

## 1. PROTECT TAXPAYER RIGHTS AS THE IRS IMPLEMENTS ITS STRATEGIC OPERATING PLAN

Section 10301 of the Inflation Reduction Act of 2022 (IRA) provided the IRS approximately \$79 billion to modernize technology, improve taxpayer service, enhance enforcement, and cover operational costs between FYs 2022 and 2031.<sup>1</sup> On April 5, 2023, the Treasury Department and the IRS released the IRS IRA Strategic Operating Plan (SOP), a report outlining how the IRS plans to transform tax administration over the next decade.<sup>2</sup> While the planned taxpayer service initiatives are intended to dramatically improve the delivery of services to the taxpayer population in general, TAS will evaluate the anticipated impact of such planned changes on taxpayers, especially the more vulnerable populations with limited access to online services. The enforcement initiatives in the SOP are intended to quickly resolve taxpayer issues and improve tax compliance, particularly among high-income taxpayers, large businesses, and pass-through entities. TAS will evaluate the implementation of such enforcement initiatives to safeguard taxpayer rights and advocate for a fair and equitable distribution of IRS resources that will benefit all taxpayers.

Of the initial supplemental IRA funding, Congress allocated only \$3.2 billion for Taxpayer Services and \$4.8 billion for Business Systems Modernization (BSM). Combined, such allocations amount to only ten percent of the original funding allocation, with the remaining 90 percent allocated for Enforcement (\$45.6 billion) and Operations Support (\$25.3 billion).<sup>3</sup> The SOP includes a discussion on the expected depletion of the IRS Taxpayer Services allocation in less than four years. It also expresses concerns about the adequacy of BSM funding to modernize the agency's antiquated technology.<sup>4</sup> TAS will continue to advocate for adequate funding for Taxpayer Services, BSM, and operational overhead that enables the IRS to meet the needs of all taxpayers.

### Objective 1 for FY 2024 – TAS will evaluate the IRS's implementation of the IRA SOP to maximize protection of taxpayer rights.

- Activity 1: Participate on cross-functional teams implementing the IRS IRA SOP, evaluate planned initiatives, and make administrative recommendations to maximize protection of taxpayer rights and minimize IRS burden imposed on taxpayers.
- Activity 2: Analyze the findings of focus groups conducted at the 2023 IRS Nationwide Tax Forums to understand tax professionals' thoughts, opinions, and concerns on the IRS's plans to implement the IRA funding as outlined by the IRS's SOP and make recommendations based upon our findings.

## 2. PROTECT TAXPAYER PRIVACY AND ENSURE THE IRS DOES NOT DISCLOSE TAXPAYER INFORMATION WITHOUT CONSENT

Tax return preparers, including tax return preparation software providers, cannot use or disclose tax return information to third parties without taxpayer consent.<sup>5</sup> Any unauthorized use or disclosure of such information can result in civil or criminal penalties.<sup>6</sup> Some have raised concerns as to whether tax return preparation software providers shared tax return information with third parties without explicit taxpayer consent.<sup>7</sup>

<sup>1</sup> An Act to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14, Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831 (2022) [hereinafter referred to as the "Inflation Reduction Act"]. As part of the Fiscal Responsibility Act of 2023 and related agreements, IRA funding is expected to be reduced by about \$21 billion.

<sup>2</sup> IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan (Apr. 2023).

<sup>3</sup> IRA, Pub. L. No. 117-169, § 10301, 136 Stat. 1818, 1831-1832 (2022).

<sup>4</sup> IRS, Pub. 3744, IRS Inflation Reduction Act Strategic Operating Plan 128, 130 (Apr. 2023).

<sup>5</sup> IRC §§ 6103(c), 6713, 7216; Treas. Reg. § 301.7216-3.

<sup>6</sup> IRC §§ 6713, 7216.

<sup>7</sup> Colin Lecher & Simon Fondrie-Teitler, *Meta Sued for Collecting Financial Information Through Tax Filing Websites*, THE MARKUP (Dec. 2, 2022), <https://themarkup.org/pixel-hunt/2022/12/02/meta-sued-for-collecting-financial-information-through-tax-filing-websites>; Class Action Complaint & Demand for Jury Trial, *Doe v. Meta Platforms, Inc.*, No. 3:22-cv-07557 (N.D. Cal. filed Dec. 1, 2022).