

# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION



## **An Assessment of the IRS's Implementation of the Zero Paper Initiative**

May 15, 2026

Report Number: 2026-4S0-025

## Why TIGTA Did This Review

In April 2025, the IRS combined its modernization and digitalization efforts for tax returns, information returns, and correspondence under a new initiative known as the Zero Paper Initiative (ZPI). In February 2026, we reported on the IRS's efforts to meet its goal of paperless processing of tax returns for the 2025 Filing Season.

This review provides additional information on the IRS's implementation of the ZPI, including the associated costs and challenges.

## Impact on Tax Administration

For Fiscal Year 2026, the IRS indicated that it would prioritize modernizing the taxpayer experience with critical technology modernization investments. The modernization efforts are focused on expanding automation, enhancing data integration, and improving system interoperability to better support taxpayer service and internal operations.

The ZPI will expand upon the work the IRS was already completing in its modernization efforts. The goal of the ZPI is to reduce the overhead and cost burden of paper processing on the IRS by working toward a fully digital environment. The IRS plans to achieve this goal by enabling taxpayers to submit more documents to the IRS electronically and convert paper documents into digital data for processing.

The IRS estimates that it costs more than \$600 million to process the approximately 90 million pieces of mail it receives annually.

## What TIGTA Found

In September 2025, the IRS awarded four contracts that can be executed for five years through mid-September 2030. These contracts were awarded for \$2.3 billion, and are volume-based contracts, meaning the IRS is only billed for the work completed.

The IRS has incurred \$9 million in contractor expenses from May through December 2025. During this time, the ZPI contractors digitalized 2.2 million of the 11.9 million paper receipts received for Forms 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*, Forms 941, *Employer's QUARTERLY Federal Tax Return*, and Forms 1040, *U.S. Individual Income Tax Return*.

### IRS has incurred **\$9M**

in contractor expenses from May through December 2025.



The IRS will implement the ZPI in various phases for tax forms, correspondence, and information returns. However, no key dates or volume-based goals have been established.

- **Tax Forms.** The IRS prioritized 26 tax forms and will focus on scanning Forms 940, 941 and 1040 which account for 42 percent of the projected total of paper-filed returns in Fiscal Year 2026.
- **Information Returns.** The IRS developed schemas for 39 of 52 information returns and has expanded the functionality of its Information Return Intake System to extract data from paper information returns and send it to downstream systems.
- **Correspondence.** The IRS has identified approximately 8,000 correspondence documents that the ZPI could digitally process. The IRS is currently testing limited scenarios with the contractors.

In February 2026, we reported that the IRS must overcome challenges, such as fully staffing its operations and increasing scanning capacity to expand paperless processing for the 2026 Filing Season. We remain concerned that the IRS continues to face challenges to successfully implement this initiative and may not achieve a fully digital environment.

This report provides information only, so we made no recommendations. We plan to continue to monitor the implementation of this initiative.



TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

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

May 15, 2026

**MEMORANDUM FOR:** COMMISSIONER OF INTERNAL REVENUE

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

**SUBJECT:** Final Report – An Assessment of the IRS’s Implementation of the Zero Paper Initiative (Review No.: 20254S0001)

This report presents the results of our review of the Internal Revenue Service’s Zero Paper Initiative to convert incoming paper submissions into streamlined digital processes. We performed this review during the period June 2025 through January 2026. We are issuing this report to provide an overview and bring attention to our concerns regarding this initiative. This review was part of our Fiscal Year 2025 discretionary coverage and addresses the major management and performance challenge of *Improving Operational Efficiencies*.

Although we made no recommendations in this report, we provided Internal Revenue Service officials with an opportunity to review the final report. Management’s complete response to the draft report is included as Appendix II. If you have questions, please contact me or Deann Baiza, Assistant Inspector General for Audit (Returns Processing and Account Services).

## Background

The Internal Revenue Service (IRS) estimates it receives about 90 million pieces of mail annually. This estimate includes 35 million pieces of correspondence and non-tax forms, 33 million tax returns, 16 million information returns, 4 million amended returns, and millions of paper checks. According to the IRS, processing this paper costs more than \$600 million annually.

