

# STATISTICS OF INCOME

The Statistics of Income (SOI) Division of the Internal Revenue Service's (IRS's) Office of Research, Applied Analytics, and Statistics in the U.S. Department of the Treasury provides vital information on the federal tax system. Founded in 1917, SOI annually conducts more than 100 different projects providing income, financial, and tax information largely based on individual and business tax returns and information returns filed by tax-exempt entities. SOI data are used by government officials, policymakers, researchers, and the general public to analyze the U.S. economy, examine tax policy, and project tax revenues. SOI is a unique statistical agency in that all of its data come from administrative records.

\*\*The following is based on publicly available information and select information from our questionnaire.

STRENGTH OF SOI'S SUPPORT†	
<b>Autonomy: Challenging.</b> No current threats but lacks enabling legislation and professional autonomy protections in statute.	<b>Parent agency: Mixed.</b> IRS meaningfully includes SOI in department leadership meetings and in policy initiatives and regularly recognizes SOI for its work in internal meetings. IRS communications function assists with preparation of news releases while respecting SOI's autonomy over the statistical content. IRS also supports SOI with such activities as maintaining SOI's web pages. On the other hand, IRS CIO must provide prior approval for any hires or promotions of computer specialists, which has limited the agency's ability to be agile in the past. IRS also provided SOI with limited funding for IT and webpage modernization.
<b>Budget/Staffing: Challenging.</b> SOI has lost 11% in purchasing power since 2012, resulting in delayed, less frequent, or eliminated products. Its budget also limits the amount of interactions with data users.	

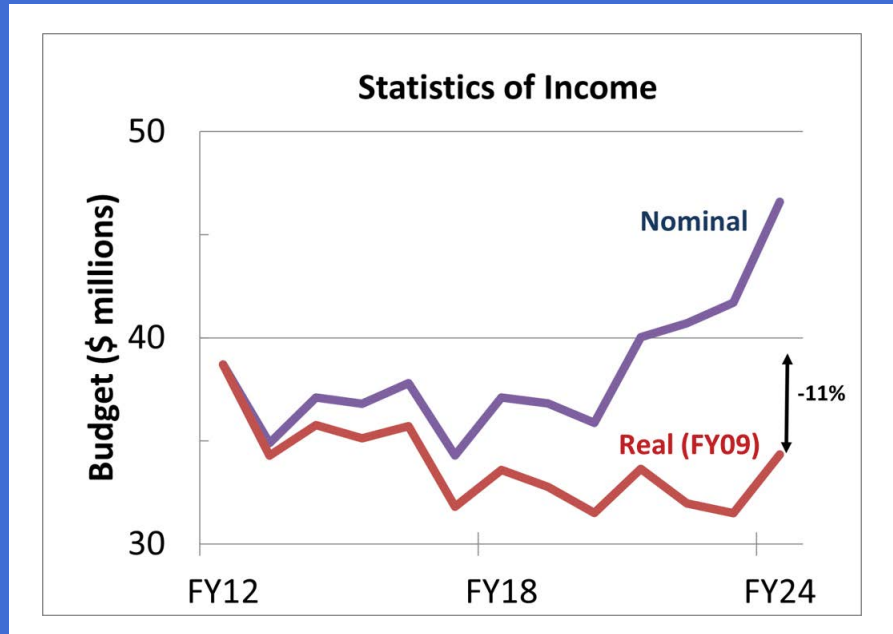
† See Supporting Materials F for an explanation of the support ratings.

## AGENCY FAST FACTS

### Budget inputs and FY24 level

1. SOI's budget is determined by the IRS. Its FY 2024 budget is \$46.6 million. SOI is one of three principal statistical agencies for which the budget is determined by the parent agency, as opposed to a Congressional appropriations line.
2. SOI receives some reimbursable funding for work performed on behalf of a number of partners with whom it has cultivated relationships in support of its work. SOI has also benefited from partnering with nonprofits and academic researchers to advance specific program objectives.

### Funding history, inflation adjusted



### Appointment of head & layers down in Treasury org chart

SOI is one of eight principal federal statistical agencies for which the head is a career senior executive service appointee.

