



**Internal Revenue Service
Progress Update**

Putting Taxpayers First

Fiscal Year
2022



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PUTTING TAXPAYERS FIRST

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Acting Commissioner's Message

The IRS Progress Update for Fiscal Year (FY) 2022 is designed to provide a window into the important work that agency employees have performed over the past year to help taxpayers, ensure fair enforcement of the tax laws and maintain the integrity of the tax system.

The IRS's activities each year reflect the importance of the agency and our workforce to our nation. Our workforce collects approximately \$4.9 trillion in gross revenues and generates about 96 percent of the funding that supports the federal government's operations. The hard work of our dedicated employees makes it possible for the government to perform its vital functions and be effective on everything from education to defense.

During FY 2022, we carried out our tax administration work in the continuing pandemic while also implementing sweeping tax changes enacted by Congress to help Americans affected by COVID-19. Early in the fiscal year, we completed delivery of the third round of Economic Impact Payments, bringing the total distributed by the IRS in three rounds to more than \$830 billion. We also wrapped up disbursement of advance monthly payments of the Child Tax Credit. Eligible families received a total of \$93 billion in advance payments between July and December of 2021.

The pandemic continued to create challenges for the IRS during the 2022 tax filing season, but we continued to

remind people about important steps to take to help them avoid delays for the processing of their tax returns and delivery of refunds. Along those lines, we emphasized that filing electronically with direct deposit was more important than ever in 2022 – and that will be true again in 2023.

We continued our efforts to enhance service for all taxpayers, including people in diverse and under-served communities. We took important steps to further improve the amount of assistance we provide to taxpayers in multiple languages, building upon our efforts in 2021 to, for example, provide Form 1040 in Spanish for the first time. Among actions taken in FY 2022, we completed conversion of 34 Spanish notice inserts to Braille, text, audio and large print, and also converted Form 1040 and its main schedules into Spanish Braille, text and large print. We've done the same for the 1040 NR, 1040 SR, W-4 and six IRS publications.

During FY 2022, another important agency focus was working to reduce paper correspondence inventory and process paper tax returns from 2021 as well as improve our response to an unprecedented level of phone demand – situations that were compounded by the pandemic and related issues. Taxpayer service remains the most significant IRS priority, and we have implemented many new strategies in an effort to improve our overall level of

service and processing of returns. Actions the IRS took to address the inventory included surge teams, mandatory overtime, giving taxpayers increased access to online self-service tools, innovating to expedite case closures and suspending various notices.

Our commitment to fairness and maintaining a strong, visible, robust tax enforcement presence to appropriately support taxpayers who comply voluntarily remains strong. During FY 2022, the IRS continued to develop and utilize innovative approaches to understand, detect and resolve potential noncompliance to maintain taxpayer confidence in the tax system. The comprehensive, coordinated enforcement strategy we've been developing to address these concerns has shown success. We have also seen success in our investigations of criminal activity related to COVID relief efforts, including fraudulently obtained loans, credits and payments meant for American workers, families and small businesses.

We also remain committed to finding new ways to serve taxpayers and improve the tax system. Our work to transform the IRS and build a stronger, more modern organization for the next generation continued to move forward during FY 2022, and we are confident this journey will pay significant dividends over time. Our new Taxpayer Experience

“We continued our efforts to enhance service for all taxpayers, including people in diverse and under-served communities.”

Office, established last year, has been setting the strategic direction for improving the taxpayer experience and identifying opportunities to make continuous improvements in real time for taxpayers and tax professionals. These efforts are being combined into work underway now to plan the future of the agency made possible by the historic funding provided by the Inflation Reduction Act of 2022.

The funding provided under the Inflation Reduction Act is a momentous development for the IRS, and a once-in-a-generation opportunity for the IRS to transform itself. These improvements are critical to the future of our agency and our nation, and the benefits will be important for IRS employees, individual taxpayers, businesses, exempt organizations, the tax community and many others. This is an opportunity to reshape the IRS and turn it into the organization that taxpayers deserve and expect.

We believe the improvements we have already made and more on the horizon – both in 2023 and in the years beyond with the Inflation Reduction Act – will make a difference for the agency. These efforts will produce abundant benefits for taxpayers, the tax system and our nation well into the future. As you will see in these pages, IRS employees are eager to help taxpayers and our great nation – now and in the future.

– Acting Commissioner Doug O’Donnell

The Earned Income Tax Credit can be a tool against hunger and homelessness.

 **IRS** irs.gov/eitc



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 Defense 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 changed to the Internal Revenue Service (IRS). Visit the IRS History Timeline at 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 the collection of individual and corporate taxes, 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. Four business units, focused on unique groups of taxpayers, support IRS operations.

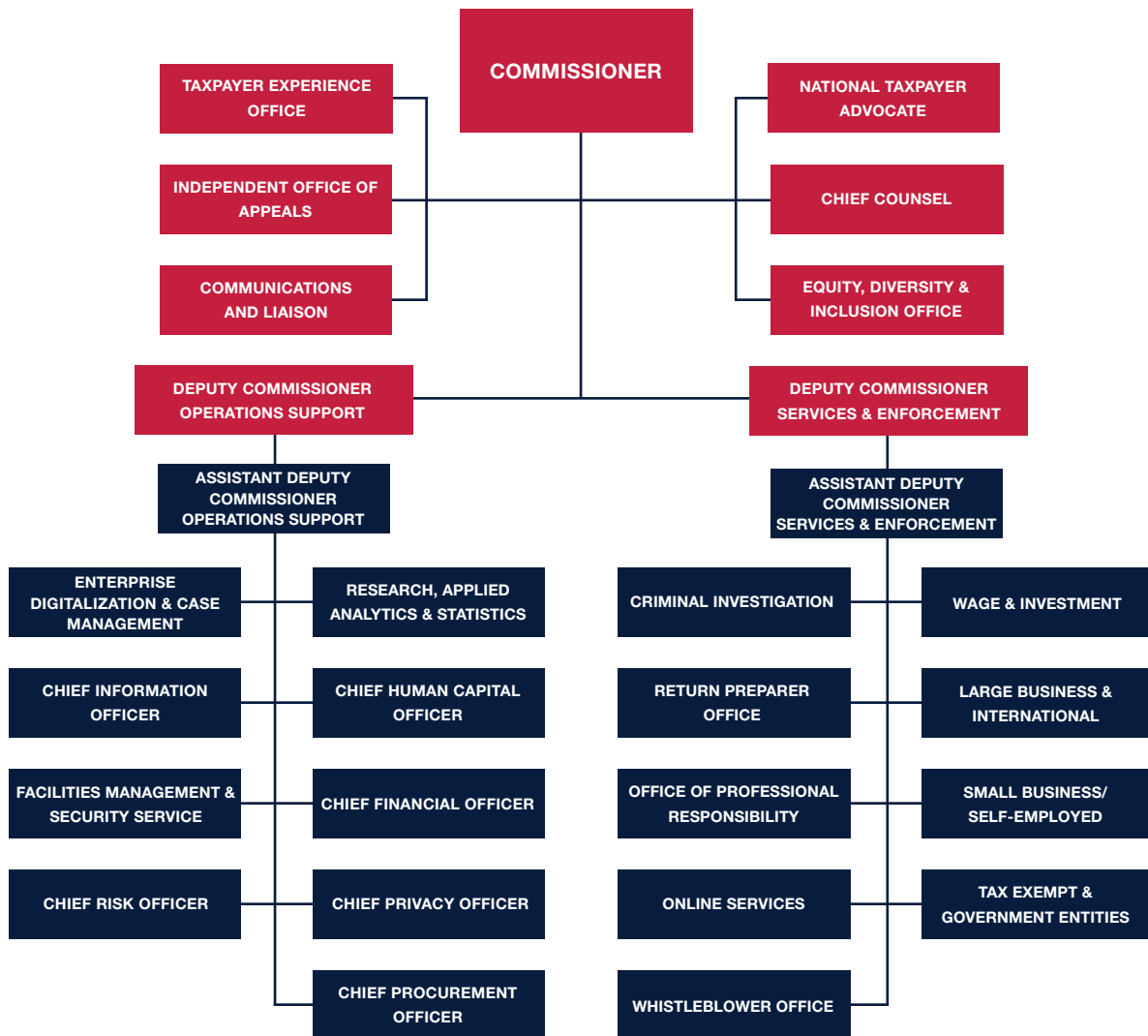
Business Unit Summary

- Wage and Investment (W&I) administers tax laws governing individual wage earners. W&I annually processes more than 155 million individual tax returns and 50 million business returns, including nearly 138 million electronically filed returns. W&I processes 112 million individual refunds totaling more than \$320.8 billion annually and answers more than 50 million phone calls.

- Small Business and Self-Employed (SB/SE) serves small businesses and self-employed individuals operating as sole proprietorships, small corporations, or flow-through entities. The division is also responsible for estate, gift, fiduciary, excise, most employment tax returns, as well as the collection of all unpaid federal tax accounts. SB/SE processes about 27.6 million employment tax returns, 874,000 excise tax return filers, 250,000 gift tax filers, and 36,000 estate return filers.

- Large Business and International (LB&I) serves corporations, subchapter S corporations, and partnerships with assets greater than \$10 million. LB&I also serves U.S. citizens and residents with offshore activities and nonresidents with U.S. activities.

- Tax Exempt and Government Entities (TE/GE) serves customers across three distinct taxpayer segments - Employee Plans, Exempt Organizations, and Government Entities.





