



Internal Revenue Service Progress Update

Fiscal Year 2020

Putting Taxpayers First



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PUTTING TAXPAYERS FIRST

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COMMISSIONER'S MESSAGE

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I'm Chuck Rettig, Commissioner of the IRS, and I'm pleased to present this Progress Update for our agency for Fiscal Year (FY) 2020. In publishing this report, we want to give everyone an idea of the important work that takes place at the IRS, year in and year out, to help taxpayers. The agency accomplishments described in these pages help illustrate the many ways our employees provided service to the nation over the past year.

Now that I'm in the third year of my term as Commissioner, I remain extremely proud to be working for the IRS and excited about the future of our agency. My experiences as Commissioner have strengthened my belief that a fully functioning IRS is critical to the success of our nation. Each year, the IRS collects more than \$3 trillion in taxes and generates approximately 96 percent of the funding that supports the Federal Government's operations. We serve and interact with more Americans than any other public or private organization. That's important. When citizens can perform their civic duty each year by preparing and filing their taxes and paying only what they should, they help fund critical aspects of the United States, ranging from schools and roads to Social Security payments and the nation's military.

In FY 2020, the IRS found itself in uncharted waters, as did the entire nation. The COVID-19 pandemic presented some of the greatest challenges to the IRS in its history, both

in terms of being able to carry out our mission and in protecting the health and safety of taxpayers and our own workforce. IRS employees responded admirably by quickly facilitating financial assistance to millions of deserving and needy Americans.

The IRS's efforts to help the nation weather the financial effects of COVID-19 began in March when Congress approved the Coronavirus Aid, Relief and Economic Security (CARES) Act and other important tax-relief legislation. This included delivery of Economic Impact Payments to help millions of Americans facing financial hardship. I'm extremely proud of how IRS employees worked around the clock to deliver tens of millions of Economic Impact Payments in record time.

Realizing how difficult the pandemic has been for so many Americans, we also moved quickly to provide other important administrative relief. We postponed the deadline for individuals to file and pay federal income tax from April 15, 2020 to July 15, 2020 – the latest tax deadline ever. And we implemented the IRS People First Initiative, under which we temporarily adjusted our processes to help people and businesses during these uncertain times.

Our employees faced the same health and safety concerns for themselves and their families as everyone else. Nonetheless, they went above and beyond the call of duty in doing their jobs, and they also made a difference in

their communities, as many of the stories in these pages will attest.

We saw IRS employees across the country getting out their sewing machines and creating homemade face masks for family members and friends; donating essentials to protect first responders on the front lines in their communities; and delivering "care packages" to seniors in nursing homes to show they weren't forgotten. One intrepid husband and wife team even used a 3-D printer to make special masks for local law enforcement. During this summer's Feds Feed Families Campaign, employees at our Memphis Campus donated a record-breaking 51,800 pounds of food to the Mid-South Food Bank. Another great example of helping out involved special agents in our Criminal Investigation division. A group of them deployed to Travis Air Force Base in Fairfield, California, in March to help with security and quarantine enforcement.

The IRS's top priority during the COVID-19 outbreak has been protecting the health and safety of taxpayers and the IRS workforce. For that reason, we temporarily scaled back operations, taking such steps as closing Taxpayer Assistance Centers, discontinuing face-to-face operations and suspending our telephone help lines.

Even with those changes, the IRS remained committed to its core mission. I'm proud that our employees successfully extended and delivered the

“Even with all the challenges, we believe we have made great strides during FY 2020, but we want to do more. The entire IRS workforce wants to do more in every area.” *–Chuck Rettig*

PUTTING TAXPAYERS FIRST

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longest filing season on record for the nation. As events unfolded in the spring of 2020, we continued to process electronic tax returns, issue direct deposit refunds and accept electronic payments. A record number of IRS employees teleworked, thanks to the continued support of our Information Technology division. And we were able to continue bringing on new employees through the use of a highly successful Virtual Onboarding Process

Over the summer, the IRS started reopening our operations when and where it was safe to do so. As our operations have increased, the IRS's top priority has continued to be the health and safety of our employees as well as taxpayers, our partners in the tax community and others. We will continue to follow – and where possible, exceed – applicable safety guidelines and measures.

Along with delivering the filing season, the IRS's ongoing focus on its core mission means striving to serve taxpayers in a manner that facilitates voluntary compliance with our tax system by providing meaningful guidance and proper levels of staffing and support at points of significant taxpayer interaction.

As part of these efforts, we continue to find new ways to serve taxpayers, including our work to expand online and other options for them. For example, during 2020 we began offering an electronic filing option for taxpayers who

need to amend their income tax returns. We have also continued to expand digital communication options for taxpayers and tax professionals.

My message to IRS employees has been that all the people we serve are important, none more or less so than any others, and the value of taxpayer services must be measured through the eyes of the taxpayer. As an organization, we are highly focused on enhancing the experience of all taxpayers, including those who are unrepresented, lower-income or who have limited English proficiency. We must pursue our ability to accelerate relevant clear guidance, forms and instructions in plain language – and in non-English languages – to assist and appropriately respect the needs of diverse communities in our country.

To better serve these communities, we took a number of aggressive steps in 2020 to expand information and assistance available to taxpayers in additional languages, such as: providing the Form 1040 in Spanish for the first time; making Publication 1, Your Rights as a Taxpayer, available in 20 languages; and giving taxpayers who call us access to over-the-phone interpreter services in more than 350 languages. I'm incredibly proud of the IRS for moving forward on these and other initiatives. We now have the momentum, we want to do more and we will continue our push forward assisting the underserved communities in our country.

In addition to improving service to all taxpayers, the IRS is also committed to having a strong, visible, robust tax enforcement presence. We have coordinated our enforcement efforts with all enforcement functions now working together. We have shifted significant audit resources and technology to increase our focus on high-income taxpayers, including those who have failed to file returns and those engaged in certain types of abusive transactions. We have expanded use of data, analytics and artificial intelligence across all lanes from selection to examination. We are able to now identify issues of noncompliance that would not have been remotely possible just a few years ago. For our country, knowing where to focus enforcement efforts is as important as knowing where to not focus such efforts.

During 2020, the IRS continued to step up its pursuit of those who promote and make use of abusive tax shelters. A good example is abusive syndicated conservation easements, where we saw successful Tax Court litigation and had major progress this year with the completion of the first settlement initiative.

Our Criminal Investigation division continues to make great strides investigating tax and financial fraud in all its forms. I'm particularly proud of CI's recent efforts to help dismantle three terrorist financing cyber-enabled campaigns, which resulted in the



announcement in 2020 of the government's largest-ever seizure of cryptocurrency in the terrorism context.

Along with our day-to-day efforts to help taxpayers and enforce the tax laws, the IRS is also committed to delivering on the promise of a new IRS. We are developing an innovative approach to the future of tax administration that will better serve everyone, including those in underserved communities.

A critical piece of this involves the work the IRS is doing to implement the Taxpayer First Act (TFA), which gives the IRS an incredible opportunity to make significant improvements in the way we serve taxpayers, continue to enforce the tax laws in a fair and impartial manner, collaborate across the agency and train IRS employees.

Among many critical provisions, the TFA serves as the foundation for the IRS to develop comprehensive strategies for a newly envisioned taxpayer experience, including a deep look at our employee training as well as redesigning the organization to better serve taxpayers.

We have considered thousands of pieces of feedback, from taxpayers, our partners in the tax community, IRS employees and many others. This feedback helped us shape several foundational components of a holistic taxpayer experience. They include things like expanded digital services; creating a seamless experience for taxpayers and tax professionals; being proactive in educating the taxpayer community;

expanding and developing new partnerships; developing a secure data management strategy; and doing more to reach underserved communities.

The initial steps we have taken in 2020 to implement the TFA are just the beginning of our work in this area, which will lead to significant improvements across the IRS in the years to come – improvements that will benefit taxpayers, tax administration and the entire nation.

As this report illustrates, the IRS remains dedicated to improving service to taxpayers, modernizing its systems and maintaining the integrity of the tax system, while also protecting the health of its workers and American taxpayers. The way the IRS has responded to the challenges we faced this year serve to highlight the significant role that the IRS plays in the overall health of our country – in 2020 and beyond.

As I look back over back over the past year, I'm still extremely proud to be able to say, "I'm Chuck Rettig, and I work with the Internal Revenue Service." Even with all the challenges, we have made great strides during 2020, but we want to do more. The entire IRS workforce wants to do more in every area, and we will!

–Chuck Rettig

About the Internal Revenue Service

History

The IRS is one of the oldest bureaus in the United States Government. Article 1, Section 8 of the Constitution gave the federal government the power to “lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States...” In 1862, President Lincoln and the Congress established the Bureau of Internal Revenue and the nation’s first income tax. In 1953, the Bureau of Internal Revenue’s name 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.

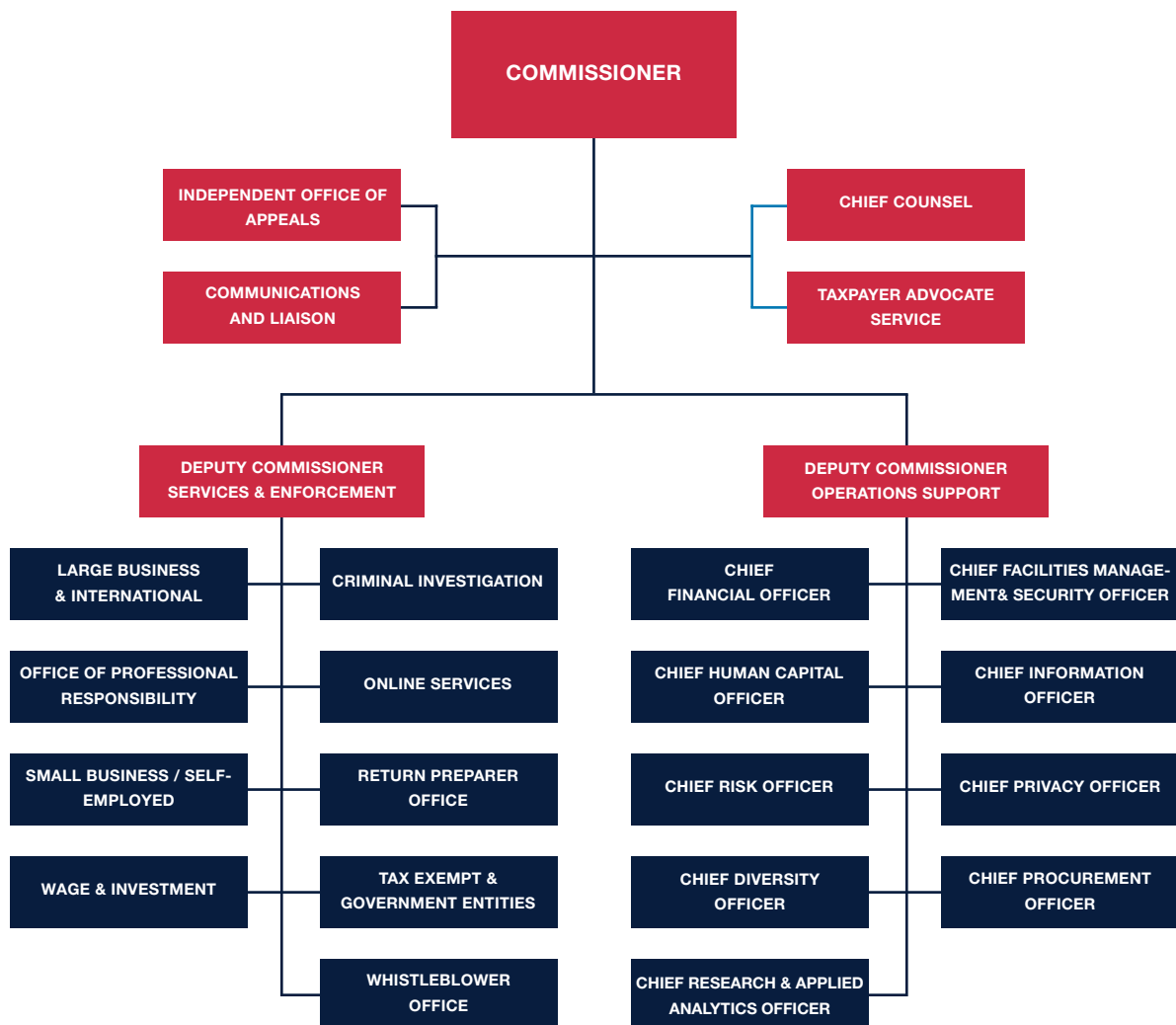
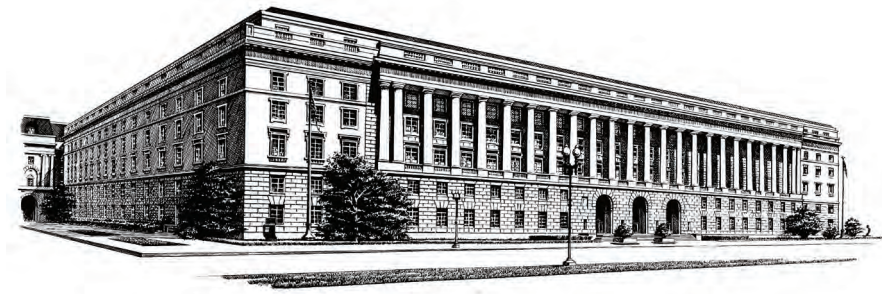
Business Unit Summary

■ **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 and its employees take pride in collecting more than 96% of the revenue that funds key operations in the United States. The IRS is one of the world's most efficient tax administrators. Some key performance achievements in FY 2020:

242M

FEDERAL TAX
RETURNS AND FORMS
PROCESSED

\$3.5T

COLLECTED IN
GROSS TAXES

\$2,034

AVERAGE
INDIVIDUAL REFUND

\$51.1B

ENFORCEMENT
REVENUE COLLECTED



State of the IRS Workforce

In FY 2020, the IRS employed about 81,272 employees, including 13,650 temporary and seasonal staff. The current FY 2020 staffing levels represent a 3.53% increase since the end of FY 2019.

