

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **Inflation Reduction Act: Progress Is Being Made to Improve Content of and Expand Digital Delivery and Response Options for Taxpayer Notices**

February 14, 2025

Report Number: 2025-408-010

# HIGHLIGHTS: Inflation Reduction Act: Progress Is Being Made to Improve Content of and Expand Digital Delivery and Response Options for Taxpayer Notices

Final Audit Report issued on February 14, 2025

Report Number 2025-408-010

## Why TIGTA Did This Audit

In August 2022, Congress enacted the Inflation Reduction Act (IRA) giving the IRS funding over the next decade to improve administration of the tax system and services provided to taxpayers.

The overall objective of this audit was to assess the IRS's efforts to update and modernize taxpayer notices including expanding the taxpayer's ability to electronically receive and reply to notices.

## Impact on Tax Administration

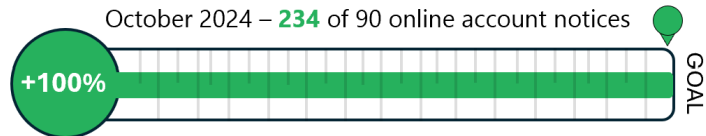
In Calendar Year 2022, the IRS sent 205 million notices to individuals and businesses. Historically, the IRS provided these notices to taxpayers and taxpayers responded, where necessary, through regular mail.

The IRS's IRA Strategic Operating Plan highlights five objectives that, when taken together, provide a vision for the future of federal tax administration. Each objective in the operating plan is to be achieved through various initiatives, supported by actionable projects and milestones or goals.

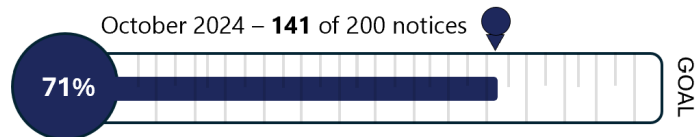
Initiative 2.3, *Develop taxpayer-centric notices*, includes projects for redesigning notices to make them easier to understand, making taxpayer notices available online, and allowing taxpayers to reply to notices electronically.

## What TIGTA Found

In early 2024, the IRS prioritized making individual notices available to online accounts even if a notice had not been redesigned. As of October 2024, the IRS made 234 individual notices available for online accounts and expects to add an additional 20 notices by the end of December 2024, exceeding its original 90-notice goal.



In addition, the IRS redesigned 141 notices, or 71 percent, of its 200-notice goal as of October 2024 and expects to have 231 notices redesigned by December 2024. Our review of 25 redesigned notices determined that the notices generally were shorter, easier to read, and, when relevant, included Quick-Response (QR) codes.



The IRS also expanded the Document Upload Tool in September 2023 to enable taxpayers to respond to all eligible notices. As of early October 2024, the IRS received more than 237,000 responses to notices through this tool.

Further, the IRS identified the top eight languages used by taxpayers. The IRS is redesigning the notices in English and in Spanish if a Spanish version of the notice exists. The IRS is evaluating its plan for the remaining languages based on taxpayer needs and available funding.

Finally, the IRS is continuing to take steps to protect taxpayers' data. As of May 2024, IRS management stated that Social Security Numbers have been removed or masked, where necessary, on all individual notices and barcodes applied in their place when applicable. The IRS plans to deploy similar protections for Employer Identification Numbers for most business notices in January 2025 and plans to implement programming for the remaining business notices in July 2025.

## What TIGTA Recommended

We did not make any recommendations in this audit.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

**U.S. DEPARTMENT OF THE TREASURY**  
**WASHINGTON, D.C. 20024**

February 14, 2025

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

*Danny Verneuille*

**FROM:** Danny Verneuille  
Acting Deputy Inspector General for Audit

**SUBJECT:** Final Audit Report – Inflation Reduction Act: Progress Is Being Made to Improve Content of and Expand Digital Delivery and Response Options for Taxpayer Notices (Audit No.: 2024408030)

This report presents the results of our review to assess the Internal Revenue Service's efforts to update and modernize taxpayer notices including expanding the taxpayer's ability to electronically receive and reply to notices. This review is part of our Fiscal Year 2025 Annual Audit Plan and addresses the major management and performance challenge of *Managing IRA [Inflation Reduction Act] Transformation Efforts*.

Management's complete response to the draft report is included as Appendix II. If you have any questions, please contact me or Diana M. Tengesdal, Assistant Inspector General for Audit (Returns Processing and Account Services).

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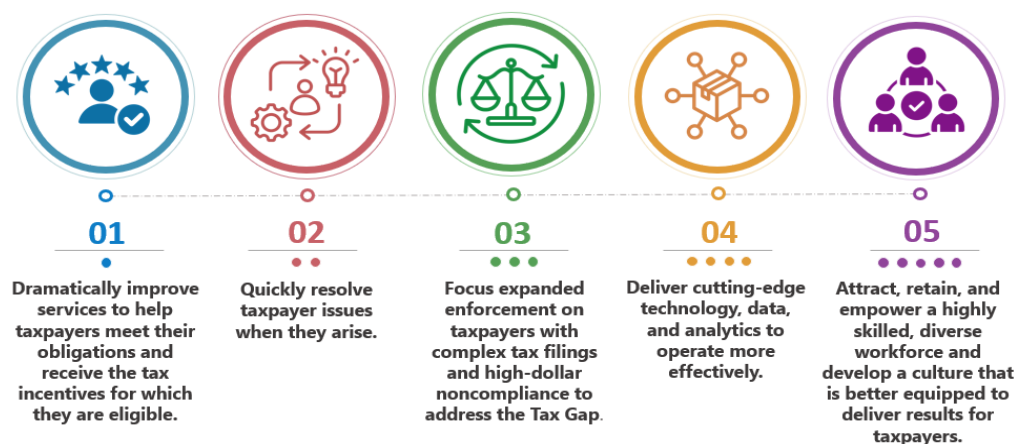
## **Background**