How the IRS Serves the Country

The IRS collects more than \$4.9 trillion in taxes annually and generates nearly all the funding that supports the federal government's operations. The IRS is one of the world's largest tax administrators. Some key performance achievements in FY 2022:



* Data from Jan. 1 – Oct. 28, 2022.



Commissioner Chuck Rettig visited the Ogden Campus in Utah to meet with employees.

Strategic Plan Overview

The IRS unveiled a new strategic plan during 2022. The IRS FY 2022-2026 Strategic Plan builds on progress made and outcomes achieved over many years, while weaving together the IRS mission, values and priorities. After performing a comprehensive current-state assessment of the Service, we designed a plan to enable employees and stakeholders to see how their contributions support our mission of delivering high quality taxpayer service and fair enforcement of the tax law.

The Strategic Goals for FY 2022–2026 reflect a long-standing principle of putting the interests of our taxpayers first in everything we do. It is what drives us in our mission to provide high-quality services and fairly and impartially enforce the law. Our employees continually strive to understand and meet the needs of taxpayers and protect their rights. These goals are driven by a “One IRS” mindset that is crucial to delivering our mission for all taxpayers. Additionally, our goals and objectives support Treasury’s Strategic Plan and governmentwide priorities.

This five-year plan provides a blueprint for our continued organizational success. A tireless dedication to providing a high-quality taxpayer experience, a determined approach to enforcement, a commitment to our people in fostering an inclusive workplace and an organizational transformation to meet critical and future needs will enable the IRS to continue to play our vital role in American government and society. This plan sets the vision for the IRS’s future direction and will be the foundational element for our ongoing annual planning process.



Stakeholder Partnerships, Education & Communication Phoenix territory manager Sandra Cobos (left) and senior relationship manager Trina Graham participated in the Latino Tax Fest, the largest gathering of tax professionals and accountants who serve the Latino community and others.

Service

Provide quality and accessible services to enhance the taxpayer experience.



1

Enforcement

Enforce the tax law fairly and efficiently to increase voluntary compliance and narrow the tax gap.



2



GOALS



3

People

Foster an inclusive, diverse and well-equipped workforce and strengthen relationships with our external partners.



4

Transformation

Transform IRS operations to become more resilient, agile and responsive to improve the taxpayer experience and narrow the tax gap.



Marie Judkins, an employee in SB/SE in Ogden, Utah, is the national secretary for the employee resource group Military Outreach for Service (MOS). She observed Veterans Day by hiking up an Ogden-area mountain to view the Major, a 400-pound flag flown annually over Coldwater Canyon.

1



Service

Provide quality and accessible services to enhance the taxpayer experience.

The IRS is dedicated to providing an excellent taxpayer experience. We are committed to helping taxpayers of all communities participate in the tax system with ease and confidence. In order to deliver high-quality taxpayer service, the IRS will provide the means for all taxpayers to comply with their tax obligations by reducing accessibility barriers such as language, location and financial circumstances. We will inform and educate taxpayers proactively no matter how they engage with our services, whether through traditional or newer digital channels. Our commitment to steadfastly safeguarding taxpayer data for a secure experience is also critically important. Taxpayer experience, rights, protection and advocacy will be strengthened as we invest in the technology necessary to optimize and secure all taxpayer interactions.

Delivering the 2022 Tax Filing Season

The most visible taxpayer service the IRS provides is the delivery of the tax filing season each year. During the 2022 filing season, which began January 24, 2022, the IRS received nearly 139 million individual returns by the April 18 filing deadline. Of the total, 133 million (96 percent) were filed electronically. When compared to filing season 2021, this is a 19.6 percent increase in returns received and a 22.0 percent increase in returns being filed electronically.

Additionally, we received more than 33.5 million business returns, an increase of over 13 percent from the same time last year. Of the total business returns filed, 25.5 million were filed electronically and 8.1 million were filed on paper.

Total individual refunds were 14.2 percent higher than the same time last year, with 88.7 million refunds and a total refund amount of \$267 billion. The average refund amount of \$3,012 was a 4.9 percent increase compared to the same time last year. Also, 94.6 percent of refunds were issued via direct deposit, an increase of 16.9 percent from the same time last year.

Due to many factors, the 2022 tax filing season was a complex and challenging one for taxpayers, tax professionals and for the IRS. For that reason, we worked diligently to provide taxpayers with tools to help them navigate the filing season.

For example, early in the filing season, we sent out more than 250 million letters to help two groups of people: those claiming the Recovery Rebate Credit because they did not receive the third

Economic Impact Payment for which they were eligible in 2021 and those who needed to reconcile advance payments of the Child Tax Credit on their returns. These letters set forth the amounts those individuals received in 2021 to help them match IRS records and prevent delays in processing their returns.

We also continued to focus on working to reduce paper correspondence inventory and process paper tax returns from 2021 – a situation that was compounded by the pandemic and related issues. Actions the IRS has taken to address the inventory included surge teams, mandatory overtime, innovating to expedite case closures and suspending various notices. In June 2022, we announced we completed processing of all error-free individual returns received in 2021. While this was a major milestone, we continued to work on the remaining 2021 individual returns with processing issues or required additional information from the taxpayer.

As FY 2022 ended and FY 2023 began, the IRS continued to make major progress on the inventory, a critical step to be ready to serve taxpayers during the 2023 tax filing season.



Enhancing Taxpayer Service Across Our Channels

During the filing season and throughout the year, the IRS helped taxpayers file their returns and receive their refunds as quickly and easily as possible through a variety of channels – over the phone, online, in person and by mail.

Phone Service. As in years past, many taxpayers chose to contact us via phone with questions or requests for information. We saw extremely high call demand – at historic levels as the agency saw throughout the pandemic. An important step we took in FY 2022 to address this demand was to expand “Customer Callback” to cover approximately 70 percent of our toll-free telephone demand. We offered this option – allowing taxpayers to receive a callback from us, rather than wait on hold – to more than 5.3 million taxpayers with an acceptance rate exceeding 57 percent. We estimate this feature has saved taxpayers more than 1.7 million hours. As FY 2022 closed, work continued to add 5,000 new customer service representatives to our phone lines. Extra funding means that the IRS will have a record number of employees on the phones helping taxpayers in 2023

– a major step that will help provide more people with help during the coming year.

Voice and Chat Bots. Another important step was to expand our use of voice bots and chat bots (in English and Spanish) to better enable taxpayers to interact with us. These tools allow us to better leverage employee resources, with a single employee responding to multiple taxpayers at a time. We are now using voice bots and chat bots on two of our specialized toll-free telephone lines and on IRS.gov, enabling taxpayers with simple payment or collection notice questions to get what they need quickly and avoid waiting.

Voice bots were also enabled for a special toll-free line for people calling with questions about Economic Impact Payments. These bots provide general procedural responses to frequently asked questions. The IRS added voice bots for the advance Child Tax Credit toll-free line in February to provide similar assistance to callers who needed help reconciling the credit payments on their 2021 tax return. These voice bots have been used more than 9 million times with approximately 4 million taxpayers receiving successful self-service.



Online Help. During FY 2022 we continued working to meet the increasing demand for online services. For example, we made the IRS.gov website more efficient and user-friendly by launching a redesigned homepage with a “How Can We Help” section that provides nine different options giving taxpayers quick access to top links.

Early in the filing season, in February, we launched a special web page on IRS.gov to provide the latest details and information affecting the filing season and our ongoing efforts to address the inventory of previously filed tax returns.

We also made enhancements to various online tools found on IRS.gov. For example, we upgraded the popular Where’s My Refund application by introducing a new feature that allows taxpayers to check the status of their current tax year and two previous years’ refunds.

Another example is the Earned Income Tax Credit Assistant tool on IRS.gov, which we enhanced to make it more user-friendly. The tool allows individuals to easily determine their potential eligibility for the credit. We provided translations for the tool so it could be used by taxpayers who speak Spanish, Haitian Creole, Russian, Simplified and Traditional Chinese.

We also made improvements to the Tax Withholding Estimator, to better enable users to perform a “paycheck checkup”

to ensure they have the correct amount of tax withheld from their paychecks. Enhancements included updating the estimator’s landing page for better content placement, providing more plain language and clearer instructions, releasing several small updates to fix defects in the application, and releasing a Spanish-language version of the tool.

Social Media. We continued to expand IRS social media capabilities and platform reach and improve use of social media to share important tax information with taxpayers to help them meet filing and paying obligations. Led by Communications & Liaison, the number of followers of IRS platforms grew by more than 10 percent in FY 2022.

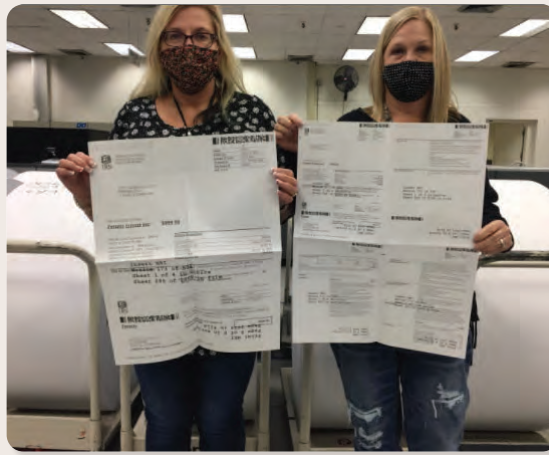
In FY 2022, IRS social media followers surpassed 1.5 million. For perspective, in 2019 the IRS marked 10 years of having a social media presence, having reached 476,000 followers in that period. In the last three years, we have more than tripled that figure. Some key milestones in FY 2022 included reaching 100,000 followers on Instagram, 200,000 on LinkedIn and 600,000 on Facebook. In the last two years, our subscriptions to the IRS multilingual channel have nearly doubled. We’ve established new YouTube playlists in Chinese and Vietnamese and continue to have a strong social media presence in Spanish.

