

## National Taxpayer Advocate's Introductory Remarks

### HONORABLE MEMBERS OF CONGRESS:

It is my privilege to submit for your review the National Taxpayer Advocate's Fiscal Year 2026 Objectives Report to Congress. In accordance with statutory requirements, this report outlines the objectives of the Office of the Taxpayer Advocate for the upcoming fiscal year.<sup>1</sup> To provide context regarding the IRS's performance and taxpayer challenges, this report also analyzes the recently completed 2025 tax filing season.

Before addressing our objectives and the filing season performance, I want to acknowledge the extraordinary commitment of the IRS workforce, including Taxpayer Advocate Service (TAS) employees, over recent months. Amid operational uncertainty, telework transitions, and the specter of workforce reductions, IRS employees have continued to uphold the agency's mission with resilience and dedication and to diligently perform their jobs.

In fact, they worked through these challenges to deliver one of the more successful filing seasons in recent memory. Their contributions – processing returns, issuing refunds, developing guidance, answering tens of millions of taxpayer calls, and assisting with over ten million pieces of correspondence – have helped millions of taxpayers navigate their filing and payment obligations.<sup>2</sup>

There is, of course, no universal “correct” staffing level for government agencies. It is the job of our elected representatives to decide how to balance government costs against government services to meet, or exceed, taxpayer expectations. Regardless of one's views about the ultimate size of the IRS workforce, we owe both IRS and TAS employees a tremendous debt of gratitude for meeting the needs of our nation's taxpayers. IRS employees are instrumental in collecting about \$5 trillion in revenue for our nation, processing about 180 million income tax returns and over five billion information forms.<sup>3</sup> Taxpayer Services employees provide taxpayers with guidance and assistance throughout the year, while revenue agents and collection officers help ensure that taxpayers pay what they owe to fund critical government programs, including national defense, Social Security, and Medicare. And while many IRS employees may not engage directly with taxpayers, their support to tax administration is key to the IRS's success. I am particularly thankful for my TAS staff, which has continued to work tirelessly to resolve tens of thousands of taxpayer account issues where taxpayers have not been able to get help through normal IRS channels.

### THE 2025 FILING SEASON: A MEASURED SUCCESS<sup>4</sup>

For most Americans, the annual filing season is the only time they interact with the IRS, so delivering a smooth and successful filing season is the agency's highest priority and most visible and important responsibility. Since the COVID-19 pandemic disruptions, the IRS has rebounded to provide much improved taxpayer service. This year marked its third consecutive year of delivering a generally successful filing season, and by some measures, it was the smoothest yet. Most taxpayers filed their returns and paid their taxes or received their refunds without any delays or intervention from the IRS.

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- 1 IRC § 7803(c)(2)(B)(i). By law, the National Taxpayer Advocate must submit the reports directly to Congress without any prior review or comment from the IRS, the Treasury Department, or the Office of Management and Budget.
  - 2 IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 19, 2025); IRS, Accounts Management Inventory Reports, National Inventory Age Report (week ending Apr. 19, 2025).
  - 3 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031 (Sept. 2024), <https://www.irs.gov/pub/irs-pdf/p6292.pdf>; IRS, Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses 2024 Update (Sept. 2024), <https://www.irs.gov/pub/irs-pdf/p6961.pdf>.
  - 4 Filing season typically begins in late January and runs through April 15. Millions of taxpayers request extensions and file their returns in the fall.

- Taxpayers filed over 95 percent of individual returns electronically, and the IRS processed the significant majority promptly and without difficulty.<sup>5</sup>
- More than 60 percent of taxpayers received refunds, the majority within standard processing timeframes.<sup>6</sup>
- Many refunds included essential credits such as the Earned Income Tax Credit and Child Tax Credit, which are vital to enable low-income households to meet basic living expenses.

Figure 1.1 shows key filing season statistics.

**FIGURE 1.1, Individual Tax Return 2025 Filing Season Statistics<sup>7</sup>**

|                                  |             |
|----------------------------------|-------------|
| Individual Returns Received      | 140,633,000 |
| Individual Returns Processed     | 138,057,000 |
| Refunds Issued                   | 86,021,000  |
| Average Refund Amount            | \$2,942     |
| Refunds Issued by Direct Deposit | 81,032,000  |

The IRS “suspended” over 13 million individual returns during processing.<sup>8</sup> Of those, it suspended more than 2.1 million because they were flagged by the IRS’s identity theft filters.<sup>9</sup> In these cases, the IRS sent a letter to affected taxpayers notifying them they must authenticate their identities and potentially address the irregularities prior to the IRS issuing their refund or processing their return.

### Taxpayer Telephone Access: Improvements and Ongoing Gaps

Each year, the IRS operates one of the largest outbound mail operations in the federal government, sending millions of statutory and non-statutory notices to support its compliance and enforcement activities.<sup>10</sup> These notices frequently prompt follow-up questions from taxpayers, many of whom still rely on telephone service due to limited digital self-service options, particularly in the compliance space. The result is predictable: The IRS receives tens of millions of telephone calls annually regarding the status of return filings, correspondence, or other tax-related issues.<sup>11</sup>

There has been meaningful progress in improving telephone service. The IRS has met its 85 percent Level of Service (LOS) goal on its Accounts Management (AM) telephone lines for the last three filing seasons, including the current year.<sup>12</sup> This reflects targeted investments and operational improvements on high-

5 See IRS, Filing Season Statistics for Week Ending April 18, 2025 (May 29, 2025), <https://www.irs.gov/newsroom/filing-season-statistics-for-week-ending-april-18-2025>. The calculation is based on returns received and logged in as of April 18, but it should be noted that the IRS did not receive most paper returns placed in the mail on or just before the April 15 filing deadline in time to include them in these filing season totals. It received more than 1.4 million additional paper-filed returns over the following two weeks, reducing the e-file rate to 96 percent as of May 3. IRS, Taxpayer Services, Individual Return Filing & Services – Post Filing Season (week ending May 3, 2025).

6 *Id.*

7 *Id.*

8 IRS, Submission Processing Program Management/Process Assurance Branch, Filing Season Statistics Reports (weekly 2025 reports through Apr. 18, 2025).

