

Department of the Treasury
Internal Revenue Service

Congressional Budget
Justification

FY 2026

Table of Contents

Section I – Budget Request.....	3
A – Mission Statement	3
1.1 – Appropriations Detail Table	3
1.2 – Inflation Reduction Act Actual Spend.....	4
B – Summary of the Request.....	5
1.3 – Budget Adjustments Table	7
C – Base Adjustment and Program Changes Description.....	7
1.4 – Object Classification (Schedule O) Obligations.....	8
D – Appropriations Language and Explanation of Changes	9
Section II – Additional Information.....	14
A – Summary of Capital Investments	14
3.1 – Summary of IRS FY 2026 Discretionary Budget Request.....	15
3.2 – Summary of IRS FY 2026 Total Resources Budget Request.....	15

Introduction

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.

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

- Responded to 8.9 million Accounts Management¹ (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 percent;
- Achieved a 6 percent 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.

¹ Accounts Management customer service representatives answer the phones and reply to written correspondence from taxpayers.

Section I – Budget Request

A – Mission Statement

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.

1.1 – Appropriations Detail Table

Dollars in Thousands

Appropriations Detail	FY 2024 Operating Plan		FY 2025 ¹ Operating Plan		FY 2026 Request		FY 2025 to FY 2026 % Change	
	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 Operations Support ²	9,312	\$3,895,785	10,371	\$4,100,826	4,250	\$2,598,024	-59%	-37%
Subtotal New Appropriated Resources	67,730	\$12,319,054	65,722	\$12,319,054	60,597	\$9,831,368	-8%	-20%
Other Resources³								
Reimbursables	487	176,400	717	197,081	753	217,349	5%	10%
Offsetting Collections (Non-reimbursable)		35,625		50,556		52,676		4%
User fees ⁴	5,180	603,100			5,735	975,000	100%	100%
Recoveries from Prior Years		53,635		61,589		62,150		1%
Unobligated Balances from Prior Years	610	259,000	2,356	263,880	1,898	625,000	-19%	137%
IRA Funding Usage	16,997	5,534,875	26,620	9,347,489	7,460	2,201,751	-72%	-76%
Transfers In/Out		119		104		83		-20%
Resources from Other Accounts ⁵	823	270,538	1,285	254,633	1,285	254,633		
Subtotal Other Resources	24,097	\$6,933,292	30,978	\$10,175,332	17,131	\$4,388,642	-45%	-57%
Total Budgetary Resources	91,827	\$19,252,346	96,700	\$22,494,386	77,728	\$14,220,010	-20%	-37%

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

² 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.

³ FY 2024 Other Resources and FTE are actuals.

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

⁵ Resources from Other Accounts reflect planned spending from Private Collection Agency retained earnings.

1.2 – Inflation Reduction Act Actual Spend

The table below outlines IRS actual spending of Inflationary Reduction Act (IRA) funding. IRA funding was strategically used to implement modernization priorities and initiatives in customer service and compliance, leading to increased efficiencies in the ability of the IRS to carry out its mission. This budget request considers that IRA funding will be available in FY 2026 on a limited basis.

Dollars in Thousands

Internal Revenue Service Budgetary Resources	FY 2022 Enacted	FY 2022 Actual Obligations	FY 2023 Actual Obligations	FY 2024 Actual Obligations	FY 2025 Estimated Obligations	FY 2026 Estimated Obligations
Taxpayer Services	\$3,181,500	\$1,073	\$888,540	\$400,169	\$1,250,000	\$100,000
Enforcement ¹	\$45,647,875		\$298,990	\$1,334,824	\$1,844,000	\$371,536
Operations Support	\$25,326,400	\$60,965	\$1,473,849	\$2,455,747	\$3,542,000	\$1,730,215
Business Systems Modernization ²	\$4,750,700	\$43,924	\$723,163	\$1,285,000	\$2,707,000	
Direct File Study	\$15,000		\$11,603			
Energy Security	\$500,000			\$59,135	\$4,489	
Rescissions ³	(\$58,298,535)					
Total Budgetary Resources	\$21,122,940	\$105,962	\$3,396,145	\$5,534,875	\$9,347,489	\$2,201,751

¹ Amount reflects original enacted IRA level, before rescissions or proposed cancellations.

