Fiscal Year 2024

Budget in Brief

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Department of the Treasury **Internal Revenue Service** www.irs.gov

Internal Revenue Service

Program Summary by Budget Activity

Dollars in Thousands

Internal Revenue Service Appropriated Resources	FY 2022 Operating Plan[1 2]		FY 2023 Enacted[3 4]		FY 2024 Request		FY 2023 to FY 2024 % 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		
Subtotal New Appropriated Resources	**72,648**	**$12,594,054**	**72,627**	**$12,319,054**	**78,178**	**$14,136,585**	**7.6%**	**14.8%**
Other Resources								
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[5 6 7]		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[8]	414	114,272	469	161,471	469	161,471	0.0%	0.0%
Subtotal Other Resources	**7,358**	**$2,333,313**	**13,117**	**$4,155,321**	**20,819**	**$6,508,681**	**58.7%**	**56.6%**
Total Budgetary Resources[9]	**80,006**	**$14,927,367**	**85,744**	**$16,474,375**	**98,997**	**$20,645,266**	**15.5%**	**25.3%**

[1] 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.

[2] FY 2022 Other Resources and Full-Time Equivalents (FTE) represent actuals.

[3] 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).

[4] 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.

[5] FY 2022 IRA Funding Usage includes amounts for Taxpayer Services ($1 million), Operations Support ($61 million), and Business Systems Modernization ($44 million).

[6] 85 percent of the IRA funded estimated FTE levels support non-Enforcement activities. FY 2023 IRA Funding Usage includes amounts for Direct eFile ($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).

[7] 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).

[8] Resources from Other Accounts reflect planned spending from Private Collection Agency retained earnings.

[9] 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.

Summary

The IRS FY 2024 budget request is $14.1 billion, $1.8 billion (about 15 percent) more than the FY 2023 Enacted level of $12.3 billion. This request provides funding to maintain basic IRS service, operations, and technology functions, which, when paired with IRA funding, will ultimately lead to increased voluntary tax compliance. The request also aims to ensure the IRS stays current with paper inventory receipts and can provide both live phone assistance and in-person service; facilitates optimal oversight of high income, large corporate, and large partnership tax returns; and maintains digital tools to enable efficient and cleaner communication with taxpayers.

The budget request contains program increases totaling $999.4 million that include resources to:

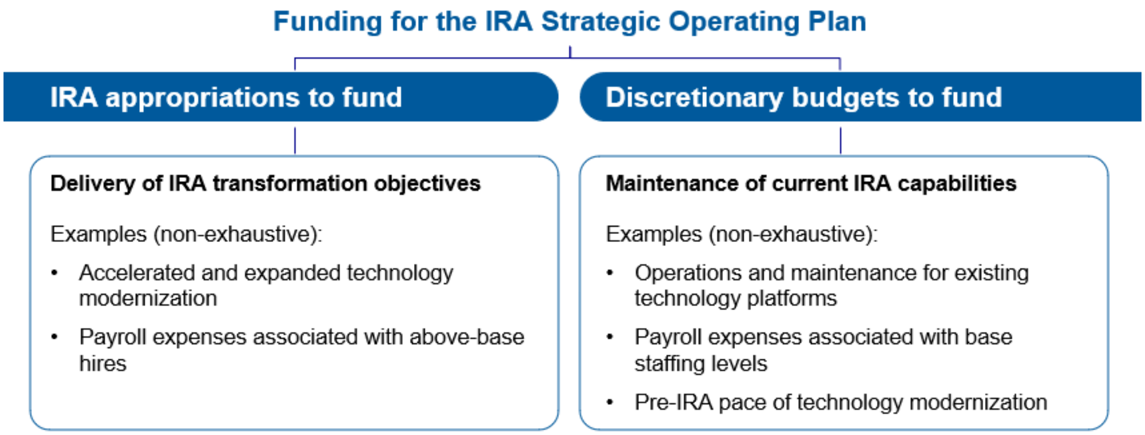
- Improve Telephone Level of Service and Reduce Correspondence Inventory ($267.2 million),
- Implement Green Tax Credit Legislation ($105.6 million),
- Improve the Taxpayer Experience ($41.4 million),
- Restore Staffing Levels ($167.6 million),
- Invest in Fleet Electrification and Sustainable/Resilient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

It also funds costs associated with the FY 2023 pay annualization, FY 2024 pay raise, and non-pay inflation, as well as costs associated with other base adjustments to maintain current services.

