Southwest and Southeastern Intergovernmental Audit Forums Webinar

Assessing IRS Regulatory Priorities Using AI

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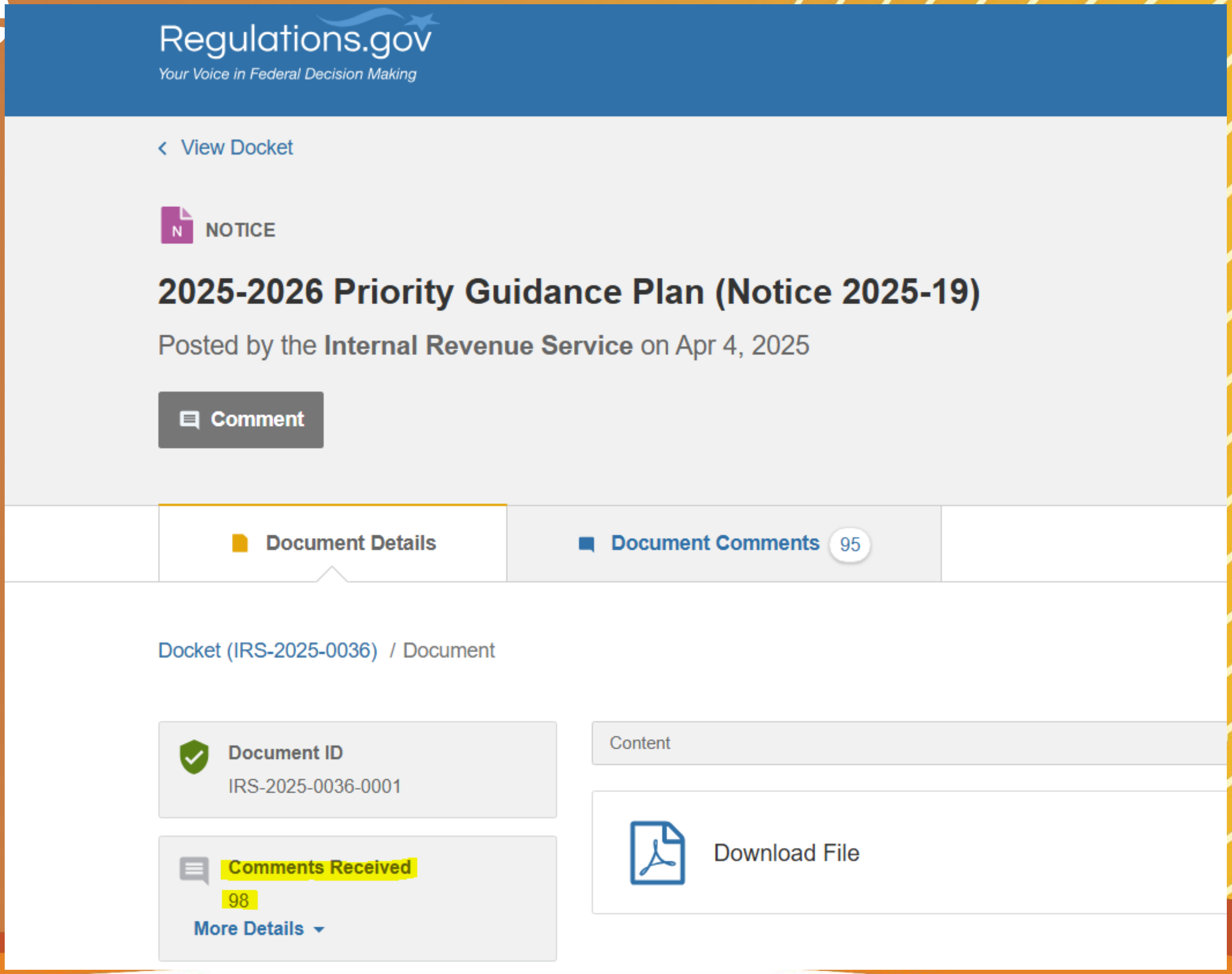
INTERGOVERNMENTAL AUDIT FORUMS

Presentation Roadmap

- Deciding to use AI
- Developing an analysis plan
- Results of the analysis
- Using AI in future audits

Deciding to Use AI

- Audit objective: assess how IRS determined regulatory priorities.
- IRS reviews public comments and publishes an annual priority guidance plan.
- IRS received 544 comments suggesting regulations or guidance between 2017 and 2025.



Deciding to Use AI

Traditional Content Analysis

- Step 1: Document each public comment using manual processes.
- Step 2: Review each public comment to identify areas of tax law to address in guidance.
- Step 3: Identify themes among all public comments.
- Step 4: Compare the themes identified in public comments to IRS's priority guidance plan.

