

IRS Workforce Reductions: Delays and Increased Legal Challenges

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A May 2 report from the US Treasury Inspector General for Tax Administration (TIGTA) found that as of March, the Internal Revenue Service (IRS) workforce had fallen by 11,443 employees, or 11%, due to probationary employee terminations and deferred resignations. This drastic reduction in the IRS workforce came amid cuts from the Trump Administration's Department of Government Efficiency (DOGE).

According to the [TIGTA report](#), the IRS lost 3,623 revenue agents, or 31%, representing almost one-third of its tax auditors. The TIGTA report notes that further IRS workforce reductions are in progress. The TIGTA report was released the same day as [President Donald Trump's Fiscal Year 2026 Discretionary Budget Request](#), which called for a nearly \$2.5 billion cut to the IRS budget for FY2026.

On May 6, while appearing before the US House of Representatives Appropriations subcommittee, [Treasury Secretary Scott Bessent defended](#) the president's budget request for FY2026 and stated that "collections" remains a priority for the agency. Bessent stated that the IRS intends to "enhance collections" and meet its revenue goals via "smarter IT" and the "AI boom."

For taxpayers, the impact of IRS budget cuts and mass reductions in the IRS workforce could lead to longer wait times for assistance, delays in audits and responses to taxpayer filings, and increased legal challenges. Further, a staffing shortage could lead the IRS to issue more Notices of Deficiency rather than allowing disputes to be resolved through the IRS Independent Office of Appeals. This would compel more taxpayers to challenge assessments in US Tax Court.

At the American Bar Association Tax Section's 2025 May Tax Meeting, former Acting Commissioner of the IRS Douglas O'Donnell noted that the reduction in IRS personnel is unprecedented and will result in diminished capabilities in return processing, the processing of refunds, telephone assistance, taxpayer assistance centers, and the Taxpayer Advocate Service as well as lengthier examination time frames.

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