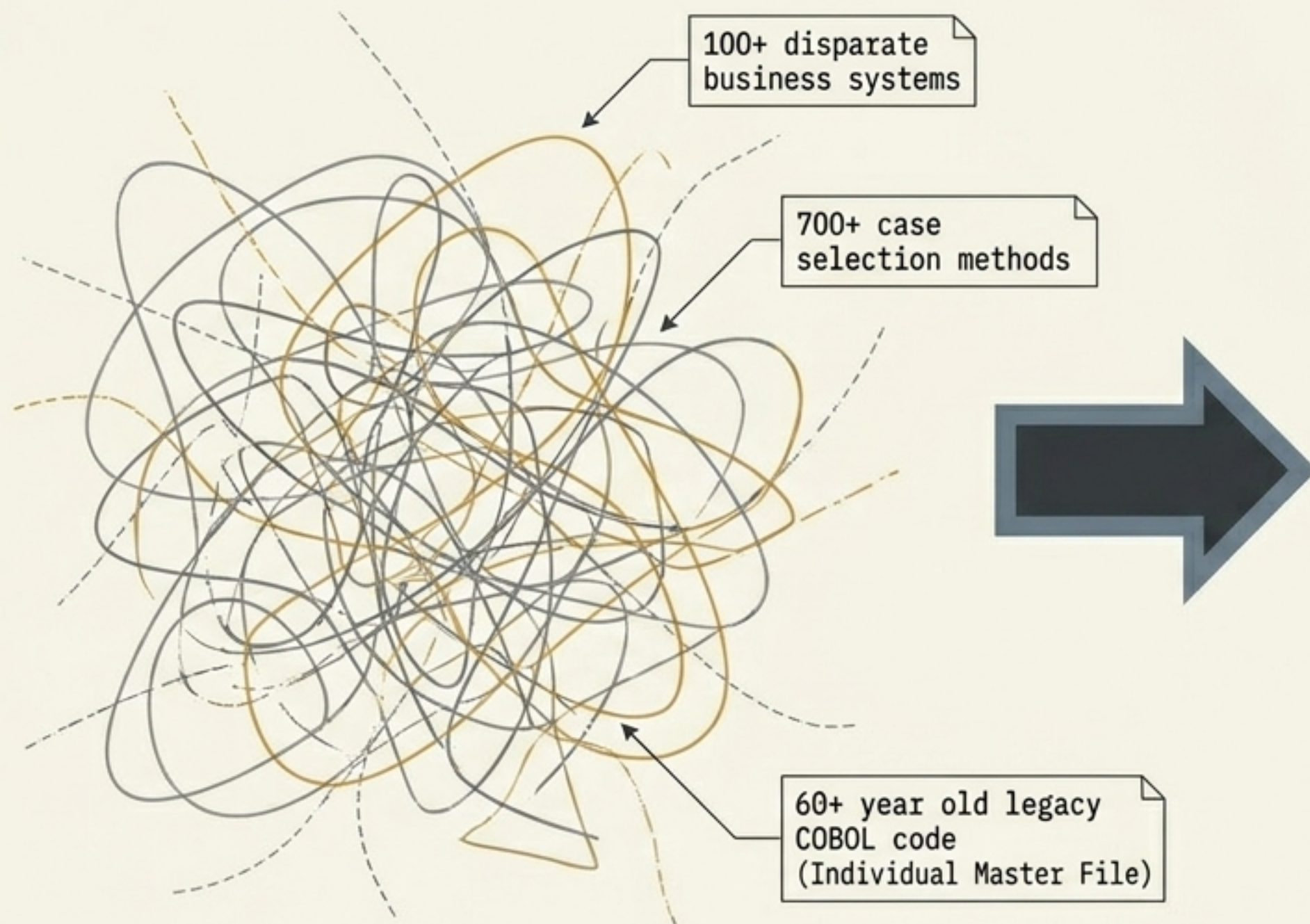
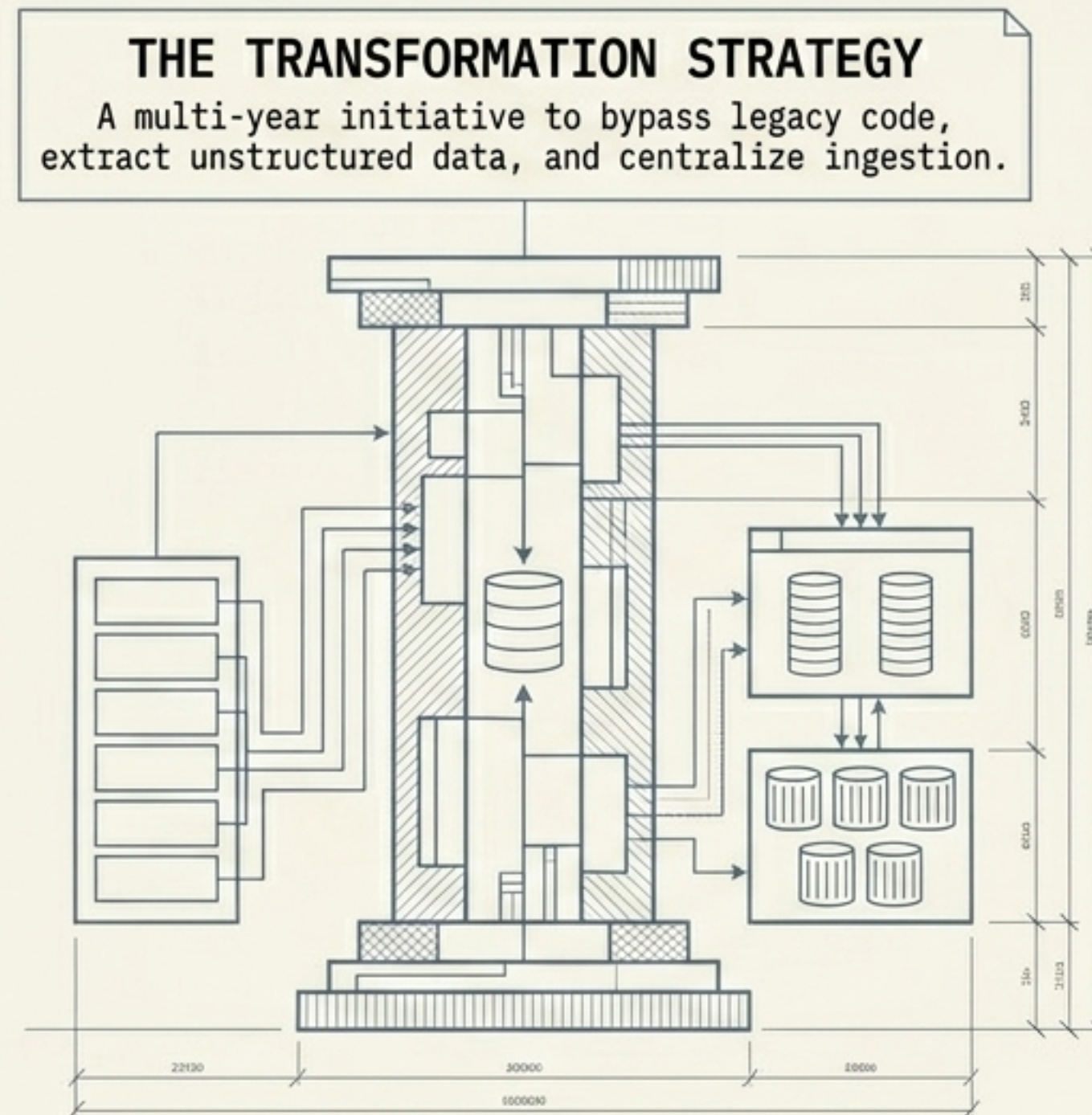


THE INEVITABILITY: The architecture is already built. It is currently being tested on the wealthiest taxpayers. The mathematics of the Tax Gap guarantee it will move down the income scale.