In August 2022, Congress enacted the Inflation Reduction Act of 2022 (IRA) giving the Internal Revenue Service (IRS) approximately \$79.4 billion over the next decade to improve the administration of the tax system and the services provided to taxpayers.<sup>1</sup> By March 2024, Congress reduced IRA funding to \$57.8 billion.<sup>2</sup> In addition to the rescissions, the American Relief Act, 2025, which provides appropriation funding to federal agencies through March 14, 2025, freezes another \$20.2 billion in IRA enforcement funds.<sup>3</sup> The IRS intends to use IRA funding to improve taxpayer services, update antiquated computer systems, and increase compliance and enforcement actions against high-income taxpayers and large corporations that try to evade taxes. After passage of the IRA, the Secretary of the Treasury required the IRS to produce an Operational Plan detailing how IRA funding will be used during the next decade.

### **Inflation Reduction Act Strategic Operating Plan (SOP)**

On April 5, 2023, the IRS published its IRA SOP.<sup>4</sup> The Plan highlights five objectives that collectively provide a vision for the future of federal tax administration. Each objective in the SOP will be achieved through various initiatives, supported by actionable projects and milestones or goals. In April 2024, the IRS announced updates to the SOP to show its priority efforts and key results to deliver over the next two years. Figure 1 details the five objectives of the IRA SOP.

**Figure 1: Five Objectives of the IRA SOP**



*Source: Treasury Inspector General for Tax Administration review of the IRA SOP.*

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<sup>1</sup> Pub. L. No. 117-169, 136 Stat. 1818.

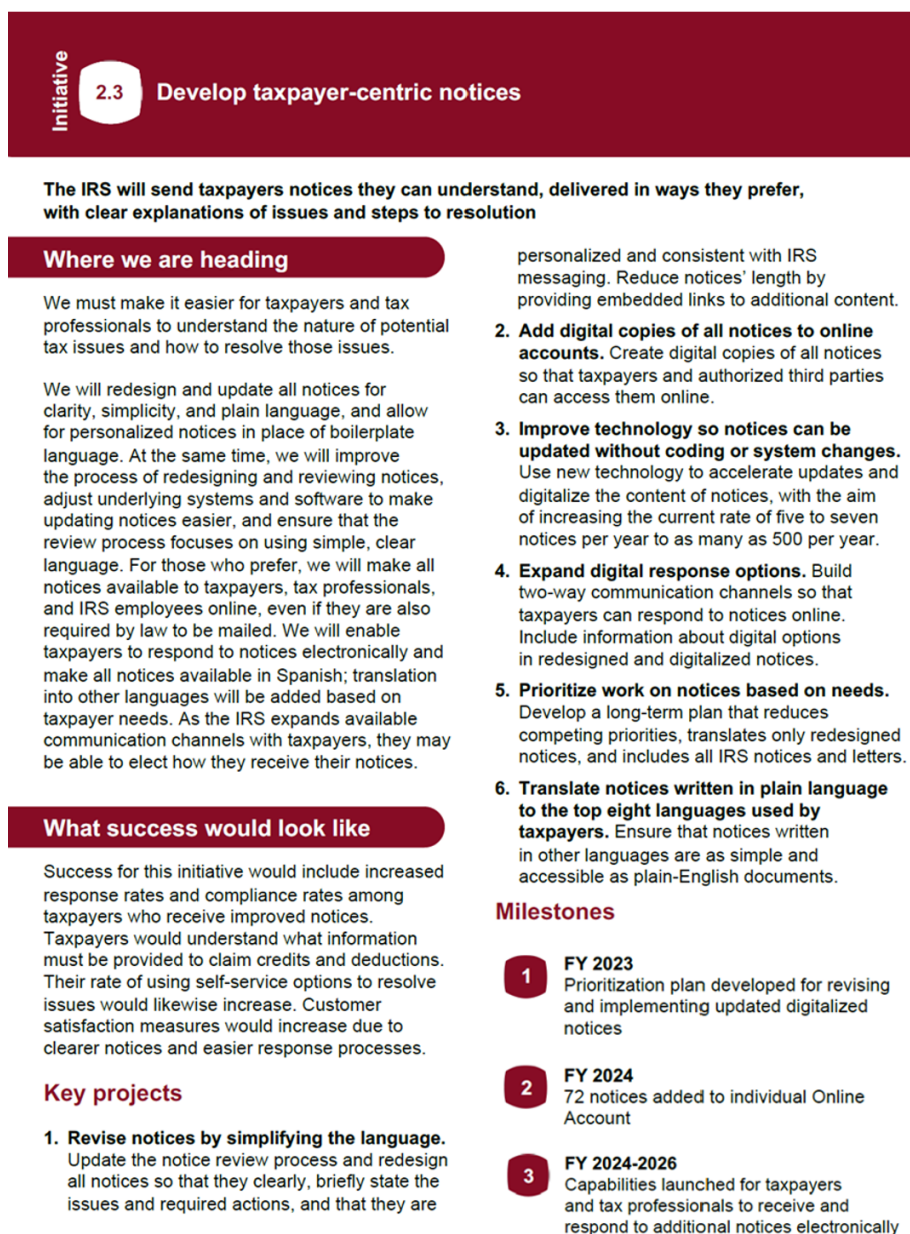
<sup>2</sup> Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, 138 Stat. 460 (rescinded \$20.2 billion); Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, 137 Stat. 31 (rescinded \$1.4 billion).