² BSM obligations include recoveries of prior year obligations.

³ Reflects the rescissions to enforcement including \$1.4B from the Fiscal Responsibility Act of 2023 (PL 118-5), \$20.2B from the Further Consolidated Appropriations Act, 2024 (PL 118-47) and \$20.2B from the Full-Year Continuing Appropriations and Extensions Act, 2025 (PL 119-4). In addition, this includes the proposed budget cancellation of \$16,064 million of unobligated balances from Operations Support and \$436 million of unobligated balances from Energy Security appropriated by P.L. 117-169.

The table below is a summary of actual and estimated IRA FTE.

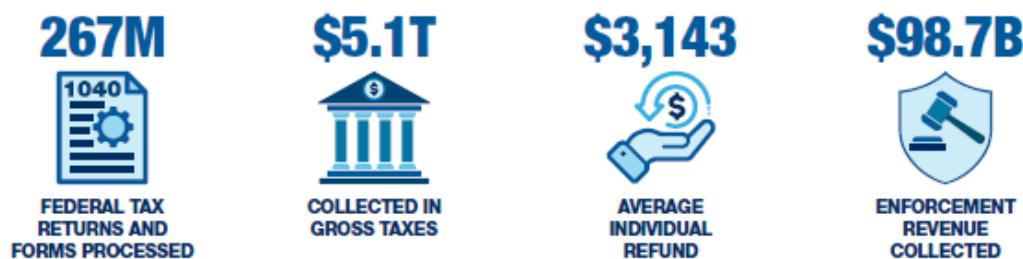
Internal Revenue Service FTE	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimated	FY 2026 Estimated
Taxpayer Services	10,518	3,956	12,070	940
Enforcement	495	8,047	10,510	2,270
Operations Support	2,317	3,608	3,220	4,250
Business Systems Modernization	327	621	763	
Direct File Study	4			
Energy Security		764	57	
Total Budgetary Resources	13,661	16,997	26,620	7,460

B – Summary of the Request

The IRS is responsible for administering the Federal Government’s tax system and meeting the needs of U.S. taxpayers by helping them understand their tax responsibilities and enforcing the law with integrity and fairness. Operations at the IRS, as required by law, include collection of individual and corporate taxes, examination of returns, taxpayer assistance, oversight of tax-exempt organizations, administering multiple refundable tax credits, and other specialized programs.

In FY 2024, the IRS collected about \$5.1 trillion in taxes from 267 million returns, which represents nearly 96 percent of all revenue that supports operations of the federal government. Due to the complexity of the U.S. tax base, core responsibilities of the IRS include making it easier for taxpayers to understand and meet their tax obligations.

Some Key Tax Statistics in FY 2024 Include:



Note: These statistics are from October 1, 2023, through September 30, 2024. The Average Individual Refund amount includes refunds issued in FY 2024 for all tax years.

FY 2026 Budget Request and Priorities

The FY 2026 Budget requests \$9.8 billion, a decrease in funding of \$2.5 billion or 20.3 percent from the FY 2025 enacted level of \$12.3 billion. The IRS is dedicated to aligning its resources with Treasury’s priorities and strategic plan, with a strong emphasis on improving efficiencies, revenue collection efforts, safeguarding privacy, and enhancing customer service by offering more online resources. Additionally, the budget proposes a Change in Mandatory Programs (CHIMP) budget cancellation of \$16,500 million of unobligated balances appropriated by P.L. 117-169; of which, \$16,064 million will come from Operations Support and \$436 million from Energy Security.

The FY 2026 budget provides funding to support reducing staffing levels at the IRS as a result of workforce restructuring efforts. During FY 2025, the IRS is implementing these restructuring activities, using HR flexibilities and reducing contract spending. One aim of the restructuring effort is to reduce spending and drive efficiencies that will allow the IRS to operate within discretionary funding levels.

