TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Trends in Compliance Activities Through Fiscal Year 2025

August 26, 2026

Report Number: 2026-3S0-045

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HIGHLIGHTS: Trends in Compliance Activities Through Fiscal Year 2025

Final Report issued on August 26, 2026 **Report Number 2026-3S0-045**

Why TIGTA Did This Review

We conduct this review annually in response to continuing stakeholder interest in the analysis and trending of IRS civil enforcement activities.

This review provides various statistical information regarding enforcement revenue within the Collection and Examination functions as they relate to the IRS's efforts to bring taxpayers into compliance with their tax obligations.

Impact on Tax Administration

This report is a compilation of statistical information reported by the IRS. The data presented in this report provide taxpayers and stakeholders with information about how the IRS focuses its compliance resources and the impact of those resources on revenue and compliance over time.

What TIGTA Found

Overall, taxpayers paid the IRS $5.3 trillion in total tax revenue in Fiscal Year (FY) 2025 amounting to a 13.2 percent increase from FY 2023, and the most tax revenue ever paid by taxpayers, without adjusting for inflation.

While enforcement revenue comprises only a small portion of the total tax revenue paid to the IRS, the IRS also achieved a historic high in enforcement revenue of $98.7 billion in FY 2024. However, enforcement revenue decreased in FY 2025 to $93.8 billion, mainly attributable to a 35 percent decline in examination-related revenue from FY 2024 to FY 2025.

Although the IRS hired a substantial number of employees in FYs 2023 and 2024, in FY 2025 the federal government began efforts to reduce the size of government. As a result, the IRS lost approximately 27 percent of its Examination and Collection staff from FY 2024 to FY 2025. While the workforce reductions influenced metrics in FY 2025, the downstream effects of these reductions are likely to become more apparent over time.

The IRS's overall annual appropriation remained flat at $12.3 billion from FY 2023 through FY 2025, with an Enforcement Operations allocation between approximately $5.2 and $5.4 billion per fiscal year. The enforcement budget was supplemented in recent years by $3.8 billion in Inflation Reduction Act (IRA) funding. As of December 31, 2025, the IRS has exhausted this supplemental enforcement funding.

Revenue from Collection functions increased by 17 percent from FY 2023 to FY 2025, which offset declines across all other enforcement revenue categories. These increases were primarily due to increases in automated collection notices, which had been intermittently paused during the pandemic. For example, the IRS sent approximately 3.2 million notices to individual nonfilers in FY 2025 after sending no notices in FY 2023.

Revenue from the examination functions increased by 41 percent from FY 2023 to FY 2024, then decreased by 35 percent from FY 2024 to FY 2025. The increase and subsequent decrease in examination revenue coincided with IRS investments in the Examination function staffing resources using IRA funding in FY 2024 and the workforce reductions in FY 2025.

The number of examinations of individual tax returns started decreased from FY 2024 to FY 2025 by 30 percent, with examinations of individual taxpayers examined with incomes over $400,000 declining by 27 percent.

This report provides information only, so we made no recommendations.

TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

U.S. DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20024

August 26, 2026

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Diana M. Tengesdal
Deputy Inspector General for Audit

SUBJECT: Final Report – Trends in Compliance Activities Through Fiscal Year 2025 (Review No.: 20253S0001)

This report presents the results of our review to provide various statistical information regarding Collection and Examination function activities as they relate to the Internal Revenue Service's (IRS) efforts to bring taxpayers into compliance with their tax obligations. We performed this review during the period May 2025 through May 2026. We are issuing this report to highlight trends in IRS compliance activities during Fiscal Years 2024 and 2025. This review is part of our Fiscal Year 2026 Annual Program Plan and addresses the major management and performance challenges of *Managing a Reduced Workforce and Budget* and *Ensuring Tax Compliance.*

We made no recommendations as a result of the work performed during this review. However, IRS officials reviewed this report prior to its issuance and agreed with the facts and conclusions presented.

If you have any questions, please contact me or Matthew A. Weir, Assistant Inspector General for Audit (Compliance and Enforcement Operations).

Background

Given the responsibility for administering the nation's tax code, the Internal Revenue Service (IRS) must consider its mission in planning and executing various legislative changes, as well as in evaluating its performance and the results of its programs. The IRS's mission is to:

> Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

We conduct an annual review of the IRS's fiscal year-end nationwide compliance statistics for the civil enforcement functions: Examination and Collection.[1] This year's review focused on analyzing enforcement activities for Fiscal Years (FY) 2023 through 2025.

Taxpayers who do not meet their tax filing, reporting, and payment obligations contribute to the Tax Gap. The IRS projected a $696 billion gross Tax Gap for Tax Year (TY) 2022. The Tax Gap estimate is comprised of three components: nonfiling ($63 billion), underreporting ($539 billion), and underpayment ($94 billion).[2]

According to research hosted on the IRS Statistics of Income website, many factors influence the amount of enforcement revenue collected each year, including changes in the budget, staff, as well as overall economic trends, *e.g.*, enforcement revenue tends to rise as the economy grows. Some of the factors influencing enforcement revenue also tend to have a delayed effect. For example, examinations started in the current fiscal year can take years to close. While the impact of economic trends on enforcement revenue is beyond the scope of this review, we address changes to the IRS's staffing later in the report. The IRS's annual appropriation remained flat at $12.3 billion for FYs 2023 through 2025, however, IRS resources were augmented by funds from the Inflation Reduction Act of 2022 (IRA).[3] The IRS initially received $79.4 billion from the IRA; however, as of March 2025, Congress subsequently reduced IRS funding to $37.6 billion, reducing the enforcement allocation to $3.8 billion.[4] Figure 1 shows allocated IRS enforcement budget for FYs 2023 through 2026, and a breakdown of the $3.8 billion IRA funds spent. As of December 31, 2025, the IRS has exhausted this supplemental enforcement funding.

