

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



Inflation Reduction Act: Assessment of the IRS's 2024 Annual Update to Its Strategic Operating Plan

January 28, 2025

Report Number: 2025-IE-R011

HIGHLIGHTS: Inflation Reduction Act: Assessment of the IRS's 2024 Annual Update to Its Strategic Operating Plan

Final Evaluation Report issued on January 28, 2025

Report Number 2025-IE-R011

Why TIGTA Did This Evaluation

In April 2023, the IRS issued a Strategic Operating Plan (SOP) identifying the highest-priority opportunities to deliver transformation changes for taxpayers using Inflation Reduction Act supplemental funding. To implement the SOP and the transformation efforts, the IRS established the Transformation and Strategy Office (TSO). In May 2024, the IRS issued an update to the SOP, which refined the transformation vision and provided priorities based on the objectives in the original SOP.

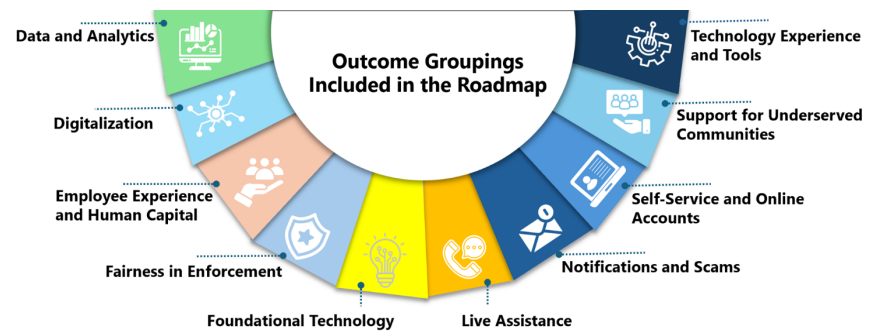
We initiated this evaluation to determine whether the SOP update continues to provide a clear framework of the IRS's plan to transform tax administration.

Impact on Tax Administration

The Inflation Reduction Act of 2022 provided the IRS with approximately \$57.8 billion (after rescissions) to improve taxpayer services, update antiquated computer systems, and increase compliance and enforcement actions against high-income taxpayers and large corporations.

What TIGTA Found

The IRS has changed the focus of the transformation from what was outlined in the original SOP. TSO management indicated that there was a misalignment from the IRS Commissioner's priorities to the SOP. The IRS issued its annual SOP update and a supplement report in May 2024. This update refined the transformation vision and outlined the transformation priorities based on the SOP objectives. Additionally, the IRS developed an implementation roadmap, which expanded and refined the transformation outcomes and key results for Calendar Years 2023 through 2026. The roadmap included the following outcome groupings (*i.e.*, priorities).



Lastly, while the TSO retains the responsibility for oversight and establishing strategic direction, the responsibility for executing the transformation projects and delivering the roadmap shifted from the TSO to the operating divisions. With the new structure, the transformation leads within the TSO are working with the operating divisions to ensure that the transformation is moving forward. The new governance structure includes:

- Portfolio reviews led by the TSO to discuss the status of each transformation project, focusing on project accomplishments, challenges, and risks.
- Five Steering Committees led by each of the IRS's operating divisions (Chief Compliance Officer; Chief, Taxpayer Services; Chief Information Officer; Chief Operating Officer) and one for the enterprise led by the Chief, TSO.
- An Advisory Committee led by the IRS Commissioner to discuss challenges that are being encountered and decisions that are needed to complete key results outlined in the roadmap, and develop a plan to overcome the challenges.

The roadmap and the governance structure the IRS has in place continues to provide a framework of how the IRS plans to transform tax administration.

What TIGTA Recommended

This report is part of a series of evaluations that are assessing the IRS's efforts to transform its operations to improve tax administration. This report was prepared to provide information only. Therefore, no recommendations were made in the report.



TREASURY INSPECTOR GENERAL

for Tax Administration

DATE: January 28, 2025

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM:

Nancy A. LaManna

A handwritten signature in cursive script that reads "Nancy LaManna".

Deputy Inspector General for Inspections and Evaluations

SUBJECT:

Final Evaluation Report – Inflation Reduction Act: Assessment of the IRS’s 2024 Annual Update to Its Strategic Operating Plan
(Evaluation No.: IE-24-043-I)

This report presents the results of our review to determine whether the Strategic Operating Plan update continues to provide a clear framework of the Internal Revenue Service’s (IRS) plan to transform tax administration. This review is part of our Fiscal Year 2025 Annual Program Plan and addresses the major management and performance challenge of *Managing IRA [Inflation Reduction Act of 2022] Transformation Efforts*.

This report was prepared to provide information only. Therefore, no recommendations were made in the report. While no recommendations were made in this report, IRS management did provide a response. Management’s response to the draft report is included in Appendix IV.

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Background

In August 2022, the Inflation Reduction Act of 2022 (IRA) was signed into law, which provided almost \$80 billion to the Internal Revenue Service (IRS) to improve taxpayer services, update antiquated computer systems, and increase compliance and enforcement actions against high-income taxpayers and large corporations that try to evade taxes.¹ IRA funding to the IRS was reduced to approximately \$57.8 billion by the following legislation:

- In June 2023, enactment of the Fiscal Responsibility Act of 2023 resulted in the rescission of approximately \$1.4 billion in the IRA Enforcement funding activity.²
- In March 2024, the Further Consolidated Appropriations Act, 2024, resulted in a rescission of \$20.2 billion in the IRA Enforcement funding activity.³

In addition to the rescissions, the American Relief Act, 2025, which provides appropriation funding to federal agencies through March 14, 2025, freezes another \$20.2 billion in IRA enforcement funds.⁴

Shortly after the IRA was enacted, the Department of the Treasury and the IRS initiated an effort to develop a Strategic Operating Plan (SOP), identifying the highest-priority opportunities to deliver transformational change for taxpayers. The IRS issued the SOP in April 2023.

To implement the SOP and the transformation efforts, the IRS established the Transformation and Strategy Office (TSO). The mission of the TSO is to oversee the successful transformation of the IRS. To help accomplish this mission, the IRS Commissioner mandated that the TSO drive cross-organizational prioritization of the delivery of objectives and initiatives outlined in the SOP. As such, the TSO has an enterprise-wide role focused on transformation, including providing quick, expert resources to support the full scope of transformation efforts and focusing on strengthening the enterprise-wide culture to support transformation.

Treasury Inspector General for Tax Administration (TIGTA) continued assessments of the IRS's transformation efforts

This evaluation is a continuation of TIGTA's ongoing assessments of the IRS's transformation efforts. The following are highlights of some of TIGTA's recently issued reports:

- In January 2023, TIGTA reported on the standup of the IRA Transformation and Implementation Office as well as its development of processes and procedures to monitor, measure, and track implementation efforts.⁵ This office was responsible for strategically coordinating agencywide activities to develop the IRA Operational Plan (later known as the SOP). This office was also responsible for engaging with IRS

¹ Pub. L. No. 117-169, 136 Stat. 1818.

² Pub. L. No. 118-5, 137 Stat. 10.

³ Pub. L. No. 118-47, 138 Stat. 460.

⁴ Pub. L. No. 118-158, 138 Stat. 1722. The American Relief Act, 2025, carries forward the rescission of \$20.2 billion contained in the Further Consolidated Appropriations Act, 2024, of amounts provided to the IRS by the IRA.

⁵ TIGTA, Report No. 2023-IE-R003, [Inflation Reduction Act: Assessment of the Internal Revenue Service Implementation Efforts](#) (January 2023).

personnel and Department of the Treasury stakeholders, monitoring the implementation of the tax provisions, and coordinating the organizational transformation efforts the IRS plans to undertake over the next decade. Finally, this office worked closely with the Office of the Chief Financial Officer to establish processes and procedures to track and account for IRA-appropriated funding.

- In September 2023, TIGTA reported that after the passage of the IRA, the Secretary of the Treasury (Secretary) outlined expectations for the IRS for the 2023 Filing Season.⁶ These expectations were set to ensure that taxpayers see that the IRS is making real changes. We reported that the IRS met 2 of the Secretary's 5 expectations, including reporting a level of service of 85 percent as well as reducing the average wait time to answer a taxpayer's call to approximately 3 minutes.⁷ The IRS also provided taxpayers with the ability to respond to nine of the highest volume of notices via the Document Upload Tool. However, the IRS was unable to meet the Secretary's expectations for the remaining three goals. Specifically, the IRS was unable to fully resolve its backlog of tax returns and other tax account inventory, fully staff all its Taxpayer Assistance Centers, or scan millions of paper-filed tax returns.
- In March 2024, we reported that the Secretary indicated that the SOP should identify specific operational initiatives and associated timelines that would improve taxpayer service, modernize technology, and increase equity in tax administration.⁸ The Secretary also indicated that the SOP should include details on how resources will be spent through Fiscal Year (FY) 2031 on technology, service improvement, and personnel as well as detailing the metrics the IRS will use to measure its transformation efforts. The SOP includes 5 transformation objectives that the IRS plans to deliver via its implementation of 42 initiatives, specific milestones by fiscal year, and "*What Success Would Look Like.*" However, the SOP did not include how the IRS plans to measure its overall transformation progress, baselines, nor information on the specific processes that will be used to measure its success. The SOP included 58 milestones for delivery in FY 2023. In our discussion with IRS management, we found that 19 (33 percent) of the milestones were completed, 36 (62 percent) were in progress, and 3 (5 percent) were delayed as of Sept. 30, 2023.

