

# Internal Revenue Service

## Program Summary by Budget Activity

Dollars in Thousands

Appropriated Resources	FY 2023		FY 2024		FY 2025		FY 2024 to FY 2025			
	Operating Plan <sup>1,2</sup>		Annualized CR		Request		Change		% Change	
New Appropriated Resources	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT	FTE	AMOUNT
Taxpayer Services	27,880	\$2,880,606	24,737	\$2,780,606	23,961	\$2,780,606	(777)		-3%	
Pre-filing Taxpayer Assistance and Education	4,447	763,472	4,200	749,814	4,076	749,814	(124)		-3%	
Filing and Account Services	23,433	2,117,134	20,538	2,030,792	19,885	2,030,792	(653)		-3%	
Enforcement	31,963	\$5,165,741	30,576	\$5,437,622	29,765	\$5,437,622	(811)		-3%	
Investigations	3,076	730,488	2,822	757,402	2,773	757,402	(49)		-2%	
Exam and Collections	27,988	4,263,263	26,926	4,489,141	26,212	4,489,141	(714)		-3%	
Regulatory	899	171,990	828	191,079	780	191,079	(48)		-6%	
Technology and Operations Support <sup>3</sup>	11,175	\$4,122,707	10,443	\$4,100,826	10,282	\$4,100,826	(161)		-2%	
Infrastructure		894,403		919,454		919,454				
Shared Services and Support	5,173	1,157,249	4,327	1,111,964	4,166	1,111,964	(161)		-4%	
Information Services	6,002	2,071,055	6,115	2,069,408	6,115	2,069,408				
Business System Modernization	116	\$150,000								
<b>Subtotal New Appropriated Resources</b>	<b>71,134</b>	<b>\$12,319,054</b>	<b>65,756</b>	<b>\$12,319,054</b>	<b>64,008</b>	<b>\$12,319,054</b>	<b>(1,749)</b>		<b>-3%</b>	
<b>Other Resources<sup>4</sup></b>										
Reimbursables	699	168,000	652	176,400	685	211,050	33	34,650	5%	20%
Offsetting Collections (Non-reimbursable)		33,836		35,625		50,556		14,931		42%
User fees	86	31,827	71	603,100	56	303,100	(15)	(300,000)	-21%	-50%
Recoveries from Prior Years		53,633		53,635		61,589		7,954		15%
Unobligated Balances from Prior Years	1,843	884,175		259,000		263,880		4,880		2%
IRA Funding Usage <sup>5,6,7</sup>	13,661	3,396,142	16,314	7,244,826	25,719	9,313,255	9,405	2,068,429	58%	29%
Transfers In/Out		119		119		104		(15)		-13%
Resources from Other Accounts <sup>8</sup>	717	161,471	918	270,538	469	270,538			-49%	
<b>Subtotal Other Resources</b>	<b>17,006</b>	<b>\$4,729,203</b>	<b>17,955</b>	<b>\$8,643,243</b>	<b>26,929</b>	<b>\$10,474,072</b>	<b>9,423</b>	<b>\$1,830,829</b>	<b>50%</b>	<b>21%</b>
<b>Total Budgetary Resources</b>	<b>88,140</b>	<b>\$17,048,257</b>	<b>83,711</b>	<b>\$20,962,297</b>	<b>90,937</b>	<b>\$22,793,126</b>	<b>7,674</b>	<b>\$1,830,829</b>	<b>9%</b>	<b>9%</b>

<sup>1</sup> The FY 2023 Operating Plan does not include COVID supplemental funding, and includes an Inter-Appropriations Transfer (IAT) from Enforcement (\$27 million) to Taxpayer Services (\$100 million), Operations Support (\$22 million), and Business Systems Modernization (\$150 million).

<sup>2</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>3</sup> The IRS is requesting to rename the Operations Support appropriation to Technology and Operations Support, as this title more accurately reflects its critical role of funding IRS technology, which now represents the single largest component of the appropriation.

<sup>4</sup> FY 2023 Other Resources represent actuals.

