INTRODUCTION

Chairman Wyden, Ranking Member Crapo and members of the Committee, thank you for the opportunity to discuss the 2024 filing season and the IRS budget.

After a year as IRS Commissioner, it remains an honor for me to lead this great institution. My respect for the agency’s role and admiration for its workforce continue to grow. I’m pleased to report the 2024 tax season opened on schedule on January 29, and we’ve seen a historic filing season unfolding since then. Through March 30, the IRS received more than 90.3 million individual income tax returns and issued more than 60.8 million refunds for more than $185.6 billion.

Going into the final days of tax season, the Inflation Reduction Act (IRA) funding has enabled the IRS to have one of its best filing seasons ever in terms of customer service. Wait times and level of service on our main phone lines have improved. We’ve dramatically expanded service in our walk-in sites, increasing hours and serving more taxpayers. And new and expanded tools on IRS.gov are seeing heavy use. I will have more detail on these later in this testimony.

IRA funding has also enabled us to begin making critical inroads in addressing the tax gap and tax evasion among the most complex and largest filers, which represents a sharp turnaround from the past decade when our work was hindered by lack of resources. Our compliance work includes focusing on delinquency and non-filing among high-income individuals, as well as leveraging artificial intelligence (AI) and hiring subject matter experts to find tax evasion among our largest and most complex partnerships and corporations.

But while we have seen a historically strong tax season so far, I want to be clear the IRS has much more work to do on many fronts: closing remaining gaps on phone service; expanding digital options for all taxpayers; further strengthening data security; and increasing support for vulnerable populations by such actions as increasing access to the Earned Income Tax Credit (EITC) and other refundable credits as well as protecting and supporting scam victims.
Our ongoing success hinges on sustained investments to make sure that we have the right size workforce, with the right training and tools as well as a modern technology infrastructure, with increasingly modern web-enabled tools for taxpayers. These are needed to ensure the IRS is ready to implement the tax system of today and the future.

Along with delivering the filing season and other day-to-day activities, we have a tremendous amount of transformation work taking place at the IRS. These changes, which are made possible by IRA funding, touch every part of our operations, from taxpayer service to tax enforcement to information technology and data security.

We have a unique opportunity – a once-in-a-generation chance – to envision and realize a future of tax administration that meets the evolving needs of taxpayers and the nation. Using IRA funding, there are three central themes I’ve been reminding taxpayers about this filing season:

• Ensuring taxpayers can easily contact the IRS – whether in person, on the phone or online – and get help navigating complex tax laws and accessing the credits for which they are eligible;
• Identifying the growing number of taxpayers with complex returns – including certain wealthy individuals, large corporations and complex partnerships – who are shielding income to evade their tax responsibility and collecting from them what is owed; and
• Addressing the growing risk of tax scams and schemes by protecting honest taxpayers from them and rooting out the nefarious actors that perpetrate them.

The IRS has many other goals and objectives supporting this effort as part of our Strategic Operating Plan. This includes making dramatic improvements to our Information Technology (IT) infrastructure and design as well as delivering modern technology platforms that center around data and applications. These efforts will support all our transformation work.

Achieving this ambitious transformation agenda requires us to rebuild areas in the IRS that have suffered from more than a decade of underfunding that preceded the IRA. A critical change we are making involves providing our IRS workforce with the right tools – including training, technology and smarter processes – so we are ready now, and in the future, to meet our core mission of supporting taxpayers and the nation.

Aiding us in our efforts, the President’s Fiscal Year (FY) 2025 budget proposal would restore and maintain the full IRA investment in the IRS through 2034, avoiding funding cliffs that would dramatically degrade our ability in many different areas, including taxpayer services beginning in 2026. Sustained funding is necessary for us to build on the successes of the 2024 filing season and continue our work to:
• Make further phone service improvements, answering calls and other inquiries from taxpayers,
• Provide additional digital tools for taxpayers so the IRS can keep pace with the rest of the digital economy,
• Continue efforts to hold complex filers accountable for tax evasion,
• Make critical upgrades to our data security environment so that we remain one step ahead of evolving cyberattacks and other threats,
• Disrupt tax scams by bad actors and provide assistance to taxpayers victimized by such scams, and
• Deploy and sustain new technologies made necessary by an expanding tax system.