9 *Id.*

10 IRS News Release, IR-2024-19, IRS Launches Simple Notice Initiative Redesign Effort (Jan. 23, 2024) (stating that the IRS “sends about 170 million notices to individual taxpayers every year”), <https://www.irs.gov/newsroom/irs-launches-simple-notice-initiative-redesign-effort>.

11 The IRS received 282 million calls in FY 2021 and 173 million calls in FY 2022 (the pandemic years). It received 93 million calls in FY 2023 and 99 million calls in FY 2024. See IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, Enterprise Total (weeks ending Sept. 30, 2021, Sept. 30, 2022, Sept. 30, 2023, and Sept. 30, 2024).

12 See IRS, Joint Operations Center (JOC), Snapshot Reports: Enterprise Snapshot, Accounts Management (weeks ending Apr. 22, 2023, Apr. 20, 2024, and Apr. 19, 2025).

volume lines. At the same time, it's important to understand the limitations of the LOS metric. It reflects IRS service only on AM lines; it does not capture the experience of taxpayers calling non-AM lines, including compliance-related lines or other parts of the agency. It also excludes calls routed to automation and those that are dropped before reaching a queue, often because callers anticipate long wait times or believe they won't receive timely help.<sup>13</sup>

Continued attention to taxpayer telephone access is essential, especially for taxpayers with complex issues they can't resolve online. But expanding digital tools for common inquiries and improving transparency around call metrics would help reduce call volumes and enhance service overall while ensuring those who still need to speak with an IRS representative can do so more reliably.

Figure 1.2 shows telephone metrics for all calls received and the breakdown between the AM and non-AM telephone lines.

**FIGURE 1.2, IRS Telephone Results for the 2025 Filing Season<sup>14</sup>**

| Telephone Lines                                 | All Calls | Accounts Management | Non-Accounts Management |
|-------------------------------------------------|-----------|---------------------|-------------------------|
| Calls Received                                  | 38.6 mil  | 27.8 mil            | 10.8 mil                |
| Number of Calls Answered by an IRS Employee     | 12.4 mil  | 8.9 mil             | 3.5 mil                 |
| Percentage of Calls Answered by an IRS Employee | 32%       | 32%                 | 32%                     |
| Level of Service                                | 70%       | 87%                 | 48%                     |
| Time on Hold                                    | 8 min     | 3 min               | 19 min                  |

The IRS answered about 12.4 million calls during both the 2024 and 2025 filing seasons.<sup>15</sup>

As the IRS begins to plan for the 2026 filing season, it can reasonably set a target for how many calls it has the capacity to answer, but it cannot control how many calls it receives. Typically, the IRS receives more calls in years following significant changes in the tax law. If Congress enacts the One Big Beautiful Bill Act as drafted, several provisions will retroactively affect the 2025 tax year, thus impacting millions of taxpayers and requiring the IRS to quickly update tax year 2025 tax forms and programming for the 2026 filing season. With new legislation, the IRS is likely to receive a higher volume of calls, so it may need *more* employees, in addition to improved digital tools, to maintain this year's LOS next year.

### Identity Theft Victim Assistance: A Lingering Weakness

Despite IRS assurances over the past 18 months, its performance in resolving Identity Theft Victim Assistance (IDTVA) cases continues at a glacial pace. The IRS generally handles two categories of identity theft cases. One involves returns that IRS return processing filters flag as potentially fraudulent. For these cases, taxpayers whose returns the IRS incorrectly flags must authenticate their identities to receive their refunds; the IRS typically resolves these cases in several months. The second category generally involves cases where a thief has stolen a taxpayer's identity and filed a tax return using the legitimate taxpayer's name and Social Security number.

<sup>13</sup> For additional background on the IRS's telephone metrics, see National Taxpayer Advocate Fiscal Year 2025 Objectives Report to Congress iii, v-x (Preface), [https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/06/JRC25\\_Preface.pdf](https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2024/06/JRC25_Preface.pdf).

<sup>14</sup> IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (week ending Apr. 19, 2025); Email from Taxpayer Services to TAS Research (June 4, 2025) (on file with TAS); Email from Taxpayer Services to TAS Research (June 6, 2025) (on file with TAS).

<sup>15</sup> *Id.*

As of the end of the filing season, the IRS had about 387,000 second category cases in inventory, and *these cases were taking an average of about 20 months to resolve*.<sup>16</sup> Apart from the time and frustration these delays cause, victims entitled to refunds are waiting nearly two years to receive them. We found these delays disproportionately affect vulnerable populations dependent on their refunds to meet basic living expenses. In fiscal year (FY) 2023, 69 percent of affected taxpayers had adjusted gross incomes at or below 250 percent of the Federal Poverty Level.<sup>17</sup> IRS leadership has repeatedly assured TAS that reducing cycle time for IDTVA cases is a top priority, yet the cycle time remains unacceptably long. I continue to urge the agency to focus on dramatically shortening the time it takes to resolve IDTVA cases so it does not force victims, particularly those dependent on their tax refunds, to wait nearly two years to receive their money.

## THE FUTURE OF THE TAXPAYER EXPERIENCE

Two primary factors drive the taxpayer experience – personnel and technology. I list personnel first because even where technology is predominant, employees or contractors must develop, program, monitor, evaluate, and update technology to keep pace with changes in law, procedures, and other variables while ensuring that the IRS protects taxpayer rights.

### Personnel: IRS Workforce Challenges

Like the workforce at many federal agencies, the IRS workforce looks very different today than at the beginning of 2025. Most notably, the number of employees has been reduced by more than 25 percent.<sup>18</sup> In Figure 1.3, which shows employee reductions by Business Operating Division (BOD)/function, we include all IRS functions in the interest of transparency. In analyzing the data, we note that many functions are more visible to taxpayers and directly impact service delivery, while other functions play vital supporting roles in providing taxpayer service and delivering on the IRS's mission.

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16 IRS, JOC, AM Research, Analysis and Data (RAD) Reports: FY 25 IDTVA Accounts Inventory Report (week ending Apr. 19, 2025); Correspondence Imaging System Closed Case Cycle Time (through April 2025) (showing closed case cycle time of 602 days).