<sup>5</sup> 96 percent of the IRA funded estimated FY 2023 FTE levels support non-Enforcement activities. FY 2023 IRA Funding Usage includes amounts for Taxpayer Services (\$889 million and 10,518 FTE), Enforcement (\$299 million and 495 FTE), Technology and Operations Support (\$1,474 million and 2,317 FTE), Business Systems Modernization (\$723 million and 327 FTE), and Direct eFile (\$12 million and 4 FTE).

<sup>6</sup> 84 percent of the IRA funded estimated FY 2024 FTE levels support non-Enforcement activities. FY 2024 IRA Funding Usage includes amounts for Taxpayer Services (\$969 million and 7,279 FTE), Enforcement (\$1,047 million and 4,088 FTE), Technology and Operations Support (\$3,258 million and 2,944 FTE), Business Systems Modernization (\$1,789 million and 193 FTE), and Energy Security tax credits (\$180 million and 1,810 FTE).

<sup>7</sup> 72 percent of the IRA funded estimated FY 2025 FTE levels support non-Enforcement activities. FY 2025 IRA Funding Usage includes amounts for Taxpayer Services (\$1,323 million and 12,562 FTE), Enforcement (\$2.317 million and 7,239 FTE), Technology and Operations Support (\$3,565 million and 3,808 FTE), Business Systems Modernization (\$1,929 million and 300 FTE), and Energy Security tax credits (\$180 million and 1,810 FTE).

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

## Summary

The IRS Fiscal Year (FY) 2025 Budget Request (Budget) is \$12.3 billion in annual appropriations, equal to a potential FY 2024 Annualized Continuing Resolution (CR) and the FY 2023 Enacted level. The IRS is implementing its plans for transformative change with the significant resources provided by the Inflation Reduction Act (IRA). To support ongoing transformative efforts funded through the IRA, annual discretionary appropriations need to provide sufficient recurring “base” resources. The IRS also needs additional flexibility to realign resources between appropriations.

With no anticipated discretionary increases for inflationary requirements in FY 2024 and FY 2025, the IRS will be required to further extend its reliance on IRA resources to fund base needs. However, IRA resources are limited, and the IRS will likely use them entirely before the funding expires in FY 2031. In addition, the authorizing language does not provide flexibility to realign the IRA funds across appropriations. This will have the most immediate impact on the Taxpayer Services (TS) appropriation, with IRA TS resources expected to run out completely during FY 2026. Without additional funding or additional flexibility to realign between appropriations, telephone level of service (LOS) is expected to see a drastic decline in FY 2026 and fall even further in FY 2027. In this scenario, the vast majority of taxpayers would be unable to reach an IRS representative for assistance, including delays in return processing and answering correspondence.

To address this issue, this budget also includes a mandatory funding proposal that will avert the IRA funding “cliffs,” after which IRA funds are exhausted for a given appropriation and will extend IRA funding through FY 2034. This proposal would provide \$104 billion over the 10-year budget window and is estimated to generate an additional \$341 billion in revenue. It will ensure that the IRS’s transformation efforts to improve service, modernize technology, and ensure high-income taxpayers, large corporations, and complex partnerships pay the taxes they owe, as described in the Strategic Operating Plan,<sup>1</sup> continue.

### **The Inflation Reduction Act Is Already Making a Positive Change**

The IRA is already yielding tangible benefits for taxpayers. With a combination of base and IRA funded staff, in FY 2023, the IRS delivered a successful filing season. The 2023 filing season opened on January 23, 2023, and achieved the following successes through April 21, 2023:

- Attained an 87 percent level of service (LOS), defined as the relative success rate of taxpayers calling the toll-free line for assistance, a stark turnaround from 15.5 percent LOS in filing season 2022.
- Received about 137 million individual tax returns and issued more than 85.9 million refunds totaling more than \$236 billion, with an average individual refund of \$2,753. Over 96 percent of these individual returns were filed electronically.
- Answered over 16 million calls, with 7 million being answered by IRS assistors and approximately 8 million being answered through automation. Wait times to speak with a customer service representative fell to 3 minutes on average, compared to 28 minutes in filing season 2022.
- Served approximately 572,000 taxpayers face-to-face in the Taxpayer Assistance Centers (TACs). Around 907,000 taxpayers called the IRS’s TAC appointment line, resulting in more than 454,000 appointments being scheduled. Approximately 452,000 taxpayers had their issues resolved without having to make an appointment. Since the enactment of the IRA, the IRS has opened or reopened 54 TACs.