For these improvements to continue and accelerate, a consistent, reliable funding stream remains critical for the agency – both in regard to our annual appropriations and maintaining the IRA funding.

The decision about whether to adequately fund the agency comes down to a fundamental choice: Whether or not we will have an IRS that...

• Taxpayers can easily interact with to meet their tax responsibilities or resolve issues if they arise,
• Ensures fairness in the tax system through its enforcement activities,
• Quickly and effectively addresses tax scams that exploit vulnerable populations, and
• Has updated IT infrastructure and modern technology platforms capable of supporting our transformation work.

For the IRS to be able to do all these things, adequate stable funding is essential.

UPDATE ON THE FILING SEASON AND TRANSFORMATION EFFORTS

The IRS remains focused on improving service to taxpayers, offering them more in-person and online resources as part of our effort to deliver another successful tax season this year. Taxpayers and tax professionals saw additional improvements in our operations and service this year that made it easier for them to prepare and file taxes.

The IRS has worked hard to ensure this filing season would build on the accomplishments of last year. Early results show that we’ve exceeded several transformation goals set for the 2024 filing season:

• Again committing to an 85 percent level of service (LOS) on our main toll-free phone line during the filing season. As of early April, we have exceeded that level of service, which means the vast majority of callers routed to live assistors have been able to connect and receive support.
• Committing to an average call wait time of 5 minutes or less on the agency’s main taxpayer helpline. As of early April, we exceeded our goal, with our main line phones being answered in about 3 minutes.
• Giving taxpayers the ability to opt for a call back from the IRS if their wait time on the phone is more than 15 minutes. This has saved taxpayers many thousands of hours of wait times.
• Increasing self-service support in a number of areas, such as the Where’s My Refund and Where’s My Amended Return tools, which used conversational voice bot technology for the first time to help taxpayers get answers on the status of their refund or amended return more quickly.
• Providing more in-person help at our Taxpayer Assistance Centers (TAC), with a goal of delivering 8,500 more hours of in-person assistance than we did during the 2023 filing season. We have exceeded that goal, having delivered 9,000 more hours of in-person assistance. We expanded hours at nearly 250 TACs around the country during the filing season. And we again offered special Saturday hours at TAC locations around the country; this past Saturday, April 13, we had more than 70 TACs open to help taxpayers.

Although these were ambitious goals, our workforce proved it is up to the challenge. The progress we have made thus far using IRA funding shows what is possible in the years ahead.

I’ll have more to say about our efforts to provide world-class service, but first I’ll turn to enforcement, where we’ve seen early success in ensuring the wealthiest Americans with ongoing issues pay what they owe.

On the compliance side we continue to take swift and aggressive action to ensure that high-income taxpayers who evade taxes play by the same rules as everyone else. We are increasing scrutiny of these taxpayers as we work to reverse the historically low audit rates for large corporations, complex partnerships, and high-wealth individuals that existed since before the IRA was passed.

As an example, we have concentrated our revenue officers’ work on those taxpayers with more than $1 million in income and more than $250,000 in recognized tax debt. Over the past year, the total we have recovered through these new initiatives is about $500 million. That’s half a billion dollars recovered from fewer than 1,000 millionaires and billionaires. That is just the beginning: Our revenue officers continue to work on hundreds of these cases to recover more back taxes from delinquent high-wealth individuals.

In a related effort, we recently launched an initiative focused on high-income taxpayers who have failed to file federal income tax returns, some as far back as 2017. In February we began sending out compliance letters on more than 125,000 cases where tax returns haven’t been filed. This includes more than 25,000 mailings to those with more than $1 million in income, and over 100,000 mailings to people with incomes between $400,000 and $1 million, between tax
years 2017 and 2021. People who fail to respond to these letters will be subject to additional notices and other enforcement actions.

We are also closely examining potential noncompliance among the largest U.S. corporations and partnerships that were identified as higher risk for tax noncompliance with the help of new AI tools. As of December, the IRS had open audits of more than 75 of the largest U.S. partnerships. On average, they each have more than $10 billion in assets and represent a cross-section of industries that include hedge funds, real estate investment partnerships, publicly traded partnerships, large law firms and other industries. IRA funding is also helping us expand our Large Corporate Compliance Program, which covers entities with average assets of more than $24 billion and average taxable income of about $526 million per year, and our hiring of new staff has allowed us to open 60 new audits of taxpayers in this group.