Additionally, TIGTA is issuing quarterly snapshot reports on the status of the IRS's IRA spending through each quarter. These reports provide quarterly and cumulative reporting on the IRS's use of IRA funding to transform tax administration.⁹

⁶ TIGTA, Report No. 2023-IE-R010, [Inflation Reduction Act: Assessment of the IRS's Efforts to Deliver Expected Improvements for the 2023 Filing Season](#) (September 2023).

⁷ The level of service percentage is rounded.

⁸ TIGTA, Report No. 2024-IE-R010, [Inflation Reduction Act: Continued Assessment of Transformation Efforts – Evaluation of Fiscal Year 2023 Delivery of Initiatives](#) (March 2024).

⁹ TIGTA, Report No. 2024-IE-R020, [Quarterly Snapshot: The IRS's Inflation Reduction Act Spending Through June 30, 2024](#) (September 2024).

Results of Review

The IRS has refined the focus of the transformation from what was outlined in the original SOP. While the original SOP and the 2024 SOP update and supplement report include the same objectives, the focus on how those objectives will be obtained has changed. The 2024 SOP update and supplement report focuses on transformation priorities and outcomes versus the milestones and initiatives outlined in the original SOP. While these transformation priorities and outcomes are related, they are not a one-for-one comparison to the milestones and initiatives included in the SOP. TSO management indicated that some of the changes were to better align with the IRS Commissioner's priorities that were not detailed in the original SOP and to drive transformation efforts by calendar year.

In addition to the SOP update and supplement report, the IRS developed an implementation roadmap (hereafter referred to as roadmap) which expanded and refined the transformation outcomes and key results for Calendar Years 2023 through 2026. Lastly, while the TSO retains the responsibility for oversight and establishing the strategic direction, the responsibility for executing the transformation projects and delivering the roadmap shifted from the TSO to the operating divisions. With the new structure, the transformation leads within the TSO are working with the business operating divisions to ensure that the transformation is moving forward. The new governance structure includes:

- Portfolio reviews led by the TSO to discuss the status of each transformation project, focusing on project accomplishments, challenges, and risks.
- Five Steering Committees led by each of the IRS's operating divisions and one for the enterprise led by the Chief, TSO.
- An Advisory Committee led by the IRS Commissioner to discuss challenges that are being encountered and decisions that are needed to complete key results outlined in the roadmap, and develop a plan to overcome the challenges

Inflation Reduction Act Strategic Operating Plan Annual Update Refined the IRS's Transformation Vision

The IRS released an annual update to the SOP in May 2024. In its annual update, the IRS outlined achievements for the first year of the implementing the SOP. These achievements include:¹⁰

- **Enhanced live assistance** by answering more than 1 million more telephone calls and reducing wait time to 3 minutes during the 2024 Filing Season; adding a call back option on the main telephone line saving taxpayers an estimated 1.4 million hours of being on hold; and improving services at the Taxpayer Assistance Centers by adding extended hours at 242 locations generating more than 11,000 extra service hours during the 2024 Filing Season.

¹⁰ These achievements are what the IRS reported in the May 2024 SOP Annual Update. We did not conduct any tests to verify these achievements.

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- **Expanded online services** by enhancing and creating popular and convenient online tools that save taxpayers time and money. For example, for the 2024 Filing Season, the IRS updated the Where's My Refund? tool to provide more detailed refund status information in plain language.
- **Launched Direct File** providing taxpayers in 12 states the ability to file their tax return online directly with the IRS for free. As of April 20, 2024, more than 140,000 returns were filed using Direct File.
- **Implemented new policies and stood up new online tools for the Clean Energy Tax Credit** including launching the IRS Energy Credits Online, which provides a fully electronic way for users to register for a Clean Vehicle or Electronic Payment/Transfer Elective account. With this tool, users can submit clean vehicle time-of-sale reports, request advance payments, and register facilities and properties.
- **Increased online services and accelerated digitalization** including updating the Individual Online Account so individuals can save multiple bank accounts, validate bank account information, display the bank name, schedule and cancel payments, and expand and revise payment plans; introduced new voicebots to assist taxpayers with a wide range of issues; launched the Business Tax Account; enhanced the Tax Pro Account to include the ability to manage active client authorizations; and built capability for taxpayers to digitally submit online all correspondence and response to notices and letters that do not have a filing or payment action.
- **Simplified notices** by redesigning notices so taxpayers can easily understand why the IRS is contacting them and take the appropriate action. For the 2024 Filing Season, the IRS redesigned 31 notices.
- **Disrupted scams** and protected more than \$1 billion by disrupting scammers targeting the Employee Retention Credit.
- **Ensured fairness in enforcement** by increasing efforts to pursue high-income, high-wealth individuals who have either not filed their taxes or failed to pay recognized tax debt; opening examinations of the largest partnerships in the United States; expanding the large corporations compliance program; and performing audits involving personal use of business aircrafts.
- **Leveraged data and artificial intelligence** to identify potential compliance risk in the areas of partnership tax, general income tax, and accounting and international tax.
- **Addressed racial disparities in enforcement** by overhauling compliance efforts to advance the commitment to fair, equitable, and effective tax administration.
- **Modernized underlying technology** by deploying new technology to benefit taxpayers and modernizing the IRS's foundational legacy information technology systems.
- **Fostered positive employee experience** by updating aging equipment for IRS employees, increasing access to supply stations, holding "Fix It" days, and developing a recruiting and onboarding plan

Supplement Report to the 2024 IRA SOP Annual Update

In addition to the annual update document, the IRS also issued a supplement report. This report noted that over the course of the first year of implementing the SOP, the IRS further refined the vision and the near-term priority efforts to obtain the vision. The IRS indicates that a key component of this work was the development of plain language outcomes, which are aligned to the five objectives in the SOP, and the priority efforts and key results planned to be delivered over the next two years. Figure 1 shows the SOP objectives and the associated transformation priorities.¹¹

Figure 1: SOP Objectives and Transformation Priorities

Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible. 1	Quickly resolve taxpayer issues when they arise. 2	Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the tax gap. 3	Deliver cutting edge technology, data, and analytics to operate more effectively. 4	Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers. 5
<ul style="list-style-type: none"> • Enhance Live Assistance • Expand Online Services • Accelerate Digitalization • Improve Employee Tools 	<ul style="list-style-type: none"> • Simplify Notices • Disrupt Scams 	<ul style="list-style-type: none"> • Ensure Fairness in Enforcement 	<ul style="list-style-type: none"> • Modernize Foundational Information Technology 	<ul style="list-style-type: none"> • Enhance Human Capital and Culture

Source: 2024 IRA SOP Annual Update Supplement.

The supplement report provides details on the future of the SOP across the following areas:

- Vision for a transformed IRS.
- Priorities for FYs 2024 and 2025.
- Funding the Transformation.

Vision for a transformed IRS

The SOP outlined the goals for the future of tax administration and indicated that these goals will enable the IRS to serve all taxpayers more equitably and in ways they want to be served. The goals included:

- Making it easier for taxpayers to meet their tax responsibilities and receive tax incentives for which they are eligible.
- Adopting a customer-centric approach that dedicates more resources to helping taxpayers get it right the first time, while addressing issues in the simplest ways appropriate.
- Addressing noncompliance, using data and analytics to expand enforcement in certain segments.
- Becoming an employer of choice across government and industry.

¹¹ The IRS also refers to the transformation priorities as roadmap outcome groupings.

The supplement report noted that after a year of implementation of the SOP, the IRS has focused the goals for the future of tax administration into a clear and concise statement of the future of taxpayer service.



The current IRS vision for taxpayer service is:

"All taxpayers can meet all of their responsibilities, including all interactions with the IRS, in a completely digital manner if they prefer."

The supplement report indicated that to bring the IRS into the modern era, it needs to become a digital-first agency. The goal of the digital-first processes and technologies is to provide taxpayers the ability to interact with the IRS entirely digitally.¹² The IRS indicated that the results of achieving its taxpayer service vision is twofold:

- Significant improvement to the taxpayer experience and satisfaction and trust with the IRS.
- Increase in employee capacity for areas where taxpayers need the most assistance.

Additionally, the supplement report indicated that the IRS is making progress to the future state of taxpayer service and provided key initiatives in taxpayer services that will make the vision a reality. These initiatives include:

- **Call Center Modernization** using automated voicebots to provide answers to taxpayers quickly. The IRS is focused on leveraging technology, such as voicebots, to route calls based on human language to make the call centers more efficient. Automated answering of calls frees up employees from answering basic questions that can be addressed by bots and allows taxpayers to obtain faster service.
- **Paperless Processing Initiative** providing taxpayers digital submission options, and workflows within the IRS are digitized to speed up processing and deliver faster results to taxpayers.
- **Simple Notice Initiative** providing taxpayers the ability to access notices online, understand what the notice says, and follow clear instructions on actions they need to take.
- **Online Service Enhancements** providing taxpayers with online tools to access information in real-time, and the ability to resolve issues via online self-service. The IRS's vision is to have online self-service options for all taxpayer needs.

The supplement report also provided the IRS's vision for enforcement, supported by IRA funding.

¹² The supplement report did indicate that the IRS will maintain nondigital options to ensure accessibility to all taxpayers.



The supplement report also included the following for the IRS's vision for fairness in enforcement:

"Noncompliant taxpayers, in particular the largest and most complex filers, pay what they owe because the IRS has the workforce and advanced technology needed to enforce fairness in the tax system and narrow the Tax Gap."