For Fiscal Year (FY) 2026, the IRS indicated that it would prioritize modernizing the taxpayer experience with critical technology modernization investments. Modernization efforts are focused on expanding automation, enhancing data integration, and improving system interoperability to better support taxpayer service and internal operations.<sup>1</sup>

The IRS has engaged in various modernization initiatives through the years to streamline paper processing of tax returns, correspondence, and information returns. These efforts include piloting technology to scan and digitally process paper returns; digitizing correspondence/non-tax returns received from taxpayers via the Document Upload Tool; and deploying a free online portal called the Information Return Intake System (IRIS) for taxpayers to electronically file (e-file) Form 1099-series returns.<sup>2</sup> We previously reported that the IRS did not meet its goal to digitally process all paper-filed Forms 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*, Forms 941, *Employer's QUARTERLY Federal Tax Return*, and Forms 1040, *U.S. Individual Income Tax Return* by the 2025 Filing Season. Specifically, as of May 2025, the IRS had digitally processed five percent of these paper-filed forms received during the 2025 Filing Season.<sup>3</sup>

In April 2025, the IRS combined its modernization efforts under a new initiative known as the Zero Paper Initiative (ZPI). The ZPI will expand upon the modernization work that has already been completed. The goal is to reduce the overhead and cost burden of paper processing on the IRS by working toward a fully digital environment. The IRS plans to achieve this goal by expanding existing document intake tools so taxpayers can submit more documents to the IRS electronically. Documents that continue to be submitted to the IRS on paper will be scanned and converted into digital data for processing through existing IRS systems and routed for downstream processing. Specifically, the IRS aims to:

- **Tax Forms:** Expand the Modernized e-Filing (MeF) system, which is a web-based tax return filing platform, to include additional individual and business tax returns. In addition, external contractors will scan and extract paper tax return data for transmission to the IRS MeF system for processing.
- **Correspondence:** Expand existing digital document submission tools such as the Document Upload Tool to include additional non-tax forms and correspondence and make system enhancements to route documents to downstream systems. In addition, external contractors will scan, extract limited data fields, and transmit data and digital images to the IRS for processing.

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<sup>1</sup> Publication 5530, *Fiscal Year 2026 Budget in Brief*, (Rev. 6-2025).

<sup>2</sup> The Document Upload Tool, which is accessible via IRS.gov, allows taxpayers to upload documents to the IRS in response to a letter or notice.

<sup>3</sup> TIGTA, Report No. 2026-408-003, *The IRS Has Made Limited Progress Achieving Paperless Processing*, p. 2 (February 2026).

- **Information Returns:** Expand and enhance the IRIS to include additional information returns that can be submitted electronically and routed to downstream systems. In addition, external contractors will scan and extract data for transmission to the IRS's databases.

The IRS is implementing the ZPI in phases. However, the ZPI contractors are still developing their systems to handle the three scanning work streams (*i.e.*, tax forms, correspondence, and information returns). As a result, the IRS has not yet established timelines and goals for contractors to scan work under the ZPI. For example, the IRS has not established a goal for when all paper volumes should be processed by contractors or for how many paper-filed tax returns contractors should scan and transmit to the IRS for the 2026 Filing Season. Moreover, the IRS has not established time frames or goals for contractors to begin scanning correspondence and information returns.

## Objective

The overall objective of this review was to obtain information on the IRS's ZPI to convert incoming paper submissions into streamlined digital processes. This report provides an update on the IRS's efforts to digitalize paper-filed tax returns as well as additional information on the IRS's implementation of the ZPI before the 2026 Filing Season, including associated costs and challenges.

