



*Tax Cuts and Jobs Act: Assessment of
Implementation Planning Efforts*

April 11, 2018

Reference Number: 2018-44-027

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HIGHLIGHTS

TAX CUTS AND JOBS ACT: ASSESSMENT OF IMPLEMENTATION PLANNING EFFORTS

Highlights

Final Report issued on April 11, 2018

Highlights of Reference Number: 2018-44-027
to the Commissioner of Internal Revenue.

IMPACT ON TAXPAYERS

The Tax Cuts and Jobs Act makes significant changes to the tax code affecting individuals, businesses, and tax-exempt organizations. The tax provisions contained in this legislation are intended to provide relief to American families and make American businesses more competitive. The Joint Committee on Taxation estimates a net reduction in tax of almost \$1.5 trillion over Fiscal Years 2018 through 2027.

WHY TIGTA DID THE AUDIT

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act of 2017, which contains 119 provisions that are administered by the IRS and affect both domestic and international taxes. This audit assessed the IRS's actions to implement it.

WHAT TIGTA FOUND

The IRS's Legislative Affairs function monitored the pending legislation to identify provisions that affected the IRS and informed the various IRS operating divisions (Wage and Investment, Small Business/Self-Employed, Large Business and International, and Tax Exempt/Government Entities Divisions) so they could assess how to handle the implementation. Once enacted, the IRS immediately began the task of implementing these provisions.

The IRS established a multifaceted oversight structure to coordinate implementation activities among the various IRS operating divisions. This included creating an Executive Steering Committee led by the Acting IRS Commissioner, the Tax Reform Implementation Office, and the Tax Reform Implementation Council.

The IRS worked with the Department of the Treasury and estimated that implementation of the Act would cost approximately \$397 million. This includes hiring an estimated 1,734 full-time equivalent positions to implement tax reform over the next two calendar years.

Finally, the IRS took adequate steps to develop the new tax withholding tables. The Tax Cuts and Jobs Act included provisions that made significant changes to income tax rates, income tax deductions and credits, and Federal income tax withholding. The IRS, in conjunction with the Department of the Treasury, designed the Tax Year 2018 withholding tables to work with an employee's existing Form W-4, *Employee's Withholding Allowance Certificate*, to minimize potential burden on employees and employers.

The IRS also updated its online withholding calculator on www.irs.gov to work with the revised tax tables to provide taxpayers with the ability to estimate their tax liability and withholding under the Tax Cuts and Jobs Act. The calculator also provides taxpayers with a suggestion as to the number of withholding allowances they should claim for the remainder of Tax Year 2018.

WHAT TIGTA RECOMMENDED

This report was prepared to provide information only. Therefore, no recommendations were made in the report.



TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

April 11, 2018

MEMORANDUM FOR COMMISSIONER OF INTERNAL REVENUE

 M. Weir for

FROM: Michael E. McKenney
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Tax Cuts and Jobs Act: Assessment of
Implementation Planning Efforts (Audit # 201840027)

This report presents the results of our review to assess the Internal Revenue Service's actions to implement the Tax Cuts and Jobs Act of 2017.¹ This review is part of our discretionary audit coverage and addresses the major management challenge of Implementing Tax Law Changes.

This report was prepared to provide information only. Therefore, we made no recommendations in the report. However, we provided Internal Revenue Service management officials with an advance copy of this report for review and comment prior to issuance. Management's complete response to the report is included as Appendix V.

Copies of this report are also being sent to the Internal Revenue Service managers affected by the report recommendations. If you have any questions, please contact me or Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services).

¹ Pub. L. No. 115-97. Officially known as "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for Fiscal Year 2018."



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Abbreviations

IRS	Internal Revenue Service
LATIS	Legislative Analysis Tracking and Implementation Services
TRIO	Tax Reform Implementation Office
TY	Tax Year



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Background

On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act of 2017.¹ The Tax Cuts and Jobs Act makes significant changes to the tax code affecting individuals, businesses, and tax-exempt organizations. The Tax Cuts and Jobs Act contains 119 provisions that are administered by the Internal Revenue Service (IRS) and affect both domestic and international taxes. The tax provisions contained in this legislation are intended to provide relief to American families and make American businesses more competitive. The Joint Committee on Taxation estimates a net reduction in tax of almost \$1.5 trillion over Fiscal Years² 2018 through 2027.