The IRS just concluded a successful tax filing season but still needs significant reforms to deliver efficient and cost-friendly results for the American taxpayers. The IRS is working on initiatives to improve the efficiency of its Taxpayer Services staff that could reduce the average administrative time of calls by as much as 20 percent. This along with the projected automation

of 1040X amended returns processing is expected to lead to efficiency gains to offset reduced staffing levels in customer service. The IRS is also taking steps to reduce administrative costs through policy changes and automation.

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 countermeasures 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.

1.3 – Budget Adjustments Table

Dollars in Thousands

	FTE	Amount
FY 2025 Operating Plan	65,722	\$12,319,054
Changes to Base:		
Maintaining Current Levels (MCLs)		45,938
Pay Annualization (FY 2025 2.0% average pay raise)		45,938
Subtotal Changes to Base		45,938
FY 2026 Current Services	65,722	\$12,364,992
Program Changes:		
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
Subtotal Program Changes	(5,125)	(2,533,624)
FY 2026 President's Budget Request	60,597	\$9,831,368

See footnotes in 1.1 - Appropriations Detail Table.

C – Base Adjustment and Program Changes Description

Maintaining Current Levels..... +\$45,938,000 / 0 FTE

Pay Annualization (2.0% in 2025) +\$45,938,000 / 0 FTE

Funds are requested for annualization of the January 2025 2% average pay raise.

Program Decreases..... -\$3,386,356,000/ -16,284 FTE

Staff Attrition to Offset Unfunded FY 2026 MCLs -\$45,938,000 / -334 FTE

The IRS will reduce staffing to offset the unfunded FY 2026 annualization cost of the FY 2025 2.0% pay raise.

Staff Reduction -\$3,340,418,000 / -15,950 FTE

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.

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 assistants, 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 percent, and 85 percent during the 2026 filing season (FS). During FS 2025, the IRS provided an 87 percent 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 percent for FY 2026 and 16 percent 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.

1.4 – Object Classification (Schedule O) Obligations

Dollars in Thousands

Object Classification	FY 2024 Actual Obligations	FY 2025 Estimated Obligations	FY 2026 Estimated Obligations
11.1 - Full-time permanent	5,932,569	6,259,980	4,897,601
11.3 - Other than full-time permanent	77,879	78,371	64,684
11.5 - Other personnel compensation	468,485	421,338	385,689
11.8 - Special personal service payments	97,522	101,036	59,895
11.9 - Personnel Compensation (Total)	\$6,576,456	\$6,860,724	\$5,407,869
12.1 - Personnel benefits	2,418,055	2,357,683	1,927,042
13.0 - Benefits for former personnel	3,064	12,486	12,484
Total Personnel and Compensation Benefits	\$8,997,574	\$9,230,893	\$7,347,395
21.0 - Travel and transportation of persons	132,562	65,607	45,127
22.0 - Transportation of things	28,507	31,842	14,368
23.1 - Rental payments to GSA	589,162	610,845	448,360
23.2 - Rental payments to others	758	1,271	897
23.3 - Communications, utilities, and miscellaneous charges	285,723	289,136	174,129
24.0 - Printing and reproduction	37,109	41,987	21,533
25.1 - Advisory and assistance services	690,591	916,981	699,721
25.2 - Other services from non-Federal sources	87,882	112,059	79,009
25.3 - Other goods and services from Federal sources	321,061	317,890	238,093
25.4 - Operation and maintenance of facilities	192,682	194,707	147,839
25.6 - Medical care	18,960	19,095	5,932
25.7 - Operation and maintenance of equipment	33,126	34,860	97,416
26.0 - Supplies and materials	39,912	61,951	39,846
31.0 - Equipment	213,040	252,531	349,787
32.0 - Land and structures	51,473	42,698	32,401
41.0 - Grants, Subsidies	81,000	81,000	81,000
42.0 - Insurance Claims and Indemnities	2,929	3,701	2,591
91.0 - Unvouchered Expenses	1,734	10,000	5,924
Total Non-Personnel	\$2,808,211	\$3,088,161	\$2,483,973
New Budgetary Resources	\$11,805,785	\$12,319,054	\$9,831,368
FTE	67,730	65,722	60,597

Amounts reflect obligations of annually appropriated discretionary resources. FY 2024 excludes multi-year. FY 2025 and FY 2026 excludes obligations from multi-year carryover. See footnotes in 1.1 - Appropriations Detail Table.