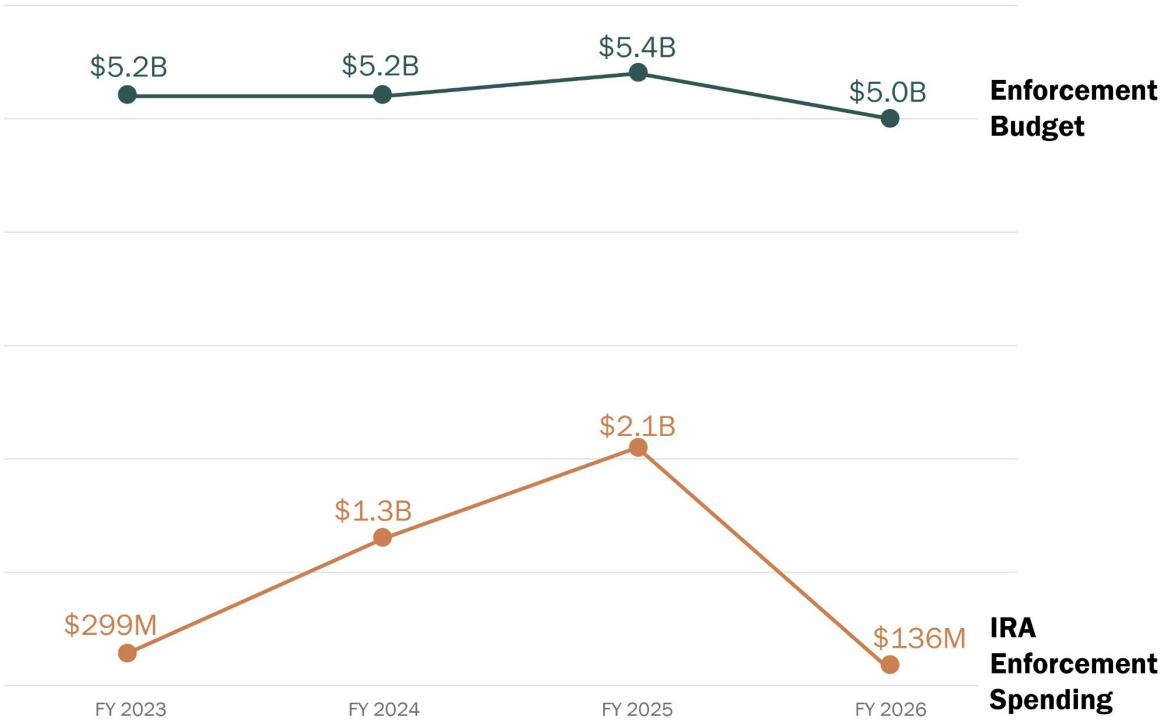
[1] See Appendix I for the glossary of terms.

[2] Publication 5869, *Federal Tax Compliance Research: Tax Gap Projections for Tax Year 2022* (October 2024).

[3] Pub. L. No. 117-169, 136 Stat. 1818.

[4] The Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, 137 Stat. 10, rescinded $1.4 billion; the Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, 138 Stat. 460, rescinded $20.2 billion; and the Full-Year Continuing Appropriations and Extensions Act, 2025, Pub. L. No. 119-4, 139 Stat. 9, rescinded another $20.2 billion. Each of these rescissions reduced the amount of enforcement funding.

Figure 1: The IRS's Enforcement Budget and IRA Enforcement Spending Peaked in FY 2025



Source: IRS Fiscal Year 2025 and Fiscal Year 2026 Congressional Budget Justification and Annual Performance Report and Plans, and IRS Management Quarterly Update FY 2025 Quarter 4 Update. B = billions and M = millions.

In January 2026, Congress appropriated $11.2 billion to the IRS ($5 billion allocated to enforcement), which is an 8 percent decrease in enforcement budget allocation compared to the FY 2025 budget of $12.3 billion ($5.4 billion allocated to enforcement). Estimated enforcement spending for FY 2026 ($5.1 billion) will be 29 percent lower than actual FY 2025 enforcement spending ($7.2 billion) as the IRS has spent all its IRA funding appropriated to enforcement as of December 31, 2025, (first quarter of FY 2026).[5]

Objective

The overall objective of this review was to provide various statistical information regarding Collection and Examination function activities as they relate to the IRS's efforts to bring taxpayers into compliance with their tax obligations.

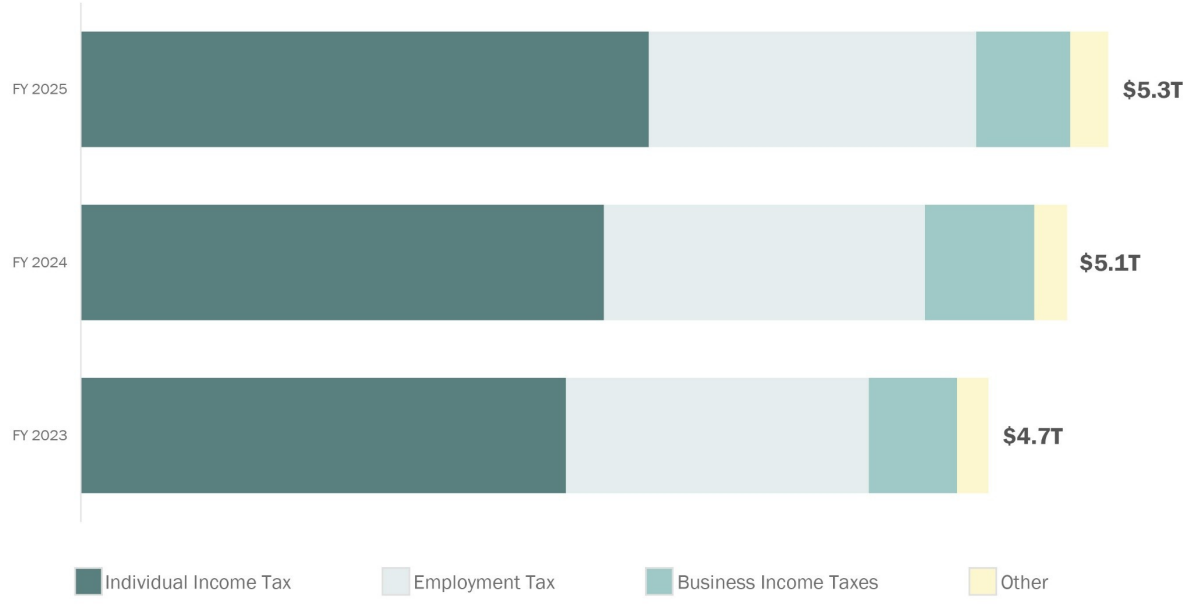
[5] The $7.2 billion represents the actual total enforcement spending including IRA enforcement spending for FY 2025 from the FY 2025 IRS Data Book. Figure 1 presents the allocated IRS enforcement budget and IRA spending.

Results of Review

Total Tax Revenue Continued to Increase in Fiscal Years 2023 through 2025

In FY 2025, total federal tax revenue paid by taxpayers to the IRS was approximately $5.3 trillion, which was roughly $213 billion (4.2 percent) more than in FY 2024 and $619 billion (13.2 percent) more than in FY 2023. The tax revenue paid in FY 2025 was the most ever paid by taxpayers, without adjusting for inflation. Tax revenue from business income taxes decreased by approximately $79 billion (14 percent) from FY 2024 to FY 2025. However, this decrease was offset by a larger increase of $232 billion (8.6 percent) in revenue from individual income taxes. From FY 2023 to FY 2025, individual income taxes paid increased by 17 percent. Figure 2 shows federal tax revenue by type of tax for FYs 2023 through 2025 and the gradually increasing share of individual income taxes.

