TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Trends in Compliance Activities Through Fiscal Year 2023

July 10, 2025

Report Number: 2025-300-031

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HIGHLIGHTS: Trends in Compliance Activities Through Fiscal Year 2023

Final Audit Report issued on July 10, 2025 | **Report Number 2025-300-031**

Why TIGTA Did This Audit

This audit was initiated to provide various statistical information regarding Collection and Examination function activities as they relate to the IRS's efforts to bring taxpayers into compliance with their tax obligations. We conduct this review annually in response to continuing stakeholder interest in the analysis and trending of IRS civil enforcement activities. In previous years, we reported on general nationwide enforcement statistical trends. However, this year we have focused on analyzing a variety of statistics associated with increased IRS funding in the Inflation Reduction Act (IRA). The IRS initially received $79.4 billion from the IRA. However, as of March 2025, Congress subsequently reduced IRA funding to $37.6 billion with all reductions coming from enforcement funding.

Impact on Tax Administration

This report is a compilation of statistical information reported by the IRS. The data presented in this report provide taxpayers and stakeholders with information about how the IRS focuses its compliance resources and the impact of those resources on revenue and compliance over time, along with the IRS's progress on its IRA Strategic Operating Plan objectives.

What TIGTA Found

During Fiscal Year (FY) 2023, U.S. taxpayers filed more than 163 million individual and 13 million business income tax returns. Filings for all types of tax returns resulted in approximately $4.7 trillion of total tax revenue collected during FY 2023, about $207 billion less than FY 2022.

In FY 2023, $10.1 billion in enforcement revenue was collected by the Automated Collection System, resulting in an average of $3.1 million collected by each Automated Collection System employee. Additionally, Field Collection collected a total of $5.9 billion, resulting in an average of about $2.9 million collected by each Field Collection employee.

The total proposed additional tax after examinations increased from about $12.9 billion in FY 2020 to $31.9 billion in FY 2023. High-income taxpayer and partnerships audits steadily increased from FY 2020 to FY 2023, but large corporation audits decreased due to the IRS's focus on partnerships and high-income individuals. In FY 2023, the Field Examination function proposed $24.1 billion in additional tax after examination, resulting in an average of about $3.4 million in proposed adjustments by each field examination employee. A total of $7.8 billion in additional tax after examination was proposed by Correspondence examinations, resulting in an average of $2.6 million in proposed adjustments by each correspondence examination employee.

With IRA funding, the IRS began plans to increase its enforcement workforce. While the total Field Collection, Campus Collection, and Examination staff decreased from 18,472 employees in FY 2020 to 17,475 in FY 2023 due to attrition, the IRS hired 4,048 revenue officers and revenue agents in FY 2024. However, in January 2025, a Presidential Memorandum implemented a hiring freeze and subsequently commenced early retirement initiatives for federal employees. In February 2025, the IRS began reductions in force and reorganization plans as part of a federal-wide effort to shrink government. Although the IRS made substantial progress with its hiring goals in FY 2024, the rescissions of funds, hiring freeze, and future reductions in force will present a challenge to enforcing the nation's tax laws.

What TIGTA Recommended

We made no recommendations in this report. IRS officials were provided an opportunity to review the draft report and did not provide any comments.

U.S. DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20024

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

July 10, 2025

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

Diana M. Tengesdal

FROM: Diana M. Tengesdal
Acting Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Trends in Compliance Activities Through Fiscal Year 2023 (Audit No.: 2024300011)

This report presents the results of our review to provide various statistical information regarding Collection and Examination function activities as they relate to the Internal Revenue Service's (IRS) efforts to bring taxpayers into compliance with their tax obligations. This review was part of our Fiscal Year 2024 Annual Audit Plan and addresses the major management and performance challenge of *Tax Compliance and Enforcement*.

Although we made no recommendations in this report, we provided IRS officials an opportunity to review the report. IRS management did not provide us with any report comments. If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

Table of Contents

Background

Given the responsibility for administering the nation's tax code, the Internal Revenue Service (IRS) must consider its mission in planning and executing various legislative changes, as well as in evaluating its performance and the results of its programs. The IRS's mission is to:

> *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.*

We conduct an annual review of the IRS's fiscal year-end nationwide compliance statistics for the Examination, Independent Office of Appeals (Appeals), and Collection functions' activities. In previous years, we reported on general nationwide enforcement statistical trends.[1] This year's review focused on analyzing enforcement activities for the Fiscal Years (FY) 2020 through 2023. Additionally, we analyzed statistics associated with increased IRS funding in the Inflation Reduction Act (IRA), specifically as it relates to those initiatives for enforcement.[2] The IRS initially received $79.4 billion from the IRA; however, as of March 2025, Congress subsequently reduced IRS IRA funding to $37.6 billion, reducing the enforcement allocation to $3.8 billion.[3]

Taxpayers who do not meet their tax filing and payment obligations contribute to the Tax Gap. The IRS projected a $696 billion gross Tax Gap for Tax Year (TY) 2022. The Tax Gap estimate is comprised of three components: nonfiling ($63 billion), underreporting ($539 billion), and underpayment ($94 billion).[4]

The IRS IRA Strategic Operating Plan (IRA Plan) outlined the delivery of transformational changes for taxpayers.[5] The IRS promised to transform itself for taxpayers through five general objectives:

1. Improve services to help taxpayers meet their obligations and receive the tax incentives for which they are eligible.
2. Resolve taxpayer issues when they arise.
3. Focus expanded enforcement on taxpayers with complex tax filings and high-dollar noncompliance to address the Tax Gap.
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.

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[1] See Appendix II for the glossary of terms.

[2] Pub. L. No. 117-169, 136 Stat. 1818.

[3] The Fiscal Responsibility Act of 2023 (Pub. L. No. 118-5, 137 Stat. 10) rescinded $1.4 billion; the Further Consolidated Appropriations Act, 2024 (Pub. L. No. 118-47, 138 Stat. 460) rescinded $20.2 billion; and the Full-Year Continuing Appropriations and Extensions Act, 2025 (Pub. L. No. 119-4) rescinded another $20.2 billion. Each of these rescissions reduced the amount of enforcement funding.

[4] Publication 5869, *Federal Tax Compliance Research: Tax Gap Projections for Tax Year 2022* (October 2024).

[5] IRS Publication 3744, *Internal Revenue Service Inflation Reduction Act Strategic Operating Plan FY 2023 – 2031* (Rev. April 2023).

In May 2024, the IRS released the 2024 IRA Strategic Operating Plan Annual Update Supplement which provided updated information on the IRS's plans for Fiscal Years (FY) 2024 and 2025.[6] We used nationwide data from IRS information systems that focused on identifying changes and trends in IRS data primarily associated with the IRA Plan's five general objectives.[7]

The IRS outlined in the IRA Plan how it would use IRA funding to better serve taxpayers, tax professionals, and the broader tax system. This included efforts to improve the taxpayer experience through better customer service, develop clearer guidance on how to correctly file taxes, increased options for filing electronically, and robust online accounts that allow taxpayers to independently address their tax issues. Funding was also to be used to gain deeper insights into the Tax Gap through data analytics and improved understanding of voluntary compliance. Further, IRA funding was intended to expand enforcement coverage of taxpayers with complex filings and high-dollar noncompliance.

However, in January 2025, a Presidential Memorandum implemented a hiring freeze.[8] In February 2025, the IRS began reductions in force and reorganization plans as part of a federal-wide effort to shrink government.[9] These measures included permitting eligible employees to resign under the Deferred Resignation Program (DRP), issuing termination notices to probationary employees, and commencing early retirement initiatives for federal employees. According to a recent TIGTA report, more than 11,000 IRS employees (or 11 percent of the IRS workforce) were either approved for the DRP or received termination notices during their probationary period (as of March 2025).[10] Further resignations are anticipated after the Department of Treasury offered a second DRP (DRP 2.0) on April 5, 2025.

The IRS believed that IRA investments in service, technology, and enforcement efforts would significantly improve its ability to address the Tax Gap. However, the IRS's ability to move forward with these efforts is uncertain considering the IRA enforcement funding decrease, along with recent government-wide cost cutting initiatives. The effects of these cuts will be analyzed in future reviews of IRS compliance statistics.

Results of Review

Although Taxpayers Paid Less in Taxes in Fiscal Year 2023 Than in the Prior Year, Revenue Collected Rose Significantly from Fiscal Year 2020

During FY 2023, the IRS received approximately 271 million returns and forms from taxpayers, an increase of nearly 9 million from FY 2022. These filings resulted in approximately $4.7 trillion

[6] IRS Publication 3744-A, *IRA Strategic Operating Plan Annual Update Supplement* (Rev. April 2024).

[7] Most of the calculations throughout the report are affected by rounding. Most initial calculations were performed using the actual numbers rather than the rounded numbers that appear in the report. Much of the data included in this report update prior TIGTA reports on compliance trends.

[8] *Hiring Freeze*, 90 Fed. Reg. 8247 (January 2025).