BEFORE: CHAOS



AFTER: ORDER



KEY INSIGHT: Before AI could be deployed, the agency had to solve the data unification problem.

TOTAL INFRASTRUCTURE SPEND:
>\$200,000,000

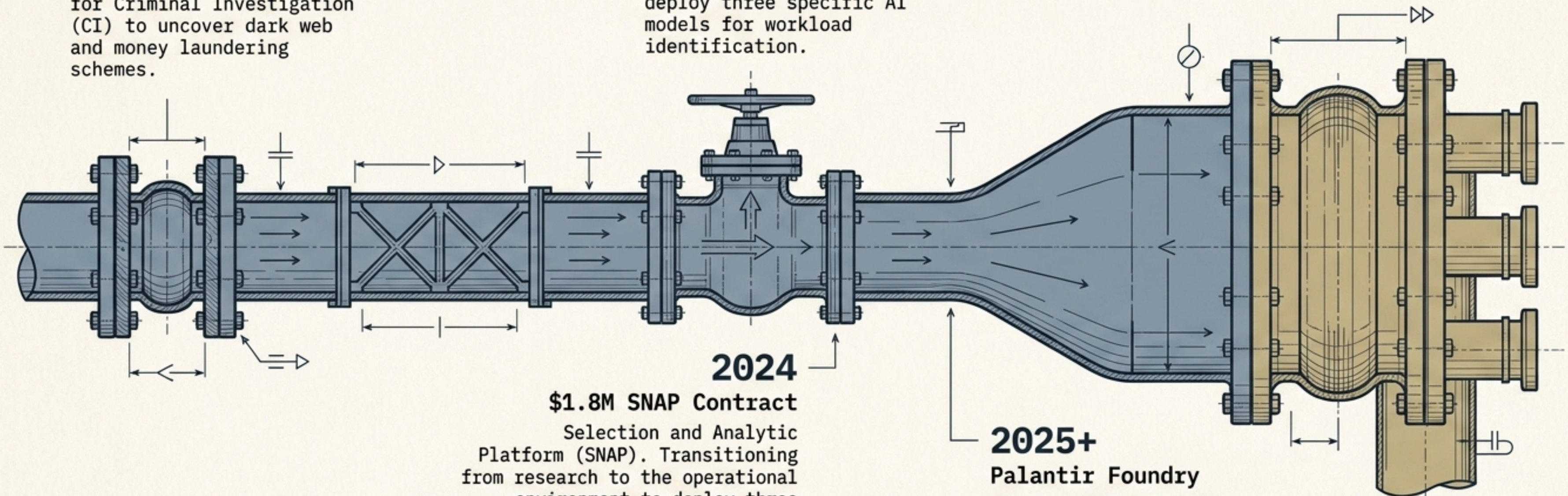
Cumulative spend to establish the data integration layer.

2018
\$99M Contract

Palantir Gotham deployed for Criminal Investigation (CI) to uncover dark web and money laundering schemes.

2024
\$1.8M SNAP Contract

Selection and Analytic Platform (SNAP). Transitioning from research to the operational environment to deploy three specific AI models for workload identification.

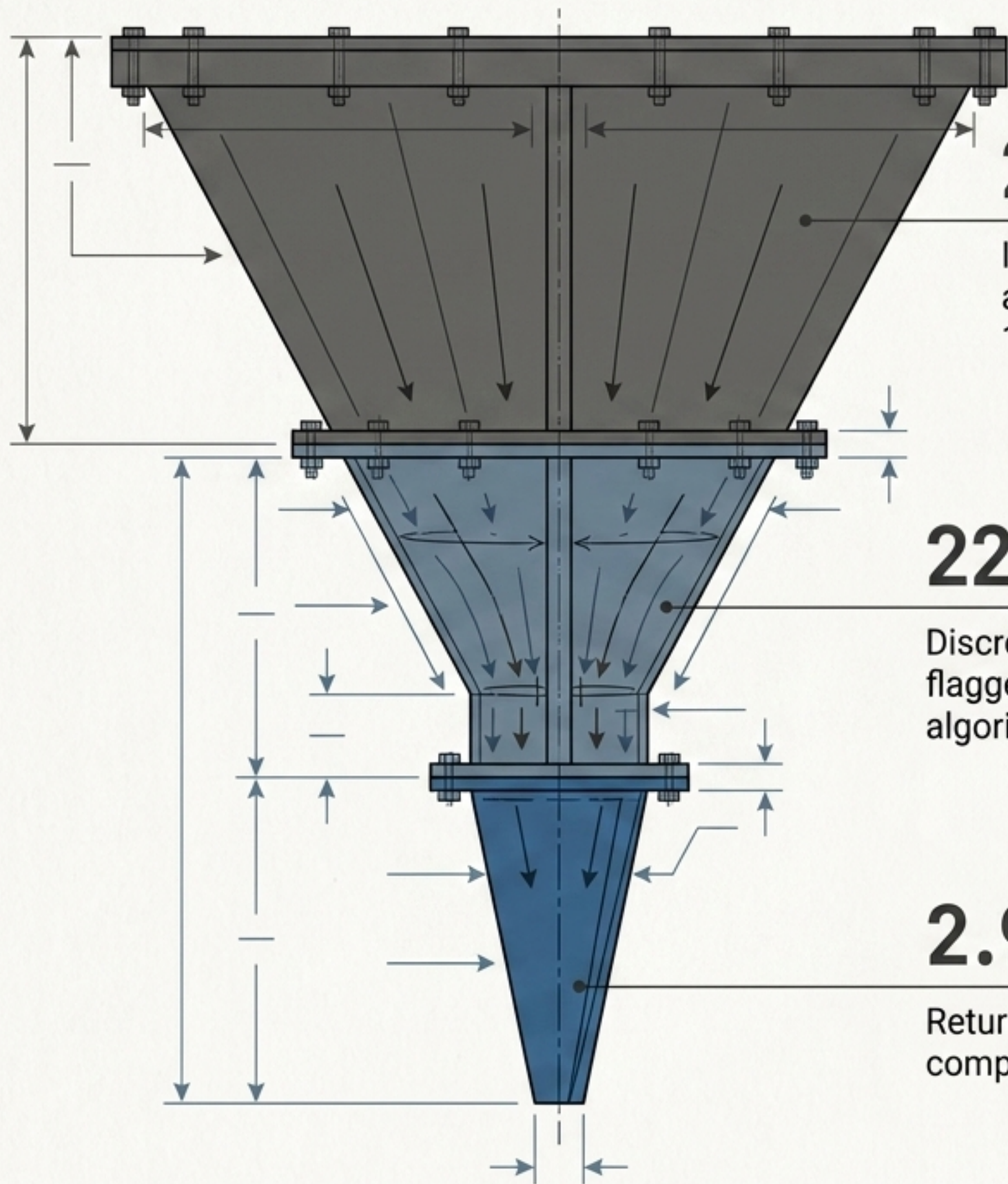


2024
\$1.8M SNAP Contract

Selection and Analytic Platform (SNAP). Transitioning from research to the operational environment to deploy three specific AI models for workload identification.

