enterprise life cycle management, release management, systems engineering, dashboard reporting, and internal management.
- End User and Network Services maintains the IRS automated business processes at headquarters and field sites, allowing the IRS to fulfill its missions effectively. The support includes technical systems and applications software support to end users and maintaining legacy operations, local and corporate systems administration activities, email, and domain user account maintenance. This activity monitors IRS network and systems administration by utilizing automated management tools. It performs asset management activities, and maintenance of the voice and data infrastructure at the Territories' offices.
- Strategy and Planning provides the management and oversight of investments in IT, demand analysis, project reporting, portfolio management, and other IT operational priorities.
- Enterprise Infrastructure Currency funds the replacement of IRS IT infrastructure that has reached or surpassed its useful life cycle. The IRS centralizes the resources achieved through efficiencies in various parts of IT to ensure that replacement of the aging infrastructure is addressed corporately.
- The Treasury Franchise Fund is a centralized functional area for separating from the Information Services base budget the resources required to pay Treasury billings for services provided through the Working Capital Fund.

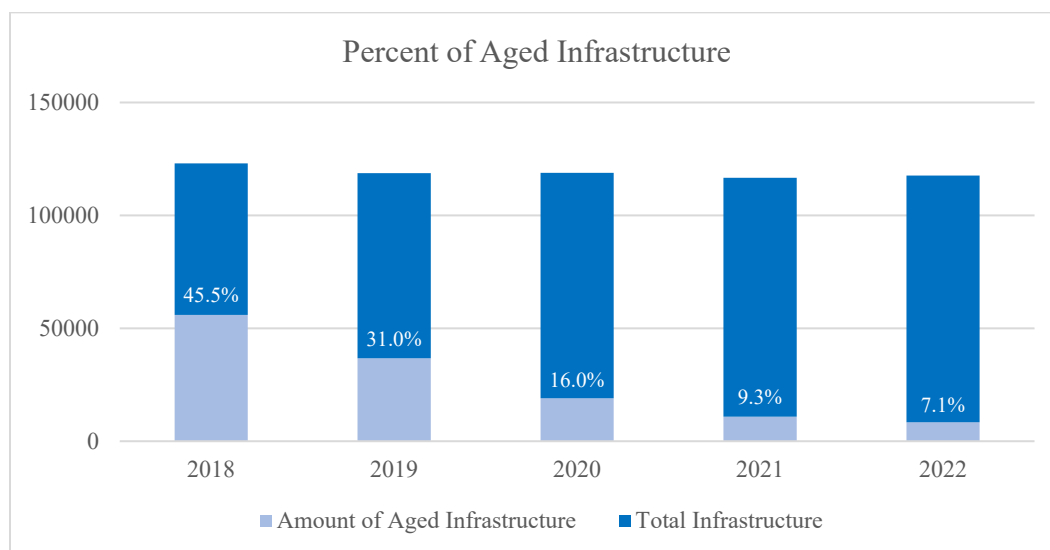


### Description of FY 2022 Performance – Information Services

In FY 2022, the IRS made progress on many of its strategic technology goals. The following highlights achievements in IT operations and maintenance from FY 2022:

- **Tax Filing Season and Legislation:** Executed on the technology development, engineering, security, and testing needed for the 2022 tax filing season, resulting in the payment of more than 78 million refunds totaling more than \$242 billion and more than \$115.7 billion in modified tax credits as part of ARPA. In FY 2022, we continued ARP implementation, which included making advance payments of the Child Tax Credit.
- **Enterprise Digitalization:** Documentation Upload Tool is a digital solution designed to accept images of paper documents (e.g., forms) submitted electronically and was expanded to address additional business needs. The new IRS Lockbox Network scans incoming Form 940 paper returns and electronically files the tax return data.
- **Automated Digital Fingerprint Service:** Created an automated digital fingerprint service used by tax professionals for background checks, saving time and improving the user experience compared to the manual paper process.
- **Enhancing Fraud Detection:** Enabled authorized IRS staff to perform custom ad hoc queries for case research, helping ensure tax compliance while also reducing time spent on research and auditing. Since 2017, Return Review Program has detected almost \$22.8 billion of pre-refund fraud.

The **Percent of Aged Hardware** is a measure that shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use. The IRS continued to reduce the percentage of aged hardware from 9.3 percent at the end of FY 2021 to 7.1 percent at the end of FY 2022. This represents a reduction of more than 2,500 aged assets while total hardware increased slightly during the fiscal year. The major driver in exceeding this goal was the focus on hardware selections and timely hardware refresh implementations. For FY 2023, the IRS will continue with standard operations and review options for process improvements. For FY 2023 and FY 2024, the IRS will maintain the target at 20 percent. The industry standard for aged hardware is in the range of 20-25 percent.



## FY 2024 Changes by Budget Activity

Dollars in Thousands

Information Services		
Summary of Proposed FY 2024 Request		
	Amount	FTE
FY 2023 Enacted	\$2,013,714	6,309

### Changes to Base:

Maintaining Current Levels (MCLs):	\$77,119	
Pay Annualization (4.6% average pay raise)	13,248	
Pay Raise (5.2% average pay raise)	46,637	
Non-Pay	17,234	
Subtotal Changes to Base	\$77,119	
FY 2024 Current Services	\$2,090,833	6,309

### Program Increases:

Strategies for Improving the Taxpayer Experience	24,397	15
Green Tax Credit Implementation	8,010	
Improve Telephone Level of Service and Reduce Correspondence Inventory	28,933	
Restoration of Staffing Levels	1,385	
Fleet Electrification	29	
Sustainment of Deployed IT Capabilities	54,502	43
Sustaining Infrastructure	26,668	26
Sustainable and Resilient Buildings	41	
Subtotal FY 2024 Program Increases	\$143,965	84
FY 2024 President's Budget Request	\$2,234,798	6,393

See footnotes in 1.1 - Appropriations Detail Table.

## 2.1.8 – Budget and Performance Report and Plan

Information Services Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$2,390,357	\$2,126,973	\$1,972,916	\$2,061,216	\$2,043,098	\$2,013,714	\$2,234,798
Reimbursable Resources <sup>2</sup>	40,600	27,153	36,456	26,344	27,036	41,000	43,050
User Fees <sup>2</sup>	204,032	222,399	374,671	408,054	291,706	27,927	
<b>Budget Activity Total</b>	<b>\$2,634,989</b>	<b>\$2,376,525</b>	<b>\$2,384,043</b>	<b>\$2,495,614</b>	<b>\$2,361,840</b>	<b>\$2,082,641</b>	<b>\$2,277,848</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

Information Services Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2023 Target	FY 2024 Target
Percent of Aged Hardware <sup>1</sup>	45.5%	31.0%	16.0%	9.3%	7.1%	20.0%	20.0%	20.0%

Note - FY 2023 and FY 2024 targets assume discretionary and IRA funding.

<sup>1</sup> Target based on industry standard.

## Business Systems Modernization

### Appropriation Description

The Business Systems Modernization (BSM) appropriation provides resources for the planning and capital asset acquisition of IT to modernize the IRS business systems. Sustained discretionary appropriations for BSM are critical to ensuring the long-term vision that will be outlined in the forthcoming IRA SOP.

The BSM budget request for FY 2024 is \$289,619,000 in direct appropriations and 197 FTE. This account did not receive funding in the FY 2023 appropriations bill. Sustained discretionary appropriations for BSM are critical to ensuring the long-term vision that will be outlined in the forthcoming IRA SOP.

## 2.1 – Budget Adjustments Table

Dollars in Thousands

Business Systems Modernization		
Summary of Proposed FY 2024 Request		
	Amount	FTE
FY 2023 Enacted		

### Changes to Base:

Subtotal Changes to Base

### FY 2024 Current Services

Program Increases:

Business Systems Modernization	289,619	197
<b>Subtotal FY 2024 Program Increases</b>	<b>\$289,619</b>	<b>197</b>
<b>FY 2024 President's Budget Request</b>	<b>\$289,619</b>	<b>197</b>

See footnotes in 1.1 - Appropriations Detail Table

## 2.2 – Object Classification Obligations

Dollars in Thousands

Business Systems Modernization Object Classification	FY 2022 Operating Plan	FY 2023 Estimated Obligations	FY 2024 Request
11.1 - Full-time permanent	40,377		29,844
11.3 - Other than full-time permanent	186		79
11.5 - Other personnel compensation	2,052		618
<b>11.9 - Personnel Compensation (Total)</b>	<b>42,615</b>		<b>30,542</b>
12.0 - Personnel benefits	14,567		10,732
<b>Total Personnel and Compensation Benefits</b>	<b>\$57,182</b>		<b>\$41,275</b>
21.0 - Travel and transportation of persons	303		29
25.1 - Advisory and assistance services	207,561		244,620
25.7 - Operation and maintenance of equipment	68		
26.0 - Supplies and materials	5		7
31.0 - Equipment	9,881		3,689
<b>Total Non-Personnel</b>	<b>\$217,818</b>		<b>\$248,344</b>
<b>Total Obligations</b>	<b>\$275,000</b>		<b>\$289,619</b>
<b>Full-time Equivalents (FTE)</b>	<b>267</b>		<b>197</b>

Amounts reflect obligations of annually appropriated discretionary resources.