Trend of Historical Staffing Levels

The IRS lost more than 33,378 full-time positions between FY 2010 and FY 2020, which includes operations support, taxpayer service and enforcement personnel. These losses included Revenue Agents and Revenue Officers who audit returns and perform collection activities, as well as Special Agents in the IRS Criminal Investigation

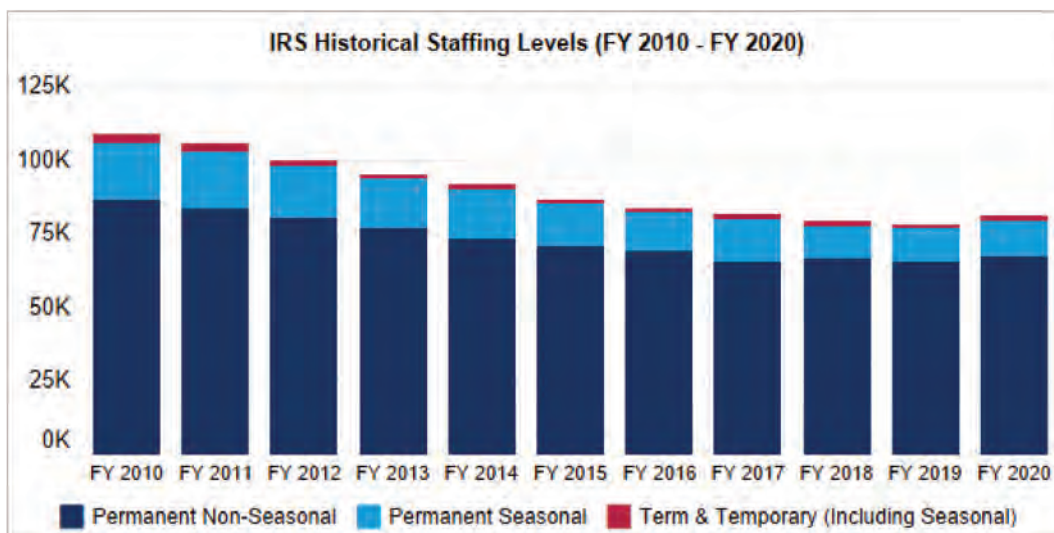
organization who investigate tax-related crimes and other issues.

Although the IRS workforce increased since FY 2019, the IRS FY 2020 permanent workforce is still below the FY 2010 permanent workforce level. The table below depicts a year-by-year comparison of the IRS total permanent, seasonal permanent, temporary and seasonal temporary workforce from 2010 to 2020.

In FY 2020, the IRS continued to transform its hiring process by moving to a workstation concept, ending the hiring backlog and positioning the IRS to meet hiring requirements in a timely manner. Hiring increased by more than 100%, with the hiring of 11,043 internal and 12,603 external employees.

The IRS partnered with the Department of the Treasury (Treasury) to pilot the USA Staffing hiring system. This has the potential to revolutionize hiring across the agency, improve the customer experience and enhance other reporting capabilities. The agency also successfully launched phase one of its new Contractor Management Module, designed to create more efficiency in onboarding of contractors and end-to-end tracking.

Plans for new rounds of hiring and training were subject to re-prioritization during the COVID-19 pandemic crisis, taking its toll across many operational fronts. In the face of this unexpected challenge, IRS employees adjusted to the changing environment and modified their normal business processes.



IRS Covid-19 Pandemic Response

On March 13, 2020, the United States declared the COVID-19 pandemic a national emergency. The pandemic presented our nation with unprecedented challenges, and the IRS responded by quickly facilitating financial assistance to millions of deserving and needy Americans.

Implementing the CARES Act

Beginning in mid-March, IRS employees worked around the clock to implement major provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Within 10 days of enactment, the IRS, in coordination with the Bureau of the Fiscal Service (BFS) issued about 81 million Economic Impact Payments (EIPs) totaling almost \$147 billion. This response was unprecedented compared to the almost two months needed to issue the first stimulus payments in 2008. By late September, more than 160 million Americans received EIPs totaling almost \$275 billion, of which 121 million of these payments were sent by direct deposit, 35 million by check, and 4 million via a prepaid debit card.

The IRS calculated EIPs and coordinated with BFS to swiftly send them to those eligible. This included many people who might not normally file a tax return, such as senior citizens and others receiving Social Security retirement, survivor or disability benefits, and railroad retirees. It

also included those whose only income is from Supplemental Security Income payments and people receiving certain Department of Veterans Affairs (VA) benefits. The IRS worked cooperatively with the Social Security Administration (SSA), VA and other government agencies to retrieve information needed to send EIPs to these groups of people without requiring them to file a return or take any other action. That was a step beyond anything the IRS was able to do during previous stimulus efforts.

The IRS also designed, created and built two online tools on IRS.gov to help quickly deliver EIPs:

- **Non-File** - Available in both English and Spanish, this tool launched on April 10 and allowed people who normally do not have a filing obligation to enter basic information so that they could receive their payment.

- **Get My Payment (GMP)** - Available in English and Spanish, this tool launched on April 15 and enabled many taxpayers to check the status of their payment or enter their bank account information to receive their payment electronically.

In addition, the IRS developed and launched several websites and pages to assist and inform taxpayers and small businesses about issues related to the COVID-19 pandemic and the CARES Act, including:

- **IRS Operations during COVID-19** keeps taxpayers and other stakeholders informed about the status of mission-critical programs and services.

- **Coronavirus Tax Relief** consolidates news releases, statements, FAQs, guidance, partner materials, tax help, social media, and other resources.

- **Economic Impact Payment Information Center** provides information on status of payments and other information.

- **New Employer Tax Credits** provides a breakdown of which employers qualify for the new credits.

After completing the principal delivery of EIPs, the IRS continued its efforts to ensure every eligible American received their payment, including those who do not normally file a tax return. This included extensive outreach efforts into underserved communities. The IRS especially focused on getting payments to people who do not normally communicate with the IRS. This included reaching out beyond normal contacts to many low-income, military, veterans, retired, seniors, limited English proficient, and homeless communities in the country. In fact, the IRS distributed EIP outreach materials in more than two dozen languages within each of these communities. The IRS also asked local community groups and religious organizations, as well as the national associations to which they belong and

Drive-through tax assistance safely assists taxpayers



While many Volunteer Income Tax Assistance (VITA) sites were closed to protect the health of volunteers and taxpayers, our partners came up with innovative ways to assist taxpayers while minimizing face-to-face interactions. In Memphis, the United Way of the Mid-South offered drive-through VITA services. The signing and pick-up process all occurred from the safety and comfort of taxpayers' vehicles.

7200 Advance Payment of Employer Credits Due to COVID-19

Form 7200 (March 2020)
Department of the Treasury
Internal Revenue Service

Go to www.irs.gov/Form7200 for instructions and the latest information.

OMB No. 1545-0047

Name (not your trade name) _____ Employee identification number _____

Trade name (if any) _____ Applicable calendar quarter (if any):
☐ April, May, June ☐ July, August, September ☐ October, November

Number, street, and apt. or suite no. If a P.O. box, see instructions _____

City or town, state, and ZIP code. If a foreign address, also complete spaces below. (See instructions.) _____

Foreign country name _____ Foreign province/county _____ Foreign postal code _____

Does a third-party payer file your employment tax return? (See instructions.) If "Yes," enter its name _____ Third-party payer's EIN (if applicable) _____

Tip: File Form 7200 if you can't reduce your employment tax deposits to fully account for these credits that you expect. If you file Form 7200, you must also file Form 941-PR, 941-SS, or 941-SS for the quarter. Don't reduce your employment tax deposits and request advanced credits. You will need to reconcile your advanced credits and reduced deposits on your employment tax return. You can't request an advance payment of the credit for sick and family leave for self-employed individuals.

Part I Tell Us About Your Employment Tax Return

A. Check the box to indicate which employment tax return form you file (or will file for 2020):
☐ 941, 941-PR, or 941-SS ☐ 943 or 943-PR ☐ 944 or 944(SP) ☐ CT-1 ☐ Yes

B. Is this a new business started on or after January 1, 2020?
If "Yes," skip line C unless you've already filed Form 941, Form 941-PR, or Form 941-SS for at least one quarter of 2020. ☐ Yes ☐ No

C. Amount reported on line 2 of your most recently filed Form 941 for wages reported on Schedule R (Form 941), column (c), by your third-party payer (see instructions). If you file a different employment tax return, see instructions. _____

D. Enter the total number of employees you have. See instructions. _____

Part II Enter Your Credits and Advance Requested

1	Total employee retention credit for the quarter. See instructions.	1
2	Total qualified sick leave wages eligible for the credit and paid this quarter. See instructions.	2
3	Total qualified family leave wages eligible for the credit and paid this quarter. See instructions.	3
4	Add lines 1, 2, and 3.	4
5	Total amount by which you have already reduced your federal employment tax deposits for these credits for this quarter.	5
6	Total advanced credits requested on previous filings of this form for this quarter.	6
7	Add lines 5 and 6.	7
8	Advance requested. Subtract line 7 from line 4. If zero or less, don't file this form.	8

Do you want to allow an employee, a paid tax preparer, or another person to discuss this return with the IRS instructions for details. ☐ Yes. Complete below. ☐ No

Third-Party Designee: Designee's name _____ and phone number _____

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numerous others, for help reaching into their respective communities.

The IRS balanced the statutory requirement to provide the payments as "rapidly as possible" with the need for accuracy and concern about potential fraud. The Treasury Inspector General for Tax Administration noted in a June report that the IRS correctly computed the payment amount for nearly 98% of the EIPs issued as of May 21, 2020.

Implementing Business Tax Relief

Along with EIPs for individuals, the IRS worked to make sure businesses knew about important tax relief available to them and provided guidance about business tax relief passed by Congress in response to the COVID-19 pandemic. The relief measures included:

- Credit for Sick and Family Leave - entitled eligible employers to receive a credit in the full amount of the required sick leave and family leave that the law provides to employees dealing with health and family issues related to the COVID-19 pandemic between April 1 and December 31, 2020.

- Employee Retention Credit - designed to encourage businesses to keep employees on their payroll. The refundable tax credit is 50% up to \$10,000 in qualified wages paid by employers financially affected by

COVID-19. Qualifying wages, including health plan expenses, are those paid after March 12, 2020 and before January 1, 2021.

- Carryback for Net Operating Losses - allowed businesses to carry back net operating losses over five years. The IRS issued Notice 2020-26 and Revenue Procedures 2020-23 and 2020-24 to clarify this CARES Act provision and help businesses and partnerships take advantage of the relief it provided.

Implementing these and other business relief provisions passed by Congress required extensive work. For example, the IRS created new Form 7200, Advance Payment of Employer Credits due to COVID-19, within two weeks of enactment. The IRS redeployed employees to review and approve payments and the IRS revised and reprogrammed Form 941, Employer's Quarterly Federal Tax Return. The IRS worked with Treasury to issue frequently asked questions (FAQs) for IRS.gov, news releases, and drop-in articles to communicate Form 7200 procedures and details surrounding the COVID-19 Employer Credits. The CARES Act also granted an excise tax holiday period for certain excise taxes related to commercial transportation by air from March 28, 2020 until December 31, 2020. The IRS developed FAQs and posted them to IRS.gov to provide guidance on the excise tax holiday and the process to claim refunds.

The IRS offered tip agreements to eligible businesses in industries where tipping is customary to enhance voluntary compliance among tipped employees and their employers. As a result of declining revenues during the economic downturn caused by the pandemic, taxpayers with tip agreements sought a modification to their agreements to reflect the lower sales and corresponding tips. The IRS swiftly evaluated the economic impact to businesses and their employees in tipped positions by meeting with industry representatives and by analyzing internal and external data. The IRS worked with impacted establishments including commercial and tribal government employers to ensure consistent treatment. The IRS moved quickly to prepare tip agreement addendums that include an economic rate reduction providing immediate relief to affected employers and their workers through an adjustment equal to 60% for participating employees for eight months. The IRS will continue to monitor and revisit tip rates to determine the need for additional actions.



Taxpayer Comment about an IRS employee (Austin, Texas)

“She was knowledgeable, kind, communicative and clear in her explanations of what I had to do and the rationale behind such. I am so very appreciative.”



Crystal Day providing curbside pickup service to her employees in Cincinnati.

PUTTING TAXPAYERS FIRST

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IRS Conducts Sweeping Public Awareness Campaign to Help Taxpayers

The IRS responded to the CARES Act with unprecedented outreach and education efforts starting in March and continuing through the fall. This work led to sharing information in new and different ways not achieved during previous stimulus efforts.