Figure 2: Total Federal Tax Revenue Paid to the IRS Was at a Historic High in FY 2025



*Source: Analysis of data provided by the IRS. *"Other Taxes" consists of estate and trust income taxes, estate tax, gift tax, and excise taxes. T = trillions. The sum of tax categories does not match the "Total Federal Tax Revenue" for FYs 2023 and 2024, due to rounding. Numbers are rounded to the nearest hundred billion.*

Although Overall Enforcement Revenue Increased from FY 2023 Through FY 2025, Revenue from Examination Declined in FY 2025

The total revenue collected from enforcement activities, as shown in Figure 3, increased from $86.1 billion in FY 2023 to a historic high of $98.7 billion in FY 2024, before decreasing to $93.8 billion in FY 2025. While revenues from enforcement activities have been generally trending upwards, this revenue accounts for a relatively small portion of total federal tax

revenue. For example, enforcement revenue in FY 2025 ($93.8 billion) made up just 1.7 percent of the $5.3 trillion paid by taxpayers. Enforcement revenues flow from various IRS enforcement activities in the different business divisions and functions of the IRS. The IRS attributes enforcement revenue collected to one of four functional areas:

- **Examination** – The IRS has four business operating divisions with examination functions including the Small Business/Self-Employed (SB/SE) Division, the Large Business and International (LB&I) Division, the Taxpayer Services (TS) Division, and the Tax-Exempt and Government Entities (TE/GE) Division. Each examination function within these divisions has the authority to examine taxpayers' books and records to ensure tax compliance.
- **Appeals** – Taxpayers have the right to appeal the IRS's examination decision. The Appeals function attempts to resolve unagreed federal tax controversies without litigation on a basis which is fair and impartial to both the government and the taxpayer.
- **Collection** – The IRS Collection function collects revenue from delinquent taxpayers and balance due accounts.
- **Automated Underreporter (AUR)** – The AUR function identifies discrepancies between amounts reported on income tax returns with information supplied to the IRS from third-party sources, *e.g.*, employers, banks, and credit unions.

Figure 3 shows an overall increase in enforcement revenue collected and attributed to these four areas for FYs 2023 through 2025.

Figure 3: Enforcement Revenue Increased Overall Due to an Increase in Revenue From Collection

	FY 23		FY 24		FY 25		
Area	Amount (in Billions)	Percent of total	Amount (in Billions)	Percent of total	Amount (in Billions)	Percent of total	FYs 2023-2025 Change
Examination	$7.1	8%	$10.0	10%	$6.5	7%	-8%
Appeals	$5.1	6%	$2.1	2%	$1.5	2%	-71%
Collection	$69.8	81%	$82.1	83%	$81.8	87%	17%
AUR Program	$4.0	5%	$4.4	4%	$3.9	4%	-3%
Total	**$86.1**		**$98.7**		**$93.8**		**9%**

Source: Analysis of IRS management provided data. The sum of the "Amount" does not match the "Total" for FYs 2023 through 2025 due to rounding.

Enforcement revenue increased by 9 percent from FY 2023 to FY 2025, driven by an increase in Collection function revenue, which offset declines across all other enforcement revenue categories. From FY 2023 to FY 2024, total enforcement revenue increased 15 percent from $86.1 billion to the historic high of $98.7 billion, as revenue from Examination and Collection both increased significantly. However, enforcement revenue declined by 5 percent from FY 2024 to FY 2025 to $93.8 billion, due in large part to a 35 percent decrease in examination revenue. Overall, from FY 2023 through FY 2025, enforcement revenue from the Collection function increased by 17 percent, driven mainly by the automated Collection notices shown in Figure 5 further below. The increase and subsequent decrease in Examination revenue coincides with IRS investments in Examination staffing resources using IRA funding in FY 2024 and the workforce reductions in FY 2025.

Figure 4 shows enforcement revenue collected for FYs 2023 through 2025 by business operating division.

Figure 4: Enforcement Revenue Increased FY 2024 but Decreased in FY 2025

	FY 23		FY 24		FY 25		
Area	Amount (in Billions)	Percent of Total	Amount (in Billions)	Percent of Total	Amount (in Billions)	Percent of Total	FYs 23-25 Change
SB/SE	$48.6	56%	$54.1	55%	$56.0	60%	15%
LB&I	$13.4	16%	$19.9	20%	$16.1	17%	20%
TS	$22.3	26%	$22.8	23%	$20.8	22%	-7%
TE/GE	$1.9	2%	$1.8	2%	$0.9	1%	-53%
Total	**$86.1**		**$98.7**		**$93.8**		**9%**

Source: Analysis of IRS management provided data. The sum of the "Amount" does not match the "Total" for FYs 2023 and 2024 due to rounding.

As shown in Figure 4, the SB/SE Division accounted for the largest portion of enforcement revenue from FY 2023 to FY 2025. Enforcement revenue generated by the SB/SE Division increased by 11 percent from FY 2023 to FY 2024, then by another 4 percent in FY 2025. The LB&I's Division enforcement revenue increased by 49 percent from FY 2023 to FY 2024, coinciding with increased IRA enforcement spending. Revenue subsequently decreased by 19 percent in FY 2025. Revenue from the TS and TE/GE Divisions both decreased in FY 2025 as well.

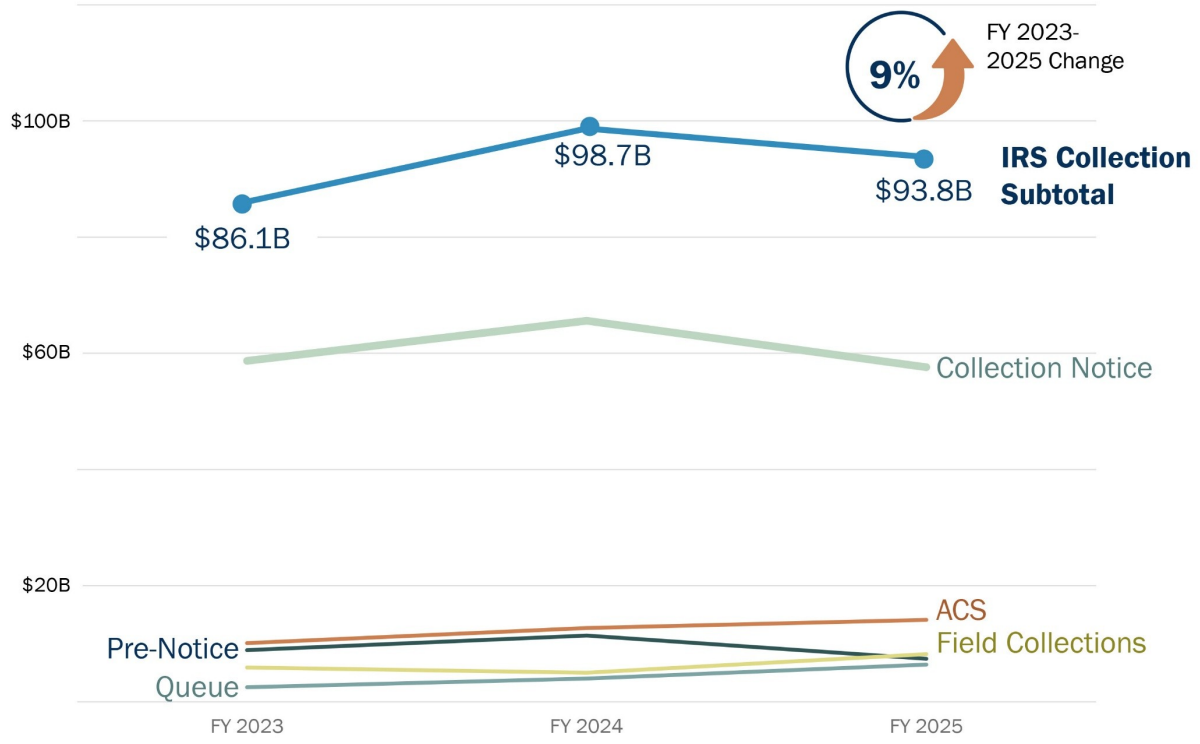
Enforcement revenue is collected through the following revenue collection streams:

- **Collection Notices** – The IRS issues a series of automated collection notices, beginning with the initial notice and demand for payment letter followed by several reminder notices, referred to in the IRS as the "notice stream."
- **Automated Collection System (ACS)** – After the notice stream, delinquent accounts can be assigned to the ACS, which assists taxpayers through telephone-based operations. ACS employees also work cases that may generate tax revenue from a variety of systemic actions, such as the issuance of notices of intent to levy to prompt payments and bring taxpayers who do not respond or cooperate into compliance.
- **Collection Queue** – The Collection Queue (hereafter referred to as the Queue) is an electronic holding file for collection cases awaiting assignment to Field Collection, the ACS, or to private debt collectors. Taxpayers whose cases are assigned to the Queue are sent the annually required collection notice, but no other action is taken on the cases until they are reassigned.[6]
- **Field Collection** – Field Collection cases are worked by revenue officers who are assigned the most complex collection matters. These cases are resolved through direct contact with taxpayers and their representatives.

Figure 5 shows enforcement revenue collected for FYs 2023 through 2025 by revenue collection stream.

[6] Internal Revenue Code Section 7524 requires the IRS to send an annual notice to taxpayers with delinquent balance due accounts.

Figure 5: Revenue From the Collection Streams Generally Increased From FY 2023 Through FY 2025



Source: Analysis of IRS management provided data.

As Figure 5 shows, collection revenue from automated notices in the notice stream (Collection Notice line in Figure 5) continues to bring in the most enforcement revenue. Revenue from these notices jumped by almost 12 percent in FY 2024 as notices were restarted from pandemic-related pauses.

Collection function compliance activities

The mission of the IRS's Collection function is to provide taxpayers with top quality pre- and post-filing services by helping them understand and comply with all applicable tax laws and by applying the tax laws with integrity and fairness. Enforcement revenues attributed to the Collection function include those from the following revenue streams: Collection Notice, ACS, Queue, Field Collections and Private Debt Collection, as shown in Figure 5 above.

According to the IRS, enforcement revenue in the Collection function increased between FY 2023 and FY 2025 due to the following factors:

- Notice Restarts – In February 2024, the IRS restarted several notice programs that had been subject to intermittent pauses since the pandemic. These notices included certain balance due notices, notices of intent to levy, and nonfiler programs, and included new language intended to empower taxpayers to leverage self-service options such as Quick Response codes and online payment agreements. The restart of these notice programs has increased the volume of work across several programs.

- Staffing from IRA funding – Using IRA funding, Campus collection hired 820 tax examiners in Compliance Services Collection Operations and Automated Collection System Support, and 1,170 Contact Representatives in ACS through September 2024. These increased resources expanded the amount of work processed within those functions, as well as the level of service provided to taxpayers by the ACS.

ACS Collection

Collection inventory is generally routed to the ACS when taxpayers do not respond to notices issued via the notice stream. ACS staff generally work cases requiring telephone contact for resolution. They also work cases using a variety of systemic actions to prompt payments and bring taxpayers into compliance.

In FY 2024, with 4,828 employees, ACS collected approximately $12.7 billion in enforcement revenue, with average collections exceeding $2.6 million per employee. The following year, in FY 2025, ACS collected approximately $14.1 billion in enforcement revenue with 2,857 employees, averaging over $4.9 million collected per employee. This represents an increase of 88 percent in the average amount collected per employee from FY 2024 to FY 2025. While this increase in collection revenue per employee appears to be significant, we believe the increase may be due to a combination of increased collection revenues from restarted notices and reduced end-of-year staffing. This is a trend we will continue to analyze in future reviews and we expect the impacts of these reductions will be clearer in the future.

Field Collection

Field Collection works collection cases that are complex and high risk. Employees (revenue officers) receive legal and financial training to work on these cases. Revenue officers work with taxpayers to bring them into compliance by obtaining delinquent returns and payments on past due tax delinquencies or establishing payment plans. When necessary, revenue officers take enforcement actions such as levies, Notice of Federal Tax Lien filings, or seizures of property.

In FY 2024, with 3,418 revenue officers, Field Collection collected approximately $5 billion in enforcement revenue, which is an average of approximately $1.5 million per employee. In FY 2025, with 2,544 revenue officers, Field Collection collected approximately $8.2 billion in enforcement revenue, which is an average of approximately $3.2 million per employee. As with the ACS calculation above, the increase in enforcement revenue and related increase in average collection per employee is likely to be due to a combination of increased revenue from the restart of collection notices and reduced end-of-year staffing.

Nonfiler Program

The IRS's nonfiler efforts are dispersed across several programs in both the Collection and Examination functions. We have previously raised several different concerns about the IRS's nonfiler efforts and have ongoing work to evaluate the program.[7] The SB/SE Division is primarily

[7] TIGTA, Report No. 2020-30-015, *High-Income Nonfilers Owing Billions of Dollars Are Not Being Worked by the Internal Revenue Service* (May 2020); TIGTA, Report No. 2021-30-002, *Billions in Potential Taxes Went Unaddressed From Unfiled Returns and Underreported Income by Taxpayers That Received Form 1099-K Income* (December 2020); TIGTA, Report No. 2024-300-064, *The IRS Could Collect Over a Billion Dollars in Taxes From Unreported Wagering Income* (September 2024); TIGTA, Report No. 2023-30-011, *The IRS Has Not Adequately Prioritized Federal Civilian Employee Nonfilers* (March 2023).

responsible for the Nonfiler Program, which includes the issuance of notices to nonfilers and the Automated Substitute for Return (ASFR) Program. Both activities are run out of the Collection Services Compliance Operation. Revenue officers and examiners are also assigned nonfiler work, including revenue officer compliance sweeps of high-income nonfilers. However, nonfiler work has been impacted by resource limitations, and the IRS did not conduct revenue officer compliance sweeps in FY 2025.

Nonfiler notices

The IRS paused nonfiler notice issuances intermittently from FY 2020 through FY 2022 and for all of FY 2023. In February 2024, the IRS resumed the return delinquency notice process, as well as announced a new effort aimed at high-income nonfilers. Figure 6 shows the number of nonfiler notices sent from FY 2023 through FY 2025 for unfiled TY 2018 through TY 2023 returns.

Figure 6: IRS Restarted Nonfiler Notices in FY 2024 and Increased Issuances in FY 2025

TY of Return	FY 23	FY 24	FY 25
2023	0	147	2,922,671
2022	0	556,969	89,231
2021	0	547,495	58,755
2020	0	405,880	46,362
2019	0	104,410	37,868
2018	0	64,240	2,168
Total Notices Sent	**0**	**1,679,141**	**3,157,055**

Source: Analysis of IRS management provided data.