See footnotes in 1.1 - Appropriations Detail Table

## 2.3 – Appropriation Detail Table

Dollars in Thousands

Business Systems Modernization Appropriated Resources	FY 2022 Operating Plan		FY 2023 Enacted		FY 2024 Request		FY 2023 to FY 2024 % Change	
<b>New Appropriated Resources</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>	<b>FTE</b>	<b>AMOUNT</b>
Business Systems Modernization	267	275,000			197	289,619		
<b>Subtotal New Appropriated Resources</b>	<b>267</b>	<b>\$275,000</b>			<b>197</b>	<b>\$289,619</b>		
<b>Other Resources</b>								
Recoveries from Prior Years		509		5,929		5,929		0.0%
Unobligated Balances from Prior Years	23	141,433		160,230				-100.0%
IRA Funding Usage		43,924	357	580,000	197	1,034,000	-44.8%	78.3%
<b>Subtotal Other Resources</b>	<b>23</b>	<b>\$185,866</b>	<b>357</b>	<b>\$746,159</b>	<b>197</b>	<b>\$1,039,929</b>	<b>-44.8%</b>	<b>39.4%</b>
<b>Total Budgetary Resources</b>	<b>290</b>	<b>\$460,866</b>	<b>357</b>	<b>\$746,159</b>	<b>394</b>	<b>\$1,329,548</b>	<b>10.4%</b>	<b>78.2%</b>

See footnotes in 1.1 - Appropriations Detail Table

## **2I – Business Systems Modernization**

*(\$289,619,000 in direct appropriations):* This budget activity funds the planning and capital asset acquisition of information technology to modernize IRS business systems and processes, including labor and related contractual costs, in support of the IRS mission.

The IRS is developing its multiyear plan using the direct appropriation in conjunction with IRA funding to transform tax administration and taxpayer service. With this funding, the IRS is committed to transforming into a more customer-focused agency that strives to help taxpayers get it right the first time and quickly resolve issues. By significantly improving services, tailoring compliance work, and ensuring IRS employees have the data and tools they need, the IRS will address the tax gap over time.

To dramatically improve the taxpayer experience, the IRS must accelerate delivery of modern technology capabilities at a pace and scale that has never been done before. IRS must also build a contemporary infrastructure with modern architectures designed to meet future needs and retire legacy technologies. This modernization will make the IRS more efficient and improve the customer experience to benefit taxpayers, tax professionals, and the broader tax ecosystem, while protecting taxpayer data and securing our systems from cyber threats.

Funding in FY 2024 will provide the necessary resources for the IRS to continue the progress in existing work and begin new programs to enhance the taxpayer experience and enforcement activities. BSM funds are strictly used for development, modernization, and enhancement activities, and do not fund operations and maintenance once a project is developed. The IRS will need funds to accelerate its technology transformation.

In the upcoming years, the IRS will modernize its information technology to enhance the taxpayer experience which will improve communications with individual taxpayers, business taxpayers, and third parties. The enhancements, delivered over time, will provide a broad range of self-service options, and establish a secure information exchange that enables authorized third parties and taxpayers to interact digitally with the IRS. Taxpayers, both individual and business, will have access to secure online accounts where they can view their account and profile information, make changes, interact with the IRS, and manage preferences for payments, refunds, and communications. By enabling taxpayers to access data directly, taxpayers will be able to download and seamlessly share their tax data and IRS history. For example, the IRS will make individual and business transcripts easier to read and understand and will integrate these key tax records with secure online accounts.

Over time, payment systems will be modernized so taxpayers will be able to use their preferred option to make payments easily and seamlessly through various service channels to the IRS. IRS will expand features in online accounts, where individuals, businesses, tax professionals, and payroll processors will be able to make, manage, and view payments. Options will be improved and expanded for online payments without registration and will enable payments over the phone, through IRS employees, and from international taxpayers and governments. In FY 2024, the IRS is targeting additional enhancements to improve Direct Pay, business payments, and payments over the phone or through IRS field employees to achieve this goal.

This digitalization effort will allow more transparent tracking tools that give taxpayers personalized, real-time status updates and explanations of next steps. The tracking will also allow tax professionals to view status information for their clients. These tools will help taxpayers understand what to expect, identify the cause of delays or issues, get answers via self-service, and understand what actions they need to take. In FY 2024, the IRS will implement the highest priority end-to-end digital processes by starting delivery on the high-priority forms, returns, and certifications available for electronic filing and digitalization to reach

these goals. In addition, with both sources of discretionary and mandatory funding IRS will enable improved taxpayer tracking tools for individual taxpayers for filing season 2025.

The IRS will implement modernized technologies to improve customer support and response time in the call centers. Taxpayers can already request customer callback, conduct live and automated chats, and utilize natural language processing on our highest priority services, which will help avoid long wait times, especially during the filing season. We will continue to streamline multichannel customer assistance to enable taxpayers to get the help they need quickly and securely, resolve more issues in a single contact, and experience minimal delays during customer service interactions. The result of these services will optimize the user experience and deliver consistent and secure information regardless of the channel used to contact the IRS.

The IRS will ensure a fair and equitable system for all taxpayers by increasing compliance activities for high income taxpayers who pose a high risk of non-compliance. The IRS is accelerating the implementation of a single, modernized Enterprise Case Management system with access to taxpayer data and standard business processes that will result in efficient and transparent case processing for taxpayers. This centralization of operations will improve enforcement through better use of data analytics and technology. In FY 2024, the IRS will continue to build functionality for the Exam function as IRS expands its compliance workforce. This will set the stage for the modernized Enterprise Case Management (ECM) platform to host most major compliance workflows and begin the decommissioning of associated legacy applications starting in FY 2025. The result of this long-term implementation will transform tax compliance processes, resulting in an enterprise solution for streamlining case and workload management processes to improve the quality and effectiveness of case interactions with taxpayers and a wide spectrum of stakeholders. IRS will digitize case information, provide business automation, and increase resource alignment to improve enforcement and reduce the timeframe for case resolution.

The IRS will use funding in FY 2024 to continue modernizing its complex technological environment and accelerate delivery of modern technology to enable a service experience comparable to private industry. The IRS will accelerate design, development, and delivery of user-centered technology by shifting to a “product and platform” operating model that incorporates business and technology perspectives to deliver faster and better results. In FY 2024, as the IRS continues to migrate to cloud infrastructure and standardizing cloud connectivity, this will allow implementation of new tax provisions and future modernization to be implemented faster and securely, while complying with Federal mandates. In FY 2024, IRS will implement an advanced analytics platform to provide tools for service, compliance, and operational use to support expanded capability delivery for taxpayers and employees.

A portion of the FY 2024 funding will provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities. To improve operational efficiencies, IRS will continue to leverage and expand robotics process automation. These activities are critical components of the IRS plan to transform operations and become more resilient, agile, and responsive, thereby improving the taxpayer experience, and narrowing the tax gap.

In FY 2024, IRS will ramp-up key programs that will modernize the systems for accessing and processing taxpayer data by focusing on master file and the downstream tax processing pipeline systems. The Individual Master File (IMF) and Business Master File (BMF) modernization will help IRS achieve the goal to modernize the legacy components and securely distribute taxpayer data across the enterprise, while enabling the retirement of the legacy code and data formats. IRS will launch another key program in FY 2024, called Real-Time Tax Processing, this will help achieve the long-term goal to modernize from batch processing to near real time processing, providing taxpayers the ability to correct tax filing almost instantly.

These technological advancements cannot be achieved without continued focus on data security. The IRS will ensure continued protection of taxpayer data and IRS systems from external cyber threats as we transform and achieve objectives in the taxpayer service and enforcement areas. The IRS will also continue implementing industry and federal best practices in cybersecurity (e.g., network security, identity and access management, vulnerability and threat management, and Zero Trust architecture) to protect IRS data from all cyber-threats. As part of this effort, in FY 2024 the IRS will continue to implement capabilities for continuous identification of all assets and users on the IRS network. In addition, multi-factor authentication will be implemented to improve access controls to IRS systems containing federal tax information. Data-at-rest encryption will also be implemented for the full portfolio of IRS critical systems to strengthen data protections and prevent unauthorized access to sensitive data entrusted by the IRS. Through this transformation, IT programs and internal processes will be highly integrated, streamlined, flexible, and secure. This will enable the IRS to provide top-quality service, retire and replace legacy systems with more sustainable infrastructure, and continue to protect taxpayer data and address emerging security threats.

#### Description of FY 2022 Performance – Business Systems Modernization

The IRS's modernization efforts focus on building and deploying advanced information technology systems, processes, and tools to improve efficiency and productivity.