Although most of the Tax Cuts and Jobs Act provisions affect Tax Year (TY)³ 2018 and beyond, there are 21 provisions that require the IRS to take immediate action because they affect the 2018 Filing Season.⁴ In addition, the Tax Cuts and Jobs Act made significant changes to income tax rates, income tax deductions and credits, and Federal income tax withholding. This includes increases in the Child Tax Credit, increases in standard deductions, and the suspension of exemptions. These provisions, although effective for TY 2018, require the IRS to revise income tax withholding tables for wages paid after January 1, 2018.

This review was performed at the IRS National Headquarters in Washington, D.C., in the Communications and Liaison and the Tax Reform Implementation Offices during the period January through March 2018. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

¹ Pub. L. No. 115-97. Officially known as “An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for Fiscal Year 2018.”

² 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.

³ The 12-month accounting period for keeping records on income and expenses used as the basis for calculating the annual taxes due.

⁴ The period from January through mid-April when most individual income tax returns are filed.



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Results of Review

Prior to the enactment of the Tax Cuts and Jobs Act, the IRS's Legislative Affairs function monitored the pending legislation to identify provisions that would affect the IRS and informed the various IRS operating divisions (Wage and Investment, Small Business/Self-Employed, Large Business and International, and Tax Exempt/Government Entities Divisions) so that they could begin to assess how to handle the implementation. Once enacted, the IRS used several well-established processes to immediately begin the difficult and large-scale task of implementing these provisions. For example, Legislative Affairs:

- Prepared a summary document, entitled *Legislative Update 2018-1: Overview of P.L. 115-123 (H.R. 1892)*, for the Acting IRS Commissioner as well as other top-level IRS officials. This document provides an overview of the major tax provisions included in this Act.
- Input the tax provisions into the IRS's Legislative Analysis Tracking and Implementation Services (LATIS) system. The LATIS system is used to manage, coordinate, and track the actions the IRS takes to implement legislative provisions. Our comparison of provisions in the Tax Cuts and Jobs Act to the LATIS found that the IRS appropriately identified all provisions, including effective dates, and has established tracking of these provisions on the LATIS.
- Worked with the various IRS operating divisions to identify the specific operating division responsible for implementation of each of the provisions. Once an operating division is assigned responsibility for the implementation of a particular provision, it is required to develop an *Implementation Action Plan*. Action plans outline the steps that need to be taken to implement the provision as well as detail estimated delivery dates associated with the various steps to be taken for implementation. Once action plans are developed and provided to Legislative Affairs, the responsible operating divisions are then responsible for periodically updating the LATIS so that the Legislative Affairs function can monitor due dates and ensure that the operating divisions are taking actions. As of March 6, 2018, *Implementation Action Plans* were received and specific action items were entered into the LATIS for all provisions.



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The IRS also established a multifaceted oversight structure to coordinate implementation activities, which follows a similar oversight model used during the recent implementation of the Patient Protection and Affordable Care Act.⁵ This includes creating:

- **An Executive Steering Committee** led by the Acting IRS Commissioner and including IRS Senior Executive Team and representatives from the Department of the Treasury Office of Tax Policy. The Committee ensures that collaboration takes place between the various IRS operating divisions as well as addressing areas of concern that may affect the operating divisions that were not the owners of the provision.
- **The Tax Reform Implementation Office (TRIO)** to centralize responsibility for leading and coordinating IRS implementation efforts. The TRIO is staffed with five full-time executives as well as additional supporting executives from the IRS's Information Technology division and the Office of Chief Counsel. Once formed, the TRIO developed a *Tax Reform Implementation Planning Tool*.⁶ The TRIO provided the tool to be completed by the operating division responsible for implementing each specific legislative provision. Information to be provided includes identifying taxpayer guidance, forms, and instructions required to be changed or created; programming that needed to be performed; and external communications and employee training that needed to be developed and delivered. As of February 23, 2018, *Tax Reform Implementation Planning Tools* were developed and provided to the TRIO for all 119 provisions.
- **The Tax Reform Implementation Council** to share implementation activities among the individual operating divisions to identify areas of concern for issues that may affect other operating divisions. The IRS modeled the Tax Reform Implementation Council after its Filing Season Readiness Executive Steering Committee, including holding weekly meetings with stakeholders involved with the Council.