In addition, the IRS launched the Paperless Processing Initiative, which has allowed taxpayers to digitally submit all correspondence and responses to notices, and the Simple Notice Initiative, which will ensure the 170 million notices sent to taxpayers each year are easier to understand. In

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<sup>1</sup> <https://www.irs.gov/about-irs/irs-inflation-reduction-act-strategic-operating-plan>

addition, IRS has launched new enforcement initiatives. One initiative ramps up efforts to pursue high-income, high-wealth individuals with more than \$1 million in income and more than \$250,000 in tax debt. The IRS has already collected more than \$500 million through this initiative. The IRS also launched new enforcement initiatives to ensure large corporations and complex partnerships pay taxes owed. These are just a few of the significant improvements made possible by the IRA that IRS plans to continue and build on with the long-term mandatory investment.

### **‘Technology and Operations Support’ a More Accurate Name**

With this Budget, the IRS requests Congress change the name of the “Operations Support” appropriation to “Technology and Operations Support.” In part this is an acknowledgement of the current reality – that IT is the largest component of “Operations Support.” It is also an adjustment to reflect the fact that technology work which may previously have been funded through discretionary appropriations for Business Systems Modernization (BSM) will now be funded in the new Technology and Operations Support (TOS) appropriation. When the discretionary Business Systems Modernization appropriation was eliminated in FY 2023, the IRA became the primary source of BSM funding. Though the IRA BSM resources were substantial, they alone are not sufficient to fulfill the planned requirements for IRS technology transformation through FY 2031. When IRA BSM funding is exhausted, the IRS will have to use TOS appropriated resources to fund both Operations and Maintenance and IT transformation. If BSM funding is not approved, as requested in the mandatory proposal, TOS appropriations would have to provide over \$3 billion for modernization through FY 2031. TOS is already operating with a roughly \$1 billion per year shortfall in discretionary resources for Operations and Maintenance (greater than \$7 billion in total through FY 2031) which is currently being funded out of the IRA Operations Support account.

These pressures on TOS funding will only allow the IRS to partially modernize, leaving a sizeable legacy technology footprint that will prevent the IRS from enabling a real-time tax processing system that provides taxpayers with instant account updates, faster refund processing and payment posting, and near real-time status updates. Outdated legacy technology operates inefficiently and with greater risks of outages affecting taxpayers and IRS employees, while the cost of operating and maintaining IRS technology will continue to rise as the IRS continues to manage both modern and legacy systems.

### **Changes Proposed in this Budget Will Improve IRS Service to Taxpayers and Increase Revenue to the United States**

In addition to steady discretionary resources, expanded transfer authority will allow the IRS to mitigate many of these issues. The flexibility provided by a transfer authority change will allow the IRS to allocate its existing funding more optimally, as well as make the IRS more nimble in responding as issues arise in the future. Addressing the potential exhaustion of IRA resources requires a combination of supportive discretionary funding and enhanced flexibility for transfers.

Without implementing these approaches, including the mandatory funding proposal, the IRS will experience a series of avoidable crises over the next several years as discretionary funding once again becomes the primary source for the IRS’s expanding requirements. The consequences of not solving these problems cannot be overstated: taxpayers will ultimately find it next to

impossible to contact the IRS for live assistance, millions of taxpayer calls will go unanswered, refund processing would be slowed, and fewer taxpayers would be able to get in-person help. In addition, it will decrease tax receipts for the United States, increasing the deficit. IRA resources have allowed the IRS to increase its Enforcement staffing, for example, from 33,183 FTE in FY 2023 (actuals) to a targeted 37,004 FTE in FY 2025. This additional staff will allow the IRS to ensure large corporations, complex partnerships, and high-income individuals pay the taxes they owe. An abrupt and severe decline in the IRS's Enforcement budget beginning in fiscal year 2030, however, would force the IRS to significantly scale back these efforts. Returning to low audit rates for high-end taxpayers would mean a less fair tax system while increasing the deficit by tens of billions annually. Tax scams and cheating would become more widespread, and crucial technology improvements to improve data security, create efficiencies, and deliver new tools for taxpayers would be stalled. The Administration's mandatory proposal, especially, addresses these issues.