## Results of Review

### Implementation Status of the Zero Paper Initiative

The IRS has been working both internally and with contractors to expand capabilities in the areas of tax forms, correspondence, and information returns. Contractors must meet several essential elements for successful implementation of the ZPI. This includes having hired and cleared staff; approved and compliant systems, infrastructure, and facilities; IRS schemas provided; document retention and destruction processes; and accessible real-time reporting dashboards.<sup>4</sup>

### Efforts to modernize tax return processing are focused on scanning three tax forms for the 2026 Filing Season and expanding e-file capabilities

In February 2026, we reported that the four ZPI contractors had approximately five months to prepare for the 2026 Filing Season. We noted that during this time, contractors had to program and test their software, recruit sufficient staff, and ensure that they had adequate space to store all scanned documents until destruction is authorized.<sup>5</sup>

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<sup>4</sup> Schema is defined as an Extensible Markup Language document that specifies the data elements, structure, and rules for each form, schedule, document, and attachment.

<sup>5</sup> TIGTA, Report No. 2026-408-003, *The IRS Has Made Limited Progress Achieving Paperless Processing*, p. 4 (February 2026).

The IRS prioritized 26 tax forms that the ZPI contractors were expected to scan for the 2026 Filing Season.<sup>6</sup> The IRS developed the schema for these forms and provided them to the contractors for programming. However, due to concerns about the contractors' readiness, the IRS revised its plans to focus on paper-filed Forms 940, 941, and 1040. The IRS projects these forms will account for approximately 42 percent of paper tax return receipts in FY 2026.

When the 2026 Filing Season started, only one of the four contractors could scan and extract data from all three tax forms to digitally submit the information to the IRS for processing.<sup>7</sup> The three remaining contractors could only scan and digitally extract data from Forms 940 and 941 and were continuing to develop their programming and work towards the ability to scan and digitally extract data from the Form 1040. In addition to scanning these tax forms, the IRS developed schema to allow the e-filing of 14 additional tax forms through the MeF. The IRS plans to test and implement e-filing of these forms by June 2026.

### **Internal enhancements to the IRS's information return and correspondence systems are complete, but contractors are still in testing phases for scanning**

The IRS made enhancements to its information return and correspondence systems to meet the needs of the ZPI. The IRS modified IRIS to process extracted data from paper-filed information returns. Additionally, the IRS developed scanning schema for 39 of the 52 information returns and provided them to the ZPI contractors for programming.

The IRS has also expanded correspondence digital pathways to meet the needs of the ZPI. Once contractors begin scanning paper correspondence, it will be routed to the appropriate backend system. The IRS has identified over 8,000 IRS notices that the ZPI contractors could scan into digital pathways. With input from the various business units, the IRS identified best use-case scenarios for correspondence for contractors to begin testing.

Although the IRS completed these enhancements in Calendar Year 2025, the ZPI contractors are still testing information returns and correspondence internally. The IRS anticipates that it will begin sending paper information returns and/or correspondence to the contractors after the 2026 Filing Season. However, a set date or plan has not been established. Pending the results of testing and progress of the 2026 Filing Season scanning, the IRS will determine the appropriate steps forward with the ZPI contractors. Taxpayer Services management stated that they will send information returns and correspondence to the ZPI contractors when they are ready.

## **Overview of the Zero Paper Initiative Contracts and Costs**

We previously reported that in April 2025, the IRS awarded two one-year contracts to implement the ZPI.<sup>8</sup> One contract totaled \$142 million and the other totaled \$18 million. However, the IRS cancelled the \$18 million contract in May 2025 due to concerns it did not use a competitive bidding process. Additionally, the IRS modified the \$142 million contract so it could scan paper-filed Forms 940, 941, and 1040 while it solicited competitive bids for a permanent contractor. In September 2025, the IRS awarded 4, 5-year contracts for the ZPI totaling approximately \$2.3 billion. One of the selected contractors was the interim contractor. The contracts began on

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<sup>6</sup> See Appendix I for a complete list of the 26 high priority tax forms.

<sup>7</sup> The 2026 Filing Season began on January 26, 2026.

<sup>8</sup> TIGTA, Report No. 2026-408-003, *The IRS Has Made Limited Progress Achieving Paperless Processing*, p. 4 (February 2026).