At the end of FY 2025, the IRS had identified 73.2 million potential nonfiler cases from TY 2019 through TY 2023 for individual taxpayers, with 24 million (32 percent) from TY 2023. With the restart of several notice programs in FY 2024, the IRS began to issue notices from the paused prior years. In FY 2024, the IRS sent nearly 1.7 million notices to individual nonfilers for cases primarily involving TYs 2020 through 2022. In FY 2025, the IRS increased that number further, sending out 3.2 million notices, mostly for TY 2023 returns.

Nonfiler ASFR Program

ASFR case volume increased in FY 2024 with the restart of return delinquency notices. Authorized by Internal Revenue Code (I.R.C.) Section (§) 6020, the ASFR Program is an important program that enforces filing compliance on taxpayers who have not filed individual income tax returns but owe a significant income tax liability. The ASFR Program determines and assesses tax liability by securing valid income tax returns from taxpayers or by computing tax, penalties, and interest, based upon information returns from third parties, for example Form W-2, *Wage and Tax Statement*, and Form 1099-MISC, *Miscellaneous Information*. ASFR determinations are based only on income reported to the IRS and do not incorporate all deductions and credits to which taxpayers may be entitled. In response to a proposed ASFR assessment, taxpayers may file their own tax returns to claim deductions and credits to potentially reduce their liability.

Figure 7 shows ASFR cases closed when contact with the nonfiler taxpayer was made and when cases were closed without making contact.

Figure 7: Restarting the ASFR Program in FY 2024 Resulted in a Large Increase in Cases Closed With Contact in FY 2025

	FY 23	FY 24	FY 25	FYs 23-25 Change
Cases Closed With Contact	43,600	1,200	161,900	271%
Cases Closed Without Contact	208,500	441,500	430,900	107%
Additional Assessments	$1.1B	$82M	$2.9B	164%
Total Cases Closed	**252,100**	**442,700**	**592,800**	**135%**

Source: Analysis of data from the Fiscal Year 2023-FY2025 IRS Data Books. Cases closed are rounded to the nearest hundred. B = billions and M = millions.

As noted in our prior report, IRS processing centers were shut down in FY 2020 due to the pandemic and many nonfiler initiatives were paused.[8] This included the ASFR Program, which has been paused intermittently since April 2020 and was not fully restarted until May 2024. From FY 2023 to FY 2024, additional tax assessments decreased 93 percent. The IRS explained that the large decrease in cases "closed with contact" in FY 2024 was due to the IRS having worked through most of the remaining inventory from before the FY 2020 pause in issuing notices and from FY 2022 when the notices were briefly restarted before being paused again. While the program resumed in May 2024, ASFR cases typically take approximately seven to nine months to close; therefore, the cases started in FY 2024 did not affect the FY 2024 totals for cases closed with contact. Cases closed without contact are closed automatically and were directly impacted by the restart of the ASFR Program in FY 2024, as shown by the 112 percent increase from FY 2023 to FY 2024.

From FY 2024 to FY 2025, the number of cases closed with contact increased from 1,169 to 161,908 as new cases worked after the restart of the program began to close while cases closed without contact stayed at similar levels to the prior year. Overall additional assessments increased to $2.9 billion in FY 2025 from $1.1 billion in FY 2023 and $82 million in FY 2024.

Private Debt Collection

In December 2015, legislation was enacted that requires the IRS to use designated contractors to assist in collecting tax delinquencies. The Fixing America's Surface Transportation Act includes a provision requiring the IRS to enter into qualified tax collection contracts with private collection agencies to work "inactive tax receivables."[9] Retained earnings from this program are also used to fund the hiring of Special Compliance Personnel that perform ACS and Field Collection related tasks and fall under the umbrella of Private Debt Collection.

During FYs 2023 through 2025, the Private Debt Collection program brought in $6.1 billion in revenue with collections increasing 119 percent from FY 2023 to FY 2025. Of this total, almost $2 billion was collected by private collection agencies, with the remaining amount collected by Special Compliance Personnel.

Examination function compliance activities

The IRS's primary objective in selecting returns for examination is to promote the highest degree of voluntary compliance. According to the most recent Tax Gap projections provided by the IRS,

[8] TIGTA Report No. 2025-300-031, *Trends in Compliance Activities Through Fiscal Year 2023*, p. 4 (July 2025).

[9] Pub. L. No. 114-94, 129 Stat. 1312, 1733-36 (2015) (codified as I.R.C. § 6306).

approximately 78 percent of the total $696 billion gross Tax Gap for Tax Year 2022 was comprised of underreported income ($539 billion) on timely filed returns while unpaid taxes comprised only 14 percent ($94 billion) of the Tax Gap.[10] During FYs 2023 through 2025, enforcement revenue collected attributed to the Collection function made up 84 percent of the enforcement revenue collected from FY 2023 to FY 2025. This suggests that the IRS could have more of an impact on underreporting by increasing enforcement, assuming the IRS had the resources to do so. The enforcement revenue collected attributed to the IRS Examination function over these three fiscal years totaled approximately $24 billion.

IRS examinations are intended to detect and correct noncompliance of audited taxpayers, as well as create an environment to encourage non-audited taxpayers to comply voluntarily. These efforts have both a direct and indirect impact on the Tax Gap. In addition to the direct impact on the taxpayers examined, the IRS Research function has determined that examinations have a substantial indirect multiplier effect on tax compliance, meaning when a taxpayer is audited there could be a change in compliance by members of the taxpayer's social network and could potentially be a deterrence for noncompliance. Examinations can range from the issuance of an IRS notice asking for clarification of a single tax return item that appears to be incorrect (correspondence examination) to a face-to-face interview and review of the taxpayer's records (field examination).

Figure 8 shows that the total proposed additional tax after examinations decreased from $31.9 billion in FY 2023 to approximately $29 billion in FY 2024 and then to $26.8 billion in FY 2025.

Figure 8: Proposed Additional Taxes From Examinations Declined From FY 2023 Through FY 2025

	Amount in Billions			Year Over Year Change		
FY	Field	Correspondence	Total	Field	Correspondence	Total
23	$24.1	$7.8	$31.9			
24	$23.0	$6.0	$29.0	-5%	-23%	-9%
25	$19.1	$7.7	$26.8	-17%	28%	-8%

Source: Analysis of data from the Fiscal Year 2023-2025 IRS Data Books.

Total proposed additional tax from examinations decreased 9 percent from FY 2023 to FY 2024, then another 8 percent from FY 2024 to FY 2025. Proposed additional taxes from field examinations decreased two years in a row, first 5 percent in FY 2024 then 17 percent in FY 2025.

Proposed additional tax from correspondence examinations also decreased from FY 2023 to FY 2024 but increased in FY 2025. The increase was largely attributed to an increase in correspondence examination assessments in the TS Division, which conducts all their examinations through correspondence.

[10] IRS, Publication 5869, *Federal Tax Compliance Research: Tax Gap Projections for Tax Year 2022* (Oct. 2024).

Figure 9: Results for Proposed Additional Taxes per Employee for Examinations Were Mixed From FY 2024 Through FY 2025 Due to Increases in Assessments and Reductions in Staffing

Type of Exam	FY 24	FY 25
Field Examination		
Proposed Additional Taxes	$23.0B	$19.1B
End-of-Year Employees On Rolls	11,320	8,901
Proposed Additional Tax Per Employee	**$2.0M**	**$2.1M**
Correspondence Examination		
Proposed Additional Taxes	$6.0B	$7.7B
End-of-Year Employees On Rolls	4,028	2,868
Proposed Additional Tax Per Employee	**$1.5M**	**$2.7M**

Source: Analysis of IRS management provided data. B = billions and M = millions.