2025+
Palantir Foundry

The Mega-API Layer. Foundry becomes the unified read-center for all authorized IRS systems.



2.8 BILLION

Information returns ingested annually (W-2s, 1099-NEC, 1099-K).

22.3 MILLION

Discrepancies automatically flagged by the AUR matching algorithm.

2.9 MILLION

Returns actively selected for compliance review.

The Physics of the Audit.

The traditional human examination pipeline cannot physically process 22.3 million anomalies.

The system's scale mathematically requires automated triage, scoring, and notice generation.

IRS Enforcement: Future State Vision

Taxpayer compliance / Narrowing tax gap

Advanced Compliance Analytics

- Harness data and invest in tools and technology to:
- Optimize case selection to identify highest risk cases
 - Improve case assignment to match each to best equipped agent
 - Identify emerging compliance issues
 - Ensure fairness

Alternative Interventions for Emerging Conditions

Invest in modern, alternative interventions for emerging issues, such as digital assets, listed transactions, etc.

Large Corp, Partnerships, High Income & High Wealth

Expand compliance programs in areas such as large corporations, large partnerships, wealthy taxpayers, etc.

Enforcement Hiring & Training

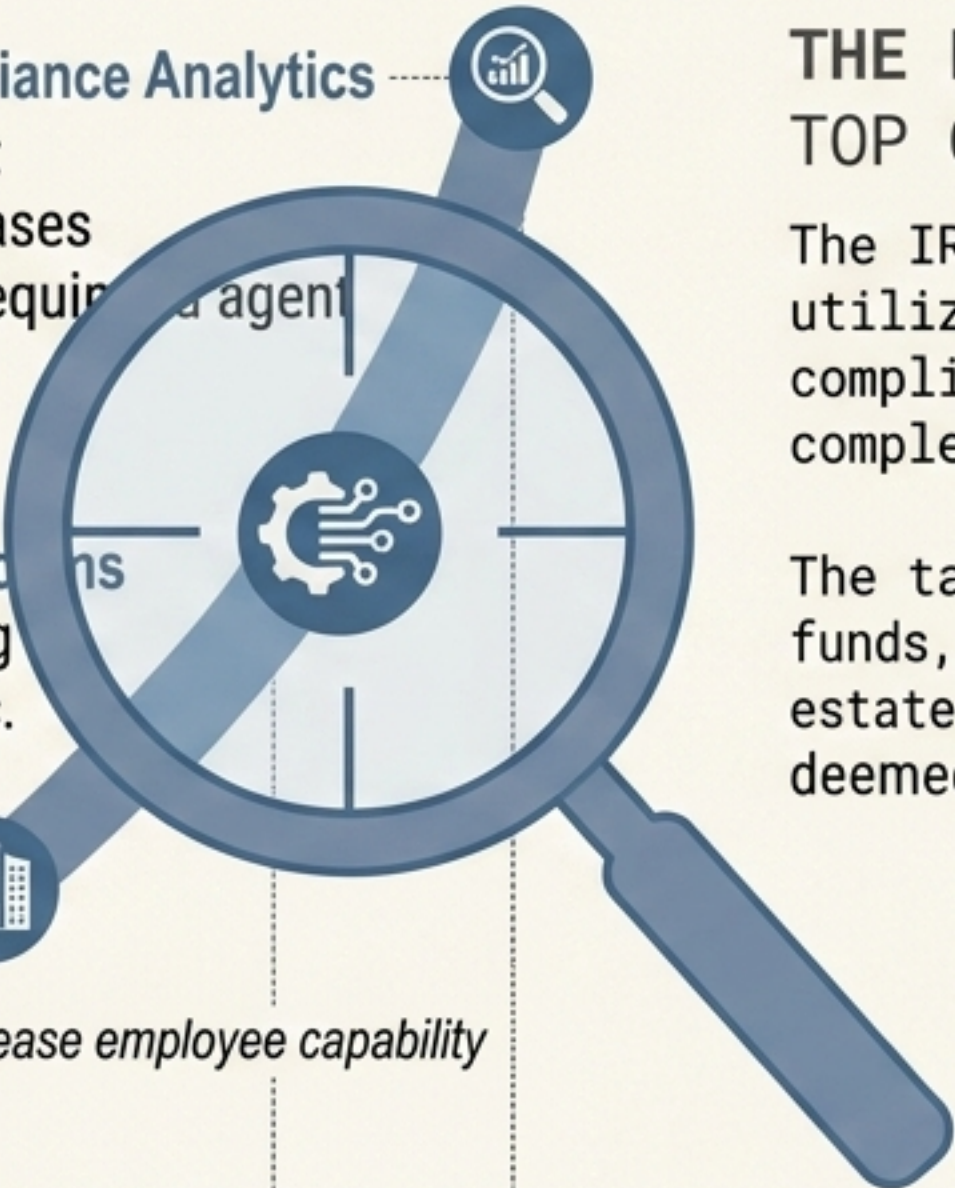
Increase enforcement workforce to reverse 10+ years of inability to maintain adequate staffing; invest in training



Increase employee capacity



Increase employee capability



THE PROOF POINT: TOP OF MARKET

The IRS is currently utilizing advanced compliance analytics to map complex entity networks.

The target: Multitiered hedge funds, private equity, and real estate operations previously deemed too difficult to audit.

Insight: The agency explicitly defines its future state as "Harness data and invest in tools ... to identify emerging compliance issues."

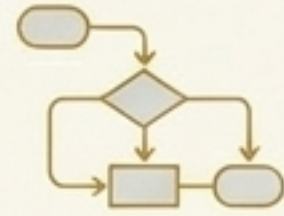
Employee capacity and capability to tackle increasingly complex compliance situations

Pre-AI / Historic Large Partnership Audits

0.3% total audit coverage.



Audits took an average of **1.7 years**.