[9] Memorandum to Heads of Executive Departments and Agencies, *Guidance on Agency RIF and Reorganization Plans Requested by Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative* (February 2025).

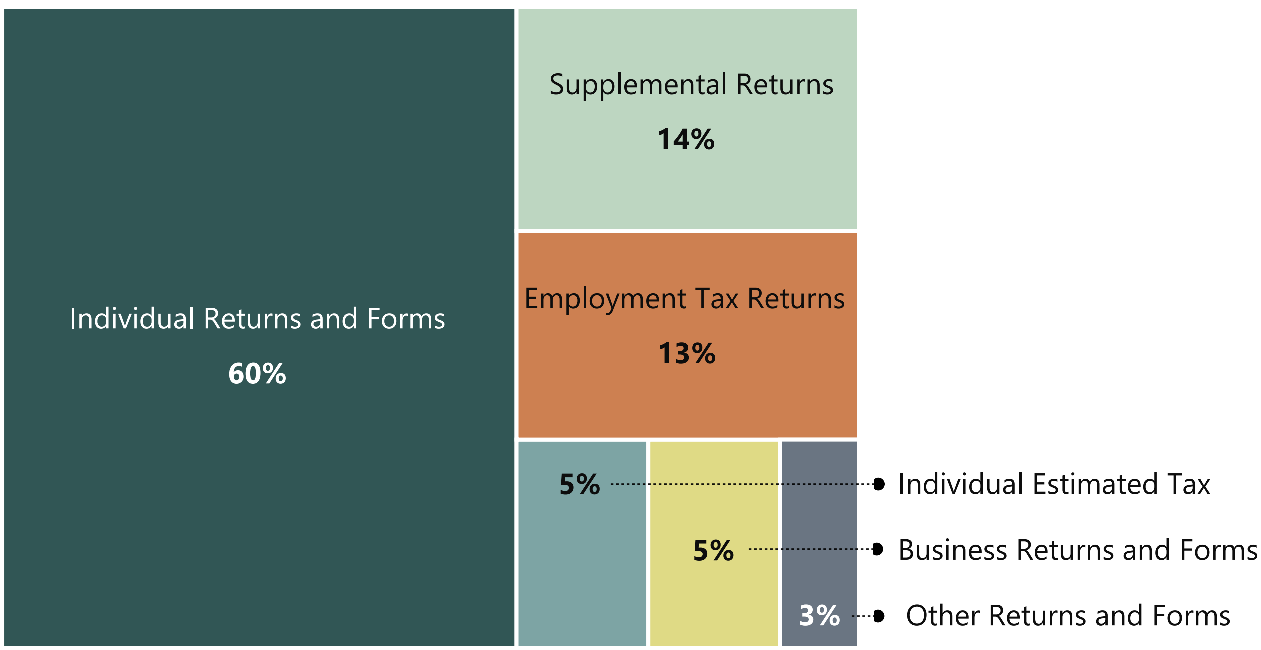
[10] TIGTA Report No. 2025-IE-R017, Snapshot Report: IRS Workforce Reductions as of March 2025 (May 2025).

of total federal tax revenue, which was about $207 billion less than in FY 2022, yet a significant increase from FY 2020. Taxpayers filed more than 163 million individual (60 percent of total returns and forms) and 13 million business (5 percent of total returns and forms) income tax returns and forms. The IRS also received about:

- 39 million supplemental documents (14 percent),
- 36 million employment tax returns (13 percent),
- 12 million individual estimated tax forms (5 percent) (Form 1040-ES, *Estimated Tax for Individuals*); and
- 7.5 million other forms (3 percent), *i.e.*, estate and trust, estate and gift tax, excise tax, and tax exempt forms.[11]

Figure 1 shows the returns and other forms filed in FY 2023.

Figure 1: FY 2023 Returns and Other Forms Filed

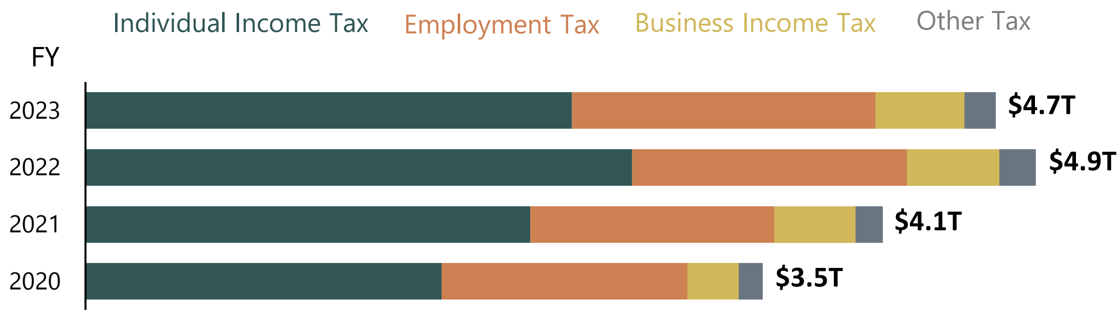


Source: FY 2023 IRS Data Book. Percentages calculated were based on rounded figures and may not reflect exact totals.

See Figure 2 for gross collections by type of tax for FYs 2020 through 2023.

[11] Supplemental documents include other documents such as adjusted returns and filing extensions, *e.g.*, Form 941-X, *Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund;* Form 943-X, *Adjusted Employer's Annual Federal Tax Return for Agricultural Employees or Claim for Refund*; Form 1040-X, *Amended U.S. Individual Income Tax Return*; and Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*.

Figure 2: Gross Collections by Type of Tax for FYs 2020 Through 2023[12]



Source: Analysis of the FYs 2020 through 2023 IRS Data Books.

Events that affected compliance efforts from FYs 2020 through 2023

Legislative changes often have an impact on both voluntary compliance and the IRS's ability to reduce the Tax Gap through its compliance functions. The Congressional Budget Office reported that the disruptions stemming from the pandemic would further reduce the IRS's ability to enforce tax laws.[13] In March 2020, the IRS announced the People First Initiative that included a series of steps to help taxpayers by offering temporary relief on a variety of issues ranging from easing payment guidelines to postponing compliance actions from April to July 2020. The People First Initiative also paused many enforcement activities during the April to July 2020 period. Specifically, the IRS:

- Suspended new notices of liens and levies.
- Stopped new field or correspondence examinations, with some exceptions.
- Extended deadlines to make monthly payments on existing installment agreements.
- Extended deadlines for submitting supporting documentation for Earned Income Tax Credit (EITC) claims.

In addition, the closure of IRS facilities during this time interrupted the processing of paper correspondence from taxpayers, including documents related to audit and collection activities. The IRS also closed the walk-in Taxpayer Assistance Centers (TAC) during the pandemic, limiting the resources available to help taxpayers comply with the law. These closures also hindered taxpayers seeking assistance with new issues from recent legislative and administrative changes as well as taxpayers whose issues predated the pandemic. The Taxpayer Advocate Service also suspended face-to-face meetings and limited assistance to telephone only. However, in October 2023, the IRS announced the reopening of 50 TACs. Additionally, the IRS held Community Assistance Visits in seven remote locations, from June 2023 through

[12] The total of "Other" consists of estate and trust income tax, estate tax, gift tax, and excise tax.

[13] Congress of the United States, Congressional Budget Office, *Trends in the Internal Revenue Service's Funding and Enforcement* (July 2020).

September 2023, to give taxpayers in hard-to-reach areas an opportunity to meet face-to-face with IRS customer service representatives.[14]

Due to the unprecedented effects of the pandemic, the IRS temporarily stopped mailing automated reminders to pay overdue tax bills in February 2022, as well as intermittently pausing lien and levy issuances. However, in December 2023, the IRS announced that it would resume collection notice activity, and subsequent collection enforcement, for tax years prior to 2022 through its Automated Collection System (ACS). The IRS also announced it would provide about $1 billion in failure-to-pay penalty relief for approximately 4.7 million taxpayers to help ease their return to this process.[15] The IRS issued reminder letters in January 2024, notifying taxpayers of their liabilities and the penalty relief applied, if eligible.

We conducted an audit evaluating the actions taken under the People First Initiative and identified 89,338 Notices and Demand reflecting balances due even though taxes were not actually owed due to a filing date extension.[16] While some errors were identified, we concluded that the IRS effectively provided relief to taxpayers. For example, the IRS did not default any installment agreements and taxpayers unable to comply were able to suspend payments. In addition, TIGTA reviewed the issuance of levies performed by the Collection function and found that the majority of the levies were effectively suspended with no new levies issued. TIGTA also found that no systematic Notice of Federal Tax Liens requests were filed. Lastly, TIGTA statistically reviewed examinations that were started during the April to July 2020 period and found that most of these new examinations were appropriately delayed or were deemed necessary to protect the Government's interest in preserving the statute of limitations.

