

Paperless Correspondence and Paperless Tax Return Processing

Cross References

- FS-2023-18, August 8, 2023

Paper-based processes have long hampered the IRS and frustrated taxpayers. The challenges created by paper are two-fold: taxpayers are unable to digitally submit many forms and correspondence beyond their annual 1040 tax return, and the IRS is unable to digitally process paper tax returns it receives. For decades, taxpayers had to respond to notices for things like document verification through the mail, and IRS employees had to manually enter numbers from paper returns into computers one digit at a time, creating significant delays for taxpayers and challenges for IRS staff.

The IRS receives about 76 million paper tax returns and forms, and 125 million pieces of correspondence, notice responses, and non-tax forms each year, and its limited capability to accept these forms digitally or digitize paper it receives has prevented the IRS from delivering the world-class service taxpayers deserve. The IRS also has more than 1 billion historical documents, which costs \$40 million per year to store.

Thanks to Inflation Reduction Act (IRA) resources, taxpayers are now able to respond to more notices online, and the IRS has made significant progress adopting new technology that automates the scanning of millions of paper returns. As the next phase of its modernization, the IRS is accelerating paperless processing efforts. Using IRA resources, the IRS is launching an ambitious plan to ensure that by filing season 2024, taxpayers will be able to go paperless if they choose to do so, and by filing season 2025, the IRS will achieve paperless processing digitizing all paper-filed returns when received. In effect, this means all paper will be converted into digital form as soon as it arrives at the IRS.

Filing season 2024: Taxpayers will be able to go paperless:

- Taxpayers will be able to digitally submit all correspondence, non-tax forms, and responses to notices; as a result, the IRS estimates more than 94% of individual taxpayers will no longer ever need to send mail to the IRS. Taxpayers use non-tax forms to request or submit information on a range of topics, including identity theft and proof that they are eligible for key credits and deductions to help low-income households. Achieving this milestone will enable up to 125 million paper documents to be submitted digitally per year. Taxpayers who want to submit paper returns and correspondence can continue to do so.
- Taxpayers will be able to e-file 20 additional tax forms. Achieving this milestone will enable up to 4 million additional tax documents to be filed digitally every year. This includes amendments to Forms 940, 941, 941-SS and 941 (PR), which are some of the most common forms taxpayers file when amending returns.

- At least 20 of the most used non-tax forms will be available in digital, mobile friendly formats that make them easy for taxpayers to complete and submit. These forms will include a Request for Taxpayer Advocate Service Assistance, making it easier for taxpayers to get the help they need.

Filing season 2025: IRS achieves paperless processing for tax returns:

- By filing season 2025, an additional 150 of the most used non-tax forms will be available in digital, mobile friendly formats. An estimated 15 percent of Americans rely solely on mobile phones for their internet access—they do not have broadband at home—and making forms available in mobile-friendly formats is key to serving these taxpayers.
- IRS will digitally process all paper-filed tax and information returns. Achieving this milestone will enable up to 76 million paper documents to be processed digitally every year, improving service, cutting processing times in half, and expediting taxpayer refunds by several weeks.
- Half of paper-submitted correspondence, non-tax forms, and notice responses will be processed digitally. Achieving this milestone will enable up to 60 million paper documents to be processed digitally every year. All paper documents—correspondence, non-tax forms, and notice responses—will be processed digitally by filing season 2026.
- Up to 1 billion historical documents will be digitized, improving customer service, giving taxpayers access to their data, and ultimately saving IRS approximately \$40 million in annual storage costs.

Paperless processing is the key to unlocking service improvements:

- Digitization has far-reaching implications for improving IRS service. Digitizing paper returns will eliminate errors that result from manually inputting data from paper returns, which will speed up processing, reduce storage costs, and allow IRS to focus more resources on customer service.
- Once paper returns are digitized, extracting the data will enable IRS customer service employees to more quickly and accurately answer taxpayer questions and resolve issues. Customer service employees do not currently have easy access to the information from paper returns and other correspondence submitted by mail. Digitization and data extraction will give them access to that information they need to better serve taxpayers.
- When combined with an improved data platform, digitization and data extraction will enable data scientists to implement advanced analytics and pattern recognition methods to pursue cases that can help address the tax, including wealthy individuals and large corporations using complex structures to evade taxes they owe.