Another illustration of how our long-term funding is helping us more fully address high-risk compliance areas: We recently announced we are beginning dozens of new audits on corporate aircraft involving personal use. We are focusing on aircraft usage by large corporations, large partnerships and high-income taxpayers. The IRS has concerns that the use of these jets is not being properly allocated between business and personal activities. We are concerned people are using business aircraft for personal use, which means the businesses are taking deductions they may not be fully entitled to.

Personal use of corporate jets and other aircraft by executives and others has personal and business tax implications. This is a complex area where, in the past, IRS work has been stretched thin. With expanded resources, these aircraft audits will help ensure high-income groups aren’t flying under the radar with their tax responsibilities.

In all its compliance work, the IRS’s focus is on those posing the greatest risk to our nation’s tax system in terms of ensuring fairness. As I have previously stated, we remain committed to following the Secretary of the Treasury’s directive not to increase audit rates relative to historical levels for small businesses and households earning less than $400,000 per year. All of this work will be with an eye toward fairness and always respecting taxpayer rights. Although focusing on these types of complex issues will be resource intensive, achieving our goals will result not only in a fairer tax system, but also in benefits for taxpayers and the nation, because detecting and stopping noncompliance in these areas will result in significant additional revenues and reduce the deficit.

Launching the Direct File Pilot

As part of our effort to deliver significantly improved taxpayer services, the IRS has been conducting a limited-scope pilot this filing season of a system that allows taxpayers to prepare and file a tax return for free, online, directly with the IRS, called Direct File. Our work on Direct File is an important innovation in our
ongoing efforts to transform the IRS and lead the agency into a digital, taxpayer-focused future.

This year, eligible taxpayers in 12 participating states had the option to prepare and file their return this way. The pilot will allow us to assess customer and technology needs, so we can evaluate and develop solutions and make a recommendation about the future of a Direct File system. After a successful testing phase, we announced on March 12 that all eligible taxpayers in the 12 states – representing 19 million taxpayers – could use the system at any time.

Thousands of taxpayers already have successfully used the system, and users are giving the new option positive reviews. These early results from Direct File have shown taxpayers like the ease and convenience of the tool.

It is important to note that a core part of the IRS’s mission is to meet taxpayers where they are and ensure they have options to fulfill their tax obligations that meet their needs. I want to emphasize that taxpayers will always have choices for how they prepare their taxes. They can file using a trusted tax professional, our Free File program, tax software, or free tax preparation services such as the Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs, or they can file a paper return. We saw an extremely successful filing season involving all of those options. We continue to emphasize that taxpayers should use the filing option that works best for them and their personal financial situation. Direct File is designed to be an additional option for some taxpayers this year that is simple, secure, accurate and free.

**Progress on Transformation**

IRA resources have been fundamental in our efforts to modernize our operations. The IRS is using this funding to upgrade our IT infrastructure and improve the experience for those who choose to interact with us online. By utilizing technology, we are making the IRS more efficient while meeting taxpayers where they are.

Along those lines, we continue to enhance our online offerings. We have expanded the capabilities of the IRS Online Account and Tax Pro Account, so this filing season taxpayers and tax professionals have been able to perform more types of transactions in their accounts. We also launched a Business Tax Account to make interacting with us easier for small business owners.

We have also made critical progress on our Paperless Processing Initiative. While online options for taxpayers have increased, the IRS has continued to be flooded with paper, including tax returns and correspondence. We had been working toward digital scanning of paper forms and returns for some time, but the IRA funding has allowed us to greatly accelerate these efforts. For example,
during Calendar Year 2023, we scanned more than 1.5 million forms and returns we received on paper.

Additionally, we are making progress toward our five-year goal of giving taxpayers the ability to securely file all documents and respond to all notices online, as well as securely access and download their data and account history. We met our first goal of this initiative three months ahead of schedule. Taxpayers are now able to digitally submit all correspondence and responses to notices.