Figure 9 shows that total proposed additional taxes decreased for field examinations but increased for correspondence examinations. When analyzing proposed additional tax per employee, per employee assessments increased for correspondence examinations due to a combination of factors. Examination staffing levels increased in FY 2024 and were elevated going into FY 2025. Staffing reductions starting in January 2025 significantly reduced enforcement staffing. Proposed additional taxes from correspondence exams increased in part due to shifts in priority for TS and LB&I discussed below. For field examinations, despite going into FY 2025 with more employees, proposed additional taxes decreased in comparison to the prior fiscal year. However, the proposed additional tax per employee for field examinations in FY 2025 remained similar to the prior fiscal year, given the proportional decreases in both staffing and proposed additional taxes. The IRS noted that field examinations were affected by several factors including new requirements from the One Big Beautiful Bill Act and the workforce reduction efforts.[11]

The IRS's Examination staff are organized in the four operating divisions: the LB&I, SB/SE, TE/GE, and TS Divisions. Positions include revenue agents, tax compliance officers, and tax examiners. Figure 10 shows the total proposed additional tax for the examinations by the SB/SE, LB&I, and TS Divisions, for FYs 2023 through 2025.

Figure 10: Proposed Additional Taxes Generally Declined From FY 2023 Through FY 2025

	Amount in Billions				Year Over Year Change		
FY	**SB/SE**	**LB&I**	**TS**	**Total**	**SB/SE**	**LB&I**	**TS**
2023	$10.0	$20.3	$1.6	$31.9			
2024	$10.8	$15.8	$2.5	$29.0	8%	-22%	56%
2025	$10.6	$12.7	$3.5	$26.8	-2%	-20%	40%

Source: Analysis of IRS management provided data. The sum of the "Amount" does not match the "Total" for FY 2024 due to rounding.

[11] Pub. L. No. 119-21, 139 Stat. 72 (2025).

When reviewing FY 2025 proposed additional tax data and examination closure data quarter by quarter, the SB/SE Division appears to be the most heavily impacted operating division by the workforce reductions. From the second to the third quarter of FY 2025, SB/SE examination closures declined by 26 percent and maintained a lower level through the fourth quarter of FY 2025. SB/SE proposed additional taxes declined by 16 percent from the second quarter of FY 2025 to its third quarter and declined another 16 percent in the fourth quarter of FY 2025.

Overall, the LB&I Division experienced a 37 percent decrease in proposed additional taxes from FY 2023 to FY 2025. According to the IRS, the LB&I Division's proposed additional tax in FY 2024 and FY 2025 decreased due to the reassigning of resources to process Employee Retention Credit claims, as evidenced by decreases in individual closures from FY 2023 to FY 2025.

Proposed additional taxes from the TS Division increased significantly in FY 2024 and FY 2025. These increases coincided with the IRS's decision to work fewer Earned Income Tax Credit (EITC) cases following its acknowledgement that EITC case selection processes were subject to an inherent but unintentional racial bias.[12] As a result, the IRS shifted resources and increased examinations in other workstreams including improper fuel tax credit claims, I.R.C. § 1341 credits and other frivolous tax credit claims.[13]

Large corporate and partnership examinations

One of the IRS's goals for the use of IRA enforcement spending was to improve the tax compliance of large corporations and large partnerships. The LB&I Division is primarily responsible for compliance of these large entities and high-wealth taxpayers. The examination rate of partnerships over the years has decreased as the number of partnership returns has increased. In March 2026, we reported that examinations of large partnerships often result in no change to tax, highlighting an increase in no-change rates from TY 2014 to TY 2021.[14] A no-change result on a partnership examination occurs when there is no adjustment to the partnership's income, loss, deductions, or credits on the partnership return or the partners' share of these partnership attributes. The IRS has developed models in recent years to attempt to improve the no-change rate, with the latest attempt through the Large Partnership Compliance Program. However, its efforts to date have had little success.

As shown in Figure 11, large corporate examination starts decreased in FY 2024 but increased overall from FY 2023 to FY 2025 by 7 percent while partnership examination starts decreased by 76 percent in the same period from a high of 6,709 in FY 2023 to 1,589 in FY 2025.

[12] IRS, Letter on Audit Selection (2023), https://www.irs.gov/newsroom/commissioner-werfel-letter-on-audit-selection.

[13] I.R.C. § 1341 credit allows taxpayers, subject to certain criteria, to either deduct or take a refundable credit if they repay money included in gross income in a previous tax year due to an expectation of an unrestricted right to the income, and the repayment is deductible.

[14] TIGTA Report No.: 2026-30-801, *The IRS Has Yet to Develop a Successful Strategy for Examining Large Partnerships*, p. 3 (March 2026).

Figure 11: Proposed Adjustments in Large Corporate Audits and Examination Starts in Partnership Audits Both Decreased From FY 2023 Through FY 2025

	FY 23	FY 24	FY 25	FYs 23-25 Change
Large Corporations				
Examination Starts	1,400	1,272	1,491	7%
Examinations Closed	1,092	1,138	1,408	29%
Recommended Additional Tax (in billions)	$17.7	$14.5	$10.5	-41%
Partnerships				
Examination Starts	6,709	2,285	1,589	-76%
Examinations Closed	3,111	5,225	3,141	1%

Source: Analysis of Fiscal Year 2023-2025 IRS Data Book numbers and IRS management provided data.

The significant decline in partnership audits in FY 2024 was attributed to multiple factors. The IRS stated that closures for partnership examinations were impacted by events related to the launch of the Pass-Through Field Compliance function in October 2023. LB&I Division officials stated that standing up the Pass-Through Field Compliance function required moving employees from the SB/SE Division and other functions in the LB&I Division to the Pass-Through Entities (PTE) Practice Area. This affected their ability to start new examinations as they focused on closing existing cases and transitioning them to the PTE. SB/SE Division officials stated that efforts to change the focus of revenue agents' work resulted in a need to rewrite partnership training and reorder training. As a result, trainees who completed Form 1040, *U.S. Individual Tax Return* training in FYs 2024 and 2025 could not attend partnership training until FY 2026.

In FY 2025, work volumes were also impacted by staffing issues. While the IRS Direct Hire initiative was underway by March 2023, most of the hiring and onboarding was completed in the first quarter of FY 2025. This required participation from frontline managers and employees, impacting their work. The workforce rebalancing efforts in Calendar Year 2025 further impacted both starts and closures due to personnel actions taken with respect to probationary employees and employees participating in voluntary separation programs.

While the number of corporate examinations closed increased by 29 percent from FY 2023 to FY 2025, the proposed additional tax from corporate examinations is down 41 percent. IRS officials attributed this decrease to, among other things, the change in the corporate tax rate from 35 percent to 21 percent.[15] As more current tax years close with the 21 percent rate, there was a reduction in dollars assessed.

