



Fiscal Year 2026

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# Budget in Brief

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# Program Summary by Budget Activity

|                                                    | FY 2024<br>Operating Plan |                      | FY 2025<br>Operating Plan <sup>1</sup> |                      | FY 2026<br>Request |                      | FY25–FY26<br>% Change | FY25–FY26<br>% Change |
|----------------------------------------------------|---------------------------|----------------------|----------------------------------------|----------------------|--------------------|----------------------|-----------------------|-----------------------|
| (In Thousands)                                     | FTE                       | Amount               | FTE                                    | Amount               | FTE                | Amount               | FTE                   | Amount                |
| Taxpayer Services                                  | 28,317                    | \$ 3,257,528         | 23,001                                 | \$ 2,780,606         | 34,044             | \$ 3,633,338         | 48%                   | 31%                   |
| Enforcement                                        | 30,101                    | \$ 5,165,741         | 32,350                                 | \$ 5,437,622         | 22,303             | \$ 3,600,006         | -31%                  | -34%                  |
| Technology and<br>Operations Support <sup>2</sup>  | 9,312                     | \$ 3,895,785         | 10,371                                 | \$ 4,100,826         | 4,250              | \$ 2,598,024         | -59%                  | -37%                  |
| <b>Subtotal New<br/>Appropriated<br/>Resources</b> | <b>67,730</b>             | <b>\$ 12,319,054</b> | <b>65,722</b>                          | <b>\$ 12,319,054</b> | <b>60,597</b>      | <b>\$ 9,831,368</b>  | <b>-8%</b>            | <b>-20%</b>           |
| <b>OTHER RESOURCES<sup>3</sup></b>                 |                           |                      |                                        |                      |                    |                      |                       |                       |
| Reimbursables                                      | 487                       | 176,400              | 717                                    | 197,081              | 753                | 217,349              | 5%                    | 10%                   |
| Offsetting Collections<br>(Non-reimbursable)       |                           | 35,625               |                                        | 50,556               |                    | 52,676               |                       | 4%                    |
| User Fees <sup>4</sup>                             | 5,180                     | 603,100              |                                        |                      | 5,735              | 975,000              | 100%                  | 100%                  |
| Recoveries from<br>Prior Years                     |                           | 53,635               |                                        | 61,589               |                    | 62,150               |                       | 1%                    |
| Unobligated Balances<br>from Prior Years           | 610                       | 259,000              | 2,356                                  | 263,880              | 1,898              | 625,000              | -19%                  | 137%                  |
| IRA Funding Usage                                  | 16,997                    | 5,535,125            | 26,620                                 | 7,752,223            | 7,960              | 3,196,751            | -70%                  | -59%                  |
| Transfers In/Out                                   |                           | 119                  |                                        | 104                  |                    | 83                   |                       | -20%                  |
| Resources from<br>Other Accounts <sup>5</sup>      | 823                       | 270,538              | 1,285                                  | 254,633              | 1,285              | 254,633              |                       |                       |
| <b>Subtotal Other<br/>Resources</b>                | <b>24,097</b>             | <b>\$ 6,933,542</b>  | <b>30,978</b>                          | <b>\$ 8,580,066</b>  | <b>17,631</b>      | <b>\$ 5,383,642</b>  | <b>-43%</b>           | <b>-37%</b>           |
| <b>Total Budgetary<br/>Resources</b>               | <b>91,827</b>             | <b>\$ 19,252,596</b> | <b>96,700</b>                          | <b>\$ 20,899,120</b> | <b>78,228</b>      | <b>\$ 15,215,010</b> | <b>-19%</b>           | <b>-27%</b>           |

<sup>1</sup> Represents the Operating Plan level before the Inter-Appropriations Transfer (IAT) of up to \$272 million from Enforcement to Taxpayer Services.

<sup>2</sup> The IRS is requesting to rename the Operations Support appropriation to Technology and Operations Support, as this title more accurately reflects its critical role of funding IRS technology, which now represents the single largest component of the appropriation.

<sup>3</sup> FY 2024 Other Resources and FTE are actuals.

<sup>4</sup> Use of user fees in FY 2025 is under review. FY 2026 User Fees will be allocated to Enforcement.

<sup>5</sup> Resources from Other Accounts reflect planned spending from Private Collection Agency retained earnings.

# Summary

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During fiscal year (FY) 2025, the Internal Revenue Service (IRS) began implementing a restructuring effort to deliver on the Treasury Secretary's (Secretary) priorities. This effort is focused on driving efficiencies that allow the IRS to achieve its mission within appropriated levels. The IRS FY 2026 Budget Request (Budget) reflects this path by providing \$9.8 billion in annual appropriations, \$2.5 billion less than, or a 20.19 percent decrease from, the FY 2025 enacted level of \$12.3 billion. It also rescinds \$16.5 billion in unobligated balances from the Inflation Reduction Act (IRA), reflecting an updated strategy to planned modernization initiatives.