The supplement report noted that even with improved taxpayer service, some taxpayers do not pay what they owe. The IRS indicated that the complexity of tax administration, along with the sophisticated ways some taxpayers attempt to evade their tax obligations, has outpaced its resources and its ability to monitor compliance and narrow the gap between taxes owed and taxes collected. The IRS indicated that the results of achieving its fairness in enforcement vision is twofold:

- Increasing taxpayer compliance by boosting enforcement capacity.¹³
- Rebalancing the enforcement focus to boost enforcement capability for the most complex, high-income taxpayers.

Figure 2 details the key initiatives for the fairness in enforcement vision that are included in the supplement report.

Figure 2: Fairness in Enforcement Key Initiatives

★ Enforcement Hiring and Training

- ★ Increase enforcement workforce to reverse more than 10 years of inability to maintain adequate staffing.
- ★ Invest in training.

★ Large Corporation, Partnerships, High-Income and High-Wealth

- ★ Expand compliance programs in these areas.

★ Alternative Interventions for Emerging Concerns

- ★ Invest in modern, alternative interventions for emerging issues, such as digital assets and limited transactions.

★ Advanced Compliance Analytics

Use data and invest in tools and technology to:

- ★ Optimize case selection to identify the highest risk cases.
- ★ Improve case management to match each case to best equipped agent.
- ★ Identify emerging compliance issues.
- ★ Ensure fairness.

Source: 2024 IRA SOP Annual Update supplement report.

¹³ To achieve this result, the IRS is hiring accountants, lawyers, data scientists, engineers, and other tax experts to focus on high-income taxpayers, large corporations, and complex partnerships.

Priorities for FYs 2024 and 2025

The supplement report aligned the IRS's outcomes and priority efforts for FYs 2024 and 2025 to the five objectives outlined in the SOP. However, the IRS noted in the report that timing and delivery of milestones may be adjusted based on the planning and implementation process. The report also indicated that with the creation of the outcomes, the IRS will measure progress against the successful delivery of the priority efforts associated with those outcomes.

As mentioned previously, the 2024 IRA SOP Annual Update supplement report refined the IRS's vision and established outcomes that were not part of the original SOP issued in April 2023. The SOP included the same objectives as the update and supplement report but focused on initiatives and how those objectives would be attained, not the transformation priorities and outcomes that the supplement report outlines.¹⁴ These transformation priorities and outcomes while related are not a one-for-one comparison to the initiatives included in the SOP.

Funding the Transformation

The supplement report provides the following accomplishments supporting the taxpayer service vision that the IRS indicates were made possible through IRA funding:

- Increasing the IRS level of service on its main telephone line to more than 88 percent and an average wait time of 3 minutes.
- Providing 11,000 more hours of in-person assistance at the Taxpayer Assistance Centers nationwide and assisting 170,000 more taxpayers than in 2023.
- Providing taxpayers additional tools to submit paper digitally to the IRS.
- Increasing efforts to stop potential scams at the time of tax return filing.
- Piloting the Direct File service that allowed certain taxpayers in 12 states to file their taxes directly with the IRS online and for free.
- Simplifying notices making it easier for taxpayers to understand tax laws.
- Expanding the use of callback options to 95 percent of telephone lines during the 2024 Filing Season, allowing the IRS to call back more than 4 million taxpayers, more than doubling the call backs for the 2023 Filing Season.

In addition to the taxpayer service accomplishments the IRS reported, it also noted that the information technology workforce grew by more than 1,300 staff since the IRA was enacted. This has provided the IRS the ability to retire and replace legacy information technology systems and deliver taxpayer-focused online tools. Additionally, with IRA funding, the IRS increased its enforcement staff and has started to rebuild capacity and deliver results to improve tax fairness.

The IRS noted in its supplement report that with its current funding, it can maintain the taxpayer services workforce at the level required to deliver exceptional service in FY 2025 but will not be able to support these efforts through FY 2026. The IRS further indicated that the 85 percent level of service goal for the 2025 Filing Season will drop to less than 30 percent during FY 2026 as the Taxpayer Services funding activity will be underfunded by more than 33 percent. Additionally, IRA funds for Business Systems Modernization will be used by FY 2026, and at that point,

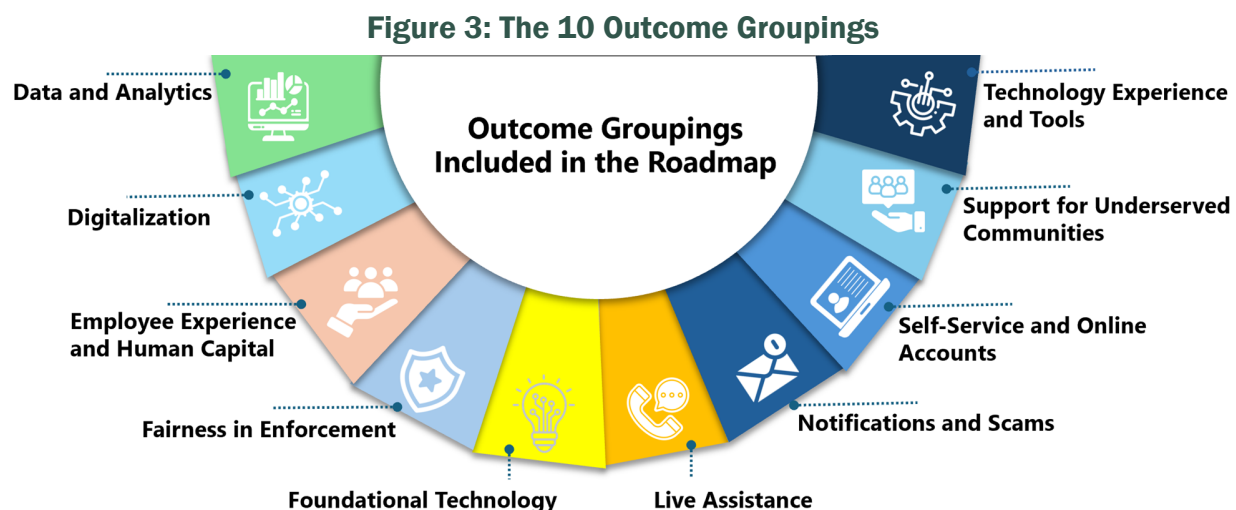
¹⁴ See Appendix II for a list of the SOP objectives and the transformation priorities and outcomes.

automation solutions will be scaled back. The IRS indicated that Business System Modernization is underfunded by nearly \$3 billion through FY 2031.

In April 2024, the IRS Commissioner testified before Congress and noted that as the IRS implements its plan for transformation using the significant resources provided by the IRA, its annual appropriation needs to provide sufficient recurring resources to cover normal operating expenses. The Commissioner indicated that with no anticipated increase in the annual appropriations for FY 2025 for inflationary requirements, the IRS will once again be required to use IRA resources to fund normal operating expenses. As a result, the IRS will likely use all the supplemental IRA funds before the funding expires in FY 2031.

Change in Focus From the Strategic Operating Plan to an Implementation Roadmap

After the SOP was issued, the IRS Commissioner set a list of priorities for the IRS's transformation efforts. The IRS developed an Implementation Roadmap, which provides more details on the transformation efforts by calendar year. The roadmap refined the outcomes and key results for Calendar Year 2023 through 2026.¹⁵ The roadmap is organized by outcome groupings, which are similar to the transformation priorities included in the SOP 2024 Annual Update. The roadmap includes outcomes and key results for each of the outcome groupings. Outcome groupings are high-level groups of outcomes and key results that share a common theme. According to TSO management, outcome groupings are overarching, IRS-wide priorities that will lead the IRS to achieve the SOP objectives. Key results are measurable achievements that demonstrate progress toward the specified outcome and objective. Figure 3 outlines the outcome groupings included in the roadmap.



Source: IRS roadmap.

The IRS has also created individual projects to achieve the outcomes and key results included in the roadmap. The IRS is tracking the projects, key results, and outcomes on its Strategic Implementation Management System. IRS management indicated that while the majority of the

¹⁵ The IRS changed its focus for the delivery of milestones and projects from fiscal year to calendar year to align with the start of the filing season.

projects relate to an initiative and milestone included in the SOP, there are several milestones in the SOP that currently do not have a corresponding project associated with it.¹⁶ For example, the SOP includes a FY 2025 milestone regarding data and analytics capabilities being used to develop real-time wait time projections for taxpayer seeking on-demand service. This milestone has not been associated with a current project in the roadmap.

IRS management indicated that unexpected challenges (*e.g.*, difficulties uncovered through the project-level planning or changes to the budget) will require updates to the roadmap. Therefore, the roadmap will be revised through the existing transformation governance structure, which include steering committees and the advisory committee.

Transformation responsibilities have shifted to the operating divisions

TSO management stated that the IRS has moved to a broader governance structure for its transformation. The change is due to employee feedback indicating that the TSO was driving the transformation and making all the decisions. Employees were concerned that when a process was ready to be implemented, it would be thrown back to the function without any input from the individuals having to use the new process. IRS management believed there was a disconnect with IRS employees with the transformation, and employees did not feel fully brought into and engaged with the transformation efforts. Therefore, the responsibility of executing the transformation projects and delivering the roadmap has moved from the TSO to the operational functions responsible for the program areas being addressed. With this new governance structure, the delivery of the outcomes outlined in the roadmap are assigned to the appropriate business executive.