In FY 2022, the IRS tracked progress toward its strategic technology goals through the process of implementing the IRS Integrated Modernization Business Plan and other reporting. During FY 2022, 59 modernization capabilities were delivered across all four components of the plan: improving the taxpayer experience, core services and enforcement, modernized IRS operations, and cybersecurity and data protection. The following highlights achievements in business systems modernization from FY 2022:

- **Vulnerability and Threat Management:** Protected the integrity of the nation's tax system by mitigating more than 1.4 billion unauthorized access attempts in FY 2022 using layered controls and a robust incident response capability that performs around-the-clock intrusion and fraud analytics.
- **24x7 Access to Online Tools:** Added new features and made other foundational technology upgrades for popular online tools such as IRS [Online Account](https://www.irs.gov/newsroom/an-irs-online-account-is-simple-safe-and-secure)<sup>4</sup> and [Tax Pro Account](https://www.irs.gov/tax-professionals/use-tax-pro-account)<sup>5</sup>.
- **Intelligent Digital Assistors:** Expanded voice and chatbot options to help eligible taxpayers easily verify their identity to set up or modify a payment plan, or make other types of inquiries, while avoiding long wait times.
- **Multilingual Efforts:** With advanced technologies in translation services and continued agile development practices, upgraded five taxpayer-facing applications to offer multilingual capabilities in Spanish. Four of these applications were also translated into six additional languages, providing our diverse tax community with the information to meet their tax obligations.
- **Customer Callback:** Strengthened IRS customer service phone operations, which is one of the largest in the world. IRS had to manage unprecedented demand by expanding customer callback availability to 31 toll-free telephone applications, accounting for approximately 70 percent of demand. Since its launch in January 2019, the IRS has offered over 18 million callbacks with an average acceptance rate of 58 percent, saving 6.1 million hours of hold time.
- **Legacy Code Conversion:** Completed 100 percent of code conversion aimed to retire legacy code and reengineer the most complex aspects of the Individual Master File as part of the CADE 2

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<sup>4</sup> <https://www.irs.gov/newsroom/an-irs-online-account-is-simple-safe-and-secure>

<sup>5</sup> <https://www.irs.gov/tax-professionals/use-tax-pro-account>

Transition State 2 program, which simplifies the IT environment and enables faster responses to new legislation.

- **Enterprise Case Management:** After establishing the cloud-based platform and migrating legacy functions for four programs in FY 2021, the IRS integrated two more systems in FY 2022, allowing for more efficient case resolution. The IRS plans to migrate more than 200 business processes to using the platform, which will require training and transition activities for more than 45,000 IRS employees.

Major IT investments are measured by the proportion of projects within +/- 10 percent of budgeted cost and schedule variance. The IRS will continue to effectively manage our major IT investments and closely monitor cost and schedule variance throughout FY 2023 and FY 2024. The FY 2023 and FY 2024 targets for both cost and schedule variance are 90 percent. For more detail about BSM accomplishments and performance goals, please see Publication 5453<sup>6</sup>, Information Technology (IT) Annual Key Insights Report.

**Percent of Major IT Investments within +/- 10 percent Cost Variance at the Investment Level:** 13 of 16 major investments (81.3 percent) were within the cost variance threshold in FY 2022.

Shown below are the investments that fell outside the +/- 10 percent Cost variance.

- Customer Account Data Engine (CADE 2)
- Foreign Account Tax Compliance Act (FATCA)
- Modernized IRS Operations

**Percent of Major IT Investments within +/- 10 percent Schedule Variance at the Investment Level:** 14 of 16 major investments (87.5 percent) were within the schedule variance threshold at the close of FY 2022.

Shown below are the investments that fell outside the +/- 10 percent schedule variance in FY 2022.

- Foreign Account Tax Compliance Act (FATCA)
- Modernized IRS Operations

Major IT (BSM and Non-BSM) Investments		
Fiscal Year	Percent within +/- 10% Cost Variance	Percent within +/- 10% Schedule Variance
2022	81.3%	87.5%

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<sup>6</sup> <https://www.irs.gov/pub/irs-pdf/p5453.pdf>



## FY 2024 Changes by Budget Activity

Dollars in Thousands

### Business Systems Modernization

#### Summary of Proposed FY 2024 Request

Amount

FTE

#### FY 2023 Enacted

#### Changes to Base:

Subtotal Changes to Base

#### FY 2024 Current Services

Program Increases:

Business Systems Modernization	289,619	197
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<b>Subtotal FY 2024 Program Increases</b>	<b>\$289,619</b>	<b>197</b>
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<b>FY 2024 President's Budget Request</b>	<b>\$289,619</b>	<b>197</b>
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See footnotes in 1.1 - Appropriations Detail Table

## 2.1.9 – Budget and Performance Report and Plan

Dollars in thousands

Business Systems Modernization Resource Level	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Enacted	FY 2024 Request
Appropriated Resources <sup>1</sup>	\$110,000	\$150,000	\$180,000	\$203,614	\$275,000		\$289,619
User Fees	77,418	89,713	108,872	29,495			
<b>Budget Activity Total</b>	<b>\$187,418</b>	<b>\$239,713</b>	<b>\$288,872</b>	<b>\$233,109</b>	<b>\$275,000</b>		<b>\$289,619</b>

<sup>1</sup> The FY 2018 - FY 2022 appropriated resources represent the approved operating plan including any inter-BAC transfers and Inter-Appropriation Transfers.

<sup>2</sup> The FY 2018 - FY 2022 columns represent realized resources for reimbursables and user fees.

Business Systems Modernization Measures	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2023 Target	FY 2024 Target
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	72.2%	88.9%	84.2%	94.1%	81.3%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	83.3%	88.9%	94.7%	100.0%	87.5%	90.0%	90.0%	90.0%

Note - FY 2023 and FY 2024 targets assume discretionary and IRA funding.

## B – Business Systems Modernization

Pillar	Business Systems Modernization <i>Dollars in thousands</i>	Funding Category <sup>1</sup>	FY 2022 Actuals	FY 2023 BSM Plan	FY 2024 President's Budget Request
	Base Funding Level/Program Increase		229,239	0	289,619
	Carryover Balance		18,709	50,300	0
	Proposed Inter-appropriation Transfer			150,000	
	<b>Total Discretionary</b>		<b>\$247,948</b>	<b>\$200,300</b>	<b>\$289,619</b>
	<b>FTE</b>		<b>270</b>	<b>185</b>	<b>197</b>
IRA BSM	<b>Inflation Reduction Act - BSM</b>				
	Taxpayer Services		10,936	285,000	255,000
	Expand enforcement on complex taxpayers with high-dollar noncompliance to address the tax		1,046	75,000	157,000
	Deliver cutting edge technology, data and analytics		31,941	220,000	623,000
	<b>Total Mandatory<sup>2</sup></b>		<b>\$43,923</b>	<b>\$580,000</b>	<b>\$1,035,000</b>
	<b>FTE</b>		<b>0</b>	<b>357</b>	<b>197</b>
	<b>Total BSM (Mandatory and Discretionary)</b>		<b>\$291,871</b>	<b>\$780,300</b>	<b>\$1,324,619</b>
	<b>Total FTE</b>		<b>270</b>	<b>542</b>	<b>394</b>
	<b>Discretionary Breakout is as follows:</b>				
	<b>Web Applications*</b>		<b>\$38,207</b>	<b>\$30,000</b>	<b>\$130,000</b>
Taxpayer Experience	Improving interactions and communications with taxpayers, the IRS, and third parties by providing a broad range of self-service options, establishing secure information exchange, and building internal capabilities. By enabling authorized third parties and taxpayers to interact digitally with the IRS, Web Apps provides a better user experience and delivers consistent data and services. Web Apps will expand on a broad range of digital services the taxpayer and their representatives can complete securely using their IRS online account. They will be able to: enter into longer term payment plans and obtain payment plan default status, update contact information; schedule and modify scheduled payments; store bank information, opt in for digital notices/opt out of paper notices, obtain real-time responses through chat features, and enable secure messaging all within online account. This results in more timely and accurate information to taxpayers leading to improvement in revenue collection and promoting voluntary compliance.	Capital	26,958	20,075	113,969
		Support	11	5	32
		Labor	11,238	9,920	15,999
		<b>FTE</b>	<b>59</b>	<b>50</b>	<b>80</b>
	<b>Live Assistance*</b>		<b>\$4,654</b>	<b>\$1,100</b>	<b>\$0</b>
	Implementation of Call Center technologies to improve the taxpayer experience. This includes both taxpayer-facing capabilities and infrastructure improvement to support the capabilities. Funding for Live Assistance ensures functionality that may include callback, live chat, automated chat, natural language processing, etc., which will help alleviate taxpayer frustration related to long wait times, when millions of phone calls are received each year via IRS' many toll-free numbers, especially during the filing season.	Capital	4,512	1,073	0
		Support	4	3	0
		Labor	138	24	0
		<b>FTE</b>	<b>1</b>	<b>0</b>	<b>0</b>
	<b>Taxpayer Experience - Subtotal</b>		<b>\$42,861</b>	<b>\$31,100</b>	<b>\$130,000</b>
	<b>FTE</b>		<b>60</b>	<b>50</b>	<b>80</b>
Core Taxpayer Services and Enforcement	<b>Customer Account Data Engine (CADE 2)*</b>		<b>\$93,911</b>	<b>\$39,200</b>	<b>\$0</b>
	Providing modernized individual tax processing. Completion of the "Customer Account Data Engine" (CADE) Transition State 2 (TS2) will help modernize the technology environment that enables the IRS to process more than 150 million individual tax returns each year. This modernization enables enhanced data accessibility for online taxpayer services; implements the latest financial requirements and security controls; and, supports business units to deploy advanced analytical capabilities addressing key issues of compliance, fraud, and identity theft. Funding in FY 2023 will ensure the Individual Tax Processing Engine (ITPE) project, which is a key component of TS2, is able to convert approximately 200,000 lines of legacy assembly language code to modern software language.	Capital	71,553	32,458	\$0
		Support	7	25	\$0
		Labor	22,351	6,717	\$0
		<b>FTE</b>	<b>111</b>	<b>30</b>	<b>0</b>
	<b>Enterprise Case Management*</b>		<b>\$65,048</b>	<b>\$75,000</b>	<b>\$150,019</b>
	Providing a modernized case management platform. The IRS routinely interacts with individual taxpayers, small and large businesses, tax-exempt organizations, and a wide spectrum of intermediaries. The current case management environment, comprised of multiple systems that often do not communicate with each other, causes the IRS to treat each selected interaction as a separate case, which significantly limits the effectiveness and efficiency of each case interaction. This disconnect adds frustration and prolongs case resolution. Funding will ensure the complex undertaking of transitioning to an enterprise case management system with standard business processes. The main benefit is that authorized IRS employees will be able to see an individual taxpayer's entire range of tax issues, relevant case data, and communications, which will ultimately resolve cases faster.	Capital	47,779	56,453	126,460
		Support	10	22	19
		Labor	17,259	18,525	23,540
		<b>FTE</b>	<b>88</b>	<b>92</b>	<b>110</b>
	<b>Core Taxpayer Services and Enforcement - Subtotal</b>		<b>\$158,958</b>	<b>\$114,200</b>	<b>\$150,019</b>
	<b>FTE</b>		<b>199</b>	<b>122</b>	<b>110</b>
Modernized IRS Operations	<b>Application Program Interface (API) Implementation</b>		<b>\$252</b>	<b>\$0</b>	<b>\$0</b>
	APIs are a set of protocols, routines, functions and/or commands that programmers use to develop software or facilitate interaction between distinct systems. In response to growing demands to integrate systems internally and externally, the IRS plans to expand the use of APIs across its ecosystem.	Capital	0	0	0
		Support	0	0	0
		Labor	252	0	0
		<b>FTE</b>	<b>1</b>	<b>0</b>	<b>0</b>
	<b>Modernized IRS Operations - Subtotal</b>		<b>\$252</b>	<b>\$0</b>	<b>\$0</b>
	<b>FTE</b>		<b>1</b>	<b>0</b>	<b>0</b>