In-person Assistance. The IRS provides in-person help at approximately 350 Taxpayer Assistance Centers (TACs) around the country. In FY 2022, more than 900,000 taxpayers received help at one of our TACs. During the 2022 filing season, designated TACs across the country were open special hours on Saturdays, with an emphasis on assisting taxpayers with refundable credits. During these Saturday openings, TACs served more than 17,000 taxpayers.

Another important way the IRS provides in-person assistance is by supporting more than 9,000 Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites across the country. These sites provide free tax preparation assistance to low-income taxpayers, older Americans, people with disabilities and those with limited proficiency in English. The IRS is especially proud to support VITA sites on U.S. military bases, through our collaboration with the Armed Forces Tax Council. During FY 2022, IRS instructors provided virtual train-the-trainer sessions for military members on 25 military bases in the U.S., Europe and Asia.

To encourage volunteerism generally in the VITA/TCE program, during FY 2022 the IRS implemented a more streamlined volunteer recruitment process, allowing volunteers to use the IRS.gov portal to express their interest in volunteering and receive an invitation to attend a

Wage and Investment division employees, Susan Leon and Teri Coley, with examples of new large-print IRS notices developed to provide information in alternative media formats.



volunteer orientation session. This resulted in thousands of new volunteers signing up to participate in VITA/TCE through IRS.gov during the year.

We also conducted a virtual nationwide event in November 2022 to promote high school participation in the VITA program. We invited high school superintendents, principals and teachers to attend a presentation introducing the benefits of including an educational VITA program in their schools.

As FY 2022 ended and we prepare for the 2023 tax filing season, we continue to focus on these areas, working to add more employees to Taxpayer Assistance Centers and continue to support critical efforts like VITA and TCE.

Improving Service to Diverse Communities

Multilingual Efforts. An important way the IRS serves taxpayers in diverse communities is by communicating with them in the language and formats they are most comfortable using. We are committed to enhancing the experience of all taxpayers, including those who have limited English proficiency.

In FY 2022, we built on the 2021 milestone accomplishment of providing the Form 1040 in Spanish with a number of new offerings. For example, we completed conversion of 34 Spanish

notice inserts to Braille, text, audio and large print. We also converted Form 1040 and its main schedules, as well as Form 1040 NR, Form 1040 SR, Form W-4 and six publications, into Spanish Braille, text, and large print. To help taxpayers let us know how we can best communicate with them, we released new Form 9000, Alternative Media Preference, during the 2022 filing season. This form allows taxpayers to tell us they want to receive notices in Braille, large print, audio, or text, and can be filed alone or with the 1040.

Another step we took in FY 2022 was to begin implementing a Multilingual Notice Strategy to guide our work in converting IRS notices into other languages. Thus far we have completed the programming that will allow us to issue 20 notices in Spanish in 2023.

Our efforts extended to the VITA and TCE programs. During the 2022 filing season, for the first time, all VITA and TCE sites were offered the use of Over-the-Phone-Interpreter services. This service option brings a language interpreter into a three-way telephone conversation with a certified volunteer and a taxpayer.

Mississippi Delta Outreach Initiative.

A key example of our efforts to reach out to diverse communities was the strategy launched in FY 2022 to educate taxpayers in Louisiana and Mississippi

about child-related tax credits using Publication 5585, Child-Related 2021 Tax Credits and Publication 5607, *You Could Receive a Tax Refund even if You're Not Required to File*. As a result of these efforts, the IRS potentially reached over 1.4 million students and their parents across school districts in the targeted states. To further increase awareness of the available credits, the IRS developed a partnership with local churches in Louisiana and Mississippi and has now reached more than a dozen congregations.

Safeguarding IRS Systems and Taxpayer Data

An important way the IRS serves taxpayers and the tax system is our ongoing work to safeguard our systems and protect taxpayer data against cyber threats. This continued to be a top priority for the IRS in FY 2022. To protect IRS systems and retain public trust, the IRS began implementing the Executive Order on Improving the Nation's Cybersecurity. This included putting in place conventional perimeter-based defenses with a Zero Trust Model, which presumes that no actor, system, network, or service can be trusted – everything must be authenticated.

The IRS enhanced Vulnerability and Threat Management (VTM) capabilities

Ayuda del IRS en Puerto Rico para reclamar el Crédito Tributario por Niños



Sábado, 11 de junio
Edificio City View Plaza II, Guaynabo



by delivering analytics tools that leverage machine learning to proactively identify and respond to emerging insider threats and fraudulent behavior. The IRS also made progress with encrypting data-at-rest to support Treasury's goal of encrypting 90 percent of high-value asset systems.

Identity Protection. In FY 2022, the IRS launched an improved identity verification and sign-in process that enables more people to securely access and use IRS online tools and applications. Taxpayers using the new mobile-friendly verification procedure can gain entry to existing IRS online services such as the Child Tax Credit Update Portal, Online Account, Get Transcript Online, Get an Identity Protection Personal Identification Number (IP PIN) and Online Payment Agreement.

Additional IRS applications were transitioned to the new sign-in method throughout FY 2022, and in February, we expanded options for taxpayers. The IRS provided a new option of verifying taxpayer identities via a live, virtual interview with agents where no biometric data – including facial recognition – is required.

Tax-related Identity Theft. Along with protecting IRS systems, in FY 2022 we maintained our focus on protecting taxpayer data from the crime of tax-

related identity theft. We have continued to make critical progress in this area and have been helped in our efforts by the Security Summit, an unprecedented partnership created in 2015 that includes the IRS, the states and the private sector. Seven years into this partnership, Summit partners continue working together to find new ways to safeguard taxpayers and tax professionals.

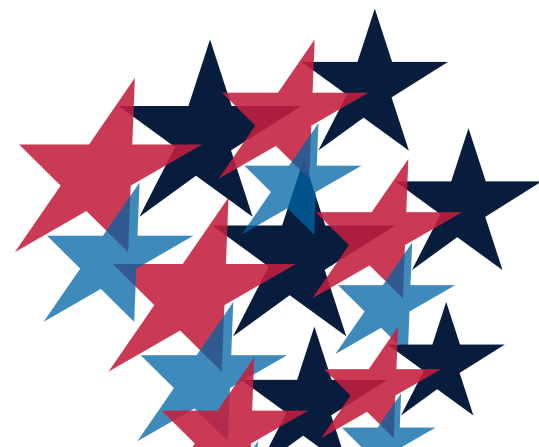
Collaboration has been the key. Summit partners have been working together in a number of areas:

- Doing in-depth analysis of data elements on tax returns, which helps detect those that are fraudulent.
- Reaching out to financial institutions, which have worked with us to stop fraudulent refunds from being paid out to identity thieves.
- Sharing information on emerging identity theft schemes and other threats to the tax system, which has made us better able to protect taxpayer data.

An important component of these efforts has been the work of the Information Sharing and Analysis Center (ISAC), formed by Security Summit partners in 2017. During FY 2022, the ISAC continued facilitating information sharing and analytics necessary to detect, prevent, and deter activities related to stolen identity refund fraud.

Another critical part of the Security Summit's ongoing work involves getting the message out about identity theft scams. During FY 2022, the IRS and our partners continued to work together to warn taxpayers and tax professionals about the new scams that emerged. We have been especially concerned about the way scammers have continued to use the pandemic as a device to scare or confuse potential victims into handing over their money or sensitive personal information. These scams can take a variety of forms, including using unemployment information and fake job offers to steal money and information from people.

These consumer education efforts aimed at taxpayers and tax professionals will continue in FY 2023, through efforts such as National Tax Security Awareness Week and other communications and outreach efforts.





www.irs.gov/securitysummit

Protect personal and financial information online

The IRS and Security Summit partners remind people to take these basic steps when shopping online:



- ***Use security software for computers and mobile phones – and keep it updated.***
- ***Make sure anti-virus software for computers has a feature to stop malware, and that there is a firewall enabled that can prevent intrusions.***
- ***Use strong and unique passwords for all accounts.***
- ***Use multi-factor authentication whenever possible.***
- ***Shop only secure websites by looking for the “https” in web addresses and the padlock icon.***
- ***Avoid shopping on unsecured and public Wi-Fi in places such as coffee shops, malls or restaurants.***



Gary Sharp, Chief Counsel Veteran's Cohort Group chair, attended the Memorial Day wreath laying at the Tomb of the Unknown Soldier in Arlington National Cemetery.

2



Enforcement

Enforce the tax law fairly and efficiently to increase voluntary compliance and narrow the tax gap.

To make progress toward improving voluntary compliance, we will continue to strengthen enforcement capabilities, improve outreach and proactively work to analyze new tax requirements and understand taxpayer behaviors and trends. We will leverage new technology and data analytics to fairly enforce the tax laws.

Protecting taxpayer rights, equitably enforcing the tax laws and providing taxpayers with the information and services they need are critical aspects of our efforts to improve compliance. For filers and non-filers alike, we must support all taxpayers by providing them with the services, information and opportunities to fairly address any issues with meeting their tax obligations. The IRS commits itself to the highest standards in administering and enforcing the tax code with integrity, transparency and objectivity. Our enforcement efforts should successfully narrow the tax gap, build trust with all taxpayers and keep pace with emerging threats without burdening compliant taxpayers with unnecessary audits.

