TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Snapshot Report: IRS Workforce Reductions as of March 2025

May 2, 2025

Report Number: 2025-IE-R017

HIGHLIGHTS: Snapshot Report: IRS Workforce Reductions as of March 2025

Final Evaluation Report issued on May 2, 2025 | **Report Number 2025-IE-R017**

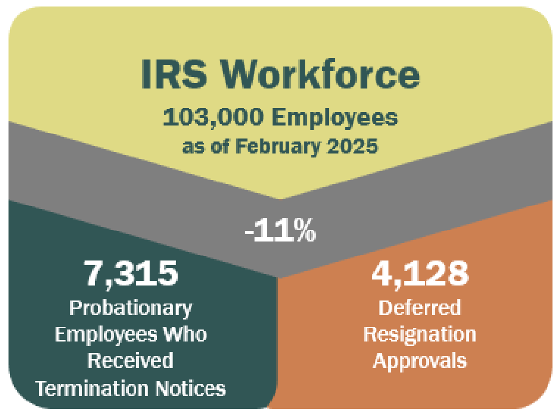
Why TIGTA Did This Evaluation

As part of the President's actions to reduce the size of the federal government's workforce, the Office of Personnel Management issued guidance for agencies to follow related to probationary employee terminations and the deferred resignation program (DRP). The DRP allowed federal employees to voluntarily resign with pay through September 30, 2025.

We initiated this review to provide an update on the IRS's efforts to reduce its workforce. This report provides a snapshot of IRS business units impacted. Our report also shares demographics of probationary employees who received termination notices and employees who took the DRP offer (collectively referred to as separations), as of March 2025.

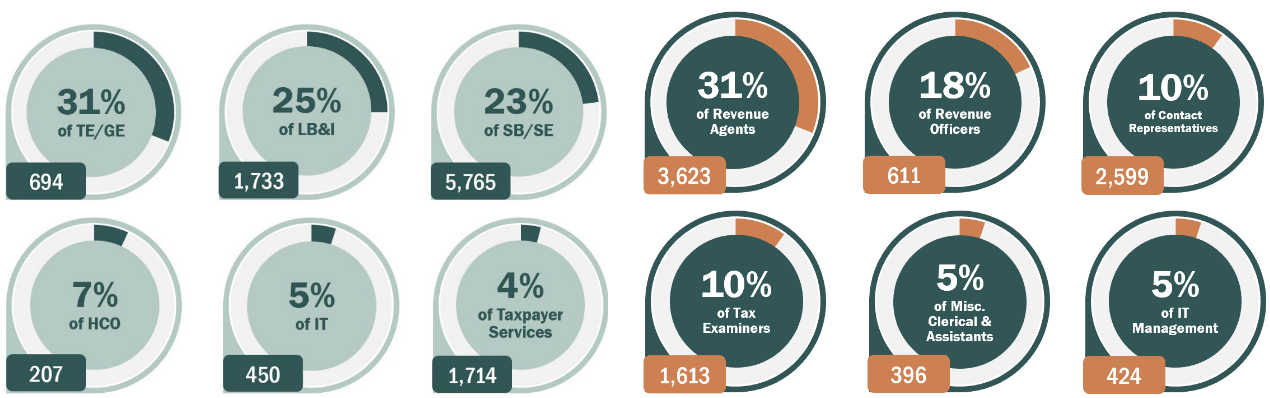
What TIGTA Found

As of March 2025, more than 11,000 IRS employees were either approved for the DRP or received termination notices during their probationary employment period. These departures represent 11 percent of the IRS's workforce and impact certain business units more than others.



Additionally, the separations disproportionately impacted employees in certain positions (*e.g.*, job series). For example, approximately 31 percent of revenue agents separated, while 5 percent of Information Technology management separated. Revenue agents conduct examinations (audits) by reviewing financial records of individual and businesses to verify what is reported. They can work in several IRS business units examining different types of taxpayers.

