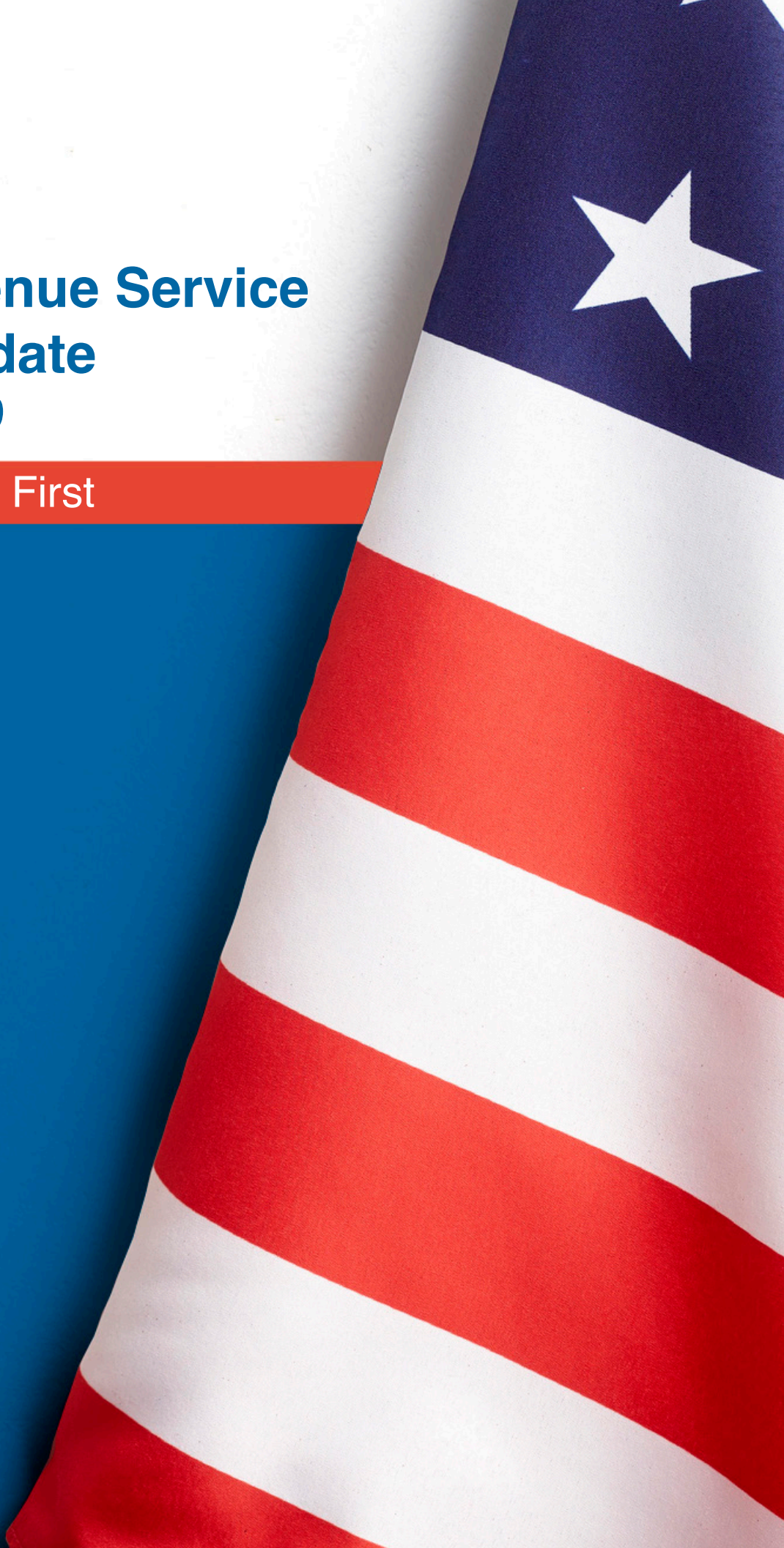


# Internal Revenue Service Progress Update Fiscal Year 2019

Putting Taxpayers First





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## COMMISSIONER'S MESSAGE

### Our people are the strength of the IRS and we want to do more!

I'm Chuck Rettig, Commissioner of the IRS, and I'm pleased to present this progress update for our agency for Fiscal Year (FY) 2019. This report is about more than what happened during the past year. It's also designed to provide insight into the people proudly serving this country on behalf of the IRS, and provide a glimpse into the future, by explaining what we're doing to enhance the experience of everyone who interacts with us, either directly or indirectly. We are endeavoring to move forward, across all lanes, by operating through the eyes of taxpayers and others as we earn the respect and trust of every American.

The IRS touches more Americans than any other entity, public or private. While the IRS is well-respected as the nation's tax administrator, many are less aware of the extent of our efforts in helping people throughout our country. We continually strive to put taxpayers first. Our employees make a difference, they care, and they take pride in serving taxpayers and our country.

The continued success of our country depends, in significant part, upon the continued success of the IRS. In FY19 we accounted for approximately \$3.56 trillion in gross receipts, almost 96% of the gross revenue received on behalf of the United States. We make it possible for the government to perform its vital functions, ranging from social security payments, roads and other infrastructure to the

nation's military. It is important for our country to function properly. It is just as important for the IRS to function properly in order to provide the resources for the United States to be effective within and outside its borders.

I recently completed my first year as IRS Commissioner, and I remain proud and excited to work alongside the dedicated workforce as we move ahead together. It is crucial to provide our employees with clear, meaningful career opportunities and ongoing, meaningful training. Without question, our employees are the absolute strength of the IRS and maintain an unwavering commitment to helping our country help others.

The 2019 filing season was a great success as the IRS put in place the biggest set of tax law changes in more than 30 years with implementation of the Tax Cuts and Jobs Act (TCJA). And this occurred even as we opened the tax filing season the same day the lapse in government funding concluded. We are extremely proud of the Tax Reform implementation team and the fact they were designated by a national tax publication as the "Tax Team of the Year" for their efforts. These employees—from all our business units and Information Technology (IT) worked tirelessly from before the law's passage in December 2017 through holidays, family events and the lapse to bring about a historically successful filing season.

During this period, millions of taxpayers received valuable assistance in person, on the phone and online with help from

groups across the agency, ranging from our Independent Office of Appeals to the Taxpayer Advocate Service (TAS.) Our innovation lab created new tools like the [Tax Withholding Estimator](#) and gave people a different look at taxes through the [@IRSnews Instagram account](#), both of which arrived to strong reviews reminding people that we care about their interactions with the IRS.

In addition to providing valuable services to taxpayers, our employees are proud to continually support and give back to their local communities throughout the country. They provide significant support for those devastated by hurricanes and wildfires, help the less fortunate through local community projects, volunteer to prepare tax returns for low-income, limited English proficiency and older Americans and selflessly make many other important contributions on behalf of others.

In 2019, IRS call-center employees once again assisted the Federal Emergency Management Agency (FEMA). When Hurricane Dorian came ashore, more than 2,200 IRS employees were trained through Labor Day weekend to handle calls and 17 IRS Criminal Investigation special agents were deployed to assist with security. Over the past six years, more than 9,000 IRS employees have assisted FEMA in these situations by handling more than 1.3 million disaster related calls.

Every IRS employee, whether directly or indirectly involved in any aspect of the overall Service-wide efforts, is making a positive difference. We are "One Team"



“The future of the IRS belongs to us. If we stand together, shoulder to shoulder and focused on our mission, there is no limit to what we can do.”

–IRS Commissioner Chuck Rettig, in a message to employees, 5/6/19

and the often less-visible individual efforts of some are as important as the sometimes more visible overall team efforts. However, rest assured that our team operates together supporting each other, as individual members of a single team, while we continue to diligently pursue our Mission. Every employee is important to our overall mission, none more or less so than any others.

As a tax professional with 36 years of experience in the private sector, I continue to see tax compliance as a cornerstone of our work that involves the entire agency. In every interaction, we need to continue thinking about taxpayers and how to work with them more effectively. Every interaction with each and every taxpayer is important to the IRS on both an individual and a global basis. Every employee is effectively an “IRS Ambassador” proudly serving the IRS and our country. Every interaction is important to us and to our country. We value our diverse and inclusive community of IRS employees located around the world and are proudly respectful and reflective of the taxpayer communities we are serving. As technology evolves, our IT and online services representatives will continue to expand our online and digital tools available to taxpayers and tax professionals without ignoring traditional methods of interacting with others.

The value of taxpayer services must be measured through the eyes of the taxpayer. We are highly focused on enhancing the experience of all taxpayers but especially unrepresented, lower income and limited English proficiency taxpayers

in their interactions with the IRS. We support the delivery of meaningful interactions across multiple channels including options with customized, in language, culturally sensitive services. We have continued our significant outreach throughout the country. We must continue to provide clear, meaningful and timely guidance, forms and instructions in plain language—and in non-English languages—to better assist and appropriately respect the expanding communities in our country. Providing high-quality, personalized service is a critical component in helping taxpayers understand and comply with their filing and reporting obligations.

I’m proud of our efforts running a balanced enforcement program to ensure integrity and faith in our tax system. We are making important progress in the compliance area by taking new steps on emerging issues like virtual currency, syndicated conservation easements, **micro-captive insurance shelters** and employment tax non-compliance while leveraging evolving technologies and using real-time data and analytics. Our compliance employees have a commitment to fraud awareness as we continue our enforcement efforts in the offshore and other more traditional compliance-challenged arenas. We must remain well positioned to leverage accelerated advances in data, analytics and AI. We want to maintain a visible, robust enforcement presence as we continue to explore innovative strategies and techniques in support of our mission.

In the year ahead, we have many exciting things on the horizon. We are embarking

on a journey about how to best provide our services and how we’re currently organized, as we work to implement provisions in the **Taxpayer First Act** and help improve our working relationships with taxpayers and others. We’ve had many thoughtful, energizing internal and external townhalls and conversations regarding improvements to IRS operations. We want to get this right and, working together, I’m confident that we will!

We will also work to put in place the concepts outlined in the IRS Integrated **Business Modernization plan** unveiled in April. We will continue to put taxpayers first, recognize the critical role our workforce plays in fulfilling our mission and make improvements across our operations. We also must work hard to enhance every perspective of the taxpayer experience while enhancing both civil and criminal enforcement efforts and numerous other priorities.

We are making a difference, and we will not stop in the successful pursuit of our mission on behalf of the greatest country in the world. Given everything that’s been accomplished over the past year, I’m still extremely proud to be able to say, “I’m Chuck Rettig, and I work with the Internal Revenue Service.” We’re a large federal government organization, run by people—people who care. In our work to serve taxpayers we believe we’ve made great strides during 2019, but we want to do more! All of us at the IRS want to do more in every area...and, working together, we will.

–Chuck Rettig

# About the Internal Revenue Service

## History

The IRS is one of the oldest bureaus in the United States Government. Article 1, Section 8 of the Constitution gave the federal government the power to:

**“lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States...”**

In 1862, President Lincoln and the Congress established the Bureau of Internal Revenue and the nation’s first income tax. In 1953, the Bureau of Internal Revenue’s name was changed to the Internal Revenue Service (IRS).

In FY 2019, the IRS added a new, interactive feature on IRS.gov to highlight the agency’s history. Visit the IRS History Timeline at: [www.irs.gov/irs-history-timeline](http://www.irs.gov/irs-history-timeline).

## Mission

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.

## Vision

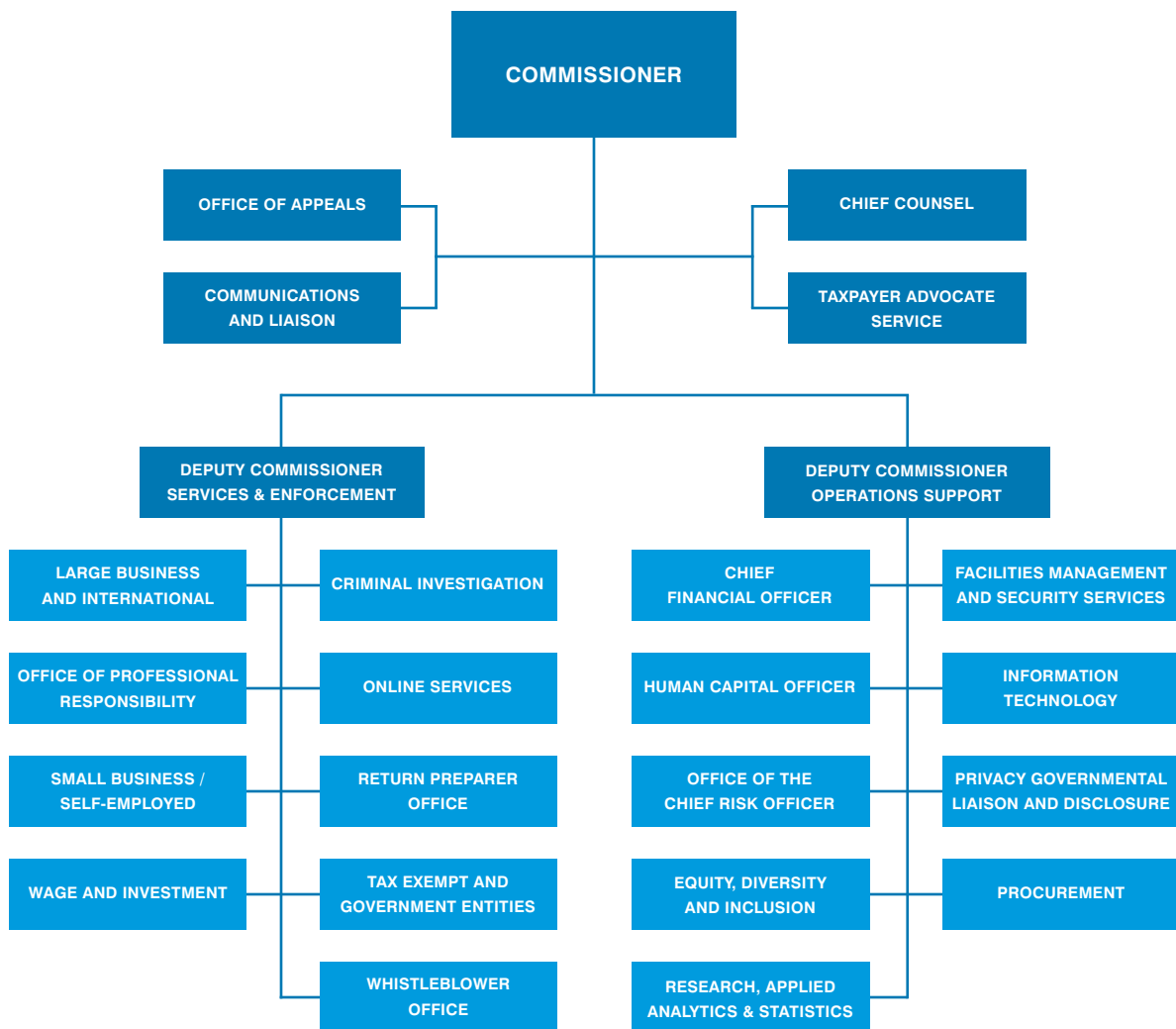
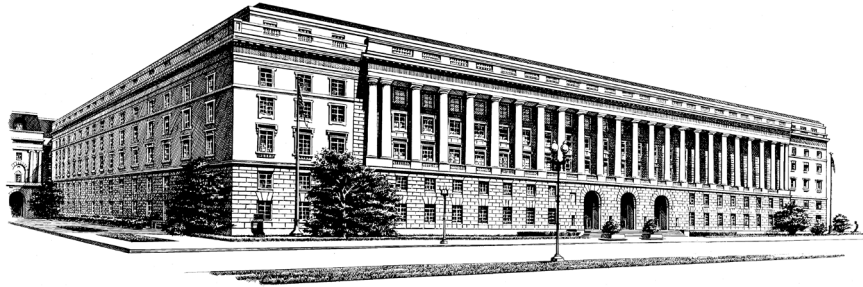
The IRS will uphold the integrity of the nation’s tax system and preserve the public trust through the IRS’s talented workforce, innovative technology and collaborative partnerships.