One of the IRS's highest priorities is to ensure taxpayers follow the law. We continue to develop innovative approaches to understand, detect and resolve potential non-compliance to support taxpayer confidence in the tax system. Our workforce is committed to doing everything we can to track down those who willfully refuse to fulfill their tax obligations or who commit tax fraud. We strive to maintain a strong, visible, robust tax enforcement presence to appropriately support taxpayers who comply voluntarily.

Addressing Non-Compliance

We continually work to improve and innovate our operations and organizational structure to better address non-compliance by individual and business taxpayers.

Abusive Tax Shelters. During FY 2022, we continued our efforts to shut down abusive tax shelters and stop promoters of these schemes. It's very important that we improve our ability to identify and deter promoters, and that we do so quickly – before they are able to widely market their transactions, as we have seen with syndicated conservation easements and micro-captive insurance.



We are committed to conducting efforts against not only those who promote abusive tax avoidance transactions we know about, but to finding the transactions that are being concocted today, and to coordinate our efforts to stop those promoters quickly and efficiently.

There have been some notable successes during FY 2022. One example involves our comprehensive, coordinated enforcement strategy to address abusive syndicated conservation easement transactions. Since developing this strategy several years ago, we have worked closely with the U.S. Department of Justice to shut down the promotion of them. One result of this work in FY 2022 was the U.S. Tax Court ruling in the government's favor in a number of conservation easement cases, supporting the IRS's position on the abusive nature of the underlying deduction in these cases. While continuing to investigate these transactions, we have also had success with settlement offers made to certain taxpayers who have engaged in these transactions and want to come into compliance. In other matters we have been pursuing fraud penalties, when appropriate.

Another great example involves abusive micro-captive insurance transactions. The IRS has been aggressively challenging these transactions in court, and in May 2022, an Appeals Court

upheld our contention that these arrangements are taxable. The U.S. Tax Court had already sided with the IRS in many of these cases, but this is the first time an Appeals Court has recognized that these transactions are shams.

National Coordinated Investigations

Unit. In FY 2022, the National Coordinated Investigations Unit (NCIU) of the IRS's Criminal Investigation division (CI) used data analytics to identify multiple new unique data sets that identified more than 10,000 taxpayers that potentially committed a criminal or civil violation of the tax code. The NCIU also leveraged human source intelligence combined with data analytics to identify a significant number of US citizens owning undisclosed foreign assets. The NCIU partnered with various IRS offices to identify data points and algorithms to combat emerging criminal fraud schemes related to each business operating division's unique taxpayer population.

Whistleblower Office. An important component of our efforts to improve compliance and ensure a fair tax system is the work performed by the IRS Whistleblower Office. This office takes the lead in working with whistleblowers – people with firsthand knowledge of non-compliance who are willing to come forward and share what they know with the IRS so we can investigate it when warranted.

During FY 2022, the Whistleblower Office continued its efforts to make sure award claims are reviewed by the appropriate IRS business unit; determine whether an award should be paid and the percentage of any award; and ensure that approved awards are paid out. Since the inception of the Whistleblower Office in 2007, the IRS has paid out more than 2,500 awards, totaling more than \$1.05 billion, to whistleblowers. The information provided by these individuals has led to the successful collection of more than \$6.39 billion from non-compliant taxpayers.

The office also works continually to improve the Service's whistleblower program. Those efforts included holding an IRS Whistleblower Summit attended by practitioners, congressional staff members and federal government officials.

International Tax Compliance

International tax compliance continues to be a top priority as more complex patterns and trends continue to emerge in international tax avoidance schemes and cross-border transactions, particularly involving cryptocurrency. These activities have heightened our concern regarding the lack of tax compliance by individuals and entities with an international footprint. As international tax and money laundering

Criminal Investigation special agents from the Washington, D.C. Field Office's Group 8 participated in a team building exercise supporting the Capital Area Food Bank.



GOAL 2: ENFORCEMENT

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crimes have increased, the IRS, led by our Large Business and International (LB&I) division, continues to protect the integrity of the U.S. tax system by helping the American taxpayer understand and meet their tax responsibility and enforce the law with integrity and fairness worldwide.

Significant efforts in FY 2022 included the introduction of new forms (Schedule K-2 and K-3) for the 2022 filing season that were designed to improve international tax reporting for partnerships and their partners.

We continued to support the Organization for Economic Cooperation and Development (OECD) Task Force on Tax Crimes (TFTC) and were involved in developing priorities and participating in working groups. The IRS continued to lead a multi-country Action Group focused on deploying a Financial Technologies Toolkit to assist countries with developing and conducting investigations involving illicit virtual assets.

In FY 2022, our international collaborative work through our 11 international attaché posts included our online "Around the Globe" campaign that highlighted activities from our attaché posts around the world, which received more than 100,000 views. The campaign featured operational results as well as summits and press conferences with partner countries including Palau,

South Africa, Panama, Mexico and others. We also provided leadership and were actively involved in the multilateral Joint Chiefs of Global Tax Enforcement (J5) organization to combat transnational tax crime through increased information gathering, intelligence sharing, joint investigative activity and capacity building with partner countries' tax agencies.

In addition, we maintained a focus on individual and business cross-border and transfer pricing tax compliance. The strategy contemplates specific plans for each of the major compliance workstreams including large corporate and partnership cases, compliance assurance cases, campaigns, joint committee cases, soft-letters, discretionary work, withholding and reporting cases and international individuals' compliance cases.

Transfer Pricing. The centralized efforts of LB&I's Transfer Pricing Risk Assessment (TPRA) team continue to guide case selection to the appropriate treatment stream. The team applies data analytic techniques to tax return information to efficiently identify potential transfer pricing issues. Our compliance enforcement strategy recognizes the importance of leveraging recent judicial guidance related to transfer pricing issues. LB&I's efforts to enhance transfer pricing risk assessment and compliance strategies are complemented by equally robust efforts to prevent and resolve

transfer pricing and other disputes that are eligible for competent authority assistance under U.S. tax treaties. Many of these efforts during FY 2022 focused on the effect that the pandemic has had on transfer pricing and tax uncertainty in worldwide macroeconomic and commercial conditions since March 2020.

IRC 965 Enforcement. LB&I continued to devote significant attention to enforcement of the so-called section 965 transition tax in FY 2022 and identified several cases where taxpayers took the position that tax was not owed because internal restructuring transactions significantly reduced the earning and profits of taxpayers' Controlled Foreign Corporations (CFCs). While the extent of this planning throughout the taxpayer population is not known, in limited cases the potential adjustments are quite significant.

Fairly Enforcing Tax Laws & Collecting Taxes

IRS Criminal Investigation. CI investigates potential criminal violations of the Internal Revenue Code and related financial crimes to enforce accountability and maximize deterrence. This includes money laundering, currency violations, tax-related identity theft fraud and terrorist financing that adversely affects tax administration. Using its unique authority and financial

Newark Field Office Criminal Investigation special agents participated in a Police Unity Tour to raise awareness about law enforcement officers who died in the line of duty.



expertise, CI contributes to important national law enforcement priorities.

In FY 2022, CI initiated more than 2,550 criminal investigations, identified over \$31 billion from tax and financial crimes, and obtained a 90.6% conviction rate on cases accepted for prosecution. CI's 2,077 special agents spent about 70% of their time investigating tax-related crimes like tax evasion and tax fraud and nearly 30% of their time on money laundering and drug trafficking cases. Many of the investigations CI conducted during the year touched multiple continents and required cooperation with partners around the globe.

In FY22, CI expanded partnerships with foreign counterparts to help combat tax and financial crimes on a global level. Special agents delivered training in countries like Argentina, Germany, Colombia and Palau on topics ranging from cybercrime to human trafficking. To cite another example, after Mexico changed its law to enable the extradition of tax fugitives, CI launched an initiative to identify fugitives who had absconded to Mexico and nearby countries, resulting in the location of 79 criminal fugitives and apprehension of eight by the end of the fiscal year. Additionally, CI joined Taskforce Kleptocapture in March 2022 to target Russian oligarchs and others who evaded sanctions. CI also

worked with the J5 to identify potential sanction evaders or sanctioned assets as part of a global strategy to deter Russia's aggression. As of September 2022, the agency had identified nearly 50 individuals and entities for potential sanctions-related enforcement.

High-Income Non-filers. The IRS continues to prioritize high income non-filers and recognizes the importance of systematically pursuing the most egregious non-compliant taxpayers to maintain the trust of all taxpayers. The IRS is addressing non-filers identified from multiple sources and within various workstreams including virtual currency, referrals from federal and state tax agencies, high net-worth individuals and partnerships.

Return Preparer Program (RPP). 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. During FY 2022, there were 175 RPP criminal investigations initiated, 93 prosecutions recommended and 129 sentencings, with an incarceration rate of 69%.

Cyber Crimes. The CI Cyber Crimes unit collaborates with other federal law enforcement agencies to identify the

movement of criminally derived profits utilizing virtual currency and the Dark Web.