The IRS worked extensively with external stakeholders to communicate about COVID-19 pandemic issues, EIPs and CARES Act information. It coordinated with dozens of federal agencies, state and local governments and more than 2,000 partners across the nation to share EIP messaging with their constituents and customers. The IRS also delivered hundreds of printed products on the COVID-19 pandemic, more than 1,300 social media postings and more than 500 informational postings on IRS.gov. With assistance from partners in the tax professional community, the IRS provided key EIP information translated into 35 different languages.

IRS social media channels saw an increase of nearly a half-million new followers during the height of the pandemic. Social media quickly became a major source for delivering messages, with innovative graphics and materials

shared and used by groups across the nation. The IRS also worked to share information with Facebook on its COVID-19 Information Center and with Google to prioritize top searches to direct users to IRS.gov. After completing the principal delivery of EIPs, the IRS continued its efforts to ensure every eligible American received their payment.

Providing Administrative Relief

The IRS eased the burden on people facing tax issues during the COVID-19 pandemic. That relief included an automatic extension of the deadline for individuals to file and pay federal income tax from April 15, 2020 to July 15, 2020. To ease the burden, the IRS did not require taxpayers to file any additional forms or contact the IRS to qualify for this automatic federal tax filing extension and payment relief.

The IRS also launched the People First Initiative on March 25, 2020. This initiative called for a sweeping series of immediate changes to ease the burden on people with tax uncertainties as much as possible. The IRS quickly implemented system programming changes to provide relief on numerous issues ranging from easing payment guidelines to postponing compliance actions. The IRS also suspended most collection enforcement activities, such as new notices of lien or levy from April 15 to July 15, in most cases. The IRS

also discontinued field visits and in-person meetings to protect the safety and health of its employees and taxpayers.

Modifying IRS Operations to Ensure Safety

The IRS's top priority has been and continues to be the health and safety of taxpayers and the IRS workforce. Unlike any other filing season, the IRS took unprecedented and drastic actions to address the COVID-19 pandemic, such as closing taxpayer assistance centers, tax processing centers and offices nationwide. Nonetheless, core IRS functions continued, and the IRS continued to deliver the filing season with e-filing still in place.

On March 20, 2020, the IRS began to systematically reduce the number of staff in offices across the country following state and local executive orders mandating quarantine-related activities. As a result of the Office of Personnel Management guidance, effective March 30, the IRS Human Capital Officer directed all employees, including employees who were not teleworking at that time but whose work was portable or could be adapted to work off-site, to evacuate the work site and work from home (or an alternate location). This included employees who were not currently on a telework agreement. Also, effective March 30, IRS

restricted building access to picking up items such as work assignments, mail related to assigned work and supplies, and to those performing functions that had to continue during the national emergency and required on-site performance.

Throughout the COVID-19 pandemic, technology was the cornerstone of the IRS's ability to continue mission-critical work to support the American taxpayer. The IRS ensured continuity of services and support to taxpayers through technology by:

- Accelerating an initiative to enable customer service representatives (CSR) and tax examiners (TE) to telework. By June 2020, the IRS had supplied telework equipment for more than 11,300 CSRs and TEs, representing about 81% of this workforce
- Establishing the Crisis Relief Hotline, a voice mailbox for IRS Chief Counsel to address taxpayer concerns related to COVID-19 relief.
- Standing up a new phone line to answer some of the most common questions about EIPs.
- Supplying about 20,000 laptops to newly teleworking employees, enabling continuity of critical services.
- Delivering an IRS-wide solution to enable secure email with attachments. This enabled taxpayers and the IRS to communicate electronically and exchange information securely.

- Expanding enterprise electronic fax capabilities to support existing programs, such as income verification express service, and setting up new fax numbers to support advanced refundable credits, Small Business Administration disaster claims and other forms as part of the CARES Act. These actions positioned the IRS to support up to 90,000 faxes a day.

The IRS significantly ramped up operations to accommodate a remote workforce environment as the IRS shifted operations online:

- The IRS doubled its network capacity within one week and increased network bandwidth to support maximum telework. By early June, the IRS hit a new peak of more than 56,000 remote employees working online simultaneously, which more than doubled the previous peak of about 25,000.
- To ensure the continuation of planned hiring and to protect new employees from any unnecessary in-person contacts, the IRS modified the onboarding process and conducted its first-ever virtual orientation on March 30,

2020, for more than 170 new hires, with additional new hires in the weeks and months that followed. This new process included enabling new hires to present required identification virtually and take the oath of office via video or telephone.



IRS FY 2018–2022 Strategic Plan

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

The IRS FY 2018-2022 Strategic Plan articulates the IRS’s vision of becoming a more taxpayer- centric and modern agency. It serves as a roadmap to guide resource decisions, programs and operations to meet the changing needs and expectations of taxpayers and other stakeholders.

The core of the IRS vision for the future is to enhance the taxpayer experience through each taxpayer’s preferred service channel. The agency also aims to reduce taxpayer burden and preempt noncompliance issues, focusing enforcement efforts on more complex cases and intentional abuses of tax law.

The ability to supply high-quality taxpayer service and support the integrity of the tax system requires modern, secure and nimble operations, as well as a sustained and talented workforce. The IRS embraces and integrates data to implement changes in tax laws. Using analytics, the agency continuously improves all facets of operations — taxpayer service, enforcement efforts and a range of internal operations. Greater collaboration with a variety of partners, such as government agencies, international tax administrations, software providers and industry groups will enable the IRS to deliver on its mission more effectively and efficiently.

Measuring Progress – Strategic Plan Annual Review

In FY 2020, the IRS began a new Strategic Plan Annual Review process to measure progress towards its FY 2018-2022 Strategic Plan goals and objectives. IRS leadership identified three focus areas (Putting Taxpayers First, Improving Compliance and Modernizing the IRS) and 27 projects for the IRS to report on throughout FY 2020. The FY 2020 focus areas align with the IRS strategic goals, Treasury's Strategic Plan goals and government-wide priorities from the President's Management Agenda (PMA) in areas of customer experience, data analytics and modernization of both information technology and the federal workforce as shown below.

Putting Taxpayers First

The *Putting Taxpayers First* focus area includes 12 projects for FY 2020 and supports the IRS's Service, Enforcement, Partnerships, Workforce and Operations strategic goals. Several of the projects focused on implementing key provisions of the TFA and enhancing IRS communications and outreach efforts. Another project involved closing the Cincinnati Submission Processing Service Center in February 2020, which released 410,000 square feet of space to save an estimated \$46.3 million over five years. The effects of COVID-19 delayed another project to expand outreach to underserved taxpayers by developing temporary Taxpayer Assistance Centers in areas where ones do not exist. The IRS will continue this project when it is safe to do so.

Improving Compliance

The *Improving Compliance* focus area includes seven projects that support the Enforcement, Data Analytics and Operations strategic goals. These projects focused on boosting compliance through innovation, partnerships, service and enforcement efforts. In FY 2020, the IRS created an Innovation Lab that uses data analytics and other techniques to identify and address compliance risks and improve case selection and assignment processes. In April 2020, the IRS developed its inaugural Learning Agenda and data science position description to further the integration of data analysis into daily operations. Activities to improve identity proofing and protecting taxpayer data ensured compliance with

Strategic Goals	Empower and enable all taxpayers	Protect the integrity of the tax system	Collaborate with external partners	Cultivate a well equipped, diverse, flexible & engaged workforce	Advance data access, usability & analytics	Drive increased agility, efficiency, effectiveness and security
Focus Areas						
Putting Taxpayers First	★	★	★	★		★
Improving Compliance		★	★		★	★
Modernizing the IRS	★	★		★	★	★



Lisa Beard moderates a session with the Taxpayer First Act Office (TFAO) team as they dig into employee and stakeholder feedback.

National Institute of Standards and Technology (NIST) guidance. In addition, the IRS developed strategies for large partnership and flow-through entity examinations, expanded partnership campaigns, produced a fraud awareness video and developed a communication plan to publicize the IRS's successful criminal prosecutions.

Modernizing the IRS

The *Modernizing the IRS* focus area includes eight projects that support the Service, Workforce, Data Analytics and Operations strategic goals. Three of these projects support phase one efforts outlined in the IRS Integrated Modernization Business Plan to replace inefficient manual processes with digital streamlined systems and technologies. One key area is for the IRS to continue its efforts to develop an Enterprise Case Management (ECM) System to connect taxpayer information across the agency and improve taxpayer services. The IRS also is developing and piloting new automation tools using artificial intelligence and robotics technologies that will save significant staff time and

reduce the risk of human error. Two projects focus on advancing data analytics and rely on collaboration across the IRS to review and update current methodologies and models for efficient and effective use of agency data sources.

Finally, three projects focus on optimizing the IRS workforce to support the implementation of TFA provisions and the PMA cross-agency priority goals. These projects made progress in bolstering internal support systems for current employees and updating marketing techniques to attract a diverse workforce. Overall, the eight projects updated practices to support a modern IRS.

GOAL 1

Empower and enable all taxpayers to meet their tax obligations

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

GOAL 2

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

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

GOAL 3

Collaborate with external partners proactively to improve tax administration

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

GOAL 4

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

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

GOAL 5

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

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

GOAL 6

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

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



Goal 1

Empower and enable all taxpayers to meet their tax obligations

The IRS dedicates itself to improving the taxpayer experience so that taxpayers and their representatives can understand and meet their tax obligations with minimal burden. The IRS's aim is to increase voluntary compliance through simplifying the tax filing, correction and payment processes. To help achieve this, the IRS focuses on improving education and outreach on taxpayer rights and obligations and enhancing service channels to meet taxpayer needs.

FY 2020 Tax Filing Season – Implementing New Tax Legislation

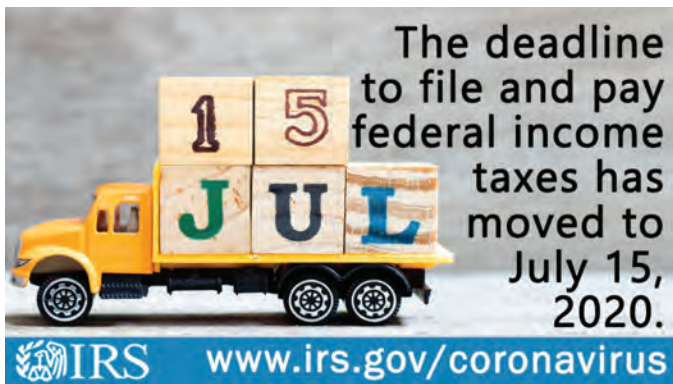
In preparation for the 2020 filing season, the IRS updated its processes and procedures to address new legislative requirements, such as the Taxpayer Certainty and Disaster Tax Relief Act of 2019 (Tax Extenders Act), signed into law on December 20, 2019 as part of Public Law 116-94, Further Consolidated Appropriations Act, 2020. This legislation extends many previously existing tax provisions through tax year (TY) 2020 or 2021. The 2019 Act retroactively applied some provisions to TY 2018, a year for which most taxpayers already had filed their tax returns. The Act required the IRS to make extensive revisions to Form 1040, U.S. Individual Income Tax Return, and its related schedules and rendered

obsolete three of the six Form 1040 schedules that were new for TY 2018. In addition, the IRS developed the Form 1040-SR, U.S. Tax Return for Seniors, and updated related tax forms. Public Law 116-94 included more than 70 tax provisions, including extenders, disaster relief and the Setting Every Community Up for Retirement Enhancement (SECURE) Act. The IRS analyzed the law and updated about 160 tax products and information technology systems affected by the legislation.

Preparing for the 2020 Tax Filing Season

The IRS began communications to taxpayers for filing season 2020 in October 2019 with Get Ready for Taxes: Get ready today to file 2019 federal income tax returns. The IRS urged taxpayers to act early to avoid a tax-time surprise and to ensure smooth processing of their 2019 federal tax return. The IRS encouraged taxpayers to take certain actions and with the agency focusing on topics such as:

- Renewing an Individual Taxpayer Identification Number (ITIN) to avoid delays or tax surprises during the filing season
- Engaging tax partners during regular and ad hoc meetings for Get Ready support



Taxpayer Comment
(Holtsville, New York)

“An IRS employee and her supervisor put a very professional, knowledgeable and customer-friendly face on the IRS.”

- Equipping IRS outreach functions to spread the word
- Educating IRS employees for awareness as ambassadors to friends and family
- Using Free File filing options
- Encouraging taxpayers to use IRS.gov and other self-service tools for help with the Avoid the Rush campaign
- Providing tips on the Earned Income Tax Credit (EITC), EITC Awareness Day and what to expect for refund.

The IRS held its fourteenth annual EITC Awareness Day on January 31, 2020. This is a national event in collaboration with national and local partners to increase awareness of refundable tax credits. Concentrated traditional and social media activity helped reach the broadest possible range of eligible taxpayers, including the underserved populations and newly eligible taxpayers.

