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IRS Commissioner Werfel Issues the 2023-2031 Strategic Plan

By Larry Brant on 4.10.23 | Posted in Internal Revenue Service, IRS, Tax Planning

On April 5, 2023, Commissioner Daniel I. Werfel issued the [Internal Revenue Service Inflation Reduction Act Strategic Operating Plan](#) (“Plan”). The Plan, which spans over 145 pages, is a roadmap to how the Service will deploy over the next decade the approximately \$80 billion in supplemental funding it will receive as a result of the Inflation Reduction Act enacted by Congress last year (“IRA”).

In the Plan, Commissioner Werfel sums up the strategic goals for the IRS as follows:

“We will make it easier for taxpayers to meet their tax responsibilities and receive tax incentives for which they are eligible. We will adopt a customer-centric approach that dedicates more resources to helping taxpayers get it right the first time, while addressing issues in the simplest ways appropriate. We will address noncompliance, using data and analytics to expand enforcement in certain segments. We will become an employer of choice across government and industry. These changes will enable us to serve all taxpayers more equitably and in the ways they want to be served.”

Transformational Objectives

The Plan sets forth five transformational objectives, which if attained, the Commissioner states will allow the IRS to “deliver a best-in-class experience for taxpayers.” The objectives are:

1. Dramatically improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible.
2. Quickly resolve taxpayer issues when they arise.
3. Focus expanded enforcement efforts on taxpayers with complex tax filings and high-dollar revenues.
4. Deliver cutting-edge technology, data and analytics to operate more effectively.
5. Attract, retain and empower a highly skilled, diverse workforce and develop a culture that is better equipped to deliver results for taxpayers.

The Plan breaks down the use of the funding as follows:

- Approximately \$4.3 billion will be deployed to improve taxpayer service.
- Approximately \$3.2 billion will be deployed to enhance quick resolution of taxpayer issues.
- Approximately \$47.4 billion will be deployed to increase tax compliance among wealthy taxpayers and businesses.
- Approximately \$12.4 billion will be deployed to enhance technology.
- Approximately \$8.2 billion will be deployed to recruit and retain a highly skilled, diverse workforce.
- Approximately \$3.9 billion will be deployed to improve cybersecurity.

Taxpayer Service

The Plan provides that the Service will dramatically improve taxpayer service, including:

- Providing taxpayers with a more seamless filing process.
- Providing taxpayers with more tools, information and assistance to make compliance easier.
- Making interactions with the IRS “easier and more convenient” for taxpayers and tax professionals.
- Improving communications by adding new digital service options.
- Ensuring that IRS staff have the tools and information needed to quickly and effectively address taxpayer needs.
- Improving online self-service options.
- Providing taxpayers with better access to their tax data and history.
- Providing taxpayer alerts to help taxpayers meet filing and payment obligations and deadlines.
- Improving taxpayer education.
- Providing taxpayers with real-time status tracking tools relative to open or pending issues.

Quick Resolution of Taxpayer Issues

The Plan provides that the IRS will dramatically shorten the time it takes to resolve taxpayer issues. To accomplish this goal, the IRS will be focusing efforts on:

- Identifying issues during filing and promptly notifying taxpayers of issues to help them correct errors.
- Providing taxpayers with prompt notice of noncompliance and offering tailored remedies to resolve issues.
- Providing taxpayer-centric notices (i.e., notices containing explanations of issues using plain words and containing a clear path to resolving them).
- Creating and expanding pre-filing and tax certainty programs.
- Proactively offering taxpayers options to resolve past-due taxes, interest and penalties.
- Expanding prompt outreach to non-filers with compliance solutions.
- Providing more prompt contact with taxpayers that have past due balances.

Expanded Enforcement Efforts

The Plan calls for increased enforcement efforts targeting large businesses and households earning more than \$400,000 annually. The goal is to decrease the annual tax gap. In this regard, the Service will be:

- Increasing the compliance focus on complex partnership structures, large corporations and high income (over \$400,000 in annual income) households.
- Improving enforcement and risk identification using stronger data analytics, technology and centralized operations.
- Increasing staff expertise to better enable them to understand and examine complex returns and issues.

Deliver Cutting-Edge Technology, Data and Analytics

The IRS intends to make technology improvements focused on enhancing taxpayer service. The IRS's goal in this area includes:

- Replacing legacy technology systems and applications with modern systems and cutting-edge applications.
- Modernizing the IT infrastructure.
- Enhancing data privacy and security.
- Harnessing data and analytics to better direct and drive operations and decision-making.

Attract and Retain a Highly Skilled and Diverse Workforce

By focusing on its people, the IRS hopes to improve taxpayer service, tax compliance and the overall administration of our tax system. In this regard, the IRS plans on:

- Hiring personnel to replace the workers that left the Service over the past decade that were not replaced due to budgetary constraints.
- Adopting strategies and technologies to support an agile and highly skilled workforce, and enabling them to work effectively while delivering better taxpayer service.
- Modernizing the technologies, policies and processes that better allows its workers to focus on taxpayer service.
- Enhancing recruiting capabilities to attract and keep a more diverse workforce.
- Creating a more flexible workplace that fosters inclusion and professional growth.

Conclusion

Commissioner Werfel states that the historical shortfall of financial investment in the IRS has limited its ability to keep pace with innovation and technology. The monetary infusion resulting from the IRA, however, will allow the Service to catch up with modern times. If the Plan is successful, taxpayers and tax professionals, over the next decade, will see enhanced taxpayer service, improved data security, a reduced tax gap through education (leading to enhanced compliance) and more focused examinations, and a better trained and equipped IRS. As Commissioner Werfel states in the Plan, the result will be a “best-in-class experience for taxpayers.”

Hopefully, the enhanced budget will give the Service the shot in the arm needed to update its IT systems; deploy technology to assist taxpayers; hire, retain and train a highly skilled workforce; create systems to educate and assist taxpayers, ultimately improving taxpayer service and compliance; enforce the tax code; and overall better the administration of our tax system.

It is hard to argue with any of these objectives. If they are attained, the federal tax system will benefit.

Tags: Inflation Reduction Act, IRS Commissioner Danny Werfel, IRS Strategic Plan, Taxpayer