### **IRS IRA Strategic Operating Plan**

The IRS IRA Strategic Operating Plan (SOP), published in April 2023, guides the IRS's resources, programs, and operational decisions. In combination with base discretionary resources, the funding from the IRA enabled the IRS to make significant progress towards the vision laid out in the SOP in FY 2023:

- Expanded the customer callback option to cover 95 percent of all taxpayers seeking live assistance.
- Reduced phone wait times almost 90 percent, answered 3 million more calls, and provided service to 140,000 more taxpayers in person during the 2023 filing season.
- Achieved a telephone level of service of 87 percent through the 2023 filing season.
- Expanded the Document Upload Tool to allow taxpayers to respond to nearly all notices and letters that require a response, providing an alternative to responding by mail or fax.
- Opened or reopened 54 Taxpayer Assistance Centers since the enactment of the IRA and began a series of Community Assistance Visits in underserved and rural communities.
- Launched the first phase of business tax account that, over time, will allow businesses to check payment history, make payments, view notices, authorize powers of attorney and conduct other business with the IRS.
- Offered new voice and chatbots to help taxpayers with a wide range of issues, including securing account transcripts, getting answers to questions about balances due and getting help from the Taxpayer Advocate Service. Whether people call the IRS or visit online, there are new self-service options available around-the clock.
- Expanded Tax Pro Account capabilities by offering tax professionals access to new services to help their clients, including processing of power of attorney and tax information authorization requests, linking Centralized Authorization File numbers, and viewing clients' balance due amounts.

Moving forward, the highest priority areas of focus for SOP in fiscal years 2024 and 2025 are<sup>2</sup>:

- Digitalization: Digitize paper upon receipt by the IRS and enable IRS employees to perform their work digitally.

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<sup>2</sup> For a full discussion of the priority areas the IRS is tracking to deliver on for fiscal years 2024 and 2025, please see the IRS's FY 2025 Congressional Justification.

- Digitize paper returns, correspondence, non-tax forms and notice responses that taxpayers choose to send to IRS at the point of receipt.
- Once digitized, information is incrementally processed throughout IRS in a digitally optimized manner using automation.
- Live Assistance: Ensure when taxpayers need answers from the IRS, we are available.
  - Maintaining the significantly improved phone service achieved in filing season 2023 and will again reach 85 percent Level of Service on the agency's main taxpayer helpline during filing season 2024.
- Notifications & Scams: Provide taxpayers with clear and concise notices and step in to both disrupt and dismantle scams and support victims.
  - Redesign and increase the number of notices viewable for individual taxpayers via their online account. This effort will allow taxpayers to validate that the paper notice they received was sent from the IRS and not a scammer.
  - Use advanced analytics, government, and external partner expertise to proactively identify and rapidly minimize the impact of tax scams.
- Self Service & Online Accounts: Taxpayers will have the option to address all their tax-related needs with the IRS online if they choose.

### **Base Discretionary Resources are Critical to IRS Operations**

The IRS uses base discretionary resources to fund its operations. However, base funding alone in FY 2025 will not allow the Internal Revenue Service to effectively serve taxpayers, meet the objectives of the Administration, nor fulfill statutory/regulatory requirements. A significant portion of expected IRA funding is needed to supplement base operations, to maintain the following:

- Taxpayer Services – Maintaining an adequate Level of Service (LOS)
- Enforcement – Stabilizing the compliance workforce
  - Collecting revenue
  - Addressing increased risk of tax scams and schemes
  - Ensuring compliance of wealthy taxpayers, large corporations, and complex partnerships in paying, rather than evading, their tax obligations
- Technology and Operation Support – Supporting tax administration
  - Maintaining operational IT systems
  - Continuing necessary enhancements of existing foundational legacy IT systems
  - Developing new online and other tools to help taxpayers meet their tax obligations
  - Supporting advancements in data analytics to more effectively address noncompliance

By FY 2026, the IRS projects that IRA resources for Taxpayer Services will be entirely consumed. Without increasing funding as proposed in the new mandatory request, the achievements and advancements made by the IRS since enactment of the IRA are in danger of being negated.