**Five:** The SOI director reports to the Chief Data and Analytics Officer who reports to the IRS Chief Operating Officer who reports to the IRS Deputy Commissioner, who reports to the IRS Commissioner, who reports to the Deputy Secretary who reports to the Secretary of Treasury.

### Other

- ➔ All SOI data come from administrative records.
- ➔ Approximately 33% of SOI employees are IT professionals, 38% are social scientists or data scientists, and 7% are mathematical statisticians.

## Recent successes

- SOI experienced substantial interest in its work and products with 213 million downloads from its website in FY 2023, up from 25–30 million in FY 2020–FY2021. There were also a million-plus webpage views in FY 2023.
- SOI's budget grew in FY 2024 associated with the Inflation Reduction Act, which allows SOI to hire staff and take on new work, including building a data services team to support new tiers of data access as required under the Evidence Act.
- SOI has a strong innovation culture as illustrated by the following:
  - SOI is a leader in the push to yield more information from existing government data. For example, its work with the Department of Education to add earnings data to the [College Scorecard](#), which families can use to research colleges and, in particular, their fields of study, costs, admissions, and results, was recently featured in the National Academies 2024 report, [Toward a 21st Century National Data Infrastructure: Managing Privacy and Confidentiality Risks with Blended Data](#).
  - SOI initiated a new monthly data series to report on the Covid-19-related Economic Impact Payments, with such categories as adjusted gross income, state, race, and marital status.
  - SOI provided Congress a report on changes in repatriated income reported by international businesses resulting from new requirements in the Tax Cuts and Jobs Act.
  - SOI expanded **data granularity** with individual income tax data by census tract.
  - SOI expanded **data coverage** through new tables on international tax provisions: foreign-derived intangible income, base erosion and anti-abuse tax, global intangible low-taxed income, and country by country reporting; payroll tax withholding; limited liability partners by partner type; and partnerships invested in real estate investment trusts. Data coverage was also expanded through additional content in near real-time filing season statistics tables; new estate tax data on bequests by type of beneficiary and net worth and net estate by gender and occupation; new tax forms being included in annual SOI publications that report the number of filers claiming each line item on a form and the aggregate amounts claimed; and consolidated time series data on all IRS form filings covering 2005–2019, along with projections 5+ years in the future.
  - SOI improved **data quality** through new weight adjustments to increase the accuracy of advanced 1040 filing data.
  - SOI's ongoing innovation research includes improving NAICs codes using AI; developing a beta version of a synthetic public-use file for individuals whose income is below the income tax filing threshold; developing an alpha version of a synthetic public-use file for individual income tax filers; exploring the use of natural language processing to classify user feedback on web products and the potential of other AI methods for anomaly detection and data cleaning. Staff are also training on open-source statistical software like R and Python and on differential/formal privacy methods to add these tools to SOI's legacy data protection methods.
- SOI received the Roger Herriot Award in 2021 for Innovation in Federal Statistics.
- SOI also has an initiative in the [Internal Revenue Service Inflation Reduction Act Strategic Operating Plan for FY 2023–2031](#) “to develop new insights that generate value for taxpayers and policymakers.”