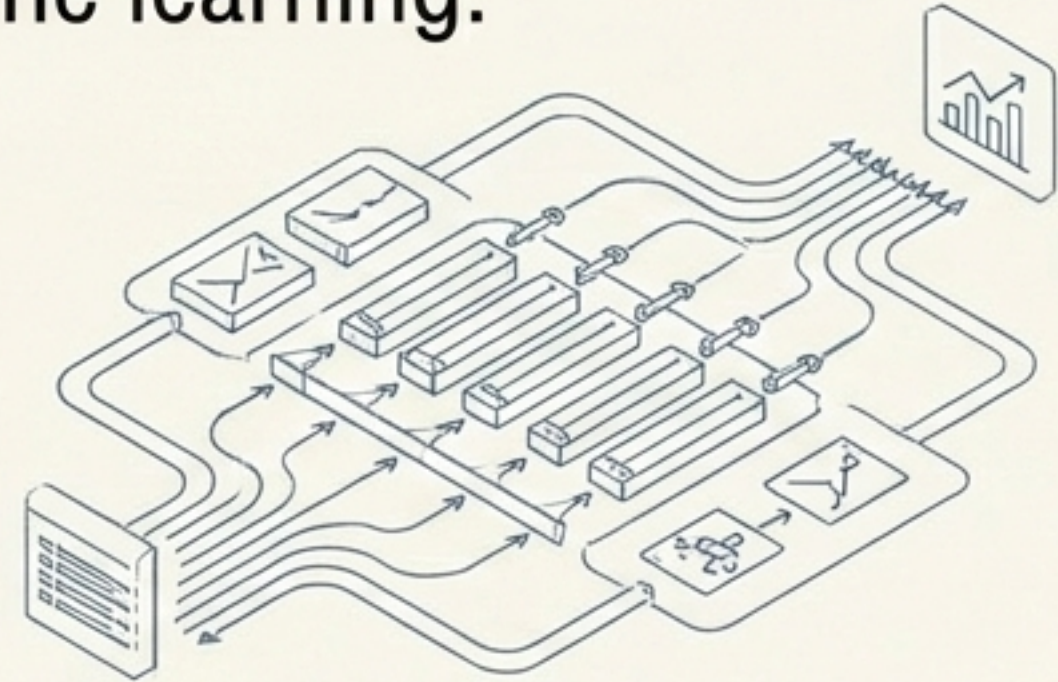


>80% resulted in 'no change' (wasted operational effort).

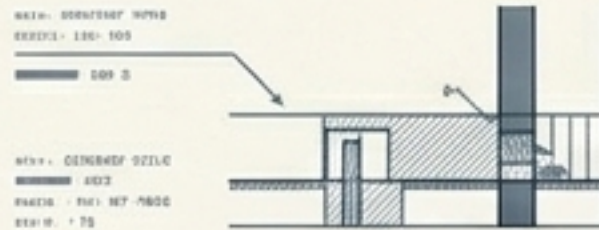


Post-LPC Model (Large Partnership Compliance)

AI analyzes the entire population of large partnership returns using machine learning.

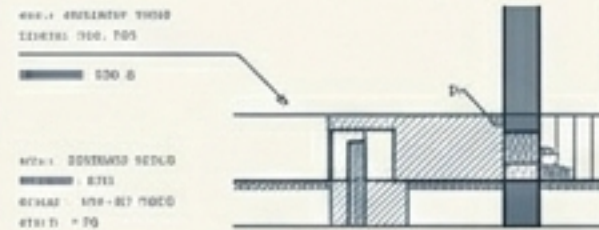


82



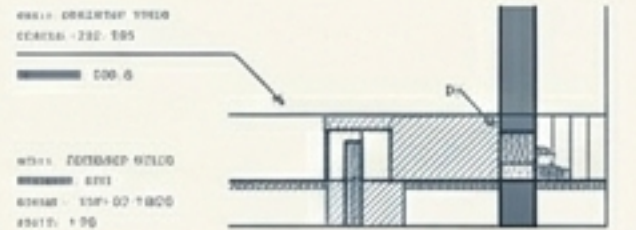
high-risk returns flagged instantly (up from single digits).

75

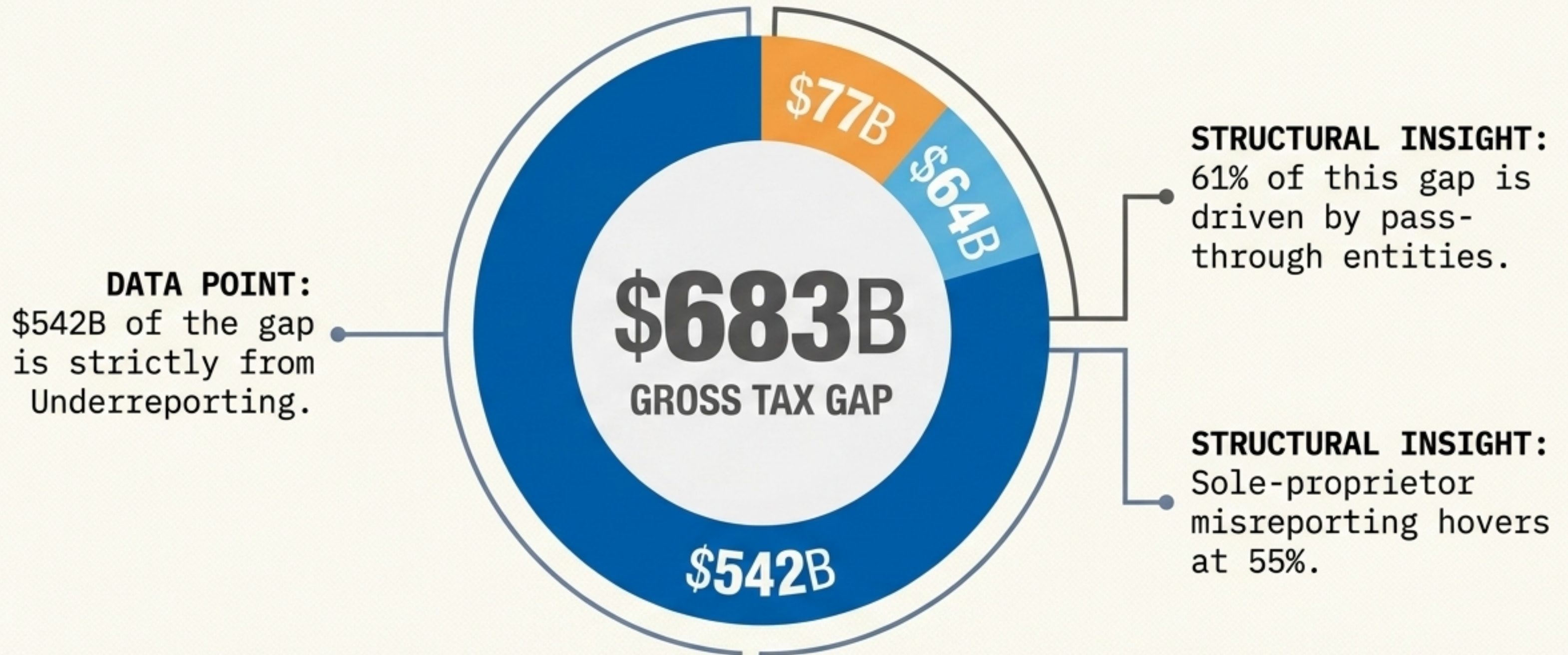


active audits on mega-partnerships (averaging \$10B in assets).