Pillar	Business Systems Modernization <i>Dollars in thousands</i>	Funding Category <sup>1</sup>	FY 2022 Actuals	FY 2023 BSM Plan	FY 2024 President's Budget Request
Cybersecurity and Data Protection	<b>Vulnerability and Threat Management*</b>		<b>\$14,543</b>	<b>\$15,000</b>	<b>\$0</b>
	<i>Enabling proactive threat and vulnerability identification. This is achieved by using real-time intelligence information and analytics, enhance security testing and process automation, protect sensitive data at rest through encryption, and enhance both application and infrastructure audit capabilities to detect breaches and mitigate internal and external threats effectively. Funding will ensure the IRS focuses on preventing unauthorized access to tax accounts and unauthorized disclosure of taxpayer data. These capabilities provide full visibility into servers and endpoints for monitoring and analyzing data to identify and prevent threats.</i>	Capital	13,446	13,500	0
		Support	0	0	0
		Labor	1,097	1,500	0
		FTE	6	7	0
	<b>Identity and Access Management*</b>		<b>\$20,039</b>	<b>\$25,000</b>	<b>\$0</b>
	<i>Preventing malicious and unintended access and disclosure of taxpayer and other sensitive data by establishing trusted and streamlined access to information through implementing Identity Access Management, Infrastructure Integrity, and Privilege Management capabilities. Identity and Access Management (IAM) refers to the processes, technologies and policies for managing users' digital identities and controlling their use to access enterprise resources.</i>	Capital	19,813	24,673	0
		Support	0	0	0
		Labor	225	327	0
		FTE	1	2	0
	<b>Security Operations and Management*</b>		<b>\$6,650</b>	<b>\$5,000</b>	<b>\$0</b>
	<i>Securing taxpayer data and systems. Funding security operations and management includes those activities needed to secure taxpayer data and the systems that handle or store that data through full visibility of hardware and software on the network, as well as enhance incident response and detection of internal threats to data and systems.</i>	Capital	6,591	4,800	0
		Support	0	0	0
		Labor	59	200	0
		FTE	0	1	0
<b>Cybersecurity and Data Protection - Subtotal</b>			<b>\$41,232</b>	<b>\$45,000</b>	<b>\$0</b>
<b>FTE</b>			<b>7</b>	<b>10</b>	<b>0</b>
Supporting Project	<b>Architecture, Integration, and Management</b>		<b>\$4,644</b>	<b>\$10,000</b>	<b>\$9,600</b>
	<i>Provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities, across IT Infrastructure, Business Applications, Data Management, and IT Security. Provide portfolio control and management processes and tools, including governance, enterprise lifecycle support, tiered program management, and configuration/change management.</i>	Capital	3,941	9,232	8,147
		Support	0	25	0
		Labor	703	743	1,453
		FTE	3	3	7
<b>Subtotal Supporting Project</b>			<b>\$4,644</b>	<b>\$10,000</b>	<b>\$9,600</b>
<b>FTE</b>			<b>3</b>	<b>3</b>	<b>7</b>

\*Programs are supplemented by the IRA BSM mandatory funding. In FY 2023, WebApps is supplemented with \$150M in IRA funding and ECM with \$75M.

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

<sup>2</sup> The FY 2023 Mandatory amount is an estimate as of 10/22 and may change as the portfolio evolves.

## C – Changes in Performance Measures

In FY 2022, the Department of Treasury and IRS developed and implemented two new inventory indicators. These indicators provide a broader picture of the CSRs whose daily priorities include both answering phones and processing paper inventory. The indicators measure the total ending accounts management adjustments and correspondence inventory and the percentage of that inventory that was closed during the fiscal year compared to the amount received. These provide a clear picture of the volume of work and the progress made in reducing outstanding case amounts compared to current-year receipts. IRS also provides phone service to taxpayers using automation. During FY 2022, nearly 34 million taxpayers received the answers to their questions through automation. The IRS has developed a new measure, LOS(A), to be baselined in FY 2023, that expands on CSR LOS to include these automated calls.

	<b>Performance Measure or Indicator</b>	<b>Proposed Change and Justification</b>
1	Ending Inventory	The total ending inventory indicator is defined as the count of outstanding accounts management and correspondence inventory and will come from the total ending inventory report. This indicator provides information on the full scope of a CSR's daily responsibility to both answer incoming phone calls and process adjustment cases simultaneously. It provides a clear indication of the total number of outstanding accounts management and correspondence inventory cases at a given point in time.
2	Percent of closures to receipts	The percent of closures to receipts indicator is defined as the percentage of adjustment cases closed compared to the number of adjustment cases received within a given timeframe and will come from the percent of closures to receipts on the inventory report. This indicator provides information on the full scope of a CSR's daily responsibility to both answer incoming phone calls and process adjustment cases simultaneously. It provides a clear indication of the efficiency at which CSRs can process adjustment cases.
3	LOS(A)	In addition to live assistors, the IRS also provides phone service to taxpayers using automation. During FY 2022, nearly 34 million taxpayers received the answer to their questions through automation. To help capture the volume of this assisted population, the IRS is developing a measure for inclusion in performance reporting that expands on Customer Service Representative (CSR) LOS to include these automated calls. LOS(A) is defined as the number of toll-free callers that receive a response to their inquiry by an assistor or through automated responses divided by the total number of attempted calls. The LOS(A) measure has been developed for baseline reporting in FY 2023.

### 3.1 – Summary of Capital Investments

#### I. Introduction

The IRS Information Technology (IT) organization enables the business operations and modernization of the nation's tax system. IT continues to provide critical support needed as the IRS faces an ever-changing and complex tax administration environment and has experienced large shifts in operations since releasing the IRS Integrated Modernization Business Plan in 2019. Since then, the IRS has navigated unexpected changes that have both challenged and accelerated modernization efforts—from the emergence of new technology and increased taxpayer expectations to the passage of the Inflation Reduction Act of 2022 (IRA). This legislation provided the funding necessary to transform the way the IRS operates, which required a fresh look to ensure planning and goals are in line with the changes the IRS wants to make and taxpayers deserve. The IRA transformation planning taking place now will result in a Strategic Operating Plan (SOP), a ten-year framework for the IRS's transformation efforts. The IRS will continue to adapt as it embraces industry-leading technology and meets taxpayer needs in an ever-evolving digital world.