## Core Values

- Honesty and Integrity
- Respect
- Continuous Improvement
- Inclusion
- Openness and Collaboration
- Personal Accountability

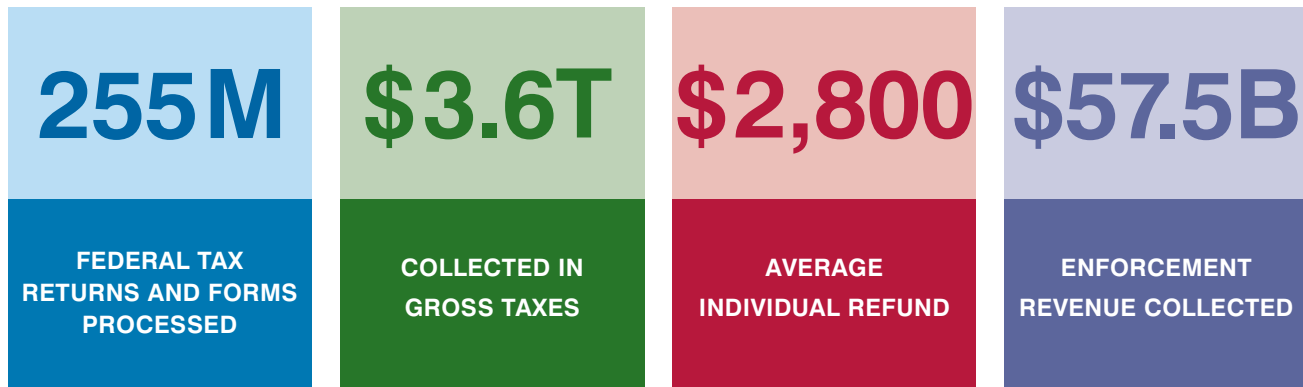
## Organization

The IRS’s core operations include collection of individual and corporate taxes, filing and processing tax returns, taxpayer assistance, enforcement of the tax laws through examination and collection, as well as criminal investigation of tax crimes. The wide IRS portfolio also includes tax-exempt organizations, tax-exempt bonds, multiple refundable tax credits, and other specialized programs. IRS operations are supported by four business units focused on unique groups of taxpayers: individual taxpayers, small business owners, large corporations and offshore activities, and tax-exempt and government entities.



## How the IRS Serves the Country

The IRS and its employees take pride in collecting more than 95 percent of the revenue that funds key operations in the United States. The IRS is one of the world's most efficient tax administrators. Some key performance achievements in FY 2019:





“We are committed to the principals of sound tax administration as we continue to interact with more Americans than any other institution, public or private. We must maintain appropriate levels of staffing at points of significant taxpayer contact. Evolving technologies have fundamentally changed the expectations of those who interact with the IRS. In this regard, it is important that we continue to invest in our employees by providing appropriate training in the use of these technologies and the importance of using available data, analytics and Artificial Intelligence in the pursuit of our mission. Individually and collectively, we want to do more.”

Chuck Rettig , IRS Commissioner

## State of the IRS Workforce

In FY 2019, the IRS employed about 78,004 employees, including more than 12,600 temporary and seasonal staff. The IRS gained 1,593 full time positions between FY 2018 and FY 2019, although staffing levels remain well below levels in previous decades.

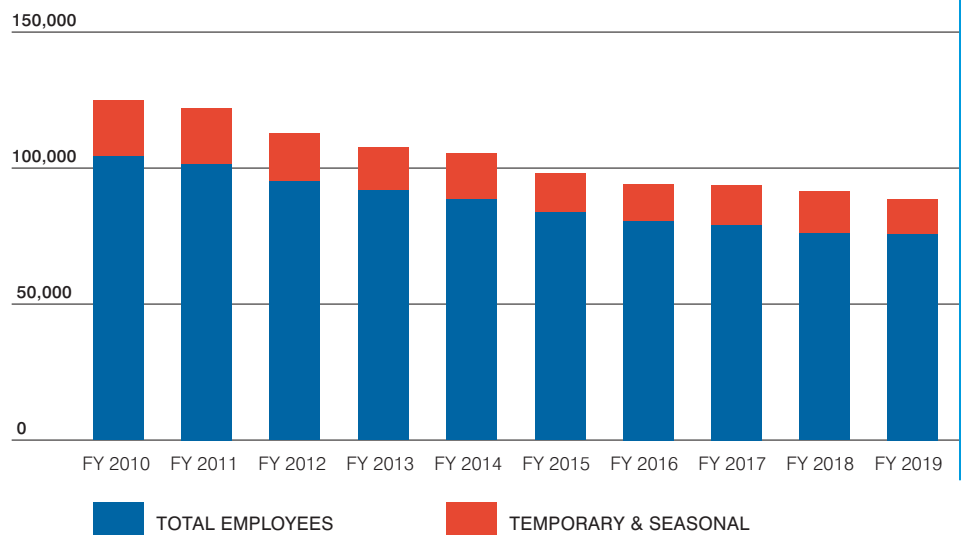
The IRS lost more than 29,618 full time positions between FY 2010 and FY 2019, which includes Information Technology, Operations Support, Taxpayer Service and Enforcement personnel. These losses included Revenue Agents and Revenue Officers who audit returns and perform collection activities; and Special Agents in the IRS’s Criminal Investigation organization which investigates tax-related crimes and other issues. These losses directly correlate with a steady decline in the number of individual audits during the past nine years.

The IRS anticipates up to 31 percent of its current workforce (about 19,719 full-time employees) will retire within the next five years, creating a significant risk of a large knowledge and experience gap for the nation’s tax agency.

In FY 2019, the IRS made progress in addressing its resource limitations by rescinding exception-only hiring policies in place since FY 2011 and adding efforts to hire new staff across all age groups.

The IRS continues to make strategic shifts within its existing workforce to accomplish its current and future goals and meet the needs of taxpayers. However, the recent passage of P.L. 116-25, Taxpayer First Act, signed July 1, 2019, created a new request for the IRS. The agency must submit to Congress by the end of FY 2020 a comprehensive proposal to redesign the organization of the IRS to better support America’s taxpayers. The IRS has not had a major reorganization of its structure since implementation of the IRS Restructuring and Reform Act of 1998.

## IRS Employees by Fiscal Year



# IRS 2018–2022 Strategic Plan

The IRS FY 2018–2022 Strategic Plan articulates the IRS’s vision of becoming a more taxpayer-centric and modern agency.

The core of the IRS vision for the future is to enhance the taxpayer experience operating through the eyes of the taxpayer.

The IRS strives for excellent service to taxpayers and their representatives through their preferred service channel. The IRS also aims to reduce taxpayer burden and preempt noncompliance issues, allowing the IRS to focus enforcement on more complex cases and intentional abuses of tax law.

The IRS’s ability to provide high-quality taxpayer service and maintain the integrity of the tax system requires modern, secure, and nimble operations, as well as a sustained and talented workforce. As the IRS strives to provide service to taxpayers and their representatives and ensure successful implementation of changes in tax laws, the IRS is embracing and integrating data into its culture. Using analytics, the IRS strives

to continuously improve all facets of its operations— taxpayer service, enforcement efforts and a range of internal operations— maximizing learning from tests and data. The IRS is committed to using this research to guide organizational priorities. Greater collaboration with a variety of partners, such as government agencies, international tax administrations, software providers, and industry groups will enable the IRS to deliver on its mission more effectively and efficiently.

The FY 2018–2022 IRS Strategic Plan serves as a roadmap to guide resource decisions, programs and operations to meet the changing needs and expectations of taxpayers and members of the tax community who serve taxpayers.

The following six strategic goals reflect the Commissioner’s priorities and will guide the IRS in moving forward over the coming years.

## **GOAL 1**

### **Empower and enable all taxpayers to meet their tax obligations**

We will empower taxpayers by making it easier for them to understand and meet their filing, reporting and payment obligations. We continue to add and enhance tools and support to improve taxpayers' and tax professionals' interactions with the IRS on whichever channel they prefer.

## **GOAL 2**

### **Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code**

The American tax system is based on voluntary compliance and supported by appropriate enforcement. As part of the IRS's efforts to close the tax gap, we will pursue innovative approaches to understand, detect and resolve potential noncompliance. We will use behavioral insights on how people process and react to information. This will inform how we design programs to encourage voluntary compliance.

## **GOAL 3**

### **Collaborate with external partners proactively to improve tax administration**

Partnerships with IRS stakeholders enrich service to taxpayers. Collaboration will yield innovative solutions to pressing problems, improving the taxpayer experience. We will engage partners to improve service and outreach to taxpayers, enhance global collaboration and share leading practices.

## **GOAL 4**

### **Cultivate a well-equipped, diverse, flexible and engaged workforce**

IRS employees are committed to serving the American taxpayer. We strive for a culture that values innovation, welcomes multiple perspectives and celebrates diversity. The IRS's approach to development will be complemented by a forward-looking talent management strategy that considers future business and stakeholder needs.

## **GOAL 5**

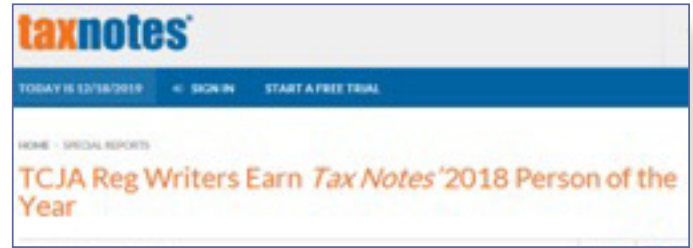
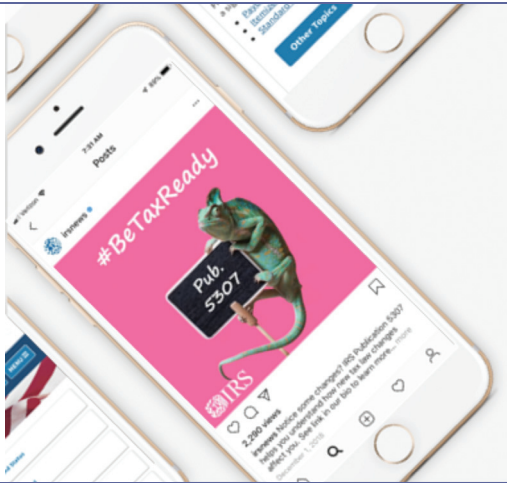
### **Advance data access, usability and analytics to inform decision-making and improve operational outcomes**

We'll continue to use data to drive decisions and make the most effective use of resources. Advancements across the full data lifecycle—from collection to storage to access to analysis—will allow the IRS to better deploy data and implement insights. Improving data and analytics provides repeatable processes for selecting and assigning work.

## **GOAL 6**

### **Drive increased agility, efficiency, effectiveness and security in IRS operations**

We will focus on streamlining and simplifying IRS business processes to serve taxpayers better and improve IRS stewardship of taxpayer resources. Efficient operations and modern infrastructure are the foundation of a stable, reliable organization and are essential elements of sustaining excellent service and enforcement capabilities. Strong data systems are critical to safeguarding taxpayer and employee data from threats.



## Goal 1

Empower and enable all taxpayers to meet their tax obligations

The IRS is dedicated to improving the taxpayer experience, so that taxpayers and their representatives can understand and meet their tax obligations with as little burden as possible.

The IRS's aim is to increase voluntary compliance through simplifying the processes for tax filing, correction and payment, improving education and outreach on taxpayer rights and obligations, and modernizing and expanding service channels to meet taxpayer needs.

### FY 2019 Tax Filing Season: Implementing the Tax Cuts and Jobs Act (TCJA)

The most visible taxpayer service the IRS provides each year is the delivery of a smooth, reliable tax filing season. The 2019 filing season presented some challenges for the IRS that included the implementation of the Tax Cuts and Jobs Act (TCJA) and the government shutdown just as the IRS was in the final stages of preparation for the filing season.

Implementation of the TCJA required immediate changes to instructions and processing procedures, as well as technical and systemic changes needed

within extremely compressed timeframes. The IRS's top priority was to ensure taxpayers and tax professionals had the information they needed and the support of knowledgeable IRS employees to help fulfill tax obligations with the least possible burden.