The agency also incorporated TFA provisions that affect Volunteer Income Tax Assistance (VITA) grant recipients into its existing processes and procedures. This included updates to IRS procedures and the creation of Publication 4671, Helping You Help Others VITA Grant Program Overview and Application Instructions; Publication 4883, Grant Programs Resource Guide for VITA Volunteer Income Tax

Assistance & TCE Tax Counseling for the Elderly; and the VITA Grant Program web page on IRS.gov

Delivering the 2020 Tax Filing Season

Ensuring a positive taxpayer experience during the filing process continued to be one of the IRS's primary focus areas during FY 2020. When the filing season opened on Monday, January 27, 2020, the IRS handled record volumes of submissions with more than 630 tax return receipts per second at peak volume.

During the extended 2020 tax filing season, the IRS processed more than 145 million individual tax returns and issued more than 100 million refunds totaling more than \$276 billion. The average refund amount was \$2,034. Direct deposit refunds accounted for 83.0% of all refunds. Electronically filed (e-file) returns accounted for 141 million (96.9%) of all returns processed, and paper returns accounted for 4.5 million (3.1%).

The IRS processed 45.6 million business returns. Electronically filed business returns trended upward with 30.7 million filed electronically and 14.9 million filed on paper.

Improving the Taxpayer Experience

The IRS reinstated Form 1099-NEC, Non-Employee Compensation, for TY 2020 to separate non-employee compensation from Form 1099-MISC, Miscellaneous Income. This eased the filing burden on some taxpayers because the due date for reporting non-employee compensation is January 31, and the due date for other Form 1099-MISC reporting is March 31.

The IRS participated in speaking engagements with major industry groups to provide service and outreach for excise taxes in petroleum, trucking, sport fishing and archery industries. Participation in the outreach events fostered relationships and helped to assist taxpayers in understanding their tax responsibilities and enhancing excise tax compliance.

Through weekly meetings with external partners, the IRS realized an opportunity to improve the experience for taxpayers with refunds offset to another federal debt. Feedback from taxpayers included frustration that a clear explanation that an offset would occur was not present when accessing the Where's My Refund? online tool. This prompted the IRS to develop a general refund strategy that included an improvement to the Where's My Refund? tool. The IRS made changes to the tool's screens to provide information to taxpayers when an offset



had occurred, which yielded positive feedback from external partners.

Meetings with external partners also yielded opportunities to improve the Free File program, which provides eligible taxpayers a dozen options for brand-name software products. The IRS worked to make the Free File program more taxpayer-friendly and to protect taxpayers.

Following the changes made to Free File for the 2020 filing season, IRS Free File online products saw a 50% increase, with more than 4.1 million taxpayers using one of the free online partner products, compared to 2.7 million in FY 2019.

Toll-Free Help Line

The IRS's toll-free telephone line is one of the world's largest customer service phone operations. In March 2020, the IRS suspended customer service phone operations in response to the COVID-19 pandemic. In May, the IRS gradually began resuming Customer Service Representative (CSR)-assisted phone lines.

For the 2020 filing season, the IRS delivered a 53.5% Telephone CSR Level of Service (LOS), which measures the relative success rate of taxpayers who call the toll-free number and connect with an assistor. The average wait time during the filing season was 16 minutes,

and the average handle time was 14 minutes. Accuracy for the toll-free tax law and accounts lines remains above 90%, and toll-free customer satisfaction is 80%.

Detecting Potentially Fraudulent Tax Returns

For the 2020 filing season, the IRS used 153 filters to find potential identity theft tax returns and prevent the issuance of fraudulent tax refunds. The IRS holds tax returns identified by these filters during processing until the IRS can verify and confirm the taxpayer's identity to prevent the issuance of a fraudulent refund.

The Protecting Americans from Tax Hikes Act of 2015 (PATH Act), which requires the IRS to hold refunds on all returns claiming the Earned Income Tax Credit (EITC) and/or the Additional Child Tax Credit (ACTC) until February 15 of each year, dramatically increased the amount of wage and withholding data available to the IRS earlier in the filing season. After a review of the 2018 performance, the IRS adjusted the Return Review Program's systemic verification process to improve the accuracy of the selections, increase the frequency of W-2 data updates and streamline the selection process. As a result, non-identity theft selections decreased by 53.8% compared to 2018.

Online Services: Supplying More Digital Options

The IRS continues to make significant strides to develop, implement and improve digital tools to supply more customer service options and allow the IRS to maximize the effectiveness of its resources.

In FY 2020, the IRS added five new self-assistance tools for taxpayers: ID-Verify, IP PIN, Online Account Sessions, the Tax Withholding Estimator and Employee Services Taxpayer Protection Program Calls. Overall, web services were 35.5% higher than the prior year.

Get My Payment Tool – COVID-19 Economic Impact Payments

As noted above, the IRS launched the Get My Payment tool to support the efficient delivery of EIPs to taxpayers. The tool allows taxpayers to check on the status of their EIP and, if necessary, supply direct deposit information for faster payment. This debut drove a record number of visits to the IRS website. Individuals used this tool more than 223 million times, and more than 14.6 million people successfully supplied their banking information.

FY 2020 was a record traffic year for IRS.gov, driven primarily by response to the COVID-19 pandemic EIPs. IRS.gov had the 22 highest traffic days in history, all in the window of April 13 through May 5.



There were 78.8 million sessions on April 15, with 47 million sessions visiting the Get My Payment application. Putting that volume into perspective, traffic to the site on April 15 was more than six times higher than the site's previous single-day traffic record. Usage on the Get My Payment portal continues, with information provided for more than 287 million inquiries.

Online Usage

In FY 2020 there were 1.60 billion IRS.gov sessions, a 146% increase from FY 2019. As discussed above, the IRS experienced record traffic primarily due to EIPs.

Mobile Device Usage

Visits to the Get My Payment application were primarily mobile, and as a result, the overall percentage of IRS.gov visits from mobile devices was 66% in FY 2020, up from 54% in FY 2019. Additionally, 14.9 million people used the IRS2Go mobile application at least once during the year.

IRS.gov Page Views

FY 2020 also set a record for IRS.gov page views with 9.2 billion, up 175% from FY 2019 and driven by the same factors prompting the increase in sessions.

IRS.gov Page Views	FY19 (10/1 – 9/30)	FY20 (10/1 – 9/30)	% Change
Total IRS.gov Visits	651.0M	1.60B	146%
■ Mobile Visits	350.5M	1.07B	204%
■ Mobile Visits as % of Total Visits	54%	66%	23%
Total Public User Portal (PUP) Page View	1.6B	4.2B	161%
IRS2Go Active Users	10.0M	14.9M	50%

Expanding Digital Service Options

In addition to the deployment of the new Get My Payment application, the IRS expanded the availability of taxpayer digital communication alternatives while also making several enhancements to existing digital services. The IRS expanded the SB/SE Correspondence Examination support from two campus locations to five. In FY 2020, Campus Correspondence Examination's performance results were 2,680 taxpayers with an overall 83.2% satisfaction rate.

As COVID-19 limited the ability of staff to perform in-person duties, the IRS accelerated the use of electronic secure messaging to ensure continuing operations. Without telephone support lines and Taxpayer Assistance Center operations during the initial phases of the pandemic, the IRS was able to maintain targeted live assistance services supported through text chat. The IRS also expanded existing taxpayer digital communication operations and began transitioning what had started as pilot programs to more permanent operational status.

The IRS redesigned the IRS.gov header and footer with a new color palette, made multilingual improvements, improved mobile device behavior, and added an integrated search bar. Multilingual efforts continue under the oversight of the Language Services Executive Advisory Council, including



Taxpayer Comment
about a Taxpayer Advocate employee
(Tallahassee, Florida)

“She is one of my favorite liaisons to work with as she is always efficient to respond and always takes time to make sure we don’t have any additional questions. She has been an absolute rock star and I’m very grateful to her and for her help.”



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identification of and support for more translated languages, translation of priority site pages, and content translation for priority applications. These changes enhanced the usability of the site, particularly for visitors with limited English proficiency and those visiting via mobile device.

Other digital service improvements included additions to the taxpayer online account by increasing payment history information from 24 months to 5 years and adding a new feature to allow taxpayers to determine eligibility for participation in a payment plan and a display of scheduled or pending electronic payments on the payment activity page.

The IRS also updated the tax withholding estimator application with pre-filled 2020 Forms W-4, Employee’s Withholding Certificate, a printer-friendly results page, a refund slider that allows taxpayers to test withholding scenarios and other enhancements to improve usability and consistency with the IRS.gov look and feel.

Expanding Multilingual Products and Services

The IRS continues to make progress in expanding communication products and services for multilingual communities. The 2020 Form 1040 is available in Spanish for the first time, and another enhancement to the form gives taxpayers the opportunity to indicate whether contact with them should be in a language other than English. Taxpayers who interact with an IRS representative now have access to over-the-phone interpreter services in more than 350 languages.

The IRS.gov landing page now features a language selection drop-down menu in the main navigation area to allow taxpayers to find tax information and free products and services in seven languages. A new multilingual page on IRS.gov provides basic tax information, including Publication 1, Your Rights as a Taxpayer, in 20 languages.

Providing Outreach and Education to Tax Professionals

To help improve the taxpayer experience, the IRS remains firmly committed to educating tax professionals about their responsibilities and limitations under Treasury Department Circular 230, Regulations Governing Practice before the Internal Revenue Service (Circular 230), and their ethical obligations to taxpayers and tax administration.

During FY 2020, the IRS performed its outreach activities through in-person and virtual presentations conducted through online webinars, telephonic operations, and electronic media. In FY 2020, the IRS created a new webinar called The Office of Professional Responsibility: Circular 230 and What You Need to Know About Practicing before the IRS. In FY 2020, approximately 11,395 tax professionals viewed the webinar.

The IRS educated tax professionals about Circular 230 provisions at numerous events, including the IRS Nationwide Tax Forums. The Tax Forums are a significant venue for external outreach to thousands of tax professionals who can elect to attend two Circular 230 presentations offered by IRS subject-matter experts. The IRS focused on educating the tax



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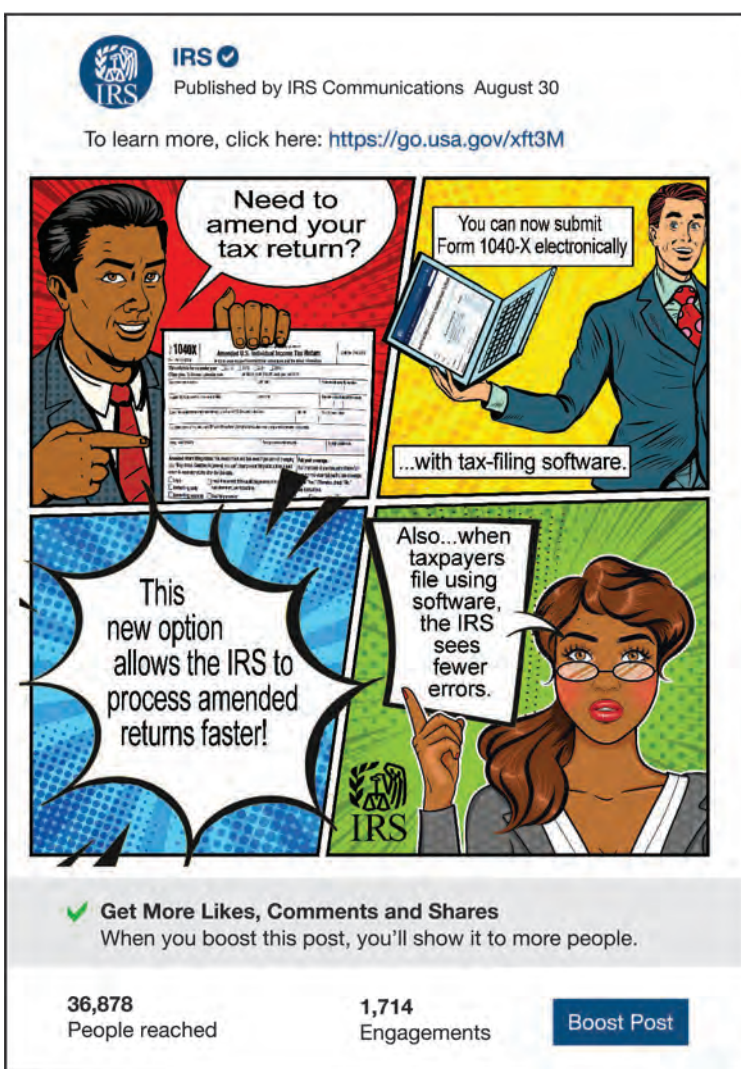
IRS Nationwide Tax Forums
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professional community on their due diligence responsibilities. Due to the COVID-19 pandemic, the IRS converted the six in-person Nationwide Tax Forums with course offerings to an online platform. There were more than 10,300 paid attendees, a strong showing that put attendance in line with previous in-person forums.

In FY 2020, the IRS reached nearly 31,900 tax professionals and IRS employees during 25 events, which consisted of in-person, telephonic and electronic media. The combination of internal and external outreach helped to ensure taxpayers received competent and ethical representation.



IRS Published by IRS Communications August 30

To learn more, click here: <https://go.usa.gov/xft3M>

Need to amend your tax return?

You can now submit Form 1040-X electronically

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36,878 People reached 1,714 Engagements [Boost Post](#)



Goal 2

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

One of the IRS's highest priorities is to ensure taxpayers comply with the tax law. The IRS continues to develop innovative approaches to understanding, detecting, and resolving potential noncompliance to maintain taxpayer confidence in the tax system. In FY 2020, for example, the IRS launched a campaign called Unlock Fraud Referrals – You Are the Key, which focuses on recognizing fraud, developing solid cases, and referring the cases for criminal investigation. Law-abiding taxpayers need to know that the IRS is doing all it can to catch those who are not paying their fair share.