Complementing these efforts, the IRS recently announced a sweeping initiative to simplify and clarify about 170 million letters sent annually to taxpayers. The Simple Notice Initiative builds on notice-redesign efforts already in place for the 2024 tax season and expands on a recent successful pilot involving identity theft letters. The redesign work will accelerate during the 2025 and 2026 filing seasons, improving common IRS letters going out to individual taxpayers and then expanding into notices going to businesses.

The IRS also made significant progress in bringing our paper inventory back to manageable levels after COVID-related interruptions in our operations resulted in historic backlogs. Inventory challenges involving original returns have been completely resolved.

Taken together, these initiatives will make it easier for taxpayers to respond to notices from the IRS. They have the option to go paperless and conveniently submit necessary responses online, and they will receive clearer and more concise IRS notices, so they can better understand the actions they need to take.

ENHANCING DATA SECURITY

The IRS works continuously to preserve taxpayer privacy and protect our computer systems from cybersecurity incidents through a combination of preventative and detective controls. IRS systems withstand well over 1 billion cyberattacks annually (including denial-of-service attacks; unsuccessful intrusion attempts, probes or scans; and other unauthorized connectivity attempts). Since I became Commissioner, I have seen teams across the IRS make amazing progress to improve our security posture, permanently closing gaps utilizing IRA funding to make needed updates, and we continuously work to ensure that taxpayers and our own systems are protected.

We continue to strengthen our systems, training and overall infrastructure under the Strategic Operating Plan, funded by the IRA. Measures we have taken include (but are not limited to):

- **Further restricting user access.** We restructured our operations to reduce the number of people with access to the most sensitive taxpayer datasets.
• **More robust protective security controls.** We updated data protection mechanisms – including encryption and anonymization – to better protect taxpayer information.

• **Improved firewalls.** We have added additional firewalls between key taxpayer information and the rest of the IRS, providing additional monitoring capabilities.

• **Stronger 24/7 monitoring.** We have expanded advanced analytics to detect and prevent risky data usage, providing improved insight into suspicious activities around the clock.

• **New tools.** We are adding new analytical tools and dashboards to monitor user activity involving sensitive data. These tools will help to improve the detection of potential data misuse.

The bottom line is that as Commissioner I have made it a priority to improve the data security protections at the IRS against potential internal and external threats. Taxpayer data must always be protected and safeguarded, and any unauthorized disclosure will not be tolerated. We’ve made remarkable progress and have dramatically reduced risk in all aspects of data security, and we will remain focused on this in the future.

**COMBATING FRAUD: EMPLOYEE RETENTION CREDIT**

The IRS is committed to protecting hard-working people and small businesses from scammers and fraudsters who try to use the tax system for their schemes. Along those lines, we continue to face a major challenge related to scams involving the Employee Retention Credit (ERC).

The ERC provided a financial lifeline to millions of businesses and exempt organizations during the pandemic. The IRS has worked hard to implement this credit, and we have processed about 3.6 million ERC claims worth approximately $230 billion to businesses. However, promoters have been aggressively misleading people and businesses that are not eligible into claiming the ERC, even though they do not qualify.

The IRS has been flooded with ERC claims, and we are concerned that many of these claims were not being filed by businesses that qualify. We appreciate the patience of businesses and tax professionals as we continue our effort to protect against fraud. Since last fall we have been intensifying our compliance work in this area.

Last September, as we were being inundated by questionable ERC claims, we announced a moratorium on processing new claims to allow us time to make adjustments and add taxpayer protection provisions into the program, including options for businesses that may have been unduly pressed by a promoter.
Since then, the IRS has taken a number of actions, which together have protected more than $1 billion between September 2023 and mid-March 2024:

- We continue to offer a withdrawal option for businesses with a pending ERC claim, which allows certain employers that filed a claim – but have not yet received a refund – the ability to withdraw their submission and avoid future repayment, interest and civil penalties on a refund for which they are ineligible. Claims that are withdrawn are treated as if they were never filed. A total of 1,800 entities have withdrawn a total of $251 million in claims so far.

- In December, we sent letters to more than 20,000 businesses notifying them of disallowed ERC claims. Since then, we have determined that more than 12,000 entities filed more than 22,000 claims that were improper and resulted in $572 million in assessments that the IRS will be working to recoup. The IRS is continuing this work with all of our available compliance tools, and more activity is planned in this area in the months ahead.