The IRS's efforts to implement the new tax law extended into many different areas that affected taxpayers in many ways. These efforts included:

- Creating or revising more than 500 IRS forms and publications
- Reprogramming IRS information technology systems with special focus on return processing, payment and fraud detection systems
- Training IRS employees so they could assist the public in understanding how the tax law changes applied to them
- Providing education and outreach to taxpayers and tax professionals to increase their understanding of the various tax changes including a year-round effort encouraging taxpayers to conduct a Paycheck Checkup to review their tax withholding
- Developing the legal guidance that taxpayers and tax professionals need to understand and navigate the new law



## New Forms, Instructions, and Publications

The IRS's efforts to create, revise and update various Tax Year (TY) 2018 filing season tax products reached across all types of individual and business returns. For example:

- The IRS developed and heavily promoted new IRS Publication 5307, *Tax Reform Basics for Individuals and Families*, which the IRS had translated into seven languages. Publication 5307 provided an overview of TCJA provisions that affect individual taxpayers and highlighted the changes to deductions, retirement plans, and dependent benefits for the 2018 tax year.
- The IRS published numerous new forms, instructions, and publications on business and tax exempt and government entities provisions including the excise tax on large college endowments, unrelated trade or business reporting, and expanded access to retirement funds in case of disaster.
- The IRS streamlined Form 1040, *U.S. Individual Income Tax Return*, into a shorter, simpler form for the 2019 tax season. Based on feedback from the tax community, additional improvements were made to the TY 2020 Form 1040 to ensure taxpayers have an even better experience, including reducing the number of schedules.

- The IRS also developed Form 1040-SR, *U.S. Tax Return for Seniors*. The new form will be used for the first time in the 2020 filing season and is designed specifically for taxpayers age 65 and older.

## Tax Withholding

Since the implementation of TCJA, the IRS has been encouraging taxpayers to do a "Paycheck Checkup," to ensure they are not over- or under-withholding at tax time, by using the Withholding Calculator on IRS.gov. In July 2019, the IRS redesigned and renamed this online tool. The IRS's new **Tax Withholding Estimator** is even more user friendly and covers a wider range of tax situations.

To account for major changes resulting from tax reform legislation, the IRS developed a new Form W-4, *Employee's Withholding Allowance Certificate*, for TY 2020. This is a tax form completed by an employee in the United States to indicate his or her tax situation to the employer. During this effort, the IRS worked to ensure the new design would provide simplicity, accuracy and privacy to employees. The IRS incorporated feedback from stakeholders, including tax practitioners and the payroll community, to ensure the new form would minimize burden on employers and payroll processors.

## Reprogramming IT Systems

To prepare for the 2019 filing season, the IRS identified required computer programming changes needed to process new or revised tax forms. For example, the IRS changed computer programming to account for new lines on certain tax forms and capture the value from those new lines for tax return processing. The IRS updated business rules used to validate information included on e-filed tax returns for acceptance into return processing, as well as error resolution codes used to identify mathematical and clerical errors on a tax return. By the start of the 2019 filing season, these changes were in place and all information technology functional testing was complete with all critical defects resolved.

The TCJA required the IRS to perform computer programming changes and updates for 69 of the 119 provisions. The IRS estimated these changes and updates affected 128 information technology systems. Information technology work requests required the creation of 275 new e-file business rules, updates to 36 existing e-file business rules, and deletion of 248 e-file business rules no longer needed. The IRS also created four new error resolution codes and updated 22 existing error resolution codes.

# VITA 50 ANNIVERSARY



VITA – One Tax Season At A Time Since 1969!



One tax season at a time since 1969! Commissioner Rettig sent a personal email to the more than 600 IRS employees who volunteered this year with the Volunteer Income Tax Assistance and Tax Counseling for Elderly (VITA/TCE) program to thank them. Together with other volunteers, more than 3.5 million tax returns were filed with their help. (August 2019)

About 770 of 1,200 total tax products required revisions for the 2019 filing season. More than 500 of those products were affected by the TCJA. Computer programming requirements were issued for about 200 different forms of which roughly 150 were affected by the TCJA. Almost 600 products needed early releases for review by partners in the tax community.

The IRS took a novel approach to tax reform implementation considering the significant tax processing changes and condensed timeline. For example, the IRS collaborated early with internal groups to enhance and innovate the practices used each filing season. The IRS used an approach called “Rapid Requirements Elicitation,” which allowed the IRS to identify necessary system changes faster, with greater agility and efficiency. The IRS established new forums that allowed closer coordination, which mitigated the effects of the partial government shutdown.

Despite the compressed schedule, the IRS completed thousands of system updates that stemmed from form changes to comply with the TCJA and improved quality control for calculations and validation of taxpayer submissions, completing development in mid-December before the filing season officially began.

In FY 2019, the IRS developed and used the first ever Integrated Master Schedule and Critical Path Summary. This allowed for more real-time and synchronized data across areas, from software development to deployment production. In effect, the IRS had better insights into potential issues and risks due to schedule slippage, which strengthened the overall filing season readiness process.

## Delivering the 2019 Tax Filing Season

Despite the challenges the IRS faced, the agency had a very successful filing season, which opened on time on January 28, 2019, the same day the government shutdown ended.

On April 15, 2019, the IRS processed the largest single-day filing volumes ever recorded (about 15.3 million returns) and observed record-breaking use of IRS Online Account and Direct Pay applications.

At the end of 2019, the IRS will have processed more than 155 million individual tax returns from households across the nation and issued more than 109 million federal tax refunds totaling more than \$300 billion. Nine out of 10 of those refunds were issued within 21 days. The average refund per household in 2019 was about \$2,800.

The IRS worked to provide top-quality service to taxpayers during the tax filing season and beyond. Throughout the year the IRS provided service online; answered taxpayer calls on its toll-free line; offered in-person help at Taxpayer Assistance Centers; and corresponded with taxpayers through the mail. All service channels are designed to provide taxpayers and their representatives with the information and answers they need to fulfill their tax responsibilities.

## In-Person Assistance: Taxpayer Assistance Centers, Volunteer Income Tax Assistance/Tax Counseling for the Elderly

For the filing season through April 19, 2019, IRS employees answered more than 1 million calls to schedule an appointment with almost 536,000 necessitating a visit to a Taxpayer Assistance Center. The IRS was able to assist an additional 483,000 taxpayers who called for an appointment without the taxpayer having to come to the Taxpayer Assistance Center. The IRS assisted more than 87,000 taxpayers who did not have an appointment with issues that should have required an appointment (taxpayers who travel to a Taxpayer Assistance Center without an appointment are assisted if there is availability). Overall, the IRS served nearly



“Service to the Citizen” means the citizen wins. An IRS team designed and implemented a new multi-factor authentication process using industry best practices. Their work allowed nearly three million taxpayers to use their IRS online account without having to call or make an appointment at an IRS Taxpayer Assistance Center. For their work on IRS Secure Access, Joy Bell of the Privacy, Governmental Liaison and Disclosure office (PGLD) and IT’s Mihir Patel accepted the “Service to the Citizen” award on the team’s behalf. (May 2019)

1.3 million taxpayers with more than 798,000 face-to-face assistor contacts and more than 483,000 phone-based resolutions for taxpayers who originally called for an appointment.

In addition, more than 82,000 volunteers prepared more than 3.4 million federal tax returns at approximately 11,000 Volunteer Income Tax Assistance/Tax Counseling for the Elderly locations with 99.2 percent of these returns being electronically filed. The Quality Statistical Sample accuracy rate, which is a review process that validates accuracy of tax returns and compliance with quality site requirements and volunteer standards of conduct, was 98 percent, exceeding the FY 2019 goal of 91 percent.

### On the Phone: Toll-Free Help Line

The IRS’s toll-free telephone line constitutes one of the world’s largest customer service phone operations and is a key part of the IRS’s taxpayer service delivery. For the 2019 filing season the IRS planned to deliver an 80 percent Telephone Customer Service Representative (CSR) Level of Service (LOS), which is the relative success rate of taxpayers who call the toll-free number seeking live assistance. The planned CSR LOS for all of FY 2019 was 75 percent. However, the government shutdown delayed training and decreased

assistor availability, resulting in the need to revise the LOS targets to 65 percent for filing season and 63 percent for the fiscal year. The IRS exceeded those revised targets and delivered a 66.9 percent telephone level of service for the filing season and 65.4 percent for the fiscal year.

In addition to the telephone LOS, the IRS monitors performance and the taxpayer experience (both for assistors and automation) including wait time (average speed of answer); handle time (average length of call once the taxpayer reaches an assistor); accuracy of CSR responses; and customer satisfaction.

The average wait time during the filing season was nine minutes and the average handle time was 12 minutes. The toll-free tax law and accounts accuracy remains high, and customer satisfaction exceeded 90 percent.

### Tax Exempt Organization Search (TEOS)

The IRS Tax Exempt and Organization Search (TEOS) website continues to maintain high numbers of visitors, averaging over 473,000 visitors per month since the tool was introduced in May 2018. This tool provides the public with easy access to publicly available information about exempt organizations, including images of newly-filed 990 forms and determination

letters, and aids in the transparency of publicly disclosable information on organizations exempt from federal taxation.

### Ensuring Uninterrupted Filing and Payment

Serving taxpayers also involves building and improving IRS systems to ensure that the process of filing returns and making payments is as seamless for taxpayers as possible and can occur without interruption.

During FY 2019, the IRS made enhancements to help automate and improve the recovery time in the event of an information technology system outage. Strategic investments allowed the IRS to build in redundancy and backup measures for the primary filing season storage array, which helps reduce the risk of major outage events due to the unavailability of data. The IRS achieved its goal of being capable of recovering from a filing season system failure in less than two hours.

These new resiliency measures allowed taxpayers to file returns and make online payments independent of the IRS mainframe systems. One result of these investments was greater revenue collection. The IRS collected more than \$1 billion through IRS Direct Pay during what would in the past have been system downtimes, when the tool was unavailable to accept payments due to



**After the fires, the paperwork remains.**

After wildfires raged in California, IRS employees at FEMA's Disaster Recovery Centers helped affected taxpayers. The Chico location was open on Thanksgiving Day, where Communications and Liaison office (C&L) Derek Ganter (left behind desk) and Marc Zine (right behind desk) and other IRS employees explained to nearly 100 taxpayers how to get copies of their prior year tax returns, how to get transcripts and what to expect for the steps ahead. (November 2018)

maintenance, momentary network communication issues, or other unplanned outages.

Overall, IRS systems maintained a 100 percent uptime throughout the filing season, which allowed the IRS to continue return processing and fraud detection activities and gave taxpayers the ability to make online payments without interruption. This contributed to the IRS's successful delivery of the 2019 filing season.

### Expanding Self-Correction Options for Employee Plans

In FY2019, the IRS expanded the Self-Correction Program for retirement plans to enable plan sponsors to fix certain plan document and operation failures without having to file a submission with the IRS. These include the option to self-correct certain plan document failures, certain plan loan failures and certain operational failures through retroactive plan amendments to conform the written plan to the plan's operation.

### General Welfare Education Letters

The IRS and Taxpayer Advocate Service partnered to notify tribes electronically and by mail that tribal educational benefits provided to tribal students are exempt from income tax. Letters were sent to 573 Federally-recognized tribes nationwide. Prior to notifying tribes electronically and through Letter 6111, the IRS provided this information during speaking engagements. These efforts are part of the IRS's continuing engagement with tribes and their members on their tax responsibilities and to preserve the integrity of the sovereignty of tribal governments.

### Online Services: Expanding Digital Options

The IRS continually works to improve and expand its online offerings to meet taxpayers' expectations so that they can interact with the IRS as they would with any financial institution. These efforts to improve continued during FY 2019.

The IRS completed a comprehensive Filing Season Readiness review on January 19, 2019 that included the topmost popular 300 IRS.gov webpages (by visitor volume) to ensure that they were ready for filing season. A Certificate of Readiness was completed on February 1, 2019, after the government shutdown. These activities and accomplishments supported a series of major filing season projects which included:

- New Form 1040 Content
- Free File Fillable Form Error code updates
- Withholding Calculator content updated (YouTube)
- Free File Content Consolidation
- Tax Topics update (English and Translations)
- Let Us Help You (English and Translations)
- Earned Income Tax Credit (EITC) Due Diligence Training Module
- EITC Assistance (English and Translations)
- Interactive Tax Assistant





## Taxpayer Comment via social media

Shock and Awe — I just had an incredibly pleasant experience navigating the IRS website, which was surprisingly clear and easy to follow.

7:07 PM Aug 2, 2019



Overall, IRS.gov usage showed slight growth in FY 2019 compared to FY 2018. This growth was driven entirely by mobile device usage, which experienced 22 percent growth. Mobile traffic to the site reached an all-time quarterly high of 62.1 percent, driven primarily by refund-related inquiries. In February 2019, 72 percent of all site visits came from mobile devices. Mobile devices also accounted for 208 million of 264 million total accesses of the Where's My Refund application.

Similarly, usage of the IRS2Go mobile application increased by 17 percent more users in FY 2019; growth was driven by refund inquiries.

The Online Account application continues to grow in reach and usage as well, contributing to growth in digital payments and installment agreements. In FY 2019, there was a 58 percent increase in unique users compared to FY 2018 and 4.8 million unique users of the tool since launch. Growth during filing season was highlighted by an all-time single-day high on April 15th for Direct Pay transactions, Online Payment Agreements, and Online Account visits.

Deployed in advance of the filing season, ID Verify Phase 2 enables taxpayers with returns selected by the Taxpayer Protection Program for additional scrutiny in the tax year to provide identity and return verification information online rather than by calling a live assistance telephone line or visiting a Taxpayer Assistance Center. This reestablishes an online self-service option, after the original ID Verify application was discontinued in August 2016. As of September 30, 2019, 134,200 taxpayers who are eligible to use ID Verify have logged in and verified their identity since the application launched for the 2019 filing season.

In July, the IRS released the Multi-Page View enhancement of the Online Account that allows the user interface to accommodate additional future features more easily. The first of these new features includes integration of installment agreement status, followed by further installment agreement and payment capabilities in the future.

