



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

August 17, 2022

MEMORANDUM FOR COMMISSIONER RETTIG

FROM: Janet L. Yellen, Secretary of the Treasury
CC: Wally Adeyemo, Deputy Secretary of the Treasury
SUBJECT: IRS Operational Plan

The Inflation Reduction Act provides the IRS what it has needed for years—a stable stream of mandatory funding that will allow the agency to serve American taxpayers the way they deserve and to enforce the tax laws against high net-worth individuals, large corporations, and complex partnerships who today pay far less than they owe.

Ahead of us is a monumental opportunity to transform tax administration in this country. It is also a significant operational challenge. The work will require an all-hands-on-deck approach from the dedicated employees of the IRS. And it will require the agency to modernize: first, to fully resolve the inventory backlog and make significant improvements in taxpayer services; second, to overhaul an information technology system that is decades out of date and invest in training employees so they can identify the most complex evasion schemes by those at the top; and third, to replace the attrition that is on the horizon from the expected retirement of at least 50,000 IRS employees over the next five years.

As I wrote [last week](#), these investments will not result in households earning \$400,000 per year or less or small businesses seeing an increase in the chances that they are audited relative to historical levels. Instead, they will allow the IRS to work to end the two-tiered tax system, where most Americans pay what they owe, but those at the top of the distribution often do not.

Before it was stricken during the Byrd process, the Inflation Reduction Act would have required the IRS to produce a six-month operational plan detailing how these resources will be deployed over the course of the next decade. This kind of planning is crucial, so I am directing that such a plan should be delivered to me six months from today.

Specifically, I would like the IRS to work closely with the Deputy Secretary to identify specific operational initiatives and associated timelines that will improve taxpayer service, modernize technology, and increase equity in our system of tax administration by pursuing tax evasion by those at the top who today do not pay their tax bill.

This operational plan should include details on how resources will be spent over the ten-year horizon on technology, service improvement, and personnel. This operational plan is key to

ensuring the public and Congress are able to hold the agency accountable as it pursues needed improvements. To that end, as you develop an operational plan, it must include metrics for areas of focus and targets over the course of the coming years that the agency will strive to achieve.

I am prepared to approve the near-term use of funds to improve services for next filing season, but we should treat this plan as a prerequisite for expending these resources more broadly, as I think there is value in thinking carefully over the course of the next few months how work should be prioritized and sequenced to achieve our goals.

Thanks to the efforts of Congress and this Administration, we finally have the tools that we need to improve the service that is provided to American taxpayers and address noncompliance by the wealthy and those who aid and abet them. I know this is work you are committed to, and I look forward to working closely with the IRS on the effort ahead.