- Also in December, we launched a special ERC Voluntary Disclosure Program that ended on March 22. The program allowed voluntary repayments by businesses that received an improper ERC payment. Those accepted into the program needed to repay only 80 percent of the credit they received. This has yielded more than $225 million from over 500 taxpayers, with another 800 submissions still being processed, including many that came in at the last minute before the March 22 deadline.

During this period, we have processed some ERC claims, but at a much slower rate than before our approach changed in the summer and fall. While we continue to process ERC applications received prior to the moratorium, our progress is hampered by the fact that amended returns from ERC applicants come in on paper and require time-intensive manual processing. We are developing a scanning process for both pre- and post-moratorium paper returns so that we can digitize the information from other pending claims and expect that process to be completed this spring. We continue our work to determine next steps involving ERC.

This current situation is an excellent example of where IRA funding will make a difference in the future. These claims are being filed on paper. The IRA funding will give us improved capability to receive digital information, whether on amended returns or other information such as taxpayer correspondence. In turn, this will help us more rapidly identify risks and develop response strategies – the exact issue that we have confronted with the ERC claims.

Additionally, the IRS remains very serious about tracking down unscrupulous promoters of the ERC. We have specially trained auditors examining ERC claims that pose the greatest risk. Also, our Criminal Investigation Division is conducting
hundreds of investigations involving potentially false claims worth billions of dollars.

THE PRESIDENT’S FISCAL YEAR (FY) 2025 BUDGET

The President’s FY 2025 Budget proposal for the IRS provides $12.3 billion in discretionary appropriations, equal to the FY 2024 and FY 2023 enacted levels. As the IRS implements its plans for transformative change with the significant resources provided by the IRA, annual discretionary appropriations need to provide sufficient recurring “base” resources.

However, with no anticipated discretionary increases for inflationary requirements in FY 2024 and FY 2025, the IRS will be required to further extend its reliance on IRA resources to fund base needs. IRA resources are limited, and the IRS will likely use them entirely before the funding expires in FY 2031. In addition, the authorizing language does not provide the flexibility to realign the IRA funds across appropriations.

This will have the most immediate impact on the taxpayer services appropriation, with IRA resources for this category expected to run out completely by FY 2026. The IRS is spending much more on taxpayer services than is provided for in annual appropriations, with IRA funding heavily supplementing telephone and in-person service. Without additional funding or additional flexibility to realign between appropriations, IRS telephone LOS is expected to see a drastic decline in FY 2026 and fall even further in FY 2027. In this scenario, the vast majority of taxpayers would be unable to reach an IRS representative for assistance and millions of pieces of taxpayer correspondence would not be answered in a timely manner.

To address this issue, the President’s Budget includes a mandatory proposal that will avert the IRA funding “cliffs” (after which IRA funds are exhausted for a given appropriation) and will extend IRA funding through FY 2034. This proposal would provide $104 billion over the 10-year budget window and is estimated to generate at least an additional $341 billion in revenue. It will ensure the IRS can continue its transformation efforts – as described in our Strategic Operating Plan – to improve service, modernize technology and ensure that taxpayers with complex returns, including certain high-income individuals, large corporations and complex partnerships, pay the taxes they owe.

We have worked to identify the highest priority areas of focus through filing season 2025, with a second sprint to cover efforts through filing season 2026. The following represent the areas of focus from this work:

- **Digitalization.** Digitizing all paper documents we receive from taxpayers and enabling our employees to perform their work digitally.
• **Fairness in enforcement.** Expanding enforcement efforts for complex taxpayer segments while simultaneously ensuring fairness for taxpayers at all income levels. This includes providing the outreach and support necessary to ensure taxpayers receive the benefits for which they are eligible.

• **Live assistance.** Ensuring that when taxpayers need answers from the IRS, we are available.

• **Notifications and scams.** Providing taxpayers with clear and concise notices, and stepping in to disrupt and dismantle scams while providing support to victims.

• **Self-service and online accounts.** Giving taxpayers the option to address all of their tax-related needs with the IRS online if they choose.

• **Employee tools and experience.** Enabling a fully equipped, empowered and engaged IRS workforce ready to serve taxpayers.