17 IRS, Compliance Data Warehouse, Individual Master File and Individual Returns Transaction File (Sept. 28, 2023).

18 The IRS achieved most of the staffing reduction through employee departure incentives – the Deferred Resignation Program (DRP) 1.0, the Treasury Deferred Resignation Program (TDRP) 2.0, the Voluntary Early Retirement Authority (VERA), and the Voluntary Separation Incentive Payment (VSIP) – rather than through layoffs.

**FIGURE 1.3, IRS Personnel Losses by BOD/Function (as of June 4, 2025)<sup>19</sup>**

| IRS Business Operating Division/Function           | Staffing as of January 25, 2025 | Projected Staffing After Separations | Percent Change From January 25, 2025 |
|----------------------------------------------------|---------------------------------|--------------------------------------|--------------------------------------|
| Chief Counsel                                      | 2,740                           | 2,387                                | ▼ -12.88%                            |
| Chief Financial Office (CFO)                       | 578                             | 404                                  | ▼ -30.10%                            |
| Chief Operating Officer (COO)                      | 139                             | 71                                   | ▼ -48.92%                            |
| Chief Tax Compliance Officer (CTCO)                | 10                              | 1                                    | ▼ -90.00%                            |
| Communications and Liaison (C&L)                   | 379                             | 211                                  | ▼ -44.33%                            |
| Criminal Investigation (CI)                        | 3,589                           | 3,221                                | ▼ -10.25%                            |
| Direct File (DF)                                   | 27                              | 5                                    | ▼ -81.48%                            |
| Enterprise Case Management Office (ECMO)           | 51                              | 15                                   | ▼ -70.59%                            |
| Facilities Management and Security Services (FMSS) | 1,212                           | 894                                  | ▼ -26.24%                            |
| Human Capital Office (HCO)                         | 2,927                           | 2,079                                | ▼ -28.97%                            |
| Independent Office of Appeals (Appeals)            | 1,775                           | 1,275                                | ▼ -28.17%                            |
| Information Technology (IT)                        | 8,647                           | 6,316                                | ▼ -26.96%                            |
| IRS Headquarters (HQ)                              | 50                              | 22                                   | ▼ -56.00%                            |
| Large Business and International (LB&I)            | 6,763                           | 5,402                                | ▼ -20.12%                            |
| Office of Chief Risk Officer (CRO)                 | 37                              | 21                                   | ▼ -43.24%                            |
| Office of Civil Rights and Compliance (OCRC)       | 178                             | 90                                   | ▼ -49.44%                            |
| Office of Professional Responsibility (OPR)        | 21                              | 15                                   | ▼ -28.57%                            |
| Online Services (OLS)                              | 220                             | 97                                   | ▼ -55.91%                            |
| Privacy, Government Liaison and Disclosure (PGLD)  | 656                             | 456                                  | ▼ -30.49%                            |
| Procurement                                        | 585                             | 306                                  | ▼ -47.69%                            |
| Research, Applied Analytics and Statistics (RAAS)  | 620                             | 442                                  | ▼ -28.71%                            |
| Return Preparer Office (RPO)                       | 119                             | 75                                   | ▼ -36.97%                            |
| Small Business/Self-Employed (SB/SE)               | 24,120                          | 15,566                               | ▼ -35.46%                            |
| Tax Exempt/Government Entities (TE/GE)             | 2,286                           | 1,670                                | ▼ -26.95%                            |
| Taxpayer Advocate Service (TAS)                    | 1,970                           | 1,480                                | ▼ -24.87%                            |
| Taxpayer Experience Officer (TXO)                  | 106                             | 55                                   | ▼ -48.11%                            |
| Taxpayer Services (TS)                             | 42,134                          | 33,053                               | ▼ -21.55%                            |
| Transformation and Strategy Office (TSO)           | 80                              | 4                                    | ▼ -95.00%                            |
| Whistleblower Office (WO)                          | 94                              | 69                                   | ▼ -26.60%                            |
| <b>TOTAL</b>                                       | <b>102,113</b>                  | <b>75,702</b>                        | <b>▼ -25.86%</b>                     |

<sup>19</sup> IRS, Human Capital Office data (as of June 4, 2025).