Additionally, with the new structure, transformation leads within the TSO are working with the functions to ensure that the transformation is moving forward. This includes portfolio reviews, which are conducted monthly.¹⁷ During these reviews, the Director, Strategic Integration, TSO; transformation leads; outcome leads; key result leads; and project team members walk through the Strategic Implementation Management System dashboards, key result by key result to discuss the status of each of the projects.¹⁸ These meetings focus on accomplishments, challenges, and risks.

Additionally, in May 2024, the IRS established steering committees to provide governance for the portfolio. There are five steering committees – one for each of the IRS's operating divisions and one for the enterprise. These steering committees are led by the Chief of the operating divisions and are aligned with the outcome groupings included in the roadmap. Figure 4 outlines these steering committees and the outcome grouping alignment.

¹⁶ Appendix III provides a list of the SOP milestones and corresponding outcome grouping and associated projects.

¹⁷ The portfolio is all IRS transformation projects that leverage IRA funding, except for the Direct File and Clean Energy projects.

¹⁸ The TSO transformation leads are located in the TSO; the outcome leads, key results leads, and project team leads are all within the business operating divisions.

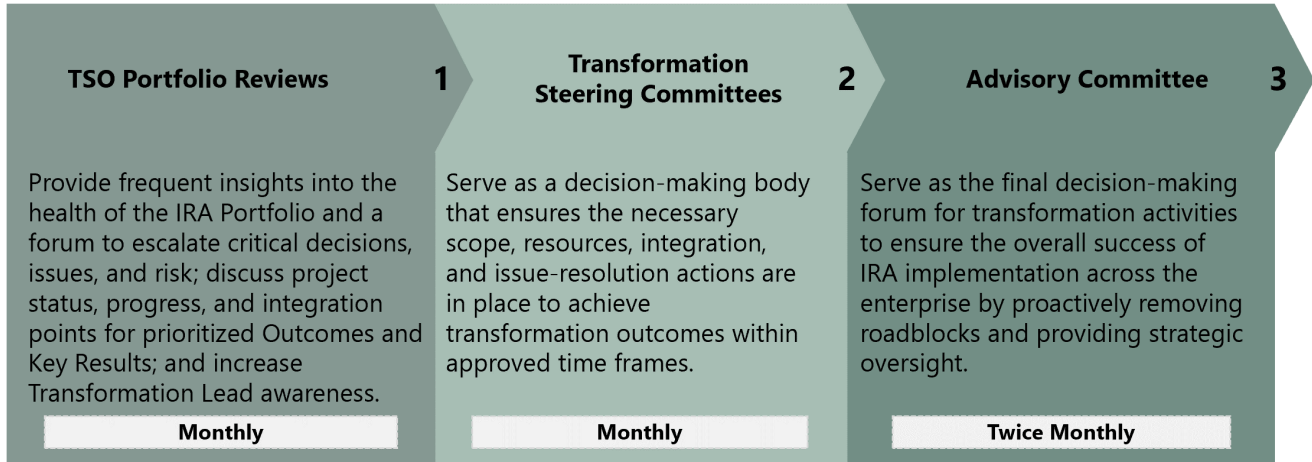
Figure 4: Transformation Steering Committees and Outcome Groupings

Steering Committee	Outcome Grouping
Chief Compliance Officer	<ul style="list-style-type: none"> • Fairness in Enforcement • Underserved Communities (partial)
Chief, Taxpayer Services	<ul style="list-style-type: none"> • Live Assistance • Self-Service and Online Accounts • Digitalization (partial) • Notifications and Scams • Underserved Communities (partial)
Chief Information Officer	<ul style="list-style-type: none"> • Foundational Information Technology (partial) • Technology Experience and Tools (partial)
Chief Operating Officer	<ul style="list-style-type: none"> • Employee Experience and Human Capital • Data and Analytics • Underserved Communities (partial)
Enterprise (led by the Chief, Transformation Officer)	<ul style="list-style-type: none"> • Digitalization (partial) • Foundational Information Technology (partial) • Technology Experience and Tools (partial)

Source: Information provided by the TSO.

Lastly, to monitor the transformation, the IRS has an advisory committee which is chaired by the IRS Commissioner. During these advisory committee meetings, the IRS Commissioner is briefed on enterprise-wide transformation efforts. Each operating division chief will discuss challenges that are being encountered and decisions that are needed to complete key results outlined in the roadmap and develop a plan to overcome the challenges. During these meetings, the projects that are off-track from meeting their due dates are also discussed. Figure 5 summarizes the current transformation governance structure.

Figure 5: Transformation Governance Structure



Source: Information provided by the TSO.

The roadmap and the governance structure the IRS has in place continues to provide a framework of how the IRS plans to transform tax administration.

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this evaluation was to determine whether the SOP update continues to provide a clear framework of the IRS's plan to transform tax administration. To accomplish our objective, we:

- Determined efforts that are underway and planned for FYs 2024 and 2025 across taxpayer service, tax compliance, and technology modernization reflected in the update compared to the original SOP and summarized any differences regarding the focus of IRS transformation efforts.
- Reviewed the SOP update and the transformation roadmap and determined how the IRS is measuring the transformation outcomes.
- Interviewed TSO leadership and obtained updates on the governance structure for the transformation efforts.

Performance of This Review

This review was performed with information obtained from the TSO located in Washington, D.C., during the period July through October 2024. We conducted this evaluation in accordance with the Quality Standards for Federal Offices of Inspector General.

Major contributors to the report were Debra Kisler, Director, and Norma Mendez, Evaluator.

Data Validation Methodology

We did not use data from computer-based systems for this evaluation. The information and data were testimonial evidence and were not validated.

Appendix II

Comparison of Strategic Operating Plan Objectives, Transformation Priorities, and Outcomes

<u>Transformation Priority</u>	<u>Outcomes</u>
Objective 1: <i>Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible.</i>	
Enhance Live Assistance	<ul style="list-style-type: none"> • When taxpayers call the IRS, they are able to reach an agent in a timely manner and have high levels of satisfaction with the interaction. • Simultaneous to call center improvements, paper processing speeds are kept at high levels. • Taxpayers can schedule a timely appointment for face-to-face support across all geographies. • Taxpayers in underserved communities have increased access to IRS services.
Expand Online Services	<ul style="list-style-type: none"> • Individual taxpayers can perform most of their required interactions with the IRS through their Individual Online Account. • Businesses can perform most of their required interactions with the IRS through their Business Online Account. • Tax professionals can perform most of their required interactions with the IRS through their Tax Professional Online Account.
Accelerate Digitalization	<ul style="list-style-type: none"> • Taxpayers have easy-to-use digital channels for receiving information from and submitting information to the IRS in line with commercial expectations (<i>e.g.</i>, banks, insurers). • Paper that taxpayers choose to send to the IRS is digitized at the point of receipt. • Once digitized, information is processed throughout the IRS in a digitally optimized manner.
Improve Employee Tools	<ul style="list-style-type: none"> • IRS employees have the hardware, software, and supplies needed to deliver effective and efficient results to taxpayers.
Objective 2: <i>Quickly resolve taxpayer issues when they arise.</i>	
Simplify Notices	<ul style="list-style-type: none"> • Taxpayer notices are easy to understand and meet taxpayer needs. • IRS business units and Office of Taxpayer Correspondence can quickly customize content and recipients of notices via improved technical solutions and streamlined clearance processes.
Disrupt Scams	<ul style="list-style-type: none"> • The IRS uses advanced analytics and government and external partner expertise to proactively identify and rapidly minimize the impact of tax scams.

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<u>Transformation Priority</u>	<u>Outcomes</u>
Objective 3: <i>Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the Tax Gap.</i>	
Ensure Fairness in Enforcement	<ul style="list-style-type: none"> • The IRS expands enforcement for priority taxpayer segments by increasing total trained staff and making compliance work more efficient with new tools and processes. • Taxpayers receive improved fairness in enforcement through new dedicated programs and improved analytics. • The IRS uses a centralized, data-backed case selection and compliance planning function to more effectively identify and act upon high-priority compliance cases.
Objective 4: <i>Deliver cutting-edge technology, data, and analytics to operate more effectively.</i>	
Modernize Foundational Information Technology and Expand Data and Analytical Capabilities	<ul style="list-style-type: none"> • IRS foundational information technology systems are modern, scalable, and easy to maintain to meet the IRS mission. • Leverage technology to improve the implementation of the Inflation Reduction Act¹ Clean Energy provisions and Creating Helpful Incentives to Produce Semiconductors and Science Act.² • The IRS uses an operating model that delivers technology products in a timely, transparent, and collaborative manner to meet business and operational needs. • Technology meets all required security standards to ensure data are secure. • Data are available for operations and innovation.
Objective 5: <i>Attract, retain, and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers.</i>	
Enhance Human Capital and Culture	<ul style="list-style-type: none"> • Employees are enabled with the skills and tools needed for career development and growth. • Expand the IRS's workforce using streamlined, efficient methods for workforce planning, recruiting, hiring, and onboarding quality applicants that represent the American taxpayers. • A culture and workplace environment that provides an excellent employee experience, empowers employees, and fosters diversity and inclusion.

¹ Pub. L. No. 117-169, 136 Stat. 1818.

² Pub. L. 117-167.