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 we also continue 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 Service 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 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, 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 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.



In FY 2022, the IRS delivered a successful filing season that opened January 24, 2022, two weeks earlier than in 2021. During the 2022 filing season, as of April 22, 2022, the IRS:

- Received about 139 million individual tax returns and issued more than 88.7 million refunds totaling more than $267 billion, with an average individual refund of $3,012. Almost 96 percent of these individual returns were filed electronically.
- Answered nearly 21 million calls, with almost 5 million being answered by IRS assistors and approximately 16 million being answered through automation.
- Served approximately 434,000 taxpayers face-to-face in the Taxpayer Assistance Centers (TAC). More than 420,000 taxpayers called the IRS's TAC appointment line, resulting in approximately 205,000 appointments being scheduled. Approximately 115,000 taxpayers had their issues resolved without having to make an appointment.
- Received 609 million visits to the IRS.gov website with 334 million *Where's My Refund?* completions. This represents a 50 percent decrease in the use of IRS.gov and a 19 percent decrease in *Where's My Refund?* compared to the same period during 2021.
- However, the IRS only attained a 15.5 percent filing season level of service (LOS), defined as the relative success rate of taxpayers calling the toll-free line for assistance. Constrained resources were focused on reducing correspondence inventory to healthy levels. IRA resources, in tandem with discretionary funding, will allow a significant improvement in FY 2023 and FY 2024.

Already in FY 2023, the IRS is significantly improving service. During the 2023 filing season, which is still ongoing, the 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.
- Implemented a new online portal that allows small businesses to e-file 1099 forms for the first time.
- Is on track to triple the number of taxpayers served at TACs (from 900,000 to 2.7 million) with increased staffing at TACs to help more taxpayers in-person and having reopened four TACs that had been closed for years.
- Created an option for taxpayers to respond to common requests for additional documentation for credits like the Earned Income and Health Insurance Credits, online.

- Expanded customer callback for phone lines for taxpayers who would prefer a call back than waiting.

Notification of Changes to the Appropriations

The IRS has identified support costs which 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:

- 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 FTE between the Taxpayer Service, Enforcement, and Operations Support accounts (currently these costs are fully charged to Operations Support). For FY 2024, this would 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 to the Enforcement 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.

IRS FY 2024 Budget Highlights

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[1]	**$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%

[1] 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).

Budget Adjustments

Maintaining Current Levels (MCLs)………………..………………………………….………………..…… +$536,665,000 / 0 FTE

<u>Pay Annualization (4.6%) +$106,749,000 / 0 FTE</u>

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

<u>Pay Raise (5.2% in 2024) +$370,725,000 / 0 FTE</u>

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

<u>Non-Pay (2.0% in 2024) +$59,190,000 / 0 FTE</u>

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

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 IRS requires another $281 million to reach current operating levels. The additional base adjustment entails supplementary labor costs within Taxpayer Services and Enforcement.

<u>FERS Law Enforcement Increase +$50,234,000 / 0 FTE</u>

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 and Effectiveness 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.

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

The IRS is requesting $187 million to shift some taxpayer services work from seasonal to permanent staffing. Thousands of additional seasonal staff have been required in recent years to address increased demand for taxpayer services. However, 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. Permanent staff 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

The Taxpayer First Act, P.L. 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

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 across multiple business units. Funding is also necessary for 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 anticipates 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.

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

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.

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

This investment will begin to restore critical staffing that 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 more than 10,000 positions since 2012, predominantly 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. 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

IRS Criminal Investigation (IRS-CI) operates a fleet of 2,225 gas vehicles at an annual cost of approximately $13 million. Each of these vehicles typically has a five to six-year lifespan, resulting in an average of 400 vehicles being replaced annually. As mandated by President Biden's Executive Order 14057, "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 annual costs to operate the fleet 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.