Cyber Crimes played a key role in the largest cryptocurrency seizure ever recorded for the federal government, valued at more than \$3.6 billion. In February 2022, the Justice Department announced the arrest of two individuals in connection with an alleged conspiracy to launder cryptocurrency stolen during a 2016 hack of Bitfinex, a virtual currency exchange. Cyber Crimes Unit special agents were critical in unraveling a sophisticated laundering technique, enabling them to trace, access and seize the stolen funds. As well as being the largest cryptocurrency seizure, this was also the largest single financial seizure recorded by the federal government.

In FY 2022, the IRS began implementing new digital asset reporting requirements for brokers under legislation enacted in 2021. The law authorized the Secretary of the Treasury to require brokers to report transactions in digital assets under IRC section 6045, added digital assets to existing reporting rules for transactions in excess of \$10,000, and included digital assets in the types of assets for which the Secretary can require transfer statements under section 6045A for broker-to-broker and broker-to-non-broker transactions.

Create a strategy to help protect yourself from identity thieves



Tax Exempt Organizations. Last year the Tax Exempt/Government Entities (TE/GE) division developed a new scoring model to better identify and prioritize issues of potential non-compliance for tax exempt organizations. In FY 2022, TE/GE expanded the use of data, algorithms and artificial intelligence to identify non-compliant business and individual returns, including those engaged in potential civil and criminal fraud.

Exam Case Selection. During FY 2022, the IRS began using a predictive model to automate the identification of issues for our Discriminant Index Function inventory and grading cases for our Tax Compliance Officer inventories. This automated process increases efficiency and reduces the number of resources needed for this process. The IRS's Small Business/Self-Employed (SB/SE) division incorporated FinCEN data into the Compliance Data Warehouse (CDW), which allows for in-depth data analytics for both the Bank Secrecy Act program and the Foreign Bank and Financial Accounts (FBAR) program. In collaboration with Research, Applied Analytics and Statistics (RAAS), SB/SE will analyze the data to enhance current case selection and identification methods.

Identifying and Combatting Fraud

Questionable Refund Program.

Questionable Refund schemes involve one or more individuals that use genuine identities for the purpose of preparing and filing fictitious tax returns that claim bogus income and deductions to generate fraudulent refund claims. FY 2022 performance highlights included:

- 66 criminal investigations initiated
- 58 criminal prosecutions recommended
- 65 sentencings
- 80% incarceration rate

Virtual Currency Fraud. Virtual currency fraud schemes continue to emerge as threats to compliance efforts. In March 2022, the IRS's Office of Fraud Enforcement (OFE) and CI partnered to launch the IRS Chain-analysis Learning Academy. The Academy provides IRS employees extensive on-demand virtual currency training and certification on topics ranging from tracing digital assets to basis computation and taxation treatment of virtual currency, non-fungible tokens and other digital assets. The IRS is expanding the depth and breadth of fraud detection to encompass these new technologies by acquiring the latest tools, training and expertise needed to ensure tax compliance in this rapidly evolving area.

Employment Tax Fraud. We continue to work with the Justice Department's Tax Division to identify employers who cheat the system and their employees and gain an unfair advantage over their honest competitors. Leveraging our Innovation Lab's Data Analytics Program, we identified thousands of taxpayers who reported wages on their individual income tax returns where their employer did not file their W-2 forms with the Social Security Administration and neither filed employment tax returns nor remitted taxes withheld from their employees. Seriously noncompliant employers were further investigated by the IRS Examination, Collection and CI organizations.

COVID Fraud. We worked diligently to thwart COVID scams by alerting taxpayers and tax professionals about scam calls and email phishing attempts tied to the Economic Impact Payments. OFE was successful in preventing ineligible claimants from obtaining \$1.2 billion in COVID-related employer credits that were intended to help employers retain employees who would otherwise be unable to work during the pandemic. Working collaboratively with teams of seasoned enforcement employees who identified the questionable claims, OFE investigated the suspect claims and administratively disallowed the claims and/or referred cases for further investigation.

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People

Foster an inclusive, diverse and well-equipped workforce and strengthen relationships with our external partners.

At the heart of our ability to provide taxpayers with quality service and fair enforcement lies a dedicated workforce and community of partners. We are dedicated to making the IRS an equitable and inclusive environment in which all employees can thrive and grow. By supporting flexible work environments and career paths, the IRS aims to build a culture that values and empowers employees to maximize their potential. Cultivating a culture that exceeds employee expectations will help us retain talent and fill critical workforce gaps caused by retirements and new skill demands.

We are committed to developing our employees by providing resources, tools and training that will help meet the needs of today and tomorrow. We continue to build our workforce using data-driven planning methods to strategically understand future workforce needs. It is important for us to foster continued partnerships and build new ones with those who are essential collaborators in improving the taxpayer experience. Together, we'll continue to expand our network for better information sharing and improved service delivery.

People are an integral part of IRS operations, both internally and externally. We are committed to planning, assessing and managing our workforce effectively so that we can successfully carry out our important mission. Effective taxpayer service, enforcement and business modernization efforts require a highly skilled and well-equipped workforce. Our success is also tied to maintaining productive and collaborative partnerships with the tax preparer community, state and local governments and other important stakeholders.

Recruiting, Hiring & Retaining a Diverse Workforce

Recruiting, hiring, developing, managing and retaining our diverse workforce is key to sustaining a competitive advantage in the complex post-pandemic labor market. In FY 2022, after two years of exclusively virtual training due to the COVID evacuation order, the IRS resumed face-to-face training to provide employees with necessary skills and increase collaboration.



The Atlanta Campus welcomed IRS Commissioner Chuck Rettig.

We implemented operating plans to increase our hiring capabilities, optimize efficiencies and streamline onboarding. To prepare for and better support anticipated hiring throughout FY 2022, we deployed deliberate marketing and recruitment strategies through social media, student and graduate programs and collaboration with unemployment offices, educational institutions and federal employment programs. We also launched our first-ever Employee Referral Bonus Program to incentivize recruitment, and we fully implemented USASTaffing to increase automation, enhance reporting and improve transparency in our hiring processes.

Enhanced Hiring Authority. We obtained Congressional and Office of Personnel Management (OPM) direct hire authority in FY 2022 to reduce the number of days to hire tax examiners, clerks, customer service representatives and certain positions in Information Technology and Human Resources. We used this authority to make on-the-spot offers at several in-person recruitment events around the country, and we'll continue to use it to hire up to 10,000 new hires through December 2023. This effort is already making a difference, helping us to hire 5,000 new telephone assistors in a few weeks in late 2022 – a process that took eight months the previous year.

Puerto Rico Hiring Initiative. In FY 2022, the IRS embarked on a significant expansion of our operations in Puerto Rico, to better serve Spanish-speaking taxpayers in the United States and provide an economic boost to a high-poverty area. As recently as November 2019, there were 72 employees in the Puerto Rico Automated Collection Service (ACS) operation. In FY 2022, the IRS hired a number of employees in Puerto Rico, finalizing the stand-up of an ACS call site operation in the San Juan (El Monte) location, with more than 400 assigned staff. The IRS is working to finalize the stand-up of a second ACS call site in Guaynabo, Puerto Rico (Caparra), also with more than 400 employees. We are in the process of standing up four new Taxpayer Assistance Centers (TACs) in four Puerto Rico locations: Guaynabo, Humacao, Mayaguez and Ponce. Hiring began in FY 2022 to staff these offices, but significant supply chain issues with equipment and furniture have delayed setting up operations.

Mississippi Delta Hiring Initiative. In November 2021, we started an innovative pilot program to help people in communities across America rise out of poverty by pursuing a career at the IRS as contact representatives, individual taxpayer assistant specialists and compliance personnel. We started in the Mississippi Delta region, an area of the country that currently has the

highest rate of poverty (19.58%) in the United States, excluding the U.S. territories, according to the U.S. Census Bureau. This effort will help us serve taxpayers better by enabling us to hire more employees critically needed to help run the nation's tax system and provide taxpayers with information and assistance they need. And new jobs in the Delta Region will give residents career opportunities and a way to increase their income.

The pilot involved opening an office in Clarksdale with a team of contact representatives, along with an onsite team lead and manager, and we followed that effort up with another location in Greenville. We're optimistic that our efforts will make a difference in the Delta region, and we'll use what we learned there to help us continue to make a difference in other communities.

IRS Next Recruiting Improvements. The IRS NEXT Employee Experience and Recruiting Team developed strategies in support of key IRS goals and objectives, preparing the agency for potentially historic hiring levels by creating a team culture that encourages creativity, innovation and strategic thinking. The team was instrumental in the creation and implementation of revamped web tools, process maps and other innovations to reshape and improve hiring processes. In addition, IRS Next oversaw the documentation of the consolidated Servicewide current state



jobs.irs.gov



recruiting process and conducted a gap analysis to cross-reference stakeholder-collected pain points with other data and audit reports. This work culminated in seven key process improvements to develop a future state recruiting process.

Empowering Workforce Development

IRS Comprehensive Training Strategy.

The IRS Comprehensive Training Strategy was designed to develop a flexible, responsive and efficient learning organization. To ensure comprehensive, equitable access to learning and development for all employees, the IRS continues to move forward in implementing the strategy as outlined in the January 2021 Report to Congress. Actions to advance the strategy included:

- Designing the IRS University (IRSU) structure in collaboration with agency-wide leadership.
- Establishing an enterprise-wide approach to employee development and an enterprise-wide framework that

supports career-path and ongoing skill development for employees.

- Establishing IRSU academic standards for learning across the IRS to ensure consistent, timely delivery of programs and services.
- Developing tools that are the building blocks for the employee development life cycle such as competency models, skills assessments, career paths and learning tracks.
- Establishing an enterprise-wide approach for delivering a curriculum for Customer Service and Taxpayer Experience training.