New legislation, such as the Families First Coronavirus Response Act (hereafter referred to as Families First Act) and the Coronavirus Aid, Relief, and Economic Security (CARES) Act, increased demand for IRS resources.[17] The Families First Act added tax credits for paid sick, family, and medical leave. The CARES Act added numerous provisions, including the Employee Retention Credit for businesses that closed due to the pandemic. Since then, there has been a surge in aggressive advertising from promoters exaggerating Employee Retention Credit eligibility claims. In September 2023, the IRS placed a moratorium on processing new Employee Retention Credit claims due to a surge in the volume of suspicious claims from unscrupulous actors. We found the IRS changed filters, resulting in some returns not being flagged by identify theft filters and others not considered for possible prerefund examination.[18]

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[14] Community Assistance Visits consist of temporary TACs that provide taxpayers from underserved areas opportunities to meet face-to-face with IRS assistors. The IRS opened these locations in seven states. See IRS News Release IR-2023-194, *IRS launches new initiatives using Inflation Reduction Act funding to ensure large corporations pay taxes owed; continues to improve service and modernize technology with launch of business tax account* (October 2023).

[15] The penalty relief will apply to taxpayers: (1) with assessed tax under $100,000 in TYs 2020 and 2021, and (2) who were in the IRS collection notice process or had received an initial balance due notice between February 5, 2022, and December 7, 2023.

[16] TIGTA Report No. 2021-36-060, *People First Initiative Actions Helped Taxpayers During the Pandemic; However, Many Taxpayers Received Inaccurate Collection Notices* (September 2021).

[17] Pub. L. No. 116-127, 134 Stat. 178 (2020) (codified in scattered sections of 7, 26, 29, and 41 U.S.C.) (Families First Act); Pub. L. No. 116-136, 134 Stat. 281 (2020) (codified as amended in scattered sections of 2, 5, 12, 15, 20, 21, 29, 42, and 45 U.S.C.) (CARES Act).

[18] TIGTA, Report No. 2024-400-068, *Management Took Actions to Address Erroneous Employee Retention Credit Claims; However, Some Questionable Claims Still Need to Be Addressed* (September 2024).

The American Rescue Plan Act provided nearly $1.9 trillion in stimulus funding to speed up the country's economic recovery from the pandemic.[19] The legislation temporarily expanded the Child and Dependent Care Credit and the self-only EITC for TY 2021. These changes made over 9.1 million families eligible for the Child and Dependent Care Credit for TY 2021 compared to only 6.5 million families claiming the credit prior to the expansion. Refundable tax credits can result in taxpayers having their tax reduced to zero and any unused credit refunded. As such, they provide an opportunity for those seeking to defraud the government. We found potentially erroneous Child and Dependent Care Credits going to invalid care provider Taxpayer Identification Numbers.[20] Additionally, we identified electronically filed tax returns that did not meet the requirements for self-only EITC, but received the credit. As of September 2023, the IRS issued more than 15 million refunds claiming the refundable Child and Dependent Care Credit totaling more than $28.8 billion.

Resources and the impact on enforcement revenue

From FY 2020 through FY 2023, the IRS's budget increased 7 percent, from about $11.5 billion to $12.3 billion. However, Figure 3 shows that during this period, funding for each of the IRS's main budget activities and the number of full-time equivalent (FTE) employees varied.[21]

Figure 3: Change in Budget Allocation (in billions) and FTE Employees by Budget Activity for FY 2020 and FY 2023

Budget Activity			% Change	FTE Employees		% Change
	FY 2020	FY 2023		FY 2020	FY 2023	
Taxpayer Services	$2.5B	$2.8B	10%	26,760	26,881	0%
Enforcement	$4.9B	$5.4B	11%	35,388	34,340	-3%
Operations Support	$3.9B	$4.1B	6%	11,970	11,406	-5%
Business Systems Modernization	$180M	$0	-100%	426	0	-100%
Totals	**$11.5B**	**$12.3B**	**7%**	**74,544**	**72,627**	**-3%**

Source: IRS Congressional Budget Justification and Annual Performance Report and Plan FYs 2021 and 2024. Percentages may not calculate due to rounding.

Figure 3 reflects a funding increase from FY 2020 to FY 2023, but the funding increase did not result in corresponding increases in the number of FTE employees. For example, the budget amount for the IRS's Enforcement functions increased by 11 percent, but the number of FTE employees decreased by 3 percent. In FY 2023, the Large Business and International (LB&I) and Small Business/Self-Employed (SB/SE) Divisions experienced challenges in hiring revenue agents

[19] Pub. L. No. 117-2, 135 Stat. 4 (codified in scattered sections of 7, 12, 15, 19, 20, 26, 29, 42, and 45 U.S.C.).

[20] TIGTA, Report No. 2023-47-037, *American Rescue Plan Act: Assessment of the Expanded Child and Dependent Care and Earned Income Tax Credits* (June 2023).

[21] Specific hiring for Collection and Examination activities is discussed later in this report under IRA Objective 5.

for high-income taxpayer audits because hiring was paused for most of FY 2023 while the IRS conducted a mandated revenue agent position classification review.[22]

In FY 2020, the $180 million enacted budget for the Business Systems Modernization (BSM) funded a total of 426 FTE employees. However, no funds were appropriated to this activity for FY 2023. Instead, it was funded through IRA funding. The budget allocation for Taxpayer Services increased 10 percent but Taxpayer Services FTE employees remained flat. Overall, the IRS ended FY 2023 with 72,627 FTE employees, a 3 percent decrease from the number of FTE employees in FY 2020.

The FTE number represents the total number of regular straight-time hours worked (*i.e.*, not including overtime or holiday hours worked) by employees divided by the number of compensable hours applicable to each fiscal year.[23] Consequently, the IRS's FTE employee number shown in Figure 3 understates the number of employees on-rolls because the IRS was using IRA funds to hire throughout FY 2023. While the FTE employee number at the end of FY 2023 was 72,627, the IRS had 90,451 employees on-rolls at the end of FY 2023, indicating that the IRS was in the process of successfully hiring new employees. At the end of FY 2024, the IRS had 83,711 FTE employees while the number of employees on-rolls were 100,433. As previously stated, IRS staffing has been reduced and will continue to be reduced through a combination of reductions-in-force, and other government-wide cost reduction initiatives.

In March 2025, and as shown in Figure 4, we reported that the IRS spent approximately $9 billion of its IRA funds as of September 30, 2024.[24]

Figure 4: IRA Funding Levels, Subsequent Recissions, and Funds Expended for FYs 2022 through 2024

Budget Activity	IRA Authorized Funding Level	IRA Funding After Recissions	IRA Funds Expended (FYs 2022 through 2024)
Taxpayer Services	$3.2B	$3.2B	$1.3B
Enforcement	$45.6B	$3.8B	$1.6B
Operations Support	$25.3B	$25.3B	$4.0B
BSM	$4.8B	$4.8B	$2.0B
Energy Security	$500M	$500M	$59.1M
Direct e-file	$15.0M	$15.0M	$11.6M
Totals	**$79.4B**	**$37.6B**	**$9.0B**

Source: IRS Congressional Budget Justification and Annual Performance Report and Plan for FY 2025 and information provided by the Office of the Chief Financial Officer.

[22] TIGTA, Report No. 2023-30-054, *The IRS Needs to Leverage the Most Effective Training for Revenue Agents Examining High-Income Taxpayers* p. 9 (August 2023).

[23] OMB Circular A-11. Section 85, p. 1 (2024).

[24] TIGTA, Report No. 2025-IE-R014, *Quarterly Snapshot: The IRS's Inflation Reduction Act Spending Through September 30, 2024*, p. 5 (March 2025).

The IRS's Collection Function Compliance Activities Made Progress on Quickly Resolving Taxpayer Issues When They Arose

The IRS attempts to quickly resolve taxpayer issues as they arise to prevent their recurrence. Through investments in data management and taxpayer communication tools, the IRS aims to offer more accessible ways to resolve issues and allow clearer communication with taxpayers who may owe taxes or have missed credits or deductions. Some of these key initiatives that relate to Objective 2 in the IRA Plan are:

- Offer proactive debt resolution.
- Expand engagement with nonfilers.

Collection Function Compliance Activities

The stated mission of the IRS's SB/SE Division Collection function is to provide taxpayers with top quality pre- and post-filing services by helping them understand and comply with all applicable tax laws and by applying the tax laws with integrity and fairness. The Collection function includes the following groups: Campus Collection, Field Collection, Headquarters Collection, Planning and Performance Analysis, Specialty Collection-Insolvency, and Specialty Collection-Offer in Compromise.

Campus Collection oversees a variety of major programs to assist taxpayers with paying their tax obligations, including the:

- ACS.
- Delinquent Return Program.
- Balance Due Program.
- Installment Agreement Programs.
- Nonfiler Programs, *e.g.*, Automated Substitute for Return (ASFR).