D – Appropriations Language and Explanation of Changes

Appropriations Language	Explanation of Changes
<p style="text-align: center;">TAXPAYER SERVICES</p> <p><i>For necessary expenses of the Internal Revenue Service to provide taxpayer services, including pre-filing assistance and education, filing and account services, taxpayer advocacy services, and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$3,633,338,000: Provided, That not to exceed \$206,500,000 of the amounts provided under this heading shall remain available until September 30, 2027, of which not less than \$17,000,000 shall be for the Tax Counseling for the Elderly Program; not less than \$22,000,000 shall be available for low-income taxpayer clinic grants, including grants to individual clinics of up to \$200,000; not less than \$62,500,000 shall be available for the Community Volunteer Income Tax Assistance (VITA) Matching Grants Program for tax return preparation assistance; and not more than \$5,000,000 shall be available for the VITA Incubator Grant Program: Provided further, That not less than \$251,600,000 of the amounts provided under this heading shall be available for operating expenses of the Taxpayer Advocate Service, of which not less than \$7,000,000 shall be for identity theft and refund fraud casework.</i></p> <p style="text-align: center;">ENFORCEMENT</p> <p><i>For necessary expenses for tax enforcement activities of the Internal Revenue Service 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 (31 U.S.C. 1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$3,600,006,000; of which not to exceed \$250,000,000 shall remain available until September 30, 2027; of which not less than \$55,257,000 shall be for the Interagency Crime and Drug Enforcement program; and of which not to exceed \$35,000,000 shall</i></p>	

be for investigative technology for the Criminal Investigation Division: Provided, That the amount made available for investigative technology for the Criminal Investigation Division shall be in addition to amounts made available for the Criminal Investigation Division under the "Operations Support" heading.

TECHNOLOGY AND OPERATIONS SUPPORT

For necessary expenses to operate the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner; \$2,598,024,000, of which not to exceed \$275,000,000 shall remain available until September 30, 2027; of which not to exceed \$10,000,000 shall remain available until expended for acquisition of equipment and construction, repair and renovation of facilities; of which not to exceed \$1,000,000 shall remain available until September 30, 2028, for research; and of which not to exceed \$20,000 shall be for official reception and representation expenses: Provided, That not later than 30 days after the end of each quarter, the Internal Revenue Service shall submit a report to the Committees on Appropriations of the House of Representatives and the Senate and the Comptroller General of the United States detailing major information technology investments in the Internal Revenue Service portfolio, including detailed, plain language summaries on the status of plans, costs, and results; prior results and actual expenditures of the prior quarter; upcoming deliverables and costs for the fiscal year; risks and mitigation strategies associated with ongoing work; reasons for any cost or schedule variances; and total expenditures by fiscal year: Provided further, That the Internal Revenue Service shall include, in its budget justification for fiscal year

2027, a summary of cost and schedule performance information for its major information technology systems.

ADMINISTRATIVE PROVISIONS-INTERNAL
REVENUE SERVICE (INCLUDING TRANSFER OF
FUNDS)

SEC. 101. Not to exceed 5 percent of an appropriation in this Act made available to the Internal Revenue Service may be transferred to any other Internal Revenue Service appropriation upon the advance notification to the Committees on Appropriations of the House of Representatives and the Senate.

SEC. 102. The Internal Revenue Service shall maintain an employee training program, which shall include the following topics: taxpayers' rights, dealing courteously with taxpayers, cross-cultural relations, ethics, and the impartial application of tax law.

SEC. 103. The Internal Revenue Service shall institute and enforce policies and procedures that will safeguard the confidentiality of taxpayer information and protect taxpayers against identity theft.