Criminal Investigations

The IRS Criminal Investigation (CI) organization investigates potential criminal violations of the Internal Revenue Code and related financial crimes to enforce accountability and maximize deterrence of criminal activity. This includes money laundering, currency violations, tax-related identity theft fraud and terrorist financing. Using its unique authority and financial expertise, IRS-CI contributes to important national law enforcement priorities. FY 2020 performance highlights included:

- Completing 2,624 criminal investigations.
- Achieving 1,187 convictions with a conviction rate of 90.4%.

- Achieving a Department of Justice case acceptance rate of 91.6% and a U.S. Attorney case acceptance rate of 92.4%, which compares favorably with other federal law enforcement agencies.

The Questionable Refund Program (QRP) identifies schemes that involve one or more individuals who use genuine identities for the purpose of preparing and filing fictitious tax returns that claim bogus income and deductions to generate fraudulent claims for refunds. Similarly, through its Return Preparer Program, IRS-CI encourages compliance by engaging in enforcement strategies targeting untrustworthy or incompetent return preparers. These strategies include education, outreach, and coordinated cross-functional publicity.

The IRS-CI Cyber Crimes unit identifies and pursues criminal investigations where there is reason to believe the subject is committing a tax or other financial crime through the internet. The internet provides perpetrators the means to commit the crime, remain anonymous, and elude law enforcement, as well as conceal financial transactions, ownership of assets, or other evidence. The IRS-CI Cyber Crimes unit also collaborates with other federal law enforcement agencies to identify the movement of criminally derived profits utilizing virtual currency and the Dark



IRS Criminal Investigation Cyber Crimes Unit Special Agent Chris Janczewski (at right) and team members from the Justice Department and the Department of Homeland Security were recognized as finalists for the 2020 Samuel J. Heyman Service to America Medals. The Criminal Investigation team exposed a global child pornography enterprise on the dark web that involved surreptitious use of a cryptocurrency that hides the identities of sellers and buyers. The team's work directly resulted in the rescue of at least 25 abused and exploited children in the United States and abroad and also helped bring to justice to the site's administrator and more than 330 high-volume users located in 23 states and 12 countries.

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Web. FY 2020 performance highlights included:

- Initiated 140 criminal investigations
- Completed 187 criminal investigations
- Achieved 108 convictions with a 97.3% conviction rate
- Achieved a 77.7% publicity rate
- Identified 229 schemes, comprised of 133,451 individual tax returns with more than \$530 million in potentially fraudulent refund claims

International Tax Compliance

International tax compliance is a top priority for the IRS. New patterns and trends emerging in complex international tax avoidance schemes and cross-border transactions have heightened the IRS' concern regarding the lack of tax compliance by individuals and entities with an international footprint. As international tax and money laundering crimes have increased, the IRS 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.

The partnership initiative of The Joint Chiefs of Global Tax Enforcement (J5) between the criminal tax authorities of

the United States, the United Kingdom, Canada, Australia and the Netherlands continued to play a major role in combatting international tax and financial crimes through proactive collaboration using each country's collective resources. On January 23, 2020, the IRS participated in the J5's first major operational activity, the J5 Global Day of Action. The J5 coordinated this global enforcement activity with the goal of stopping suspected facilitation of offshore tax evasion in the member countries. This included a series of J5 investigations into an international financial institution located in Central America that facilitates their clients' use of a sophisticated system to conceal and transfer wealth.

High-Income Non-filers

The IRS continues to prioritize and pursue high-income non-filers by using multiple identification strategies. Using the Case Creation Non-filer Identification Process (CCNIP), the IRS selected 100% of the identified high-income non-filer cases for TYs 2016 through 2018. If the taxpayer does not voluntarily comply or respond after receiving two notices, the IRS proceeds with other IRS treatment streams, such as the Automated Substitute for Return, where the IRS generates an assessment for the missing return. In addition to the CCNIP process, the IRS developed several new

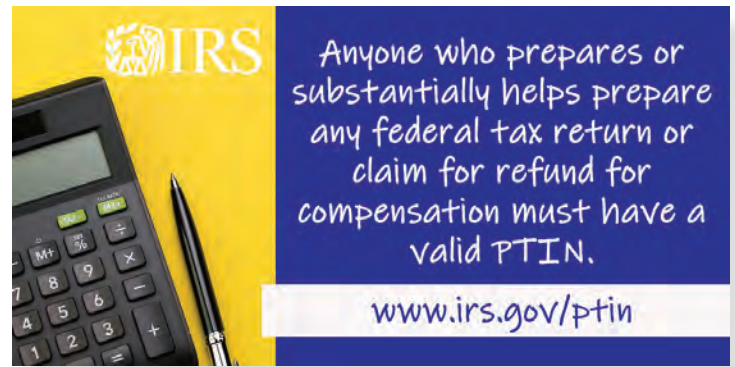
compliance programs, including the network non-filer test and learn, and others focused on virtual currency non-filers, return preparer non-filers and non-filers of Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business.

In FY 2020, the IRS used a combination of data analytics, media outreach and strategic use of its civil enforcement investigators to engage the most egregious high-income non-filers through a specialized field operation, called the High-Income Delinquent Filer Revenue Officer Compliance Sweep. The goal was to contact high-income non-filers face-to-face to determine why they did not file, educate them on their legal responsibilities and bring them into compliance.

The IRS has been testing new predictive models used in the case creation process, including their value in providing early filing reminders to taxpayers at risk of failing to file. The IRS is considering data-driven approaches for incorporating these case creation models into systemically starting non-filer cases and proposing effective methods of outreach to encourage filing compliance based on predicted behavior and risk of non-filing.

Large Businesses - Campaigns

The IRS continues to position enforcement resources on issue-based



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campaigns. The IRS identifies issues that are significant compliance risks, then selects and executes one or more treatment streams to achieve compliance objectives. Campaign treatment streams include issuing administrative guidance, executing industry issue resolutions, conducting events, providing outreach, proposing legislation, publishing procedures or guidance and modifying or creating IRS tax forms or publications. The campaign approach leverages IRS knowledge, deploying the right resources to address the right issues. During FY 2020, the IRS announced five additional campaigns bringing the total number of campaigns to 53.

Tax Cuts and Jobs Act of 2017 - Compliance Phase

The IRS continued to move from the implementation phase of the Tax Cuts and Jobs Act of 2017 (TCJA) to the compliance phase. FY 2020 efforts included developing and issuing the remaining guidance on several provisions that affect large and international taxpayers and identifying and addressing any risks in previously issued guidance. The IRS continues to review bi-monthly updates on the status of TCJA guidance.

The IRS launched several campaigns dedicated to addressing TCJA compliance within its filing population, namely the Section 965 Campaign,

which has individual, corporate, and pass-through components. The recently announced TCJA campaign takes a comprehensive approach to TCJA-related issues found on tax returns.

The IRS's approach to TCJA compliance features real-time examination feedback and issue-specific letters to taxpayers. The campaign focuses on the range of TCJA issues to learn about how taxpayers planned for TCJA in the first year and how the new law affected their business and tax processes in the second year. The campaign will transmit this knowledge in real time to the campaign team and across the organization to expand collective knowledge and experience and to address new compliance challenges.

The IRS continues to take steps to ensure its compliance workforce is well-prepared to examine tax returns incorporating TCJA provisions.

Ensuring Compliance by Exempt Organizations

The IRS continues to refine its issue-based strategy approach to ensure examination programs focus on the highest priority compliance areas to promote effective tax administration of the Exempt Organization sector. The IRS considers a variety of treatment streams to employ the most appropriate cost-effective and least intrusive approach to achieve compliance. In FY 2020, the IRS

provided additional fraud awareness education for employees to improve fraud detection and implemented a new process to detect potential fraudulent transportation fringe benefit claims.

Ensuring Preparer Tax Identification Number Compliance

In treating preparer tax identification number (PTIN) program noncompliance, the IRS mailed 8,696 compliance letters to preparers who filed returns in calendar year 2019 with an invalid PTIN. Sixty-five percent (5,666 of 8,696) of tax return preparers obtained or renewed their PTIN by February 24, 2020. The IRS called 383 preparers who failed to comply, resulting in another 166 preparers obtaining or renewing their PTIN.

Emerging Tax Issues

The IRS routinely monitors new and emerging compliance areas that require attention, including virtual currency, taxpayers working through online platforms (Gig Economy), and the marijuana industry. Along with enforcement activities, the IRS is providing outreach and education in these areas:

Virtual Currency: In March 2020, the IRS hosted a Virtual Currency Summit that brought together stakeholders to

Special Agent Len Bradley Receives DEA Administrator's Award

IRS-CI Special Agent Len Bradley was honored as part of a team that received a Drug Enforcement Administration (DEA) Administrator's Award. The team was honored for their investigation into a Transnational Criminal Organization in South America that distributed and transported large shipments of cocaine to Mexico, the U.S. and Europe. The investigation led to 55 arrests, 33 indictments and seizures of \$4.2 million in U.S. currency and over 50,000 kg of cocaine.



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discuss virtual currency industry issues and subsequently issued several pieces of guidance, including Notice 2014-21 and Revenue Ruling 2019-24. The IRS began sending approximately 10,000 letters to virtual currency owners advising them to file amended returns and pay back taxes if they omitted or inaccurately reported virtual currency transactions. Beginning with the 2019 tax return, Schedule 1 required taxpayers to answer yes or no to a question related to transactions involving virtual currency.

Gig Economy: To evaluate compliance, the IRS sent notices to a population of gig workers identified as underreporting their gig income. The IRS will monitor whether these taxpayers filed an amended return after receiving the notice. The IRS performs outreach to the community on the tax implications of earning income in the gig economy, such as the Gig Economy Tax Center website with pages for gig workers and platform companies and Publication 5369, Gig Economy and your taxes: things to know, to provide gig workers with basic tax information.

Marijuana Industry: During FY 2020, 33 states and the District of Columbia allowed state-sanctioned use of marijuana. The IRS developed a marijuana strategy to evaluate the scope of noncompliance, provided examiners with appropriate training and provided taxpayers with specific industry guidance.

Abusive Tax Shelters

The IRS remains committed to pursuing those who promote and make use of abusive tax shelters. As part of these efforts, the IRS High-Income Non-filers Initiative will increase examinations of individual income tax returns with total positive income of \$10 million or more. Through agency-wide collaboration, the IRS will use appropriate resources and skills based on compliance risk to address complex transactions, including those involving flow-throughs, cross-border transactions, wealth transfer and private foundations. The expansion of the Global High Wealth compliance program will support efforts to improve the IRS's compliance activities focused on the wealthiest individual taxpayers.

Additionally, the IRS developed a Business Master File (BMF) Strategy to combat tax noncompliance by tax return preparers, promoters, and others who create schemes designed to obtain fraudulent business-related refunds, credits or deductions. This includes liabilities that flow through to individual tax returns for the purpose of increasing compliance and public confidence in the tax system and referring high-impact criminal tax and related financial investigations that are in violation of the Internal Revenue Code.

The Service continued to implement strategies to address abusive tax compliance issues, such as

Conservation Easements (including Syndicated Conservation Easements), Research and Experimentation Tax Credits, Captive Insurance (including Micro-Captives), and Offshore entities. This approach ensures consistent treatment of taxpayers and fair application of the tax law. In addition, the IRS developed an Emerging Issue Strategy to provide a formal structure to identify and evaluate emerging tax issues that have significant impact to tax compliance.

Beginning as an issue-based campaign, the IRS formed 12 new examination teams to audit taxpayers claiming potentially abusive micro-captive deductions.

The IRS continued implementing the Syndicated Conservation Easements initiative, a major area of focus for the agency. Syndicated conservation easements were on the IRS's 2019 "Dirty Dozen" list of tax scams to avoid. The IRS conducted coordinated agency-wide examinations as well as separate investigations initiated by the IRS Criminal Investigation Division. The IRS also pursued investigations of promoters, appraisers, tax return preparers and others where appropriate.



First-ever Bitcoin Case with a Tax Component Prosecuted

The first-ever IRS-Criminal Investigation Bitcoin case with a tax component was prosecuted in 2020. Volodymyr Kvashuk, a former Microsoft employee, defrauded Microsoft of over \$10 million using a bitcoin mixer to hide taxable income. Kvashuk transferred approximately \$2.8 million in bitcoin to his bank and investment accounts, filing fraudulent tax returns claiming these receipts were gifts received from a relative. He was ordered to pay \$8,344,586 in restitution.

Private Debt Collection

Under the private debt collection program, the IRS assigns certain overdue federal tax accounts to one of four private sector collection agencies. Since the start of the program, private collection agencies have assisted 329,000 taxpayers who either established a payment arrangement or paid their account in full. The agency announced in an October 2019 news release that taxpayers working with a private collection agency can choose to select the convenient and secure pre-authorized direct debit option to make one or a series of payments. The IRS also communicated this option to taxpayers in the November 2019 revision to Publication 4518, What You Can Expect When the IRS Assigns Your Account to a Private Collection Agency.

