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IRS Bolsters Digital Scanning Abilities

The IRS has scanned more than 120,000 paper forms 940 since the start of this year as part of its new Digital Intake initiative.

Jason Bramwell • Mar. 15, 2023



The IRS has scanned more than 120,000 paper forms 940 since the start of this year, a 20-fold increase compared to all of 2022, the agency said on March 8. The scanning

effort is part of a multiform, multisolution initiative known as Digital Intake, which will soon expand to include scanning of forms 1040 and forms 941.

“Technology powers tax administration, and we have completed important work over the last year to help people get the assistance they need and reduce paper, in addition to improving the agency’s underlying technology infrastructure,” IRS Chief Information Officer Nancy Sieger said in a statement. “This is another positive step in the future technology direction for the IRS that includes improving service to taxpayers.”

While the vast majority of tax returns are now filed electronically, millions of forms are still filed by paper, resulting in a time-consuming process of manually handling and transcribing these returns, the IRS said. Having the capability to scan and electronically process paper returns will shorten the processing time for taxpayers who file paper returns.

“The IRS has been using various technologies to scan tax returns for more than 35 years but recently took a leap forward by leveraging cutting-edge technologies via a revolutionary procurement approach to test their effectiveness,” the agency said in a release last week. “The capabilities enable the IRS to digitalize more paper for downstream processing and storage, resulting in greater efficiencies and improved data management outcomes.”

In addition to contracts with industry partners, the IRS is working with Treasury’s Bureau of the Fiscal Service and Lockbox Financial Agents to expand the reach of this work.

Current scanning initiatives currently underway at the IRS cover:

- **Digital Intake with Lockbox:** Lockbox Financial Agents are banks that specialize in payment processing but until now have not taken the extra steps to scan and process tax forms. Each year, millions of taxpayers send payments and associated tax forms to these Lockbox banks. The Lockbox project works to scan paper returns on-site and e-file those returns.
- **Digital Intake with industry partners:** Like the work with the Lockbox Financial Agents, this process extracts machine-readable information from paper tax returns and then e-files those returns. These efforts with industry partners, via contracts issued by the IRS, allow the IRS to process forms that are also received directly by the IRS.

“We are making significant progress in this effort, and we look to expand scanning efforts dramatically in the months ahead and working toward a fully digital future,” said Harrison Smith, co-director of the IRS Enterprise Digitalization and Case Management Office. “We’re building a foundation that will enable us to help taxpayers and businesses for years to come.”

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