The ACS Program was created to provide taxpayers or their representatives with the opportunity to resolve delinquent tax obligations with a single telephone contact. As part of this program, the ACS computer system was set up to control these accounts and to provide employees with the capability to take a wide range of actions to resolve cases in an efficient and equitable manner that is in the best interest of both the taxpayer and the IRS. According to data provided by the IRS, there were 3,270 ACS employees that collected a total of about $10.1 billion in enforcement revenue in FY 2023. Using these figures, we calculated that each ACS employee collected an average of approximately $3.1 million in FY 2023.[25]

In contrast, Field Collection receives the most complex cases because its employees (revenue officers) have the legal and financial training to work cases that are considered high risk. Revenue officers work with taxpayers to bring them into compliance by obtaining delinquent returns and payments on past due tax delinquencies or establishing payment plans. When necessary, revenue officers take enforcement actions such as levies, Notice of Federal Tax Lien filings, or seizures of property. According to data provided by the IRS, as of September 2023,

[25] This figure represents a general estimate of the average collections per ACS employee and does not account for the experience level of employees or other factors that may impact enforcement revenue collected, such as changes in the economy. The IRS agreed with this calculation.

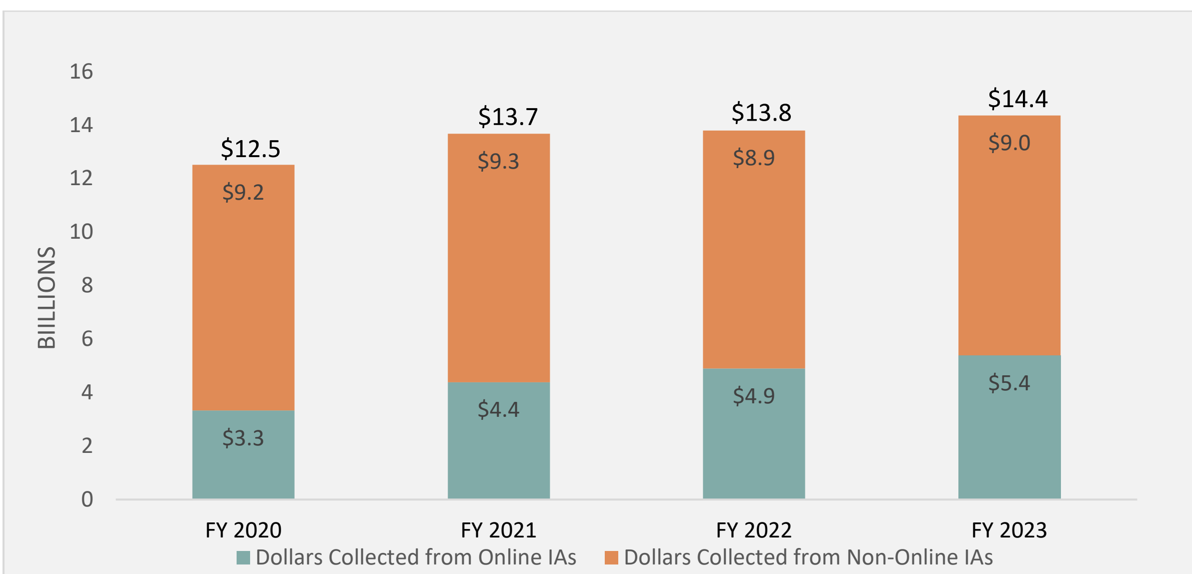
there were 2,009 revenue officers working active inventory, and in FY 2023, they collected a total of $5.9 billion. Using these figures, we calculated that each revenue officer collected an average of about $2.9 million during FY 2023.[26]

Collections have increased, along with a steady increase in taxpayers using the Online Payment Agreement system

Although progress has been made, the IRS has an opportunity to expand the use of online installment agreements to quickly resolve taxpayer issues. In FY 2023, about 50 percent of new installment agreements were created using the Online Payment Agreement system. Additionally, the total dollars collected online made up approximately 38 percent of the total dollars collected during the fiscal year. The IRS attributes the steady increase in the Online Payment Agreement system to new online self-service functionality, more communication, and increased taxpayer interest in using online self-service options. The IRS seeks to provide proactive debt resolution by offering a variety of options for taxpayers seeking resolution of their past-due balances through alternative payment arrangements, such as short-term payment plans and installment agreements.

Figure 5 shows the overall installment agreement dollars collected increased by approximately 15 percent, from about $12.5 billion in FY 2020 to $14.4 billion in FY 2023. Additionally, the figure shows payments through the Online Payment Agreement system increased by approximately 62 percent, with the total dollars collected increasing from about $3.3 billion in FY 2020 to approximately $5.4 billion in FY 2023.

Figure 5: Dollars Collected From All Installment Agreements and the Online Payment Agreement System Slightly Increased From FY 2020 Through 2023



Source: Collection Activity Report for FYs 2020 through 2023. IAs = Installment Agreements.

The Online Payment Agreement system allows taxpayers to apply for a payment plan to pay off outstanding balances over time. Overall, the number of newly established installment

[26] This figure represents a general estimate of the average collections per revenue officer and does not account for the experience level of employees or other factors that may impact enforcement revenue collected, such as changes in the economy. The IRS agreed with this calculation.

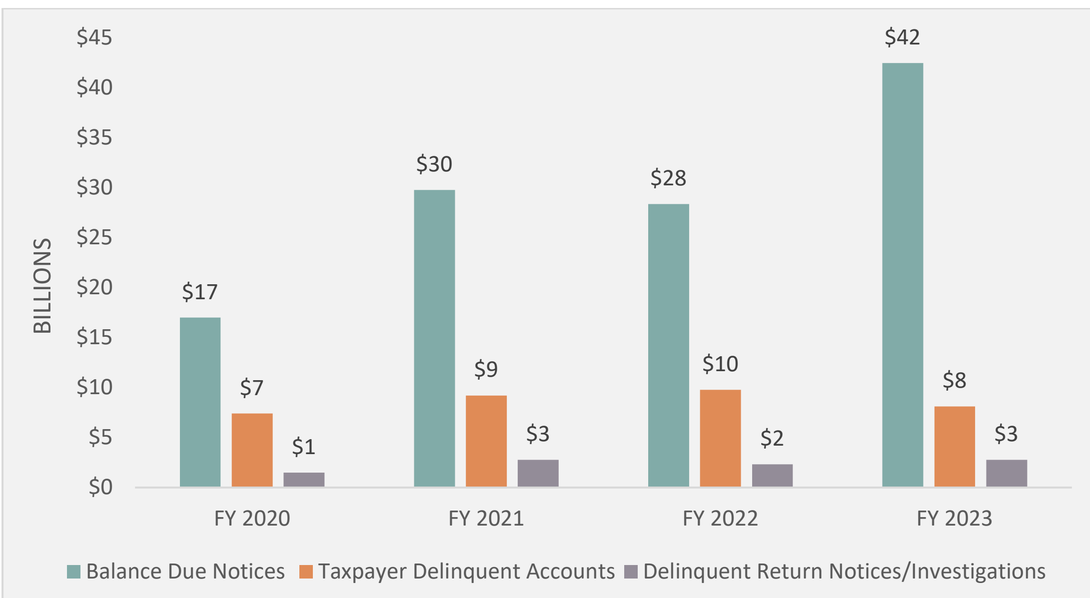
agreements increased from approximately 1.8 million in FY 2020 to 2.7 million in FY 2023, with the number of new installment agreements created online increasing from about 719,000 in FY 2020 to 1.4 million in FY 2023.

Figure 6 shows the dollars collected under the following Collection modules:

- Balance Due Notices.
- Taxpayer Delinquent Accounts.
- Delinquent Return Notices/Investigations.

Figure 6 also shows that payments from balance due notices increased substantially, from about $17 billion in FY 2020 to about $42 billion in FY 2023. The IRS explained that most of the increase occurred once the hold on the balance due notices ended after the pandemic. Most of the payments occurred after the first notice letters were issued to individuals and businesses. The dollars collected from the delinquent accounts and returns remained constant from FYs 2020 through 2023.

Figure 6: Dollars Collected From Balance Due Notices Substantially Increased, While Dollars Collected From Taxpayer Delinquent Accounts and Delinquent Returns Generally Remained Unchanged



Source: Collection Activity Report for FYs 2020 through 2023.

The dollars collected from balance due notice modules paid in full increased by approximately 147 percent, from about $17 billion in FY 2020 to $42 billion in FY 2023. However, the dollars collected from taxpayer delinquent accounts and return notice modules increased slightly from $7 billion in FY 2020 to $8 billion in FY 2023 and from $1 billion in FY 2020 to $3 billion in FY 2023, respectively. The IRS identified an increase in paid balance due notices and the pause on the progression of balance due notices to Taxpayer Delinquent Accounts as factors that may have contributed to the increase.