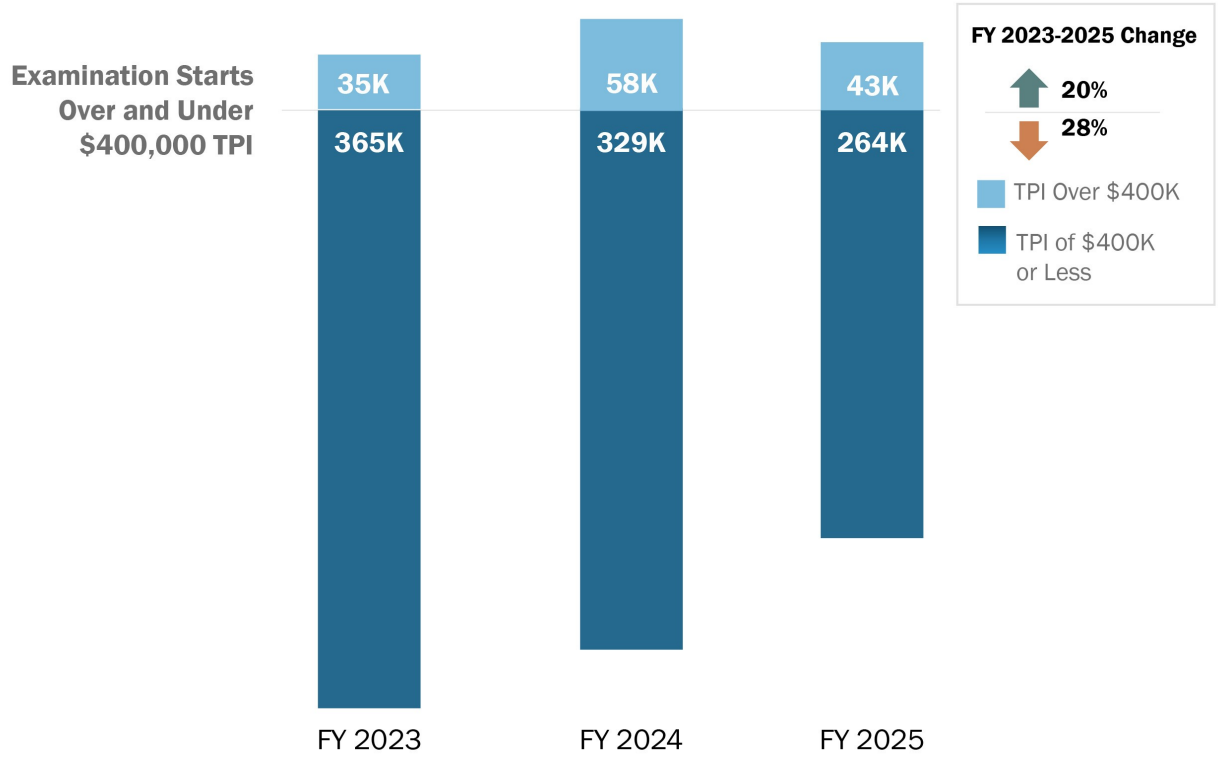
Impact of workforce rebalancing efforts on compliance with the 2022 Treasury Directive

Individual examination starts from FY 2023 through FY 2025 were influenced by the IRS's strategy for spending IRA funding and the governmentwide workforce rebalancing efforts in FY 2025. In August 2022, then Treasury Secretary Janet Yellen issued a directive stating that IRA funding would focus on high-end noncompliance, and that examination rates would not increase for households and small businesses making $400,000 or less (relative to historical levels, later defined as coverage rates from TY 2018). Figure 12 suggests that the IRS was successfully shifting examinations towards higher income examinations in FY 2024, as

[15] Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97, 131 Stat. 2054.

examinations above $400,000 total positive income (TPI) increased and those below decreased. This push towards higher income examinations coincided with a hiring surge in FY 2024 using IRA funding.

Figure 12: Examination Starts Declined From FY 2023 Through FY 2025



Source: Analysis of IRS management provided data. Examination starts in the figure are rounded to the nearest 1,000 starts. Percentage changes were calculated using actual starts.

Workforce rebalancing efforts beginning in February 2025 had a significant impact on IRS resources and examination strategy across all operating divisions. SB/SE Division officials stated there was a pause in examination starts from March 2025 through the end of FY 2025 due to uncertainty around the availability of resources from these efforts. LB&I officials noted that fluctuations in staffing had a negative effect on LB&I examination efficiency, leading to relatively insignificant third quarter FY 2025 starts. IRS officials have stated that the re-employment of some of the probationary employees helped to recover examination starts in the fourth quarter of FY 2025. However, some areas, such as partnerships, did not recover at the same rate as others. For example, the PTE practice area, which includes the Global High Wealth program, had fewer probationary employees reinstated (53 percent) versus the remaining practice areas (68 percent). As of January 2026, the Global High Wealth program had 27 percent fewer employees than it did before the workforce reductions in FY 2025.

While Staffing Levels Increased in FY 2024, Workforce Reduction Efforts in FY 2025 Significantly Reduced IRS Staffing

In FY 2024, the IRS made substantial progress on its hiring goals as outlined in the IRA Strategic Operating Plan. While the different business operating divisions experienced varying levels of success in hiring staff, the number of employees for both Examination and Collection were up from FY 2023 as shown in Figure 13.

In January 2025, a Presidential Memorandum implemented a hiring freeze and subsequently commenced early retirement initiatives for federal employees. In January 2025, the IRS began reductions in force and reorganization plans as part of a federal-wide effort to reduce the size of government.[16] Prior reporting showed that more than 25,000 IRS employees (25 percent of the IRS's workforce) were either approved for the deferred resignation programs offered by the IRS, received termination notices during their probationary period, or otherwise retired or separated from the IRS as of September 30, 2025.[17] Figure 13 shows the number of employees at the end of FYs 2023 through 2025 as well as numbers as of the end of the first pay period in Calendar Year 2026.

[16] *Hiring Freeze*, 90 Fed. Reg. 8247 (January 2025); Memorandum to Heads of Executive Departments and Agencies, *Guidance on Agency RIF and Reorganization Plans Requested by Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative* (February 2025).

[17] TIGTA Report No. 2025-IE-R027, *Snapshot Report: IRS Workforce Reductions as of May 2025* (July 2025).

Figure 13: Examination and Collection Staffing Levels Decreased Significantly in FY 2025 and Continued To Decrease Through January 10, 2026

	FY 23	FY 24	FY 25	January 10, 2026
Collection				
Revenue Officers (Field Collection)	2,957	3,418	2,544	2,225
Campus Collection (Including ACS Staff)	5,363	8,451	5,299	4,765
Total Collection Staff	**8,320**	**11,869**	**7,843**	**6,990**
TS Examination				
Tax Examining Staff	855	864	606	550
SB/SE Examination				
Revenue Agent	4,131	5,046	3,622	3,243
Tax Compliance Officer	566	516	392	304
Tax Examiner	2,066	2,768	1,910	1,614
LB&I Examination				
Revenue Agent	2,857	4,311	3,682	3,407
Tax Compliance Officer	28	26	18	14
Tax Examiner	154	176	175	164
TE/GE Examination				
Revenue Agent	914	1,421	1,187	1,076
Tax Examining Staff	207	220	177	155
Total Examination Staff	**11,778**	**15,348**	**11,769**	**10,527**
Total Examination and Collection Staff	**20,098**	**27,217**	**19,612**	**17,517**

Source: Staffing numbers provided by IRS Management.