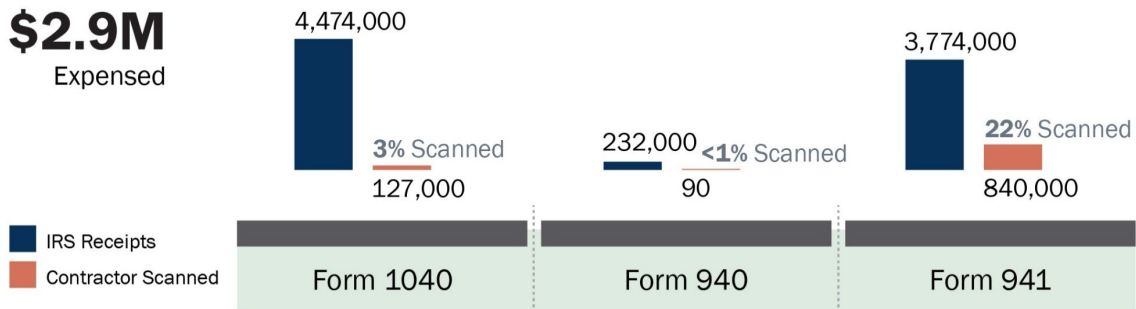
September 15, 2025, and have a performance period of one year with the option to extend annually through mid-September 2030.

The scope of these ZPI contracts includes the receipt and handling of incoming mail, scanning and digitalization of paper tax returns, correspondence, and information returns, and storage and destruction of paper documents. The IRS will be billed for a technical development lead who is responsible for the overall coordination and management of the work. In addition, the IRS will be charged a fee based on the volume of documents scanned as well as the shipping, handling, storage, and destruction of these documents.

### The IRS incurred expenses totaling \$9 million to scan paper-filed tax returns from May through December 2025

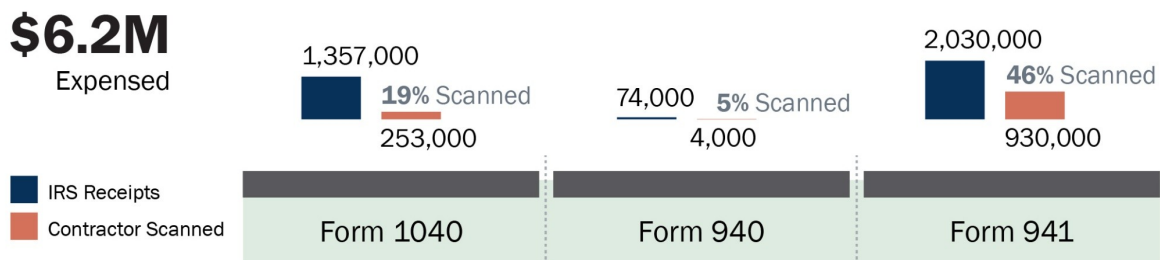
From May 2025 through December 2025, the ZPI contractors scanned a total of 2.2 million of the 11.9 million (18 percent) paper Forms 940, 941, and 1040 received by the IRS.<sup>9</sup> The interim contractor scanned nearly 1 million forms at a cost of \$2.9 million. Whereas the permanent ZPI contractors, one of which was also the interim contractor, scanned about 1.2 million forms at a cost of \$6.2 million. Figures 1 and 2 show the total costs incurred and the volume of forms scanned by return type for the interim and the final ZPI contracts.

**Figure 1: ZPI Interim Contract Costs and Scanning Progress (May 2025 through Mid-September 2025)**



Source: IRS provided contractor scanning metrics and invoices as of week ending September 14, 2025. Numbers may not add due to rounding.

**Figure 2: ZPI Final Contracts Cost and Scanning Progress (Mid-September 2025 through December 2025)**



Source: IRS provided contractor scanning metrics and invoices as of December 27, 2025. Numbers may not add due to rounding.

<sup>9</sup> Form 940 is due annually on January 31. The low volume of receipts and associated scanning of this form during this period is to be expected.