The number of nonfiler cases closed and dollars assessed decreased in FY 2023

From FYs 2020 through 2023, additional assessments from closed nonfiler cases decreased, from $5.6 billion in FY 2020 to $1.1 billion in FY 2023. However, the IRS started a new nonfiler program in February 2024 focusing on high-income taxpayers. Figure 7 shows the number of ASFR cases (a compliance program that allows the IRS to file tax returns for taxpayers based on information the IRS possesses about the taxpayers' incomes) closed with and without taxpayer contact and additional assessments made for FYs 2020 through 2023.[27]

Figure 7: Closed ASFR Cases and Additional Assessments Significantly Decreased From FY 2020

	FY 2020	FY 2021	FY 2022	FY 2023	Change From FY 2020 to 2023
Cases Closed With Contact	343,900	128,700	149,900	43,600	-87%
Cases Closed Without Contact	318,700	274,100	145,700	208,500	-35%
Additional Assessments[28]	$5.6B	$2.9B	$2.9B	$1.1B	-80%

Source: IRS Data Books for FYs 2020 through 2023. Amounts rounded to the nearest hundred.

From FYs 2020 through 2023, the number of cases closed with contact decreased by 87 percent, from approximately 343,900 cases in FY 2020 to about 43,600 cases in FY 2023. In dollar terms, additional assessments decreased by 80 percent, from about $5.6 billion in FY 2020 to about $1.1 billion in FY 2023. The IRS explained that there were a significant number of ASFR cases started in FY 2020. However, in April 2020, the ASFR Program was paused due to the pandemic. Although a restart was attempted in FY 2022, it only lasted for the first quarter. The 35 percent decrease in cases closed without contact between FYs 2020 and 2023 was primarily attributable to the age of the cases involved. The IRS noted that because taxpayer information is held for only six years, cases approaching the end of this period were closed as old tax years. Due to the ASFR Program pause, cases with old tax years have been accumulating in the system.

The IRS's new Nonfiler Program includes plans to provide early, tailored outreach to taxpayers who do not file or do not file timely. This initiative includes options such as: (1) prompting taxpayers to file a simple request for extension; (2) allowing certain individuals to indicate that they have only wage income and would like the IRS to complete their returns based on reported information; (3) informing individuals who are not required to file returns about tax credits they may be eligible for; and (4) proactively offering payment agreements to taxpayers who may be unable to pay in full immediately.

According to the IRS, the new Nonfiler Program initiative - made possible by IRA funding - issued compliance letters to more than 125,000 taxpayers who had not filed tax returns since

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[27] Taxpayer contact means a notice was issued to the taxpayer and no contact means a notice was not sent.

[28] Dollar amounts rounded to nearest hundred million. Includes tax, interest, and penalties assessed. Cases closed without contact received no ASFR assessments.

TY 2017.[29] This effort impacts more than 25,000 taxpayers with more than $1 million in income, and over 100,000 taxpayers with income of $400,000 up to and including $1 million from TYs 2017 through 2021.

The IRS Made Some Progress on Improving Services to Help Taxpayers Meet Their Tax Filing Obligations

The IRS has made progress on its plan to transform into a modern and customer-centric organization. The IRS planned to dramatically improve services to taxpayers by expanding digital communication for assistance, offering easy and secure access to taxpayer data, delivering convenient electronic filing, and providing taxpayers with the online resources to meet their tax obligations and incentives. By offering additional taxpayer assistance and convenient tools, the IRS can increase tax compliance and improve tax return accuracy, thus enhancing tax collection and focusing enforcement efforts on more high-risk areas. Some of the key initiatives relating to Objective 1 in the IRA Plan are:

- Improve the availability and accessibility of customer service.
- Help taxpayers understand and claim appropriate credits and deductions.

The number of customers assisted at TACs increased, while automated telephone assistance decreased

The number of taxpayers who received services at TACs increased by approximately 50 percent, from 1.1 million in FY 2020 to 1.6 million in FY 2023. However, automated telephone assistance decreased 41 percent, from 34 million in FY 2020 to 20 million in FY 2023. Despite the decrease in automated telephone assistance, the number of taxpayers receiving live telephone assistance increased by 13 percent, from 24.2 million in FY 2020 to 27.3 million in FY 2023. Figure 8 shows the number of taxpayers using various IRS service channels, including live and automated telephone assistance, live chats, TACs, and automated chat bots.

[29] IRS News Release IR-2024-56, *IRS launches new effort aimed at high-income nonfilers; 125,000 cases focused on high earners, including millionaires, who failed to file tax returns with financial activity topping $100 billion*, p.1 (February 2024).

Figure 8: Number of Taxpayers Assisted by Various IRS Customer Service Methods Generally Remained Consistent, With the Exception of a Substantial Increase for TACs

	FY 2020	FY 2021	FY 2022	FY 2023	Change From FY 2020 to 2023
Live Telephone Assistance Total	24.2M	32.0M	21.7M	27.3M	13%
Automated Telephone Assistance Total	34.0M	47.0M	35.0M	20.0M	-41%
Automated Chat Bot/Voice Bot Total	N/A	1.9M	4.9M	2.3M	N/A
Live Chat Total	0.7M	1.5M	0.6M	0.6M	-5%
TACs Total (face-to-face and non-face-to-face services)	1.1M	1.1M	1.4M	1.6M	50%

Source: Analysis of data provided by the IRS. Percentages may not calculate due to rounding.

The IRS stated that reopening TACs after the pandemic contributed to the increase in service after all TACs were closed in March 2020. In May 2021, all TAC employees reported back to their offices to provide face-to-face services by appointment only. Since then, the IRS has returned to pre-pandemic procedures, including taxpayer walk-in assistance, which increased the total number of taxpayers assisted. Subsequently, the geographical reach of the TACs has expanded, with 8 new TACs and 745 more employees.

The IRS explained that the decrease in automated telephone assistance was due to changes affecting three automated services: call processing inquiries, refund inquiries, and transcript requests. In FY 2020, pandemic events caused activity to fluctuate under the automated services as more taxpayers called to inquire about the status of forms and/or payments. Such events included the closure of tax processing centers that resulted in significant submission processing backlogs, the extension of the federal income tax filing deadline, and legislation such as the Families First Act and the CARES Act. As a result, automated activity significantly increased during FYs 2020 and 2021 and then gradually decreased as pandemic activity began to decline.

The IRS sought to improve customer service by adding employees and increasing technology-driven options for taxpayers. Taxpayers can now schedule service through various digital and in-person channels, including TACs. Success for this initiative would include increased levels of service across all channels, decreased wait times, and increased compliance with tax obligations.

Volunteer-prepared returns and outreach events have increased

The number of federal returns prepared by the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) increased by 2 percent from FY 2020 to FY 2023. Additionally, the IRS significantly increased its outreach events to assist taxpayers with questions regarding their taxes, *i.e.*, EITC events and VITA/TCE free tax preparation.

Congress has tasked the IRS with distributing certain incentives through tax credits and deductions. IRA Initiative 1.9 includes enhanced education and outreach programs for individuals and small businesses. The IRS built partnerships with national and local organizations to help taxpayers satisfy their tax responsibilities and it works with the organizations to inform, educate, and communicate with taxpayers. In turn, this facilitates taxpayer awareness and access to appropriate tax credits and deductions while ensuring compliance and maintaining measures to prevent inadvertent errors, fraud, and abuse.

Figure 9 shows the total number of outreach events and lists some of the specific events that were held in FYs 2020 through 2023. We found that the number of taxpayer outreach events increased significantly, from 22,993 in FY 2020 to 92,048 in FY 2023 (300 percent). The increase was mainly due to the relief of the pandemic restrictions after FYs 2020 and 2021. As the effects of the pandemic waned, new VITA and TCE sites were established, and old ones began reopening.

Figure 9: Outreach Events Substantially Increased for FYs 2020 Through 2023

	FY 2020	FY 2021	FY 2022	FY 2023	Change from FY 2020 to 2023
Advanced Child Tax Credit	87	12,069	4,170	282	224%
Child Tax Credit	32	1,618	11,231	2,812	8,688%
COVID-19 - Economic Impact Payment	10,636	9,612	1,763	41	-100%
EITC	344	1,650	8,556	15,048	4,274%
IRS Online Tools	939	4,308	13,572	14,882	1,485%
VITA/TCE Free Tax Prep	554	2,489	5,579	10,032	1,711%
Volunteer Tax Preparation	1,194	1,840	5,794	6,041	406%
Other Outreach Events	9,207	10,179	14,830	42,910	366%
Total Outreach Events	**22,993**	**43,765**	**65,495**	**92,048**	**300%**

Source: IRS management-provided data for FYs 2020 through 2023.

With the issuance of the IRA Plan, we noted more emphasis placed on certain events that promoted online, self-service options such as IRS Online Tools, which increased significantly from 939 events in FY 2020 to 14,882 events in FY 2023. Further, the IRA Plan stated that many taxpayers remain unaware of tax credits and deductions for which they are eligible and estimated that 21 percent of all eligible taxpayers did not claim the EITC during TY 2019. We found that EITC events increased considerably from 344 in FY 2020 to 15,048 in FY 2023. During Filing Season 2023, the IRS also collaborated with partners in the New York City area to launch a VITA Self-Employment Income Tax Preparation Pilot aimed at promoting educational outreach, financial education and asset building programs, and free tax preparation for self-employed Schedule C filers involved in the gig economy.