First introduced in November 2017, the IRS gradually expanded web-enabled chat options to customers of the Online

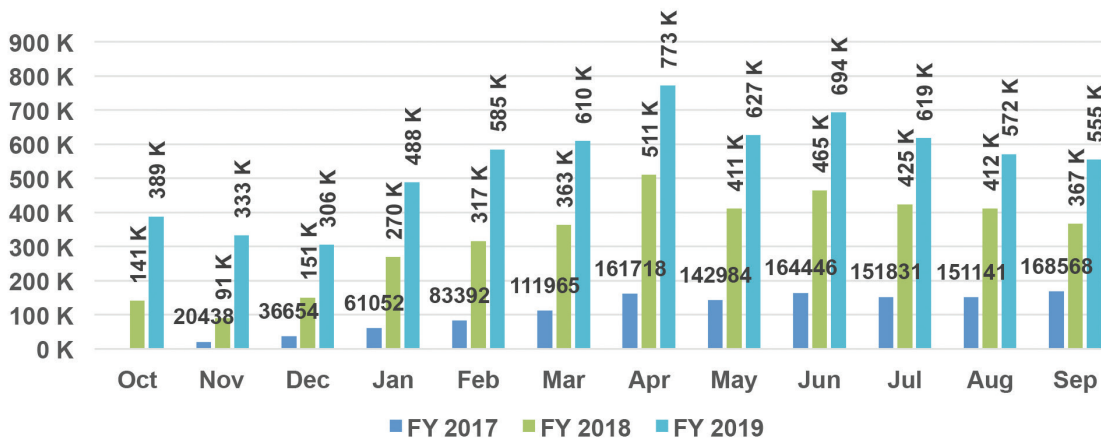
Payment Agreement application. New features this year included:

- Proactive chat, offering chat to users spending significant time on steps within the service
- Providing targeted content based on specific error conditions that resolves some issues before live assistance is even required
- Authenticated chat, allowing live assistants to securely provide detailed assistance specific to the taxpayer's unique circumstance



On hold? Your wait time just decreased a little. Treasury awarded 29 employees from across the country a Gears of Government award recognizing exceptional delivery of key outcomes for taxpayers. Award winners included members of the Field Assistance Scheduling team. The team built, refined, tested and trained more than 4,000 users and deployed a new tool that decreased telephone assistor average handling per call for calendar year 2018. (May 2019)

ONLINE ACCOUNT UNIQUE USERS BY MONTH



In FY 2019, there was a 58 percent increase in unique users on IRS.gov compared to FY 2018, highlighted by an all-time single-day high on April 15th for Direct Pay transactions, Online Payment Agreements, and Online Account visits.

**Key Performance Data Highlights**

Performance Measure	Target	Actual
Customer Service Representative (CSR) Level of Service	63.0%	65.4%
Customer Accuracy – Tax Law Phones	92.0%	91.6%
Customer Accuracy – Customer Accounts (Phones)	94.0%	94.3%
Timeliness of Critical Individual Filing Season Tax Products to the Public	85.0%	92.6%
Timeliness of Critical TE/GE and Business Tax Products to the Public	85.0%	96.1%
Percent Business Returns Processed Electronically	58.0%	57.8%
Enterprise Self-Assistance Participation Rate	Indicator	85.4%
Taxpayers Satisfied with the IRS <sup>1</sup> . *	Indicator	N/A

<sup>1</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 customer satisfaction index scores; available on an annual basis at the end of January and computed on a 100-point scale.

\* New measure added for FY 2019 reporting.

## Conservation Easement Groups Divided on Tackling Valuation Abuse

POSTED ON APR. 3, 2019

[link](#)



**Taxpayer Comment**  
via social media

Our tax preparer got hacked and I was pleasantly surprised how responsive and helpful the IRS was. Who Knew?!

8:15 PM Aug 2, 2019

## Goal 2

Protect the integrity of the tax system by encouraging compliance through administering and enforcing the tax code

One of the IRS's key responsibilities is to ensure taxpayers comply with the tax law. The IRS continues to develop innovative approaches to understanding, detecting and resolving potential noncompliance to maintain taxpayer confidence in the tax system.

### The Tax Gap

The tax gap and associated concepts are a particular way of defining and analyzing compliance and noncompliance and are based on tax year liability. The tax gap provides a rough gauge of the level of overall noncompliance and voluntary compliance given all the events that occurred during the relevant tax periods and the Internal Revenue Code provisions in effect at the time. Tax gap estimates provide the IRS with periodic appraisals about the nature and extent of noncompliance for use in formulating tax administration strategies. The word "tax" in the phrase "tax gap" is used broadly to encompass both tax and refundable and non-refundable tax credits.

In FY 2019, the IRS released a new tax gap estimate of \$441 billion, which covers tax years 2011, 2012 and 2013. The gross tax gap is the amount of true tax liability that is not paid voluntarily and timely. The net tax gap is the gross tax gap less tax that subsequently will be paid, either paid

voluntarily but late or collected through IRS administrative and enforcement activities; it is the portion of the gross tax gap that will not be paid. It is estimated that \$60 billion of the gross tax gap eventually will be paid resulting in a net tax gap of \$381 billion. The voluntary compliance rate is a ratio measure of relative compliance and is defined as the amount of "tax paid voluntarily and timely" divided by "total true tax", expressed as a percentage. The voluntary compliance rate corresponds to the gross tax gap. The estimated voluntary compliance rate is 83.6 percent. The net compliance rate is a ratio measure corresponding to the net tax gap. The net compliance rate is defined as the sum of "tax paid voluntarily and timely" and "enforced and other late payments" divided by "total true tax", expressed as a percentage. The estimated net compliance rate is 85.8 percent. The following figure is a schematic representation of the tax gap estimates.

In FY 2019, the IRS continued to be extremely active in the enforcement area, through a variety of activities, including investigations of tax noncompliance and the millions of notices sent each year to taxpayers when issues are discovered on their returns, such as failing to report income from Forms W-2 or 1099.

IRS compliance programs are focused on several major areas, described on the following pages.

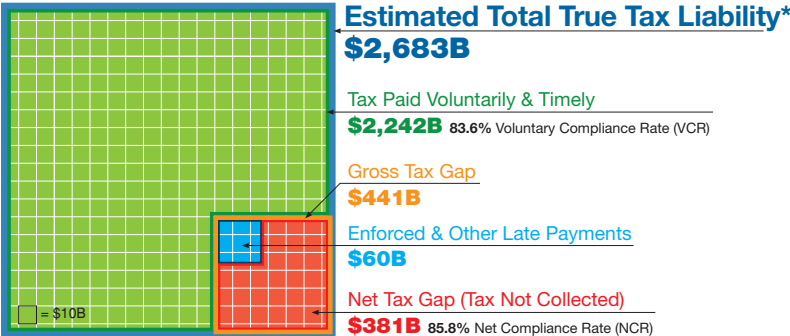
## A Look at the Latest Tax Gap Estimates

# Tax Gap Estimates for Tax Years 2011–2013

(Money amounts are in billions of dollars; estimates are annual average amounts.)



**Research, Applied Analytics & Statistics**



### Calculating the Net Tax Gap

$$\begin{aligned} & \text{Nonfiling} \\ & \text{Underreporting} \\ & + \text{Underpayment} \\ & \hline & \text{Gross Tax Gap} \\ & - \text{Enforced \& Other Late Payments} \\ & \hline & \text{Net Tax Gap} \end{aligned}$$

Total True Tax Liability	Tax Paid Voluntarily & Timely	Gross Tax Gap					Enforced & Other Late Payments	Net Tax Gap (Tax Not Collected)			
		Nonfiling	Underreporting			Underpayment			Gross Tax Gap		
\$2,683	\$2,242	\$39	+\$352			+\$50	= \$441	-\$60	= \$381		
By Type of Tax											
Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax					Individual Income Tax	Individual Income Tax		
\$1,398	\$1,084	\$31	+\$245					+\$38	= \$314	-\$43 (14%)	= \$271
			Business Income	Non-Business Income	Credits	Income Offsets (1)	Filing Status	Other Taxes (2)	Unallocated Marginal Effects (3)		
			\$110	\$57	\$42	\$20	\$5	\$1	\$10		
Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax					Corporation Income Tax	Corporation Income Tax		
\$294	\$251	#	+\$37					+\$5	= \$42	-\$10 (24%)	= \$32
			Large Corporations	Small Corporations							
			\$26	\$11							
Employment Tax	Employment Tax	Employment Tax (4)	Employment Tax					Employment Tax	Employment Tax		
\$920	\$839	\$6	+\$69					+\$6	= \$81	-\$5 (6%)	= \$77
			Self-Employment Tax	FICA & Uncollected FICA TAX	Unemployment						
			\$45	\$24	\$1						
Estate Tax	Estate Tax	Estate Tax	Estate Tax					Estate Tax	Estate Tax		
\$16	\$13	\$2	+\$1					+\$<0.5	= \$3	-\$2 (55%)	= \$1

**NOTES:**

\* Totals include Excise Tax. #—No estimate. Detail may not add to totals due to rounding.

(1) Includes adjustments, deductions, and exemptions.

(2) Includes the Alternative Minimum Tax and taxes reported in the "Other Taxes" section of the Form 1040 except for self-employment tax and unreported social security and Medicare tax (which are included in the employment tax gap estimates).

(3) Is the difference between (1) the estimate of the individual income tax underreporting tax gap where underreported tax is calculated based on all misreporting combined and (2) the estimate of the individual income tax underreporting tax gap based on the sum of the tax gaps associated with each line item where the line item tax gap is calculated based on the misreporting of that item only. There may be differences if the marginal tax rates are different in these two situations.

(4) Self-employment tax only.

**Revised 09/2019**

The diagram above shows how the net tax gap is calculated. The net tax gap is nonfiling plus underreporting plus underpayment, minus enforced and other late payments.

Area chart where estimated total true tax liability is \$2,683 billion, tax paid voluntarily and timely is \$2,242 billion, the gross tax gap is \$441 billion, enforced and other late payments are \$60 billion, and the net tax gap is \$381 billion.

Chart shows, in total, the Estimated Total True Tax is \$2,683 billion, Gross Tax Gap is \$441 billion, Nonfiling Gap is \$39 billion, Underreporting Gap is \$352 billion, Underpayment Gap is \$50 billion, Voluntary Compliance Rate is 83.6%, Enforced and Other Late Payments is \$60 billion, Net Tax Gap is \$381 billion, Net Compliance Rate is 85.8%.



### Special agent Janczewski receives Treasury Secretary’s Meritorious Service Award

This is the second highest award a civilian federal employee can receive from their agency. Commissioner Rettig presented Janczewski with the citation and medal for his investigative work on the largest child exploitation market website on the Darknet, which was called Welcome to Video (W2V).

Since 2017, Janczewski began working on a complex international investigation that resulted in the rescue of at least 23 minor victims residing in the United States, Spain and the United Kingdom who were being abused

by users of W2V. This was a massive collaborative effort spanning the Department of Justice, United States Attorneys’ Office, Department of Homeland Security and United Kingdom and Korean law enforcement agencies. Chris was very humbled to receive the award. “My name is on it but without the team and collaboration of various cybercrime units, none of it would be possible,” he said.

Commissioner Rettig praised Janczewski’s extraordinary efforts: “This is this generation’s Al Capone case.”



### Follow the money: Criminal Investigation celebrates 100 years.

Each decade has brought more challenges and more successes, including tax evasion, money laundering, international

tax havens and the dark web, to name just a few. Whenever there’s been a large financial investigation in the United States, there’s a good chance CI was involved. (July 2019)

## Criminal Investigations

The IRS Criminal Investigation (CI) organization focuses on important national law enforcement priorities such as refund fraud, tax-related identity theft, unscrupulous return preparers and employment taxes, as well as money laundering, currency violations and terrorist financing, all of which adversely affect tax administration. During FY 2019, CI investigators:

- Completed 2,797 criminal investigations;
- Achieved 1,735 convictions with a conviction rate of 91.2 percent and
- Achieved a Department of Justice case acceptance rate of 93.0 percent and a U.S. Attorney case acceptance rate of 88.5 percent, which compares favorably with other federal law enforcement agencies.

The IRS’s Questionable Refund Program identifies schemes that involve individuals that use genuine identities for the purpose of preparing and filing fictitious tax returns to generate fraudulent claims for refund. Questionable Refund Program figures include identity theft and non-identity theft-related Questionable Refund Program schemes. FY 2019 Questionable Refund Program performance results included:

- Initiated 65 criminal investigations
- Completed 140 criminal investigations
- Achieved 167 convictions with a 91.8 percent conviction rate

- Achieved a 66.7 percent Publicity Rate on adjudicated investigations

In FY 2019, the IRS Scheme Development Centers identified 46 Questionable Refund Program schemes comprised of 10,160 individual tax returns with more than \$83 million in potentially fraudulent refund claims.

Through its Return Preparer Program, the IRS encourages compliance in the return preparer community by engaging in enforcement strategies targeting untrustworthy or incompetent return preparers. These strategies include education, outreach, and coordinated cross-functional publicity. FY 2019 Return Preparer Program performance results included:

- Initiated 163 criminal investigations
- Completed 295 criminal investigations
- Achieved 147 convictions with a 94.8 percent conviction rate
- Achieved a 73.4 percent publicity rate
- Identified 212 schemes, comprised of 119,165 individual tax returns with more than \$475 million in potentially fraudulent refund claims.

## Whistleblower Office

Overall this year, the IRS Whistleblower Office made 181 awards to whistleblowers totaling \$120,305,278 (before sequestration), which includes 24 awards under

Internal Revenue Code 7623(b). Tax proceeds collected were \$616,773,127. Included in the proceeds collected, as a result of 7623(c), are the non-Title 26 amounts collected for criminal fines, civil forfeitures, and violations of reporting requirements amounting to \$110,003,100. Title 26 amounts collected were \$506,770,027. Whistleblower claim numbers assigned in FY 2019 decreased by 7.3 percent from those submitted in FY 2018, and closures increased by 29.8 percent.

Going forward, the IRS is implementing changes enacted by Congress in the Taxpayer First Act of 2019 approved by Congress. Under the new law, the Whistleblower Office shall now disclose to individuals providing information related to any purpose described in paragraph (1) or (2) of section 7623(a), whether the IRS referred the information for audit or examination; whether a payment of tax was made with respect to an issue raised by the whistleblower; and upon written request, provide information on the status and stage of any investigation or action related to such information and in the case of a determination of the amount of any award under section 7623(b), the reason for such determination. We are actively engaged in adjustments to operations to meet the mandatory whistleblower requirements outlined in the TFA 2019.

## IRS Signs that you may be a victim of tax-related identity theft:

IRS records show you had income from an employer for whom you didn't work.

You get an IRS letter about a tax return you didn't file.

You can't e-File because of a duplicate SSN.