<sup>3</sup> Pub. L. No. 118-158, 138 Stat. 1722. The American Relief Act, 2025, carries forward the rescission of \$20.2 billion contained in the Further Consolidated Appropriations Act, 2024, of amounts provided to the IRS by the IRA.

<sup>4</sup> The Taxpayer Experience Strategy developed as part of the Taxpayer First Act [Pub L. No. 116-25, 133 Stat. 981 (2019) (codified in scattered sections of 26 U.S.C.)] includes: expanded digital services, seamless experience, proactive outreach and education, community of partners, focused strategies for reaching underserved communities, and enterprise data management and advanced analytics. The IRS incorporated this work into the IRA SOP.

Historically, taxpayers received notices informing them of various tax-related issues such as: account-related activity, requests for missing information, erroneous refunds, examinations, or collections by regular mail. In Calendar Year (CY) 2022, the IRS sent 205 million notices to individuals and businesses. If required, a taxpayer would mail their response to the IRS. The SOP includes an initiative to redesign notices and expand digital options for both receiving and responding to notices.<sup>5</sup> Initiative 2.3, *Develop taxpayer-centric notices* states, “the IRS will send taxpayers notices they can understand, delivered in ways they prefer, with clear explanations of issues and steps to resolution.” Figure 2 shows Initiative 2.3 in detail.

**Figure 2: Initiative 2.3 Develop Taxpayer-Centric Notices<sup>6</sup>**



*Source: IRS Inflation Reduction Act Strategic Operating Plan, Fiscal Year 2023 – 2031.*

<sup>5</sup> Notices include IRS correspondence, such as Computer Paragraph notices and letters.

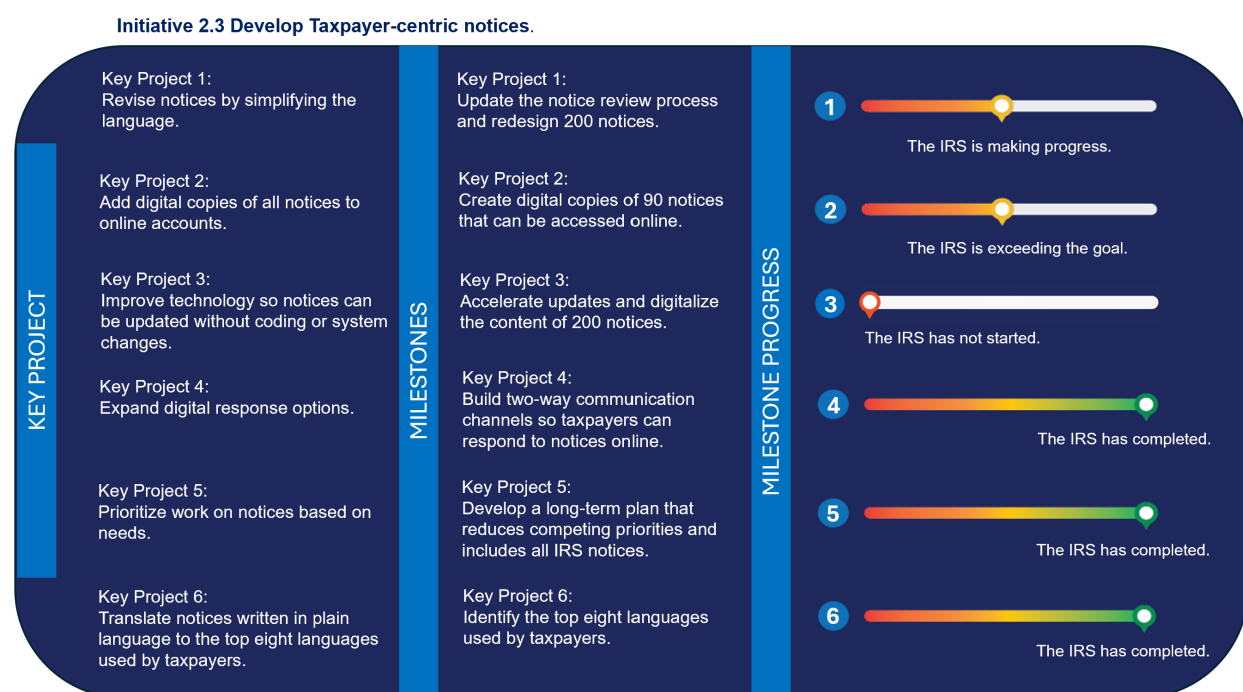
<sup>6</sup> On Jan. 29, 2024, IRS Office of Taxpayer Correspondence and Information Technology (Corporate Data) management indicated that the correct number is 200 notices per year rather than 500 per year for Key Project 3.

## Results of Review

### The IRS Is Taking Steps to Meet the Milestones for Developing Taxpayer-Centric Notices

The IRS is making progress on all six key projects of Initiative 2.3. In early 2024, the IRS changed how it planned to implement each of its projects and instead prioritized making individual notices available to online accounts even if a notice had not been redesigned or digitalized, *i.e.*, the process of meeting accessibility standards.<sup>7</sup> In addition, the IRS paused the digitalizing process under Key Project 3. In October 2024, the IRS updated the transformation goals for CYs 2025 and 2026. Figure 3 shows the progress of Initiative 2.3 through October 2024.

**Figure 3: Status of Milestones for Key Projects Under Initiative 2.3**



Source: Treasury Inspector General for Tax Administration analysis of the IRA SOP and updated SOP.

### Revise notices by simplifying the language (Key Project 1)

The IRS established an interim goal to simplify notices and redesign at least 20 high-priority notices by the end of CY 2023. The IRS surpassed this goal, announcing in January 2024 that it had redesigned 31 notices.