500

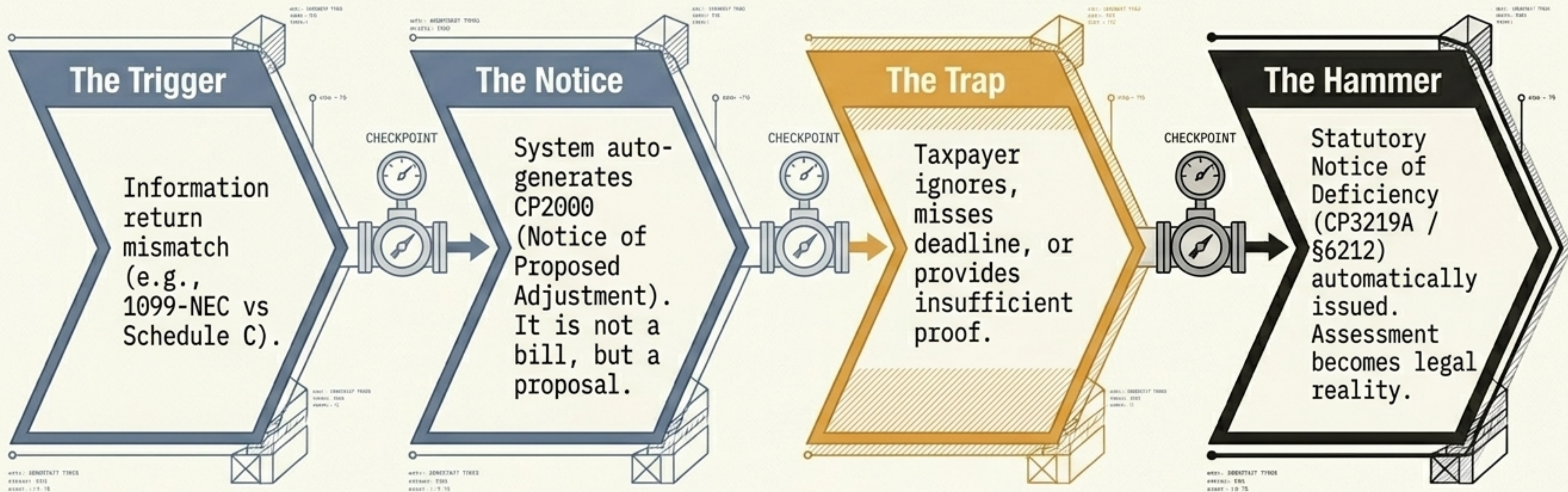


automated "soft notices" sent for balance sheet discrepancies (\$10M+ assets).



THE CATALYST: The Big-4 / Hedge Fund audit pipeline yields high dollars per case, but does not scale widely enough to recover \$542B. The AI architecture must inevitably drift down the income scale to close the gap.

The Trap: The Automated Escalate-on-Response Mechanism



MECHANISM REALITY: AI sends notice → taxpayer ignores → assessment becomes final.

Institutional Blueprint Dossier

Letter Name: _____
 Date of number: _____
 Data number: _____
 Security Gate: _____

CP2000 ok: _____

Dear _____

Your IRS is advised that _____

T: Failure to respond within 30 days, automated discrepancy cases close without ANY taxpayer contact. In broader there is no response of error or your response against the response timelines to 30 days standard or your response that within the same in common sense information.

Proposed adjustment table in an amount below.

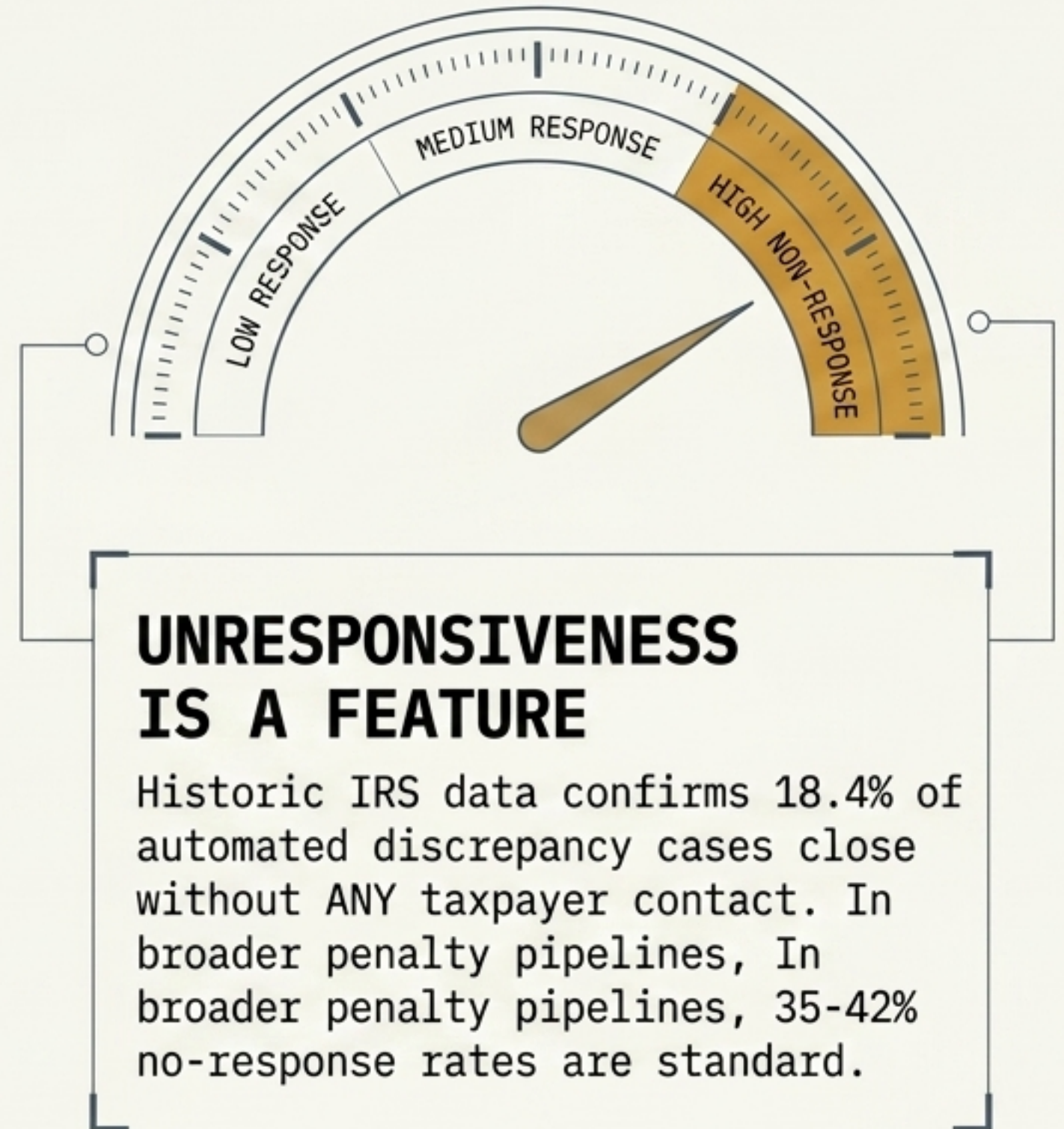
Proposed adjustment	Amount	Release
_____	_____	_____
_____	_____	30/850:00
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Amounts due _____
 Proposed correction _____
 Amount of adjustment _____
 Amounts due _____