The IRS Has Expanded Enforcement on Taxpayers With Complex Tax Filings and High-Dollar Noncompliance to Address the Tax Gap

The IRS expanded enforcement efforts for taxpayers with complex tax filings and high-dollar noncompliance. The intricacies of tax administration, coupled with the sophisticated methods used by some high-dollar taxpayers to evade taxes, have made it difficult for the IRS to monitor compliance in certain high-risk segments. To address these challenges and provide better coverage in this area, the IRS plans to pair enhanced data analytics with increased capacity and expertise. Some of the key initiatives relate to Objective 3 in the IRA Plan.

- Expand enforcement for large corporations.
- Expand enforcement for large partnerships.
- Expand enforcement for high-income and high-wealth individuals.

Examination function compliance activities

The IRS's primary objective in selecting returns for examination is to promote the highest degree of voluntary compliance. Examinations are important to a voluntary tax compliance system because approximately 77 percent of the gross Tax Gap is underreported tax on timely filed returns.[30] Unpaid taxes are approximately 14 percent of the Tax Gap.[31] Conversely, enforcement revenue from the Collection function contributed to an average of 79 percent of total enforcement revenue collected from FY 2020 through FY 2023, with a total of about $28.1 billion collected for all four fiscal years.

Examinations are the means of detecting and collecting a portion of taxes that are not reported and paid voluntarily. These efforts have both a direct and indirect impact on the Tax Gap. In addition to the direct impact on the taxpayers examined, the IRS Research function has determined that examinations have a substantial indirect multiplier effect on tax compliance, meaning when a taxpayer is audited there could be a change in compliance by members of the taxpayer's social network and could potentially be a deterrence for noncompliance. Examinations can range from an IRS letter asking for additional information to verify a single tax return item that appears to be incorrect (correspondence examination) to a face-to-face interview and review of the taxpayer's records (field examination).

During FY 2023, the Examination functions closed approximately 582,000 examinations. More than 450,000 (77 percent) were correspondence examinations and more than 132,000 (23 percent) were field examinations. Compared to FY 2020, there were 22 percent more correspondence examinations and 5 percent fewer field examinations closed in FY 2023. Revenue agents typically conduct field examinations and the decline in field examinations was due in part to decreased revenue agent staffing within the Examination functions.[32]

During the period covered by this report, the IRS's Examination staff were organized in four operating divisions: the LB&I, SB/SE, Tax Exempt and Government Entities (TE/GE), and Wage

[30] Publication 5869, *Federal Tax Compliance Research: Tax Gap Projections for Tax Year 2022* (October 2024).

[31] The remaining 9 percent of the gross Tax Gap is made up of tax returns that were not filed or were filed after the filing deadline or valid extension date.

[32] As shown in Figure 15 later in this report, the number of revenue agents declined for all four operating divisions from FY 2020 to 2023.

and Investment (W&I) Divisions.[33] Positions include revenue agents, tax compliance officers, and tax examiners.

Figure 10 shows total proposed additional tax after examination increased from about $12.9 billion in FY 2020 to about $31.9 billion in FY 2023. Total proposed additional tax continued to increase in both FYs 2022 and 2023.

Figure 10: Proposed Additional Tax After Examination Significantly Increased From FY 2020 to 2023

FY				Percentage Increase Compared to FY 2020		
	Field	Correspondence	Totals	Field	Correspondence	Totals
2020	$10.1B	$2.8B	$12.9B			
2021	$22.0B	$4.8B	$26.8B	118%	69%	107%
2022	$21.9B	$8.3B	$30.2B	117%	192%	133%
2023	$24.1B	$7.8B	$31.9B	139%	174%	147%

Source: Analysis of IRS Data Books for FYs 2020 through 2023. Percentages may not calculate due to rounding.

Total proposed additional tax from examinations increased by over 147 percent from FY 2020 to FY 2023, with the most significant increase coming from correspondence examinations from about $2.8 billion in FY 2020 to approximately $7.8 billion in FY 2023. Over the past four years, the IRS Examination functions assessed approximately $101.8 billion in additional tax.

According to IRS data, the IRS had 7,109 field examination staff in FY 2023 and the Field Examination function proposed $24.1 billion in additional tax after examination. Using these figures, we calculated an average of approximately $3.4 million in additional tax proposed by each field examination employee.[34] Similarly, the IRS's data showed there were 2,995 correspondence examination staff in FY 2023 that proposed a total of $7.8 billion in additional tax after examination. Using these figures, we calculated an average of $2.6 million in additional tax proposed by each correspondence examination employee.[35]

When the IRS completes an examination, it can either leave the tax amount unchanged, known as a "no-change," or it can propose an adjustment (also known as examination recommended

[33] In April 2024, the W&I Division was renamed to Taxpayer Services and the IRS also began a new leadership structure which is led by the new Chief Tax Compliance Officer. The Chief Tax Compliance Office oversees the IRS's strategic compliance efforts and brings together multiple IRS enforcement divisions, including LB&I, SB/SE, and TE/GE Divisions, as one compliance unit.

[34] Field examination employees include revenue agents and tax compliance officers in the SB/SE, LB&I, and TE/GE Divisions. This figure represents a general estimate of the average proposed assessments per field examination employee and does not account for the experience level of employees or other factors that may impact proposed assessments, such as changes in the economy. The IRS agreed with this calculation.

[35] Correspondence examination employees are tax examiners in the SB/SE, LB&I, TE/GE, and W&I Divisions. This figure represents a general estimate of the average proposed assessments per correspondence examination employee and does not account for the experience level of employees or other factors that may impact proposed assessments, such as changes in the economy. The IRS agreed with this calculation.

tax or credit) to increase or reduce the current tax assessment. Taxpayers may not agree with all or a portion of these proposed assessments and may appeal the results or not pay the assessed tax. A portion of these recommended assessments may be reduced either before or after the Examination function closes the case.

Figure 11 provides a summary of the IRS's consolidated examination data directly from the Enforcement Revenue Information System (ERIS). ERIS tracks the amount and timing of all revenue resulting from examinations in any year (including amounts collected from IRS Collection functions that originated from examinations) and captures the dollars assessed and collected on those cases. ERIS also shows the amount of tax that Appeals assessed and the actual revenue collected from the examination and after Appeals.

Figure 11: Revenue Received From Examinations Increased From FY 2020 to 2023

FY	Recommended Change in Tax by Examination	Unagreed Amount Appealed by Taxpayer [36]	Abatement From Examination	Net Examination Assessment Amount	Amount Collected of Examination Assessment Amount	Appeals Assessment Amount	Amount Collected of Appeals Assessment Amount
	A	*B*	*C*	*A-B-C=D*			
2020	$22.4B	$9.8B	$2.7B	$9.9B	$7.1B	$1.0B	$0.9B
2021	$25.9B	$7.1B	$3.8B	$15.0B	$11.1B	$1.4B	$1.2B
2022	$34.1B	$11.2B	$2.9B	$20.0B	$14.0B	$0.7B	$0.5B
2023	$36.0B	$19.7B	$0.8B	$15.6B	$8.3B	$0.2B	$0.2B
Total	**$118.3B**	**$47.7B**	**$10.1B**	**$60.6B**	**$40.5B**	**$3.3B**	**$2.8B**

Source: ERIS data through September 2023 provided by the IRS. Totals may not calculate due to rounding.

The data show that changes in tax recommended by the Examination functions went from approximately $22.4 billion in FY 2020 to $36 billion in FY 2023, an increase of 61 percent. The amount appealed by taxpayers increased over 100 percent, from about $9.8 billion in FY 2020 to about $19.7 billion in FY 2023. Of the $9.8 billion appealed by taxpayers in FY 2020, Appeals subsequently assessed $1 billion.

Over the past 4 years, Examination made assessments totaling about $60.6 billion, of which approximately $40.5 billion has been collected. Over the same period, the Appeals process resulted in assessments of about $3.3 billion, of which $2.8 billion has been collected.

Appeals data become more complete over time and are often not reflected for many years after the examination is closed. Recent examinations will also not have had as much time for any agreed portion to be collected, so results from the same fiscal year over time would change as the collection process moves forward from the fiscal year that the examination was closed.

When taxpayers do not agree with all or a portion of these proposed adjustments, the IRS denotes these disputes as unagreed. The taxpayer may formally protest the unagreed

[36] Many of the unagreed cases in the Appeals process were not resolved at the time of the report. Once the cases are resolved, the assessed and collected amounts would increase.

assessments through Appeals and pursue further actions through the U.S. Tax Court. The Appeals function's mission "is to resolve tax controversies, without litigation, on a basis which is fair and impartial to both the taxpayer and the federal government." Over the past 4 years, taxpayers disagreed with approximately $47.7 billion (40 percent) of the $118.3 billion in recommended change in tax, with FY 2023 having the highest unagreed rate of 55 percent.