## IRS FY 2025 Budget Highlights

FY 2025 IRS Budget Request	TAXPAYER SERVICES		ENFORCEMENT		TECHNOLOGY and OPERATIONS SUPPORT		TOTAL	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
<b>FY 2024 Annualized CR</b>	\$2,780,606	24,737	\$5,437,622	30,576	\$4,100,826	10,443	\$12,319,054	65,756
<b>Changes to Base:</b>								
<b>FY 2025 Maintaining Current Levels (MCLs)</b>	\$77,881		\$150,084		\$101,586		\$329,551	
Pay Annualization (5.2% average pay raise)	31,184		63,910		23,856		118,950	
Pay Raise (2.0% average pay raise)	36,450		74,702		27,884		139,036	
Non-Pay (2.2%)	10,247		11,472		49,846		71,565	
<b>Subtotal FY 2025 Changes to Base</b>	<b>77,881</b>		<b>150,084</b>		<b>101,586</b>		<b>329,551</b>	
<b>FY 2025 Current Services</b>	\$2,858,487	24,737	\$5,587,706	30,576	\$4,202,412	10,443	\$12,648,605	65,756
<b>Program Changes:</b>								
<b>Program Decrease</b>								
Staff Attrition to Offset Unfunded FY 2025 MCLs	(\$77,881)	(776)	(\$150,084)	(811)	(\$101,586)	(161)	(\$329,551)	(1,748)
	(77,881)	(776)	(150,084)	(811)	(101,586)	(161)	(329,551)	(1,748)
<b>Subtotal FY 2025 Program Changes</b>	<b>(\$77,881)</b>	<b>(776)</b>	<b>(\$150,084)</b>	<b>(811)</b>	<b>(\$101,586)</b>	<b>(161)</b>	<b>(\$329,551)</b>	<b>(1,748)</b>
<b>Total FY 2025 Request</b>	\$2,780,606	23,961	\$5,437,622	29,765	\$4,100,826	10,282	\$12,319,054	64,008
Dollar/FTE Change FY 2025 Request over FY 2024 Annualized CR		(776)		(811)		(161)		(1,748)
Percent Change FY 2025 Request over FY 2024 Annualized CR		-3.14%		-2.65%		-1.54%		-2.66%

Note: This table includes only discretionary appropriations

### Budget Adjustments

**Maintaining Current Levels (MCLs)..... +\$329,551,000 / 0 FTE**

**Pay Annualization (5.2%) +\$118,950,000 / 0 FTE**

Funds are requested for annualization of the January 2024 5.2 percent average pay raise.

**Pay Raise (2.0% in 2025) +\$139,036,000 / 0 FTE**

Funds are requested for a 2.0 percent average pay raise in January 2025.

**Non-Pay (2.2%) +\$71,565,000 / 0 FTE**

Funds are requested for 2.2 percent increase in non-labor expenses such as travel, contracts, rent, supplies, and equipment due to inflation.

**Program Decreases.....-\$329,551,000 / -1,748 FTE**

**Staff Attrition to Offset Unfunded FY 2025 MCLs -\$329,551,000 / -1,748 FTE**

The IRS will be forced to use IRA supplemental funds in order to offset the cost of increased MCLs in the base discretionary budget. Using supplemental funds to pay for activities that should be funded from the base creates operational risk for the IRS.