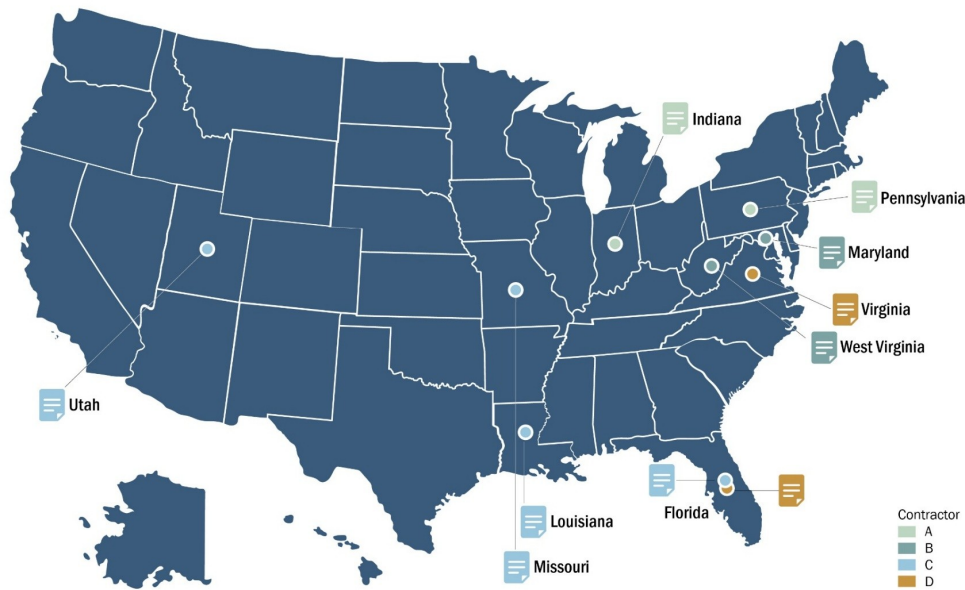
The IRS estimates that processing paper-filed Forms 940, 941, and 1040 costs on average \$2.75, \$3.41, and \$9.85 per form, respectively. However, we are unable to determine whether the ZPI efforts are more cost effective because the final ZPI contract invoices were not itemized to show the amount billed by form. Further, the IRS's estimated processing costs are not comparable to the amounts billed for scanning. This is because the IRS's estimates include costs associated with resolving errors and other issues identified during tax return processing. These are costs that the IRS will still incur for scanned returns.

### **Distribution of paper documents to contractors**

Per the ZPI contracts, each contractor is guaranteed a minimum volume of 70,000 documents (*i.e.*, correspondence, information returns, tax returns, *etc.*) per week to digitize. However, this is contingent on the contractor's ability to handle this volume. Once a contractor reaches the minimum volume, the IRS will distribute additional work to them based on competitive performance metrics, such as timeliness, quality and accuracy, and scanned rejection rates. The IRS will continue to increase documents sent to the ZPI contractors until all paper submissions (*i.e.*, tax forms, information returns, and correspondence) are distributed. If a contractor fails to meet the required performance metrics, the IRS will reduce the volume of documents they receive incrementally.

As of early March 2026, the IRS receives incoming paper-filed documents and ships documents to 6 of the 10 contractor locations based on contractor readiness. Some of the 10 locations will be used only as data validation sites, where contractor employees compare the scanned returns against the extracted data and make corrections as needed. Eventually, the IRS plans to have taxpayers mail paper documents directly to contractor sites. Taxpayer Services management indicated that this would be similar to how designated forms with payments are directed to the Lockbox sites. The contractors would then sort, extract, and batch the paper documents for scanning and data extraction. However, Taxpayer Services management indicated there is no time frame for when this change will be implemented and that their focus is on increasing scanning capacity. Figure 3 provides details on where the four ZPI contractors will perform work related to ZPI.

**Figure 3: ZPI Contractor Locations**



Source: Locations provided by IRS Taxpayer Services.

## Funding and Staffing Uncertainties Can Impact the IRS's Ability to Effectively Implement the Zero Paper Initiative

The IRS's ability to successfully transform tax administration into a fully digital environment partly depends on sufficient funding and staffing resources. For example, the IRS needs sufficient information technology resources to expand its existing systems to accept digitally routed inventory. We previously reported that the IRS must overcome challenges, such as fully staffing its operations and increasing scanning capacity to expand paperless processing for the 2026 Filing Season.<sup>10</sup> In addition, we continue to identify challenges relating to the contractors' ability to fully staff their operations, and the IRS's ability to pay for their services. Further, even if most of the paper is successfully outsourced, the IRS will continue to need staff in its Submission Processing function, which is responsible for processing both paper and electronic tax returns.