**FIGURE 1.4, IRS Personnel Separation Program Utilization by BOD/Function (as of June 4, 2025)<sup>20</sup>**

| IRS Business Operating Division/Function                                           | Deferred Resignation Program 1.0 | Treasury Deferred Resignation Program 2.0 (Signed Agreement) | Voluntary Early Retirement Authority/ Voluntary Separation Incentive Payment |
|------------------------------------------------------------------------------------|----------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------------|
| Chief Counsel                                                                      | 0                                | 186                                                          | 0                                                                            |
| Chief Financial Office (CFO)                                                       | 20                               | 139                                                          | 8                                                                            |
| Chief Operating Officer (COO)                                                      | 6                                | 48                                                           | 2                                                                            |
| Chief Tax Compliance Officer (CTCO)                                                | 1                                | 3                                                            | 1                                                                            |
| Communications and Liaison (C&L)                                                   | 11                               | 136                                                          | 5                                                                            |
| Criminal Investigation (CI)                                                        | 79                               | 152                                                          | 10                                                                           |
| Direct File (DF)                                                                   | 4                                | 6                                                            | 0                                                                            |
| Enterprise Case Management Office (ECMO)                                           | 4                                | 20                                                           | 0                                                                            |
| Facilities Management and Security Services (FMSS)                                 | 52                               | 220                                                          | 18                                                                           |
| Human Capital Office (HCO)                                                         | 125                              | 666                                                          | 30                                                                           |
| Independent Office of Appeals (Appeals)                                            | 72                               | 341                                                          | 21                                                                           |
| Information Technology (IT)                                                        | 297                              | 1,754                                                        | 104                                                                          |
| IRS Headquarters (HQ)                                                              | 8                                | 10                                                           | 1                                                                            |
| Large Business and International (LB&I)                                            | 345                              | 609                                                          | 43                                                                           |
| Office of Chief Risk Officer (CRO)                                                 | 2                                | 10                                                           | 0                                                                            |
| Office of Civil Rights and Compliance (OCRC)                                       | 9                                | 64                                                           | 10                                                                           |
| Office of Professional Responsibility (OPR)                                        | 2                                | 3                                                            | 0                                                                            |
| Online Services (OLS)                                                              | 11                               | 101                                                          | 1                                                                            |
| Privacy, Government Liaison and Disclosure (PGLD)                                  | 26                               | 166                                                          | 9                                                                            |
| Procurement                                                                        | 21                               | 241                                                          | 9                                                                            |
| Research, Applied Analytics and Statistics (RAAS)                                  | 17                               | 131                                                          | 4                                                                            |
| Return Preparer Office (RPO)                                                       | 9                                | 28                                                           | 3                                                                            |
| Small Business/Self-Employed (SB/SE)                                               | 1,294                            | 6,813                                                        | 304                                                                          |
| Tax Exempt/Government Entities (TE/GE)                                             | 84                               | 414                                                          | 30                                                                           |
| Taxpayer Advocate Service (TAS)                                                    | 84                               | 338                                                          | 33                                                                           |
| Taxpayer Experience Officer (TXO)                                                  | 3                                | 45                                                           | 0                                                                            |
| Taxpayer Services (TS)                                                             | 1,836                            | 4,896                                                        | 829                                                                          |
| Transformation and Strategy Office (TSO)                                           | 6                                | 4                                                            | 0                                                                            |
| Whistleblower Office (WO)                                                          | 5                                | 18                                                           | 0                                                                            |
| <b>Total by Program</b>                                                            | <b>4,433</b>                     | <b>17,562</b>                                                | <b>1,475</b>                                                                 |
| <b>Total Other Personnel Losses<br/>(e.g., Deaths, Resignations, Terminations)</b> | <b>2,941</b>                     |                                                              |                                                                              |
| <b>Total IRS Personnel Losses</b>                                                  | <b>26,411</b>                    |                                                              |                                                                              |

<sup>20</sup> IRS, Human Capital Office data (as of June 4, 2025).

The magnitude of these workforce reductions has presented significant challenges, as has the absence of consistent leadership. The agency had five commissioners or acting commissioners during the first four months of the year, and many of its most experienced leaders chose to accept one of the voluntary departure options. This has left the agency with both fewer frontline employees and managers and fewer experienced leaders to carry out its mission.

The Administration's budget proposal envisions a 20 percent reduction in appropriated IRS funding next year and an overall reduction of 37 percent after taking into account the decrease in supplemental funding from the Inflation Reduction Act.<sup>21</sup> A reduction of that magnitude is likely to impact taxpayers and potentially the revenue collected.

Moreover, if Congress enacts the proposed reductions, the way it allocates them among the agency's budget accounts matters greatly. The Taxpayer Services BOD is responsible for processing tax returns, answering taxpayer telephone calls, staffing Taxpayer Assistance Centers, and processing taxpayer correspondence. As the name implies, it is responsible for the heaviest lift of serving taxpayers.

I recommend the Administration lift the current hiring freeze and provide Direct Hire Authority so that Taxpayer Services can hire essential filing season employees (customer service representatives (CSRs) and Submission Processing employees) to meet taxpayer needs next year. And if that happens, it is critical the IRS hire them by the end of summer so it can onboard them, provide them with adequate training, and ensure they are prepared to assist taxpayers when the 2026 filing season begins in January. Especially in the short term, the number of total IRS employees is less important than the number of trained IRS employees.

### **Technology: A Turning Point for the IRS's Modernization Strategy**

For decades, the IRS has operated with outdated information technology (IT) infrastructure and a need for improved tools and service. In recent years, the agency has made notable strides in modernizing its systems, launching new online tools, enhancing online account features, increasing cybersecurity protocols, and beginning the long overdue digitization of paper. If this momentum continues, the IRS will be well positioned to deliver higher quality service, enhance the taxpayer experience, and perhaps improve tax compliance at a reduced cost. Importantly, maintaining this progress requires sustained leadership, a clear strategic vision, stakeholder engagement, and phased implementation to minimize disruptions.

Modernization is not without its challenges. Pausing existing projects, budget constraints, system complexity, and the integration of new technology with legacy infrastructure continue to pose risks to progress. Recently, the IRS, in partnership with the Treasury Department and the Department of Government Efficiency (DOGE), has taken a different approach toward improving the agency's IT systems, believing that it can effectively automate much of the agency's work currently performed by employees. There are two key questions to consider from the transparency and taxpayer advocacy perspectives:

- What impact will these changes have on the taxpayer experience next year and in future years?
- How will the changes support the Secretary of the Treasury's three goals of providing high quality service, ensuring fair compliance, and safeguarding taxpayer privacy when interacting with the IRS?

In my view, the jury is still out. The specific projects and changes that leadership undertakes and how and when it implements them will determine the outcome of modernization efforts.

During the past two years, the IRS has used funding from the Inflation Reduction Act to accelerate its modernization efforts. In collaboration with Treasury and DOGE, the agency has reassessed its technology priorities. Many ongoing projects have been indefinitely paused or canceled to allow for reprioritization,

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21 IRS, FY 2026 Budget-in-Brief 1 (May 2025), <https://home.treasury.gov/system/files/266/13.-IRS-FY2026-BIB.pdf>.



resulting in the establishment of nine distinct modernization “verticals,” which are technology projects designed to meet specified technology demands.<sup>22</sup> These include efforts to implement an application programming interface (API), digitalize paper processing, and improve system interoperability.

While these initiatives are promising, the IRS must provide clear and detailed communication to Congress and the public regarding the objectives, scope, business value, milestones, projected timelines, costs, and anticipated impacts of these nine vertical projects on taxpayer service. Without such transparency, there is a real risk these initiatives could stall or deviate from their intended outcomes.