Under the FY 2026 request, the IRS will prioritize revenue collections, modernizing the taxpayer experience with critical technology modernization investments, and preserving privacy for taxpayers. The Secretary and Acting IRS Commissioner are committed to providing American taxpayers with high-quality service, ensuring fair compliance, and safeguarding data privacy. The IRS is working to substantially complete most key IT modernization initiatives in the next two years. The modernization efforts are focused on expanding automation, enhancing data integration, and improving system interoperability to better support taxpayer service and internal operations. These projects will ultimately deliver capabilities designed to standardize data across the enterprise, strengthen analytics and reporting, and accelerate the delivery of digital services. These improvements will enable the IRS to better focus audit resources on more significant pockets of non-compliance, use modern technology applications to provide taxpayers secure, 24/7 online access to their own tax information. Modernized platforms and applications will also allow IRS employees with appropriate authorization to have a secure, 360 view of relevant tax information to provide a better experience for taxpayers they interact with, and better safeguard private financial information.

Base funding will be redirected from lower priority programs to cover the priorities of the Administration, including policies outlined in executive orders and other policy statements. To support the Secretary's revenue collection priority, IRS is expanding its use of Enterprise Case Management (ECM) which is currently being used by about 9,000 staff and will meaningfully reduce time and cost to carry out critical compliance functions. By the end of calendar year 2025, about 15,000 staff will be leveraging the ECM applications already in production.

In addition to the effective and efficient processes already put in place in FY 2025, the IRS will limit contract spending to mission critical needs and refocus IT contract spending to further optimize resource allocation, reduce costs, and streamline current processes. To better align with new priorities, the IRS is also currently conducting detailed reviews of contracts, cloud migration, licensing fees and subscriptions, IT spending, and travel. These efforts are expected to yield significant savings to the taxpayer in the coming years.

# IRS Appropriations and Activities

## Taxpayer Services

- **Pre-Filing Taxpayer Assistance and Education** funds expenses to assist with tax form preparation, including tax law interpretation, publication, production, and advocate services.
- **Filing and Account Services** funds programs that provide filing and account services to taxpayers, process paper and electronically submitted tax returns, issue refunds, and maintain taxpayer accounts.

## Enforcement

- **Investigations** funds the Criminal Investigative (IRS-CI) programs that explore potential criminal and civil violations of tax laws, enforce criminal statutes relating to violations of tax laws and other financial crimes, and recommend prosecution as warranted.
- **Examinations and Collections** funds programs that enforce the tax laws and increase compliance through Examination and Collection programs, which ensure proper payment and tax reporting.
- **Regulatory** funds the development of published IRS guidance materials; interpretation of tax laws; internal advice to IRS on general non-tax legal issues; enforcement of regulatory rules, laws, and approved business practices; and support for taxpayers in the areas of pre-filing agreements, determination letters, and advance pricing agreements.

## Technology and Operations Support

- **Infrastructure** funds administrative services related to space and housing, rent and space alterations, building services, maintenance, guard services, security counter-measures and non-IT equipment.
- **Shared Services and Support** funds policy management, administration, IRS-wide research support; strategic planning; communications and liaison; protection of sensitive information and the privacy of taxpayers and employees; finance, human resources, printing and postage; business systems planning; and procurement.
- **Information Services** funds staffing, equipment, and related costs to manage, maintain, and operate the information systems supporting IRS critical business operations and tax administration programs.

The IRS completed a successful 2025 filing season. As of April 19, 2025, highlights include the following:

- Responded to **8.9 million** Accounts Management<sup>6</sup> (AM) calls;
- Accomplished an AM Average Speed to Answer (ASA)/Wait Time of **3 minutes**;
- Concluded Filing Season with a Customer Service Representative LOS of **87%**;
- Achieved a **6%** increase in customer satisfaction among visitors to IRS.gov;
- Offered the callback feature to about **2.6 million** taxpayers, saving taxpayers over **742,000 hours** of hold time; and
- Extended in-person hours at Taxpayer Assistance Center (TAC) locations across the nation — including evening and Saturday hours — generating more than **15,000 extra service hours**, ensuring more flexibility and convenience to hard-working taxpayers.

For the 2025 Filing Season, the IRS used new filters to detect potential identity theft and prevent the issuance of fraudulent refunds. Tax returns identified by these filters are held during processing until the IRS can verify the taxpayer's identity. As of May 14, 2025, using these filters, the IRS confirmed more than 84,000 tax returns as fraudulent and prevented the issuance of approximately \$1 billion in fraudulent refunds.

## Technology and Operations Support

With this Budget, the IRS requests Congress change the name of the “Operations Support” appropriation to “Technology and Operations Support” (TOS). In part, this is an acknowledgement that IT is the largest component of “Operations Support.” It is also an adjustment to reflect that technology work which may have previously been funded through discretionary appropriations for Business Systems Modernization (BSM) will now be in the new TOS appropriation. The TOS resources will be the sole funding source for both operations and maintenance (O&M) and IT modernization once the IRA BSM funding is spent.

