

Treasury Inspector General for Tax Administration

Program Summary by Budget Activity

Budget Activity	FY 2024 Operating Plan	FY 2025 Operating Plan	FY 2026 Request	FY 2025 to FY 2026 \$ Change	% Change
Audit	\$63,268	\$62,994	\$44,110	(\$18,884)	-30%
Investigations	\$109,240	\$109,514	\$93,551	(\$15,963)	-15%
Subtotal, Organization Title	\$172,508	\$172,508	\$137,661	(\$34,847)	-20%
Offsetting Collections (Reimbursable)	\$434	\$750	\$750	\$0	0%
Resources from Prior Years	\$839	\$635	\$0	(\$635)	-100%
Unobligated Balances from Prior Years	\$4,996	\$5,000	\$5,000	\$0	0%
IRA Funding Usage	\$36,791	\$49,795	\$53,554	\$3,759	8%
Subtotal Other Resources	\$43,060	\$56,180	\$59,304	\$3,124	6%
Total Budgetary Resources	\$215,568	\$228,688	\$196,965	(\$31,723)	-14%
Direct FTE	642	634	515	(119)	-19%
Reimbursable FTE	2	2	2	0	0%
IRA Funding FTE	125	129	143	14	11%
Total Full-time Equivalents (FTE)	769	765	660	(105)	-14%

FY 2024 Other Resources and Full-time Equivalents (FTE) reflect actuals.

Summary

The President's Fiscal Year (FY) 2026 budget request of \$137,661,000 represents a decrease of 20 percent below TIGTA's FY 2025 enacted budget level. Funding the President's FY 2026 budget request will enable the Treasury Inspector General for Tax Administration (TIGTA) to conduct some critical audit, investigative, and inspection and evaluation services to protect the integrity of the nation's federal tax system. Funding allows TIGTA's oversight efforts to continue, and for each dollar invested over the past 25 years, TIGTA produced an average annual return of \$102 per dollar spent. However, a proposed 20 percent funding cut would reduce funding to its lowest level since FY 2007 and require TIGTA to absorb 18 years of accumulated payroll and non-payroll inflationary increases.

Adequate funding allows TIGTA's oversight efforts to continue, and for each dollar invested over the past 25 years, TIGTA produced an average annual return of \$102 per dollar spent.

TIGTA's Offices of Audit (OA), Investigations (OI), Inspections and Evaluations (OIE), and Data Analytics (ODA) will use IRA funds to provide enhanced oversight of IRS operations, to include taxpayer services, enforcement, operations support, and business systems modernization.

TIGTA will provide oversight in critical areas, including:

- Overseeing the IRS's efforts to deliver service to taxpayers, helping them to understand and meet their tax obligations;
- Evaluating the IRS's efforts to design and deliver modern technology platforms, with security controls to prevent the unauthorized disclosure of taxpayer information;
- Ensuring the IRS treats all taxpayers fairly;

- Assessing the IRS's efforts to provide adequate security for its employees and facilities;
- Investigating unauthorized access to, and disclosure of, taxpayer information;
- Overseeing the IRS's efforts to implement tax law changes;
- Monitoring the IRS's ability to timely process taxpayer correspondence and meet customer service demands;
- Assessing the IRS's efforts to address tax-related identity theft;
- Protecting the integrity of the IRS by effectively investigating individuals and groups who victimize vulnerable taxpayers through IRS impersonation scams;
- Conducting advanced analytics and innovative approaches to prevent and detect the flow of dollars fraudulently obtained by criminals;
- Enhancing taxpayer confidence in electronic federal tax systems through the investigation and prosecution of cyber criminals engaged in attacks against, and manipulation of, IRS taxpayer service portals and the IRS network; and

TIGTA conducts audits, inspections, and evaluations that advise the public, Congress, the Secretary of the Treasury, and IRS management of high-risk issues, problems, and deficiencies related to the administration of IRS programs and operations. TIGTA's administrative and criminal investigations ensure the integrity of IRS operations, protect the IRS and its employees, and help the IRS protect and secure taxpayer data. TIGTA provides responsive, timely, and cost-effective inspections and evaluations of challenging areas in IRS programs. TIGTA's oversight is essential to the efficiency and fairness of the IRS's tax administration system.

Budget Highlights

Dollars in Thousands

	FTE	Amount
FY 2025 Operating Plan	634	\$172,508
Changes to Base:		
Other Adjustments:	(112)	(\$27,104)
Workforce Reshaping	(112)	(\$27,104)
Maintaining Current Levels (MCLs):	0	\$700
Pay Annualization (2025 2.0% average pay raise)	0	\$700
Subtotal Changes to Base	(112)	(26,404)
FY 2026 Current Services	522	\$146,104
Program Changes:		
Program Decreases	(7)	(\$8,443)
Audit and Investigations Staff Reductions	(7)	(\$1,720)
Operational Reductions	0	(\$6,723)
FY 2026 President's Budget Request	515	\$137,661

Budget Adjustments

Other Adjustments.....-\$27,104,000/-112 FTE

Workforce Reshaping -\$27,104,000/-112 FTE

At the start of FY 2025, TIGTA had 800 employees on board which corresponded to 765 annualized FTE. Throughout this FY at the direction of Treasury and in response to various workforce Executive Orders, TIGTA implemented workforce reshaping strategies to align with the President's priorities. These strategies include a hiring freeze (excluding law enforcement positions with an approved exception), a rescission of pending job offers, the cancellation of active job announcements, two iterations of the Deferred Resignation Program, employee terminations, an assessment of position management, and the identification of Posts of Duty for closure.