Effective January 1, 2021, the TFA requires the IRS to exclude taxpayers who receive Social Security Disability Supplemental Security Income (SSDSI) and Supplemental Security Income (SSI) from the private debt collection program. Implementation of this TFA exclusion requires an exchange of data with the SSA. However, the SSA cannot lawfully provide data on SSI recipients. Therefore, the IRS and the SSA collaboratively drafted an informal technical changem to the law, which would permit the SSA to provide and exchange all data needed to implement

this provision of the TFA. The Service submitted the technical change, and in anticipation of the changes being enacted, the SSA and the IRS continue to collaborate and build the technical requirements for the data exchange.

Tax-Related Identity Theft

Safeguarding IRS systems and taxpayer data from tax related identity theft remains a priority, and the agency works continuously to address this threat to the tax system.

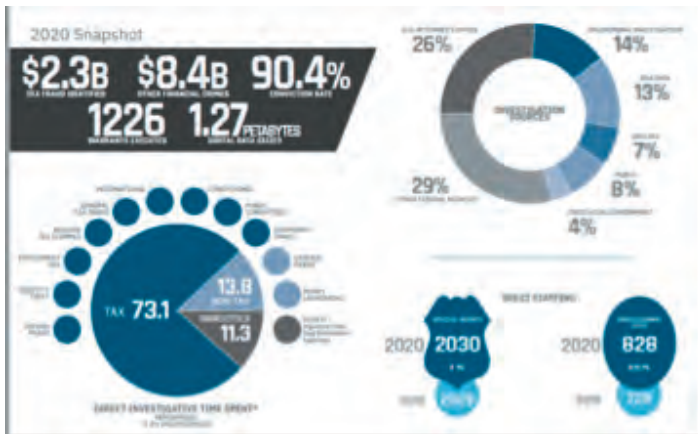
The IRS's key indicators of identity theft on tax returns have continued to drop at a time when many private sector organizations continue to struggle with this issue. Between 2015 and 2019, the number of taxpayers filing identity theft affidavits as identity theft victims fell 79% from 677,000 in 2015 to 137,000 in 2019. Between 2015 and 2019, the IRS protected a combined \$26 billion in fraudulent refunds by stopping confirmed identity theft returns. Over the same period, the agency recovered an additional \$1.7 billion in fraudulent refunds with the help of financial industry partners.

Despite the progress made, the IRS remains concerned that identity thieves continue to grow in sophistication. Criminals are redoubling their efforts to create a false return that mirrors the actual taxpayer's return. This is due to

the efforts by identity thieves to acquire actual federal tax information such as the Form W-2, Wage and Tax Statement, through phishing schemes with employers and/or payroll providers and obtaining filing information from compromised preparer networks. To protect taxpayers from identity theft from known incidents such as data breaches, the IRS proactively identifies those accounts that require additional review and quickly works with preparers to ensure prompt reporting.

To further improve taxpayer protections, during FY 2020 the IRS expanded the Identity Protection Personal Identity Number (IP PIN) Opt-in program to add 10 more locations, bringing the total number of eligible locations to 20. This expansion of the IP PIN Opt-in program moves the agency a step closer in fully implementing TFA provision 2005, which requires it to expand the IP PIN Opt-in program to all taxpayers. The IP PIN is a six-digit number that helps the IRS verify a taxpayer's identity and accept their electronic or paper tax return. The taxpayer's use of the IP PIN prevents someone else from filing a tax return with the taxpayer's Social Security Number.

The Service also implemented TFA provision 2007 that calls for adding information to all notices and letters used to inform taxpayers that it suspects or determined that they are a victim of



Criminal Investigation Identifies Over \$10 Billion in Criminal Activity

The FY 2020 Criminal Investigation Division's annual report highlighted successes in criminal enforcement actions, with the majority occurring during COVID-19. Over \$10 billion in tax fraud and other financial crimes were identified. The CI workforce initiated nearly 1,600 investigations and identified \$2.3 billion in tax fraud schemes. Key focuses of CI in FY 2020 included COVID-19 related fraud, cybercrimes, traditional tax investigations, international tax enforcement, refund fraud and tax-related identity theft.

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identity theft or to inform them of the use of their Social Security number by another person to obtain employment. The added information included instructions on how to file a report with law enforcement, steps to allow law enforcement to access their personal information during the investigation, and to offer protections such as the use of an IP PIN. The IRS also revised its letters for business identity theft cases in FY 2020.

Tax Practitioners' Professional Responsibilities

The IRS is responsible for the oversight of tax practitioner interaction with tax administration. During FY 2020, the agency focused on education and outreach to minimize the number of tax practitioners who fail to meet their professional responsibility obligations. To the extent a tax practitioner fails to adhere to the tax practice principles set forth in Circular 230, the IRS timely

applies the appropriate level of discipline that will either put the tax practitioner back on track regarding proficiency and integrity in their tax practice or bar the practitioner from practicing before the IRS. Besides ensuring tax practice principles, the agency takes disciplinary action against practitioners for tax noncompliance.

The IRS also expanded its outreach to speak with new groups such as tax-exempt organization practitioners and state licensing authorities on the unauthorized practice of law.

www.irs.gov/securitysummit

Tax professionals should review their safeguards

The IRS and the Security Summit partners urge tax pros to review the ["Taxes-Security-Together" Checklist](#), including:

- Deploy basic security measures.
- Use multi-factor authentication to protect tax software accounts.
- Create a Virtual Private Network if working remotely.
- Create a written data security plan as required by law.
- Know about phishing and phone scams, especially related to fake clients, COVID-19 and the Economic Impact Payments.
- Create data security and data theft recovery plans.

Publication 5461-D (11-2020) Catalog Number 75061J Department of the Treasury Internal Revenue Service www.irs.gov



Goal 3

Collaborate with external partners proactively to improve tax administration

To support the nation's tax system, the IRS must work with partners inside and outside the tax community to improve service and outreach to taxpayers, enhance collaboration, and share leading practices. Outreach efforts also work in coordination with IRS communications to share information with taxpayers across the nation.

In FY 2020, the IRS continued to expand relationships outside the traditional outreach and communication channels to deliver messages about the filing season, tax scams, coronavirus tax relief, and other topics. The IRS also continued efforts to improve outreach to the underserved, millennials, and those who speak English as a second language.

Partnering with Foreign Governments to Improve Tax Administration

An IRS priority is to expand partnerships with foreign governments and international organizations to address global tax administration concerns. The IRS is achieving this through its many interactions with two international organizations, the Organization for Economic Cooperation and Development (OECD) and the Inter-American Center of Tax Administrations (CIAT). At the OECD, the IRS is

an active member of the Forum on Tax Administration (FTA). The FTA's key aim is to improve taxpayer service and tax compliance by helping tax administrations increase the efficiency, effectiveness and fairness of tax administration and reduce the costs of compliance. While the IRS takes part in most FTA projects, efforts have been particularly significant in the following areas:

- The IRS chairs the Mutual Agreement Procedure (MAP) Forum, which provides a venue for tax administrations to collaborate to improve the processes for preventing and resolving treaty disputes.
- The International Compliance Assurance Program (ICAP) is a voluntary pilot, recently expanded to 17 countries, working as a co-operative risk assessment and assurance process in which taxpayers may achieve greater tax certainty in less time through simultaneous interaction with multiple tax administrations.
- The Joint International Taskforce on Shared Intelligence and Collaboration

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Taxpayer Comment
about an IRS employee (Cincinnati, Ohio)

“She was committed to fulfilling this request, understanding the urgency of the matter, and she personally called us to assure us that she was staying on top of this. She was friendly and prompt. She was phenomenal all around.”

(JITSIC) is a multi-country workgroup that addresses cross-border tax avoidance schemes, transactions and structures. JITSIC is open to all member countries in the OECD's FTA. The program is a platform to enable its members to collaborate actively within the established legal framework of bilateral and multilateral tax conventions and tax information exchange agreements.

The IRS supports CIAT's efforts to promote international cooperation and the exchange of experiences and know-how that contributes to the strengthened tax administrations of all CIAT's member countries. CIAT is a regional tax organization focusing primarily, but not exclusively, on countries in North, Central and South America and the Caribbean. The IRS supports this organization through its active participation in two annual conferences where countries share their experiences and best practices on designated topics. The IRS participated on two panels at the October 2019 conference. In addition, agency employees moderated a roundtable discussion on tax governance, including tax control frameworks of multinational enterprises.

Security Summit

During FY 2020, the IRS and its partners in the Security Summit continued to implement measures to combat tax-related identity theft. The Security Summit

continues to demonstrate the importance of collaboration between the IRS and its external partners – including the states and representatives from the private sector, both inside and outside the tax community. Security Summit members continue to meet regularly – including the annual Security Summit meeting in December 2019 – to discuss emerging issues and new initiatives in combating identity theft and refund fraud. An important Security Summit initiative has been the Identity Theft Tax Refund Fraud – Information Sharing and Analysis Center, commonly referred to as the ISAC. This is an important platform for the IRS and its partners in their day-to-day efforts to combat identity theft by helping them gain near-term data on emerging trends. The partnership including industry, states, the IRS, and the Trusted Third Party had a successful kick-off to the 2020 filing season and implementing readiness activities such as processing alerts, data analysis, infrastructure, security and user training. Additionally, the ISAC implemented the TFA Section 2003 provision on data exchange capabilities, which allows the IRS to share certain tax information with the Trusted Third Party, industry and state partners for use in reducing identity theft.

Again this year, the IRS worked with Security Summit partners to continue an aggressive outreach and communications campaign to raise awareness among taxpayers and tax professionals about protecting themselves against identity

theft. This included National Tax Security Awareness Week in December of 2019, which included five days of news releases as well as press and partner events across the nation. The IRS also provided a special summer news release series on tax professional security during COVID-19, which worked in conjunction with special tax professional education seminars offered at the 2020 Nationwide Tax Forums.

Working with Partners Inside and Outside the Tax Community

In addition to the partnerships described earlier involving the CARES Act and other provisions, the IRS continued to take steps to expand partnerships inside and outside the tax community to support tax administration and provide important information to taxpayers. IRS Communications and Liaison added hundreds of new partners during 2020 and worked with thousands of organizations to share critical information, not just on CARES Act and EIP, but also information related to the filing season and important business provisions. Webinars continued to grow in popularity with tax professional groups. The Nationwide Tax Forums successfully converted in a short timeline to become an all-virtual platform during the summer of 2020. Combined, these outreach efforts across the IRS work to support many of the program goals and priorities outlined in this document.



Innovating Work Practices for Deaf and Hard of Hearing Employees

As a result of COVID-19 and the move to full-time telework, Keith Newell, an IRS sign language interpreter in the Enterprise Computing Center in West Virginia, played an instrumental role in accommodating Deaf and Hard of Hearing (DHoH) employees working remotely. Keith supported the implementation of Remote Video Interpreting DHoH employee laptops to enable them to telework effectively.

Goal 4

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

The IRS is committed to planning, delivering, assessing and managing its workforce effectively. Taxpayer service, enforcement and business modernization efforts require a strong workforce. Supplying end-to-end accountability and promoting partnerships to support customers and operational goals ensures consistent service delivery throughout the human resources lifecycle to effectively attract, develop and support a world-class workforce.

In FY 2020, the IRS began developing a comprehensive training strategy to address requirements of the TFA and to support employee development with training opportunities and clear career paths. The final strategy will be reported to Congress in December 2020. The IRS implemented a project entitled “HCO 2022” to determine and implement a new human resource delivery strategy for IRS employees.

Talent Management

The IRS revitalized its Enterprise Workforce Planning Program (WFP) to improve talent management agency-wide, with an agile IRS workforce responsive to current and future operational requirements and changes as its primary goal. The Enterprise WFP promotes integrating human capital management business strategies, processes and procedures to inform Talent Management function and enables the delivery of a sustainable workforce planning capability.

The TFA renewed the IRS’s Streamlined Critical Pay (SCP) authority through September 30, 2025. The SCP provides unique personnel and pay flexibilities to aid in recruiting highly skilled information technology professionals, such as engineering, architecture, cybersecurity and online services. SCP is an enormously valuable tool for recruiting top-tier executive talent from private industry, particularly for positions in difficult-to-fill information technology fields such as engineering, architecture, cybersecurity and online services.

The external talent obtained through the SCP authority will improve the IRS’s ability to keep pace with technological advances and supply world-class service to taxpayers. Moreover, SCP allows the IRS to revitalize and enhance its workforce by hiring information technology experts who have experience with cutting-edge technologies, innovative techniques and industry best practices.

Employee Learning and Development

The IRS continued to provide employees with training and developmental opportunities to meet their job obligations and career aspirations. In FY 2020, the IRS developed and deployed Career+ career pathing and career broadening experiences. The newly created Enterprise Talent Development Program provides career management



for similar occupational series to align career goals with developmental and training opportunities.

To cultivate a well-equipped workforce, the IRS entered a new partnership with Gallaudet University to expand Disability Service Division employees' knowledge and understanding of the "deaf culture" customer experience and expectations. In fostering a diverse and inclusive workforce, the IRS encouraged employees to self-identify known disabilities and update the human resources system to obtain accurate demographics for IRS employees with disabilities.