Although corporate and partnership examination closures declined, the recommended additional tax in corporate examinations increased

The number of corporate examinations closed decreased by 43 percent, from 1,914 in FY 2020 to 1,092 in FY 2023. Despite the decrease, additional tax dollars recommended in corporate examinations increased significantly from approximately $5.4 billion to about $17.7 billion during the same period. The number of closed partnership examinations decreased by 37 percent, from 4,969 in FY 2020 to 3,111 in FY 2023. Figure 12 shows IRS examination closures for both corporations and partnerships for FYs 2020 and 2023.

Figure 12: The Number of Examinations Closed for Large Corporations and Partnerships Decreased, but Recommended Additional Tax From Large Corporations Substantially Increased

	FY 2020	FY 2023	Change From FY 2020 to 2023
Corporation Examinations Closed ($250 million and above in assets):	1,914	1,092	-43%
Corporation Examinations - Recommended Additional Tax	$5.4B	$17.7B	227%
Partnership Examinations Closed	4,969	3,111	-37%

Source: Audit Information Management System data and IRS Data Books for FYs 2020 and 2023.

The IRS explained that the decline in closures for both corporate and partnership examinations was due to a significant decrease in audit activity caused by the pandemic. For the LB&I Division, a decrease in funding resulted in a reduction in staff to conduct audits. Further efforts to increase audit coverage of high-income individual and partnership tax returns will require more time to train employees in these areas and perform audits.

The IRS planned to increase enforcement activities to help ensure tax compliance of large corporate taxpayers and partnerships. According to the IRS, enforcement activities on large corporations have decreased in recent years due to constrained resources. Large corporations have complicated tax filings that involve a variety of tax issues such as cross-border activities, financial product issues, and transfer-pricing transactions. Consequently, ensuring large corporations pay the taxes they owe is complex and requires significant resources and a range of specialists.

Likewise, the growth of partnerships has also created challenges for the IRS. The number of partnerships increased by 32 percent between TYs 2010 and 2020. Further, partnership structures are complex, with many tiers and sometimes thousands of partners, each of which can be a legally recognized entity, *e.g.*, an individual, corporation, foreign entity, or another partnership. Because of their size and complex structural arrangements, partnerships require specialized capabilities and often significant resources to audit.

To address these challenges, the IRS planned to increase audit rates and other compliance treatments, focusing on the largest corporate taxpayers and partnerships. Key projects within these initiatives include:

- Hiring, onboarding, and training the staff needed to achieve appropriate compliance coverage rates.
- Developing approaches and new treatments by leveraging data and analytics.

Although the number of closed examinations for partnerships and corporations declined from FY 2020 to 2023, there were mixed results in examinations started over the same period. Figure 13 provides additional information on this trend.

Figure 13: The Number of Examination Starts for Large Corporations Decreased, but Partnership Examination Starts Increased From FY 2020 to 2023

	FY 2020	FY 2021	FY 2022	FY 2023	Change From FY 2020 to 2023
Examination Starts – Large Corporations	1,700	1,490	1,365	1,400	-18%
Examination Starts – Partnerships	4,106	4,327	3,155	6,709	63%

Source: FY 2024 IRA Strategic Operating Plan Annual Update Supplement; Appendix 3, Table 6b.

Figure 13 shows an increase of 63 percent in partnership examination starts. However, corporate examination starts declined by 18 percent. The IRS said that the LB&I Division's focus on partnerships and high-income individuals with related partnerships was part of the reason that corporate examinations declined.

High-income taxpayer examinations increased in FY 2023, despite undefined metrics for future compliance initiatives

The number of high-income taxpayer audits started consistently increased from 24,065 in FY 2020 to 35,217 in FY 2023. Additionally, the proportion of these audits has grown from about 5 percent of all audits in FY 2020 to about 9 percent in FY 2023. Figure 14 shows the IRS's examination coverage of high-income taxpayers with Total Positive Income (TPI) above $400,000 and taxpayers with TPI of $400,000 or less.

Figure 14: The Number of Examinations of Individual Income Tax Returns of $400,000 or Less Decreased, While Examinations Over $400,000 Increased From FY 2020 through 2023

	FY 2020	FY 2021	FY 2022	FY 2023
Total Number of Records	466,921	519,167	446,100	400,446
Number of Records TPI $400K or Less	442,856	492,085	416,627	365,229
Number of Records TPI Over $400K	24,065	27,082	29,473	35,217
Percentage TPI $400K or Less	94.8%	94.8%	93.4%	91.2%
Percentage TPI Over $400K	5.2%	5.2%	6.6%	8.8%

Source: Analysis of open and closed examinations for FYs 2020 through 2023.

In August 2022, the then Treasury Secretary issued a directive that enforcement resources provided by the IRA "will focus on high-end noncompliance" for households and small businesses earning over $400,000 per year. Internal IRS guidance defined the $400,000 threshold as the TPI reported on the tax return. According to the directive, small businesses and households earning $400,000 or less would not see audit rates increase relative to historical levels. As of the date of this report, the Treasury and the IRS have not defined the term "small business" for the purposes of this directive. Additionally, there have been no decisions on how definitions would apply across different business structures, *e.g.*, partnerships, corporations, S corporations, that have different implications for tax purposes.

The IRS planned to increase enforcement activities to help ensure tax compliance among high-income and high-wealth individuals. To address this issue, it planned to use IRA funding to the extent available to expand the breadth and scope of enforcement efforts in this area. Key projects within this initiative include:

- Hiring, onboarding, and training the staff needed to achieve appropriate compliance coverage rates. In doing so, the IRS will focus on hiring employees with the education and experience needed to examine high-income and high-wealth taxpayers.
- Refining approaches to high-income and high-wealth enforcement using data analytics to explore new treatments.

The IRS's plans for improvement are ongoing. The IRS created a FY 2024 Enterprise-Wide Examination Plan, dated May 2024, that shows the IRS plans to audit twice the number of individual returns with TPI over $400,000 compared to FY 2023. In August 2024, we reported that no set methodology or metrics have been established for measuring compliance with the

2022 directive.[37] However, the IRS's ability to move forward with hiring efforts in these complex audit areas of corporations, partnerships and high-income individuals is uncertain considering the decreased enforcement funding and recent government staffing cuts.

Fiscal Year 2024 Hiring Improved; However, Future Hiring Plans Are Uncertain

Recent changes impacting IRS funding and government-wide efficiency efforts have impacted the IRS's long-term hiring strategies. With the IRA funding, the IRS's plans had included reshaping the IRS's workforce to meet future requirements, fostering a positive employee experience, and equipping employees with modern tools and technologies to empower them to provide a better taxpayer experience. Some of the key initiatives relating to Objective 5 in the IRA Plan are:

- Redesign hiring and onboarding.
- Attract a talented and diverse workforce.
- Elevate workforce planning strategy.

Collection staffing slightly increased, but Examination staffing decreased

The total Field Collection, Campus Collection, and Examination staff decreased from 18,472 employees in FY 2020 to 17,475 in FY 2023 due to attrition. Overall, from FYs 2020 through 2023, there was a slight increase in total Collection staff, from 7,246 to 7,371 employees, and a decrease in total Examination staff, from 11,226 to 10,104 from FY 2020 to FY 2023. Figure 15 shows Examination and Collection staffing by compliance program and position.

[37] TIGTA, Report No. 2024-308-043, *The IRS Has Made Limited Progress Developing the Methodology to Comply With the Treasury Directive to Not Increase the Audit Rate for Taxpayers With Incomes Below $400,000 Due to Planning and Implementation Challenges* (August 2024).

Figure 15: Examination and Collection Staffing Decreased From FY 2020

	FY 2020	FY 2021	FY 2022	FY 2023
SB/SE Division Collection				
Revenue Officers (Field Collection)	2,078	1,937	1,906	2,009
Campus Collection (including ACS Staff)	5,168	4,872	5,472	5,362
W&I Division Examination				
Tax Examining Staff	1,142	995	941	910
SB/SE Division Examination				
Revenue Agents	3,604	3,744	3,718	3,429
Tax Compliance Officers	537	577	592	456
Tax Examiners	2,055	2,260	1,952	1,727
LB&I Division Examination				
Revenue Agents	2,576	2,703	2,554	2,291
Tax Compliance Officers	27	34	28	24
Tax Examiners	129	151	146	153
TE/GE Division Examination				
Revenue Agents	973	900	908	909
Tax Examining Staff	183	185	172	205
Total Field Collection Revenue Officers and Campus Collection Staff	**7,246**	**6,809**	**7,378**	**7,371**
Total Examination Staff	**11,226**	**11,549**	**11,011**	**10,104**
Total Field Collection, Campus Collection, and Examination Staff	**18,472**	**18,358**	**18,389**	**17,475**

Source: SB/SE Division provided the data for the SB/SE Collection and Examination functions and LB&I Division provided the data for the LB&I Examination function. The Human Capital Office provided data for the W&I and TE/GE Divisions.