[www.irs.gov/identitytheft](http://www.irs.gov/identitytheft)



Protect yourself by verifying the legitimacy of a charity before you give:

[www.irs.gov/teos](http://www.irs.gov/teos)

## International Tax Compliance

Stopping offshore noncompliance continues to be a very high priority for the IRS. In 2018, the IRS closed its Offshore Voluntary Disclosure Program, under which taxpayers made more than 57,000 disclosures, and the IRS collected more than \$11.9 billion. In the post-Offshore Voluntary Disclosure Program environment, taxpayers without criminal exposure still have the option of filing a delinquent or amended return to correct tax and reporting non-compliance. In November 2018, the IRS issued interim guidance on procedures for voluntary disclosures in the post-Offshore Voluntary Disclosure Program world. These procedures provide a path for taxpayers with criminal exposure to come into compliance with the law and potentially avoid criminal prosecution.

## Large Businesses: Campaigns

Since 2017, the IRS has used a “compliance campaign” process to identify areas of risk that require a response in the form of one or more treatment streams to achieve compliance objectives. This approach leverages resources and IRS knowledge, deploying the right resources to address the right issues. The IRS continues to refine its issue-based strategy approach, designed to ensure that examination programs are focused on the highest priority compliance areas to promote effective tax administration.

During FY 2019, the IRS announced nine additional campaigns, bringing the total number of campaigns to more than 50. The IRS continues to evaluate and implement changes to improve its other workload selection processes to ensure that the highest compliance-risk tax returns and issues are identified and assigned for examination.

## Tax Exempt and Government Entities (TE/GE) Compliance Strategies

The IRS uses a “compliance strategy” process to identify areas of compliance risks to tax administration with tax exempt and government entities. Using a web-based portal, employees submit suggested issues for consideration by the TE/GE Compliance Governance Board. The IRS considers the most appropriate, cost-effective, and least intrusive compliance treatments, including educational efforts, soft letter compliance reviews, compliance checks, and correspondence or field examinations. The IRS continues to refine our compliance strategy approach, ensuring examination programs are focused on the highest priority compliance areas to protect the tax system. Since implemented in 2017, over fifty compliance strategies have been approved focusing on compliance issues affecting Employee Plans, Exempt Organizations, Tax Exempt Bonds, Indian and Tribal Governments and Federal State and Local Governments

## Employment Tax

Payroll taxes withheld by employers account for nearly 72 percent of all revenue collected by the IRS, making noncompliance and fraud in this area one of the biggest challenges for the nation's tax system.

In FY 2019, the IRS engaged in a special two-week effort to address this area of noncompliance. During this period, IRS revenue officers visited nearly 100 businesses around the country suspected of having serious issues with employment tax compliance. Business owners were informed about ways to catch up with back payroll taxes, how to stay current, and the potential for civil and criminal penalties. On the criminal enforcement side, the IRS worked with the Department of Justice Tax Division and U.S. attorneys around the nation to focus on about 50 law enforcement actions related to employment tax crimes. During these two weeks, the IRS indicted 12 individuals, executed four search warrants, and saw six individuals or businesses sentenced for crimes associated with payroll taxes. In addition to these numbers, roughly 24 or more enforcement actions were planned in the weeks following the campaign.

Reading the fine print pays off. When revenue agent Charles (Chuck) Herrick reviewed thousands of taxpayer documents in a bankruptcy case, he had no idea his work would uncover assets estimated at between \$70–\$100 million. The Department of Justice – Special Contribution Award he received reflects the



invaluable assistance of the IRS. (Shown in photo, Chuck Herrick, center, is flanked by Dept. of Justice official Richard Zuckerman, at left, and Dave Hubbert, at right) (November 2018)



## Employment Tax

The IRS also maintains a robust presence in Employment Tax Compliance through examinations and compliance unit checks in the Exempt Organization, Government Entities and Indian and Tribal Government sectors. These entities employ almost one quarter of the American workforce and account for about 19%. Through the compliance strategy process, the IRS continued to follow-up on employment tax compliance issues including for non-filing, information reporting mismatches and worker classification issues.

## Tax-Related Identity Theft

The IRS has a comprehensive and aggressive identity theft strategy to assist taxpayers, protect revenue, and prevent refund fraud. It continues to seek opportunities to realize efficiencies and improve the taxpayer experience.

The IRS's key indicators of identity theft on tax returns have dropped significantly at a time when many in the private sector continue to struggle with this issue. Between 2015 and 2018:

- The number of taxpayers who reported to the IRS that they were victims of identity theft fell 71 percent. In 2018, the IRS received 199,000 identity theft affidavits from taxpayers compared to 677,000 in 2015. This was the third consecutive year this number declined.

- The number of confirmed identity theft returns stopped by the IRS declined by 54 percent, falling from 1.4 million in 2015 to 649,000 in 2018.

- The number of suspicious refunds recovered has declined by 66 percent. In 2018, financial institutions recovered 84,000 federal refunds totaling \$112 million for the IRS. By comparison, institutions recovered 249,000 refunds totaling \$852 million in 2015.

Even with all this progress, the IRS is continuing its efforts against tax-related identity theft and is concerned that identity thieves continue to become more sophisticated, continuing to look for new ways of obtaining taxpayer data so they can more easily file false tax returns and claim fraudulent refunds. These criminals have the resources, the technology and the tax skills to carry on this fight. And the IRS continues to be concerned that identity thieves are targeting tax professionals, businesses, human resources departments and other places because they have large amounts of sensitive financial information.

## Private Debt Collection

During FY 2019, the IRS continued to see increased collections under the Private Debt Collection program, which began in 2017. Under the program, the IRS assigns certain overdue federal tax accounts to one of four private-sector collection agencies.

Since the start of the program, the private collection agencies have assisted almost 200,000 taxpayers who either established a payment arrangement or paid their account in full. The IRS assigned more than 2.4 million cases to private collection agencies totaling more than \$22.5 billion of balances due. The program also brought in \$301.7 million in revenue.

Since June 2018, the total program revenue continues to exceed program costs. Using a percentage of the collected revenue, the IRS hired 100 Special Compliance Personnel employees to work in the Automated Collection System organization.

In June 2019, the IRS began assigning inactive business accounts to private collection agencies. Business accounts include delinquent balances owed by corporations, partnerships, and limited liability companies, as well as employment tax and excise tax delinquencies. The addition of business accounts to the program means that many more taxpayers will be contacted to resolve their tax bills.

## Abusive Tax Shelters

To help increase compliance, the IRS is focusing on several special areas in its enforcement activities—one of which involves abusive tax shelters. The IRS is committed to pursuing those who promote and make use of such schemes. Abusive



**CI special agents are global warriors.** Their FIFA investigation included a 47-count indictment of 14 defendants in a 24-year scheme to enrich themselves through the corruption of international soccer. They also worked with multinational agencies to take down AlphaBay, the world's largest darknet marketplace with more than 200,000 active listings for illegal goods, including drug and firearms. In addition to making the world a little safer, they received the Attorney General's Distinguished Service Award. (October 2018)

shelters, in fact, made the IRS annual list of "Dirty Dozen" tax scams that taxpayers are urged to avoid, and they will remain a major focal point for enforcement efforts in 2020. The IRS is especially concerned about three major variations:

**Abusive trust arrangements**, which often use multiple layers of trusts—as well as offshore shell entities that are disregarded for tax purposes—to attempt to hide the true ownership of assets and income, or to disguise the substance of transactions.

**Micro-captive insurance shelters**, in which promoters of these transactions persuade owners of closely held entities to participate in schemes that take advantage of certain tax benefits available to insurance companies, even though the entities lack many of the attributes of insurance.

**Syndicated conservation easements**, which purport to give investors the opportunity to obtain charitable deductions, even though the tax benefits the investors receive significantly exceed the amount they have invested.

## Emerging Issues

The IRS also has new and emerging compliance areas that require attention, including crypto/virtual currency and the sharing or "gig" economy. Along with enforcement activities, the IRS is providing outreach and education to both areas.

**Sharing economy.** The rise in online platforms that allow people to provide a wide range of goods and services—everything from renting out a spare bedroom to providing car rides—has also given rise to tax issues. People participating in the sharing economy may be unaware of the taxes they might owe or records they should keep, and they may need the IRS's help to make sure they are tax compliant. IRS efforts to raise public awareness about this emerging area include creating a special Sharing Economy Tax Center on IRS.gov with a wealth of information to help people understand their tax responsibilities, as well as expanded outreach efforts with companies active in the sharing economy.

**Virtual currency.** The 2019 Form 1040 has been modified to include an inquiry regarding the acquisition or disposition of any virtual currency. In 2019, the IRS sent educational letters to more than 10,000 taxpayers who may have failed to properly report virtual currency transactions. The letters explained the tax obligations associated with virtual currency and describe how taxpayers can correct past filing and reporting errors. Virtual currency, also called crypto currency, will remain an important focal point for the IRS in 2020.

Our enforcement efforts are continually evolving to support the extensive efforts of compliant taxpayers. Voluntarily compliant taxpayers deserve to know that noncompliant taxpayers are at risk. Our enforcement efforts are now coordinated across different IRS functions. Every compliance employee has a commitment to fraud awareness as we attempt to maintain a visible, robust presence in many different and emerging areas of non-compliance.



# IRS Private Debt Collection Program Brings in \$130.6 Million

MARCH 14, 2019

[link](#)



## IRS Offers To Settle Microcaptive Insurance Tax Abuse Cases

By Joshua Rosenberg · September 16, 2019, 12:37 PM EDT

### Key Performance Data Highlights

Performance Measure	Target	Actual
Examination Coverage – Individual (1040)	0.5%	0.45%
Examination Coverage – Business (assets >\$10M)	2.2%	1.6%
Examination Efficiency – Individual (1040)	122	109
Automated Underreporter (AUR) Coverage	1.6%	1.3%
Collection Coverage	40.1%	41.3%
Time to Start Compliance Resolution <sup>1</sup>	Indicator	
Time to Resolve Compliance Issue After Filing (days) <sup>1</sup>	Indicator	
Repeat Noncompliance Rate <sup>1</sup>	Indicator	
Cost to Collect \$100 (in cents) <sup>1</sup>	Indicator	
Criminal Investigations Completed	2,800	2,797
Conviction Rate	92.0%	91.2%

<sup>1</sup> New measure added for FY 2019 reporting.



**Storm surge—IRS employees answer FEMA’s call.** Hurricane season brings out the worst in the weather and the best in our employees. From across the Service, they work on emergency preparedness and continuity efforts, answer phone calls in support of disaster assistance and, like the Criminal Investigation (CI) special agents pictured, are sometimes even sworn as deputy U.S. marshals and assigned to local law enforcement agencies to provide safety and security in the wake of a hurricane. (October 2018)

## Goal 3

Collaborate with external partners proactively to improve tax administration

To support the nation’s tax system, the IRS must work with partners inside and outside the tax community to improve service and outreach to taxpayers, enhance collaboration and share leading practices.

The IRS is committed to strengthening and expanding its partnerships with stakeholders invested in and affected by tax administration. Outreach efforts also work in coordination with IRS communications to share information with taxpayers across the nation.

### Expanded Outreach Efforts

To run and operate the nation’s tax system, the IRS must work closely with a variety of partner groups across the tax system. This ranges from private-sector partners in the tax professional and software communities to government partners in state revenue agencies.

In 2019, the IRS worked with more than 500 tax practitioner organizations, 85 payroll organizations, more than 1,000 industry partners and about 250 government partners across 50 states. More than 1,000 separate events occurred in all 50 states, with participants receiving the latest in tax law information. The IRS also expanded virtual webinars in 2019 to reach more in the tax community on issues ranging from tax reform, tax scams and disaster relief issues. In all, the IRS presented 30 webinars in FY 2019 with over 113,000 participants, up from 24 in FY 2018 when about 62,000 attended.

The IRS also works closely with groups outside of the traditional tax community, such as small business groups and others, representing a spectrum of taxpayers, businesses and tax-exempt groups.

During FY 2019, the IRS took additional steps to reach groups outside of the tax community to help share information with key communities. The goal is to provide a direct, interactive line of contact, while sharing real-time relevant tax information of interest to their employees, members or customers and business entities. Some of the topics included filing season readiness, tax scams, TCJA and other topics.

By the end of FY 2019, the IRS had reached out to more than 125 different groups—representing hundreds of millions of taxpayers—covering educational institutions, retail, financial institutions, sharing economy platforms, transportation industry, small businesses, government-related associations and large employers. The IRS formed 36 new relationships with special emphasis placed on reaching out to the underserved, millennials, and those who speak English as a second language.

The IRS also focused on the sharing/gig economy and provided input to the IRS Sharing Economy Strategy Team following interactions with nearly a dozen major companies active in the sharing economy. The IRS also shared information with groups active in the cash economy community to help raise taxpayer awareness about tax responsibilities.



There are better ways to protect your tax security than living in a bubble

- ❄ Use up-to-date security software on all devices
- ❄ Use strong and unique passwords for all accounts
- ❄ Use two-factor authentication whenever possible

 [www.irs.gov/securitysummit](http://www.irs.gov/securitysummit)



**Tax security progress**

IRS and Security Summit initiatives have resulted in fewer Americans identifying themselves as victims of tax-related identity theft.

[www.irs.gov/securitysummit](http://www.irs.gov/securitysummit) 

## National and Local Partners

The IRS fosters and maintains relationships with a variety of partners—including community-based non-profits, schools, churches, corporations, employee organizations—to provide taxpayers with:

- Free federal and state income tax preparation and filing through the Volunteer Income Tax Assistance/Tax Counseling for the Elderly program
- Information and services surrounding Financial Education and Asset Building, such as Individual Development Accounts, credit counseling and repair, information on savings bonds, etc.
- Information on tax filing responsibilities and understanding refundable credits such as the Earned Income Tax Credit

The IRS uses a leveraged approach to accomplish its goals by partnering with national and local partners who deliver most of the programs and services. More than three million taxpayers are served annually through Volunteer Income Tax Assistance/Tax Credit for the Elderly alone.

The IRS's partners were instrumental in ensuring a successful FY 2019 filing season, especially with the implementation of the tax law changes and the lingering effects of the government shutdown.

## Treasury Tribal Advisory Committee

The Tribal General Welfare Exclusion Act of 2014, P.L. 113-168, signed into law in September 2014, required the establishment of the seven-member Treasury Tribal Advisory Committee (TTAC) to “advise the [Treasury] Secretary on matters relating to the taxation of Indians.” This statute also charges the TTAC to help establish training and education programs for IRS field agents who work with tribal governments. In FY2019, the TTAC officially convened committee meetings and included all seven TTAC members, officials from Department of the Treasury, the IRS, the Community Development Financial Institutions (CDFI) fund and members of the public. In addition to general welfare issues, the TTAC is prioritizing dual taxation and tribal pensions parity issues.