According to the IRS, it is redesigning notices to state the issues clearly and briefly, identify any required actions from the taxpayer, shorten the length of the notice, and include embedded links to additional content where necessary. Our review of 25 redesigned notices determined that the notices generally were shorter, easier to read, and, when relevant, included

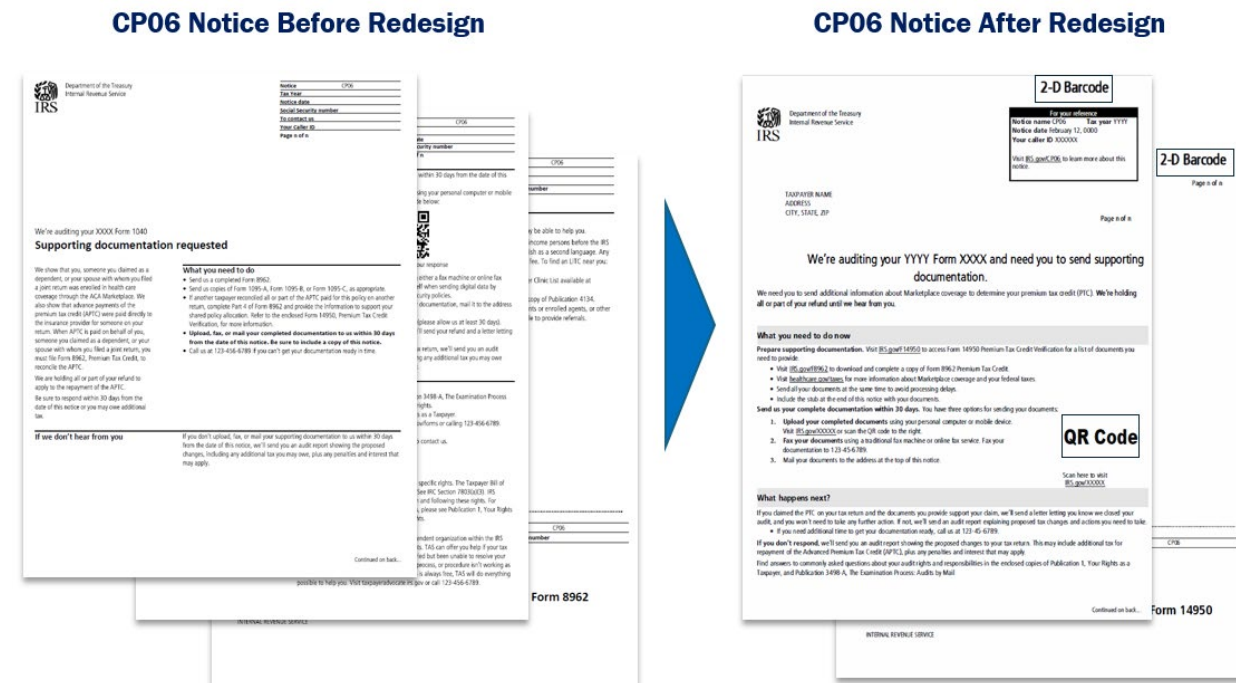
<sup>7</sup> See Appendix III for a glossary of terms.



## Inflation Reduction Act: Progress Is Being Made to Improve Content of and Expand Digital Delivery and Response Options for Taxpayer Notices

Quick-Response (QR) codes. Figure 4 is an illustration of changes made during redesign to the Notice Computer Paragraph (CP) 06, *Request for Supporting Documentation*.

**Figure 4: Illustration of the Notice CP06 Before and After Redesign<sup>8</sup>**



Source: Treasury Inspector General for Tax Administration review of the Notice CP06 before and after redesign.

The IRS plans to redesign an additional 200 notices for individual taxpayers by the end of December 2024. As of October 2024, the IRS indicated that it had redesigned 141 (71 percent) of the 200-notice county and noted that an additional 59 notices are estimated to be redesigned by December 2024, bringing the expected total to 231 notices.<sup>9</sup> The IRS goal for CY 2025 is to redesign an additional 100 individual notices, 100 business notices, and 100 Correspondence letters.

### The IRS has implemented a prior Treasury Inspector General for Tax Administration (TIGTA) recommendation to notify taxpayers of electronic fax benefits

We previously reported that the IRS had not published sufficient information notifying taxpayers of electronic fax and its benefits.<sup>10</sup> Taxpayers can use multifunctional print devices, computers, smart devices, *etc.* to electronically fax information to the IRS. We recommended that the IRS provide taxpayers with additional information on the acceptable methods for electronic faxing, including revising language in notices and letters. Our review of 25 notices confirmed that this information was added, when applicable.

<sup>8</sup> The QR code and two-dimensional barcodes are not included as the intent of this figure is illustration only.

<sup>9</sup> The total number of notices in use at the IRS changes based on the need for new notices or if notices become obsolete. For example, the IRS identified 576 notices, 317 for individuals and 259 for businesses, as of February 2024, and as of October 2024, the IRS stated that the total number of notices had grown to more than 600.

<sup>10</sup> TIGTA, Report No. 2022-46-057, *Delays in Management Actions Contribute to the Continued Tax Processing Center Backlogs* (September 2022).



### **Streamlined process for creating and revising notices**

The notice review process can include involvement from the Office of Taxpayer Correspondence, Office of Chief Counsel, the National Taxpayer Advocate, and various business operating divisions. Because of this, only a few notices could be redesigned each year because of the multiple stakeholders involved in the process. In April 2024, the IRS introduced a streamlined process for creating and revising notices. The new process includes assigning a correspondence specialist who oversees a product from start to finish. This includes setting up data gathering calls with impacted stakeholders. According to IRS management, this new process eliminates known challenges in obtaining feedback and approval, resulting in the ability to create or redesign more notices each year. The IRS indicated that all the notices redesigned during CY 2024 used the streamlined process.