To meet the FY 2026 President's Budget funding level, additional significant staff reductions would be required, which TIGTA anticipates would further impact critical mission programs as identified in decreases outlined below. The results of these combined reductions are further described below under Program Decreases.

Maintaining Current Levels (MCLs).....+\$700,000/+0 FTE

Pay Annualization (2.0% in 2025) +\$700,000/+0 FTE

Funds are required for annualization of the January 2025 2.0% average pay raise.

Program Decreases.....-\$8,443,000/-7 FTE

Audit and Investigations Staff Reductions -\$1,720,000/-7 FTE

The President's Budget request would require TIGTA to reduce its FTE cumulatively by 119 compared to the FY 2025 initial Financial Plan. This includes the assumption that TIGTA's IRA funding will still be available in FY 2026. Were TIGTA to lose the IRA funding, the agency would have to further reduce staffing by 145 FTE. This would significantly impact TIGTA's ability to conduct critical IRS oversight.

At the 2026 Budget level, TIGTA estimates it would need to reduce the Audit budget activity by 87 FTE, a reduction of 30 percent from the FY 2025 level. This would result in approximately 35 fewer reviews in FY 2026 and significantly reduce recommendations to improve IRS systems, operations, and services to taxpayers.

TIGTA's OA and OIE strive to prevent wasteful spending by promoting the economy, efficiency, and effectiveness of tax administration. TIGTA's comprehensive performance and financial audits and evaluations of IRS programs and operations primarily address statutorily mandated reviews, high-risk challenges, and emerging issues.

TIGTA recommendations not only result in substantial cost savings to the Government, but have other quantifiable impacts, such as improving IRS systems and operations and ensuring fair treatment of taxpayers. TIGTA estimates that for every auditor lost, potential cost savings will decline by \$21.8 million, for a total loss of \$1.9 billion each year. Additionally, the FY 2026 Budget level would result in 1.2 million fewer taxpayers impacted by TIGTA's recommendations. For example, TIGTA's work identifies instances where taxpayers may not have received monies to which they are entitled and makes recommendations to remedy them.

In addition, last fiscal year, TIGTA had more than 50 reviews that could not be conducted because of resource limitations. With recent reductions in staffing due to workforce optimization initiatives, TIGTA anticipates a decrease in oversight reports issued this fiscal year. Further, TIGTA expects to see significant tax reform legislation passed in FY 2025, which will require enhanced monitoring to ensure appropriate implementation.

Last year, TIGTA issued 98 final reports and other products, which reported potential financial benefits totaling approximately \$6.9 billion and impacting approximately 5.6 million taxpayer accounts.

TIGTA would attempt to limit FTE losses to criminal investigators (special agents) to 15 FTE. Investigative professional staff (non-special agents) would need to be reduced by 12 FTE, for a total reduction of 27 FTE in OI. On average, each special agent returns approximately \$755,000 in restitution, fines, and court costs. Reducing special agents by 15 will result in a decreased return of approximately \$11.3 million each year. On average, each special agent works 18 investigative, resulting in 270 fewer investigative cases annually.

TIGTA investigators identify those who perpetrate violence against IRS employees, or who could pose a threat to the safety of IRS employees, facilities, or data infrastructure. A loss of special agents directly reduces TIGTA's ability to timely respond to these threats. The risk associated with this reduction could result in physical harm and/or the loss of life. Given ongoing and anticipated reductions in force, the Department, TIGTA, and IRS leadership have expressed concerns about insider threats. TIGTA also anticipates that reductions in IRS staffing will result in decreased taxpayer services, which historically has resulted in increased threats to IRS personnel, facilities, and infrastructure.

TIGTA investigations secure outcomes such as criminal, civil, or administrative actions. Last year, TIGTA secured one of these outcomes in 83 percent of its cases, exceeding its goal of 79 percent. For example, TIGTA recovered or protected from loss approximately \$2.5 billion in stolen, altered, and forged Treasury payments.

At FY 2026 Budget level, TIGTA estimates approximately 1,200 actionable outcomes will result from investigations in FY 2026, a decrease from 1,615 in FY 2025.

In addition to the losses in OA, OI, and OIE, the proposed President's Budget would result in a reduction of 22 support staff in various offices. TIGTA support staff are necessary to meet its law enforcement and statutory responsibilities. To sustain the proposed reduction, TIGTA will explore the use of expanded shared services provided by the Treasury or other federal agencies as they become available.