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

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.

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

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

Although IRS received $4.75 billion in BSM funding in IRA, the modernization required to support 21st century tax administration requires sustained annual discretionary funding in addition to mandatory funding. Successful implementation of the forthcoming IRA Strategic Operating Plan 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.

Prior to the passage of the IRA, the IRS utilized BSM funding for many different high-impact modernization initiatives. As an example, the IRS is actively implementing a single, modernized enterprise case management (ECM) system to consolidate the capabilities of over 60 disparate systems. This will result in the retirement and consolidation of legacy applications, delivering operational efficiencies, and transparent case processing for taxpayers. A portion of this investment will provide system engineering management capabilities, including systems strategy, architecture, and engineering capabilities.

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

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.

Legislative Proposals

For information on the FY 2024 revenue legislative proposals, please follow this link: https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals

The FY 2024 President's Budget includes two new 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 expedite 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 and is a tool that can assist 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.

Streamlined Critical Pay

Streamlined Critical Pay 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.

IRS Performance Highlights

Budget Activity	Performance Measures	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2023 Target	FY 2024 Target
Filing and Account Services	Customer Service Representative (CSR) Level of Service (LOS)[1]	53.1%	18.5%	17.4%	30.0%	60.0%	80.0%
Filing and Account Services	LOS(A) (New FY 2023)[2]	71.6%	38.2%	39.3%	N/A	Baseline	TBD
Pre-Filing Taxpayer Assistance and Education	Enterprise Self-Assistance Participation Rate	90.6%	92.3%	93.9%	91.0%	94.0%	93.0%
Exam and Collections	Exam Starts - High Income Individuals (new FY 2021)[2,3,4]	2,693	2,227	3,625	Indicator	3,817	4,830
Exam and Collections	Exam Starts - Partnerships (new FY 2021)[2,3,5]	4,106	4,327	3,155	Indicator	8,852	5,253
Exam and Collections	Exam Starts - Large Corporations (Assets>=$250M) (new FY 2021)[2,3,6]	1,700	1,490	1,365	Indicator	1,121	947
Investigations	Criminal Investigations Completed[7]	2,624	2,766	2,552	2,600	2,500	2,500
Investigations	Conviction Rate	90.4%	89.4%	90.6%	92.0%	92.0%	92.0%
Information Services	Percent of Aged Hardware[8]	16.0%	9.3%	7.1%	20.0%	20.0%	20.0%

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

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

[2] Historical data provided for comparative purposes.

[3] This measure was an indicator in FY 2022 and transitioned to a measure with a target starting in FY 2023.

[4] Audits of high-income individuals may take a revenue agent upwards of 250 hours to complete.

[5] 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.

[6] 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).

[7] 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).

[8] Target based on industry standard.

Description of Performance

In FY 2022, 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 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 2024 budget were derived assuming IRA funding as well as fully funded FY 2024 requests, including maintaining current levels and program increases.

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, IRS will both not be able to maintain basic service, operations, and staffing levels, or 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 trillion in gross taxes each year and generating approximately 96 percent of the funding that supports the Federal government's operations. In addition to monies collected, the IRS paid out more than $600 billion in tax refunds, credits, and other payments, demonstrating Congress' intent for the IRS to serve its essential role as both a tax and benefits administrator.

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. In FY 2022, 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 2022 target of 89 percent by 8.3 percent. The FY 2023 and FY 2024 targets are 83 and 89 percent, respectively.
- Achieved an accuracy rate of 92 percent in terms of Customer Accuracy – Tax Law, exceeding the target of 89 percent by 3.4 percent. The FY 2023 and FY 2024 targets are 87 and 89 percent, respectively.
- Achieved an accuracy rate of 91.8 percent in terms of Customer Accuracy – Accounts, exceeding the target of 89 percent by 3.1 percent. The FY 2023 and FY 2024 targets are 87 and 89 percent, respectively. IRS will continue to monitor results through data-driven analysis of reports to achieve future goals.