### ***Unified Application Programming Interface: Benefits and Questions***

Among the agency's top priorities is a unified API. This project, if successfully implemented, promises to improve system functionality, facilitate data integration, and streamline taxpayer interactions. However, questions remain:

- What is the priority of systems that will be accessible using the unified API layer?
- What is the product roadmap and timing of when legacy systems will migrate to the unified API layer?
- When will legacy data access methods be safely turned off in favor of the unified API layer to reduce cost?
- Will the unified API require full reconfiguration of legacy applications? And, if so, what is the timing?
- What are the associated costs and implementation timelines for both the unified API and any required reconfigurations?
- What tangible improvements will taxpayers, tax practitioners, and IRS employees realize by the 2026 filing season?

While I do not claim expertise in IT programming, I recognize the downstream benefits of programming improvements. The IRS itself should explain to Congress and the public how a unified API will improve the functionality of IRS systems. Again, I urge the IRS to be transparent and clearly articulate the scope, milestones, business value, projected timelines, cost, and anticipated impact on the taxpayer experience. Specifically, it should detail how and when the API, in conjunction with any necessary reconfiguration of legacy applications, will:

- Improve the ease of use and added functionality of online services;
- Enhance internal data access for CSRs (by utilizing the same tools and data sources across the agency);
- Enable more efficient processing and reduced reliance on paper workflows;
- Improve taxpayer service; and
- Protect security of data.

My concerns and recommendations are designed to ensure we don't take one step forward at the risk of taking two steps back.

### ***End-to-End Digitization and the Zero Paper Initiative***

Despite significant improvements in technology, the IRS still receives tens of millions of paper documents each year. It estimates it will receive roughly 43 million paper tax returns and 19 million paper information

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22 The IT vertical projects include: (1) Unified API Layer; (2) Zero Paper; (3) Contracts/Vendor Rationalization; (4) Developer Experience Platform; (5) Taxpayer Experience; (6) Taxpayer Service; (7) Case Selection; (8) Case Management; and (9) VMWare/Broadcom Replacement.



returns in 2025.<sup>23</sup> It also sends about 170 million paper notices to individual taxpayers and receives millions of mailed responses.<sup>24</sup>

During the pandemic, I often remarked that “paper is the IRS’s kryptonite, and the IRS is buried in it.” The COVID-19 pandemic underscored the IRS’s overdependence on paper – a vulnerability that continues to hinder the agency’s effectiveness. The IRS began to make strides over the past two years, including launching its Paperless Processing Initiative in 2023.<sup>25</sup> Among other things, the agency said that *by* the 2025 filing season, it would “digitally process all paper-filed tax and information returns.” Although the IRS made some progress, it did not come close to achieving its goal.

To date, the focus has been more on allowing taxpayers to *submit* documents electronically (a “digital inbox” of sorts) than enabling the IRS to *process* them electronically. For example, taxpayers may now respond to notices via a Document Upload Tool (DUT), but when the IRS receives responses through the DUT, it does not have backend systems to process the submissions. The IRS often needs to print the submissions onto paper and route them to an employee to respond, delaying resolution and tying up valuable resources.

The IRS has acknowledged that genuine modernization involves creating a fully digital processing pipeline – from intake through resolution – with as little manual intervention as possible. Tools like the DUT are encouraging developments and important early milestones. However, without corresponding automation on the back end, these tools often merely shift workload rather than reduce it, offering limited improvements in efficiency. True modernization would provide an IT solution from the time the paper arrives at the IRS through the backend processing of the return or correspondence.

Once the IRS digitizes paper, the nature of work within the agency will inevitably evolve. This transformation will require not only new technology but also updated business processes, employee training, performance metrics, and ways of working. Taking a collaborative, integrated approach now will help lay the groundwork for lasting improvements in the future.

Modernization is not just about better tools. It’s about building a better IRS and providing the quality service taxpayers deserve while protecting their rights.

As the IRS moves forward, I strongly recommend that the IT function work hand-in-hand with the BODs to ensure IT priorities meet current and future business needs, not just recreate the paper process. It is critical that the leaders of the BODs have a seat at the table when setting IT priorities. BOD leaders bring firsthand experience and insight into how processes function in practice, where the biggest challenges lie, and how the IRS can improve taxpayer service. Aligning technology development with operational needs – both present and future – will help ensure that we are not simply replicating paper-based processes in digital form but instead are rethinking our processes to take full advantage of new capabilities. I also recommend the IRS involve and coordinate with my office on projects impacting taxpayer service and taxpayer rights to ensure a taxpayer perspective is presented and considered.

I am heartened that the IRS is continuing its efforts to eliminate paper with one of its specified verticals, its Zero Paper Initiative, which will allow it to complete the transformation. Again, I want to emphasize that the ultimate goal should not merely be to allow taxpayers to *submit* documents electronically but also to

23 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031 (Sept. 2024), <https://www.irs.gov/pub/irs-pdf/p6292.pdf>; IRS, Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses 2024 Update (Sept. 2024), <https://www.irs.gov/pub/irs-pdf/p6961.pdf>.

24 IRS News Release, IR-2024-19, IRS Launches Simple Notice Initiative Redesign Effort (Jan. 23, 2024), <https://www.irs.gov/newsroom/irs-launches-simple-notice-initiative-redesign-effort>.

25 IRS Fact Sheet, FS-2023-18, IRS Launches Paperless Processing Initiative: Taxpayers Will Have the Option to Go Paperless for IRS Correspondence by 2024 Filing Season, IRS to Achieve Paperless Processing for All Tax Returns by Filing Season 2025 (Aug. 2023), <https://www.irs.gov/newsroom/irs-launches-paperless-processing-initiative>.

enable the IRS to *process* documents electronically (without the need for employee transcription). I also want to emphasize the importance of the IRS fully understanding the impact of its modernization projects on taxpayers before they flip the switch. It is critical that the agency not proceed with implementing new systems or processes without ensuring they will enhance, not diminish, taxpayer service. Taxpayers are real people and real businesses, and the IRS must ensure it does not roll out procedures or programming that isn't sufficiently tested and does not inadvertently impose needless burdens or create hardships.