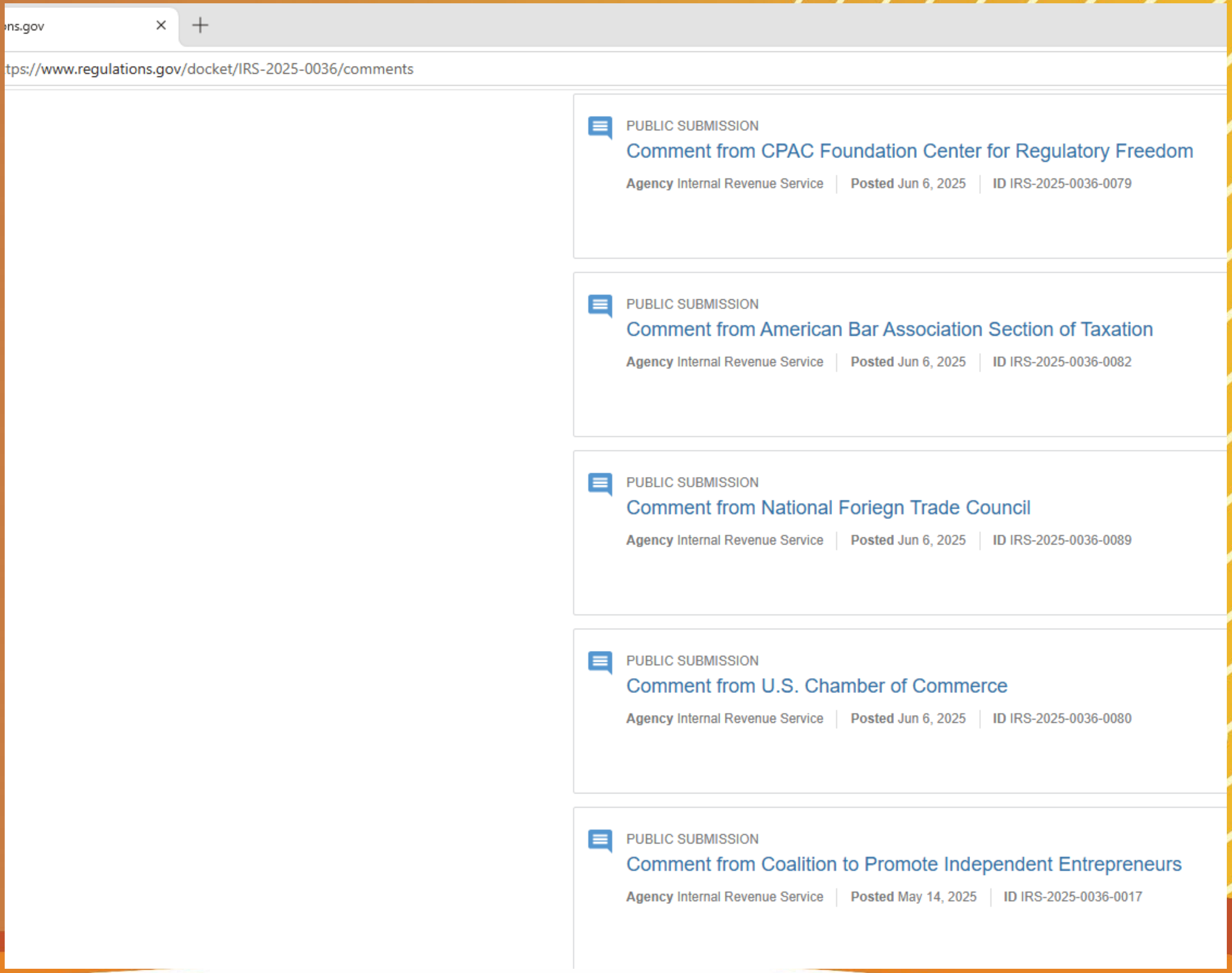
AI Content Analysis

- Steps 1-3: Done by GAO's in house Large Language Model.
- Step 4: Assessing how responsive IRS was to public comments was the focus.
- **Time saved with AI means more time addressing the audit objective.**

Developing an Analysis Plan

❑ Is the information or data publicly accessible?

❑ How organized and structured is the information or data?



Developing an Analysis Plan

- ❑ How will the results of the analysis be presented?
- ❑ What quality checks will be done?