Although the IRS received \$4.75 billion in BSM funding in IRA, the modernization required to support 21<sup>st</sup> century tax administration requires sustained annual discretionary funding in addition to mandatory funding. Successful implementation of the forthcoming IRA SOP will require that discretionary BSM funding be restored in order to enable the envisioned transformative modernization to be realized. Without discretionary funding, approximately one-third of the planned modernization that IRS envisions will need to be descoped, delayed, or entirely withdrawn.

With the funding provided through the IRA and other resources, the IRS has strong momentum behind modernization, with a clear vision for delivering near-term impact and long-term transformation. As the Deputy Commissioner Services and Enforcement has noted, IRS employees are making a difference and want to continue to successfully pursue the IRS mission on behalf of the country. The road ahead is full of challenges, both known and unknown, but the IRS is confident that the plan paves the way to providing the highest-quality service to taxpayers and the tax community.









The Capital Investment Strategy is guided by the IRS Mission, IT Mission, and IT Vision. Coupled with the forthcoming IRA SOP, these key strategic documents provide direction and present how the technology initiatives and IT investments achieve this vision.



## II. IT Strategic Plan

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

*Figure 1 – IT Strategic Goals FY 2022-2026*

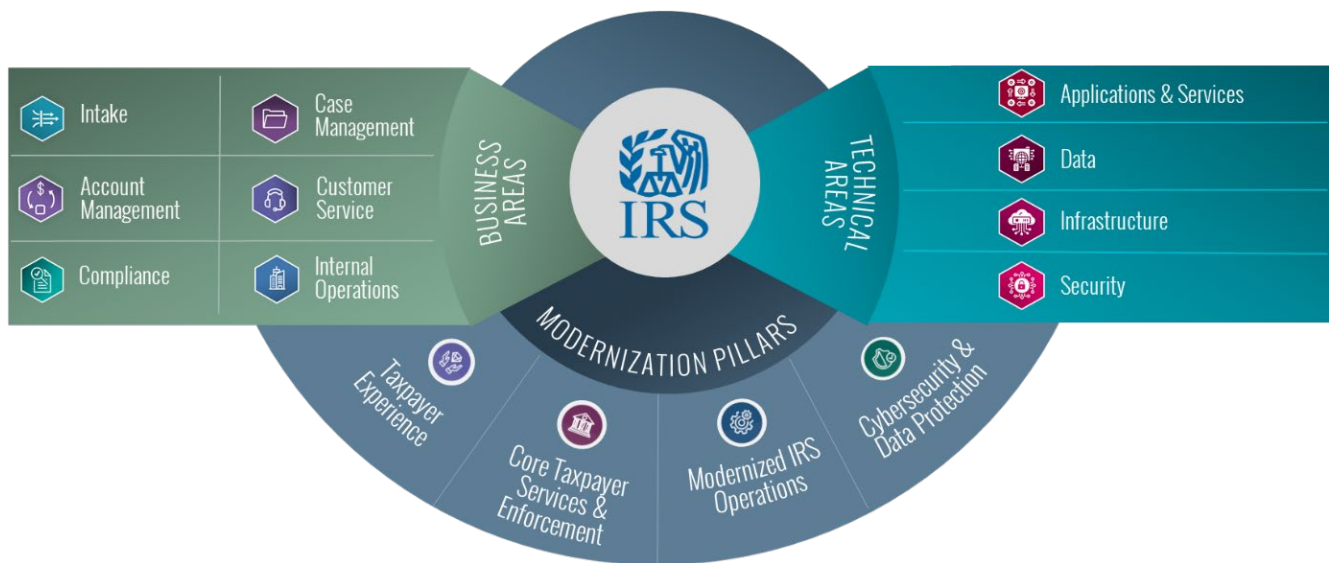
	GOAL 1	<b>Bulletproof Cyber</b>	Unwavering secure ecosystem where all tax data are protected from any and all cybersecurity threats
	GOAL 2	<b>Workforce Skills Evolve with Technology</b>	A well-equipped, diverse, flexible and engaged workforce ready to deliver and evolve with the IRS technology direction
	GOAL 3	<b>Operations Always Available from Anywhere</b>	100% available and efficient technology ecosystem that leverages common enterprise services on resilient, scalable, and open platforms
	GOAL 4	<b>Enable Fully Digital Employee and Taxpayer Experience</b>	Omnichannel solutions that are transparent, easy-to-use, and secure for taxpayers, third parties, and IRS employees
	GOAL 5	<b>Standard Industry Leading Technologies</b>	Standardized industry leading technology solutions provide a superior taxpayer and employee experience and increase IT operational efficiency
	GOAL 6	<b>Simple and Efficient IT Processes</b>	Streamlined IT processes drive efficiencies and increased customer satisfaction
	GOAL 7	<b>Full Operational Insight</b>	Proactive identification and monitoring of all aspects of IT operations provide full visibility into IT environments to enable informed decision making and issue resolution
	GOAL 8	<b>Data on Demand</b>	The right data is available in the right place at the right time for advanced data analytics to support taxpayers and IT operations

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

### III. Enterprise Architecture Roadmap (EAR)

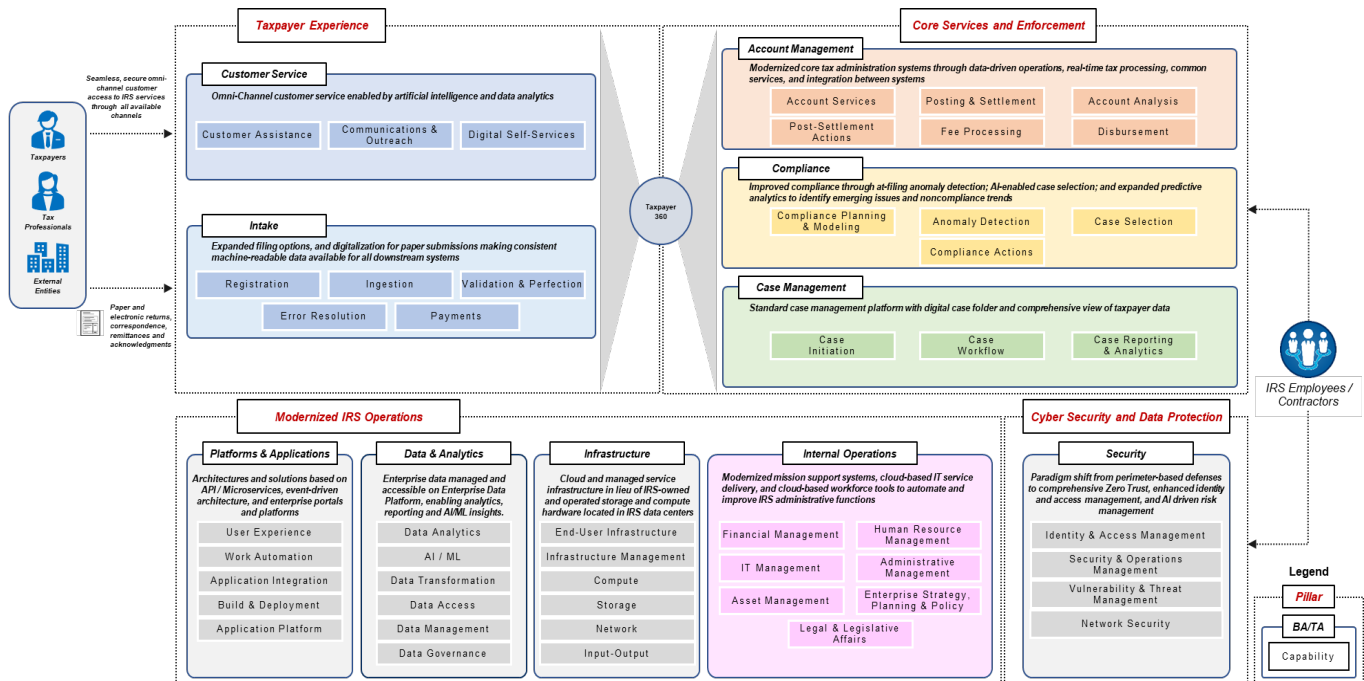
The Enterprise Architecture Roadmap articulates the envisioned long-range technology environment and describes how technology will be employed in support of the strategic IRS business direction. This artifact depicts the adoption of advancing capabilities and modernizing applications and technical services within the IRS production environment. As shown in Figure 3, the EAR is organized around the interrelated elements of the IRS Enterprise Architecture framework, to provide a cross-cutting frame of reference for analyzing the current state of IRS operations and to envision a future state. It is intended to facilitate dialogue among IRS business and IT leaders around future vision and priorities, align business and IT strategies, guide enterprise architecture planning and solutions development, and enable line of sight for evaluating investment proposals. The EAR also encompasses a set of interrelated views that depict the future of tax systems, IT operations, and IT services to achieve the IRS vision. The EAR is a living document that is continuously reviewed and updated as appropriate.