As noted above, hiring in FY 2024 increased Examination and Collection staffing significantly from FY 2023 to FY 2024. The workforce reduction efforts in FY 2025 led to a 27 percent reduction in Examination and Collection staff levels in comparison to FY 2024. As of January 10, 2026, staffing levels had fallen even further. These losses present a challenge to improving taxpayer service and enforcing the nation's tax laws. This challenge is even greater as the IRS implements the One Big Beautiful Bill Act and manages the downstream effects of restarting several collection programs in FY 2024. We are concerned about how staffing losses are impacting the IRS's ability to ensure that it meets Department priorities and we have separate reviews that will evaluate their plans.

Conclusion

Taxpayers paid the IRS $5.3 trillion in total tax revenue in FY 2025 amounting to a 13.2 percent increase from FY 2023, and the most tax revenue ever paid by taxpayers, without adjusting for inflation. This increase in revenue appears to be driven by individual income taxes, which increased by 17 percent since FY 2023.

The IRS's compliance operations went from collecting $86.1 billion in enforcement revenue in FY 2023 to collecting a historic high of $98.7 billion in FY 2024 before decreasing to $93.8 billion in FY 2025. The significant increases in enforcement revenue are attributed to the restart of automated collection notices in February 2024. In addition, the increased collection notices resulted in increased volumes of work across several work streams including the nonfiler programs, balance due notices, and notifications of levy, and led to higher inventory levels. IRS Collection officials stated that the effects from workforce reduction efforts were felt beginning in March 2025 and again in June 2025 with the departure of significant numbers of staff. While the workforce reductions influenced metrics in FY 2025, the downstream effects of these reductions are likely to become more apparent over time.

Further, in FYs 2023 and 2024, the IRS expanded hiring and its enforcement of taxpayers with complex tax filings and high-dollar noncompliance. As a result, the IRS was able to increase the proportion of high-income examinations started relative to all examination starts. However, the workforce reductions in FY 2025 had a significant impact on staffing levels, with total Examination and Collection staffing levels at the end of FY 2025 lower than in FY 2023. These reductions contributed to a 30 percent decrease in examination starts in FY 2025 compared to FY 2024. Both SB/SE examination closures and proposed additional tax assessments notably declined from the second quarter to third quarter of FY 2025, coinciding with workforce reductions, and remained lower for the remainder of the year. IRA enforcement funds are now depleted with the last monies totaling approximately $136 million spent in FY 2026.

Performance of This Review

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Federal Offices of Inspector General*. Those standards require that the work adheres to the professional standards of independence, due professional care, and quality assurance and follow procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the objective of our review.

Appendix I

Glossary of Terms

Term	Definition
Automated Collection System	A legacy system that provides a computerized telephone tax collection system designed to assist Collection employees with automatic contact and follow-up on delinquent taxpayers.
Automated Substitute for Return Program	A system designed to assess taxes on wage earners who fail to file tax returns. It analyzes information submitted to the IRS and historical tax return information.
Balance Due	Occurs when a taxpayer has an outstanding liability for taxes, penalties, and interest.
Balance Due Notice	Automated IRS systems send notices to the taxpayer informing them of the outstanding liability for taxes, penalties, and/or interest.
Campus	The data processing arm of the IRS. The campuses process paper and electronic submissions, correct errors, and forward data to the Computing Centers for analysis and posting to taxpayer accounts.
Enforcement	Appropriation for necessary expenses of the IRS to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations, to enforce criminal statutes related to violations of Internal Revenue laws and other financial crimes, to purchase and hire passenger motor vehicles, and to provide other services as authorized by 5 U.S.C. § 3109.
Field Collection	The unit in the Area Offices consisting of revenue officers who handle face-to-face contacts with taxpayers to collect delinquent accounts or secure unfiled returns.
Fiscal Year	Any yearly accounting period, regardless of its relationship to a calendar year. The federal government's fiscal year begins on October 1 and ends on September 30.
IRS Data Book	Published annually by the IRS and contains statistical tables and organizational information presented on a fiscal year basis. It provides information on activities conducted by the IRS, such as taxes collected, enforcement, taxpayer assistance, budget, workforce, and other selected activities.
Levy	A method used by the IRS to collect outstanding taxes from sources such as bank accounts and wages or a legal seizure of property to satisfy a tax debt.
Nonfiler	Individual and business taxpayers who have been identified as liable to file a tax return, but who have not filed a tax return by the return due date or extended due date.

Term	Definition
Revenue Agent	An employee in the Examination function who conducts face-to-face examinations of more complex tax returns, such as businesses, partnerships, corporations, and specialty taxes.
Revenue Officer	An employee in the Collection function who provides customer service by explaining taxpayer rights and responsibilities, collects delinquent accounts, secures delinquent returns, counsels taxpayers on their tax filing and payment obligations, conducts tax investigations, files Notices of Federal Tax Lien, releases federal tax liens, and performs seizures and sales of delinquent taxpayer assets.
Revenue Officer Compliance Sweeps	A revenue officer compliance sweep is an assignment of work strategy used by Field Collection to support compliance initiatives. The purpose of revenue officer compliance sweeps is to address an increase in unassigned high priority inventory aligned to a compliance initiative (*e.g.*, egregious employment tax cases, high-income nonfilers or specialty program) in a given area or program due to current field compliance staffing or to support a compliance initiative.
Tax Compliance Officer	An employee in the Examination function who primarily conducts examinations of individual taxpayers through interviews at IRS field offices.
Tax Examiner	In the context of this report, an employee located in a field office who conducts examinations through correspondence. However, the tax examiner position is also used for many other types of positions located in various IRS offices.
Tax Gap	The estimated difference between the amount of tax that taxpayers should pay and the amount that is paid voluntarily and on time.
Total Positive Income	The sum of all positive amounts shown for the various sources of income reported on the individual tax return and, therefore, excludes losses.

Appendix II

Abbreviations

ACS	Automated Collection System
ASFR	Automated Substitute for Return
AUR	Automated Underreporter
EITC	Earned Income Tax Credit
FY	Fiscal Year
IRA	The Inflation Reduction Act
I.R.C.	Internal Revenue Code
IRS	Internal Revenue Service
LB&I	Large Business and International Division
PTE	Pass-Through Entities
SB/SE	Small Business/Self-Employed Division
TE/GE	Tax Exempt and Government Entities Division
TIGTA	Treasury Inspector General for Tax Administration
TPI	Total Positive Income
TS	Taxpayer Services
TY	Tax Year

To report fraud, waste, or abuse,
contact our hotline on the web at
https://www.tigta.gov/reportcrime-misconduct.

To make suggestions to improve IRS policies, processes, or systems affecting taxpayers, contact us at
TIGTACommunications@tigta.treas.gov.

Information you provide is confidential, and you may remain anonymous.