### ***An Integrated Case Management System to Improve System Interoperability***

The IRS currently stores taxpayer data on some 60 separate case management systems that do not communicate with each other. CSRs and other IRS employees often lack access to comprehensive account data and must toggle between systems, creating delays and inefficiencies. If a taxpayer calls about a notice, the CSR cannot see the notice and may ask the taxpayer to read it aloud or provide a reference number so the CSR can pull up a generic sample of a similar letter. The CSR has access to some – but not all – of the 60 case management systems.<sup>26</sup> Even where the CSR has access, each system operates on a different screen, often requiring the CSR to key in the taxpayer's Social Security number multiple times to pull up the account on multiple systems. CSRs also have a different view than what the taxpayer sees in an online account, so they have no idea what information the taxpayer is able to view.

For these reasons, a call to a CSR can take much longer than it should. The CSR may have to put the taxpayer on hold multiple times to launch different systems and ultimately may still not be able to access the system relevant to the taxpayer's issue, requiring a transfer or a call to a different IRS function. This fragmentation contributes to poor customer service and taxpayer frustration. IRS employees and taxpayers should have access to the same tools and same data sources no matter which channel the taxpayer uses. The information should be available quickly, accurately, and reliably.

Under an initiative called Taxpayer 360, the IRS was aiming to address these limitations by creating an integrated case management system that consolidates all relevant information a CSR may need to help taxpayers in a single database. Given that the IRS handles approximately 100 million telephone calls each year,<sup>27</sup> giving CSRs faster and more complete access to taxpayer data would go a long way toward improving the timeliness and effectiveness of telephone service. I strongly recommend the IRS continue to prioritize this initiative.

### ***Priority Technology Recommendations***

There is no shortage of IT improvements the IRS can pursue. In fact, the sheer breadth of needed upgrades has contributed to past inefficiencies. As the saying goes, "If everything is a priority, nothing is a priority." To ensure success, the IRS must focus its efforts on a manageable number of projects that provide the greatest value to taxpayers, employees, and the tax system while ensuring that taxpayers are not harmed during the transition period. Above, I noted two projects that I think should receive high priority: the Zero Paper Initiative and an integrated case management system. A third priority – in my view the most crucial – should be fully functional online accounts for all taxpayers, which can be achieved by embracing a "digital first" strategy.

***Fully Functional Online Accounts for All Users.*** The IRS should continue to prioritize providing online functionality that mirrors the robust functionality offered by banks and other financial institutions. For at least two decades, most of us have been able to conduct almost all our financial activity using online accounts. At banks, that includes making deposits, paying bills, transferring funds between accounts, and even applying for mortgages and home equity lines of credit. At brokerages, it includes buying and selling stocks and

<sup>26</sup> See IRM 1.1.12.2.1, Enterprise Case Management (Feb. 24, 2021) [https://www.irs.gov/irm/part1/irm\\_01-001-012](https://www.irs.gov/irm/part1/irm_01-001-012).

<sup>27</sup> As noted earlier, the IRS received 282 million calls in FY 2021 and 173 million calls in FY 2022 (the pandemic years). It received 93 million calls in FY 2023 and 99 million calls in FY 2024. See IRS, JOC, Snapshot Reports: Enterprise Snapshot, Enterprise Total (weeks ending Sept. 30, 2021; Sept. 30, 2022; Sept. 30, 2023; Sept. 30, 2024).

securities. With our credit card companies, it includes paying bills, monitoring charges, disputing charges, and paying off balances. In dealing with airlines, most of us can buy tickets, reserve seats, and change flight reservations from the convenience of our personal devices.

The good news is that over the past few years, the IRS has made considerable progress and added increased functionality to individual online accounts. Currently, individual taxpayers can view key data, access transcripts of their accounts, check the status of their refunds, see digital copies of several notices the IRS issues, make payments, create payment plans, and view their balances. In addition, the business account features are moving in the right direction, and the online account for tax professionals, Tax Pro, has some basic functions for processing or withdrawing power of attorney forms and requesting a Centralized Authorization File number.

But the IRS must do more. I believe the IRS's top technology priority should be to allow taxpayers to conduct all transactions with the IRS from the "one-stop shop" of an online account, just as they can with other financial institutions. This should include providing robust online accounts for individual taxpayers, business taxpayers, and practitioners, where they can interact digitally with the IRS for all their needs. When taxpayers receive IRS notices, they should be able to view what the IRS sent. And if they wish to respond, they should be able to upload their response to their online account and have it routed to the appropriate function within the IRS. Tax professionals should be able to view a client's information from their Tax Pro account so they can assist their clients/taxpayers without the need for the taxpayers to mail or email their documents to the tax professional.

***Embrace a "Digital First" Approach to Taxpayer Service.*** I strongly recommend that the IRS's leadership champion and that Congress fund a "digital first" strategy to improve taxpayer service. The IRS already possesses vast data on why taxpayers call, write, or visit the IRS – data that clearly outlines what taxpayers are trying to do and where service gaps exist. It's time to use these insights to improve digital services and close service gaps.

On a transaction-by-transaction basis, each IRS BOD should continue directing its IT partners to prioritize, develop, and deploy secure and user-friendly online services that provide real alternatives to calling a help line, visiting a Taxpayer Assistance Center, or reaching out to other IRS functions. This approach is not speculative – it has already worked. The success of the [Where's My Refund?](#) and [Where's My Amended Return?](#) tools, streamlined [IRS Installment Agreements](#), and [IRS Direct Pay](#) are proof points. The IRS designed these services to reduce call volumes and paper processing and improve taxpayer service, and over time, they are becoming important and potentially primary channels for checking refund status, entering into installment agreements, and making payments.

Let me be clear: "Digital first" does not mean "digital only." ***The IRS's core objective must remain to meet taxpayer needs by meeting taxpayers where they are.*** Digital access should expand service, not limit it. Taxpayers should still be able to call, walk in, or use mail services. But recent experience has shown that when the IRS has delivered well-designed, trustworthy, and easy-to-use online tools, taxpayers have migrated and will continue to migrate to those channels naturally – because they're easier, faster, and more convenient to use.