*Figure 2 IRS Enterprise Architecture Framework*



The Enterprise Target Reference Architecture depicts the target state of the IRS business and technical ecosystem, identifying the key capabilities within each Business and Technical Area, aligned within their respective transformation pillars.

Figure 3 Enterprise Target Reference Architecture



In combination with the IRS and IT Strategic Plans, the Enterprise Architecture Roadmap (EAR) captures the enterprise vision for the IRS technology environment. The IRS Modernization Portfolio, described in Section IV, highlights specific technology initiatives and IT investments that realize this vision.



## IV. IRS IT Modernization Portfolio Overview

The IT Modernization Portfolio outlines the work needed to modernize the IRS, allowing for the achievement of the IRS's Transformational Outcomes and Strategic Goals. IT Modernization is organized around four Pillars – Taxpayer Experience, Core Taxpayer Services and Enforcement, Modernized IRS Operations, and Cybersecurity and Data Protection.



### **Taxpayer Experience**

The IRS will provide taxpayers a wide range of modern options for interacting with the IRS to answer questions and resolve tax issues. The agency will deliver real benefits for taxpayers, tax professionals, and the tax community, while allowing IRS employees to operate more efficiently and effectively.



### **Core Taxpayer Services and Enforcement**

The IRS will evolve core tax systems through data-driven operations and decision-making, real-time tax processing, and core tax administration systems integration. The IRS will use technology to enhance identification of noncompliance and fraud while reducing processing time for taxpayers. The IRS will also improve compliance through earlier intervention, easier (self) correction options, and powerful enterprise platforms.



### **Modernized IRS Operations**

The IRS will improve underlying system infrastructure by reducing the complexity of the agency's technical environment, enhancing, and expanding workforce support technologies, and adopting leading industry practices and technologies that deliver new and sustained efficiencies like cloud and robotic process automation.

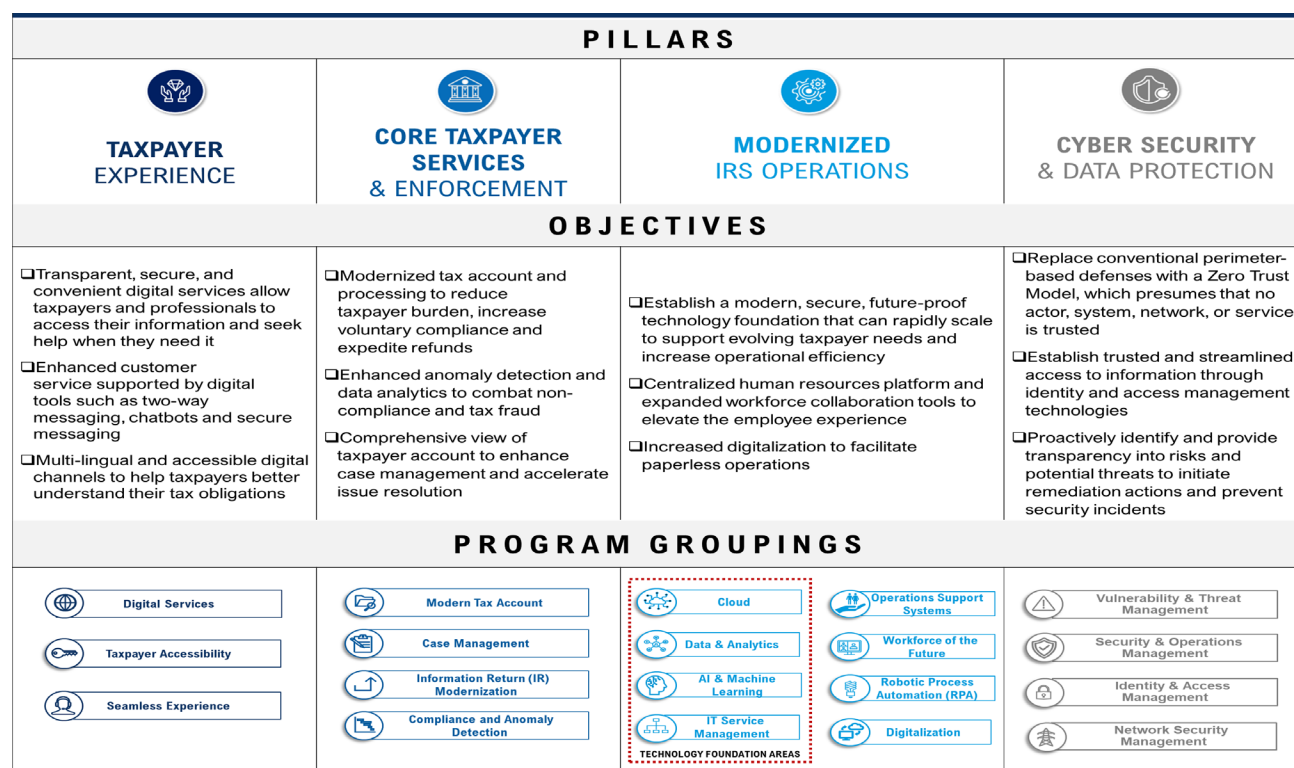


### **Cybersecurity and Data Protection**

The IRS will ensure taxpayer administration and operational data are safe and secure from all internal and external threats. The IRS will implement “zero trust” to enhance management capabilities for vulnerability identification, threat assessment, identity verification, access controls, cybersecurity operations, and network security. These improvements are necessary to secure information assets in a dynamic cybersecurity landscape and to facilitate successful taxpayer interactions in support of the IRS mission.

For each of these four pillars, the IRS has identified key objectives that represent the impacts and expected outcomes of modernization. The objectives are achieved by implementing a set of programs and initiatives in that Pillar. These programs are combined into logical Program Groupings that lead to outcomes that streamline delivery and bring real value to taxpayers and the workforce. The IRS recognizes that to keep pace with an evolving technological landscape, individual programs may change over time. The objectives and program groupings illustrated in Figure 4 reflect the IRS's current plans for modernization, subject to expansion with the forthcoming published IRA Strategic Operating Plan.

Figure 4: IRS IT Modernization Portfolio Organizing Construct



Fundamental to the success of IRS modernization is a strong technology environment that supports the growth of IRS programs and increases operational efficiency. The IRS will establish a robust IT foundation through Program Groupings within the Modernized Operations Pillar. These Technology Modernization Foundation Areas (Tech Foundation Areas) include Cloud, Data & Analytics, and IT Service Management.

This enables the IRS to improve its technology foundation by implementing flexible, industry-leading platforms and infrastructure that can rapidly scale and adapt in the face of new legislation and changing taxpayer needs.

Collectively these Tech Foundation Areas will enable programs across all four modernization Pillars. For example, cloud technology implemented in the Modernized IRS Operations pillar provides a platform on which individual and tax professional accounts will be built to adapt quickly and efficiently to future taxpayer needs under the Taxpayer Experience Pillar.

The IRS IT Modernization Portfolio directly advances three cross-agency priority goals included in the President's Management Agenda and is aligned to both the Treasury and IRS Strategic Plan:

1. Modernize IT to increase productivity and security
2. Leverage data as a strategic asset
3. Improve customer experience with Federal services