1. Generated entirely within AUR program.

2. Failure to respond within 30 days triggers statutory escalation.

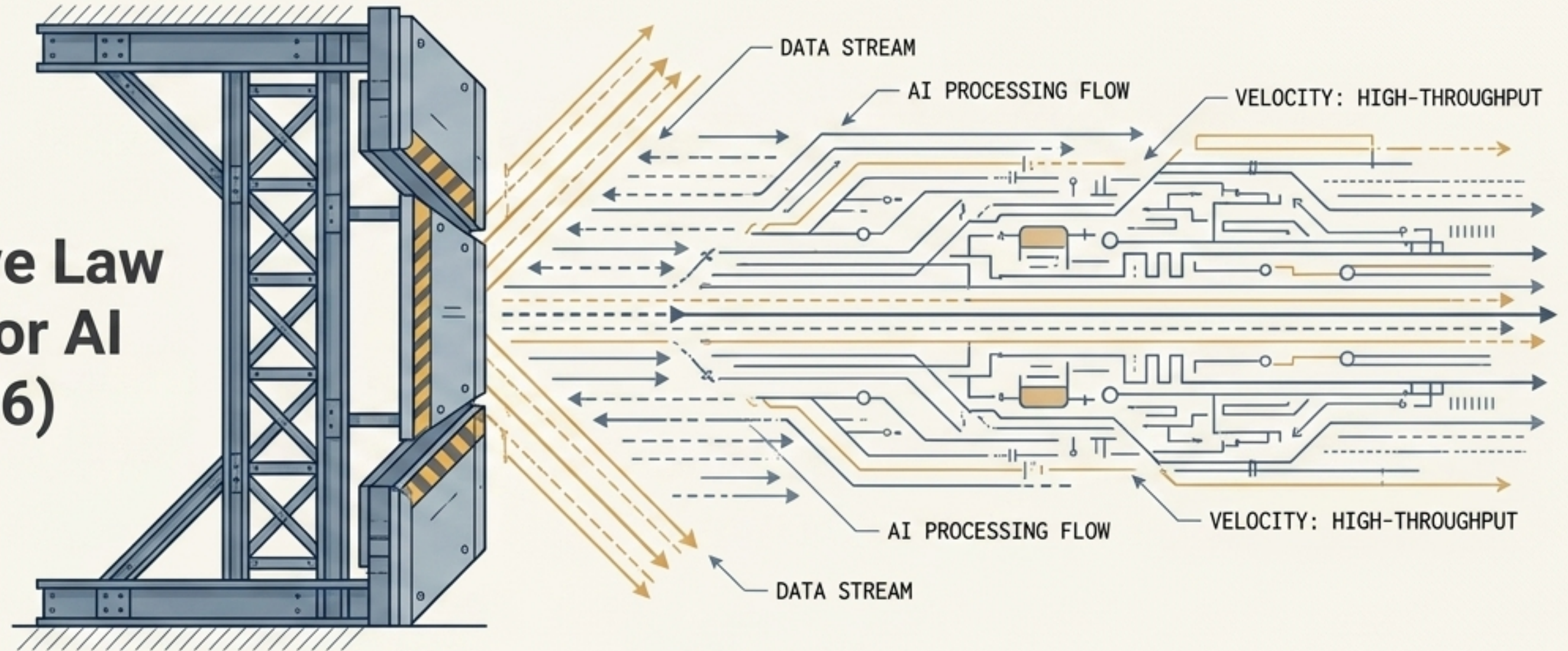
3. Interest accrues automatically.



	<h2>The Human Audit</h2>	<h2>The Algorithmic Audit</h2>
Trigger	Random selection or manual classification.	100% population analysis via relationship-graph ML.
Speed	1-3 years post-filing.	Near real-time ingestion (DDB operates pre-refund).
Interaction	Human Revenue Agent field visit.	Automated CP2000/CP2501 letter via mail.
Default State	Innocent until proven guilty.	Guilty by default assessment upon non-response.

Institutional Blueprint Dossier

Administrative Law Standards for AI (APA §706)



Reasoned Decision-Making

Agencies cannot legally “rubber-stamp” an AI-chosen course of action.