The IRS fostered a culture of continuous learning in FY 2022 by engaging employees throughout all stages in their career. For example, the IRS established the Information Technology Workforce Strategy and executed on numerous activities to provide employees with the technology skills and training needed to support the future of tax administration. Key activities included a renewed IT-wide focus on training to improve

technical and non-technical skills, a dedicated program to prepare employees for executive leadership roles and hosting the second annual IT Career Summit.

Risk Management Training. The Office of the Chief Risk Officer Enterprise Risk Management program developed and delivered overall risk management training for IRS employees at all levels ranging from foundational level knowledge to practical applications of risk management principles through case studies.

Revenue Agent Compliance Training. The IRS Next Training Team spearheaded the strategic planning and socialization of an improved learning strategy that enhances compliance training for all Revenue Agents. This all-encompassing approach to update compliance training processes and procedures incorporated coaching, mentoring, new-manager training, on-the-job instructor training and classroom training. IRS Next partnered with the business units to assess the training materials to determine appropriate processes, delivery styles, formats, and practical application.

Employee Engagement. The IRS continued to implement various initiatives to engage employees. We developed a FY 2022 - 2025 Leadership Engagement Action Plan (LEAP) with some initiatives occurring in FY 2022



including updating the plan to reflect the 2021 Federal Employee Viewpoint Survey (FEVS) results and Best Places to Work rankings, and hosting bi-monthly Servicewide virtual sessions, which are based on engagement topics surrounding the themes of communication, motivation, diversity and inclusion, recognition and empowerment.

Throughout FY 2022, we issued surveys, conducted focus groups, hosted virtual seminars, promoted employee recognition and launched artificial intelligence technologies via the Virtual Employee Engagement Chatbot to engage employees, collect feedback and share information to employees onsite and in remote workplaces.

Strengthening & Utilizing Partnerships

The IRS remains committed to our partnerships with external stakeholders, whose critical support helps us fulfill our mission and maintain the tax system. These partners are in the tax community and elsewhere – government entities (international, federal, state, local and tribal), universities and volunteer organizations. During FY 2022, we continued to take steps to strengthen and expand our partnerships. The IRS continued to strengthen partnerships with other federal agencies such as the Department of Labor and the Pension Benefit Guaranty Corporation to improve tax compliance and the taxpayer

experience, such as providing additional electronic filing options to taxpayers.

During the first part of FY 2022, the IRS continued the effort begun in July of 2021 to disburse advance payments of the Child Tax Credit to eligible families, as called for under the American Rescue Plan. The IRS made an extensive effort to reach as many people as possible who might be eligible for these advance payments, which could be claimed through December 2021. We leveraged our partnerships with thousands of community groups, non-profits, associations, education groups and anyone else with connections to people with children to share critical information about the credit and other important benefits. We again worked with these groups during the 2022 filing season to remind people who received the advance Child Tax Credit that they needed to reconcile those amounts on their returns. These same partners helped us get the message out that anyone eligible for an Economic Impact Payment who did not receive it could claim the Recovery Rebate Credit on their return.

To increase awareness of the Earned Income Tax Credit and other important credits, the IRS and various national and local partners collaborated to hold the 16th annual Earned Income Tax Credit Awareness Day on January 28, 2022. Traditional media events as well as activities on social media helped us reach the broadest possible range of

eligible taxpayers, including the underserved populations and newly eligible taxpayers.

A great example of our partnership with tax professionals is the annual IRS Nationwide Tax Forum. Held each summer for more than 30 years, the Tax Forum is the agency's marquee event for providing important tax information to these valued partners and stakeholders. The 2022 Tax Forum was again held virtually, with a program stretching over five weeks in July and August. The program featured livestreamed webinars delivered by several partner organizations and IRS officials, on subjects including tax law, professional ethics, virtual currency, collection issues and many other topics. Some of the webinars were offered in both English and Spanish.

Also during FY 2022, the Wage and Investment division established a new series of quarterly meetings with the Federation of Tax Administrators to share information and discuss various filing related issues. W&I leadership also held regular meetings with the Council for Electronic Revenue Communication Advancement Board of Directors. These meetings provide a strategic forum to share high-level key messages and emerging issues and gather feedback.

As important as our partners in the tax community are, the IRS has continued building relationships with organizations outside of traditional tax communities



Commissioner Chuck Rettig, Deputy Commissioner for Operations Support Jeffrey Tribiano and several Facilities Management and Security Services employees dedicated the new U.S. and Treasury flags at IRS headquarters in Washington, D.C. on Flag Day.

and working to find innovative ways to help taxpayers. For example, to provide small business owners with helpful tax information, we have reached out to organizations representing all types of industries. Another great example of this innovation involves our ongoing partnerships with billboard companies. In FY 2022 alone, more than four dozen of these companies around the country displayed tax season messages on their billboards, to help taxpayers claim important tax credits as well as file their returns accurately and on time.

In another effort taking us beyond the tax community, in FY 2022 we continued working with more than 13,000 public school districts. This C&L effort began with outreach and education on Economic Impact Payments, and continued with the advance CTC, resulting in 58 events. We will build on these successes during the upcoming tax filing season.

With multilingual initiatives a key focus of the agency, the IRS continued to reach out to diverse communities during FY 2022, participating in 31 events with organizations that serve multilingual taxpayers. These events included the Spanish Hearing All Voices event for the Hispanic community and the African Development Center/IRS Small Business Listening Session for the Somali community. Increasing partnerships in this critical area will have long-lasting effects in improving our service to all taxpayers.



Large Business & International employees partnered with Criminal Investigation to support an IRS recruiting event in Houston.

Accelerating Digital Communications to Solve Pandemic Challenges and Improve the Taxpayer Experience

English | Español | 中文(简体) | 中文(繁體) | 한국어 | Русский | Tiếng Việt

A Closer Look

Volunteer

Tax Statistics

Do Business with the IRS

Privacy Policy

Vulnerability Disclosure Policy

Freedom of Information Act



Get a closer look at how our high-priority Taxpayer Digital Communication (TDC) initiative is enhancing communications with taxpayers through digital channels.

Get to know the IRS, its people and the issues that affect taxpayers.



About the Author

De Lon Harris is the Commissioner, Small Business/Self Employed (SB/SE) Examination where he provides executive leadership and direction in the design, development and delivery of a comprehensive tax administration.

GOAL 4: TRANSFORMATION

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Transformation

Transform IRS operations to become more resilient, agile and responsive to improve the taxpayer experience and narrow the tax gap.

To continue delivering on our mission, we must transform as an organization to keep pace with a rapidly changing world. Our transformation journey includes organizational redesign, modernization efforts, technological innovation and integrated data management capabilities. Implementation of recommendations from the Taxpayer First Act Report to Congress and updates to our modernization portfolio will enable us to achieve this transformation and not only support taxpayers, but also handle persistent and sophisticated challenges to tax administration.

A more efficient, secure and adaptable organization informed by data insights can drive higher quality service, improve enforcement efforts and better enable our employees and partners to maintain and improve the tax system. Through comprehensive transformation, we will be better prepared to achieve each of our strategic goals as an organization focused on and prepared for the future.

Transforming the Taxpayer Experience

IRS NEXT. During FY 2022, the IRS NEXT Office made important progress in implementing the IRS's Organization Redesign Strategy, called for under the Taxpayer First Act of 2019. The IRS NEXT Office continued working to create a centralized compliance function geared toward breaking down silos, providing consistent outcomes for taxpayers and enhancing employee development. The goal is to create a structure that makes the IRS a great place to work and grow by developing and retaining a diverse, flexible

workforce, and facilitating opportunities for employee advancement.

Among the steps taken, the office's Organizational Redesign Team drafted an initial shared communications strategy and plan to communicate with internal and external stakeholders; designed an initial shared governance framework and process to guide the redesign effort; and created an initial approach encompassing all IRS business units for action items under the redesign plan over the next 6-12 months.

Taxpayer Experience Office. A key driver of our efforts to transform our agency and enhance service to



taxpayers is our new Taxpayer Experience Office, launched in 2021 to unify and expand the work being done across the agency in this critical area of our mission. The Taxpayer Experience Office sets the strategic direction for improving the taxpayer experience and identifies opportunities to make continuous improvements in real time for taxpayers and the tax professional community.

During FY 2022, the Taxpayer Experience Office continued working to identify changing taxpayer expectations and industry trends, focus on customer service best practices, and promote a consistent voice and experience across all taxpayer segments by developing agency-wide taxpayer experience guidelines and expectations.

Reflecting both near-term and long-term goals, the Taxpayer Experience Strategy focuses on six areas:

- Expanding Digital Services
- Integrating digital tools with other service channels to provide seamless experiences
- Undertaking proactive outreach and education by providing the information that taxpayers are seeking at the time, in the language, and through the method they prefer
- Building on our longstanding and successful partnerships, to ensure we grow and nurture the community of partners

- Reaching traditionally marginalized communities to address barriers that some face in getting access to tax information and services

- Using data and analytics to make data-driven, agency-wide decisions around the taxpayer experience

It is important to note the improvements envisioned under the Taxpayer Experience Strategy are not all digital, and the progress we have made, and will continue to make, toward this vision involves improvements across multiple service channels. Additionally, expanding digital offerings and encouraging their use by taxpayers that want to use them frees up capacity on other service channels, especially our toll-free phone line, for customers that want or need to interact with us without going online.