This is not about cost-cutting or automation for its own sake. This is about trust, access, and modern service delivery. A "digital first" mindset helps the IRS serve more taxpayers more efficiently and with more consistency – while preserving and protecting non-digital options for those who need them. But when the IRS introduces new digital tools or self-service options, taxpayers, tax professionals, and Congress must feel confident that these tools are accurate, secure, and user-friendly. Without trust, even the best designed technology may go unused, forcing continued reliance on more costly or less efficient service channels.

In summary, there are numerous technologies and tools that can assist taxpayers, businesses, and tax professionals here and abroad that would significantly improve their interactions with the IRS. The IRS should not pause its efforts to improve online accounts and other digital tools while reassessing its IT

priorities. The IRS must keep the trains moving forward and on schedule, and progress in IT modernization will free up IRS personnel to assist taxpayers who have more complex issues or who are unable to use technology or are uncomfortable doing so.

Let's build a future where digital self-service is the preferred path – not because it's the only option but because it's trusted and the best option.

### ***The Need for Sustained IRS Technology Investment***

The amount of funding the IRS receives has generated considerable controversy over the last few years. My office does not have the financial expertise to recommend any particular IT funding level. But when it comes to technology, I believe there is truth to the adage, “You get what you pay for.” While private financial institutions invest billions annually in technology, the IRS's Business Systems Modernization (BSM) budget remains relatively modest. In a 2023 blog, I discussed the importance of funding technology upgrades:

Large U.S. banks spend between \$10 billion and \$14 billion a year on technology, often more than half on new technology systems.

Yet in fiscal year (FY) 2022, Congress appropriated just \$275 million for the IRS's Business Systems Modernization (BSM) account. That's less than five percent of what the largest banks are spending on new technology each year, and the IRS serves far more people and entities than any bank.

This comparison isn't exactly apples-to-apples because there are differences in the components of the banks' technology accounts and the IRS's BSM account. But overall, the comparison tells you everything you need to know to understand why the IRS is still using antiquated information technology (IT) systems, some dating to the 1960s, and why taxpayer service has been abysmal in [past years].<sup>28</sup>

As Congress and the Administration set funding priorities, I encourage them to ensure the IRS has the funding and expertise to continue to modernize its IT systems, with particular focus on the ability of taxpayers and practitioners to interact with the agency through online taxpayer accounts.

## **ENSURING A SUCCESSFUL 2026 FILING SEASON**

Each year, the IRS embarks on the enormous task of collecting about \$5 trillion in revenue through individual and business tax filings. This includes processing about 180 million income tax returns and over five billion information forms.<sup>29</sup> With the 2026 filing season on the horizon amid potential legislation changes and continued staffing constraints, early preparation is essential to ensure the IRS can deliver both effective taxpayer service and secure operations.

A successful filing season is not only an IRS imperative but also a national one. The smooth functioning of the U.S. tax system directly supports government operations and the lives of millions of taxpayers who rely on timely refunds. Efficient service, responsive communication, and secure data practices are core to maintaining public confidence and financial stability.

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28 See, e.g., Erin M. Collins, National Taxpayer Advocate Urges Congress to Maintain IRS Appropriations But Re-Direct Some Funds Toward Taxpayer Service and Information Technology Modernization, NATIONAL TAXPAYER ADVOCATE BLOG (Mar. 16, 2023), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/nta-blog-nta-urges-congress-to-maintain-irs-appropriations-but-re-direct-some-funds-toward-taxpayer-service-and-it-modernization/2023/03>.

29 IRS, Pub. 6292, Fiscal Year Return Projections for the United States: 2024-2031 (Sept. 2024), <https://www.irs.gov/pub/irs-pdf/p6292.pdf>; IRS, Pub. 6961, Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses 2024 Update (Sept. 2024), <https://www.irs.gov/pub/irs-pdf/p6961.pdf>.

## **The Importance of Security and Trust**

The security of taxpayer data must remain an uncompromised priority. The recent criminal case involving an outside contractor, Charles Edward Littlejohn, who unlawfully disclosed a trove of sensitive tax data, exposed significant deficiencies in data access controls. The incident underscores the need for rigorous controls, especially when involving external contractors or access to large data repositories. The IRS must implement the strongest possible safeguards to prevent unauthorized disclosures, protect privacy, and restore public confidence.

## **Operational Readiness and Staffing Concerns**

Typically, the IRS initiates hiring seasonal and essential employees and training customer service employees well in advance of the filing season, while simultaneously updating forms, publications, and processing systems in coordination with industry partners. These early milestones are critical to ensuring readiness. As of mid-2025, there are concerns the IRS has not yet performed key preparatory activities, including preparatory activities to hire and train seasonal and permanent filing season employees, thereby raising risks to the integrity and timeliness of the 2026 filing season.

Trained and knowledgeable personnel remain central to this effort. Staffing reductions and the loss of experienced personnel, particularly in mission-critical areas, create vulnerabilities in service delivery, return processing, and taxpayer assistance. To deliver a successful filing season, the IRS must complete the hiring of allocated customer service personnel and train them before the filing season begins.

## **Technology Capacity and Implementation of New Legislation**

The IRS's ability to implement new tax laws quickly and accurately will also be a determining factor in the success of the filing season. Most observers only see the finished product of a filing season. Most use a tax return preparer or a tax software package to prepare their returns, so they don't realize the amount of work required to implement tax law changes. The task is huge and includes rapidly updating tax forms and instructions; reprogramming core processing systems; providing timely and clear public guidance; training frontline staff to handle taxpayer inquiries; and educating taxpayers and tax professionals regarding the changes Congress enacted and how to report information accurately to reduce the chance that their returns will be subject to math error adjustments, audits, or penalties and interest due to inadvertent errors.

These tasks require a robust and flexible IT infrastructure capable of adapting to late-breaking legislative changes and managing high volumes of return data and correspondence.

## **Learning From the Past: 1985 and the Pandemic**

It is essential for taxpayers and the nation that the IRS not repeat the mistakes of the 1985 filing season – a cautionary tale of rushed implementation, insufficient IT capacity, and widespread service failure.<sup>30</sup> That year, the IRS rushed well-intentioned technology plans, and the intricate pieces of the IRS system unraveled, creating a domino effect of cascading problems. The processing centers were unable to quickly process paper tax returns. Problems snowballed due to poor planning and budgetary challenges, including a new computer system with inadequate capacity and faulty software. Unprocessed paper tax returns piled up. In the chaos, tens of thousands of returns went missing, refunds were delayed, and there was a significant erosion of public trust.