The Tax Cuts and Jobs Act is the first major tax reform legislation in more than 30 years. The IRS indicates that implementation will require creating or revising about 450 forms, publications, and instructions; modifying about 140 information technology systems (for tax return processing and compliance activities) to ensure that they can accommodate the newly revised tax forms, and responding to an estimated 4 million additional phone calls and taxpayer correspondence. Recognizing the scale and resources that will be needed to implement this legislation, the IRS worked with the Department of the Treasury and estimated that implementation would cost approximately \$397 million. This estimate includes hiring 1,734 full-time equivalent⁷ positions to implement tax reform over the next two calendar years. The Department of the Treasury also

⁵ Pub. L. No. 111-148, 124 Stat. 119 (2010) (codified as amended in scattered sections of the Internal Revenue Code and 42 U.S.C.), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029.

⁶ Appendix IV provides an example of the *Tax Reform Implementation Planning Tool* template.

⁷ A measure of labor hours in which one full-time equivalent is equal to eight hours multiplied by the number of compensable days in a particular fiscal year.



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indicated that this funding is needed immediately to ensure that the IRS can start critical implementation activities on time and should be available for two years to ensure that contracts can be let appropriately and that funding will be available for the critical testing period during the first quarter of Fiscal Year 2019. Figure 1 provides the IRS's estimated funding and personnel needs.

**Figure 1: Tax Legislation Implementation Resource Estimates
(for the two-year period)**

Funding Category	Full-Time Equivalents	Funding (in millions)
Information Technology Systems	542	\$291
Taxpayer Assistance, Education and Outreach	1,000	\$75
Published Guidance, Notices, Frequently Asked Questions	77	\$15
Tax and Information Returns Processing	100	\$8
Program Management	0	\$5
Tax Forms, Instructions, and Publications	15	\$3
Total	1,734	\$397

Source: IRS budget request as of February 21, 2018.

As of March 5, 2018, the IRS had not received additional funding. As a result, the IRS redirected existing resources from its ongoing regular program activities to focus on implementation efforts. For example, IRS representatives from the Large Business and International Division noted that they have redirected resources from both its core programs of international and domestic taxation, which will in turn delay completing ongoing case work. However, on March 23, 2018, the President signed the Consolidated Appropriations Act of 2018,⁸ which included \$320 million in funding available through Fiscal Year 2019 for implementation of provisions of the Tax Cuts and Jobs Act. IRS management indicated that it would continue to redirect some resources from its ongoing regular program activities to focus on implementation efforts. We plan to evaluate IRS use of these funds in a separate review.

The passage of the Bipartisan Budget Act of 2018,⁹ which was signed into law on February 9, 2018, will present even further challenges to the IRS. This legislation includes an additional 51 provisions, such as extensions on expired tax provisions and modifications to disaster relief provisions. Thirty-one of the 51 (61 percent) tax provisions relate to deductions and credits that can be claimed on a TY 2017 tax return. Similar to the requirements of the Tax Cuts and Jobs Act, these 31 provisions will require the IRS to update publications, forms, instructions, and computer programming to allow taxpayers to take advantage of these provisions.

⁸ Pub. L. No. 115-141.

⁹ Pub. L. No. 115-123.



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In fact, some taxpayers may have already filed tax returns using the previously expired tax law and may now need to amend their returns. We will evaluate the implementation of these extender provisions as part of a separate review.

Actions are being taken to plan for customer service, hiring, and employee training

The IRS's Communications and Liaison function is developing and preparing to deliver a major educational outreach initiative in an effort to ensure that taxpayers will understand and be able to navigate the changes in the Tax Cuts and Jobs Act. This outreach strategy will include conducting hundreds of events and sessions across the country, reaching not only taxpayers but also tax professionals. For example, the new tax law will be a primary focus during this year's IRS Nationwide Tax Forums, which will be held from July 10, 2018, to September 13, 2018, in five cities around the country to educate and provide information to tax professionals. In addition, the IRS is planning to disseminate educational materials on its website, www.irs.gov, as well as through social and traditional media outlets.

The IRS has worked, and will continue to work, with various consumer and business groups, including the payroll community, to share information about the tax law. For example, during the week of February 5, 2018, the IRS conducted five working group sessions with external stakeholders to receive comments, questions, and concerns about the new tax law and offer information. Organizations such as the American Institute of Certified Public Accountants, National Payroll Reporting Consortium, and Mortgage Bankers Association participated in meetings to discuss key issues with the tax law or have submitted written questions or suggestions.

To ensure consistency in the delivery of information relative to the Tax Cuts and Jobs Act, the IRS has established a process to coordinate external speaking events. This includes requesting that speakers complete a request form prior to attending a speaking engagement. The request form identifies information such as the event type, location, audience expected (*e.g.*, taxpayers, practitioners, *etc.*), topics to be discussed, and expected media presence. The form is submitted to the TRIO, which will then coordinate with the speaker to provide him or her with current speaking materials and information.