Theme	Reasoning	Quote
Enhancing housing affordability and tenant protections	The summary discusses several recommendations related to the Low-Income Housing Tax Credit program. It highlights the need for greater flexibility from the IRS in dealing with casualty losses by delegating authority to state agencies to set restoration deadlines. It also recommends allowing the capitalization of relocation costs for rehabilitation projects, which are currently treated differently depending on whether a building is demolished or not. A key quote illustrating this point is: "Costs incurred solely to relocate tenants in order to rehabilitate the building should be capitalized as an indirect cost to the building under IRC section 263A, and thus be includible in eligible basis under IRC section 42." The summary also touches	"Costs incurred solely to relocate tenants in order to rehabilitate the building should be capitalized as an indirect cost to the building under IRC section 263A, and thus be includible in eligible basis under IRC section 42."!!!

Results

Public comments suggested IRS develop regulations related to:

- Enhancing housing affordability and tenant protections
- Facilitating renewable energy investments and clean technology
- Modernizing retirement account rules and administration
- Addressing taxation of digital assets and financial products
- Clarifying employee benefit and insurance regulations

Results

- IRS was responsive to public comments. IRS plans regulations and guidance addressing the five themes covered on prior slide.

DIGITAL ASSETS

1. Guidance on the tax treatment of transactions involving digital assets.

2. Guidance regarding digital assets held by §301.7701-4(c) investment trusts.

3. Regulations under §6045 regarding the reporting by U.S. brokers of digital asset

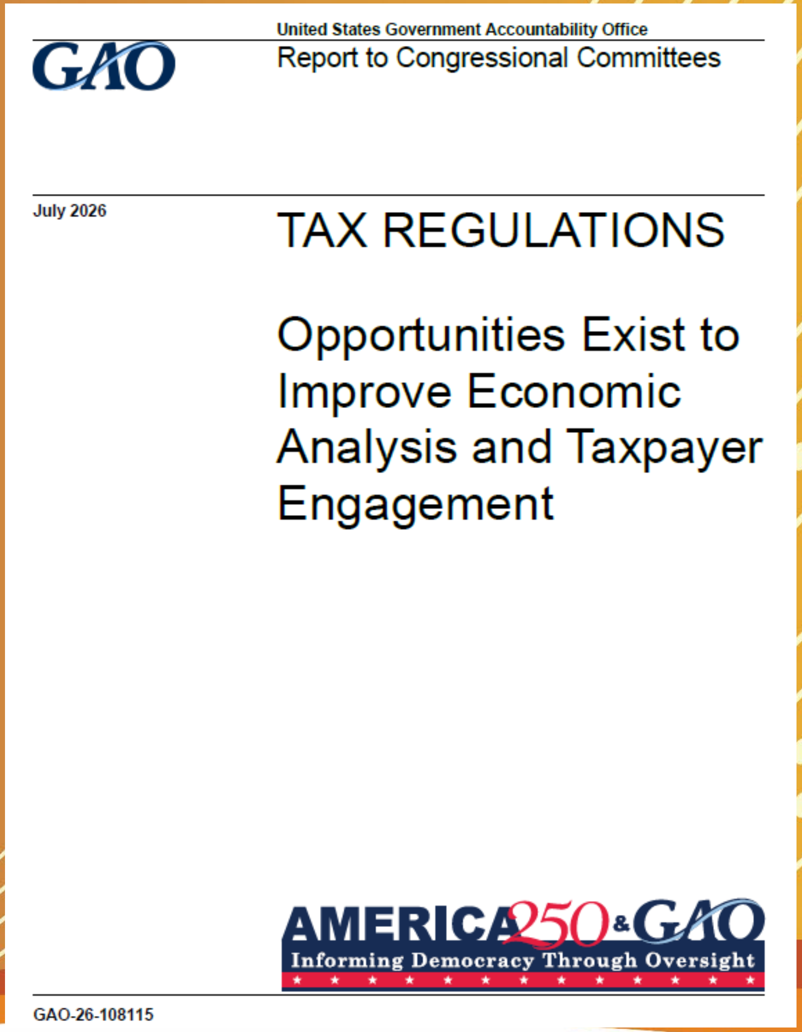
Using AI in Future Audits

- Many information sources are online and contain well structured information:

- ❑ Federal regulatory information websites: Regulations.gov, the *Federal Register*, and reginfo.gov.
- ❑ Agency strategic plans and performance plans.
- ❑ Public comments on customer service provided by government agencies compiled on online platforms.
- ❑ Reviewing studies published in scientific and academic journals.

Concluding Thoughts

- AI helped the team determine that IRS is addressed public input when determining regulatory priorities.
- AI allows the team to allocate more time to reviewing the evidence and working with agency officials to identify improvements.
- The report is available at https://www.gao.gov/products/gao-26-108115.
- For questions about this presentation, please contact Michael O'Neill at oneillmd@gao.gov.



GAO

United States Government Accountability Office

Report to Congressional Committees

July 2026

TAX REGULATIONS

Opportunities Exist to Improve Economic Analysis and Taxpayer Engagement

AMERICA 250 & GAO

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