### Legislative Proposals

**For information on a complete list of the Administration's FY 2025 legislative proposals for improving tax administration and compliance and for sustaining the IRA funding through FY 2034, please follow this link: <https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals>**

The FY 2025 President's Budget includes two administrative provisions within the appropriations language that will provide Direct Hire Authority (DHA) and the ability to offer Streamlined Critical Pay (SCP) to certain new hires to accelerate IRS hiring efforts.

## Direct Hire Authority

Direct hire authority (DHA) provides the ability to expediate the normal hiring process to hire more efficiently during a severe shortage of highly qualified candidates or during a critical hiring need. Direct Hire Authority has helped the IRS address the backlog of paper tax returns and taxpayer correspondence. As the IRS works to rapidly implement plans to utilize IRA resources, expanded DHA will help ensure that hiring delays are not an obstacle for achieving broad mission related functions. The current DHA provision will expire in 2024; the proposal included in the Budget will extend DHA through 2027.

## Streamlined Critical Pay

Streamlined Critical Pay (SCP) authority gives the IRS a management tool to quickly recruit and retain a limited number of 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. The current SCP authority will expire in 2025; this proposal would extend it through September 30, 2031.

## IRS Performance Highlights

Performance Measures	FY2019 Actual	FY2020 Actual	FY2021 Actual	FY2022 Actual	FY2023 Actual	FY2023 Target	FY2024 Target*	FY2025 Target*
Customer Service Representative (CSR) Level of Service (LOS) <sup>1</sup>	65.4%	53.1%	18.5%	17.4%	51.8%	60.0%	60.0%	60.0%
LOS(A) (New FY 2023) <sup>2</sup>	79.2%	71.6%	38.2%	39.3%	66.4%	Baseline	65.0%	65.0%
Enterprise Self-Assistance Participation Rate	85.4%	90.6%	92.3%	93.9%	94.2%	94.0%	94.0%	94.0%
Exam Starts - High Income Individuals (new FY 2021) <sup>2,3,4</sup>	2,108	2,693	2,227	3,625	4,326	3,817	4,398	3,848
Exam Starts - Partnerships (new FY 2021) <sup>2,3,5</sup>	5,823	4,106	4,327	3,155	6,709	8,852	4,074	5,215
Exam Starts - Large Corporations (Assets>=\$250M) (new FY 2021) <sup>2,3,6</sup>	2,009	1,700	1,490	1,365	1,400	1,121	1,250	1,375
Criminal Investigations Completed <sup>7</sup>	2,797	2,624	2,766	2,552	2,584	2,500	2,500	2,500
Conviction Rate	91.2%	90.4%	89.4%	90.6%	88.4%	92.0%	92.0%	92.0%
Percent of Aged Hardware <sup>8</sup>	31.0%	16.0%	9.3%	7.1%	19.9%	20.0%	20.0%	20.0%

\*FY 2024 and FY 2025 targets assume all sources of available funding.

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

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

<sup>3</sup> This measure was an indicator in FY 2022 and transitioned to a measure with a target starting in FY 2023.

<sup>4</sup> Audits of high-income individuals (Total Positive Income (TPI) > \$1 million) may take a revenue agent upwards of 250 hours to complete.

<sup>5</sup> Due to the timing of hiring and the start date of the lengthy training cycle, the impact of hiring on performance is not immediate.

<sup>6</sup> The impact of hiring on performance is not immediate due to required training for new Revenue Agents and the average case cycle time of about 36 months for these large corporations.

<sup>7</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>8</sup> Target based on industry standard.

## Description of Performance

The FY 2025 budget request is \$12.3 billion, equal to and anticipated FY 2024 Annualized Continuing Resolution (CR) and the FY 2023 Enacted Budget level of \$12.3 billion. It contains various proposals that will increase financial flexibility for the IRS, improve efficiency in allocation of costs, and augment hiring efforts as the IRS continues to implement its transformation plans with IRA resources. These proposals include:

- Increasing IRS transfer authority so all available resources can be used most effectively; and
- Expanding Direct Hire Authority, which streamlines the hiring process, so that it can be used to accelerate hiring for new staff brought on to the IRS with IRA resources.