These efforts with the Taxpayer Experience Office took on new meaning and importance with the passage of the Inflation Reduction Act (IRA) in August of 2022. This work will be an important component of IRS efforts to implement IRA 2022 and transform the agency. This is a major priority for the agency going forward.

Enterprise Case Management (ECM).

The IRS’s ECM initiative is a major part of our agency’s transformation. ECM allows us to modernize key IRS business processes and migrate them to a common case management platform. We can then decommission as many

legacy components and systems as possible. ECM also supports our ability to give taxpayers more digital options in their interactions with us.

During FY 2022, the ECM office continued working with operating divisions to provide new functionality to previously deployed business processes that could be leveraged by other ECM applications. These included the Equity, Diversity, and Inclusion (EDI) Employee Conduct application and the Privacy, Governmental Liaison and Disclosure (PGLD) Separating Employee Clearance application. These are great milestones for the ECM Initiative and have enabled ECM to apply lessons learned for future process migration efforts. Another important step during FY 2022 was the launch of the ECM Grants Management Solution for disbursing grant money to local organizations that directly assist taxpayers through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Automation and modernization of this process will allow more timely and meaningful partnerships with these organizations.



Government Innovation Awards

The IRS received the 2021 Public Sector Innovation award for innovating IRS IT services through robotics process automation and Artificial Intelligence-based operations.

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Achieving Greater Efficiencies in IRS Operations

Security Programs. The Facilities Management and Security Services (FMSS) division made critical improvements to operations designed to drive efficiencies within the agency's security programs. These improvements will reduce administrative burden, enhance self-monitoring efficiency and increase data reporting reliability in the programs. During FY 2022, FMSS accomplished the following:

- Streamlined official security policies to eliminate unnecessary policies and procedures.
- Developed more efficient and timely data analysis of incidents across all IRS facilities to enhance our ability to identify, analyze and act on actual/potential insider threats.
- Provided oversight and guidance for multiple installations of Enterprise Physical Access Control Systems to ensure that only authorized personnel enter IRS facilities. Despite challenges presented during COVID, the IRS was able to provide installation services and oversight to assure protection of taxpayer information.

Human Capital. Our ongoing efforts to support our workforce and improve the employee experience include increasing efficiencies in our human capital

function, and we made continued progress in this area. We implemented an Accountability Program to strengthen our agency's human capital evaluation system and streamlined the IRS Employee Resource Center processes to improve information sharing, data management and analytics across the agency.

Progress on Procurement Improvements. The transformation of the IRS's Procurement function, which began in 2020, continued during FY 2022. The Office of the Chief Procurement Officer (OCPO) continued to analyze and reassess opportunities for increasing efficiencies in the procurement process. Accomplishments during the fiscal year included:

- Launching the Automated Workflow Approval Routing Efficiency (AWARE) tool that transforms the manual acquisition lifecycle review process and automates it. By providing real-time dashboards and reports on the status of acquisition review packages, the tool has reduced emails and phone calls requesting status updates.
- Creating the comprehensive Data Warehouse that integrates data from multiple contract-writing systems and data repositories into a single platform, making it easier to access current and historical data. This has resulted in improved workload forecasting and tracking as well as improved obligation tracking.

Modernizing IRS Information Technology Infrastructure

The IRS continues to modernize our information technology (IT) infrastructure and develop secure and sustainable solutions to improve the taxpayer experience and narrow the tax gap. This will be an ongoing effort for the IRS in 2023.

Released in 2019, the IRS Integrated Modernization Business Plan – structured in two phases of three years each – builds on significant achievements and reflects an expanded view of what is required to modernize the IRS technology environment. Under this plan, we have delivered 88 modernized capabilities from FY 2019 to FY 2021 and more than 40 in FY 2022. The capabilities achieved in 2022 included:

- *Robotics Process Automation (RPA).* RPA enhances business process execution, efficiency, speed and accuracy by automating repeatable manual tasks. This allows IRS employees to focus on higher value-added work, thereby cutting costs. During the first quarter of FY 2022 alone, the IRS deployed 16 attended automations for various IRS functions.
- *Cloud Technology.* We continued to leverage the benefits of cloud technology in FY 2022, including



building a modernized infrastructure to support a more efficient, scalable and flexible architecture of cloud-based IT tools and technologies. We also migrated applications and data to cloud-based databases and developed a playbook to support and standardize additional cloud migrations.

■ *Virtual Desktop Infrastructure (VDI)*. The IRS workforce has more than 92,000 physical laptops in service. The agency provides approximately 26,000 new laptops every year as employee laptops require upgrades or fixes. To improve the provisioning and support of this equipment, avoid lengthy repair or refresh processes and improve performance and stability, in FY 2022 we began deploying VDI technology, enabling new capabilities and flexibility in delivering workstation services to end users. This helps us quickly deploy high-performance, shared workstation solutions using secure, centralized data storage.

Customer Account Data Engine 2 (CADE 2). The CADE 2 Program provides state-of-the-art individual taxpayer account processing as well as data-centric technologies to improve service to taxpayers. CADE 2 is being developed in several stages. In FY 2022, we remained focused on the most critical part of this modernization effort —reengineering the core components of the legacy tax processing system (the Individual Master File). We have

converted more than 75 percent of the legacy code for processing individual income tax returns to Java, with the goal of finishing this portion of the work in FY 2023. When the conversion is complete, the IRS will no longer be reliant on legacy code for individual tax processing, which will allow for more efficient future system changes in a language widely taught in schools today.

Enhancing Digital Services for Taxpayers

The IRS continued to increase digital communications and services during FY 2022. The innovative solutions being delivered are enhancing the taxpayer experience and helping the IRS reduce paper volume, increase access to digital data and prepare our workforce to manage digital data. Digital options for taxpayers, tax professionals and IRS employees are fundamental to effective tax administration. The IRS is working toward a future where taxpayers who wish to do so may transact much of their business with the IRS digitally, including through their mobile devices. This includes online accounts, secure two-way communications, text chat, expanded ability to check the status of returns and payments, and more. This area will be another major focus for the IRS going forward following passage of the Inflation Reduction Act, which will build off our successes in FY 2022.

Taxpayer Digital Communications (TDC). We continued to expand functionality to allow taxpayers to securely exchange digital information and messages with the IRS. This TDC feature is now available for taxpayers interacting with several divisions within IRS: SB/SE, the Independent Office of Appeals, LB&I and TE/GE. During FY 2022 the IRS also enhanced taxpayer digital communications to allow the upload of Forms 2848, Power of Attorney and Declaration of Representative and Form 8821, Tax Information Authorization, and related documentation through a secure portal. We will continue working to evaluate our TDC portfolio and refine the services offered to ensure our digital communications services can meet rising IRS demand and integrate with other IRS digital channels and services.

Online Account. During FY 2022, we launched several new features to our taxpayer Online Account, which allows taxpayers to interact with us online and perform various types of transactions in a secure environment. For example, we improved the identity verification process to make it more secure and compliant with regulatory requirements. We also gave taxpayers the option to make a same-day payment to the IRS from their bank seamlessly through their online account, including payments for a balance, payment plan, extension or estimated taxes. Another improvement



The IRS Enterprise Risk Management Team was recognized with the Global ERM Award of Distinction from the Risk Management Society (RIMS) at the society's ERM conference in New York City in November 2021. The IRS is the first U.S. government agency to win this award.

2021 Global ERM Award of Distinction

IRS Enterprise Risk Management Program awarded

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was the addition of communications features so taxpayers can manage their preferences through their online profile to go paperless for certain notices and receive email alerts about new notices or about pending authorization requests. Additional updates are planned to improve performance and stability of the online account application. During FY 2022 we also made progress in planning for a business online account, by conducting research on the needs of small business owners, and on online offerings from state tax agencies.

Tax Professional Account. First released in July 2021, the Tax Pro Account allows tax professionals to securely complete, electronically sign, and submit Power of Attorney and Taxpayer Information Authorization requests to their clients' online accounts. Recent Tax Pro Account enhancements include Online Account in-app notifications, tax professional and taxpayer email alerts, save-work-in-progress data entries, and expiration of unapproved authorizations. Tax professionals are now able to access a profile page within Tax Pro Account where they can manage preferences related to their account and can opt in or out of email notifications for approved authorizations.

Enterprise Digitalization Initiative. Enterprise Digitalization facilitates our efforts to enable a digitally driven agency, which will improve operations

and enhance the taxpayer and employee experiences. Our main goals in this area include reducing paper volume, increasing access to digital data and preparing our agency to manage digital data. We made important progress toward these goals during FY 2022. Examples include:

- Identifying innovative solutions to improve our ability to receive, count, sort, mark, and process high volumes of mail with additional capability to identify, extract, and digitize/digitalize data from envelopes and contents.
- Conducting a pilot program to test digital intake of paper return documents, thereby improving access to digital data and electronic record-keeping processes by creating a new streamlined paper tax return intake process.
- Moving forward on “scanning-as-a-service” by leveraging industry expertise to digitize paper inventories through the extraction of metadata, creation of searchable PDFs of paper documents, and transmission of files to an IRS storage system that meets federal recordkeeping standards.

IRS Forms Online. A critical aspect of our modernization efforts involves our work regarding IRS forms and publications. Activities continue with the goal of implementing adaptive forms that are mobile, fillable and can be submitted directly to the IRS. During FY 2022, we worked to implement a hybrid staffing

model of employees and contractors to work on eventually converting all 1,400 forms available on IRS.gov.