## Security Summit

The IRS continued its partnership with the Security Summit to implement measures to prevent and detect identity theft-related refund fraud. The IRS held its annual Security Summit meeting in December 2018. Membership in the Security Summit continues to grow and now includes representatives from the payroll industry.

The IRS continues to work with the Security Summit Communications Workgroup to leverage partnerships across the tax community to more efficiently monitor the ecosystem, provide outreach, and educate the tax community. The IRS also continues to work with the Electronic Tax Administration Advisory Committee on their recommendations related to the Security Summit and Information Sharing & Analysis Center, and to implement where appropriate/ applicable.

A major highlight of this year's Security Summit's work was Tax Security Awareness Week, held in December. This marked the fourth year in a row for the program where the IRS, the states and private-sector partners participated in events across the country to remind taxpayers about the importance of data security in advance of the busy online shopping season and the 2019 filing season. This year's session featured a daily series of national news releases and 36 press conferences and partner events across the country. The efforts led to hundreds of web articles and social media postings.

During the summer, Summit partnering continued education efforts aimed at the tax professional community to encourage them to think more about client data security. The effort started in 2016 with the “Protect Your Clients—Protect Yourself”

## IRS exhibition hall booth returns for 2019 Nationwide Tax Forums

The IRS exhibition hall booth will return to the upcoming 2019 Nationwide Tax Forums, an annual major educational event for the tax professional community. - June 24, 2019



campaign. To continue this effort, the 2019 campaign focused on the “Taxes-Security-Together Checklist.” The checklist is a good starting point that spells out the basic steps every tax practitioner should be aware of to help protect the sensitive tax data they handle. The effort included a six-week series of news releases as well as continuing education sessions for tax professionals at the five major IRS Nationwide Tax Forums.

### IRS Nationwide Tax Forums

The IRS Nationwide Tax Forums focused on sharing information and providing continuing education credits to more than 11,000 tax professionals in 2019. Each attendee could earn up to 19 continuing education credits during the session. Tax Reform and Section 199A continued to be popular seminars, as were Security Summit sessions related to data security, including “Cybersecurity for Tax Professionals,” sponsored by the American Coalition for Taxpayer Rights. New in 2019, the Forums hosted two special cross-cultural discussions focused on Spanish language issues in the tax community and a session on “Overcoming Language & Cultural Barriers in the Tax Preparation Industry.”

### Preparer Tax Identification Number (PTIN) Registration

The IRS continued to be active on issues related to Preparer Tax Identification Number (PTIN) issues. Language was added to the PTIN registration and renewal “Welcome” letters encouraging tax return preparers to subscribe to e-News for Tax Professionals to ensure return preparers know where to get the most updated information on data and security issues. In addition, the PTIN application has been modified for the 2020 registration and renewal cycle to include language on preparer obligations to maintain data and system security.

### Communicating: Filing Season and Beyond

Another way the IRS serves taxpayers is through its communication efforts, which partners closely with IRS outreach efforts. The IRS is sharing information with taxpayers in new and evolving ways to keep up with taxpayer preferences and with changes in the communications landscape. The IRS is increasing its presence on social media to share information on tax law changes, alert taxpayers to scams, and to let people know about IRS products and services.

Throughout the 2019 filing season, the IRS communicated and conducted outreach about TCJA, Individual Taxpayer Identification Number renewals, changes to personal casualty losses and individual shared responsibility payments, as well as the Protecting Americans from Tax Hikes (PATH) Act of 2015, which requires the IRS to hold refunds on all returns claiming EITC and/or the Additional Child Tax Credit until February 15 of each year. For 2019, the IRS held 10.7 million returns with \$57.8 billion in refunds.

In FY 2019, the IRS again promoted its web-first service delivery strategy that encouraged all taxpayers to get the help they need through IRS.gov, IRS2Go, and other self-service or partner options. This allowed customer service employee resources to focus their attention on helping taxpayers with complex issues that required them to interact with the IRS on the phone or in person.

The IRS launched its 13th annual EITC Awareness Day on January 25, 2019. This one-day nationwide event is designed to promote EITC to eligible taxpayers, including potentially-eligible taxpayers who did not claim the credit and newly eligible workers. Due to the government shutdown, Awareness Day communications were limited to social media activity and sharing of social media posts.

## Recognize calls by IRS impersonators

The real IRS will NOT:



Call demanding immediate payment

Ask for your credit card over the phone or require payment with a wire transfer

Threaten you with a police arrest for non-payment of taxes or a lawsuit

[www.irs.gov/alerts](http://www.irs.gov/alerts) 

In addition, the IRS updated content on the IRS.gov EITC Central web page and updated the Due Diligence Online Training Module. This module, which is part of the Tax Preparer Toolkit, educates preparers on their due diligence requirements. To assist taxpayers selected for examination for EITC-related issues, the IRS launched the Form 886-H-EIC, *Documents You Need to Send to Claim the Earned Income Credit on the Basis of a Qualifying Child or Children*, Toolkit on IRS.gov. The Toolkit is an online tool that helps the taxpayer identify the documentation needed to verify their EITC eligibility.

### Social Media Growth Continues

As part of the IRS commitment to communicate information broadly, efforts continued to share more information via social media channels in FY 2019. In addition to supporting filing season efforts for individual taxpayers, the IRS continued using social media to share details focused on tax scams, small businesses, natural disaster preparedness and many other topics.

As part of this effort, the IRS launched its first Instagram account called IRSnews in November 2018. The creative graphics used by the IRS on the platform earned

praise from partners and taxpayers for offering a fresh look at tax issues. In FY 2019, more than 10,000 people started following the IRS Instagram account.

The IRS also saw growth in other social media platforms. Twitter's @IRSnews topped 108,000 followers, almost a 10 percent increase from a year before. Facebook followers grew to 125,000. The IRS channels on YouTube received 1.8 million combined views, a 45 percent increase. And LinkedIn grew to 86,000 followers, a 49 percent increase. The IRS channels on YouTube received 1.8 million combined views.

The IRS also took steps to enhance its e-news list-serve products following a recommendation from the Internal Revenue Service Advisory Committee. In 2019, the e-News subscription service was revamped and streamlined to offer several benefits including an easier subscription process and improved content for users tailored by topic. The redesign effort removed 11 subscriptions, leaving 20 core subscriptions focused on issues such as tax tips and e-news for tax professionals. In all, 183,102 new subscribers were added in FY 2019, bringing the total number of subscribers to 2.47 million.

### Partnering to Improve Tax Administration

One of the IRS's strategic goals is to expand partnerships with foreign governments and international organizations to address global tax administration concerns. The IRS is achieving this goal through its many interactions with two international organizations, the Inter-American Center of Tax Administrations (in Spanish, Centro Interamericano de Administraciones Tributarias) and the Organization for Economic Cooperation and Development.

The IRS supports the Centro Interamericano de Administraciones Tributarias's efforts to promote international cooperation and the exchange of experiences and know-how, thus contributing to the strengthening of the tax administrations of all Centro Interamericano de Administraciones Tributarias' member countries. Centro Interamericano de Administraciones Tributarias is a regional tax organization focusing primarily, but not exclusively, on countries in North, Central, and South America and the Caribbean. The IRS supports this organization through its active participation in two annual conferences where countries share their experiences and best practices on designated topics. The IRS participation in Centro



**More than 100 military bases host Volunteer Income Tax Assistance sites to give free income tax preparation for service members and their families. Commissioner Chuck Rettig became the first IRS Commissioner to visit the Pentagon in an official capacity. He and various Treasury and IRS leaders conducted several meetings with senior military officials to highlight the enduring partnership between the IRS and the Armed Forces Tax Council. (July 2019)**

Interamericano de Administraciones Tributarias raises international standards for all aspects of tax administration, including compliance, taxpayer service, and ethical conduct.

At the Organization for Economic Cooperation and Development, the IRS is an active member of the Forum on Tax Administration. The Forum on Tax Administration's key aim is to improve taxpayer service and tax compliance by helping tax administrations increase the efficiency, effectiveness and fairness of tax administration and reduce the costs of compliance. While the IRS participates in most Forum on Tax Administration projects, efforts have been particularly significant in the following areas:

- The IRS chairs the Mutual Agreement Procedure Forum, which provides a venue for tax administrations to collaborate to improve the processes for preventing and resolving treaty disputes.
- The International Compliance Assurance Program is a voluntary pilot, recently expanded to 17 countries, operating as a co-operative risk assessment and assurance process through which taxpayers may achieve greater tax certainty in less time through simultaneous interaction with multiple tax administrations.
- The IRS co-leads the Comparative Risk Assessment Initiative, a project that focuses on analyzing how countries approach the task of assessing compliance risks, developing a common vocabulary for discussing such risks, working

toward the longer-term goal of mapping areas of convergence and divergence of perspectives and, ultimately, seeking to reach common understandings of which tax issues present relatively lower and higher risk across jurisdictions.

- The Joint International Tax Shelter Information Collaboration program offers a platform to enable the IRS and other participating tax administrations to collaborate to address tax avoidance and other tax administration issues through exchanges of information within the established legal framework of bilateral and multilateral tax conventions and tax information exchange agreements.



IT's Mike Cockrell was awarded a 2019 Ones to Watch award by IDG, a leading technology media, data and marketing services company. The award spotlights rising stars who have what it takes to become a "business technology

executive of tomorrow." Mike led the transformation of IT's Return Review Program from a traditional methodology to an Agile discipline, while also being an effective and collaborative leader who focuses on people, relationships and developing others as leaders. (March 2019)



## Goal 4

Cultivate a well-equipped, diverse, flexible and engaged workforce

With IRS employees committed to serving the American taxpayer, the future of the IRS depends on a workplace culture that empowers employees to improve the taxpayer experience and uphold the tax code fairly. Enhanced skills development, succession planning, and knowledge transfer coupled with a forward-looking talent management strategy and modernized training are critical to passing on the leadership skills and institutional knowledge necessary for continued effective tax administration.

At the IRS, we value the diversity of our employees and take every effort to cultivate an inclusive and fair workplace. Many of our employees are among the first generation of their families to live in this country. Every employee has a commitment to diversity, inclusion and civility knowing that all people are important, none more or less so than any others. We are proudly reflective of the communities we serve as we move forward together. The IRS has a strong and steadfast commitment to ensuring equity, diversity and inclusion are integrated into the policies, procedures and practices used to carry our mission. One team: pursuing our common mission.

The IRS recognizes that its taxpayer service, enforcement and business modernization efforts require a strong workforce.

In FY 2019, the IRS hired 4,702 Enforcement positions including Revenue Agents, Customer Service Representatives,

Tax Compliance Officers, and Revenue Officers. In support of the Tax Cuts and Jobs Act (TCJA) the IRS also hired 6,873 positions to help with tax reform. TCJA hiring exceeded that of FY 2018 by 488 positions, with the greatest staff onboarding occurring in the pay periods prior to and immediately following the 2018–2019 partial government shutdown.

### Employee Development/ Training

Our employees are the absolute strength of our agency. The IRS continues to ensure its employees are provided training and developmental opportunities to meet their job obligations and career aspirations.

FY 2019 highlights include:

- The IRS conducted knowledge transfer sessions across key professions for ongoing development and knowledge capture prior to employee exits.
- The IRS continues to utilize the Leadership Succession Review for succession planning and knowledge transfer and revised Internal Revenue Manuals and other procedural guidance to provide the staff with updated work processes.

### Knowledge Management

The IRS actively participates in the Federal Knowledge Management Community, which encourages engagement among agencies to improve KM practices across the federal government.

## 2019 Excellence in KM Recognition

Small Business/Self-Employed (2nd year receiving this recognition) and Large Business & International were recognized for significant contributions and advances of Servicewide KM and serve as a model for deploying KM resources across the IRS.



Pictured (l-r) Robin Bailey, Human Capital Officer, Jeff Tribiano, Deputy Commissioner for Operations Support, Mary Lightfoot, SB/SE KM Project Manager, Lisa Beard Niemann, SB/SE Deputy Commissioner, Kevin McIver, Deputy Human Capital Officer

IRS is experiencing a cultural shift toward micro-learning through short, easily accessible and re-watchable videos. For demonstrating excellence in providing enterprise-wide distance learning solutions and their library of 250+ videos on the Knowledge Management website, HCO's Kelly



Barrett and the IRS Servicewide Self-Help Online Tutorial (SHOTs) program team received a Five-Star Award from the Federal Government Distance Learning Association. (November 2018)

The IRS achieved continued success in expanding the program including:

- Established more than 36 active Knowledge Bases in the Virtual Library, created by 12 participating business units, with an additional 23 Knowledge Bases in development. The Virtual Library sites received more than 1.7 million views in the last two years.
- Established and supported 42 cross-functional Communities of Practice, which encourage members to share ideas and resources. Ten business units and six cross-functional teams facilitate Communities of Practice organized around tax administration, information technology, content development, budget, and project management topics.
- Developed and tested Knowledge Management executive metrics dashboard and benchmarked potential use of Artificial Intelligence/Robotics Process Automation for automated Knowledge Management use case reporting.
- Enhanced Knowledge Management initiatives and processes through the Virtual Library Content Contributor Tool upgrade, which streamlined the process and reduced article publication timeframes.

The IRS enterprise-wide Knowledge Management program received multiple awards and recognitions as well as partnerships with industry leaders and peer federal agencies:

- The Self-Help Online Tutorial library, which houses more than 300 videos, received more than 132,000 views internally and was awarded the "Five-Star Award" by the Federal Government Distance Learning Association. Two Self-Help Online Tutorial videos were featured on the IRS YouTube Channel for global access.
- In April 2019, the IRS received the "Excellence in KM Award" for achieving an "Enterprise 3 Level" at the American Productivity and Quality Center's Knowledge Management Conference for overall program maturity.

## Talent Management

Mission Critical Occupations losses have exceeded hiring for several years and the new Authorized Staffing Plan allowed additional hiring in FY 2019. Until this year, the IRS operated under an exception-only

hiring policy since December 2010 to address annual declining IRS appropriations. Restrictions on hiring, travel, contractor support, administrative costs, and training allowed the IRS to operate within its appropriated budget.