Appendix III

Comparison of Strategic Operating Plan Initiatives and Milestones to Roadmap Outcome Groupings and Projects Planned through Calendar Year 2024¹

SOP	Roadmap	
<u>Milestone</u>	<u>Outcome Grouping</u>	<u>Project(s)</u>
SOP Initiative 1.1 – <i>Improve the availability and accessibility of customer service</i>		
Expanded hours are available at the Taxpayer Assistance Centers for appointments and on-demand service with staffing to meet expected demand.	Live Assistance	Taxpayer Assistance Centers face-to-face channel.
Taxpayers and tax professionals can schedule service appointments via multiple channels, based on staff availability.	Live Assistance	Taxpayer Self-Service Scheduling and Advanced Functionality.
Data and analytics capabilities are used to predict taxpayer demand and staffing needs for customer service and to project estimated processing time for certain returns and other forms.	Live Assistance	Expand service offerings across the multiple channels.
Increased service availability and service are offered in Taxpayer Assistance Centers and on telephones to meet taxpayer demand.	Live Assistance	Taxpayer Assistance Center face-to-face channel; Expansion of service through Voice Bots.
Online Account payment features expanded so taxpayers can schedule payments, cancel scheduled payments, and save bank information.	Self-Service and Online Capabilities	Individual Online Account; Expand payment capabilities through Individual Online Accounts.
Business Online Account and Tax Pro Account payments plus direct pay enhancements implemented.	Self-Service and Online Capabilities	Business Tax Account; Tax Pro Online Account; Enable payments through IRS accounts; Improve and expand guest payments.
Payment capabilities over the telephone and through employees launched.	Self-Service and Online Capabilities	Payment through an IRS employee.
Data and analytics capabilities are used to develop real-time wait time projections for taxpayers seeking on-demand service.	No project planned at this time. ²	
Business Online Account and Tax Pro Account enhancements implemented (<i>e.g.</i> , batch payments, save and manage bank information).	No project planned at this time.	
Integrated payment capability by card and digital wallet developed.	No project planned at this time.	

¹ TIGTA is planning an evaluation to assess the status of the transformation projects with expected completion dates in Calendar Year 2024. TIGTA Evaluation No. IE-25-001-I, *Continued Assessment of IRS Transformation Efforts – Delivery of Fiscal Year 2024 Initiatives*.

² The IRS did not have a project planned in the Calendar Year 2023-2026 roadmap for this milestone.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Current refund and amended return status-tracking tools refined in Online Accounts to provide more transparent messaging for taxpayers that explains processing status, errors and issues, and next steps.	Self-Service and Online Capabilities	Individual Online Account; Business Tax Account; Tax Pro Online Account; Refund Status; Amended Return Status.
Improved taxpayer status-tracking tools in online accounts for the 2024 Filing Season.	Self-Service and Online Capabilities	Refund Status; Amended Return Status; Audit Status.
New status tracking enhancements implemented in Business Online Accounts.	Self-Service and Online Capabilities	No project planned at this time.
Real-time processing estimates launched with data analytics to provide more accurate status messaging.	Self-Service and Online Capabilities	No project planned at this time.
Audit status and other process-tracking launched and enhanced based on prioritization plan.	Self-Service and Online Capabilities	No project planned at this time.
Digital options built and implemented to allow taxpayers to communicate back and forth with the IRS across different channels, including enhanced options to submit documents online.	Self-Service and Online Capabilities	Individual Online Account.
Number of credentialing service providers for identity-proofing expanded, more services made available to authenticated taxpayers, and access expanded for certain types of taxpayers, such as Individual Taxpayer Identification Number holders and international taxpayers.	Live Assistance	Offer taxpayers additional credentialing service provider options and choice to include at least one governmental and non-governmental option.
Technology tested to link identity information between certain service channels.	Live Assistance	In-person verification.
Additional online options available for identity-proofing for individual and businesses.	Live Assistance	Expand access to users to gain a security access digital identity credential and offer identity-proofing options to meet taxpayers' needs.
Certain employee views of customer histories delivered and enhanced, such as with customer relationship management tools.	Live Assistance	Taxpayer 360.
SOP Initiative 1.2 – <i>Expand digital services and digitalization</i>		
Certain documents, paper correspondence, and nontax forms digitalized using the new Digital Enablement Platform launched in 2022.	Digitalization	Expand Correspondence Digitalization.
Enhanced scanning of key tax forms (<i>e.g.</i> , Forms 940, <i>Employer's Annual Federal Unemployment (FUTA) Tax Return</i> , 941, <i>Employer's QUARTERLY Federal Tax Return</i> , 1040, <i>U.S. Individual Tax Return</i>).	Digitalization	Expand Tax Return Digitalization.
Planning and prioritization to enable and implement digital intake processing and electronic filing.	Digitalization	Taxpayers digitally reply to IRS notices and letters via the Document Upload Tool.
Highest priority end-to-end digital processes implemented.	Digitalization	Enable digital data delivery throughout the IRS; Scanning high-priority historical documents.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
High-priority forms, returns, and certifications available for electronic filing and digitalization.	Digitalization	Deliver 20 priority nontax digital and mobile adaptive forms.
Additional high-priority end-to-end digital processes implemented.	Digitalization	No project planned at this time.
SOP Initiative 1.3 – <i>Ensure employees have the right tools</i>		
Partnership launched between IRS employees and the National Treasury Employee Union to study and build tools to help employees meet taxpayer needs more efficiently and effectively.	Technology Experience and Tools	Taxpayer 360.
Comprehensive review and planning related to case management; customer relationship management; and data access, intake, and viewing capabilities to ensure that employees have the tools they need to service taxpayers.	Technology Experience and Tools	Taxpayer 360; Deliver individual 1040 Exam in Enterprise Case Management (ECM) System; Deliver Counsel in ECM System; Deliver returns processing operations in ECM System; Deliver Taxpayer Advocate Service in ECM System; Deliver Streamlined Case Management in ECM System; Deliver existing workflow enhancements (<i>i.e.</i> , Grants and Tax Exempt and Government Entities) in ECM System; Deliver Collection in ECM System; Deliver Business 1065 Exam in ECM System; Delivery Employment Tax Exam in ECM; Individual Taxpayer Audit – Exam Foundation; Partnerships and Business ECM; Specialty (<i>i.e.</i> , Employment Tax, Estate, Trust, Gift, Excise) ECM.
Delegations of authority studied and modified to empower employees to resolve issues at the lowest appropriate level.	Technology Experience and Tools	Taxpayer 360.
Scope of services studied and modified to empower employees to resolve issues at the lowest appropriate level.	Technology Experience and Tools	Taxpayer 360.
Additional capabilities launched based on prioritization plan.	Technology Experience and Tools	No project planned at this time.
Employee job aids and tools made accessible and searchable in a single place; training provided for employees on new tools, processes, and authorities.	Technology Experience and Tools	Taxpayer 360.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
SOP Initiative 1.4 – Improve self-service options		
Full implementation plan for online account enhancements developed for Individual, Business, and Tax Pro Online Accounts.	Self-Service and Online Capabilities	Individual Online Account; Business Tax Account; Tax Pro Online Account.
Enhancements to Individual Online Accounts and Tax Pro Online Accounts implemented.	Self-Service and Online Capabilities	Individual Online Account; Tax Pro Online Account.
Business Online Accounts for taxpayers launched.	Self-Service and Online Capabilities	Business Tax Account.
Enhancements to Individual and Business Online Accounts implemented to support capabilities that taxpayers and tax professionals need, based on the implementation date.	Self-Service and Online Capabilities	Individual Online Account; Business Tax Account; Tax Pro Online Account.
SOP Initiative 1.5 – Explore Direct File		
Feasibility and cost of releasing a Direct File service determined based on Direct File study results.	Self-Service and Online Capabilities	Explore Direct File.
Next steps determined and communicated to Congress and other stakeholders.	Self-Service and Online Capabilities	Explore Direct File.
Congressionally mandated study on Direct File issued.	Self-Service and Online Capabilities	Explore Direct File.
SOP Initiative 1.6 – Enable taxpayers access to their data		
Current transcripts updated to be user-friendly and available in Spanish and other languages.	Self-Service and Online Capabilities	Make transcripts easier to read and understand; Individual Online Accounts.
Business transcripts made available online and in an easy-to-read format through Business Online Accounts.	Self-Service and Online Capabilities	Make transcripts easier to read and understand.
Mechanism developed to push data into return preparation software to help taxpayers prepare current year tax return.	No project planned at this time.	
Online accounts upgraded to incorporate user-friendly views of account and return information (<i>e.g.</i> , notices, letters, account history, payment history, balances due, <i>etc.</i>).	No project planned at this time.	
SOP Initiative 1.7 – Provide earlier legal certainty		
Process areas for formal and informal guidance identified through consultation with external stakeholders and IRS data, in addition to expanding the annual Priority Guidance Plan process for published guidance.	Self-Service and Online Capabilities	Treasury Clearance Priority.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Additional legal specialists hired within the Office of Chief Counsel and the Deputy of the Treasury Office of Tax Policy to support expansion of formal and informal guidance.	Self-Service and Online Capabilities	Expand capacity for addressing taxpayer issues through guidance interpreting the tax law.
More guidance provided quickly to address tax compliance and taxpayer services issues.	Self-Service and Online Capabilities	Explore new forms of informal guidance.
SOP Initiative 1.8 – Deliver proactive alerts		
Systems, data sources, and federal and state partnerships established to support personalized alerts.	Notifications and Scams	Proactive alerts at Prefiling; Proactive alerts at Individual Master File Return Processing; Proactive alerts for online services.
Intake process built so taxpayers can opt into alerts and inform the IRS of life changes.	No project planned at this time.	
Alerts implemented for individual and business taxpayers and tax professionals, including putting customer service mechanisms in place to answer calls and questions related to the alert process and the alerts themselves.	No project planned at this time.	
SOP Initiative 1.9 – Help taxpayers understand and claim appropriate credits and deductions		
Key tax credits and deductions identified as the focus of initial efforts; outreach and community partnership plans developed, including key details such as communication channels, partnership opportunities, and messaging.	Notifications and Scams	Partnership/Stakeholder relationships.
Policies and procedures identified and prioritized for revision to reduce taxpayer burdens.	Notifications and Scams	Refundable credits.
Certain policies and procedures updated according to prioritization plan and feasibility.	Notifications and Scams	Refundable credits.
First new set of scaled outreach and engagements programs launched.	Notifications and Scams	No project planned at this time.
Enhanced training including updated guidance on education and outreach for taxpayer-facing employees.	Notifications and Scams	Training.
Methodology and estimate of selected credits and deductions gap developed.	Notifications and Scams	Data Analysis and Research.
Pilot completed for expanded partnership programs with government agencies and private partners; effective program refined and scaled up.	Notifications and Scams	Partnership/Stakeholder relationships.
New contacts launched for lawful nonfilers who may be eligible for a credit or deduction to ensure that they are aware of their eligibility and have the tools and assistance necessary to claim appropriate credits or deductions.	Notifications and Scams	No project planned at this time.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Outreach efforts scaled to include broader list of tax credits and deductions for individuals and small businesses.	Notifications and Scams	No project planned at this time.
Additional updates to policies and procedures to reduce taxpayer burdens.	Notifications and Scams	No project planned at this time.
SOP Initiative 2.1 – Identify issues during filing		
Taxpayers and preparers notified of mismatches for simple types of income (<i>i.e.</i> , Forms W-2, <i>Wage and Tax Statement</i> ; and 1099, <i>Non-Employee Compensation</i>) and processing errors.	Notifications and Scams	No project planned at this time.
Taxpayers and preparers notified of potential filing issues including tax credits related to children and other dependents, other missed or erroneous credits and deductions, and other issues to be determined.	No project planned at this time.	
SOP Initiative 2.2 – Deliver early and appropriate treatments for issues		
New research identified to foster our understanding of prevalent issues and the most effective treatments for those issues.	Fairness in Enforcement	Integrate data analytics to increase the timeliness of treatments.
Refined methodology for assigning optimal treatments and appropriate follow-up treatments to taxpayers, developed through data-driven analysis and research; taxpayer indicators and behavioral characteristics identified that will help determine the most effective treatment for each taxpayer archetype.	Fairness in Enforcement	Resolutions tailored to taxpayers based on assessment of the relevant issues.
Current treatments (<i>e.g.</i> , correspondence and field audits, soft notices, education letters) refined to be more efficient and effective.	Fairness in Enforcement	Refine current treatments to make them more efficient and effective.
New tailored treatments developed and piloted based on data and analytics; additional treatment options piloted as new information technology capabilities become available.	Fairness in Enforcement	No project planned at this time.
SOP Initiative 2.3 – Develop taxpayer-centric notices		
Prioritization plan developed for revising and implementing updated digitalized notices.	Notifications and Scams	Clarify, simplify, and personalize notices.
Seventy-two notices added to Individual Online Account.	Notifications and Scams	Add digital notices to online accounts.
Capabilities launched for taxpayers and tax professionals to receive and respond to additional notices electronically.	Notifications and Scams	Expand digital response options; Expand correspondence digitalization; Online accounts.
SOP Initiative 2.4 – Expand tax certainty and issue resolution programs		
Outreach and campaigns expanded to increase awareness of tax certainty programs and their benefits to taxpayers with complex issues.	Fairness in Enforcement	Alternative Dispute Resolution.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Pilot program launched to invite taxpayers to participate in prefiling programs.	Fairness in Enforcement	Prefiling agreements and industry issue resolutions.
Priority areas identified for new, tailored tax certainty programs through consultation with external stakeholders and IRS data, especially after assessing common issues that emerge following an increase in compliance coverage.	Fairness in Enforcement	Voluntary submissions or requests for relief.
Additional specialists hired and onboarded to support expansion of current tax certainty programs.	Fairness in Enforcement	No project planned at this time.
Additional specialists trained and current employees reskilled to support expansion of current tax certainty programs.	Fairness in Enforcement	No project planned at this time.
SOP Initiative 2.5 - Other proactive debt resolution		
Improvements to online installment agreement portal launched.	Notifications and Scams	Individual Online Account; Refine resolution options for online installment agreements to be more effective at reducing debt and easier for taxpayers to use.
Evaluation conducted of fees for payment arrangements.	Notifications and Scams	Evaluation options of reducing or waiving fees.
Enhanced analytics launched for predicting where a proactive resolution may be appropriate.	No project planned at this time.	
Capability launched for taxpayer access to a broader range of self-service debt repayment tools through online accounts.	No project planned at this time.	
SOP Initiative 2.6 – Expand engagement with nonfilers		
Pilot program for new nonfiler treatments launched.	Fairness in Enforcement	Ensuring access to credits and incentives for taxpayers who do not traditionally file.
Successful pilot treatments scaled.	Fairness in Enforcement	Ensuring access to credits and incentives for taxpayers who do not traditionally file.
Analytics for detecting nonfilers shifted for use immediately after filing deadline.	Fairness in Enforcement	Engagement Strategy.
All appropriate nonfilers receive tailored proactive outreach before receiving automated assessments or penalties.	No project planned at this time.	
SOP Initiative 2.7 – Use improved data and analytics to tailor timely collections contacts		
Analytics models used earlier in the collection process, so taxpayers receive tailored communications immediately after the first notice that balance is due.	Fairness in Enforcement	Develop new analytics so taxpayers receive tailored communications immediately after the first balance due notice.