### 3.2 – IRS Performance Measures Table

Performance Measures	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2022 Target	FY2023 Target*	FY2024 Target*
Customer Service Representative (CSR) Level of Service (LOS) <sup>1</sup>	75.9%	65.4%	53.1%	18.5%	17.4%	30.0%	60.0%	80.0%
Total Ending Inventory (Thousands) (New FY 2022) <sup>2</sup>	600	1,100	1,100	4,100	2,156	Indicator	Indicator	Indicator
Percent of Closures to Receipts (New FY 2022) <sup>2</sup>	99.0%	92.7%	99.6%	71.9%	116.4%	Indicator	Indicator	Indicator
LOS(A) (New FY 2023) <sup>2</sup>	86.7%	79.2%	71.6%	38.2%	39.3%	N/A	Baseline	TBD
Customer Accuracy - Tax Law (Phones)	95.5%	91.6%	91.0%	92.8%	92.0%	89.0%	87.0%	89.0%
Customer Accuracy - Accounts (Phones)	96.1%	94.3%	93.5%	93.0%	91.8%	89.0%	87.0%	89.0%
Timeliness of Critical Filing Season Tax Products to the Public	59.6%	92.6%	78.4%	92.0%	96.4%	89.0%	83.0%	89.0%
Timeliness of Critical TE/GE & Business Tax Products to the Public	100.0%	96.1%	96.0%	92.9%	96.0%	89.0%	85.0%	87.0%
Enterprise Self-Assistance Participation Rate	82.0%	85.4%	90.6%	92.3%	93.9%	91.0%	94.0%	93.0%
Taxpayers Satisfied with the IRS (based on 100 point scale) <sup>3</sup>	74	73	74	70	69	Indicator	Indicator	Indicator
Examination Efficiency - Individual	131	109	76	108	101	100	92	80
Time to Start Compliance Resolution (new FY 2020) <sup>2</sup>	60.1%	60.9%	66.3%	66.0%	68.0%	Indicator	Indicator	Indicator
Time to Resolve Compliance Issue After Filing (new FY 2020) <sup>2</sup>	494	469	491	484	404	Indicator	Indicator	Indicator
Repeat Non-Compliance Rate (new FY 2020) <sup>2</sup>	30.0%	31.4%	35.6%	30.7%	28.1%	Indicator	Indicator	Indicator
Collection Coverage	41.6%	41.3%	34.9%	41.2%	38.3%	36.5%	33.4%	34.8%
Exam Starts - High Income Individuals (new FY 2021) <sup>2,4,5</sup>	2,307	2,108	2,693	2,227	3,625	Indicator	3,817	4,830
Exam Starts - Partnerships (new FY 2021) <sup>2,4,6</sup>	9,033	5,823	4,106	4,327	3,155	Indicator	8,852	5,253
Exam Starts - Large Corporations (Assets >=\$250M) (new FY 2021) <sup>2,4,7</sup>	2,396	2,009	1,700	1,490	1,365	Indicator	1,121	947
Cost to Collect \$100	\$0.34	\$0.33	\$0.35	\$0.33	\$0.29	Indicator	Indicator	Indicator
Criminal Investigations Completed <sup>8</sup>	3,051	2,797	2,624	2,766	2,552	2,600	2,500	2,500
Conviction Rate	91.7%	91.2%	90.4%	89.4%	90.6%	92.0%	92.0%	92.0%
Rentable Square Feet per Person	301	298	278	278	264	270	261	258
Percent of Aged Hardware <sup>9</sup>	45.5%	31.0%	16.0%	9.3%	7.1%	20.0%	20.0%	20.0%
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	72.2%	88.9%	84.2%	94.1%	81.3%	90.0%	90.0%	90.0%
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	83.3%	88.9%	94.7%	100.0%	87.5%	90.0%	90.0%	90.0%

\*FY 2023 and FY 2024 targets assume discretionary and IRA funding.

<sup>1</sup> The CSR LOS includes toll-free telephone lines answered by Accounts Management assistants only. The IRS will strive to achieve an 85 percent LOS during individual filing season for both FY 2023 and FY 2024.

<sup>2</sup> Historical data provided for comparative purposes.

<sup>3</sup> Based on the American Customer Satisfaction Index (ACSI) survey; the All-Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer.

<sup>4</sup> This measure was an indicator in FY 2022 and transitioned to a measure with a target starting in FY 2023.

<sup>5</sup> Audits of high-income individuals may take a revenue agent upwards of 250 hours to complete.

<sup>6</sup> Due to the timing of hiring and the start date of the lengthy training cycle, the impact of hiring from IRA funding on performance will not be realized until at least FY 2025 and the FY 2024 target is lower than FY 2023.

<sup>7</sup> The impact of hiring on performance is not immediate due to required training for new Revenue Agents and the average case cycle time of about 36 months for these large corporations. Targets in FY 2024 are lower due to the training needs of new hires, case cycle time, and resources being applied to work High Income Individual and Partnership cases (more than 2,500 total in FY 2023 and 2,800 in FY 2024).

<sup>8</sup> The impact of hiring on performance is not immediate due to required academy and on-the-job training (6+ months) as well as the average cycle time it takes to complete an investigation (400-500 days).

<sup>9</sup> Target based on industry standard.

Budget Level Performance Measure Descriptions	
Customer Service Representative (CSR) Level of Service (LOS)	The number of toll-free callers that either speak to a Customer Service Representative or receive informational messages divided by the total number of attempted calls.
Total Ending Inventory	The total number of accounts management and correspondence inventory.
Percent of Closures to Receipts	Percentage of the number of adjustment cases closed compared to the number of adjustment cases received.
LOS(A)	The relative success rate of taxpayers that call seeking assistance from IRS and receive a response to their inquiry by an assistor or through automated responses divided by the total number of attempted calls.
Customer Accuracy - Tax Law Phones	The percentage of correct answers given by a live assistor on toll-free tax law inquiries.
Customer Accuracy - Accounts (Phones)	The percentage of correct answers given by a live assistor on toll-free account inquiries.
Timeliness of Critical Individual Filing Season Tax Products to the Public	The percentage of Critical Individual Filing Season (CIFS) tax products available to the public seven calendar days before the official IRS start of the (individual) filing season. CIFS tax products are those tax forms, schedules, instructions, and publications required by a large number of filers to prepare a complete and reasonably accurate Individual Income Tax Return.
Timeliness of Critical TE/GE and Business Tax Products to the Public	The percentage of Critical Tax Exempt/Government Entities (TE/GE) and Business (CTB) tax products available to the public seven calendar days before the official IRS start of the individual filing season. CTB tax products are forms, schedules, instructions, and publications used by large number of TE/GE and Business filers to prepare a complete and reasonably accurate return or form by the filing date occurring during the fiscal year (e.g., income tax, excise tax, exempt organization return, etc.).
Enterprise Self-Assistance Participation Rate (ESAPR)	The percentage of taxpayer assistance requests resolved using self-assisted automated services.
Taxpayers Satisfied with the IRS	The percentage of taxpayers satisfied with the IRS according to the American Customer Satisfaction Index (ACSI) survey. The All Individual Tax Filer score is calculated from separate ACSI Individual Paper Filer and Electronic Filer Customer Satisfaction Index Scores. Based on a 100-point scale.
Examination Efficiency - Individual (1040)	The sum of all individual 1040 returns closed by SB/SE, W&I, TE/GE, and LB&I (Field Exam and Correspondence Exam programs) divided by the total Full-Time Equivalent (FTE) expended in relation to those individual returns.
Time to Start Compliance Resolution	The percentage of all individual income tax enforcement cases started within six months of the return posting date.
Time to Resolve Compliance Issue After Filing	The median time it takes to close all individual income tax enforcement cases in days (excluding disaster, bankruptcy, and TEFRA cases for exam and collection cases that are not closed as full paid), starting from filing date.
Repeat Non-Compliance Rate	The percentage of individual taxpayers in a fiscal year with additional non-compliance two years after the initial tax year that contains a filing, payment, or reporting compliance issue, compared to total taxpayers.
Collection Coverage	The volume of collection work disposed compared to the volume of collection work available.
Exam Starts – High Income Individuals	The number examinations started during the fiscal year of individuals with a total positive income of \$10 million and above.
Exam Starts – Partnerships	The number examinations started during the fiscal year of partnerships.
Exam Starts – Large Corporations (Assets >=\$250M)	The number examinations started during the fiscal year of large corporate returns reporting assets of \$250 million and above.
Cost to Collect \$100	The cost of collecting \$100 is computed as total operating costs divided by gross collection divided by 100.
Criminal Investigations Completed	The total number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential.
Conviction Rate	The percent of adjudicated criminal cases that result in convictions.
Rentable Square Feet Per Person	The amount of Rentable Square Feet the IRS maintains per person requiring space.
Percent of Aged Hardware	This measure shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use.
Percent of Major IT Investments within +/- 10% Cost Variance at the Investment Level	Number of major IT investments within +/- 10 percent variance between planned total cost and projected/actual cost within a fiscal year divided by the total number of major IT investments in that fiscal year.
Percent of Major IT Investments within +/- 10% Schedule Variance at the Investment Level	Number of major IT investments within +/- 10 percent variance between planned days and projected/actual days within a fiscal year divided by the total number of major IT investments in that fiscal year.

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

The actual cost and actual revenue collected for FY 2018 through FY 2022 for the three major enforcement programs, Examination, Collection, and Automated Underreporter (AUR) are provided below. The following activities are included:

**Examination Program** conducts examinations of tax returns of individual taxpayers, businesses, and other types of organizations to verify that the tax reported is correct. This includes examinations of individuals, small businesses, self-employed, large corporate businesses, partnerships, international, estate and gift, excise tax and employment tax-exempt organizations, qualified pension benefit plans, and government entities. The examination costs include the cost of Field Exam, Correspondence Exam, IRS Chief Counsel, and Appeals functions.

**Collection Program** collects delinquent taxes and secures delinquent tax returns through the appropriate use of enforcement tools, such as lien, levy, seizure of assets, installment agreement, offer-in-compromise, substitute-for-return, summons, and IRC section 6020(b) (which allows the IRS to prepare returns if a taxpayer neglects or refuses to file), and provides education to taxpayers to enable future compliance. The cost of the Collection program includes Automated Collection System, Field Collection, and Payment Compliance/Correspondence Collection.

**Automated Under Reporter (AUR) Program** matches payer information returns (Forms 1099, W-2, etc.) against data reported to the IRS on individual tax returns. The information is verified to identify any discrepancies. If a discrepancy is found, the case is given to a tax examiner for research and analysis. If the tax examiner is unable to resolve the discrepancy, the IRS issues a proposed notice and generates a proposed assessment.