### The IRS budget and ZPI funding

The ZPI is a multi-year project that is funded by the Inflation Reduction Act of 2022 (IRA).<sup>11</sup> Although this funding does not expire until the end of FY 2031, there is uncertainty about its continued availability. The IRS initially received \$79.4 billion when the IRA was signed into law. As of February 2026, Congress subsequently reduced IRA funding to \$26 billion.<sup>12</sup> As of January 2026, the IRS reported spending \$16.2 billion (approximately 62 percent) of the IRA

<sup>10</sup> TIGTA, Report No. 2026-408-003, *The IRS Has Made Limited Progress Achieving Paperless Processing* (February 2026).

<sup>11</sup> Pub. L. No. 117-169, 136 Stat. 1818.

<sup>12</sup> 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; the Full-Year Continuing Appropriations and Extensions Act, 2025 (Pub. L. No. 119-4) rescinded another \$20.2 billion; and the Consolidated Appropriations Act, 2026, rescinded another \$11.6 billion (Pub. L. No. 119-75).

funds. As previously noted, the IRS has incurred a total of \$9 million in expenses for the ZPI contracts from May 2025 through December 2025.

If the IRS loses its remaining IRA funding, what it can achieve under the ZPI will be limited to what it can fund each year through its annual appropriation. This appropriation must fund all IRS operations, not just its modernization initiatives such as the ZPI.

### **IRS and ZPI staffing resources**

Staffing challenges impact both the IRS and the ZPI contractors. In the future, the ZPI can potentially mitigate the impact of significant staffing losses in the IRS's Submission Processing function. However, Submission Processing management indicated that the ZPI contractors are not ready to handle the volumes of tax returns. As a result, the IRS must continue to process paper-filed tax returns with reduced staffing levels. As indicated previously, the IRS will still receive mail at its facilities and ship documents to contractors as they are able to handle volumes. This means that the IRS needs to retain employees to complete the processing of paper returns. The IRS also must retain employees in mail operations to receive and open the mail, and then sort, batch, and re-ship tax returns, correspondence, and information returns to the ZPI contractors.

Additionally, the IRS must continue to maintain internal paper processing for non-priority forms and exception cases that the contractors cannot handle. The IRS will also continue to need employees to handle post-submission activities such as handling returns that do not post correctly to taxpayer accounts and resolving errors.

In January 2026, we reported that as of October 2025, the key filing season programs are operating with a 17 percent reduction in staffing when compared to October 2021 levels.<sup>13</sup> The memorandum notes that the Submission Processing function was approved to hire an estimated 2,200 employees (*i.e.*, 1,700 external and 500 internal positions) to help deliver the 2026 Filing Season. However, Submission Processing management stated that this approval was not timely enough for them to hire, conduct background clearances, and train the new employees before the start of the filing season. As of January 28, 2026, Submission Processing management indicated that they onboarded 453 employees to help process returns. Out of the 453 employees hired, 338 came from outside the IRS.

The ZPI contractors also need staff to scan the expected volumes. Whether the ZPI contractors can scan at increased volumes is contingent on their ability to hire the resources needed. Although the contractors are using technology to scan and extract data from tax returns, they still need staff to prepare the documents for scanning. Additionally, once the tax return data have been extracted, contractor staff are needed to validate and perfect the data.

In February 2026, we reported our concerns with the contractor's ability to hire staff.<sup>14</sup> At the time of our review, the interim contractor had not yet recruited all staff needed to achieve higher volumes of scanning. In addition, we reported that the IRS only approved background clearances for 50 percent of the individuals submitted by the interim contractor for hire. According to Taxpayer Services management, this is one reason the IRS selected four contractors for the ZPI. As of mid-December 2025, the IRS has approved 1,088 (78 percent) out

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<sup>13</sup> TIGTA, Alert Memorandum for Audit No. 2026400002, *The Internal Revenue Service's Readiness for the 2026 Filing Season*, p. 3 (January 2026).