Source: APA §706(2)(A)
Requirement: Independent Agency Review

The State Farm Standard

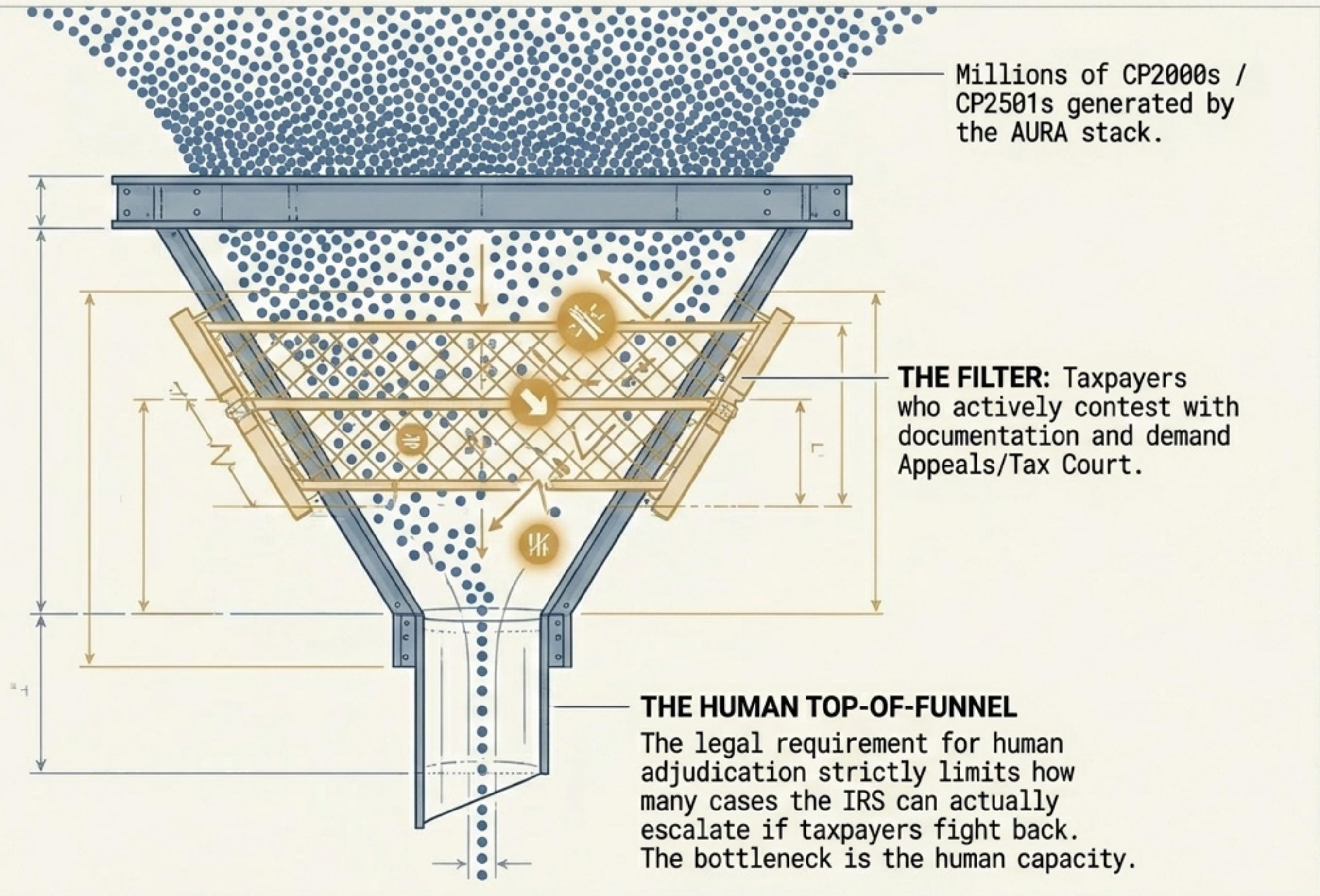
Offering an explanation that runs counter to evidence is “arbitrary and capricious.”

Precedent: *Motor Vehicle Mfrs. Assn. v. State Farm*
Focus: Evidentiary Basis

Substantive Human Involvement

If a taxpayer formally contests an automated notice, an agency human MUST enter the loop.

Requirement: Due Process / APA
Action: Mandatory Human Review



Millions of CP2000s / CP2501s generated by the AURA stack.

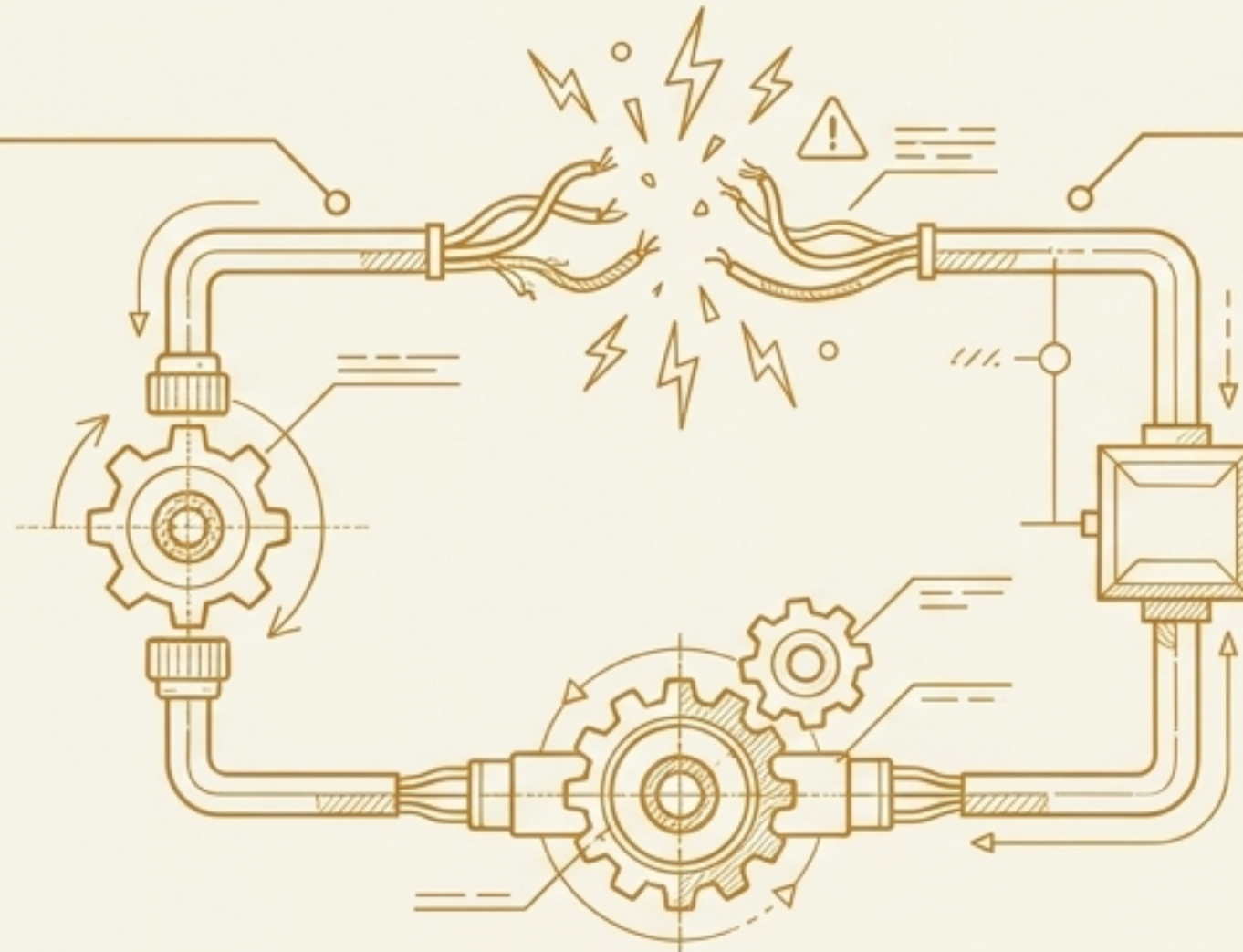
THE FILTER: Taxpayers who actively contest with documentation and demand Appeals/Tax Court.

THE HUMAN TOP-OF-FUNNEL
The legal requirement for human adjudication strictly limits how many cases the IRS can actually escalate if taxpayers fight back. The bottleneck is the human capacity.

WHEN AUTOMATION RUNS UNCHECKED

MODEL DRIFT & BIAS

TIGTA found the IRS has not fully integrated feedback loops to refine its models based on exam results.