### **Add digital copies of all notices to online accounts (Key Project 2)**

The IRS historically issued notices to individuals and businesses via mail. This takes longer to reach taxpayers than online accounts, which allow taxpayers to securely access their tax account information in real time. Taxpayers can view, print, or download the notices in a digital Portable Document Format (PDF) within their Individual or Business Online Account.<sup>11</sup> The IRS must complete a limited amount of computer programming for formatting before notices are available as a digital copy online.

By the end of CY 2023, the IRS had 31 notices (25 individual and 6 business) available for online accounts. The IRS initially established a goal to have an additional 90 individual notices available for online accounts by September 2024. However, the IRS exceeded this goal due to the IRS Commissioner's request to expedite making all notices for individuals available to online accounts. The IRS stated that 234 individual notices were available for online accounts as of October 2024 and expects to add 20 more individual notices by the end of December 2024.

As previously noted, the IRS is making notices available for online accounts, whether or not the notice has been redesigned or digitalized. IRS management indicated that because the computer programming has already been completed, once the notices are redesigned, the new version will be added to online accounts with limited or no additional computer programming required.

### **Promoting the use of online notices**

To help promote online notices, the IRS revised the notice landing pages on IRS.gov and in the Individual Online Account that provide taxpayers with instructions on how to update their preferences to receive/view notices online. In addition, the IRS included an insert to paper notices advising of the availability of this new digital delivery option. Figure 5 shows examples of the Individual Online Account landing page on IRS.gov that contains references to the online notice options.

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<sup>11</sup> In October 2023, the IRS launched Business Tax Accounts that allow taxpayers or an authorized user to securely access their business tax account information and look at select notices.

**Figure 5: Online Notice Options Promoted  
on the Individual Online Account Landing Page**

Access tax records	Manage your profile preferences
<ul style="list-style-type: none"><li>• View key data from your most recently filed tax return, including your adjusted gross income, and access transcripts or tax compliance report.</li><li>• Check your refund.</li><li>★ <b>View digital copies of certain notices from the IRS.</b></li><li>• View information about your Economic Impact payments.</li><li>• View information about your advance Child Tax Credit payments.</li><li>• View your audit status (currently available for certain audits conducted by mail).</li></ul>	<ul style="list-style-type: none"><li>★ <b>Go paperless for certain notices.</b></li><li>• Get email notifications for new account information or activity.</li><li>• Get an Identity Protection PIN (IP PIN).</li></ul>

*Source: IRS.gov Individual Online Account landing page as of July 23, 2024.*

IRS management stated they are tracking data on the number of online sessions with new notices available to view and the number of online sessions that viewed digital notices on the online account. For example, in April 2024, the IRS indicated that there were 552,768 online sessions with new notices available to view, and of these, there were 227,013 (41 percent) sessions that viewed digital notices. The IRS plans to monitor these trends, which will help in evaluating overall usage and identifying potential cost savings.

### **Improve technology so notices can be updated without coding or system changes (Key Project 3)**

In April 2024, the IRS purchased new software that will increase the efficiency of completing the digitalization process in one step. As of October 2024, the IRS has not digitalized any additional notices, and it does not plan to digitalize any notices by the end of December 2024. Therefore, the IRS will not meet its milestone goal to digitalize 200 notices by the end of December 2024.<sup>12</sup> This is because in early 2024, IRS leadership decided to pause the digitalization goal to allow time for the new software to be tested and deployed and use existing staff to meet the increased priority of making notices available online.

Without the new software, the digitalization process involves significant computer programming and multiple steps to meet accessibility standards. For example, images need to have alternative text; colors need to contrast between the foreground and background; headings need to provide structure to the content; and the hyperlink text needs to be descriptive. Due to the complexities of the process, the IRS could update and digitalize only five to seven notices per calendar year.

In our discussions with IRS management, they stated that they plan to deploy the new software by December 2024. Once deployed, the IRS plans to digitalize new or revised notices as they are added to online accounts, and as time permits, digitalize all notices that were previously added to online accounts. Using the new software, the IRS plans to ensure that all notice types

<sup>12</sup> Between November 2020 and June 2023, the IRS digitalized 26 notices.

available within online accounts will meet specific accessibility standards for taxpayers with disabilities *i.e.*, 508 compliant, by the end of CY 2026.

### **Expand digital response options (Key Project 4)**

The IRA SOP notes that the IRS will expand digital response options for taxpayers.<sup>13</sup> For example, in September 2023, the IRS expanded the Document Upload Tool (DUT) to enable taxpayers to respond to eligible notices. As of October 2024, the IRS reported that it had received more than 237,000 responses to notices/letters through the DUT. IRS management noted that since the inception of the DUT in March 2021, the IRS has surpassed almost 1.5 million responses through all the DUT tools.<sup>14</sup> With continued use of the DUT, the IRS estimates that more than 94 percent of individual taxpayers will no longer need to respond to notices via mail. This reduces the burden to process paperwork for both taxpayers and the IRS.

The DUT allows taxpayers and/or tax professionals to digitally respond to all notices through a secure online portal on IRS.gov. The DUT does not require the individual to have an online account. To use the DUT, taxpayers need their name (first and last), Taxpayer Identification Number, tax year, and an access code or a notice that requires a response.