In March 2019, the IRS issued a streamlined hiring and recruiting process that allowed internal organizations flexibility to manage their staffing levels within approved limits. Since then, businesses have been announcing positions and recruiting and hiring multi-generational individuals, as well as conducting necessary enforcement and program travel and delivering training. Guidance for FY 2020 will depend on what appropriated levels can support, especially considering unplanned pay raises and the recent increase in the government's contribution to the Federal Employees Retirement System.



**Advancing the empowerment of women in law.** Chief Counsel (Operations) Drita Tonuzi earned a National Women in Law award, which recognizes general counsel, in-house leaders and law firm partners who have demonstrated extraordinary leadership and business acumen and guided their organizations to achieve success. Drita provides legal guidance and litigation support to the IRS and the Departments of Treasury and Justice in all matters pertaining to the administration and enforcement of the Internal Revenue laws. (October 2018)



## W&I Commissioners visit with Memphis employees

W&I Commissioner Ken Corbin and Deputy Commissioner David Alito visited Memphis to meet with staff at the Taxpayer Assistance Center (TAC) in downtown Memphis, and employees and managers at the campus.

Their first stop was the United Way of the Mid-South to meet with Stakeholder Partnerships, Education & Communication (SPEC) officials from the Nashville Territory. SPEC is partnering with 31 nonprofits, government, faith-based and other community organizations responsible for providing eligible Tennessee and Mississippi residents with access to free tax preparation services.

The duo then visited Field Assistance managers and employees at the TAC office. Ken and David met individual taxpayer advisory specialist (ITAS) Tereatha Reeves who showed the executives the kiosks where taxpayers can complete their own returns.



Campus Support employees (l-r) Alvin Abston II and Margo Flynn demonstrate check processing to W&I Deputy Commissioner David Alito and W&I Commissioner Ken Corbin.

## Goal 5

Advance data access, usability and analytics to inform decision-making and improve operational outcomes

The IRS strives to operate more efficiently to provide superior service to taxpayers and their representatives and ensure successful implementation of changes in tax laws. Using analytics, the IRS works continuously to improve all facets of its operations—taxpayer service, enforcement efforts and a range of internal operations. As technologies continue to evolve, we will continue to expand digital options, across multiple channels, without ignoring traditional means of taxpayer communications.

This fiscal year, the IRS:

**Delivered an updated Enterprise Research Plan.** The second version of the Enterprise Research Plan provided the most significant research initiatives supporting the 2018-2022 IRS Strategic Plan. The document identified critically important projects, programs, and infrastructure advances from the IRS research community in terms of potential effect, resources and costs, and stakeholder awareness. Each selected project was aligned to one of the six goals of the IRS Strategic Plan.

**Expanded the new data and analytics steering group** created to improve coordination, decision-making, and alignment of data and analytics initiatives across business units. Charters were established for the Data & Analytics Strategic Integration Board and the Data & Analytics Advisory Group. Two sub-councils were also launched in FY 2019 from this initiative, including the Data Council and Analytics & Tools Council.

**Created an IRS Learning Agenda working group.** By establishing a Learning Agenda, the IRS will be able to incorporate new “evidence” needed to make better decisions to meet the changing needs and expectations of taxpayers and members of the tax community who serve taxpayers.

The Learning Agenda working group will be initiating conversations and discussions with relevant stakeholders over the next few months to identify the key policy-relevant questions for which the agency intends to develop evidence to support policymaking. The group will also determine what data the agency intends to collect, use, or acquire to facilitate the use of evidence in policymaking and define



### Taxpayer Comment

Taxpayer Digital Communications

In today's digital world, I found the process very efficient and timely. I am sure it decreased the time needed to complete this process—and others like it.

6:52 PM Jul 31, 2019



**Harnessing the power of IT creativity.** The Revenue Integrity and Compliance (RIC) team received the 2019 Chief Information Officer 100 Award for finding innovative ways to use information technology. The RIC team used technology to advance the IRS's effectiveness to detect, resolve and prevent tax refund fraud, fraud identification and non-compliance. They also used historical and external data sources and pattern and relationship recognition to detect anomalies for fraud and non-compliance. (May 2019)

which methods and analytical approaches will be used to develop evidence to support policymaking.

### Taxpayer Service

The IRS assists compliant taxpayers in their efforts to comply with the various filing and reporting obligations. Issues related to each taxpayer must be given individual consideration. The IRS is heavily engaged in serving traditionally underserved communities throughout our country and is responsible for supporting limited English proficiency and unrepresented taxpayers in their efforts to comply. We are expanding meaningful services across multiple channels with customized, culturally-sensitive services that allow people the opportunity to satisfy their filing and reporting obligations.

### Improving Performance Objectives in Taxpayer Assistance Centers

The IRS has taken steps to establish and implement clear program performance objectives and metrics aligned with organizational goals. This achieves desired results by using analytical tools and reporting mechanisms to communicate the goal of improving the efficiency in Taxpayer Assistance Centers. Without considering the lapse in appropriations,

this has resulted in a 1.1 percentage point performance improvement. The Taxpayer Assistance Centers produced more direct time (face-to-face time with taxpayers) when compared to the same time last fiscal year. The improvement equates to an additional 28,000 hours of time devoted to serving taxpayers in the Taxpayer Assistance Centers.

### Field Assistance Scheduling Tool

Just in time for the filing season, the Field Assistance Scheduling Tool was enhanced with new features that increase performance and offer an optional feature that provides the taxpayer with an appointment confirmation/reminder email. Since implementation, through FY 2019, the IRS sent nearly 1.2 million confirmation and reminder emails to taxpayers who scheduled appointments at Taxpayer Assistance Centers.

The Field Assistance Scheduling Tool team members are winners of several awards and recognitions. The most recent honor received was the 2018 Gears of Government Award, which showcases federal employees' pivotal roles in achieving a modern and effective government. This award also recognizes outstanding individuals and teams whose performance and dedication support exceptional delivery of key outcomes

for the American people.

### Partner Satisfaction Survey

Partner Burden and Volunteer Recruitment Teams were created to address feedback from the Partner Satisfaction Survey. Each year, the IRS and the Partner Burden and Volunteer Recruitment teams review the survey results to determine if the feedback warrants any changes to processes and procedures. In addition to the formalized actions recommended by these teams, the survey results are shared with employees. In FY 2019, changes implemented based on this feedback directly resulted in improvements in the Volunteer Income Tax Assistance program.

### Integrated Automation Technologies

Integrated Automation Technologies recently celebrated its 10-year anniversary, surpassing one billion tool uses by IRS employees. The Integrated Automation Technologies tool simplifies taxpayer data processing by automating research and taxpayer account management within the Integrated Data Retrieval System. These tools save time, improve accuracy, and enhance employee satisfaction.

## Integrated Automation Technologies celebrates their 10-year anniversary

June 3, 2019—W&I's Integrated Automation Technologies (IAT) Branch recently celebrated two significant milestones in March. They celebrated their 10-year anniversary, and their tool usage has surpassed the 1 billion mark.

[link](#)

### Employer Identification Number (EIN) Application

As part of ongoing security reviews, the IRS strengthened the requirements around the Employer Identification Number (EIN) application process. Form SS-4, *Application for Employer Identification Number*, and instructions were updated in December 2017 to only allow a natural person to be the responsible party when obtaining an EIN. However, due to programming constraints with the Online EIN Assistant, implementation was delayed until May 13, 2019. The change ensured domestic taxpayers would no longer have the option to use an EIN as the responsible party for obtaining an EIN. This change applies to EINs assigned via the Online EIN Assistant and mailed/faxed Forms SS-4. Governmental entities (federal, state, local, and tribal) are exempt from the responsible party requirement as well as the military, including state national guards. Since the update to the responsible party, the IRS has continued to successfully assign EINs via both the Online EIN Assistant and mail/faxed applications with no effect to the overall assignment of EINs.

In addition, the IRS focused on developing a process to authenticate foreign individuals applying for an EIN without a social security number/Individual Taxpayer Identification Number.

The IRS also issued a news release on March 27, 2019 advising external stakeholders of the upcoming changes to the

EIN application process. These changes also were explained in e-News for Tax Professionals, e-News for Small Business, and e-News for Large Taxpayers (businesses). Also, messaging was shared in a briefing provided to Senate Finance Committee staff on April 17.

### E-File Employment Tax Returns

Employment tax returns are the second largest population of returns, and therefore provide the best opportunity for growth in electronic filing. The IRS redesigned the 94X e-file landing page on IRS.gov and held a forum with payroll industry partners. In FY 2019, the IRS processed 29.0 million business returns electronically, which

includes roughly 14.7 million e-filed employment tax returns, an increase of 8.6 percent from 2018.

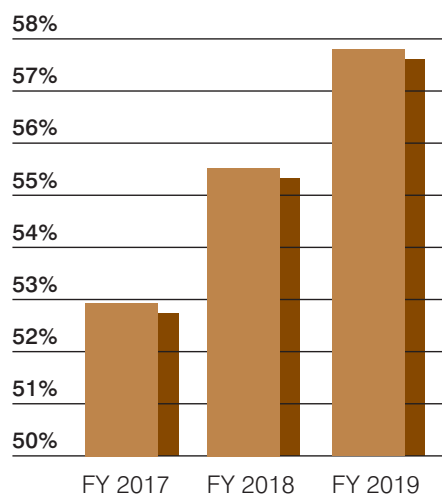
### Enrollment Toll-Free Telephone Line

The IRS analyzed the volume and timing of calls made to the Office of Enrollment toll-free telephone line in FY 2018 and determined that staffing to cover the telephones needed to be increased and realigned. These changes resulted in improved phone coverage and increased the LOS from 74 percent at the end of FY 2018 to 82 percent at the end of FY 2019. The IRS Office of Enrollment administers the enrolled practitioner program; specifically, the office oversees enrolled agents and enrolled retirement plan agents, who are authorized to represent taxpayers before the IRS.

### Enforcement

The IRS supports compliant taxpayers by maintaining a visible, robust civil and criminal enforcement presence in many different arenas. Absent such an effort, certain taxpayers (often with sophisticated representatives) might perceive an opportunity to pursue unreasonably aggressive tax positions adversely impacting the overall integrity of tax administration in our country. The IRS is the front line of the extensive efforts to preclude that type of activity from occurring. Current compliance efforts include

#### E-File Rate—Business



## Tax Crime Heads Meet To Tackle Cybercrime, Cryptocurrency And Other Global Threats

[link](#)



**Investigative tools, practically on demand.** Criminal Investigation's Tyler Andrews created an infrastructure for powerful data analytics processing based on three requirements: speed, security and data centralization. It used to take CI months to requisition technology—an unacceptable timeframe when

fresh data is important. Tyler created a software-based architecture that allow tools to be deployed to multiple CI agents in minutes. For his efforts, Tyler received a 2019 Federal 100 Award. (February 2019)

uncovering the use of various methods to conceal transactions or assets offshore; coordinated efforts by our Large Business and International, Small Business/Self-Employed, and Tax Exempt & Government Entities divisions on matters involving various abusive transactions centered within virtual/crypto currencies, micro-captive insurance scams and syndicated conservation easements; examinations of large, complex partnerships and other flow-through entities; expanding and improving our footprint in the Global High Wealth taxpayer communities; complex, extremely high dollar transfer pricing issues; compliance issues arising from the emerging gig economy and other related issues; tax effects arising from the evolving digital world economy; high dollar, multi-year employment tax cases; various provisions regarding the TCJA; and many others. The foregoing is obviously not an exhaustive list of current enforcement efforts and is merely intended to reference both the breadth and overall importance of these efforts in supporting voluntary compliant taxpayers.

### Large Business Returns

The IRS's efforts to improve its selection processes for complex and large business returns is ongoing. As a result of those continued efforts, the IRS decided to replace the Coordinated Industry Case Program with the Large Corporate Compliance Program. The Large Corporate Compliance Program uses advanced

analytics, employing an array of value and transactional characteristics to define the population, replacing the labor-intensive, burdensome manual pointing process of the Coordinated Industry Case Program. The Large Corporate Compliance Program then applies analytics and algorithms against that population to stratify the returns into risk tiers, with high-risk returns assigned to the field for potential examination. The IRS will continually monitor and update the process based on feedback and operational results.

### Taxpayer Noncompliance Indicators

Graph data environments provide powerful tools for exploring and understanding relationships between entities in the tax ecosystem, including taxpayers, businesses, return preparers and personal devices. The IRS developed and deployed a graph database environment that currently supports nearly 3,300 users across the IRS, including field revenue agents and officers. Through a user-friendly interface, investigators and analysts can quickly access information to identify indicators of taxpayer noncompliance thereby leading to more efficient and actionable investigations. The graph data environment also supports identity theft detection and efforts are underway to develop a graph data set to identify changes in the tax structures of large corporations more easily.

### IRC Section 501(r) Hospital Reviews

In FY2019, the IRS continued its review of all tax-exempt hospitals by completing 812 reviews for adherence to Internal Revenue Code Section 501(r). This three-year rolling review of the tax-exempt hospital universe will be completed in FY 2020 with approximately 3,000 tax-exempt hospitals. The most common issues found during hospital reviews relate to the entities' failures to maintain financial assistance policies and the lack of a Community Health Needs Assessment.

### Examination Planning Scenario Tool

The IRS developed the Examination Planning Scenario Tool to improve its use of data and analytics in the examination work planning arena. The tool employs a data-driven approach to generate and evaluate optimal, executable audit plans that improve business outcomes through incorporation of predictive analytical models. These models, balanced with policies and prioritization rules, help IRS managers make data-driven decisions to identify the next best case to assign.

### Customer Accuracy Rate

The IRS conducts regular quality reviews of call center operations for three of its contractors who are contractually required



### **We continue to close in on cybercriminals.**

IT's Cybersecurity Fraud Analytics and Monitoring (CFAM) group received a prestigious security award after discovering fraudsters exploiting the Federal Student Aid application for sensitive taxpayer data. This discovery led them to analyze the specific behavior pattern associated with the fraudulent activity. They identified more than 100,000 taxpayer identification numbers that were high-risk candidates for fraud. Based on this discovery, the IRS changed the application so it couldn't be used improperly. (April 2019)

to maintain a Customer Accuracy rate of at least 90 percent. Two of the contractors' rates fell below the 90 percent target near the beginning of FY 2019. To prevent future errors and increase quality rates, the IRS identified the most common errors and error trends and provided suggestions for improvement. The IRS also provided a desk guide to one of the contractors, describing how calls are evaluated and included examples of errors that affect accuracy rates. As of September 30, 2019, both contractors' Customer Accuracy rates had reached 90 percent.

