

# United States Senate

WASHINGTON, DC 20510

January 26, 2026

The Honorable Scott Bessent  
Acting Commissioner, Internal Revenue Service  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

Dear Acting Commissioner Bessent:

We write to you regarding serious concerns about fairness in tax enforcement. In particular, we are concerned that recent staffing, funding, and operational decisions are shifting the IRS's audit focus away from high-income and high-wealth taxpayers, and toward audits of low- and middle-income filers.

According to the latest data available, the IRS examines returns filed by low-income taxpayers claiming the earned income tax credit (EITC) at a higher rate (0.7%) than those earning \$500,000 to \$1,000,000 per year (0.6%) — and at a significantly higher rate than partnership returns (0.02%) and the returns of corporations earning \$5,000,000 to \$10,000,000 per year (0.2%).<sup>1</sup>

This pattern is especially troubling given evidence that EITC audit selection has produced racially disparate outcomes, with Black taxpayers selected at three to five times the rate of other taxpayers.<sup>2</sup> Former Commissioner Werfel committed to addressing these disparities by improving compliance support for lower-income taxpayers while reserving enforcement resources for complex, high-wealth cases.<sup>3</sup> It is unclear whether that commitment can be sustained under current resource constraints.

Last year, the administration proposed to reduce IRS FY26 enforcement funding by roughly one-third.<sup>4</sup> Under this administration, the IRS has already lost over 25% of its employees, including 26% of its revenue agents — the specialists responsible for auditing large businesses and wealthy taxpayers.<sup>5</sup> Nearly all of those overseeing the IRS's new large partnership audit unit — which

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<sup>1</sup> IRS, *Internal Revenue Service Data Book, 2024*, Pub. 55B (Apr. 2025), Table 17,

<https://www.irs.gov/statistics/compliance-presence>

<sup>2</sup> Letter from IRS Commissioner Danny Werfel to Members of Congress (Sept. 18, 2023),

<https://www.irs.gov/pub/newsroom/091823-letter-to-congress-auditunit-disparity.pdf>

<sup>3</sup> *Id.*

<sup>4</sup> Treasury IRS, Congressional Justification, FY26, <https://home.treasury.gov/system/files/266/02.-IRS-FY-2026-CJ.pdf>

<sup>5</sup> TIGTA, Snapshot Report: IRS Workforce Reductions as of May 2025, Rep. No. 2025-IE-R027 (July 18, 2025), [https://www.tigta.gov/sites/default/files/reports/2025-08/2025ier027\\_smallfr.pdf](https://www.tigta.gov/sites/default/files/reports/2025-08/2025ier027_smallfr.pdf)

focused on the 75 largest partnerships, including hedge funds and real estate investment partnerships — have quit.<sup>6</sup>

This loss of skilled auditors will shift the audit burden from the largest businesses onto smaller ones and increase the deficit. A new study finds that the return on investment for partnerships audits is over 20 to 1 — over eight times what the I.R.S. generates from auditing corporations.<sup>7</sup> It will take years to recruit, hire, and train personnel needed to replace the loss of these highly skilled auditors.

Furthermore, instead of allowing highly skilled IRS Criminal Investigation agents to do the job of prosecuting wealthy tax evaders, terrorists, drug dealers, and human traffickers, the administration is squandering their unique talents by having many of them work on immigration enforcement.

We know what happens when the IRS's enforcement budget is cut. When the IRS's budget was slashed between 2010 and 2021, and the number of enforcement staff fell by roughly 30 percent, audit rates for millionaires dropped by 77 percent,<sup>8</sup> and audit rates for large corporations were cut roughly in half.<sup>9</sup> During that same period, the IRS reported that more than 125,000 high-income taxpayers with more than \$100 billion in cumulative financial activity did not even file returns.<sup>10</sup> Enforcement did not “get smarter” as a result of the cuts Republicans inflicted on the agency; it got smaller, and the burden of audits shifted off the rich and onto the working class.