Knowledge Management

The IRS Servicewide Knowledge Management (SKM) Program centers around four critical pillars: Share, Connect, Learn and Improve. The program bases its strategies on best practices of organizational programs worldwide with the goal of promoting collaboration, knowledge capture before attrition, data sharing and building expertise agencywide. During FY 2020, the IRS trained more than 720 managers and 2,023 employees on Knowledge Capture Tools and Templates.

Several new knowledge repositories were added to the IRS Virtual Library to preserve accumulated knowledge about working complex corporate examination issues, such as large partnerships under the Bipartisan Budget Act of 2019 tax regime, banking, real estate investment trusts, regulated investment companies operating under the American Jobs Creation Act, and TCJA provisions.

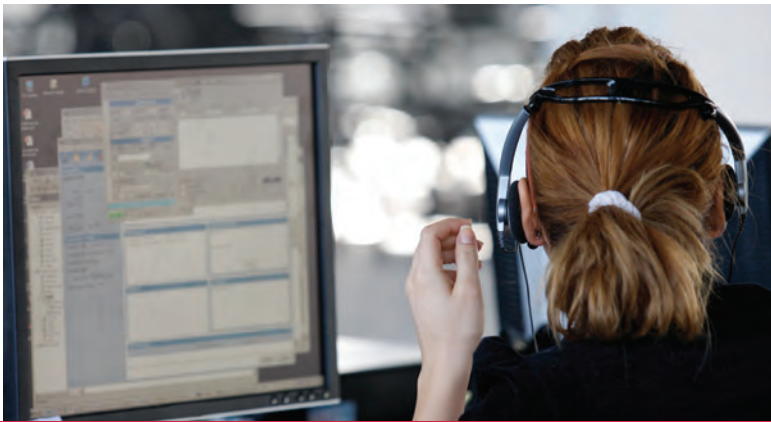
Working During the COVID-19 Pandemic

The IRS sought and used employee suggestions to improve workload selection and develop practical solutions for working during the COVID-19 pandemic. Frequent town halls, news alerts, human interest features in monthly publications and options for posting feedback encouraged all employees to stay in touch with leadership on key concerns. Business organizations throughout the IRS are collaborating to assess the effect that reopening IRS offices will have on minorities and lower-graded employees and to ensure employees receive reasonable accommodations, where applicable. The IRS can address the potential increase of requests as employees report back to their official posts of duty.



Stepping up and Pitching in to Maintain Operations

Managers and employees throughout the Service took on extra responsibilities this year to ensure consistent operations despite the outbreak of COVID-19. Whenever possible, dedicated members of our workforce all over the country took turns going into the office each week to check systems, pull reports, close cases, process paperwork and stuff and mail envelopes. When the mailroom couldn't send certified mail, they took certified letters to the Post Office. No job was too big or too small for these hard-working professionals.



IRS Employees Making it Easier for Taxpayers to Contact the IRS by Phone

In FY2020, Information Technology (IT) successfully added the “customer callback” option to five additional IRS phone numbers, making it more convenient to contact the IRS without having to wait on hold. With supplemental funding from the federal government’s COVID-19 response, 11 more phone applications are scheduled to receive this feature for the 2021 filing season, as demand for phone service is expected to rise.

PUTTING TAXPAYERS FIRST

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Goal 5

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

The IRS strives to provide superior service to taxpayers and their representatives and ensure successful implementation of changes in tax laws. Using analytics, the agency works continuously to improve its operations: taxpayer service, enforcement efforts, and its internal functions.

In FY 2020, the IRS developed its first learning agenda, which outlined 10 key research questions aligned to the FY 2018-2022 Strategic Plan goals and objectives. The IRS also established an Innovation Lab to help develop and execute its data strategy.

Taxpayer Service

Addressing Critical Staffing Needs in Taxpayer Assistance Center Locations

The IRS implemented a two-year staffing plan designed to address critical staffing needs in Taxpayer Assistance Center locations, identified through an analysis of appointment data to focus on current and projected staffing needs. The plan considered staffing needs in areas where state law dictated the need for facilities and personnel to accept payments and to fully staff locations currently unstaffed or currently staffed by a single technical employee. In addition, the IRS worked to identify optimal service locations to meet the needs of taxpayers both underserved and in unserved communities. The IRS will use these

locations to test expanded delivery options.

Preventing Identity Theft

The IRS made significant progress on the collaboration and enhancements to its identity theft detection processes. Since partnering with the Security Summit, the IRS increased identify theft prevention through data analytics and is continuing this trend. For example, in processing year 2018, the IRS successfully protected between \$6.03 billion and \$6.08 billion in identity theft refunds, while between \$0.09 billion and \$0.38 billion of identity theft tax refunds went unprotected. This is a substantial improvement from processing year 2015, when the IRS successfully protected between \$12.35 billion and \$12.88 billion in identity theft refunds and between \$2.24 billion and \$3.34 billion of identity theft tax refunds went unprotected.

Unprotected identity theft tax refunds include those refunds paid on probable identity theft refund fraud claims and will most likely be unrecoverable.

Customer Experience Analyses

The IRS used automation to retrieve, catalog and manage data at scale. For example, the IRS collected and analyzed more than 649,000 survey responses from taxpayers who visited the site for information about EIPs and used that data to find common issues to enhance



the Get My Payment application. The agency connected data from various end-to-end service journeys to identify improvements. As an example, data suggested that many visitors to the online account left the application to visit the online payment agreement tool only to check their payment agreement status, and not to create a new payment agreement. The IRS brought payment agreement status information within the online account itself, removing unnecessary steps. In FY 2020, the IRS increased analysis of application log files to better understand technical performance to determine when and where users were getting errors on IRS.gov, electronic authentication, and the taxpayer online account.

Securing Online Interaction for Taxpayers

The IRS Secure Access supplies a more convenient and secure online interaction for taxpayers. Taxpayers can obtain a copy of their tax return transcripts, identity protection personal identification number (IP PIN), and access to other applications. The IRS Secure Access security enhancements have a multifactor authentication process that verifies and establishes an individual's identity before providing access to applications within Secure Access. The Secure Access and Secure Access Digital Identity (SADI) serve as a future gateway for customer-facing IRS applications and supply quality service while protecting sensitive data.

Ensuring Tax Return Preparers Understand their Obligation to Protect Taxpayers Data

Tax return preparers are ongoing targets for cybercriminals based on the amount of data they have. The IRS queried tax return preparers completing PTIN applications to ensure their understanding of the obligation to secure and protect information and systems holding taxpayer data. Over 97% of all preparers (whether credentialed or non-credentialed) said that they were aware of this obligation. The IRS collected this data from mid-October through the end of May and while the number of applicants increased from the beginning to the end of the collection period, the percentage of applicants responding they were aware of their obligation remained consistent throughout the process.

Verifying Tax Return Preparers' Credentials

Tax return preparers report their credentials on PTIN applications. To provide valid information to taxpayers on such credentials, the IRS must verify the information provided by the preparers. This is a manual process involving more than 300,000 preparers, which has limited the number of possible reviews completed in one year to about one-third of the total. The Robotic Process Automation (RPA) pilot matched information in the directory for 5 select states to information provided in the

state Board of Accountancy directories. To date, the pilot shows credentials in 75% of the select populations with a 99% accuracy rate and about 67% faster than the current process. The IRS expanded this pilot to incorporate three more states.

Enforcement

Identifying High-Effect Criminal Activity

The IRS continues to make significant strides in using data analytics to efficiently and effectively identify criminal activity for investigation. In FY 2017, the IRS-Nationally Coordinated Investigations Unit (NCIU) launched a centrally led, team-based approach to modernize IRS criminal investigative tools. Since then, it has further reinforced its analytical efforts by enlisting the data ability of the IRS-CI's applied analytics team. Through this team-based approach, the IRS was able to identify high-impact criminal activity from information received through the Compliance Data Warehouse and other internal and external data sources. These efforts have also contributed to the creation of methodologies used to efficiently identify criminal investigations for referral to field offices across the country.

The IRS-NCIU's investigative efforts have also led to the creation of investigative initiatives, which continue to be areas of



Taxpayer Comment about an IRS employee (Ogden, Utah)

"We were fortunate to reach him on our first attempt, and he forwarded everything we needed. He was very helpful and again great to deal with."

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focus related to criminal investigations. The initiatives consist of:

- Virtual Currency
- International Tax and Significant Money Laundering
- Employment Tax
- Department of Homeland Security's National Targeting Center

In FY 2020, the IRS-NCIU referred 109 cases for criminal investigation. In addition to the existing initiatives, the IRS-NCIU extensively used data-driven methodologies to identify and refer for criminal investigation numerous COVID-19 related fraud schemes and helped create a one-stop portal containing more than five million COVID-specific documents in order to develop leads and avoid duplicate investigative efforts.

Identifying High-Risk Corporate Tax Returns

During FY 2020, the IRS's Large Corporate Compliance (LCC) program combined data analytics with tax expertise to identify the largest, most complex, and highest-risk corporate tax returns. The LCC automated the previous manual process used to define the population, and considers all returns meeting the established criteria, saving thousands of staff hours.

The IRS promoted collaborative work on advanced data analytics in an innovation lab and focused on compliance

enforcement challenges affecting multiple IRS business organizations. The innovation lab was built upon the work of IRS-CI to identify criminal tax fraud cases by matching wages reported by employees, with employer tax filings. This led to the establishment of 11 individual projects using data analytics to improve employment tax administration.

Maintaining a Balanced Circular 230 Enforcement Program

In FY 2020, the IRS began using its CDW to analyze data on tax practitioners who had penalties assessed and to assist in identifying cases that reflect serious Treasury Department Circular 230 Regulations Governing Practice before the Internal Revenue Service, violations. However, the number of potential conduct and compliance cases identified in the CDW data far exceeds the capacity to pursue those cases. The IRS's new intake processing team will use a set of objective criteria designed to select cases with the highest likelihood of actionable violations for further development, in addition to those from other sources.

Internal Operations

Implementation of the Foundations for Evidence-Based Policymaking Act of 2018

The IRS significantly contributed to the implementation of the Foundations for Evidence-Based Policymaking Act of 2018, which requires the federal government to modernize its data management practices. The IRS developed the first Learning Agenda of any bureau within Treasury.

Accessing Information Using a Graph Database Environment

Graph database environments provide powerful tools for exploring and understanding relationships between entities in the tax system, including taxpayers, businesses, and return preparers. The IRS developed and deployed a graph database environment that currently supports more than 5,000 users across the IRS. Users can quickly access information to identify relationships between noncompliant taxpayers and other tax-related people, organizations, and transactions, leading to more efficient and actionable investigations. In FY 2020, the IRS developed new features that included a pattern search capability and enhanced reporting on specific compliance issues. The graph data environment currently supports identity theft detection, evaluations of money laundering issues for field examination, with a planned



The IRS continues to work to ensure efficient use of taxpayer resources across its operations. For example, to reduce rent and overhead costs, the IRS released eight buildings in its portfolio during the year.

expansion to detect changes in the tax structures of large corporations.

Human Capital Business Processes

The IRS continued to research and identify automation tools promoting effective and efficient program management and service delivery. From developing a data warehouse for reporting systems to Enterprise Case Management, the IRS continues its commitment to modernization and operational efficiency. During FY 2020, the IRS created and used forecasting tools and methods to make informed decisions about future workforce needs. Efforts included:

- Implementing the Integrated Talent Management (ITM) learning module. ITM is an information system made up of modules that support multiple human capital business processes. This Treasury system integrates competency-based human resources processes by providing a common interface, workflow and cross-process reporting and analytics.
- Creating a forecasting tool to leverage sets of data to provide a balanced workforce planning approach. Data sets used in the forecasting tool included projected retirements and anticipated hiring and training needs to accurately identify human resource needs.

- Using a web-based tool, Tableau, to forecast staffing levels over a five-year projected timeframe, identify single points of needs and ascertain succession planning requirements based on attrition rates for all IRS business organizations. Using this tool, leaders can pinpoint retirements by series and grade.

- Restoring implementation of authorized staffing plans, which empowers business organizations to manage their labor dollars and staffing allocations to fit their organizational needs and speeds the hiring process.
- Developing data-driven methodologies to prioritize and validate IRS Mission Critical positions. The results of this initiative inform the IRS's initial workforce planning service delivery model and business processes.

Facility Planning

The IRS continued to use data to select the best opportunities to release excess facility space by leveraging the timing of expiring leases and planned General Services Administration (GSA) renovation projects, and by analyzing IRS housing needs to plan building closures and consolidations. In FY 2020, the IRS released eight buildings from its portfolio, including the former submission processing building in

Covington, Kentucky, which consisted of 600,000 square feet of space. The IRS also analyzed funding to minimize costs and capture the greatest returns on investment in other areas, such as call site expansions in Puerto Rico; Jacksonville, FL; and Fresno, CA to accommodate new hiring initiatives.

As a result of the COVID-19 pandemic, IRS facilities temporarily closed and some work such as clerical and mail operations paused. The IRS used a dynamic process simulation prototype to analyze workstreams and consider different scenarios of reopening facilities and returning to operations.

Taxpayer First Act
Innovation Lab pop-up
event at the New
Carrollton Building

From left to right: Randi Bulla, Lia Colbert,
Nicole Young Scott, Eric Markow, Tamara
Powell, Jim Keith, Adam Morse and
Megan Jones.



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Goal 6

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

The IRS continues to find ways to streamline and simplify processes and manage expenses to make operations more cost effective. This is necessary for sound financial stewardship and maintaining the physical and digital security of IRS systems and taxpayer information, enhancing internal controls, managing risks and upholding accountability.