## Work Selection

The IRS continually seeks to advance data and analytics to drive decisions in identifying and addressing existing and emerging high-risk areas of noncompliance. This strategy allows the IRS to optimize the resources of these problem areas. The IRS partnered on data-driven approaches using historical examination results and return data in queries to select work based on quantitative criteria. Managers and analysts are being given broader access to different types of software, and ecosystem maps and service design blueprints for use as visual tools to make it easier to identify opportunities to enhance IRS operations.

## Examination Workstreams

The IRS analyzed data (e.g. partnership filings, return preparers, non-filers) associated with various examination workstreams to refine return selection models. The IRS successfully imported Financial Crimes Enforcement Network (a bureau of the Department of the Treasury) data into the IRS's Compliance Data Warehouse to improve analytical capabilities. The Financial Crimes Enforcement Network's new search engine provides a modernized IT foundation to better collect, store, safeguard, analyze and share data with the IRS as well as other federal, state and local law enforcement authorities.

The IRS continues to test and advance the Exam Planning Scenario Tool to select the most productive work to maximize limited resources. The IRS also developed simulation models to identify process improvements as well as conduct virtual experiments of process changes without affecting current case processing. The first simulation focused on Automated Under-reporting to reduce processing bottlenecks and establish work plans for tax return examination to enable optimal performance levels.

## Taxpayer Behavior Models

The IRS uses statistical models to help predict future taxpayer behavior, including how much of a balance due owed by a taxpayer will be collected over time, whether a case is likely to be resolved by full payment or via an installment agreement, or if a currently uncollectible determination is likely.

Building upon existing research, the IRS is using behavioral insights to redesign notices and develop new forms of outreach to help taxpayers satisfy their tax obligations. Being able to predict taxpayer behavior using statistical models helps improve the likelihood of a desired outcome by matching the outreach to a given taxpayer's characteristics.

The IRS is better able to efficiently use limited resources to accomplish tax administration goals such as fairness, reducing taxpayer burden, revenue collection, and ensuring compliance through the judicious use of these data analytic techniques.

## Program Assessment Optimization Model

The Program Assessment Optimization Model assesses the business effects of potential staffing placement decisions. The current model parameters are set to

## Employee engagement at its best = the IRS appointment tool

April 1, 2019—Teamwork remains a key element to W&I's many successes. But few can surpass the team effort needed to launch the Field Assistance Scheduling Tool (FAST) and recently, the email notification enhancement to remind taxpayers of the time and location of their appointment.

maximize collected revenue; however, further model development will enable additional parameters. This model was used to provide hiring placement guidance to IRS Executives for the FY 2019 Compliance hiring initiative and will be used for FY 2020 hiring.

### Internal Operations

#### Information Technology

The IRS continues to harness advanced analytical approaches to make data-driven decisions. In FY 2019, new approaches were used not only to improve visibility into the health of information technology operations but also create a centralized repository for key reporting measures applicable to information technology. The IRS built a set of interactive new dashboards to improve its ability to monitor and visualize key information technology metrics, such as the percentage of aged hardware, the status and composition of the information technology workforce, and the status of any critical service disruptions. Using these tools, the IRS is better able to address strategic issues using key measures and indicators that allow for more informed decision-making.

The IRS also made strides in another analytical effort to better inform information technology decision-making—Technology Business Management. Through the Technology Business Management initiative, the IRS now has a better perspective on the types of services and support needed throughout the Service, which permits a more efficient allocation of its more than \$2.7 billion information technology budget. Technology Business Management lets the IRS better evaluate cost and spending data, as well as helps the IRS to provide greater transparency into its financial activity with year-over-year trending analysis and other benchmarking.

Together, these data analytic initiatives help to articulate the purpose and results of spending across the information technology portfolio.

#### Customer Online Experience

New legislation and government requirements call for improvements to government Customer Experience and specifically, digital services. Collectively they require consistent experiences informed by customer feedback and research. Pursuant to these goals, the IRS updated its IRS.gov site survey and OLA site survey. These updates offer greater insight

into customer perceptions of satisfaction, ease of task completion, service quality, service efficiency, and confidence in the IRS. Both survey updates were introduced during annual tax filing season; responses to satisfaction surveys tend to follow strong seasonal patterns and baseline data is still being established.

#### Human Capital

The IRS continues to research and identify automation tools to promote effective and efficient program management and service delivery. From creating a data warehouse for human resources data collection and reporting systems to Enterprise Case Management, the IRS continues its commitment to modernization and operational efficiency.

The Integrated Talent Management system is a single, integrated information system made up of modules that support multiple human capital business processes. This Treasury system integrates competency-based human resource processes by providing a common interface, workflow, and cross-process reporting and analytics. The IRS implemented a performance management module for executives in 2019 and will implement an IRS learning module in early FY 2020, followed by employee performance management, workforce planning and succession planning capabilities.



**Taxpayer Comment**  
via social media

I've spent around 10 hours speaking with the IRS over the last couple of weeks. EVERYONE was extremely kind, helpful and wanting to get answers.

6:53 PM Jul 9, 2019



**Innovative, agile, effective.** Deputy Chief Information Officer for Filing Season & Tax Reform Nancy Sieger received FedScoop 50's Federal Leadership award. Leading IRS's largest legislative overhaul in 30 years, Nancy turned the enormous undertaking that is the Tax Cuts and Jobs Act into an opportunity to pioneer new techniques and integrate organizations across the enterprise. She challenged the IT requirements gathering timeline by driving the collection of over 16,000 requirements in three months—an astounding improvement on the seven-month cycle in a normal tax year. (November 2018)

## Goal 6

Drive increased agility, efficiency, effectiveness and security in IRS operations

The IRS is continuing to find ways to streamline and simplify processes and manage expenses to make operations more cost effective, a task necessary for sound financial stewardship—all the while remaining dedicated to maintaining the physical and digital security of its systems and taxpayer information, enhancing internal controls, managing risks, and upholding accountability.

### Modernizing IRS Systems

The IRS believes the key to achieving increased agility, efficiency, effectiveness and security is to modernize the IRS. Modernization is vital to all core functions: serving taxpayers, delivering the filing season, and enforcing tax laws. The IRS has already made major progress to improve systems and upgrade service to taxpayers in recent years. For example, efforts to phase out old equipment have reduced the percent of aged computer hardware from 52.3 percent in FY 2017 to 45.5 percent in FY 2018 and 31 percent in FY 2019. But to ensure the IRS can fulfill the mission over the long term, more needs to be done, including updates to legacy computing infrastructure and business operations.

To put the IRS on the right path, and with months of hard work by IT and business units and employees across the agency, the IRS released its FY 2019 Integrated Modernization Business Plan—a six-year roadmap for modernizing IRS systems and

taxpayer services. The plan outlines a bold strategy to enable business transformation that is focused on improving services for taxpayers and the tax community, while protecting taxpayer data.

This plan envisions real, visible results for the taxpayer and the tax system. Modernizing the IRS will greatly improve the experience that taxpayers, businesses, exempt organizations, tax professionals and others have with the agency.

The IRS believes modernization will improve how taxpayers interact with the IRS, whether filing a return, receiving a refund or paying a tax bill. It will change the interaction between IRS employees and taxpayers or their representatives, and all for the better. With better technology, the IRS will be able to accomplish much more, in less time, and provide better across-the-board service. The IRS is working toward the best-in-class service that is equivalent to what people receive when they contact an online retailer or place a single call to a financial institution and obtain a wide range of services. A few examples of what the IRS modernization plan calls for:

- Longer term, taxpayers will have shorter waits on the phone and see their cases resolved sooner.
- An expanded customer callback feature, so taxpayers will have the option of receiving a call back to avoid waiting on hold.

## Cincinnati Campus Consolidation advocates work on behalf of employees

In the days shortly after the announcement of the Cincy Campus consolidation, campus leaders accurately forecasted the need for, and assembled, a Consolidation Team. Among several who answered the call was Jill Dowers who would go on to become a familiar face in the Career Opportunity and Resource Engagement (CORE) Room.

Jill was originally detailed to Customer Account Services to help manage the administrative end of their consolidation timeline; however, her role evolved soon after the HCO briefings began.



Angel Steffen (left) and Jill Dowers are just two of several key players who helped employees prepare and plan for their future during the Cincinnati Campus Consolidation.



- For victims of identity theft or instances where there are questions about who is filing the tax return, the IRS will simplify identity verification to expand access to online services while safeguarding data.
- More online account options to make it easier for taxpayers to share documents and information when there is an issue with a tax return that needs to be resolved, bringing the IRS in step with the best practices found in the financial sector.
- A more efficient process for implementing required technology changes due to new tax provisions, which requires a lot of lead time and behind the scenes work by IRS employees.

Another benefit of modernization is that, if the IRS were to more effectively serve taxpayers who prefer to interact with the IRS online, the agency would be able to free up resources to improve service on other channels, including over the phone and in person.

Ultimately, these efforts add up to an improved IRS that will help taxpayers, the tax community and the nation.

In FY2019, The IRS delivered 19 new capabilities as part of the plan in FY 2019. By design, many of these new capabilities improved the taxpayer experience like the online ID Verify Tool and the initial deployment of a customer callback option on certain IRS phone lines. Continued progress will depend, in part, on predictable and adequate funding levels for multiple fiscal years.

## Cybersecurity

During FY 2019, the IRS continued working diligently to safeguard the security of its systems and taxpayer data, battling increasingly sophisticated and frequent efforts by cybercriminals to steal data, file fraudulent refunds, and infiltrate IRS systems. These attacks include 1.6 billion annually, which consist of denial-of-service attacks, unsuccessful intrusion attempts, probes or scans, and other unauthorized connectivity attempts. The IRS has increased monitoring, detection, and analytical capabilities to identify suspicious activity within its systems. These improvements have helped the IRS slow down identity thieves, but more is needed as reflected in the IRS Integrated Modernization Business Plan.

In FY 2019, the IRS detected and mitigated 2,534 phishing and malware sites and identified and responded to 147 cyber incidents, 104 of which involved common threats such as removable media, email, and web-based activity. The IRS also implemented 12,527 content filtering restrictions to mitigate internet content deemed a security risk to IRS information systems.

Additionally, IRS Cybersecurity penetration testing and the Department of Homeland Security's Security Architecture Reviews identified unrestricted network access as an IRS network vulnerability. To mitigate this vulnerability, the IRS is implementing a network access control solution that

immediately blocks network access for all unauthorized devices and users. To date, the IRS is 100 percent complete for wireless and remote network access and 96 percent complete for wired in-office network access.

## Space Consolidation

Another component of the IRS's efforts to streamline operations involves space consolidation. During FY 2019, the IRS continued to use data to select the best opportunities to release excess facility space by looking at the timing of expiring leases and planned General Services Administration renovation projects, and by analyzing IRS housing needs to plan building closures and consolidations. The IRS analyzed where limited funds should be spent, to minimize costs and capture the greatest returns on investment. As a result, in FY 2019, nine buildings and 450,000 square feet of space were released from the IRS portfolio.

Additionally, the IRS used telework and mobile work data to expand the number of offices that incorporate hoteling and shared workspace for employees and contractors who do not require full time space. During FY 2019, the IRS completed facility planning for the ramp down of the Submission Processing operation in Covington, KY, and continued planning the future Fresno, CA submission processing ramp down in 2021.



# Looking to the Future— Fiscal Year 2020

**“We are continuing to deliver capabilities that put taxpayers first and enhance every perspective of the taxpayer experience.”**

**Chuck Rettig , IRS Commissioner**

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The IRS proudly pursues our mission on behalf of the American people while also facing many challenges. We have important work ahead as we implement the Taxpayer First Act and, at the same time, continue to improve the experience of all taxpayers and others who interact with us. To gain their trust and respect, we must continue these efforts, operating through their eyes. Although we may not always succeed in certain arenas, we will always exercise our best efforts on behalf of the American people. Every interaction with every person, is important to us.

We all want our country to be successful. By opening our doors and telling our story, we hope others will appreciate the importance of the IRS to the continued success of our country and to every American. When you consider that almost 96 percent of the country’s revenues flow through the IRS each year, and billions of dollars are distributed from the IRS to families and others all across America, it becomes easy to also recognize the critical importance of a fully functioning IRS. The continued success of our country depends, in significant part, upon a successful, fully functioning IRS.

We must appropriately protect data received on behalf of millions of Americans. We are responsible for supporting

often sophisticated individuals, multi-national corporations, charities, retirements, Indian Tribal Governments and others in their efforts to comply. We are also responsible for supporting unrepresented, under-represented and limited English proficiency taxpayer communities throughout the country. In this regard, we must deliver meaningful services across multiple channels including customized, in language, culturally sensitive services that allow people the opportunity to satisfy their filing and reporting obligations. We are committed to appropriately protecting data received on behalf of millions of Americans. Modernization will enable us to accomplish a lot more, in less time. Depending on budget considerations, as technology evolves, we will continue to modernize our systems to improve the internal and external services provided. We are continuing to deliver capabilities that put taxpayers first and enhance every perspective of the taxpayer experience.

Fair but rigorous enforcement of the tax laws is critical to ensuring the integrity and fairness of our tax system. When taxpayers file their returns, they should feel confident that others are doing the right thing too. In part, we support those attempting to comply by pursuing a visible, robust enforcement effort aimed at those who fail to comply. Otherwise, certain taxpayers,

sometimes supported by sophisticated representatives, might feel free to pursue overly aggressive tax positions adversely impacting the overall integrity of tax administration in our country.

Our employees respect every American and deserve the respect of every American. Our employees make a difference, they care, and they take pride in serving taxpayers and our country. We recognize, respect and value the diversity among our workforce and want to be reflective of the diverse taxpayer communities we serve. All people are important, none more or less so than any others.

We want to do more - our dedicated employees are extremely proud of their service to our country. We will continue working to meet the challenges we face with innovative ideas and determination, so that we can continue fulfilling our mission of providing top-quality service to the American taxpayer. We are on this journey to improve tax administration together – together with you and every other American who values the success of our country and all it can provide to make the world a better place...

- Commissioner Chuck Rettig

- Deputy Commissioners Sunita Lough and Jeffrey J. Tribiano