To cite some examples of the progress we have made in this area, the following forms were made available for electronic filing for the 2022 filing season: Form 8992 Schedule B, U.S. Consolidated Group Calculation of Global Intangible Low-Taxed Income (GILTI) for each U.S. Shareholder in the U.S. Consolidated Group; Form 5471 Schedule Q, CFC Income by CFC Income Groups; Form 5471 Schedule R, Distributions From a Foreign Corporation; and Form 9000, Alternative Media Preference.

We took an important step forward in March 2022 by making the new Schedules K-2, Partner's Distributive Share Items-International, and K-3, Partner's Share of Income, Deductions, Credits, etc.-International, that attach to the Form 1065, U.S. Return of Partnership Income, able to be electronically filed through our Modernized eFile platform. The same will be true for the Form 1120-S, U.S. Income Tax Return for an S Corporation, and Form 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, versions of the K-2 and K-3 schedules. To help communicate these new schedules, we met with the Council for Electronic Revenue Communication Advancement and third-party software companies about updates to the schedules and deployment dates.

WANT TO START THE YEAR STRONG?



Access your IRS account
information online before you file.

irs.gov/accounts



Improvements in Data-driven Decision-Making

The IRS deployed the Enterprise Data Platform (EDP) in FY 2022, which lays the groundwork for continued modernization and advanced analytical capabilities. The scalable platform can support data analytics for numerous business and information technology operations services, and its use by IRS functions is expected to increase over time. The EDP connects data providers with data consumers. The EDP is a component-based open architecture that delivers universal data access for authorized users and systems at the enterprise level. It comprises three main components: the Universal Data Hub, Data Access Services and Analytical Tools and Services.

Large Partnership Tax Compliance. In FY 2022, the LB&I division expanded on work begun in 2021 for the Large Partnership Compliance (LPC) program. The LPC team has expanded risk assessment algorithms that will improve our ability to identify potential high-risk compliance issues across complex pass-through entity tax structures. The updated models will assess risk across the entire LB&I partnership population and utilize far more risk attributes identified by partnership subject matter experts than were utilized in prior years. The newest model will be ready for use in early FY 2023 to identify returns that

should be classified for potential compliance treatments. The effort is expected to improve the selection of appropriate compliance enforcement work and result in significant savings in staff hours by reducing the need for manual determinations of risk across large return populations.

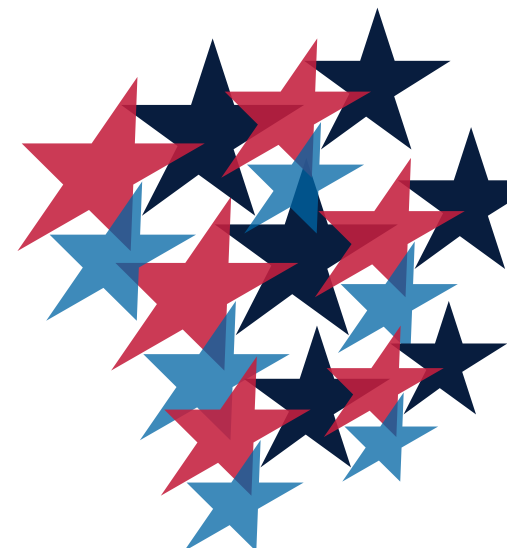
Criminal Investigation Initiatives.

During FY 2022, our CI division created a new office, Advanced Analytics & Innovation (AAI). AAI's vision is to become the trusted "go to" source within CI for case generation, data analytics expertise, and challenge resolution through innovation and data management and governance. AAI is designed to provide high-quality support in managing and engaging data analytics, making data-driven decisions, measuring and monitoring CI's impact on compliance, implementation of ideas, and investigative support.

Also in FY 2022, a collaborative working group consisting of CI's Cyber division along with AAI and Field and International Operations formed a new Data Management Working Group (DMWG). The DMWG will drive recommendations to support a comprehensive management strategy to facilitate CI's data management (acquisition, validation, cleaning, updates, etc.) and governance.

Ghost Return Preparers. The Return Preparer Office (RPO) collaborated with

the Research, Applied Analytics & Statistics (RAAS) office to develop a tool that helps RPO in its compliance work by identifying ghost preparers, their networks, and the tax returns they prepare and submit using graph clustering. A working beta model was developed and tested, comparing its output to other data sources and research methods. RPO assisted in defining and improving the search capability for each data variable and in creating reports. The tool was initially released in June 2022, and RPO and RAAS continue working together to update and refine it.



Looking to the Future — Fiscal Year 2023

As this report shows, the IRS's story reflects not only the work we have done to serve taxpayers over the past year, but also the challenges we face and the vision we have for continuing to improve the agency heading into the future.

Following passage of the historic Inflation Reduction Act, the IRS has a unique opportunity to transform operations to better serve taxpayers and the nation – both in 2023 and beyond.

IRS employees want to do more to help taxpayers, and people will see improvements in 2023. We want to be able to answer more phone calls and help more taxpayers and tax professionals. We want to deliver tax refunds and process tax returns timely. We want to be ready, whenever a crisis hits, to deliver economic relief quickly – as our employees demonstrated repeatedly during the pandemic, working long hours to deliver crucial programs.

Looking to the future, our work to transform the agency and enhance the taxpayer experience will be helped greatly by the funding provided under the Inflation Reduction Act. The Act allocates about \$80 billion to the IRS over the next 10 years. Enactment of this legislation is a transformational moment for our agency – and an opportunity for the future of tax administration as well as IRS employees. These new funds will help us in many areas, including adding important resources for our tax enforcement, taxpayer service and technology.

The funding will provide for a steady flow of new employees to ensure the revenue needs of the country – from defense to education – are met in the years to come. Many of the new employee gains will be in future years, and in the meantime, we will also work to retain existing employees who can share knowledge and help train new staff coming in.

Billions of dollars will go toward tangible improvements that taxpayers will see when they interact with the IRS. We will improve customer service, answer more calls, process returns and refunds faster, update our computer systems and simplify tax filing. We will also continue building online capabilities to enable taxpayers to fully interact with the agency digitally. These resources will also enable the Service to increase audits of taxpayers at the high end and collect taxes from those who have not paid their full bill. Ultimately, this will help ensure a fair tax system, as well as a simpler tax filing season for taxpayers who are doing everything right.

This is a 10-year plan, and it will take time to put these provisions into place. We have a great deal of work ahead to deliver on the high expectations prompted by our receipt of this historic funding. But IRS employees are up to the task – and will deliver for the nation as they have countless times before in the history of our agency.

Going forward, the IRS will continue working to meet the challenges we face with determination and innovation. Our dedicated workforce will continue striving to make a positive difference for taxpayers by enhancing the taxpayer experience and ensuring fair enforcement of the tax laws. As we continue on this journey, we see a bright future ahead for our agency, the tax system and our country.

– *Doug O'Donnell, Acting Commissioner*

– *Jeffrey J. Tribiano, Deputy Commissioner for Operations Support*

– *Melanie Krause, Acting Deputy Commissioner for Services and Enforcement*

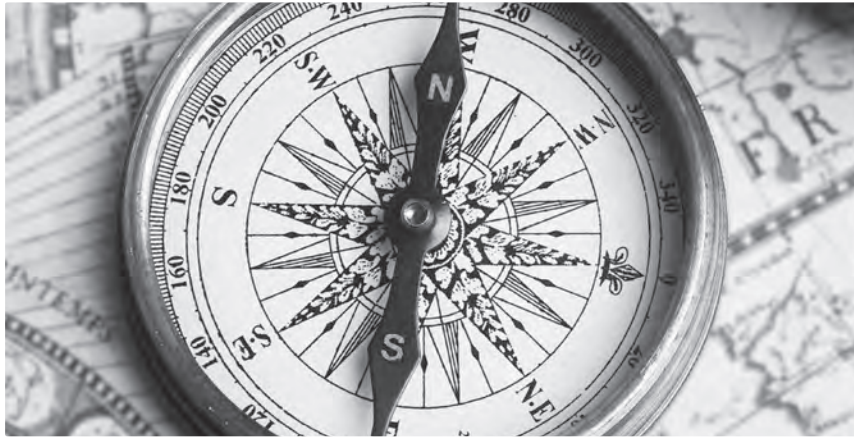


AÑO
TRIBUTARIO
2021

1040(SP)(y 1040-SR(SP))

INSTRUCCIONES

Incluye las instrucciones para los
Anexos 1 a 3



Cambios para 2021

Ley del Plan de Rescate Estadounidense de 2021. Las siguientes disposiciones de esta ley afectan el año tributario 2021.

- **Crédito por gastos del cuidado de menores y dependientes** aumentado.

- **Crédito por ingreso del trabajo para persona por sí sola** expandido.

- **Crédito tributario por hijos** expandido. Se realizaron pagos por adelantado del crédito tributario por hijos en 2021.

Para más detalles sobre estos y otros cambios, vea **Qué Hay de Nuevo** en estas instrucciones.

Acontecimientos Futuros

Vea [IRS.gov/Espanol](https://www.irs.gov/Espanol) e [IRS.gov/Forms](https://www.irs.gov/Forms), en inglés, y para obtener la información más reciente sobre los acontecimientos relacionados a los Formularios 1040(SP) y 1040-SR(SP) y sus instrucciones, tales como legislación promulgada después de que éstos se hayan publicado, acceda a [IRS.gov/Form1040SP](https://www.irs.gov/Form1040SP).



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