Operational Reductions -\$6,723,000/-0 FTE

While TIGTA expects limited reductions to rent where consolidation or elimination of offices is possible, most of these reductions will be made in staff training and travel. TIGTA primarily uses travel for the purposes of fulfilling its statutory mission. For example, audit and evaluation staff routinely travel to IRS sites to interview staff, inspect facilities, and conduct site visits.

Investigative staff travel to conduct interviews and surveillance, serve warrants, and respond to threats against IRS employees.

These reductions will also inhibit TIGTA's ability to modernize its information technology (IT) infrastructure, some of which is past the end of life and must be updated. In addition, TIGTA's systems to support data analytics were scheduled for an upgrade, which would have to be postponed. This could directly impact TIGTA's ability to accomplish its mission.

Legislative Proposals

TIGTA has no legislative proposals.

Comments of the Acting Treasury Inspector General for Tax Administration on the FY 2026 Proposed Funding Level

Under section 406(g) of the Inspector General Act of 1978, as amended, the Acting Treasury Inspector General for Tax Administration submitted TIGTA's FY 2026 budget request to Treasury, outlining the resources essential to support TIGTA's oversight mission. The Acting Treasury Inspector General for Tax Administration also provides the following comments regarding the President's proposed FY 2026 budget and its impact on TIGTA's ability to carry out its Congressionally mandated mission:

The President's FY 2026 Budget reduces TIGTA's funding to \$138 million, which is \$63 million less than TIGTA's initial request and \$41 million less than TIGTA's revised request. If not for available IRA funds, funding and staffing at the proposed level would substantially inhibit TIGTA from executing its statutorily mandated mission. TIGTA would be forced to reduce staffing and operations beyond what it has already undertaken in FY 2025 – just as the IRS is undergoing critical modernization efforts, staff reductions, and the loss of institutional knowledge and resources.

TIGTA's work plays a crucial role in supporting the President's priorities of eliminating fraud, waste, and abuse from Government programs and protecting taxpayer dollars. TIGTA oversees IRS programs and operations by performing independent audits, investigations, and inspections and evaluations. TIGTA also has the unique responsibility of protecting the IRS and its employees.

It is important to recognize that any cost and staffing reductions must be carefully weighed against their potential negative impact to our mission to reduce fraud, waste, and abuse. As previously mentioned in this Congressional Budget Justification, the proposed FY 2026 budget would require TIGTA to significantly reduce audit, inspection and evaluation staff which would result in approximately 35 fewer reviews. This reduction would come at a time of increased risk at the IRS, which, if anything, warrants additional oversight. In addition to mitigating risk, TIGTA has a proven track record of delivering substantial savings for the American taxpayer.

Over the course of its 25-year history, TIGTA has delivered an average annual return of \$102 for every dollar invested in it. The proposed reduction in funding, especially within TIGTA's audit and investigative functions, would have significant impacts on the agency's ability to provide independent oversight of the IRS.

In FY 2024, TIGTA recommended changes to the IRS that, if implemented, are estimated to generate \$6.9 billion in total financial benefits and positively impact 5.6 million taxpayers. For example, TIGTA's oversight helps ensure that taxpayers are treated fairly and only pay what they owe. Furthermore, based on internal risk identification processes, in FY 2024 alone, TIGTA identified more than 50 additional reviews that could not be conducted due to resource constraints.

In addition to audits, TIGTA conducts administrative and criminal investigations into fraud, waste, and abuse involving IRS programs and operations while helping to ensure that the IRS protects and secures taxpayer data. TIGTA also has the unique responsibility of protecting the IRS, its employees, and facilities from threats. A loss of special agents directly reduces TIGTA's ability to timely respond to these threats. TIGTA's Office of Investigations has also demonstrated a significant return on investment in recent years. For example, the Office:

- Identified a massive fraud scheme, which without TIGTA's intervention, would have resulted in payment of approximately \$3.5 billion in improper tax credits.
- Recovered more than \$1 billion in stolen Treasury checks in response to pervasive schemes to steal and sell checks on the dark web.

In addition to investigative accomplishments protecting revenue, TIGTA plays an important role in investigating, and deterring, those who seek to steal taxpayer information. For example, a former IRS contractor was sentenced to five years in prison for disclosing thousands of tax returns without authorization.¹ Due to statutory restrictions which protect access to taxpayer information, TIGTA was the only agency with the authority to investigate the case. TIGTA relentlessly investigates individuals who illicitly access and disclose taxpayer information.

Lastly, TIGTA is in the process of making significant upgrades to its information technology infrastructure, including strengthening our cybersecurity posture to protect taxpayer data, and overhauling how we store, access, and analyze large data sets that serve as the bedrock for our audits and investigations. With the proposed budget, TIGTA is approaching the threshold at which we would no longer be able to maintain a secure and functioning information technology environment.

¹ The facts in the summarized investigative cases on this page comes from court documents of the respective jurisdictions.