SEC. 104. Funds made available by this or any other Act to the Internal Revenue Service shall be available for improved facilities and increased staffing to provide sufficient and effective 1-800 help line service for taxpayers. The Commissioner shall continue to make improvements to the Internal Revenue Service 1-800 help line service a priority and allocate resources necessary to enhance the response time to taxpayer communications, particularly with regard to victims of tax-related crimes.

SEC. 105. The Internal Revenue Service shall issue a notice of confirmation of any address change relating to an employer making employment tax payments, and such notice shall be sent to both the employer's former and new address and an officer or employee of the Internal Revenue Service shall give special consideration to an offer-in-compromise from a taxpayer who has been the victim of fraud by a third party payroll tax preparer.

SEC. 106. None of the funds made available under this Act may be used by the Internal Revenue Service to target citizens of the United States for exercising any right guaranteed under the First Amendment to the Constitution of the United States.

SEC. 107. None of the funds made available in this Act may be used by the Internal Revenue Service to target groups for regulatory scrutiny based on their ideological beliefs.

SEC. 108. None of funds made available by this Act to the Internal Revenue Service shall be obligated or expended on conferences that do not adhere to the procedures, verification processes, documentation requirements, and policies issued by the Chief Financial Officer, Human Capital Office, and Agency-Wide Shared Services as a result of the recommendations in the report published on May 31, 2013, by the Treasury Inspector General for Tax Administration entitled "Review of the August 2010 Small Business/Self-Employed Division's Conference in Anaheim, California" (Reference Number 2013–10–037).

SEC. 109. None of the funds made available in this Act to the Internal Revenue Service may be obligated or expended— (1) to make a payment to any employee under a bonus, award, or recognition program; or (2) under any hiring or personnel selection process with respect to re-hiring a former employee; unless such program or process takes into account the conduct and Federal tax compliance of such employee or former employee.

SEC. 110. None of the funds made available by this Act may be used in contravention of section 6103 of the Internal Revenue Code of 1986 (relating to confidentiality and disclosure of returns and return information).

SEC. 111. The Secretary of the Treasury (or the Secretary's delegate) may use the funds made available in this Act, subject to such policies as the Secretary (or the Secretary's delegate) may establish, to utilize direct

<p><i>hire authority to recruit and appoint qualified applicants, without regard to any notice or preference requirements, directly to positions in the competitive service to process backlogged tax returns and return information.</i></p> <p><i>SEC. 112. Notwithstanding section 1344 of title 31, United States Code, funds appropriated to the Internal Revenue Service in this Act may be used to provide passenger carrier transportation and protection between the Commissioner of Internal Revenue's residence and place of employment.</i></p>	
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Additionally, the budget proposes allocating \$5 million for the VITA Incubator Grant Program. This would allow the IRS to expand on the success of its existing Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) grant programs. The VITA Incubator Program Grant would provide financial support for organizations that are new to the VITA program, which provides free tax return preparation services to low and middle-income taxpayers. These startup grants will allow organizations to implement their tax preparation infrastructure and operations, while engaging volunteers and providing initial return preparation services during the first year as a grant recipient. Recipients of the VITA incubator grant would not be required to provide matching funds equal to the grant award.

E – Legislative Proposals

The IRS has no legislative proposals.

Section II – Additional Information

A – Summary of Capital Investments

I. Introduction

Technology and Operations Support (TOS) funding is essential for maintaining the technology infrastructure and systems that support the IRS mission of tax administration. The funding enables IT to deliver a successful filing season, provides employees and taxpayers with reliable and efficient technology tools to perform compliance and customer service, and ensures robust cybersecurity controls are in place to protect sensitive taxpayer data.

The IRS continues to invest in technology modernization efforts that enable long-term efficiency, security, and service improvements. Current capital investments are focused on expanding automation, enhancing data integration, and improving system interoperability to better support taxpayer service and internal operations. These investments include capabilities designed to standardize data across the enterprise, strengthen analytics and reporting, and accelerate the delivery of digital services. Modernization of core systems is essential to ensure the IRS can adapt to evolving technologies, protect sensitive taxpayer information, and administer the tax code effectively. These capital investments reflect the agency's commitment to strengthening compliance, privacy, and customer service across its operations.