The IRS is committed to delivering an improved experience for taxpayers. For FY 2023, the IRS is striving to achieve an 85 percent CSR LOS during the 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. In addition to live assistors, the IRS also provides phone service to taxpayers using automated assistance. During FY 2022, nearly 34 million taxpayers received the answer to their questions through automation on accounts management lines. The new LOS(A) measure referenced above will help capture this more robust aspect of how taxpayers receive help from the IRS.

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 CSR 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.

The IRS continues to improve taxpayer services by developing and improving self-assistance tools. The Enterprise Self--Assistance Participation Rate (ESAPR) represents the percent of taxpayers who use one of the IRS's self-assistance service channels (e.g., automated calls, web services) versus needing assistance from an IRS employee (e.g., face-to-face, over the phone, or via paper correspondence). In FY 2022 ESAPR was 93.9 percent, exceeding the target of 91 percent by 3.2 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. 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.

Enforcement

In FY 2022, the IRS collected $72.4 billion through enforcement programs, a return on investment (ROI) of about $6 to $1 compared to the IRS appropriated budget. This number is likely understated, since the ROI estimate does not include the revenue effect of the indirect deterrence value of IRS enforcement programs.

The 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 3,625 new High-Income Individual tax return examinations in FY 2022, an increase of 62.8 percent over FY 2021, while continuing to allocate resources to work the exams started in prior fiscal years. Throughout the year, the IRS will monitor resources, work in process and planned starts while continuing to devote senior level staff to train new hires. After factoring in the additional IRA funding, the IRS expects to start 3,817 cases in FY 2023 and 4,830 in FY 2024. The IRS is committed to not increasing audit coverage for small businesses and households below the $400,000 threshold a year compared to historic levels.

The IRS-CI division serves the American public by investigating potential criminal violations of the Internal Revenue Code and related financial crimes in a manner that fosters confidence in the tax system and compliance with the law. In FY 2022, IRS-CI completed 2,552 criminal investigations and achieved a conviction rate of 90.6 percent. The criminal investigations completed performance measure has a target of 2,500 for FY 2023 and FY 2024; the FY 2023 and FY 2024 conviction rate target is 92.0 percent.

Operations Support

The Percentage of Aged Hardware measure shows the quantity of IT hardware in operation past its useful life as a percentage of total hardware in use. The IRS 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 the total number of hardware assets increased slightly during the fiscal year. The major driver in exceeding this goal was the focus on hardware selections and timely hardware refresh implementations. The IRS will maintain a target of 20 percent for FY 2023 and 2024. The industry standard for aged hardware is in the range of 20-25 percent.

Business Systems Modernization

To dramatically improve the taxpayer experience, the IRS must accelerate delivery of modern technology capabilities at a pace and scale that IRS has never 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 IRS systems from cyber threats. Funds provided to IRS under IRA will be used for this purpose, although as noted above, IRA funding alone will not be sufficient to achieve the full scale of technology transformation needed.

In the upcoming years, the IRS will modernize its information technology to enhance the taxpayer experience, which will improve communications with individual and business taxpayers and third parties. Over time, the enhancements delivered 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. For example, taxpayers, both individual and business, will have access to secure online accounts, where they can seamlessly interact with the IRS, view historical data, manage refunds, and make payments. The IRS will also implement modernized technologies to improve customer support and response time in call centers. Taxpayers can already request customer callback, conduct automated chats, and utilize natural language processing on the highest priority services, which help avoid long wait times, especially during the filing season.

The IRS will ensure a fair and equitable system for all taxpayers by increasing compliance activities for high income/high-wealth taxpayers, large corporations, and large partnerships that pose a high risk of non-compliance. In FY 2024, the IRS will expand its compliance workforce by hiring staff with deep accounting and tax expertise to audit sophisticated high income tax evaders. The IRS will 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 technology by shifting its focus to user-centered applications, which are arguably the most critical enablers of its mission. 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. 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 it transforms and achieves objectives in the taxpayer service and enforcement areas.