As it relates to actions being taken to support other customer service initiatives, the IRS is developing projections for the number of toll-free telephone calls and walk-in assistance visits. As such, the IRS advised us that it is in the process of developing hiring plans for these areas. In addition, the IRS is assessing its hiring needs for delivering the information technology system changes, including whether direct-hire authority will be required. The direct-hire authority process is intended to reduce the length of the hiring process, which the IRS estimates takes anywhere from 90 to 120 calendar days.

It should be noted that the IRS has provided training to toll-free and walk-in assistors on the use of the new Form W-4, *Employee's Withholding Allowance Certificate*, and withholding



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calculator. However, the IRS indicated that toll-free and walk-in assistance training for other provisions would not start until later in Fiscal Year 2018. In addition, high-level training on the tax provisions is planned for compliance staff in the Small Business/Self-Employed Division as well as the Large Business and International Division for delivery in April and May 2018. We will continue to monitor these activities as part of our ongoing multiphase audit strategy.

The Internal Revenue Service Took Adequate Steps to Develop the New Tax Withholding Tables

As previously mentioned, the Tax Cuts and Jobs Act included provisions that made significant changes to income tax rates, income tax deductions and credits, and Federal income tax withholding. In order to minimize potential burden on employees and employers, the IRS, in conjunction with the Department of the Treasury, designed the TY 2018 withholding tables to work with employees' existing Forms W-4 that were provided to their employers for prior tax years. The tax scenarios used to develop the TY 2018 withholding tables include:

- Single taxpayer with one job, no other income, and no children.
- Married taxpayer filing jointly with only one income, no other income, and no children.

Our review identified that the IRS was consistent with prior year tax table development in that the scenarios used for the TY 2018 tax tables are the exact same scenarios used by the IRS when developing the TY 2017 tables. The IRS designed the TY 2018 tax tables in consideration of the new tax rates and tax brackets, the revised standard deduction, and no personal exemption. This is in line with what was outlined in the Department of the Treasury's Individual Taxation Division's decision memo dated December 29, 2017, "*the prior law system for computing income tax withholding from wages was largely based on the personal exemption. While the Tax Cuts and Jobs Act repeals the personal exemption and increases credits for children and other dependents, it did not change the basic elements of the withholding system. Under the new law, withholding is still based on wages less an allowance that is constructed much like the old personal exemption.*" As such, the Department of the Treasury's decision memo set the withholding allowance value at \$4,150, the same as it would have been under the prior tax law, and noted that there is no higher or lower value that would be better. Further, the Tax Cuts and Jobs Act provided the authority for the Department of the Treasury to maintain the \$4,150 and other aspects of the current withholding process for TY 2018.

The IRS issued a revised Form W-4 on February 28, 2018, to reflect changes made by the Tax Cuts and Jobs Act and to work with the revised withholding tables that were released in January 2018. For example, the personal exemption was removed from the Form W-4 and adjustments were made to the child tax credit section to account for the increase in the credit amount. The Department of the Treasury's decision memo further indicated that additional changes to the withholding system, through modifications of forms, tables, *etc.*, to improve the accuracy of withholding would be developed for TY 2019.



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In addition, as previously noted, the IRS provided its employees with guidance on how to answer taxpayer inquiries regarding withholding as well as the use of the IRS's withholding calculator available on www.irs.gov. Guidance provided includes a withholding calculator guide and Frequently Asked Questions. The IRS also redesignated two toll-free lines for special assistance in calculating taxpayer income tax withholding. Toll-free phone assistants will answer phone calls related to the calculator. Taxpayers can also make an appointment at a walk-in site for Form W-4 assistance.

Assumptions used in developing the TY 2018 withholding calculator need to be revisited

In addition to creating the above-mentioned withholding tables, the IRS updated its online withholding calculator on www.irs.gov to work with the revised tax tables developed in response to legislative provisions included in the Tax Cuts and Jobs Act. This calculator provides taxpayers with the ability to estimate their tax liability and withholding under the Tax Cuts and Jobs Act. The calculator also provides the taxpayers with a suggestion to the number of withholding allowances they should claim for the remainder of TY 2018.