The Capital Investment Strategy of the IRS aligns with the agency's mission, IRS mission, and the IT mission to deliver IT services and solutions that drive effective tax administration to ensure public confidence. IT core values are service, teamwork, respect, integrity, partnership and excellence.

II. IRS IT Investment and Portfolio Overview

As the IRS modernizes its technology capabilities and services provided to taxpayers, the Investment Portfolio mirrors how it will operate, enhance, and deliver IT for the future. The structure represents the portfolio in an understandable manner by placing programs and projects within relatable categories that reflect the full lifecycle of the investment.

The Capital Investment Plan sets the direction for technology initiatives and IT investments aimed at achieving the vision of the IRS. In the context of the evolving IRS landscape, technology-enabled modernization plays a pivotal role in enhancing the taxpayer experience and overall tax administration.

The IRS is in the process of aligning to the new Treasury leadership priorities and many investments are currently under review to ensure prudent and efficient use of taxpayer resources. The IRS will provide more information on its IT investments and portfolio once this review is complete.

3.1 – Summary of IRS FY 2026 Discretionary Budget Request

FY 2026 IRS Budget Request	Taxpayer Services		Enforcement		Technology and Operations Support		Total	
	\$000	FTE	\$000	FTE	\$000	FTE	\$000	FTE
FY 2025 Enacted	\$2,780,606	23,001	\$5,437,622	32,350	\$4,100,826	10,371	\$12,319,054	65,722
Changes to Base:								
FY 2026 Maintaining Current Levels (MCLs)	12,013		24,717		9,208		\$45,938	
Pay Annualization (2.0% average pay raise)	12,013		24,717		9,208		45,938	
Subtotal FY 2026 Changes to Base	12,013		24,717		9,208		45,938	
FY 2026 Current Services	\$2,792,619	23,001	\$5,462,339	32,350	\$4,110,034	10,371	\$12,364,992	65,722
Program Changes:								
Program Increases	\$852,732	11,159					\$852,732	11,159
Maintain Level of Service	852,732	11,159					852,732	11,159
Program Decreases	(12,013)	(116)	(\$1,862,333)	(10,047)	(\$1,512,010)	(6,121)	(3,386,356)	(16,284)
Staff Attrition to Offset Unfunded FY 2026 MCLs	(12,013)	(116)	(24,717)	(164)	(9,208)	(54)	(45,938)	(334)
Staff Reductions			(1,837,616)	(9,883)	(1,502,802)	(6,067)	(3,340,418)	(15,950)
Subtotal FY 2026 Program Changes	\$840,719	11,043	(\$1,862,333)	(10,047)	(\$1,512,010)	(6,121)	(\$2,533,624)	(5,125)
Total FY 2026 Request	\$3,633,338	34,044	\$3,600,006	22,303	\$2,598,024	4,250	\$9,831,368	60,597
Dollar/FTE Change FY 2026 Request over FY 2025 Enacted	\$852,732	11,043	(\$1,837,616)	(10,047)	(\$1,502,802)	(6,121)	(\$2,487,686)	(5,125)
Percent Change FY 2026 Request over FY 2025 Enacted	30.67%	48.01%	-33.79%	-31.06%	-36.65%	59.02%	-20.19%	-7.80%

3.2 – Summary of IRS FY 2026 Total Resources Budget Request

Dollars in Thousands

Funding Source	Taxpayer Services	Enforcement	Technology and Operations	Business Systems Modernization	Total
Discretionary	3,633,338	3,600,006	2,598,024		\$9,831,368
User Fees		975,000			\$975,000
Inflation Reduction Act	100,000	371,536	1,730,215		\$2,201,751
Carryover	100,000	250,000	275,000		\$625,000
Other Resources ¹	50,999	299,750	228,926	7,216	\$586,891
Total	\$3,884,337	\$5,496,292	\$4,832,165	\$7,216	\$14,220,010

¹Includes reimbursables, offsetting collections, recoveries, transfers, and PCA.