Taxpayer First Act

The passage of the TFA in July 2019 created a new congressional mandate for the IRS. The IRS has not had a major reorganization of this magnitude since the implementation of the Internal Revenue Service Restructuring and Reform Act of 1998. The TFA requires the submission of a comprehensive proposal to Congress for three areas:

- Comprehensive taxpayer service strategy
- Proposal to update the IRS organizational structure
- Comprehensive training strategy

In addition, the TFA has a provision related to the management of IRS

information technology and multiple sections with specific requirements to implement a multiyear strategic plan for information technology. The Act also includes another 41 provisions designed to improve taxpayer service and ensure the IRS continues to enforce the tax law in a fair and impartial manner.

The IRS developed robust and effective TFA strategies that reflect taxpayers' input. The IRS prioritized continuous, productive engagement with a wide range of taxpayers, taxpayer

TAXPAYER FIRST ACT

INNOVATION LAB

The Taxpayer First Act Innovation Lab

The Taxpayer First Act Office is happy to announce the Innovation Lab. We want your help to think creatively to improve the taxpayer experience. Please check with your manager and stop by to share your ideas in a casual atmosphere.

Tuesdays 10 am - 12 pm
Main IR, Room 1528



Taxpayer First Act Innovation Lab opens at IRS Headquarters in Washington, D.C.

representatives and other stakeholders. The IRS also engaged heavily with employees who interact with taxpayers for their firsthand insights into how the IRS can evolve. Several key themes emerged from this comprehensive outreach including:

- Deliver a seamless experience
- Expand secure digital communications
- Provide access to information and promote transparency
- Expand analytics capabilities
- Improve agency-wide collaboration and coordination on strategic initiatives
- Develop taxpayer-focused training

These themes, along with extensive research and analysis of best practices, set the foundation for the Taxpayer Experience Strategy, Training Strategy and Organization Redesign Plan. The IRS implemented these ambitious outreach efforts by integrating stakeholders' perspectives and needs.

The TFA requires the IRS to develop a website by January 1, 2023, enabling users to prepare, maintain and file Forms 1099 for the IRS and for distribution to others. As part of implementation, the IRS is conducting outreach to a broad base of external stakeholders.

Modernizing the IRS

Published in April 2019, the IRS Integrated Modernization Business Plan describes a six-year modernization roadmap for achieving enterprise modernization goals. The IRS structured the plan into two three-year phases that began in FY 2019. As the IRS concludes the second year of phase one, initial performance results and outcomes show significant progress in delivering the capabilities planned across four pillars:

- Modernized Operations
- Taxpayer Experience
- Core Taxpayer Services & Enforcement
- Cybersecurity & Data Protection

The key factor for continued success in delivering modernization is stable, predictable and consistent funding. In FY 2020, the IRS had to re-plan and scale back its modernization commitments due to receiving a lower funding level than requested. Despite these challenges, the IRS made considerable progress toward modernization.

Through June of FY 2020, the IRS delivered 40 new or expanded capabilities that provided a solid foundation to continue accelerating modernization progress in FY 2021. Key accomplishments include:

Modernize IRS Operations

■ **Robotic Process Automation (RPA).** The IRS used RPA to reduce the processing time and save around 26,800 hours of manual work per year as part of the IRS's obligation to monitor compliance with Offer in Compromise. In another example, RPA reduced an estimated 7,000 hours of manual work per year when applied to an email referral process and a compliance case management process. The IRS also applied RPA to other internal processes.

■ **Application Programming Interface (API).** APIs allow data exchanges between computers via standard, reusable services and common programming code. This supports IRS business operations and stakeholders who rely on IRS data for authorized purposes by making the process easier and streamlined.

■ **Next Generation Infrastructure (NGI).** NGI provides a more efficient, scalable and flexible architecture by implementing advanced IT infrastructure tools and technologies for computer, network and storage activities. This year, the IRS deployed a set of components via an automation tool to provision virtual servers with the latest patches, security compliance and server domains. This reduced provision times from five days (120 hours) to 28 minutes. The IRS also delivered a strategy to reduce the legacy application code footprint that will reduce dependency on obsolete legacy

IRS2Go allows you to check your refund, make a payment, find free tax filing help and get helpful tax tips—all from your mobile device.

www.irs.gov/irs2Go



development languages such as Common Business-Oriented Language (COBOL), Assembly Language Code (ALC) and Visual Basic 6 (VB6).

■ **Migrating to the Cloud.** About 49 applications are using cloud technology today, and the IRS plans to deliver the ECM initiative using an IRS- wide cloud-based solution.

Taxpayer Experience

■ **Web Applications.** Individual taxpayers can check their account balance, payment history and resolve a variety of tax issues using the IRS website or IRS2Go mobile app. These capabilities allow the IRS to maintain, improve and expand on the broad range of digital services offered today and enhance the number and types of transactions taxpayers and their representatives can complete securely using their personal IRS Online Account. This year, the IRS continued to enhance these services with a focus on Online Installment Agreements; now taxpayers can view their payment plan status within their IRS Online Account and determine if they are eligible to apply for a plan.

■ **Live Assistance.** The IRS has a large customer base and offers a variety of toll-free telephone numbers. With millions of phone calls received each year and heavy traffic during the filing season, wait times have long been a source of frustration for taxpayers. Customer callback is an established

industry technology allowing a person to hold their place in queue without remaining “on hold.” This year, the IRS added the callback option to four additional applications, for a total of five. This expanded capacity positions the IRS to support future technologies.

Core Taxpayer Services & Enforcement: Customer Account Data Engine (CADE) 2.

Completion of CADE 2 will help modernize the technology environment that enables the IRS to process more than 150 million individual tax returns each year and will allow the agency to more dynamically make changes to the core tax processing Masterfile. CADE 2 consists of multiple transition states or phases. The IRS completed the first phase in 2014 and is now in the second phase and making substantial progress. By the end of June 2020, the IRS converted at least 38% of the legacy code to the Java programming language, which significantly helps modernize and integrate the core code structure. The IRS also completed the CADE 2 Target State Plan by July 2020 in accordance with congressional deadlines set forth in the TFA.

Enterprise Case Management (ECM).

Transitioning to an ECM system with standard business processes is a complex undertaking. The benefits include allowing authorized IRS employees to see a specific taxpayer’s

entire range of issues, history of relevant case data and communications, to more quickly resolve cases. This year, the IRS completed a major acquisition for the technical solution that will enable the agency to move forward with the consolidation of many case management systems.

Cybersecurity and Data Protection

Protecting systems and taxpayer information against cyber threats is a top priority for the IRS. During FY 2020, the IRS continued working diligently to safeguard the security of its systems and taxpayer data, battling increasingly sophisticated and frequent efforts by cybercriminals to steal data, file fraudulent refunds and infiltrate IRS systems. The IRS increased monitoring, detection and analytical capabilities to find suspicious activity within its systems. These improvements have helped the IRS protect taxpayers while the IRS continues efforts to do more.

The IRS observes and mitigates more than 2.5 million unauthorized access attempts per day, including denial-of-service attacks, unsuccessful intrusion attempts, probes or scans and other unauthorized connectivity attempts. In FY 2020, the IRS detected and mitigated 1,016 phishing and malware sites and identified and responded to 324 cyber incidents, 119 of which involved common threats such as removable media, email



IRS Tax Reform IT Team Wins Gears of Government President's Award

This year, the IRS Tax Reform IT Team was recognized with the Gears of Government President's Award for their work supporting the implementation of the Tax Cuts and Jobs Act of 2017 (TCJA).

The Act involved creating or changing an unusually large number of forms and publications, updating scores of tax processing systems, retraining the IRS workforce and educating the public. In addition to these changes, the team supported the successful effort to completely modify the existing Form 1040 series. Their hard work ensured the successful completion of extensive programming and systems changes on time for the 2019 filing season.

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and web-based activity. Additionally, the IRS implemented 9,136 content filtering restrictions to mitigate Internet content deemed a security risk to IRS information systems.

Due to the proliferation of sophisticated security threats and sensitive taxpayer information within systems, the IRS has adopted a proactive approach to security that includes continued investment in technology, tools and processes necessary to defend against expanding cyber threats and to stay current with NIST guidelines. This continued investment aimed at transforming the IRS cybersecurity posture consists of the following objectives:

- **Objective 1.** Establish trusted and streamlined access to information through identity and access management technologies. The IRS must enhance identity and access management processes, technologies, and policies for managing users' digital identities and controlling their access to enterprise resources.
- **Objective 2.** Proactively identify emerging threats and vulnerabilities using real-time intelligence information and analytics. This is critical to build defenses to proactively detect breaches and mitigate threats effectively.
- **Objective 3.** Protect taxpayer data and systems via end-to-end visibility and common platforms. The IRS must integrate effective and efficient security within its systems.

As part of the IRS Integrated Modernization Business Plan, the IRS continued to deliver key improvements as part of cybersecurity and data protection, such as:

- Identity and Access Management
- Security Operations and Management
- Vulnerability and Threat Management

Enterprise Risk Assessment

The IRS conducts an annual Enterprise Risk Assessment to update the IRS Enterprise Risk Profile that articulates the top risks to achieving strategic goals. Having a clear line of sight into the top enterprise risks enables IRS leadership to make informed decisions that will encourage innovation, foster change and lead to more efficient resource allocation. Throughout the past several years, the IRS has operated in an extremely challenging, resource-constrained environment. The IRS updated its FY 2020-2021 Enterprise Risk Profile to reflect the environment that included the CARES Act, the IRS Integrated Modernization Business Plan, the TFA and disruptions to operations related to the COVID-19 pandemic. The top IRS enterprise risks are:

- **Impaired Operations** - The risk that significant disruptions, caused by natural disasters or lapses in appropriations, combined with a reliance on paper, manual, and in-person processes, results

in halted or slowed operations, hindering the IRS's ability to successfully deliver its mission and make progress in critical areas.

- **Adverse Effect of Reduced Enforcement on Compliance** - The risk that reduced enforcement activities may adversely affect compliance, erode confidence in the tax administration system, and potentially contribute to the tax gap.

- **Effect of Legislation and Non-Statutory Requirements** - The risk that legislative or non-statutory requirements, including late, expiring, or retroactive directives that change the IRS's structure, operational or technological requirements may affect the IRS's ability to fulfill its responsibilities.

- **Information Technology Operations and Maintenance Budget Reductions** - The risk that IRS IT Operations and Maintenance budget reductions will adversely affect the ability to operate and maintain critical information technology systems and lead to increased system downtime when issues occur.

- **Taxpayer Experience** - The risk that an inability to execute and improve the customer experience, combined with increased demand for services, may negatively affect taxpayers' ability to meet their tax obligations and erode trust and confidence in the IRS.

Looking to the Future — Fiscal Year 2021

As you've seen throughout this report, the heroic response of the IRS workforce to the events of 2020 provides a perfect illustration of how important the agency is to every American and to our great country as a whole. We were called to provide economic relief during this difficult time while also fulfilling our core responsibilities of tax administration. We're proud of what our employees have accomplished and look forward to the future.

We hope that this report provides a picture of what IRS employees do – both in our day-to-day work and in our response to national crises – to help the nation. When you look at everything we do and consider that 96% of the gross receipts of our country flow through the IRS, it illustrates how a healthy, functional IRS is critical to the overall success and wellbeing of our country.

It's vital that the IRS remain healthy and functional well into the future, and we will continue working toward that goal. To ensure our success, the IRS has important work on the horizon. We will continue our journey about how best to provide our services and how we are currently organized, as we move into the

next phase of implementing the Taxpayer First Act. The steps we take along this journey will help us maintain and build trust and respect among Americans and improve our working relationships with taxpayers, the tax community and many others.

Going hand in hand with our work on the Taxpayer First Act will be our continuing efforts to modernize our systems to improve the taxpayer experience. During 2021, we will continue work implementing the IRS Integrated Business Modernization Plan, which has been the roadmap guiding our efforts in this area.

Modernization will improve the way taxpayers interact with the IRS, whether they are filing a tax return, receiving a refund or paying a tax bill. It will change the interaction between IRS employees and taxpayers or their representatives, and all for the better. With better technology, the IRS will be able to accomplish more, in less time, and provide better across-the-board service in a cost-effective manner. Ultimately, we're working toward the kind of best-in-class service people are accustomed to receiving from an online retailer or their financial institution.

In our modernization efforts, and in everything we do, we're looking for the IRS to improve, in all facets of our operations. We want to do our job better on behalf of the country, and we want to do it the best that any agency similar to ours can do. This is so important, given that we engage with literally every American, whether they are individuals, small businesses, big corporations or exempt organizations. As we move into the future, the name of the game for the IRS will continue to be innovation, creativity and service to the people of our country to make their world better.

Our dedicated workforce will continue to make a positive difference for taxpayers and enforce the nation's tax laws with integrity and fairness. Whether directly interacting with taxpayers or providing behind-the-scenes support for our technology and other key functions, each IRS employee is a vital part of our organization. Given all we've accomplished together in 2020 and all we're working to achieve, we believe the future looks bright for the IRS, the tax system and our nation.

- Commissioner Chuck Rettig
- Deputy Commissioners Sunita Lough
and Jeffrey J. Tribiano



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