Our analysis of the revised TY 2018 withholding calculator identified that, in certain situations, the amount of withholding suggested by the calculator results in a taxpayer unknowingly having more withholding taken out of their pay than is necessary. For the weekly, biweekly, and semimonthly pay frequency, the calculator determines withholding using one less periodic payment than actual. For example, a taxpayer that is paid biweekly will generally have 26 pay periods during Calendar Year 2018. However, the withholding calculator is using 25 pay periods rather than 26 pay periods to determine the withholding amount and may result in overwithholding.

When we brought this to the IRS's attention, it advised us that this assumption has been in the withholding calculator's logic since it was first put into use 17 years ago. IRS management stated that they evaluated making a revision for the upcoming release of the withholding calculator but found that the extent of the changes, along with the testing of the changes, would delay the February 28, 2018, release date. IRS management indicated that they are considering making this change either later in Calendar Year 2018 or when the TY 2019 calculator is released. We plan to continue to monitor updates to the withholding calculator as part of our continuing audit coverage of the IRS's implementation of the Tax Cuts and Jobs Act.



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Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to assess the IRS's actions to implement the Tax Cuts and Jobs Act of 2017.¹ To accomplish this objective, we:

- I. Identified specific actions that the IRS will need to take to implement the Tax Cuts and Jobs Act.
 - A. Discussed processes to identify and implement tax law changes with the IRS, including the TRIO, Legislative Affairs, and the operating divisions.
 - B. Determined Legislative Affairs' process for tracking tax law changes.
 - C. Identified the IRS's cost estimates to implement the Tax Cuts and Jobs Act.
 - D. Identified IRS plans to identify training and hiring needs.
- II. Verified the accuracy of the IRS's tracking of tax provisions contained in the Tax Cuts and Jobs Act.
 - A. Identified tax provisions affected by the Tax Cuts and Jobs Act, including effective dates of each provision.
 - B. Identified tax provisions the IRS identified for the Tax Cuts and Jobs Act, including effective dates of each provision.
 - C. Performed a cross-walk from provisions of the Tax Cuts and Jobs Act we identified (Step II.A) to provisions the IRS identified (Step II. B) to ensure that the IRS has identified all provisions.
 - D. Determined whether the IRS has established tracking (*i.e.*, included on LATIS)² for all provisions identified and that each provision is assigned to IRS personnel for implementation.
 - E. Identified the effective dates of the provisions and when taxpayers can take advantage of the changes (*i.e.*, benefit from).

¹ Pub. L. No. 115-97. Officially known as "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for Fiscal Year 2018."

² The LATIS system is used to manage, coordinate, and track the actions the IRS takes to implement legislative provisions.



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- III. Assessed the procedures for updating withholding tables.
 - A. Identified and discussed procedures for updating withholding tables.
 - B. Evaluated the methodology used to update the withholding tables.
 - C. Reviewed the withholding tables to ensure their accuracy.
 - D. Evaluated the accuracy of the IRS withholding calculator.

Internal controls methodology

Internal controls relate to management's plans, methods, and procedures used to meet their mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance. We determined that the following internal controls were relevant to our audit objective: the IRS's policies and procedures for identifying legislative changes that affect the IRS and tax administration. We also evaluated controls to provide oversight to the implementation of tax law changes and updates to tax withholding tables. We accomplished this by interviewing IRS management and reviewing the Internal Revenue Manual,³ management information reports, and key system documentation related to the tracking of tax provisions included in the Tax Cuts and Jobs Act.

³ The official source of information on policies and procedures for use by all IRS offices.



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Appendix II

Major Contributors to This Report

Russell P. Martin, Assistant Inspector General for Audit (Returns Processing and Account Services)
Diana M. Tengesdal, Director
Darryl J. Roth, Audit Manager
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Benjamin D. Meeks, Auditor



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Appendix III

Report Distribution List

Chief, Communications and Liaison
Deputy Commissioner for Operations Support
Deputy Commissioner for Services and Enforcement
Commissioner, Large Business and International Division
Commissioner, Small Business/Self-Employed Division
Commissioner, Tax Exempt and Government Entities Division
Commissioner, Wage and Investment Division
Chief Research and Analytics Officer
Director, Office of Audit Coordination