From FYs 2020 through 2023:

- The SB/SE Division ended FY 2023 with fewer revenue agents, revenue officers, and tax examiners than at the end of FY 2020.
- The LB&I and TE/GE Divisions also lost revenue agents from FYs 2020 to 2023. The LB&I Division also saw a decrease in tax compliance officers. However, the LB&I and TE/GE Divisions had an increase in tax examining staff.
- The W&I Division had 232 fewer tax examining staff at the end of FY 2023, compared to FY 2020.
- Campus Collection (including the ACS) increased by 194 employees while Field Collection revenue officers decreased by 69.

As mentioned, the LB&I and SB/SE Divisions experienced challenges in hiring revenue agents for high-income taxpayer audits because hiring was paused for most of FY 2023. In September 2023, the IRS announced more than 3,700 revenue agent positions nationwide to bolster enforcement efforts focused on these complex, high-risk areas.[38] In FY 2024, the IRS was able to make substantial progress on its hiring goals with 4,048 new revenue officers and revenue agents.

The status of the IRS's IRA Plan, other IRA transformational initiatives, along with the IRS's hiring plans is uncertain, at best. Although the IRS made substantial progress with hiring 4,048 revenue officers and revenue agents in FY 2024, the recissions of IRA funding, the hiring freeze, early retirement incentives, and future reductions in force present a challenge to improving taxpayer service and enforcing the nation's tax laws.

[38] IRS News Release IR-2023-172, *IRS looks to hire 3,700 employees nationwide to help expand compliance for large corporations and complex partnerships; experienced accountants encouraged to apply for Revenue Agent positions* (September 2023).

Appendix I

Detailed Objective, Scope, and Methodology

The overall objective of this review was to provide various statistical information regarding Collection and Examination function activities as they relate to the IRS's efforts to bring taxpayers into compliance with their tax obligations. To accomplish our objective, we:

- Obtained and analyzed data records, prior reports, and other documentation, and corresponded with key management personnel to identify data, statistics, and activities.
- Identified significant trends or changes related to the IRS Collection function's FY 2023 enforcement activities.
- Identified significant trends or changes related to the IRS Examination function's FY 2023 enforcement activities.
- Reviewed implementation of legislative or significant changes in policy from the IRS's IRA Strategic Operating Plan.
- Identified and conducted trends analyses measuring the IRS's progress towards achieving the IRA objectives.

Performance of This Review

This review was performed with information obtained from the SB/SE Division headquarters in Lanham, Maryland, W&I Division headquarters in Atlanta, Georgia, and LB&I Division, TE/GE Division, and the Research, Applied Analytics, and Statistics function, all headquartered in Washington, D.C., during the period October 2023 through December 2024. We did not conduct this performance audit in accordance with generally accepted Government Auditing Standards because this review is a statistical portrayal of the IRS's results data, and we did not validate the accuracy or reliability of the information generated from IRS systems. 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. However, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Data Validation Methodology

We used nationwide data from various IRS management information systems. Due to the scope of our review being a statistical portrayal of IRS results data, we did not audit the IRS's systems to validate the accuracy and reliability of the information.

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 did not assess internal controls because doing so was not applicable within the context of our objective. Our analyses were limited to identifying changes and trends in IRS data.

Appendix II

Glossary of Terms

Term	Definition
Abatement	The reduction or elimination of an assessment. There are several circumstances when a taxpayer may request an abatement. The authority for the IRS to make abatements comes from Internal Revenue Code § 6404.
Automated Collection System	A telephone contact system through which telephone assistors collect unpaid taxes and secure tax returns from delinquent taxpayers who have not complied with previous notices.
Automated Substitute for Return Program	The Program is a key compliance program to enforce filing compliance for taxpayers who have not filed but may owe a significant income tax liability. The program determines and assesses the correct tax liability by securing valid income tax returns from taxpayers or by computing taxes, penalties, and interest based upon information returns from third parties, e.g., Form W-2, *Wage and Tax Statement*, and Form 1099-MISC, *Miscellaneous Information*.
Balance Due	Occurs when a taxpayer has an outstanding liability for taxes, penalties, and interest.
Balance Due Notice	Automated IRS systems send notices to the taxpayer informing them of the outstanding liability for taxes, penalties, and/or interest.
Campus	The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.
Earned Income Tax Credit	A refundable tax credit for low-income to moderate-income workers.
Delinquent Return Notices/Investigations	Nonfiler cases that begin with delinquency notifications to taxpayers. If the taxpayer fails to resolve the nonfiler case during the notice process, a Taxpayer Delinquent Investigation may be initiated.
Enforcement	Appropriation for necessary expenses of the IRS to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of Internal Revenue laws and other financial crimes, to purchase and hire passenger motor vehicles, and to provide other services as authorized by 5 U.S.C. § 3109.
Enforcement Revenue Information System	Tracks the direct hours spent on cases, the life span of enforcement cases, assessments, recommendations, collections, and the timing of revenue collected from all IRS enforcement actions.
Field Collection	An IRS function within the SB/SE Division that helps taxpayers understand and comply with all applicable tax laws and applies the tax laws with integrity and fairness. It is also responsible for protecting the revenue and the interests of the government through direct collection and enforcement activity with taxpayers or their representatives.

Term	Definition
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The federal government's fiscal year begins on October 1 and ends on September 30.
Installment Agreement	Arrangements by which the IRS allows taxpayers to pay liabilities over time.
IRS Data Book	Published annually by the IRS and contains statistical tables and organizational information presented on a fiscal year basis. It provides information on activities conducted by the IRS, such as taxes collected, enforcement, taxpayer assistance, budget, workforce, and other selected activities.
Levy	A method used by the IRS to collect outstanding taxes from sources such as bank accounts and wages or a legal seizure of property to satisfy a tax debt.
Lien	An encumbrance on property or rights to property as security for outstanding taxes.
Nonfiler	Individual and business taxpayers who have been identified as liable to file a tax return but who have not filed a tax return by the return due date or extended due date.
Revenue Agent	An employee in the Examination function who conducts face-to-face examinations of more complex tax returns, such as businesses, partnerships, corporations, and specialty taxes, *e.g.*, excise tax returns.
Revenue Officer	An employee in the Collection function who provides customer service by explaining taxpayer rights and responsibilities, collects delinquent accounts, secures delinquent returns, counsels taxpayers on their tax filing and payment obligations, conducts tax investigations, files Notices of Federal Tax Lien, releases federal tax liens, and performs seizures and sales of delinquent taxpayer assets.
Tax Compliance Officer	An employee in the Examination function who primarily conducts examinations of individual taxpayers through interviews at IRS field offices.
Tax Examiner	In the context of this report, an employee located in a field office who conducts examinations through correspondence. However, the tax examiner position is also used for many other types of positions located in various IRS offices.
Tax Gap	The estimated difference between the amount of tax that taxpayers should pay and the amount that is paid voluntarily and on time.
Tax Processing Center	The location where the IRS processes paper and electronic submissions, corrects errors, and forwards data to the Computing Centers for analysis and posting to taxpayer accounts.
Taxpayer Assistance Centers	Local offices nationwide staffed by IRS employees who are trained to provide a variety of services including answering tax account questions, taking cash payments, and authenticating the identity of individuals who have been identified as potential victims of tax-related identity theft.

Term	Definition
Taxpayer Delinquent Account	Taxpayer accounts with balances due. A Compliance Services Collection Operations collection program that generates notices to taxpayers that have an outstanding tax liability. Typically, these cases are handled by ACS staff after taxpayers receive a Letter 11, *Final Notice of Intent to Levy*, putting them on notice that the IRS will attempt to garnish wages or levy bank accounts or other income in 30 days. If the cases are assigned to Field Collection, a revenue officer would make contact and attempt to collect the back taxes directly from the taxpayer through their assets and/or income.
Total Positive Income	The sum of all positive amounts shown for the various sources of income reported on the individual tax return and, therefore, excludes losses.

Appendix III

Abbreviations

ACS	Automated Collection System
ASFR	Automated Substitute for Return
BSM	Business Systems Modernization
CARES	Coronavirus Aid, Relief, and Economic Security Act
EITC	Earned Income Tax Credit
ERIS	Enforcement Revenue Information System
FTE	Full-Time Equivalent
FY	Fiscal Year
IRA	The Inflation Reduction Act
IRS	Internal Revenue Service
LB&I	Large Business and International Division
SB/SE	Small Business/Self-Employed Division
TAC	Taxpayer Assistance Center
TCE	Tax Counseling for the Elderly
TE/GE	Tax Exempt and Government Entities Division
TIGTA	Treasury Inspector General for Tax Administration
TPI	Total Positive Income
TY	Tax Year
VITA	Volunteer Income Tax Assistance
W&I	Wage and Investment Division

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

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

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