During the COVID-19 pandemic, the IRS similarly faced significant processing backlogs due to paper return volumes, workforce limitations, and outdated technology. Tens of millions of taxpayers experienced refund delays stretching six months or more to receive their biggest check of the year, with some forced to refile returns.

<sup>30</sup> Terry Lemons, Opinion: A Warning From 1985, the 'Tax Season From Hell,' THE HILL, Apr. 15, 2025, <https://thehill.com/opinion/finance/5248369-a-warning-from-1985-the-tax-season-from-hell>.



The lessons from these events are clear. The IRS must match technology upgrades with planning, testing, and staffing capacity. Investments in IT modernization cannot substitute for the foundational elements of personnel readiness, sound implementation strategy, and timely taxpayer communication.

As the IRS deals with the loss of knowledgeable and experienced personnel, changes to its IT systems, and the anticipated passage of tax legislation, IRS leadership must prepare to juggle its resources to overcome any anticipated challenges that could negatively impact the filing season. The IRS cannot afford another filing season characterized by refund delays, unprocessed returns, or unresponsive service channels. With thoughtful planning, targeted investment, and early execution, the IRS can meet its dual obligations of collecting the nation's revenue and serving the public with integrity while protecting taxpayer rights.

## **TAXPAYER ADVOCATE SERVICE CASE ADVOCACY OPERATIONS**

Congress established TAS to serve as an independent “safety net” for taxpayers experiencing problems in their interactions with the IRS. TAS continues to provide critical support for individuals facing economic hardships or dealing with unresolved systemic issues. However, recent staffing reductions have impacted our capacity to assist taxpayers at historical levels.

Since January, TAS has experienced a reduction in staffing of about 25 percent. Even with this significant constraint, we are committed to meeting our mission by prioritizing cases involving financial hardship and streamlining support for systemic burden cases where broader bureaucratic failures have affected taxpayers.

To continue delivering essential services in the face of reduced resources, we are implementing revised strategies. These include centralized case handling, bulk Operations Assistance Requests for similar categories of issues (such as Employee Retention Credit cases), and internal reallocation of cases to better balance our inventory across our local offices. These process enhancements will allow us to provide taxpayer support while seeking greater operational efficiency.

Part of my role as the National Taxpayer Advocate is to identify and report on issues where IRS service falls short. I believe it is equally important to be transparent about areas where TAS may not be meeting the standards we set. In a blog post in September 2024, I candidly acknowledged that TAS was not opening cases or returning phone calls as promptly as taxpayers deserve.<sup>31</sup> This decline in service was due in part to a significant increase in case receipts combined with a shortage of experienced Case Advocates. I also shared the corrective actions underway to address these challenges in both the near and longer terms.

While we have seen early signs of improvement, the staffing reductions caused by recent IRS downsizing have reduced TAS's capacity and highlighted the critical importance of ensuring TAS has adequate resources to fulfill its statutory mission to assist taxpayers individually and to identify and make recommendations to correct systemic problems that are harming groups of taxpayers.

Despite these operational challenges, I am immensely proud of our dedicated employees who continue to work tirelessly on behalf of taxpayers. TAS remains committed to its role as an advocate for individuals and businesses navigating the tax system, and I will continue to work closely with the IRS while keeping Congress and the public informed about our performance. Our mission to assist as many taxpayers as possible as quickly and effectively as we can remains unchanged.

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31 Erin M. Collins, TAS Is Taking Steps to Better Serve Taxpayers, NATIONAL TAXPAYER ADVOCATE BLOG (Sept. 19, 2024), <https://www.taxpayeradvocate.irs.gov/news/nta-blog/tas-is-taking-steps-to-better-serve-taxpayers/2024/09>.

## CONCLUSION

The 2025 filing season generally went smoothly for taxpayers. This was likely due to at least three factors. First, the IRS did extensive advance work prior to the filing season – early hiring, training, and IT modifications. Second, there were no significant tax law changes during 2024, which meant less uncertainty and a reduced likelihood of mistakes. Third, the IRS workforce was the largest it has been in years – more than 100,000 employees – so there were Submission Processing employees available to process paper-filed tax returns and CSRs available to answer telephone calls and process correspondence.<sup>32</sup>

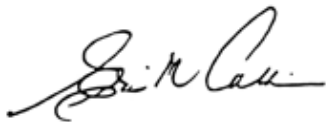
Looking forward, taxpayers may face more challenges. At this writing in early June, Congress is expected to extend key provisions of the Tax Cuts and Jobs Act and make additional changes in the law. Most changes won't take effect until January 1, 2026, but several provisions impacting tens of millions of taxpayers will likely be effective during 2025. This suggests additional complexity when taxpayers file their 2025 tax returns during the 2026 filing season and more complexity the following year. In addition, the reduction of more than 25 percent in the IRS workforce has the potential to reduce taxpayer services.

For several decades, the holy grail in tax administration has been developing and deploying technology systems that automate key IRS functions in a way that improves taxpayer service and compliance and reduces the need for a large workforce. The IRS made notable strides during the last couple of years, and the Treasury Department's leadership has committed to continue accelerating the IRS's IT progress.

I encourage Congress to provide the support and oversight the IRS needs to automate key taxpayer services, particularly the development of robust online accounts taxpayers can use to conduct all business with the IRS, the digitization of all paper, and the implementation of an enterprise case management system that will enable IRS employees to access all taxpayer information in one place.

As always, I look forward to continuing to work with the IRS and Members of Congress to help transform the taxpayer experience, with a particular focus on protecting taxpayer rights.

Respectfully submitted,



Erin M. Collins  
National Taxpayer Advocate  
June 25, 2025

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<sup>32</sup> Employees who accepted one of the deferred resignation or retirement incentives generally were required to remain in their jobs until after the filing season had concluded.