Collectively, these proposals will ensure that the IRS is making the best use of both its discretionary and IRA funding so that the IRS's transformation efforts can have the greatest impact.

The budget also includes a mandatory proposal that will avert the IRA funding "cliffs," after which IRA funds are exhausted for a given appropriation and will extend funding through FY 2034. This proposal would provide \$104 billion over the 10-year budget window and is estimated to generate an additional \$341 billion in revenue. It will ensure that the IRS's transformation efforts described in the Strategic Operating Plan can continue without delay.

In FY 2023, the IRS continued to provide service to taxpayers and to enforce the laws with integrity and fairness. Going forward the IRS is intently focused on implementing new strategies to improve the taxpayer experience and ensure that high-end tax evaders pay the taxes they owe. The historic funding the IRS received from IRA marks a transformational moment for the agency and an opportunity for the future of tax administration, taxpayers, tax professionals, and IRS employees. All measures referenced in the FY 2025 budget were derived assuming IRA funding supplementing base resources.

The IRS has struggled for many years to modernize due to insufficient resources. While the multi-year funding in the IRA is deeply appreciated, enhanced annual discretionary appropriations are still critical to cover basic IRS operations. Without that discretionary funding in place, the IRS will not be able to fully deliver on the promises of the IRA, jeopardizing the legislation's net deficit reduction impact. The IRS's core responsibilities include collecting more than \$4.7 trillion in gross taxes each year and generating approximately 96 percent of the funding for the United States Government.

### ***Taxpayer Services***

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

During filing season 2023, as of April 21, 2023 the IRS:

- Attained an 87 percent filing season level of service (LOS), defined as the relative success rate of taxpayers calling the toll-free line for assistance, a dramatic reversal from 15.5 percent LOS in filing season 2022.
- Received about 137 million individual tax returns and issued more than 85.9 million refunds totaling more than \$236 billion during filing season, with an average individual refund of \$2,753. 96 percent of these individual returns were filed electronically.
- Answered over 16 million calls during filing season, with 7 million being answered by IRS assistors and approximately 8 million being answered through automation.
- Served approximately 572,000 taxpayers face-to-face in the TACs during filing season. Around 907,000 taxpayers called the IRS's TAC appointment line, resulting in more than 454,000 appointments being scheduled. Approximately 452,000 taxpayers had their issues resolved without having to make an appointment. Since the enactment of the IRA, the IRS opened or reopened 54 TACs.



In fiscal year 2023, the IRS:

- In fiscal year 2023, the IRS: Achieved a rate of 96.4 percent of Timeliness of Critical Individual Filing Season Tax Products to the Public (e.g., tax forms, schedules, instructions, and publications) with 81 out of 84 products delivered timely, exceeding the FY 2023 target of 83 percent by 13.4 percent. The target for FY 2024 and FY 2025 is 89 percent.
- Achieved an accuracy rate of 91.4 percent in terms of Customer Accuracy – Tax Law, exceeding the target of 87 percent by 4.4 percent. The FY 2024 and FY 2025 target is 89 percent.
- Achieved an accuracy rate of 89.2 percent in terms of Customer Accuracy – Accounts, exceeding the target of 87 percent by 2.3 percent. The FY 2024 and FY 2025 target is 89 percent.

The Service is committed to continuing to deliver an improved experience for taxpayers. For FY 2024, the IRS is again striving to achieve an 85 percent LOS during the 2024 individual filing season and a 60 percent LOS for FY 2024 and FY 2025 as customer service representatives (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 and process the inventory. The IRS will also continue to explore opportunities to deliver even better taxpayer service through the rollout of additional self-service options, internal process improvements, and technology modernization.

The IRS continues to improve taxpayer services by developing and improving self-assistance tools. The Enterprise Self-Assistance Participation Rate (ESAPR) represents the percentage of taxpayer assistance requests resolved using self-assisted automated services. The ESAPR of 94.2 percent exceeded the target of 94 percent. In FY 2023, the total self-assisted services of 1.6 billion was 7.6 percent higher than FY 2022 of 1.5 billion, total assisted services of 99.4 million was 2 percent above the FY 2022 of 97.5 million, and total services were 1.7 billion which is 7.3 percent higher than prior year of 1.6 billion. Using self-assisted services, taxpayers made around 212 million electronic payments and accessed their Online Accounts during nearly 64.4 million sessions. The IRS expects to achieve a target ESAPR of 94 percent for FY 2024 and FY 2025.