THE DDB DISPARITY

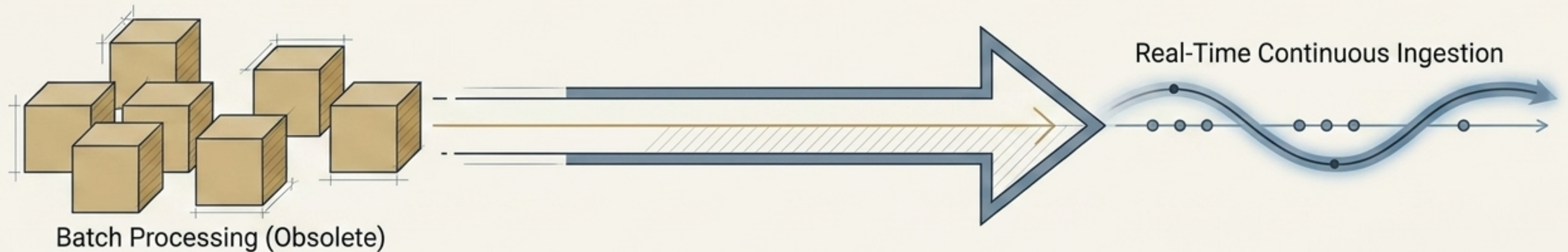
The GAO recently identified unintentional algorithmic biases in the Dependent Database causing Black taxpayers to be audited at 3x-5x higher rates for EITC claims.

THE WARNING:

Flawed training data + automated default assessments
= systemic, rapid-scale harm without human checks.

“ The goal was to try to move the operational audit functions out of the research environment and get it into the operational environment... closer to real time. ”

— Barry Johnson, Former IRS Chief Data & Analytics Officer



The agency is moving to **real-time analysis**. Taxpayer defenses that operate on a **12-month batch cycle** are **mathematically obsolete**.

THE LOSING STRATEGY: BATCH DEFENSE



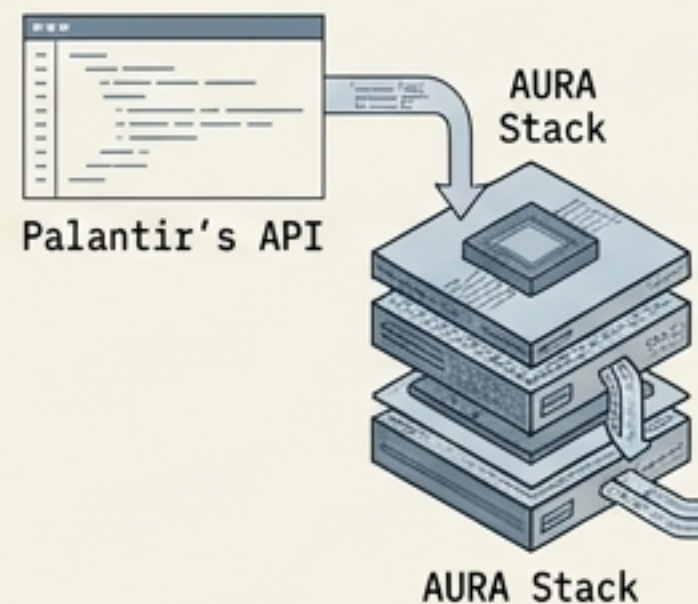
THE WINNING STRATEGY: ALWAYS-ON SUBSTANTIATION



**AGAINST AN ALGORITHM, CONTEMPORANEOUS RECORDS ALWAYS WIN.
YOU MUST ESTABLISH DATA PARITY WITH THE ENFORCER.**

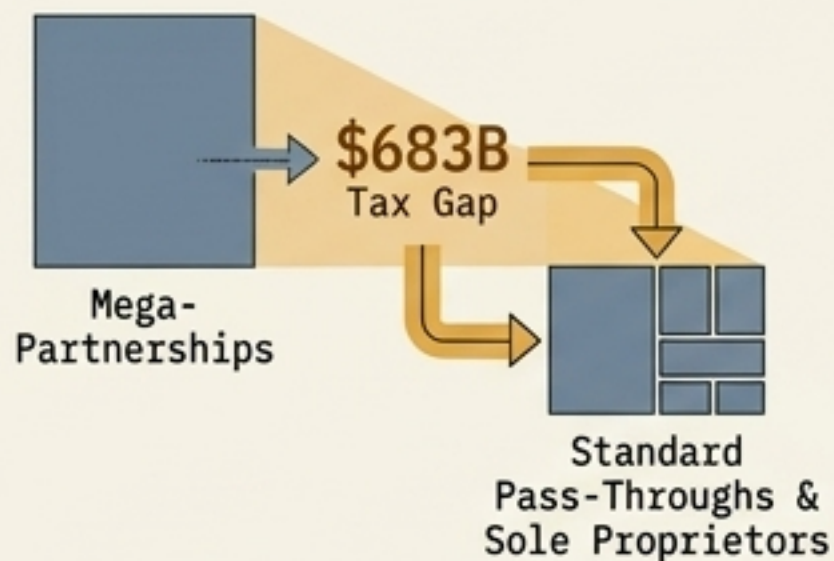
Operational Reality Synthesis

1. The Machine is Built



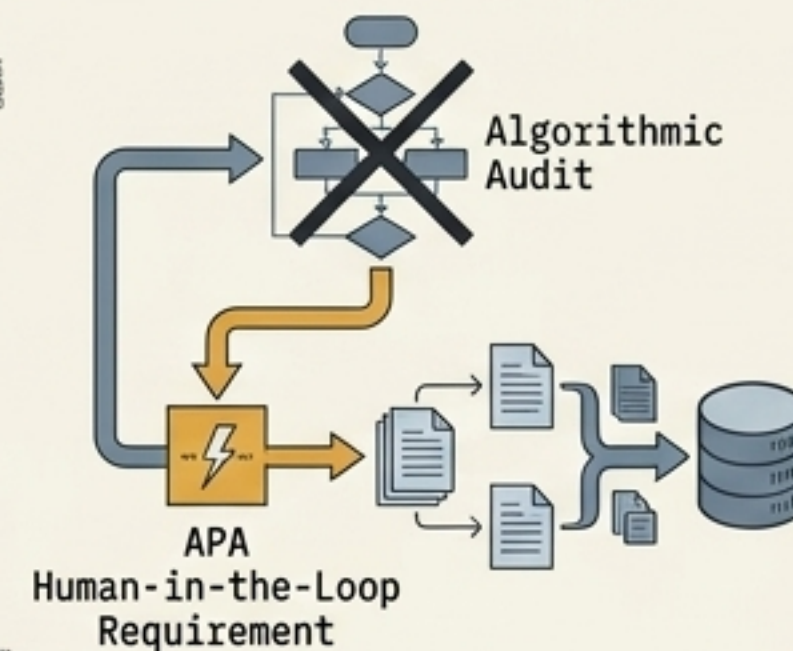
Palantir's API and the AURA stack are actively parsing billions of data points today.

2. The Target is Moving



The \$683B tax gap guarantees AI enforcement will migrate from mega-partnerships to standard pass-throughs and sole proprietors.

3. The Defense is Procedural



Defeating the algorithmic audit requires triggering the APA human-in-the-loop requirement through rapid, real-time substantiation.

Intelligence briefing concluded.
Transition from awareness to architecture.