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Appendix IV

Tax Reform Implementation Planning Tool Template

Tax Reform Implementation Planning Tool					
Provision Information					
Provision Section:					
Owner:					
Effective Date:					
Implementation Date:					
Implementation Activities					
Guidance Items	Planned Start Date	Planned End Date	Owner	% Complete*	Notes
New IRB Guidance					Repeat rows 12 - 15 if multiple pieces of new guidance is required; leave blank if no new guidance required.
Content Drafted					
Public Comment Period					
Treasury Review					
Final Published					
Modified IRB Guidance					Indicate IRB guidance impacted using the notes section. Repeat rows 17 - 20 if multiple pieces of existing guidance need to be modified; leave blank if no guidance modified.
Content Drafted					
Public Comment Period					
Treasury Review					
Final Published					
Soft Guidance (e.g. FAQs)					Indicate type of soft guidance required using the notes section. Repeat rows 22 - 25 if multiple pieces of soft guidance is required; leave blank if no soft guidance required.
Content Drafted					
Public Comment Period					
Treasury Review					
Final Published					
Tax Products					
New Form / Instructions					Repeat rows 28 - 33 if multiple new forms are required; leave blank if no new forms are required.
New Form Content Drafted (by BOD)					
New Form Created / Composed (by WI: TFP)					
WRN Submission					
Early Release					
Treasury Review					
Final Published					
Modified Form / Instructions					Indicate forms / instructions impacted using the notes section. Repeat rows 35 - 40 if multiple forms / instructions impacted; leave blank if no changes to existing forms / instructions required.
Revised Form Content Drafted (by BOD)					
Form Revisions Created / Composed (by WI: TFP)					
WRN Submission					
Early Release					
Treasury Review					
Final Published					
New Publication					Repeat rows 42 - 45 if multiple new publications are required; leave blank if no new publications are required.
Content Drafted					
Early Release					
Treasury Review					
Final Published					
Modified Publication					Indicate publications impacted using the notes section. Repeat rows 47 - 50 if multiple publications impacted; leave blank if no changes to existing publications required.
Content Drafted					
Early Release					
Treasury Review					
Final Published					
New Notice					Repeat rows 52 - 54 if multiple new notices are required; leave blank if no new notices are required.
Content Drafted					
Treasury Review					
Final Published					
IT Systems					Indicate systems impacted using the notes section. Repeat rows 57 & 58 if multiple systems impacted; leave blank if no programming changes required.
Impacted Systems Identified					
UWR Submitted					
User Testing Complete					
External Communications					Indicate type of external communication event using the notes section. Repeat rows 60 - 62 if multiple external communication events required; leave blank if no external communication events
Content Drafted					
Treasury Review					
Communication Content Published					
Employee Training					Repeat rows 65 - 67 if multiple training courses required; leave blank if no training required.
Training Requirements Added to Appropriate Training Plan(s)					
Training Content Drafted					
Internal Review / Approval					
Training Delivered					
IRM Revisions					Indicate IRM section impacted using notes section. Repeat rows 70 - 72 if multiple IRMs impacted and activities occur on different timelines.
Impacted IRM Sections Identified					
Content Drafted					
Internal Review / Approval					
Updates Executed					

* Indicate current % complete, as of response date, for any activities with a planned start date / and date that has already passed.

Source: IRS Tax Reform Implementation Office.



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Appendix V

Management's Response to the Report



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

March 26, 2018

MEMORANDUM FOR MICHAEL E. MCKENNEY
DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Sunita B. Lough *Sunita Lough*
Tax Reform Implementation Office

SUBJECT: Tax Cuts and Jobs Act: Assessment of Implementation Planning
Efforts Draft Audit Report (Audit # 2018-40027)

Thank you for the opportunity to review and comment on the subject discussion draft audit report. As the report notes, the Tax Cuts and Jobs Act (TCJA) is the most comprehensive tax legislation in the last 30 years. The Internal Revenue Service (IRS) is committed to implementing the TCJA in a way that best serves American taxpayers as they seek to understand and transition to changes in the tax laws. Like the implementation of most new and significant legislation, the implementation of the 119 provisions in the TCJA is a broad and substantial undertaking for the IRS, made even more challenging considering the posture of the agency after several years of budget cuts. Implementation will require considerable reprogramming and potential development of new information technology systems and the creation of new processes, tax forms, instructions, educational materials, training, and outreach – activities that will span many years. Throughout this process, we will work closely and have ongoing collaborations with our stakeholders – taxpayers, their representatives and other tax ecosystem stakeholders – to facilitate implementation in a manner that is informed by taxpayers' input and responsive to stakeholder feedback, while maintaining the appropriate balance between compliance burden and risk. We appreciate that your report highlights the good work that is underway.

We look forward to continuing to work with the Treasury Inspector General for Tax Administration to ensure the thoughtful and successful implementation of the Tax Cuts and Jobs Act.