<sup>14</sup> TIGTA, Report No. 2026-408-003, *The IRS Has Made Limited Progress Achieving Paperless Processing*, p. 4 (February 2026).

of 1,402 background clearances submitted by the four ZPI contractors. These approvals include both final and interim approvals, which allow access on a temporary basis pending the completion of a full background investigation.

## Conclusion

For FY 2026, the IRS indicated it would prioritize modernizing the taxpayer experience with critical modernization investments. The ZPI is one initiative aimed at improving the efficiency of processing by eliminating the IRS's reliance on manual paper submission processes. The IRS has invested \$2.3 billion in contracts for the ZPI, which if successful, will streamline its operations and improve the overall experience for taxpayers. However, we continue to have concerns about whether it can achieve a fully digital environment. Since the ZPI is in its infancy, contractors have only scanned a limited volume of documents. In addition, there are several challenges the IRS needs to overcome, such as consistent long-term funding, readiness of contractors that can handle increased volumes, and staffing resources to balance workload demand until efficiencies can be gained. Without addressing these challenges, the IRS's modernization efforts may fall short of expected results. We plan to continue to monitor the implementation of this initiative, including reviews to evaluate the information security standards, and quality and timeliness of processing scanned paper-filed returns for the ZPI.

### Performance of This Review

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General*. Those standards require that the work adheres to the professional standards of independence, due professional care, and quality assurance and follows procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the objective of our review.

## Appendix I

### IRS Fiscal Year 2026 Projected Volume of Paper Tax Forms for the Zero Paper Initiative Priority List

Number	Tax Forms	Form Name	FY 2026 Projected Paper Volumes (in thousands)	Percentage of Projected Paper Tax Forms
1	Form 1040-ES	<i>Estimated Tax for Individuals</i>	11,529	29.1%
2	Forms 1040 and 1040-SR	<i>U.S. Individual Income Tax Return and U.S. Income Tax Return for Seniors</i>	8,030	20.2%
3	Forms 941, 941-PR/SS	<i>Employer's QUARTERLY Federal Tax Return</i>	6,732	17.0%
4	Form 1040-X	<i>Amended U.S. Individual Income Tax Return</i>	2,388	6.0%
5	Form 4868	<i>Application for Automatic Extension of Time to File U.S. Individual Income Tax Return</i>	2,106	5.3%
6	Forms 940, 940-EZ, and 940-PR	<i>Employer's Annual Federal Unemployment (FUTA) Tax Return</i>	1,938	4.9%
7	Form 7004	<i>Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns</i>	1,086	2.7%
8	Form 1041	<i>U.S. Income Tax Return for Estates and Trusts</i>	367	0.9%
9	Form 8868	<i>Application for Extension of Time to File an Exempt Organization Return or Excise Taxes Related to Employee Benefit Plans</i>	364	0.9%
10	Form 1120-S	<i>U.S. Income Tax Return for an S Corporation</i>	359	0.9%
11	Form 1120	<i>U.S. Corporation Income Tax Return</i>	267	0.7%
12	Forms 1065/1065-B	<i>U.S. Return of Partnership Income and U.S. Return of Income for Electing Large Partnerships</i>	237	0.6%
13	Form 720	<i>Quarterly Federal Excise Tax Return</i>	167	0.4%
14	Forms 943, 943-PR, and 943-SS	<i>Employer's Annual Federal Tax Return for Agricultural Employees<sup>1</sup></i>	110	0.3%
15	Form 2290	<i>Heavy Highway Vehicle Use Tax Return</i>	94	0.2%
16	Form 945	<i>Annual Return of Withheld Federal Income Tax</i>	32	0.1%
17	Forms 944, 944-PR, and 944-SS	<i>Employer's ANNUAL Federal Tax Return</i>	31	0.1%
18	Form 1042	<i>Annual Withholding Tax Return for U.S. Source Income of Foreign Persons</i>	27	0.1%
19	Form 1120-F	<i>U.S. Income Tax Return of a Foreign Corporation</i>	15	0.0%
20	Form 8849	<i>Claim for Refund of Excise Taxes</i>	12	0.0%

<sup>1</sup> Form 943-SS is an obsolete form with the same title as Form 943.