• **Foundational technology.** Modernizing the IRS’s foundational technology to meet the needs of taxpayers and IRS employees.

• **Human capital.** Attracting, retaining and empowering a highly skilled, diverse workforce that is better equipped to deliver results for taxpayers.

**LEGISLATIVE PROPOSALS IN THE PRESIDENT’S FY 2025 BUDGET**

Along with the funding requested in the President’s FY 2025 Budget request, we are also requesting legislative proposals that would improve tax administration, including, but not limited to, the following:

• **Direct Hire Authority and Streamlined Critical Pay.** The President’s Budget includes two administrative provisions within the appropriations language designed to expand Direct Hire Authority (DHA) and provide the ability to offer Streamlined Critical Pay (SCP) to certain new hires to accelerate IRS hiring efforts. DHA provides the ability to expedite the normal hiring process to hire more efficiently during a severe shortage of highly qualified candidates or during a critical hiring need. DHA has helped the IRS address the backlog of paper tax returns and taxpayer correspondence. As the IRS works to rapidly implement plans to utilize IRA resources, expanded DHA will help ensure that hiring delays are not an obstacle for achieving broad mission related functions. The current DHA provision will expire in 2024; the proposal included in the Budget will extend DHA through 2027. SCP authority gives the IRS a management tool to quickly recruit and retain a limited number of employees with high levels of expertise in technical or professional fields that are crucial to the success of the IRS’s transformative efforts by allowing for higher base salaries for these hires than would otherwise be possible. The current SCP authority will expire in 2025; this proposal would extend it through September 30, 2031.

• **Provide for information reporting by certain financial institutions and digital asset brokers for purposes of exchange of information.** Over
time, the United States has established a broad network of information exchange relationships with other jurisdictions based on established international standards. The information obtained through those relationships has been central to recent successful IRS enforcement efforts against offshore tax evasion. The ability to exchange information reciprocally is particularly important in connection with the implementation of the Foreign Account Tax Compliance Act (FATCA). Currently, however, the United States provides less information to foreign governments than we receive from them. The proposal would expand reporting by U.S. financial institutions and digital asset brokers with respect to foreign account holders in a number of ways – for example, by requiring financial institutions to report the account balance for all financial accounts maintained at a U.S. office and held by foreign persons. These new reporting requirements would enable the IRS to provide equivalent levels of information to cooperative foreign governments in appropriate circumstances to support their efforts to address tax evasion by their residents. The proposal would be effective for returns required to be filed after December 31, 2026.

- **Require reporting by certain taxpayers on foreign digital asset accounts.** Section 6038D(b) of the Internal Revenue Code contains an annual reporting requirement for individuals in regard to two categories of foreign financial assets, but there is no reporting requirement under this section for digital assets. Against this backdrop, tax compliance and enforcement with respect to digital assets is a rapidly growing problem. The global nature of the digital assets market offers opportunities for U.S. taxpayers to conceal assets and taxable income by using offshore digital asset exchanges and wallet providers. The proposal would amend section 6038D(b) to require reporting with respect to a new third category of asset: that is, any account that holds digital assets maintained by a foreign digital asset exchange or other foreign digital asset service provider. Reporting would be required only for taxpayers who hold an aggregate value of all three categories of assets in excess of $50,000. The proposal would be effective for returns required to be filed after December 31, 2024.

- **Extend the statute of limitations for certain tax assessments.** Section 6501 of the Internal Revenue Code generally requires the IRS to assess a tax within three years after the filing of a return. But for complex audits in the largest cases, critical issues may not be identified until late in the process of an examination, and in many cases these issues cannot be pursued further due to time and resource constraints. The proposal would amend section 6501 to extend the three-year statute of limitations to six years if a taxpayer omits from gross income more than $100 million on a return. This change would give the IRS enhanced agility and flexibility in evaluating and staffing its case inventory and appropriately allocating its limited enforcement resources. The proposal would be effective for returns required to be filed after the date of enactment.
• **Increase oversight of paid tax return preparers.** Paid tax return preparers have an important role in tax administration because they assist taxpayers in complying with their obligations under the tax laws. The proposal would amend Title 31, U.S. Code (Money and Finance) to provide the Secretary with explicit authority to regulate all paid preparers of Federal tax returns, including by establishing mandatory minimum competency standards. The proposal would be effective on the date of enactment.