During implementation of the DUT, IRS management noted that some taxpayers uploaded information other than a notice response into the DUT. For example, taxpayers submitted tax returns through the DUT. The IRS cannot process an original tax return received through the DUT due to the legal requirements of a signature on a paper or electronically filed tax return. Therefore, the IRS returns the tax return to the taxpayer to file via paper or electronically. To prevent this from reoccurring, the IRS added a warning stating that tax returns cannot be submitted or processed through the tool.

The IRS did not have a universal inventory management system for the DUT until July 2024. Thus, when a taxpayer submitted their notice response through the DUT, an IRS employee had to manually download and save the documents to a shared folder. Other employees would then work the document submissions in paper format. For example, Accounts Management clerks printed documents from the DUT and routed the printed document for scanning into the Correspondence Imaging Inventory. To address this inefficiency, the IRS implemented the Digital Inventory Management System in July 2024. The IRS expects that the Digital Inventory Management System will enable IRS employees to digitally receive, control, manage, and process taxpayer responses submitted through the DUT.

The IRS stated that its plans for CY 2025 include a commitment to enhancing efficiency and sustainability through the paperless processing initiative. During CY 2025, the IRS expects over 1 million digital responses via the DUT. Moving forward, the IRS plans to expand digital channels, increase taxpayer awareness of the DUT's convenience, and continue integration with the Digital Inventory Management System for more efficient and timely processing of submissions.

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<sup>13</sup> As of Feb. 1, 2024, the IRS is monitoring the status and progress of the future development of digital response options under IRA SOP Objective 1.

<sup>14</sup> The DUT was originally launched in March 2021. The IRS receives documents through Digital and Mobile Adaptive Forms, and other legacy DUTs use cases such as Taxpayer Facing Employee, Automated Questionable Credit, and Certifying Acceptance Agent.

## **The IRS expands the use of Taxpayer Digital Communication (TDC)**

In November 2022, TIGTA reported that the IRS started using the TDC in 2021 for taxpayers under review in the Small Business/Self-Employed Division's Correspondence Exam Program, Large Business and International Division's programs, or Appeals.<sup>15</sup> The TDC is another method that allows a two-way communication between the taxpayer and the IRS. Select taxpayers with secure access are sent notices offering this digital communication method.<sup>16</sup> Using the link in the notice, the taxpayer may securely upload and respond to notices.

On Sept. 25, 2023, the IRS expanded the TDC with a pilot of the 12C Letter, *Individual Return Incomplete for Processing: Form 1040 & 1040-SR*, for selected error conditions. As of the beginning of June 2024, the IRS received 6,767 responses to the 12C Letter via the TDC. The IRS plans to expand the pilot of the TDC to several more areas by December 2024. This includes delivering secure messaging for recipients of the CP2000, *Request for Verification of Unreported Income, Payments, and/or Credits*, notice via Individual Online Account. The IRS stated that its future strategy for the TDC will be focused on enterprise-wide level solutions and include integration with Enterprise Case Management. The IRS expects this to allow implementation of secure messaging faster and more efficiently across the IRS.

## **Prioritize work on notices based on needs (Key Project 5)**

The IRS's milestone goal is to develop a long-term plan that reduces competing priorities and includes all IRS notices. In October 2023, the IRS provided a draft plan that prioritized the notices requiring revisions. The process included developing criteria to rank and score each notice, ranking the criteria, and applying a weighted value to arrive at a priority order. For example, the criteria used to rank the priority order of a notice included the number of notices issued and the length of the notice. Based on our review, the plan is generally being followed in the redesign process. However, the prioritization of work continues to be affected by competing priorities. As a result, the IRS remains flexible in the plan to allow for changing priorities.

We reviewed the October 2023 draft prioritization plan and the IRS's methodology used for prioritization and determined that the various elements considered appear reasonable, the total score was correctly calculated, and the priority rankings were consistent. In our discussions with IRS management, they stated that the prioritization plan needs to be flexible and adaptable based on stakeholders' feedback regarding the clarity of notices and changing priorities. For example, the IRS's draft prioritization plan identified and ranked 233 individual notices and 199 business notices that needed to be updated as part of its transformation work around taxpayer-centric notices. In comparison, management noted that there were 317 individual and 259 business notices that needed to be updated as of February 2024. IRS management noted that new or revised notices were necessary because of tax law changes and other initiatives, such as penalty relief. In our discussion with IRS management, they noted that as of October 2024, the number of notices has grown to over 600.

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<sup>15</sup> TIGTA, Report No. 2023-30-003, [\*More Should Be Done to Increase Use and Availability of the IRS's Taxpayer Digital Communication Tools\*](#), (November 2022).

<sup>16</sup> Secure Access e-Authentication was the legacy platform that allowed users to access IRS applications. Taxpayers must now use Secure Access Digital Identity. Secure Access Digital Identity uses third parties to verify and authenticate users on behalf of the IRS.

The IRS has not updated the prioritization plan since providing the draft in October 2023. IRS management explained that the original methodology for prioritization continues to evolve throughout the process and needs to be flexible to allow for changes made by IRS leadership or due to legislation. Further, management noted that they grouped related or a series of notices for redesign instead of only relying on the position of the notice in the prioritization plan. For example, there are 18 notices in the CP01 series of notices, and the IRS redesigned all notices in this series at the same time.