### ***Enforcement***

In FY 2023, the IRS collected \$86 billion through enforcement programs, a return on investment (ROI) of about \$7 to \$1 compared to the IRS discretionary budget. This number is likely understated, since the ROI estimate does not include the revenue effect of the indirect deterrence value of IRS enforcement programs to increase the amount of taxes paid voluntarily.

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 IRS started 4,326 new high-income individual tax return examinations in FY 2023, surpassing the target of 3,817 by 509 starts. The agency is expanding enforcement for high-income and high-wealth individuals by pursuing non-compliance through a variety of mechanisms, including audits and non-audit contacts since income alone is not the only indicator of risk or complexity. Further, it takes several years of specializing in enterprise exams using a holistic approach to conduct the most complex audits. 3-5 years of experience is typically when an examiner can address the more difficult transactions (or be able to identify them). Compared to the same period in FY 2022,

Exam Starts - High Income Individuals increased 19.3 percent. The IRS expects to start 4,398 cases in FY 2024 and 3,848 in FY 2025. The IRS is committed to not increasing audit coverage for small businesses and households with annual incomes below the \$400,000 threshold compared to historic levels.

In FY 2023, the IRS completed 2,584 Criminal Investigations, exceeding the year-end target of 2,500 by 3.4 percent. Year-end results reflect an increase of 1.3 percent compared to FY 2022. Prosecution recommendations for cases of legal sources and narcotics nature decreased 13.1 percent and 3.0 percent, respectively, while cases of illegal nature increased 11.3 percent when compared to the same period in FY 2022.

Legal source cases include people that earn their income legally, but willfully violate the tax laws (tax evasion). Illegal source cases include embezzlement, mortgage fraud, telemarketing fraud, and money laundering. Narcotics cases are like illegal source cases; however, these cases are specific to profits and financial gains of organized drug groups involved in narcotics, narcotics trafficking, and money laundering. CI continues to utilize proven case development strategies, expand case development efforts, and leverage interagency partnerships to identify, initiate and complete significant criminal investigations in all program areas. IRS set a target of 2,500 for FY 2024 and FY 2025.

The FY 2023 Conviction Rate of 88.4 percent was 3.9 percent below the year-end target of 92.0 percent. Additionally, the FY 2023 number of convictions was 1,508, a 3.6 percent decrease compared to FY 2022. The IRS will set the Conviction Rate targets for FY 2024 and FY 2025 at 92.0 percent.

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

The Technology and Operations Support appropriation 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 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 Percent of Aged Hardware increased from 7.1 percent at the end of FY 2022 to 19.9 percent in FY 2023. Contributing to the increase in aged hardware were approximately 11,000 workstations which were originally purchased in FY 2018, and more than 2,000 routers and switches that were originally purchased in FY 2017. These all reached aged status simultaneously late in FY 2023. This represents an increase of more than 14,000 aged assets while total hardware decreased by over 4,000 during the fiscal year. The major driver in meeting the target of 20.0 percent was the focus on hardware selections and timely hardware refresh implementations. For FY 2024, IT will continue with risk-based management to prioritize funding of assets with highest risk values. The target for FY 2024 and FY 2025 will be 20.0 percent.

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

The Business Systems Modernization (BSM) appropriation provides resources for the planning and capital asset acquisition of IT to modernize the IRS business systems. No discretionary appropriated resources are being requested for the Business Systems Modernization appropriation

in FY 2025, but the IRS will be dedicating substantial IRA resources to modernization. The Budget proposes legislation to provide mandatory funding for the IRS for 2026 through 2034 for the agency's Business Systems Modernization account. The proposal would provide \$3.9 billion over 9 years to allow the IRS to complete its IRA technology transformation and cover ongoing initiatives and investments.