Secretary Bessent has stated publicly that employing fewer IRS revenue agents would not reduce revenue collection because the agency could rely on “smarter IT” and “this AI boom” to offset staffing losses in audits and enforcement.<sup>11</sup> Congress is being asked to consider deep reductions in IRS staffing and funding — including a 37% cut in technology funding<sup>12</sup> — while also being told that artificial intelligence will substitute for experienced personnel.<sup>13</sup>

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<sup>6</sup> Jesse Drucker, *Push to Audit Private Equity and Venture Capital Falters Under Trump*, NYT (Jan. 8, 2026), <https://www.nytimes.com/2026/01/08/business/irs-private-equity-venture-capital-audits.html>

<sup>7</sup> *Id.*

<sup>8</sup> US Department of the Treasury, *Treasury, IRS Release Plan to Deliver Improved Service for Americans, Reduce Deficit by Hundreds of Billions*, April 6, 2023, <https://home.treasury.gov/news/featured-stories/treasury-irs-release-plan-to-deliver-improved-service-for-americans-reduce-deficit-by-hundreds-of-billions>

<sup>9</sup> Natasha Sarin and Mark J. Mazur, *The Inflation Reduction Act's Impact on Tax Compliance-and Fiscal Sustainability*, SSRN, May 21, 2023, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=4449161](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4449161).

<sup>10</sup> Internal Revenue Service, *IRS launches new effort aimed at high-income non-filers; 125,000 cases focused on high earners, including millionaires, who failed to file tax returns with financial activity topping \$100 billion*, February 29, 2024, <https://www.irs.gov/newsroom/irs-launches-new-effort-aimed-at-high-income-non-filers-125000-cases-focused-on-high-earners-including-millionaires-who-failed-to-file-tax-returns-with-financial-activity-topping-100-billion>

<sup>11</sup> Ellen Jennings-Trace, *IRS could use AI to replace workers after mass layoffs*, techradar, May 9, 2025, <https://www.yahoo.com/news/irs-could-ai-replace-workers-163841829.html>

<sup>12</sup> Renu Zaretsky, *Budget Cuts Proposed, Debt Pressures Build*, Tax Policy Center, June 2, 2025, <https://taxpolicycenter.org/daily-deduction/budget-cuts-proposed-debt-pressures-build>

<sup>13</sup> Multi-year funding provided to the IRS by the Inflation Reduction Act (IRA) funding is unlikely to make up the difference. This funding has become a piggy bank. The Labor-HHS funding bill only the latest in a series of bills

Yet the Treasury Inspector General for Tax Enforcement's (TIGTA's) Annual Assessment of the IRS's Information Technology Program finds that the IRS continues to face significant weaknesses in core IT functions.<sup>14</sup> TIGTA also reports that IT staffing declined sharply by roughly 25 percent in early 2025, at the same time the agency is being told to rely more heavily on technology and automation.

The IRS has also paused or re-evaluated technology modernization investments in light of AI developments, even as obsolete core systems built decades ago remain in service.<sup>15</sup> These pauses come as the administration proposes to cut the IRS's technology budget by roughly \$2 billion and to rescind billions of dollars in unobligated Inflation Reduction Act (IRA) funding that was intended to support modernization, operations, and enforcement. While large banks spend more than the entire IRS budget on technology,<sup>16</sup> this administration has proposed investing even less in the agency this year than Congress budgeted for the IRS 20 years ago.<sup>17</sup> Against that backdrop, claims that AI can replace revenue agents warrant close scrutiny.

As we debate funding levels, no one has to theorize about the likely effects of steep budget cuts on IRS enforcement. Recent history tells us that the administration's plans for the IRS will shift the burden of audits more heavily onto working Americans while giving rich scofflaws and big businesses a green light to cheat on their taxes. The administration has failed to detail any serious plan to avoid that unfair outcome. Congress needs answers to evaluate the administration's budget requests.

Accordingly, please respond to the following questions by **February 16**:

1. **Enforcement functions:** What specific enforcement tasks does Treasury believe AI can replace or materially augment in the absence of revenue agents? Identify which functions in large-partnership, large-corporation, and high-wealth examinations are expected to rely on AI, and separately, which still require trained personnel.
2. **Evidence of effectiveness:** What pilots, back-testing, or validation studies demonstrate that current or planned AI tools improve detection, adjustment rates, or revenue yield in complex, high-dollar cases compared with revenue-agent-led examinations? Provide

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that would rescind that funding. It would rescind \$11.7 billion in IRA funding for IRS technology and operations support (TOS). See section 529 of S. 2587. Nor its its FY26 budget, which may cut TOS by about \$1 billion for FY 26. See H.R. 7006.

<sup>14</sup> TIGTA, Annual Assessment of the IRS's Information Technology Program for Fiscal Year 2024, Rep. No. 2025-2S0-007, June 23, 2025, <https://www.tigta.gov/sites/default/files/reports/2025-08/20252S0007fr.pdf>

<sup>15</sup> GAO, *Information Technology: IRS Is Developing a New Modernization Framework*, GAO-25-107611, Sep 16, 2025, <https://www.gao.gov/products/gao-25-107611>

<sup>16</sup> Gokhan Ozturk et al., *How much should retail banks spend on digital and AI? How much is enough?*, Aliz Partners, June 2, 2025, <https://www.alixpartners.com/insights/102kd1r/how-much-should-retail-banks-spend-on-digital-and-ai-how-much-is-enough/>

<sup>17</sup> IRS, *SOI Tax Stats - Costs Incurred by Budget Activity - IRS Data Book Table 32, Historical Tables*, <https://www.irs.gov/statistics/soi-tax-stats-costs-incurred-by-budget-the-algorithms-set-activity-irs-data-book-table-32>

results by tool and taxpayer segment.