ROI is calculated by dividing revenue by cost. This information provides an indication of the ROI for the three major enforcement programs over time. Enforcement revenue collected in a fiscal year includes tax, interest, and penalties from multiple tax years. Some enforcement activities take more than a year to close and may generate revenue over several years.

In addition, this data reflects the average return on investment for these programs and does not include the indirect effects of IRS enforcement activities on voluntary compliance. Net revenue is maximized only when resources are allocated according to marginal direct and indirect return on investment, but those ratios are much more challenging to estimate than the average ROI. As a result, the IRS will continue to allocate enforcement resources across a range of enforcement activities to ensure taxpayers pay the taxes they owe.

Dollars in Millions															
Enforcement Program	FY 2018			FY 2019			FY 2020			FY 2021			FY 2022		
	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI	Cost <sup>1</sup>	Revenue	ROI
IRS Total	\$5,559	\$59,366	10.7	\$5,439	\$57,523	10.6	\$5,560	\$51,084	9.2	\$5,634	\$74,999	13.3	\$5,969	\$72,366	12.1
Examination	3,716	15,017	4.0	3,581	10,877	3.0	3,750	8,253	2.2	3,792	11,275	3.0	4,000	9,170	2.3
Collection	1,635	38,985	23.8	1,631	41,793	25.6	1,616	38,948	24.1	1,593	57,834	36.3	1,741	57,874	33.2
Automated Underreporter (AUR)	208	5,364	25.7	226	4,853	21.5	194	3,884	20.0	249	5,889	23.7	228	5,323	23.4

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

## Section IV – Appendix

### 4.1 - COVID-19 Supplemental Funding

Table 1: Spend Plan Including Realignment and OED through February 26, 2023  
Coronavirus Response Discretionary Appropriations - Internal Revenue Service

Appropriation \$ in Thousands	Initial Spend Plan	Net Realignments	Current Spend Plan	Obligations through February 26, 2023	Balance
<b>American Rescue Plan</b>					
<b>Taxpayer Services</b>	<b>\$422,125</b>	<b>\$244,953</b>	<b>\$667,078</b>	<b>\$637,033</b>	<b>\$30,045</b>
Advance Tax Year 2021 Child Tax Credit (P.L. 117-2) - Expired	206,300	42,095	248,395	248,392	2
Cost of Economic Impact Payment 3 (P.L. 117-2)	215,825	37,212	253,037	249,323	3,714
Taxpayer Assistance (P.L. 117-2)		165,646	165,646	139,318	26,328
<b>Operations Support</b>	<b>\$939,575</b>	<b>(\$63,353)</b>	<b>\$876,222</b>	<b>\$803,460</b>	<b>\$72,762</b>
Advance Tax Year 2021 Child Tax Credit (P.L. 117-2) - Expired	190,900	(42,095)	148,805	147,386	1,419
Cost of Economic Impact Payment 3 (P.L. 117-2)	248,675	(37,212)	211,463	207,567	3,896
Cost to Integrate, Modernize, and Secure IRS Systems (P.L. 117-2)	500,000	15,954	515,954	448,507	67,447
<b>Business Systems Modernization</b>	<b>\$500,000</b>	<b>(\$181,600)</b>	<b>\$318,400</b>	<b>\$229,293</b>	<b>\$89,107</b>
Cost to Integrate, Modernize, and Secure IRS Systems (P.L. 117-2)	500,000	(181,600)	318,400	229,293	89,107
<b>Total American Rescue Plan</b>	<b>\$1,861,700</b>		<b>\$1,861,700</b>	<b>1,669,787</b>	<b>\$191,913</b>

<sup>1</sup> Spend plan requirements are estimated based on current projections and additional realignments may be necessary.

The IRS received \$1.465 billion in the American Rescue Plan Act for a third round of economic impact payments and information technology modernization. IRS also received \$397.2 million to carry out advance payments for the Child Tax Credit. For additional information on IRS's COVID related programs, please refer to the Treasury Coronavirus Relief, Response, Aid, and Recovery Programs Congressional Justification.

### 4.2 – Summary of IRS FY 2024 Cybersecurity Budget Request

Bureau: Internal Revenue Service Summary of FY 2024 Cybersecurity Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2023 Enacted	\$17,875	46	\$20,210	92	\$254,720	515			\$292,806	654
<b>Changes to Base</b>										
<b>FY 2024 Maintaining Current Levels (MCLs)</b>	<b>\$614</b>		<b>\$889</b>		<b>\$8,112</b>				<b>\$9,615</b>	
Pay Annualization (4.6% average pay raise)	95		180		1,121				1,397	
Pay Raise (5.2% average pay raise)	327		618		3,847				4,792	
Non-Pay	192		91		3,144				3,427	
<b>Technical Base Adjustments</b>			<b>\$137</b>						<b>\$137</b>	
FERS Law Enforcement Rate Increase			137						137	
<b>Subtotal FY 2024 Changes to Base</b>	<b>\$614</b>		<b>\$1,025</b>		<b>\$8,112</b>				<b>\$9,752</b>	
<b>FY 2024 Current Services</b>	<b>\$18,489</b>	<b>46</b>	<b>\$21,236</b>	<b>92</b>	<b>\$262,832</b>	<b>515</b>			<b>\$302,558</b>	<b>654</b>
<b>Program Increases</b>										
Strategies for Improving the Taxpayer Experience					28				28	
Green Tax Credit Implementation					138				138	
Improve Telephone Level of Service and Reduce Correspondence Inventory					276				276	
Restoration of Staffing Levels					102				102	
Fleet Electrification					1				1	
Sustainment of Deployed IT Capabilities					9				9	
Sustaining Infrastructure					5				5	
Sustainable and Resilient Buildings					1				1	
<b>Subtotal FY 2024 Program Increases</b>					<b>\$560</b>				<b>\$560</b>	
<b>Total FY 2024 Request</b>	<b>\$18,489</b>	<b>46</b>	<b>\$21,236</b>	<b>92</b>	<b>\$263,393</b>	<b>515</b>			<b>\$303,118</b>	<b>654</b>
Dollar/FTE Change FY 2024 Request over FY 2023 Enacted	\$614		\$1,025		\$8,672				\$10,312	
Percent Change FY 2024 Request over FY 2023 Enacted	3.44%		5.07%		3.40%				3.52%	

## 4.3 – Summary of IRS FY 2024 Budget Request

Bureau: Internal Revenue Service Summary of FY 2024 Request	TAXPAYER SERVICES		ENFORCEMENT		OPERATIONS SUPPORT		BSM		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2023 Enacted <sup>1</sup>	\$2,780,606	26,881	\$5,437,622	34,340	\$4,100,826	11,406			\$12,319,054	72,627
Changes to Base:										
FY 2024 Maintaining Current Levels (MCLs)	\$132,617		\$261,401		\$142,647				\$536,665	
Pay Annualization (4.6% average pay raise)	27,980		56,683		22,086				106,749	
Pay Raise (5.2% average pay raise)	99,226		194,545		76,955				370,725	
Non-Pay	5,411		10,173		43,606				59,190	
Technical Base Adjustments	\$231,236		\$50,234						\$281,470	
FERS Law Enforcement Rate Increase			50,234						50,234	
Improve Competitiveness of IRS Clerical Staff	44,220								44,220	
Change in Staffing Designation	187,016								187,016	
Subtotal FY 2024 Changes to Base	\$363,853		\$311,635		\$142,647				\$818,135	
FY 2024 Current Services	\$3,144,459	26,881	\$5,749,257	34,340	\$4,243,473	11,406			\$13,137,189	72,627
Program Increases:										
Strategies for Improving the Taxpayer Experience	9,000	35			32,381	19			41,381	54
Green Tax Credit Implementation	75,233	1,221			30,398				105,631	1,221
Improve Telephone Level of Service and Reduce Correspondence Inventory	193,757	3,448			73,433				267,190	3,448
Restoration of Staffing Levels			143,115	547	24,522	9			167,637	556
Fleet Electrification			12,069	3	3,029				15,098	3
Sustainment of Deployed IT Capabilities					55,878	43			55,878	43
Sustaining Infrastructure					27,500	26			27,500	26
Business Systems Modernization							289,619	197	289,619	197
Sustainable and Resilient Buildings					29,462	3			29,462	3
Subtotal FY 2024 Program Increases	\$277,990	4,704	\$155,184	550	\$276,603	100	\$289,619	197	\$999,396	5,551
Total FY 2024 Request	\$3,422,449	31,585	\$5,904,441	34,890	\$4,520,076	11,506	\$289,619	197	\$14,136,585	78,178
Dollar/FTE Change FY 2024 Request over FY 2023 Enacted	\$641,843	4,704	\$466,819	550	\$419,250	100	\$289,619	197	\$1,817,531	5,551
Percent Change FY 2024 Request over FY 2023 Enacted	23.08%	17.50%	8.58%	1.60%	10.22%	0.88%			14.75%	7.64%

<sup>1</sup> The FY 2023 Enacted level does not include the proposed Inter-Appropriation Transfer from Enforcement (\$271.9 million) to Taxpayer Services (\$100 million), BSM (\$150 million), and Operations Support (\$21.9 million).