## An Assessment of the IRS's Implementation of the Zero Paper Initiative

Number	Tax Forms	Form Name	FY 2026 Projected Paper Volumes (in thousands)	Percentage of Projected Paper Tax Forms
21	Form 5227	<i>Split-Interest Trust Information Return</i>	10	0.0%
22	Form 1120-POL	<i>U.S. Income Tax Return for Certain Political Organizations</i>	3	0.0%
23	Form 4720	<i>Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code</i>	1	0.0%
24	Form 990	<i>Return of Organization Exempt From Income Tax</i>	<1	0.0%
25	Form 990-EZ	<i>Short Form Return of Organization Exempt From Income Tax</i>	<1	0.0%
26	Form 990-T	<i>Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))</i>	<1	0.0%
<b>2026 Projected Paper Forms Grand Total</b>			<b>39,658</b>	<b>100%</b>
<b>2026 Projected Priority Paper Forms Total</b>			<b>35,904</b>	<b>90.5%</b>
<b>All Other Non-Priority Paper Forms</b>			<b>3,753<sup>2</sup></b>	<b>9.5%</b>

Source: IRS identified list of 26 priority forms for the ZPI and analysis of Publication 6292, *FY Return Projections for the United States: 2024-2031, Table 1 (Rev. 9-2024)*. Form names were identified through review of each individual form. Numbers may not add due to rounding.

<sup>2</sup> Calculated by taking the 2026 projected paper forms grand total less the 2026 projected priority paper forms total. Due to rounding, total shown is not equitable to mathematical calculation.

## Management's Response to the Draft Report




CHIEF  
TAXPAYER SERVICES

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
ATLANTA, GA 30308

May 4, 2026

MEMORANDUM FOR DIANA M. TENGESDAL  
Deputy Inspector General for Audit

FROM: Kenneth C. Corbin   
Chief, Taxpayer Services Division

DN: cn=US, o=U.S. Government, ou=Department of the Treasury, ou=Internal Revenue Service, ou=People, serialNumber=417367, cn=Kenneth C. Corbin  
Date: 2026.05.05 07:29:56 -0400

SUBJECT: Draft Report – An Assessment of the IRS's Implementation of the Zero Paper Initiative (Review No.: 20254S0001)

Thank you for the opportunity to review and provide comments on the subject draft report. The implementation of the Zero Paper Initiative (ZPI) represents a significant step in our efforts to modernize tax administration and reduce our reliance on paper-based processes. This initiative is expected to provide more efficient processes to improve the taxpayer experience. During the 2026 Filing Season, we had the ZPI vendors focus on digitalizing the Forms 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, Forms 941, Employer's QUARTERLY Federal Tax Return, and Forms 1040, U.S. Individual Income Tax Return, which together account for almost 80 percent of our annual paper receipts. The ZPI vendors contributed significantly to our return processing efforts, and we will continue working with them to scale up capacity. We are now evaluating scanning performance during the filing season and will determine appropriate next steps for expanding tax return, correspondence and information return scanning based on demonstrated readiness.

We appreciate the Treasury Inspector General for Tax Administration highlighting the need for consistent long-term funding as we work towards becoming a digital-first agency. The transition from a manual process to immediately digitalizing tax documents upon receipt will help narrow the processing-time gap between paper and electronically filed returns and will free up IRS resources for other priority work.

If you have any questions, please contact me, or a member of your staff may contact Joseph Dianto, Director, Customer Account Services, at 470-639-3504.

## **Abbreviations**

FY	Fiscal Year
IRA	Inflation Reduction Act of 2022
IRIS	Information Return Intake System
IRS	Internal Revenue Service
MeF	Modernized Electronic Filing
TIGTA	Treasury Inspector General for Tax Administration
ZPI	Zero Paper Initiative



**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  
[TIGTACommunications@tigta.treas.gov](mailto:TIGTACommunications@tigta.treas.gov).**

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