### **Translate notices written in plain language to the top eight languages used by taxpayers (Key Project 6)**

The IRS identified the top eight languages as English, Spanish, Simplified Chinese, Traditional Chinese, Vietnamese, Korean, Russian, and Haitian/Creole. The IRS identified English as the most predominate language and used the Limited English Proficiency (LEP) Customer Base Report to identify the priority for the non-English languages.<sup>17</sup> According to the LEP Customer Base Report, Spanish accounts for 63 percent of the languages spoken by non-English speaking taxpayers and thus is included as 1 of the top 8 languages. The remaining 6 languages account for 16 percent of the languages spoken by non-English speaking taxpayers.<sup>18</sup>

In our discussions with IRS management in June 2024, they stated that they are redesigning notices in English. For notices with an existing Spanish version, the IRS will redesign the Spanish version as well. However, if no Spanish version of the notice exists, the IRS plans to develop those once all other notices have been redesigned in English. As of October 2024, the IRS is evaluating how it will proceed with the remaining six languages based on taxpayer needs and available funding.

### **Continued Actions Taken to Protect Taxpayer Information on Notices**

In addition to redesigning notices and expanding their availability to online accounts, the IRS is continuing to take steps to protect taxpayers' data. These actions are in response to legislation and an Office of Management and Budget memorandum that are intended to protect taxpayer information.<sup>19</sup> In addition, the Social Security Number (SSN) Fraud Prevention Act of 2017 prohibits the inclusion of SSNs on documents sent by mail unless deemed necessary.<sup>20</sup>

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<sup>17</sup> The IRS's LEP Customer Base Report aggregates and assesses information about LEP taxpayers and the services the IRS provides to them. The report uses data from the U.S. Census Bureau.

<sup>18</sup> The IRS identified approximately 67 additional languages that comprise the remaining 21 percent of non-English speaking taxpayers.

<sup>19</sup> Various laws require the protection of Personally Identifiable Information. For example, the Privacy Act of 1974 [5 U.S.C. § 552a (2018)] and the E-Government Act of 2002, Pub. L. No. 107-347, 116 Stat. 2899 require federal agencies to protect Personally Identifiable Information. Office of Management and Budget Memorandum M-07-16, *Safeguarding Against and Responding to the Breach of Personally Identifiable Information*, tasked the IRS with removal of taxpayer data on notices. Congress reiterated the IRS's responsibility in the Consolidated and Further Continuing Appropriations Act of 2015, Pub. L. No. 113-235, 128 Stat. 2130.

<sup>20</sup> Pub. L. No. 115-59, 131 Stat. 1152.

## **Increasing the security of taxpayer data by use of barcodes**

The IRS continued to minimize SSN usage on outgoing correspondence by completing different projects. As of May 2024, IRS management stated that SSNs have been removed or masked, where necessary, on all individual notices and barcodes applied in their place when applicable. IRS management also indicated that the necessary functions have access to scanners to read the barcodes.

To provide similar protections for businesses, IRS management indicated that the IRS developed computer programming on May 30, 2024, to protect Employer Identification Numbers for most business notices beginning in January 2025. The IRS noted it is finalizing the deliverables and schedule for the remaining notices, but it tentatively plans to implement the programming in July 2025.

## **Pilot to provide additional protection for Identity Protection Personal Identification Numbers (IP PIN)**

To further protect the security of taxpayer information in Filing Season 2024, the IRS piloted changes to the notice CP01A, *We assigned you an Identity Protection Personal Identification Number*. An IP PIN is a six-digit number that prevents someone else from filing a tax return using a taxpayer's SSN or Individual Taxpayer Identification Number. The IP PIN helps the IRS to verify the taxpayer's identity. For the pilot, the IRS mailed notice CP01A in three formats: envelope, trifold self-mailers, and bifold self-mailers to obtain taxpayer feedback on the security and preference on the format of the mailers.

As of July 2024, the IRS issued over 5.3 million CP01A notices for the Filing Season 2024 pilot. The IRS equally distributed these notices to taxpayers between the 3 formats and included a survey in 15,000 of the redesigned notices to assess the effectiveness of the pilot. However, the number of taxpayers who responded to the survey was low and did not provide conclusive results. Therefore, the IRS plans to partner with a nationwide tax preparer that agreed to provide a survey to its clients through its newsletter. The IRS expects to receive results by January 2025.



## **Appendix I**

### **Detailed Objective, Scope, and Methodology**

The overall objective of this audit was to assess the IRS's efforts to update and modernize taxpayer notices including expanding the taxpayer's ability to electronically receive and reply to notices. To accomplish our objective, we:

- Assessed the IRS's progress meeting the milestones for each key project from the IRA SOP Initiative 2.3.
- Assessed the accuracy and completeness of the notice prioritization plan.
- Assessed the IRS's efforts to improve the efficiency of the notice redesign process.
- Evaluated the IRS's efforts to expand electronic notices provided on IRS online accounts.
- Evaluated the IRS's efforts to expand electronic response options to notices.

#### **Performance of This Review**

This review was performed with information obtained from the Transformation and Strategy Office located in Washington, D.C., during the period November 2023 through October 2024. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major contributors to the report were Diana M. Tengesdal, Assistant Inspector General for Audit (Returns Processing and Account Service); Darryl Roth, Director; Jennifer Bailey, Audit Manager; Brieane Hamaoka, Lead Auditor; Cally Sessions, Lead Auditor; and Stacy Spencer, Auditor.

#### **Internal Controls Methodology**

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: IRS processes and procedures to assess IRA SOP key projects and milestones and monitor the progress of key projects. We evaluated these controls by reviewing the Internal Revenue Manual, meeting with IRS management, and reviewing relevant documentation provided by the IRS.