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Milestone	Outcome Grouping	Project(s)
Analytics models refined to better predict which taxpayers will self-correct and the likely resolution of each balance due case to better inform taxpayer contacts.	No project planned at this time.	
New collection treatments piloted and developed based on data and analytics.	No project planned at this time.	
Workforce needed to achieve collection coverage levels hired, onboarded, and trained.	No project planned at this time.	
Notices refined to make them more efficient and effective (first set of refinements deployed in FY 2024; improvements from digitalization and analytics deployed in FY 2026).	Fairness in Enforcement	Redesign collection communications to make them more effective and efficient.
SOP Initiative 3.1 – <i>Employe centralized, analytics-driven risk-based methods to aid in selection of compliance cases</i>		
Enterprise research approach implemented to inform and continuously refine compliance coverage levels needed to promote voluntary compliance.	Fairness in Enforcement	Project/milestone completed.
Data and research approach implemented to inform and continuously refine compliance coverage levels needed to promote voluntary compliance.	Fairness in Enforcement	Establish a dynamic model for workforce allocation.
Centralized compliance planning and strategy function established to identify potential high-risk compliance cases using existing systems and analytics.	Fairness in Enforcement	Establish a centralized function for compliance planning and strategy.
Taxpayer compliance cases selected by centralized compliance planning function using new analytics system and refined risk-based case selection and routing.	Fairness in Enforcement	No project planned at this time.
SOP Initiative 3.2 – <i>Expand enforcement for large corporations</i>		
First wave of specialists hired and onboarded to work toward increasing compliance coverage rates for large corporations.	Fairness in Enforcement	Hire, onboard, and train the staff needed to achieve appropriate compliance coverage rates.
Refined approaches and treatments piloted for large corporate enforcement.	No project planned at this time.	
Workforce hired and onboarded to achieve compliance coverage rates for large corporations, including specialists and experienced hires.	No project planned at this time.	
SOP Initiative 3.3 – <i>Expand enforcement for large partnerships</i>		
First wave of hires dedicated to large partnerships hired and onboarded to work toward increasing compliance coverage rates for large partnerships.	Fairness in Enforcement	Hire, onboard, and train the staff needed to achieve appropriate compliance coverage rates.
Refined approaches and treatments piloted for large partnership enforcement.	No project planned at this time.	