• **Expand and increase penalties for noncompliant return preparation and e-filing.** Inappropriate behavior by paid tax return preparers harms taxpayers through the filing of inaccurate returns, erroneous refunds and credits, and personal tax return noncompliance. Tax return preparer misconduct continues, in part, because the amounts of the penalties under current law do not adequately promote voluntary compliance. The proposal would increase the amount of the tax penalties that apply to paid tax return preparers for willful, reckless or unreasonable understatements, as well as for forms of noncompliance that do not involve an understatement of tax. The proposal would be effective for returns filed after December 31, 2024.

• **Expand authority to require electronic filing for forms and returns.** Under this proposal, electronic filing would be required for returns filed by taxpayers reporting larger amounts or that are complex business entities, including: (1) income tax returns of individuals with gross income of $400,000 or more; (2) income, estate, or gift tax returns of all related individuals, estates, and trusts with assets or gross income of $400,000 or more in any of the three preceding years; (3) partnership returns for partnerships with assets or any item of income of more than $10 million in any of the three preceding years; (4) partnership returns for partnerships with more than 10 partners; (5) returns of real estate investment trusts, real estate mortgage investment conduits, regulated investment companies and all insurance companies; and (6) corporate returns for corporations with $10 million or more in assets or more than 10 shareholders. Further, electronic filing would be required for the following forms: (1) Form 8918, *Material Advisor Disclosure Statement*; (2) Form 8886, *Reportable Transaction Disclosure Statement*; (3) Form 1042, *Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*; (4) Form 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds*; and (5) Form 8300, *Report of Cash Payments Over $10,000 Received in a Trade or Business*. Return preparers that expect to prepare more than 10 corporation income tax returns or partnership returns would be required to file such returns electronically. The Secretary would also be authorized to determine which additional returns, statements, and other documents must be filed in electronic form in order to ensure the efficient administration of the internal revenue laws without regard to the number of returns that a person files during a year. The
proposal would be effective for forms and returns required to be filed after December 31, 2024.

- **Improve reporting for payments subject to backup withholding.** Backup withholding applies to a reportable payment if a payee fails to furnish the payee’s taxpayer identification number (TIN) to the payor in the manner required. It is an enforcement tool that ensures payors and payees are compliant with reporting obligations. Currently, the IRS may only require that the payee furnish the TIN under penalties of perjury with respect to interest, dividends, patronage dividends, and amounts subject to broker reporting. Payees of these reportable payments are generally required to furnish their TINs using a Form W-9, Request for Taxpayer Identification Number and Certification. However, payees of other reportable payments subject to backup withholding may furnish their TINs in other ways. The proposal would treat all information returns subject to backup withholding similarly. Specifically, the IRS would be permitted to require payees of any reportable payments to furnish their TINs to payors under penalty of perjury. The proposal would be effective for payments made after December 31, 2024.

- **Improve IRS data disclosure to Tribal child support services and to child support services contractors.** Section 6103 of the Internal Revenue Code prohibits the disclosure of return information except under specific circumstances. For example, Section 6103 authorizes the IRS to disclose certain return information to Federal, State, and local child support enforcement agencies (CSEs). The section further authorizes CSEs to disclose some, but not all, of that information to their contractors. There is no explicit authority for the IRS to disclose to Tribal CSEs or their contractors return information for purposes of child support enforcement. The proposal would expand the IRS’s authority to allow CSEs to share information with their contractors. It would also provide Tribal CSEs with the same access to the same return information as Federal, State, and local CSEs. These changes would facilitate the establishment and collection of child support obligations, locating individuals owing child support, and the administration of the Federal tax refund offset program. These proposals would be effective upon enactment.

**CONCLUSION**

Chairman Wyden, Ranking Member Crapo and members of the Committee, thank you again for the opportunity to update you on the filing season and the IRS budget. The 2024 filing season has been a good one overall, and, assuming the agency receives adequate funding going forward, the future holds great promise for the agency and the taxpayers we serve. As Commissioner, I remain committed to leading the IRS’s transformation efforts in close collaboration with your Committee, and I look forward to working with you to achieve a more modern and high-performing IRS, which will better serve taxpayers and our nation.