3. **Audit mix safeguards:** With staffing reduced and AI expanded, what safeguards will prevent enforcement from shifting toward easier correspondence audits of lower-income taxpayers? Provide targets for audit coverage by examination type and income level for FY 2026 and FY 2027.
4. **Staffing thresholds:** What operational capability thresholds of AI competence or performance are needed to provide IRS management with confidence that it can rely on AI and reduce enforcement staffing, particularly among revenue agents assigned to large-partnership and large-corporation examinations?
5. **Technology cuts:** How will proposed technology funding cuts and IRA rescissions affect the development, deployment, security, and oversight of AI systems used in enforcement? Identify projects delayed, paused, or canceled as a result.
6. **Bias and accountability:** What protections ensure that AI-driven enforcement decisions are auditable, explainable, and free from bias, including racial bias? What steps did the IRS take during this administration in 2025 to address racial disparities in audit selection, and what is planned for 2026 and beyond?
7. **Criminal investigation capacity:** How many Criminal Investigation agents have been reassigned to immigration enforcement, for how long, and what tax enforcement work was delayed or forgone as a result?
8. **Program reductions:** Which enforcement initiatives have been reduced, paused, or terminated since the beginning of 2025, and why? How many audits were paused or terminated as a result of staffing reductions or retirements? How long were the audits delayed? Identify these reductions by audit type, including examinations of Forms 1120, 1065, 1040 (by income band), 990, and any other major return categories.
9. **Capabilities foregone:** Given proposed FY 2026 funding levels and IRA rescissions, what specific enforcement, modernization, and taxpayer service capabilities will the IRS no longer be able to sustain?
10. **Large partnership audit initiative:** The IRS announced the creation of a specialized large-partnership audit group in recent years to address historically low audit rates and complex noncompliance among large partnerships. (For purposes of this question, exclude examinations primarily related to listed transactions or issue-based campaigns, including syndicated conservation easements.)

- a. What is the current size of this group (staffing levels by role), and how has that changed since its launch?
- b. Which campaigns, enforcement initiatives, or projects undertaken by this group have been paused, delayed, reduced, or abandoned, comparing the period prior to 2025 with 2025 and beyond? For each such campaign or project, identify the number of employees assigned in each period.
- c. What measurable outcomes has the group achieved, including audits initiated and completed, adjustments proposed, and revenue assessed or collected? Please break the following data out for the periods before 2025 and after:
  - i. The number of audits initiated;
  - ii. The number of audits closed, broken out by closed with adjustment, no change, survey, or other disposition; and
  - iii. The primary issue types examined and auditor hours by issue.<sup>18</sup>
- d. How have recent staffing losses, funding proposals, and the use of AI affected this group's operations and future plans?

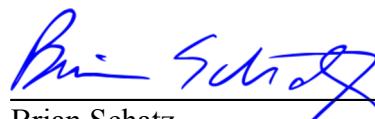
We look forward to your prompt response.

Sincerely,

  
Ron Wyden  
United States Senator  
Ranking Member, Committee  
on Finance

  
Chris Van Hollen  
United States Senator

  
Raphael Warnock  
United States Senator

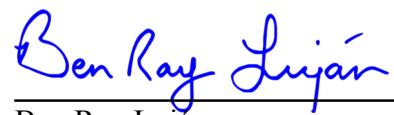
  
Brian Schatz  
United States Senator

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<sup>18</sup> Identify issue types using Standard Audit Index Number (SAIN) Codes or Uniform Issue List (UIL) identifiers, and provide auditor hours by issue as tracked in the Issue Management System (IMS).



Elizabeth Warren  
United States Senator



Ben Ray Lujan  
United States Senator



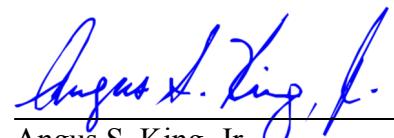
Sheldon Whitehouse  
United States Senator



Peter Welch  
United States Senator



Tammy Baldwin  
United States Senator



Angus S. King, Jr.  
United States Senator

CC:

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