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Workforce hired and onboarded to achieve compliance coverage rates for large partnerships, including specialists and experienced hires.	No project planned at this time.	
SOP Initiative 3.4 – Expand enforcement for high-income and high-wealth individuals		
First wave of specialists hired and onboarded to increase compliance coverage rates for high-income and high-wealth individuals.	Fairness in Enforcement	Hire, onboard, and train the staff needed to achieve appropriate compliance coverage rates.
Refine approaches and treatments piloted for high-income and high-wealth enforcement.	Fairness in Enforcement	No project planned at this time.
Workforce hired and onboarded to achieve compliance coverage rates for high-income and high-wealth individuals, including specialists and experienced hires.	Fairness in Enforcement	No project planned at this time.
SOP Initiative 3.5 – Expand enforcement in areas where audit coverage has declined to levels that erode voluntary compliance		
First wave of specialists hired and onboarded to work toward increasing compliance coverage rates for key segments.	Fairness in Enforcement	Hire, onboard, and train the staff needed to achieve inappropriate compliance coverage rates using all available treatment tools.
Refined approaches and treatments piloted for enforcement in key segments.	Fairness in Enforcement	No project planned at this time.
Workforce hired and onboarded to achieve compliance coverage rates for key segments, including specialists and experienced hires.	Fairness in Enforcement	No project planned at this time.
SOP Initiative 3.6 – Pursue appropriate enforcement for complex, high-risk, and emerging issues		
Workforce trained and reskilled with specialized capabilities to address complex and emerging issues.	Fairness in Enforcement	No project planned at this time.
New approaches and treatments piloted for detection and enforcement of key emerging issues.	Fairness in Enforcement	No project planned at this time.
Workforce hired and onboarded, including specialists and experienced hires, to achieve compliance coverage rates for complex, high-task, and emerging issues.	Fairness in Enforcement	No project planned at this time.
SOP Initiative 3.7 – Promote fairness in enforcement activities		
Team established to evaluate whether key enforcement programs and selection tools are promoting fair treatment and develop an initial work plan.	Fairness in Enforcement	Trustworthy Analytics.
Statistical data improved to support equity analyses developed in partnership with other federal agencies and incorporating strong safeguards to protect individual privacy.	Fairness in Enforcement	No project planned at this time.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Appropriate reforms to enforcement practices continuously developed and implemented to improve fairness and equity.	Fairness in Enforcement	No project planned at this time.
Workforce hired and onboarded to help ensure fair enforcement, including hires in the Independent Office of Appeals and the Office of Chief Counsel.	Fairness in Enforcement	No project planned at this time.
SOP Initiative 4.1 – Transform core account data and processing		
Modernized Information Returns Intake platform deployed to provide a free online portal for businesses to file Form 1099-series information returns.	Foundational Technology	Project (milestone) completed.
Information returns platform enhanced to support digital asset reporting.	Foundational Technology	Information Return Mod Release 2.0; Information Return Mod Release 3.3X FY 2025 releases; Information Return Mod FY 2026 Releases.
IRS systems improved to streamline access to individual taxpayer data for service and compliance purposes via secure, standardized application programming interfaces.	Foundational Technology	Individual Master File taxpayer account management services.
ECM platform modernized to host all compliance workflows, thereby enabling the decommissioning of many legacy applications.	No project planned at this time.	
Individual core tax processing modernized to simplify and replace legacy Individual Master File processes.	No project planned at this time.	
Individual Master File data modernized for improved access and distribution, including the retirement of more than 700 individual taxpayer outputs for the eventual retirement of the Individual Master File.	No project planned at this time.	
Business taxpayer account information modernized, and legacy systems recommissioned to support eventual retirement of the Business Master File.	No project planned at this time.	
The Business Master File retired with systems and data migrated to modern solution.	No project planned at this time.	
Generated Mainline Framework decommissioned by establishing a modern, event-driven transaction process to enable near-real-time data.	No project planned at this time.	
ECM platform capabilities built to support 90 percent of case management workflows and to enable the decommissioning of associated legacy applications.	No project planned at this time.	
SOP Initiative 4.2 – Accelerate technology delivery		
The Individual Master File retired with systems and data migrated to modern solution.	Foundational Technology	No project planned at this time.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Product-and-platform operating model developed to incorporate perspectives from the IRS's business and Information Technology teams into faster technology delivery.	Foundational Technology	Applied Technology Division product and platform operating model.
Integrated business and information technology product-and-platform operating model implemented to accelerate technology delivery.	Foundational Technology	Applied Technology Division product and platform operating model.
SOP Initiative 4.3 – Improve technology operations		
Initial operating capabilities for multiple cloud environments delivered to enable opportunities to design, develop, test, and deliver applications and services at scale.	Foundational Technology	Project/milestone completed.
Cloud-based robotic process automation platform developed to automate high-volume manual processes and onboard an initial use case, with additional use cases to follow in outyears.	Foundational Technology	Robotic process automation cloud migration.
Data platform with advanced analytics tools delivered for use across service, compliance, and operations with easily consumable services.	Foundational Technology	Electronic data platform foundational capabilities.
Network upgraded and expanded to accommodate the anticipated increase in size of the IRS workforce and increased consumption patterns with our introduction of new digital services for taxpayers.	Foundational Technology	Increase bandwidth capacity (network modification).
Incremental improvements made to our application programming interface ecosystem such that we can reduce software delivery timelines and simplify operations and maintenance through easier integration.	Foundational Technology	No project planned at this time.
Initial set of capabilities provided to help automate network and security operations, which will speed response times to anomalous events or decrease the work required to perform common tasks.	Foundational Technology	No project planned at this time.
SOP Initiative 4.4 – Continue to ensure data security		
Malicious activity prevention enhanced to include connecting continuous-monitoring devices to the IRS network and detecting and responding to anomalous traffic and threat patterns.	Foundational Technology	No project planned at this time.
Capabilities implemented for continuous identification of all assets and users on the IRS network.	Foundational Technology	Continuous diagnostics and mitigation.
Multifactor authentication implemented to improve access controls to IRS systems containing federal tax information.	Foundational Technology	Enhanced multifactor authentication.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Data-at-rest encryption implemented for full portfolio of IRS critical systems to strengthen data protections and prevent unauthorized access.	Foundational Technology	Enhanced data-at-rest encryption.
Micro-segmentation used to improve control and visibility of network access for IRS high-value assets.	Foundational Technology	No project planned at this time.
To ensure continued protection of taxpayer data, internal audit capabilities modernized to better prevent and detect the misuse of government equipment, violations of security policies, and unauthorized access or attempts to access sensitive data.	Foundational Technology	No project planned at this time.
Digital-rights-management policies and protections implemented to safeguard as digital content and data.	Foundational Technology	No project planned at this time.
Fraud monitoring and investigation capabilities enhanced to support new identity-proofing solution for taxpayer-facing applications.	Foundational Technology	No project planned at this time.
SOP Initiative 4.5 – Maximize data utility		
Process created for establishing enterprise data and meta-data standards.	Data and Analytics	Data governance – data standards and metadata standards.
Data stewardship pilot program launched.	Data and Analytics	Provide robust data stewardship across IRS data assets.
Initial enterprise data catalog published, to be updated annually.	Data and Analytics	Data governance – data catalog, lineage, taxonomy, and sensitivity.
Initial inventory of the IRS's data assets conducted to support planning and change management for migrating authoritative data stores and rebuilding essential functionality into the Enterprise Data Platform, to be updated as needed.	Data and Analytics	Enterprise path to production on data platform(s).
Completed evaluation of data gaps and readiness for operational use aligned to business needs.	Data and Analytics	Data gaps.
External data procured to support better understanding of large business mergers, acquisitions, and terminations.	Data and Analytics	Leverage external data – governance process.
Near-real-time taxpayer service data made available to IRS data scientists and analysts via modern analytical tools.	Data and Analytics	No project planned at this time.
Operational staff users given access to self-service data analysis and report-building tools.	Data and Analytics	No project planned at this time.
SOP Initiative 4.6 – Apply enhanced analytics capabilities to improve tax administration		
Methodology developed and tested for applying information-reporting to enable the expansion of at-filing checks.	Data and Analytics	Transform the filing experience to incorporate real-time analysis to conduct at filing checks.

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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Customer experience analytics improved to identify taxpayers' pain points.	Data and Analytics	Taxpayer experience improvement analytics.
Comprehensive, coordinated case selection methods researched and tested.	Data and Analytics	No project planned at this time.
Risk-analytics capability developed and tested to direct cases to the most effective treatment options.	Data and Analytics	No project planned at this time.
Data delivered to support a "Taxpayer 360" holistic view based on business need and the prioritization established during the development of taxpayer service tools.	Data and Analytics	Provide holistic Taxpayer 360 view to enable transformative customer service.
New analytics-enabled capabilities developed to support digital asset compliance.	Data and Analytics	The future of digital assets – financial transaction readiness.
SOP Initiative 4.7 – Strategically use data to improve tax administration		
Enhanced governance strategy for advanced analytics defined.	Data and Analytics	Advanced analytics/artificial intelligence governance model.
New advanced analytics methods developed to better identify tax noncompliance among high-priority taxpayer segments, including high-income, high-wealth taxpayers and partnerships.	Data and Analytics	Deliver analytics to expand enforcement of high-income taxpayers.
New methodologies formulated to enhance and expand the estimation of Tax Gaps.	Data and Analytics	Tax Gap estimation and operational improvements.
Additional data-driven methods developed for enterprise-wide optimization of resource allocation for enforcement.	Data and Analytics	No project planned at this time.
SOP Initiative 4.8 – Partner to expand insights		
Operating model created for enterprise data-analytics developed and deployment spanning research, operations, and information technology.	Data and Analytics	Strategic planning to support strategic plans and research priorities.
To support research and evidence building, new statistical data incorporating state-of-the-art private protections produced and publicly released.	Data and Analytics	Synthetic income tax cuts.
New Office of Management and Budget standard application process adopted to annually facilitate the engagement of non-IRS researchers in high-value tax administration projects.	Data and Analytics	Establish annual joint statistical research program.
Statistical service established to safely support production of special tabulations and reports to aid the Department of the Treasury and other agencies in evidence-building and program evaluation, as permitted under law.	Data and Analytics	Data scientists to provide statistical data linkage services.
Methods researched for automating or streamlining the production of high-value customized statistics.	Data and Analytics	Environmental scan to suggest an approach for a statistical data query system.