<sup>6</sup> Accounts Management customer service representatives answer the phones and reply to written correspondence from taxpayers.

## Budget Highlights

| (In Thousands)                                     | FTE            | Amount              |
|----------------------------------------------------|----------------|---------------------|
| <b>FY 2025 OPERATING PLAN</b>                      | 65,722         | \$ 12,319,054       |
| <b>Changes to Base:</b>                            |                |                     |
| Maintaining Current Levels (MCLs)                  |                | 45,938              |
| Pay Annualization (FY 2025 2.0% average pay raise) |                | 45,938              |
| <b>Subtotal Changes to Base</b>                    |                | <b>45,938</b>       |
| <b>FY 2026 CURRENT SERVICES</b>                    | 65,722         | \$ 12,364,992       |
| <b>Program Changes:</b>                            |                |                     |
| Program Decreases:                                 | (16,284)       | (3,386,356)         |
| Staff Attrition to Offset Unfunded FY 2026 MCLs    | (334)          | (45,938)            |
| Staff Reduction                                    | (15,950)       | (3,340,418)         |
| Program Increases:                                 | 11,159         | 852,732             |
| Maintain Level of Service                          | 11,159         | 852,732             |
| <b>Subtotal Program Changes</b>                    | <b>(5,125)</b> | <b>(2,533,624)</b>  |
| <b>FY 2026 President's Budget Request</b>          | <b>60,597</b>  | <b>\$ 9,831,368</b> |

Note: This table includes only discretionary appropriations.

## Budget Adjustments

|                                                                                                                                                                                                                                                                                            |                                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| <b>Maintaining Current Levels</b>                                                                                                                                                                                                                                                          | <b>+\$45,938,000 / 0 FTE</b>          |
| <b>Pay Annualization (2.0% in 2025)</b>                                                                                                                                                                                                                                                    | <b>+\$45,938,000 / 0 FTE</b>          |
| <ul style="list-style-type: none"> <li>Funds are requested for annualization of the January 2025 2% average pay raise.</li> </ul>                                                                                                                                                          |                                       |
| <b>Program Decreases</b>                                                                                                                                                                                                                                                                   | <b>-\$3,386,356,000/ -16,284 FTE</b>  |
| <b>Staff Attrition to Offset Unfunded FY 2026 MCLs</b>                                                                                                                                                                                                                                     | <b>-\$45,938,000 / -334 FTE</b>       |
| <ul style="list-style-type: none"> <li>The IRS will reduce staffing to offset the unfunded FY 2026 annualization cost of the FY 2025 2.0% pay raise.</li> </ul>                                                                                                                            |                                       |
| <b>Staff Reduction</b>                                                                                                                                                                                                                                                                     | <b>-\$3,340,418,000 / -15,950 FTE</b> |
| <ul style="list-style-type: none"> <li>The Department of the Treasury is in the process of conducting workforce restructuring efforts that will result in less staff by the end of FY 2026. This effort will yield significant savings to the taxpayer, once fully implemented.</li> </ul> |                                       |

**Program Increase****+\$852,732,000 / +11,159 FTE****Maintain Level of Service****+\$852,732,000 / +11,159 FTE**

- The IRS toll-free telephone customer service operation is one of the world's largest and serves as a vital resource for taxpayers seeking assistance. In addition to live assistors, the IRS also provides phone service to taxpayers using automation. This investment will enable the IRS to provide a calendar year 2026 level of service (LOS) of 60%, and 85% during the 2026 filing season (FS). During FS 2025, the IRS provided an 87% level of service and taxpayers waited an average of three minutes to talk to a Customer Service Representative (CSR). Additionally, CSRs answered over 8.9 million calls.
- Funding this investment below the requested level will significantly reduce telephone LOS and impair taxpayer services. Without this investment, the LOS would plummet to only 11% for FY 2026 and 16% for the 2026 FS. At this level of service, most taxpayers would be unable to reach the IRS by phone or receive answers to questions related to tax compliance. Taxpayers that do get through would face long wait times. Decreased service levels would likely lead to increased volumes on other taxpayer service channels, including paper correspondence and in-person assistance. While the priorities reflected in this budget aim to direct taxpayers to more available, better digital service options, the shift from phones to the more expensive channels will negatively impact taxpayers' abilities to voluntarily comply with tax laws and will cost the IRS more to function effectively.
- The IRS is working on developing an improved set of performance measures to better understand and report on the availability and use of service channels by taxpayers, their experience using each channel, and the cost to the IRS of those interactions by channel. Reporting on these measures will begin in FY 2026 and will provide better transparency into the taxpayer service ecosystem as well as help the IRS better manage service channels for efficiency and experience.

# Legislative Proposals

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The IRS has no legislative proposals