## **Appendix II**

### **Management's Response to the Draft Report**



Transformation & Strategy Office

**DEPARTMENT OF THE TREASURY**  
INTERNAL REVENUE SERVICE  
WASHINGTON, DC 20224

January 13, 2025

MEMORANDUM FOR DANNY R. VERNEUILLE  
ACTING DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: David A. Padrino  
David Padrino Padrino  
Transformation and Strategy Officer

Digitally signed by David  
A. Padrino  
Date: 2025.01.13  
10:22:59 -05'00'

SUBJECT: Draft Audit Report – Inflation Reduction Act: Progress Is Being  
Made to Improve Content of and Expand Digital Delivery and  
Response Options for Taxpayer Notices (Audit No.:  
2024408030)

Thank you for the opportunity to review and comment on the subject draft audit report. We appreciate the Treasury Inspector General for Tax Administration's (TIGTA) recognition of IRS' progress to date in developing taxpayer-centric notices.

As noted in TIGTA's report, the IRS published the Inflation Reduction Act (IRA) Strategic Operating Plan (SOP) in April 2023, that highlights five objectives intended to provide IRS' vision for the future of tax administration that meets the evolving needs of taxpayers. Within the first year of implementing the SOP, the IRS converted the strategic vision laid out in the SOP into an Enterprise Integrated Roadmap (Roadmap). The Roadmap is an implementable plan that can be executed and managed effectively, ensuring alignment across the IRS on expected timelines and prioritized outcomes, and delivering impactful improvements for taxpayers. These improvements include how we communicate with taxpayers.

With IRA funding, the IRS is focused on improving communications with taxpayers by making IRS notices easier to understand and providing online access to those who choose to engage with the IRS electronically. Notices and notifications issued via mail or, more recently via online accounts, remain one of the most critical methods the IRS has for engaging taxpayers.

We are diligently working to make notices available to taxpayers online and offer a seamless way to digitally respond back to the IRS. The IRS increased the number of individual taxpayer notices available on IRS online accounts to 285, which is a significant increase from 26. Additionally, we successfully redesigned and deployed the

200 notices in 2024 per our plan, while also making significant progress on approximately 80 more redesigns putting us on a strong path to meet our 2025 targets for redesign and deployment. In September 2023, we expanded the Document Upload Tool (DUT) to allow for taxpayers to digitally respond back on all eligible notices. As of October 2024, the IRS has received more than 237,000 taxpayer responses to notices through this tool since its expansion. Since the inception of the DUT in March 2021, we have now surpassed almost 1.5 million responses through all DUT tools through the October 2024 timeframe.

While much has been accomplished, additional work is needed to prepare for priority efforts and key results we plan to deliver over the next two years. In September 2024, we updated the Roadmap to include goals for upcoming years. For filing season 2025, 200 notices will be redesigned that make up about 90 percent of the total notice volume sent to individual taxpayers. We also plan to begin migrating notices to new software that will increase efficiency of digitalizing notices so that they're available within online accounts, in a format that meets specific accessibility standards for taxpayers with disabilities *i.e.*, 508 compliant. By the end of CY 2026, we expect to have all individual notices redesigned and deployed for online accounts.

The IRA funding has allowed the IRS to make major investments in the people, programs, and technology needed to deliver these improvements to the taxpayer experience, and ongoing stable funding will allow us to continue to meet our goals.

If you have any questions, please contact me, or a member of your staff may contact Sheila Eason, Director, Strategic Integration at 240-613-1799.

## **Appendix III**

### **Glossary of Terms**

<b>Term</b>	<b>Definition</b>
Automated Questionable Credit Document Upload Tool	Provides taxpayers the ability to digitally respond to automated notices and letters issued for questionable credits.
Certifying Acceptance Agent Document Upload Tool	Provides taxpayers the ability to digitally upload applications including supporting documentation received and authenticated by an individual or entity authorized by the IRS to assist taxpayers.
Correspondex Letters	A system that sends letters to taxpayers, other government agencies, tax practitioners, <i>etc.</i> The letters give IRS employees flexibility to choose from selective paragraphs and create numerous “fill-ins” to communicate accurately and professionally.
Digital and Mobile Adaptive Forms	Adaptive Forms provide an intuitive, user-guided experience that walks taxpayers through each step with helpful guidance and significantly reduces the end-to-end processing time.
Digitalization	The process of making the digital format of the notice online interactive to meet specific accessibility standards for taxpayers with disabilities. The accessibility standards were established under Section 508 of the Rehabilitation Act of 1973 [Pub. L. No. 93-112, 87 Stat. 355 (codified as amended in scattered sections of 29 U.S.C and 31-41c U.S.C.)] that was amended in 1998.
Enterprise Case Management	An enterprise-wide solution comprised of data-driven applications and services that will streamline processes and reduce the number of duplicate applications related to case management.
Social Security Number	A nine-digit number issued to an individual by the Social Security Administration. The IRS uses this number to process tax documents and returns.
Taxpayer Facing Employee Document Upload Tool	Provides taxpayer facing employees the ability to enable taxpayers they have live interactions with to access the DUT.
Two-Dimensional Barcode	A self-contained message with information encoded in the widths of bars and spaces in a printed pattern that is easily read and printed by a machine with a unique number assigned to each property asset for identification purposes.

## **Appendix IV**

### **Abbreviations**

CP	Computer Paragraph
CY	Calendar Year
DUT	Document Upload Tool
IP PIN	Identity Protection Personal Identification Number
IRA	Inflation Reduction Act of 2022
IRS	Internal Revenue Service
LEP	Limited English Proficiency
PDF	Portable Document Format
QR Code	Quick-Response Code
SOP	Strategic Operating Plan
SSN	Social Security Number
TDC	Taxpayer Digital Communication
TIGTA	Treasury Inspector General for Tax Administration



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

**To make suggestions to improve IRS policies, processes, or systems  
affecting taxpayers, contact us at [www.tigta.gov/form/suggestions](http://www.tigta.gov/form/suggestions).**

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