**Inflation Reduction Act: Assessment of the
IRS's 2024 Annual Update to Its Strategic Operating Plan**

SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
SOP Initiative 5.1 – Redesign hiring and onboarding		
Hiring plan driven by business demand delivered.	Employee Experience and Human Capital	Create a renewed hiring process.
Additional geographic options for hiring pursued.	Employee Experience and Human Capital	Consider geographic flexibility in our hiring models.
Position description review conducted, and most critical position descriptions updated to include plain language and commensurate compensation.	Employee Experience and Human Capital	Review all position descriptions and job requirements.
Asynchronous interviews and digital customer service assessments for hiring integrated as standard for customer service representatives.	Employee Experience and Human Capital	Engage in Best-in Class candidate assessment.
Digital candidate assessments used as part of the candidate selection process for all roles.	Employee Experience and Human Capital	Roll out digital candidate assessments used as part of the candidate selection process for all roles.
Redesigned hiring processes to improve applicant experience and talent matching implemented.	Employee Experience and Human Capital	Develop a strategy to redesign hiring processes to improve applicant experience and talent matching implemented.
Hiring status-tracker developed to increase transparency in recruiting.	Employee Experience and Human Capital	No project planned at this time.
SOP Initiative 5.2 – Attract a talented and diverse workforce		
Unified, enterprise-wide recruiting strategy developed.	Employee Experience and Human Capital	Enterprise-wide recruiting strategy.
Revamped IRS career page goes live online.	Employee Experience and Human Capital	Articulate the value proposition of working at the IRS.
Pilot of “Lifting Communities Up” talent hub successfully launched.	Employee Experience and Human Capital	Build new pipeline of talent.
Recruiters engaged to guide recruits through the application process.	Employee Experience and Human Capital	Cultivate interest among top recruits for critical roles.
Student pipeline programs launched at initial round of schools.	Employee Experience and Human Capital	Build new pipelines of talent.
Plan developed for assessing and monitoring representation, stratification, and employment patterns related to diversity in the IRS workforce.	Employee Experience and Human Capital	Evaluate and improve equity and diversity in recruiting and onboarding.
First group of graduates from prehire bootcamp (or similar outreach program) onboarded as IRS employees.	Employee Experience and Human Capital	In partnership with Lifting Communities Up, develop at least two new programs that increase applicants and establish pipelines of talent.
Pilot of private-sector talent rotations launched.	Employee Experience and Human Capital	Build new pipelines of talent.
“Lifting Communities Up” talent hubs established in additional underserved communities.	Employee Experience and Human Capital	No project planned at this time.

**Inflation Reduction Act: Assessment of the
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SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
SOP Initiative 5.3 – Improve the employee experience		
Flexible work options piloted across various roles.	Employee Experience and Human Capital	Develop an enterprise-wide strategy for increased employee flexibility.
Most significant facility investments addressed.	Employee Experience and Human Capital	Invest in the facilities and supplies that employees need to succeed.
Plan designed for delivering new employee awards and educating managers about reward options and procedures.	Employee Experience and Human Capital	Improve IRS-wide recognition and individual incentive programs.
IRS-wide leadership, mentorship, and coaching programs established.	Employee Experience and Human Capital	Support management with coaching and career and talent advice.
Plan implemented for awards tied to performance or process improvements.	Employee Experience and Human Capital	Improve IRS-wide recognition and individual incentive programs.
SOP Initiative 5.4 – Help employees grow and develop		
Capabilities of the centralized learning platform enhanced.	Employee Experience and Human Capital	Scale IRS University enterprise-wide as a standard-bearer for training excellence.
IRS University launched enterprise-wide.	Employee Experience and Human Capital	Scale IRS University enterprise-wide as a standard-bearer for training excellence.
Core competency models and career paths for all employees developed.	Employee Experience and Human Capital	Create pathways for growth and development for every IRS employee.
Leadership competency framework launched and implemented across the IRS.	Employee Experience and Human Capital	Refresh and promote our framework for leadership competency.
SOP Initiative 5.5 – Develop a data-savvy workforce		
Recruitment and hiring plan developed.	Employee Experience and Human Capital	Recruit and retain specialized data employees.
Assessment of education and training needs conducted.	Employee Experience and Human Capital	Enable data-literacy learning.
Training plans and resources developed for building analytic skills among current and new employees.	Employee Experience and Human Capital	Enable data-literacy learning.
SOP Initiative 5.6 – Elevate workforce planning strategy		
Human capital business partners integrated into process for informing human capital strategy.	Employee Experience and Human Capital	Strengthen strategic partnership between the Human Capital Office, business units, and the Office of the Equity, Diversity, and Inclusion.
Legacy systems for strategic workforce planning joined into one technology platform for streamlined management of employee data and use of advanced workforce analytics.	Employee Experience and Human Capital	No project planned at this time.
SOP Initiative 5.7 – Improve organizational structures and governance		
Initial formal process and roles and responsibilities for decision-making established and implemented IRS-wide.	Employee Experience and Human Capital	No project planned at this time.

**Inflation Reduction Act: Assessment of the
IRS's 2024 Annual Update to Its Strategic Operating Plan**

SOP	Roadmap	
Milestone	Outcome Grouping	Project(s)
Enterprise reorganization plan created, articulating a path to instilling modern management practices throughout the IRS and a structure designed to best serve taxpayers and tax professionals.	Employee Experience and Human Capital	According to IRS management, this project has been completed.
Priority redesigned organizational structures established.	Employee Experience and Human Capital	No project planned at this time.
SOP Initiative 5.8 - <i>Build a culture of service and continuous improvement</i>		
Cultural baseline assessment completed and focused interventions planned.	Employee Experience and Human Capital	Assess and continually monitor culture and act on employees' feedback.
Change management practices built into all initiatives and project plans and incorporated into measures of success as appropriate.	Employee Experience and Human Capital	No project planned at this time.
Initial IRS policies revised and communicated to employees regarding risk tolerances and risk appetites for practices and behaviors that enable and support cultural change.	Employee Experience and Human Capital	Evaluate and communicate appropriate risk tolerances and risk appetites to support cultural changes.
Culture champions appointed to lead ongoing projects throughout the IRS to achieve, communicate, and monitor the IRS's cultural aims as part of the TSO.	Employee Experience and Human Capital	Hold the organization accountable for creating the customer-centric, people-first culture to which it aspires.
Leadership commitments developed to incentivize and hold leaders accountable for their roles in driving cultural change.	Employee Experience and Human Capital	Support leaders and hold leaders accountable for modeling a new culture.
Customer service standards created, implemented, and measured IRS-wide.	Employee Experience and Human Capital	Adopt agencywide customer service standards to help employees work together toward excellent service.
Programs and policies developed and implemented to support and monitor cultural health and the shift toward a culture of service.	Employee Experience and Human Capital	Assess and continually monitor culture, and act on employees' feedback.
Ongoing monitoring of cultural shift.	Employee Experience and Human Capital	Assess and continually monitor culture, and act on employees' feedback.

Management's Response to the Draft Report



Transformation & Strategy Office

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

January 10, 2025

MEMORANDUM FOR RUSSELL P. MARTIN
DEPUTY INSPECTOR GENERAL FOR INSPECTIONS AND
EVALUATIONS

FROM: David Padrino
Transformation and Strategy Officer

David A.
Padrino

Digitally signed by David A.
Padrino
Date: 2025.01.10 13:40:31
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SUBJECT: Draft Evaluation Report – Inflation Reduction Act: Assessment of
the IRS's 2024 Annual Update to Its Strategic Operating Plan
(Evaluation No.: IE-24-043-I)

Thank you for the opportunity to review and comment on the subject draft evaluation report. We appreciate the Treasury Inspector General for Tax Administration (TIGTA) engaging with us on the progress the IRS made in the first year of the Inflation Reduction Act (IRA) of 2022 Strategic Operating Plan's (SOP) execution and the implementation of the Enterprise Roadmap (Roadmap) to deliver on strategic goals.

The IRS developed the Roadmap to guide transformation deliveries aligned with the strategic vision established in the IRA SOP. As the IRS moved from planning to execution, our approach to delivering on priorities evolved and led to the development of the Roadmap. While the SOP remains our strategic guide for transformation, the Roadmap establishes the prioritized key results, milestones, and timelines to measure our progress towards a transformed IRS.

The Transformation and Strategy Office oversees and facilitates the portfolio of the IRS transformation projects leveraging IRA funding through portfolio reviews with the Operating Divisions. Each Operating Division is responsible for executing in-scope projects and deliverables outlined in the Roadmap. Portfolio management and oversight is achieved through recurring Steering and Advisory Committees. This improved structure affords IRS the agility needed to respond to the needs of taxpayers.

The IRA funding permitted the IRS to make major investments in the people, programs, and technology needed to deliver improvements to the taxpayer experience. In 2024, the IRS enhanced Live Assistance for taxpayers with quicker responses, simplified notices, and more digital and online tools. On the main telephone line, calls were

answered within an average of three minutes. At our in-person Taxpayer Assistance Centers, the IRS assisted 170,000 more taxpayers in 2024 than in 2023. Additionally, we continued to deliver on the digital-first experience by expanding our online tools available to taxpayers to resolve issues via online self-service options in 2024.

The IRS looks forward to our continuing collaboration with TIGTA as we monitor and measure our progress towards a transformed IRS. If you have any questions, please contact me, or a member of your staff may contact Sheila Eason, Director, Strategic Integration at (240) 613-1799.

Abbreviations

ECM	Enterprise Case Management
FY	Fiscal Year
IRA	Inflation Reduction Act of 2022
IRS	Internal Revenue Service
SOP	Strategic Operating Plan
TIGTA	Treasury Inspector General for Tax Administration
TSO	Transformation and Strategy Office



**To report fraud, waste, or abuse,
contact our hotline on the web
at <https://www.tigta.gov/reportcrime-misconduct>.**

**To make suggestions to improve IRS policies, processes, or systems
affecting taxpayers, contact us at www.tigta.gov/form/suggestions.**

Information you provide is confidential, and you may remain anonymous.