<p><b>Agency strengths</b></p>	<ul style="list-style-type: none"> <li>➔ SOI's many partnerships and agreements across the federal government, which sometimes come with financial reimbursement, demonstrate SOI to be a relevant agency working to build the relevance of its products widely</li> <li>➔ SOI has parent agency support in the following respects: <ul style="list-style-type: none"> <li>• SOI is meaningfully included in department leadership meetings and in department- or administration-wide policy initiatives.</li> <li>• IRS leadership regularly recognizes SOI for its work in internal meetings.</li> <li>• IRS's communications function assists with preparation of news releases, and the IRS Office of Online Services provides support for SOI's Web pages</li> </ul> </li> <li>➔ SOI can meet with members of the nonpartisan Joint Committee on Taxation or professional staff in the Department of Treasury and holds at least one working session with each annually.</li> <li>➔ SOI is a member of both the IRS and Treasury Data and AI governance structures. As Statistical Official for the Department of Treasury, the SOI director interacts monthly with IRS data officials, ensuring a statistical perspective for IRS data decisions and raising SOI's profile.</li> <li>➔ SOI engages data users and incorporates their feedback through strategic planning, setting priorities, and new public releases.</li> </ul>
<p><b>Agency threats/ vulnerabilities</b></p>	<ul style="list-style-type: none"> <li>➔ SOI has only partial decision authority to recruit or fill IT staffing and key management positions. The CIO must approve any computer specialist hires or promotions in advance, usually annually. There are no issues currently, but this arrangement has been a challenge in the past.</li> <li>➔ SOI has only partial control of its IT resources and is particularly constrained in funding to replace end-of-life equipment and hire GS-2210 series.</li> <li>➔ SOI has interagency agreements with several other federal agencies that come with financial support, which is a strength but is included here because of the general precariousness of such funding.</li> <li>➔ Twenty percent of staff are eligible for retirement, which is both an opportunity and vulnerability that will require planning and parent agency support.</li> </ul>
<p><b>Agency challenges</b></p>	<ul style="list-style-type: none"> <li>➔ General underinvestment in the IRS until FY 2023 means that SOI's budget has lost 11% in purchasing power since FY 2012. As a result,<sup>1</sup> SOI has: <ul style="list-style-type: none"> <li>• Eliminated several data series primarily related to trust income and reduced curation of others;</li> <li>• Reduced frequency of updates to several data series, mainly related to international business;</li> <li>• Delayed data collection on new tax provisions;</li> </ul> </li> </ul>

<sup>1</sup> The impact of the FY 2024 budget increase for SOI on the cuts made through FY 2023 was not known as of press time.

<p><b>Agency Challenges</b></p>	<ul style="list-style-type: none"> <li>• Delayed replacement of end-of-life hardware; and had limited ability to timely install new software or make important upgrades;</li> <li>• Delayed promotion of high-performing staff and being unable to permanently fill manager and other key staff vacancies; and</li> <li>• Delayed modernizing its website.</li> </ul> <p>→ IRS communications function controls the release of press releases, web design, and publication standards (but not the actual statistical products), an arrangement that is not optimal because of the importance of SOI being an agile statistical agency whose products are objective and trustworthy, and perceived as such.</p> <p>→ SOI is three layers down in the IRS organizational chart and five in Treasury, which can limit its ability to provide statistics to inform the parent agency's evidence-based policymaking.</p> <p>→ SOI's budget is not publicly posted for a fiscal year until the release of the president's budget for the next fiscal year. If Congress has not concluded its appropriations in time, as has been the case often in recent years, the SOI budget may not be publicly posted until the release of the president's budget for two fiscal years hence. Such budget opaqueness makes it difficult for outside entities to monitor SOI's budget.</p> <p>→ SOI has experienced hiring challenges due to parent agency onboarding delays. One such area is in IRS field operations, where administrative data are edited to meet SOI's statistical standards. Such delays delay key product releases and otherwise impede SOI's ability to produce relevant and timely data.</p> <p>→ IRS has reduced the number of submission processing centers, significantly impacting SOI's data collection process and creating work backlogs that have delayed release of some data series.</p> <p>→ While SOI staff meet with customers through formal meetings, an annual open meeting, and through conference attendance and presentation of their work, tight budgets have limited SOI's ability to take on new work in response to user needs.</p>
<p><b>Agency opportunities</b></p>	<p>→ With additional sustained budgets, SOI could resume the programs delayed in prior years and continue its work to expand data coverage and granularity and improve data quality.</p>
<p><b>Agency-specific recommendations</b></p>	<p>In addition to the all-agency recommendations in the body of the report, we recommend that:</p> <p>→ IRS sustain the budget increases provided to SOI in FY 2024 to address the challenges noted above.</p> <p>→ IRS give SOI more control over its hiring, IT, and publication process.</p> <p>→ IRS and Treasury consider avenues to further "enable, support, and facilitate" SOI in carrying out its responsibilities as required in the Evidence Act.</p>