BUSINESS UNITS | **JOB SERIES**



TREASURY INSPECTOR GENERAL
for Tax Administration

DATE: May 2, 2025

MEMORANDUM FOR: COMMISSIONER OF INTERNAL REVENUE

FROM: Nancy A. LaManna
Deputy Inspector General for Inspections and Evaluations

SUBJECT: Final Evaluation Report – Snapshot Report: IRS Workforce Reductions as of March 2025 (Evaluation No.: IE-25-031)

This report presents the results of our review to provide an update on the Internal Revenue Service's efforts to reduce its workforce. The report provides demographics on probationary employees who received termination notices and employees who accepted the offer from the deferred resignation program. Our report is informational only. We made no recommendations.

If you have any questions, please contact me or Kent Sagara, Director, Inspections and Evaluations.

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Background

Since January 2025, the President has issued several executive orders to reduce the size of the federal government's workforce. The Office of Personnel Management (OPM) subsequently issued guidance to help agencies comply with these executive orders.

The Initial Deferred Resignation Program

In January 2025, OPM released information on its deferred resignation program (DRP), which allowed federal employees to resign but retain all pay and benefits through September 30, 2025. Employees who accepted the DRP were also exempted from any return-to-office requirements. Some IRS employees accepting the deferred resignation offer were required to work until at least May 15, 2025, to help with the tax filing season.

Probationary Employees Who Received Termination Notices

In January 2025, OPM also issued its "Guidance on Probationary Periods, Administrative Leave and Details" memorandum to all agency heads. The memorandum noted that "generally, employees in the competitive service with less than one year of service, and in the excepted service with less than two years of service, can be terminated without triggering Merit Systems Protection Board appeal rights." Agencies were asked to identify all employees on probationary periods. This includes employees who have served less than one year in a competitive service appointment, or who have served less than two years in an excepted service appointment. The guidance further stated that agencies should promptly determine whether those employees should be retained.

Based on the executive orders, OPM guidance, and direction from the U.S. Department of the Treasury (Treasury), the IRS began taking actions to terminate employees during their probationary period. The IRS Human Capital Office pulled an initial list of probationary employees and exempted employees from the Taxpayer Services, Taxpayer Advocate, and Information Technology departments who were essential personnel for the tax filing season. Notices were sent to probationary employees terminating their employment in February 2025. There were subsequent court challenges, and in March 2025 a federal court in Maryland ruled the probationary employees needed to be reinstated.

In April 2025, the U.S. Supreme Court placed a tentative stop on the rehiring of federal probationary employees. According to the IRS, prior to the Supreme Court's decision, the probationary employees who received termination notices were reinstated and placed on administrative leave. Currently, it is unclear whether any probationary employees will remain reinstated or be terminated in a large-scale Reduction in Force (RIF).

Reduction in Force

Further reductions are anticipated. In February 2025, the President signed an executive order titled "Implementing the President's 'Department of Government Efficiency' Workforce Optimization Initiative." Per OPM, the executive order advised agency heads to promptly undertake preparations to initiate large-scale RIFs, consistent with applicable law, and to separate from federal service temporary employees and reemployed annuitants working in areas that will likely be subject to the RIFs.

In March 2025, the IRS reported that it placed 48 senior Information Technology employees on administrative leave. Treasury and IRS leadership determined that "the best way to improve the performance of the IRS was to place approximately 50 personnel, primarily non-technical, who were in technical decision-making roles on temporary paid administrative leave while information technology reform efforts were underway." Of the 48 employees placed on leave, 27 were either in key management positions or were individuals recruited for their expertise related to the IRS's restructuring efforts.

In addition, the IRS announced in April 2025 that it has begun implementing a RIF that will result in staffing cuts across multiple offices and job categories. As part of the announcement, the IRS notified its workforce that it initiated a RIF for the Office of Civil Rights and Compliance (formerly the Office of Equity, Diversity & Inclusion). The communication indicated that approximately 5 percent of this office left through the DRP and attrition, with an additional 75 percent of the office to be reduced through a RIF. Later in April, the IRS announced that it had initiated a RIF for the Taxpayer Experience Office and the Office of Equity, Diversity & Inclusion in Taxpayer Services.

Additional Efforts to Reduce the Workforce

In conjunction with the RIF, the IRS is offering three voluntary separation programs:

- the Treasury Deferred Resignation Program (TDRP) will mirror the benefits of the first DRP offering.
- the Voluntary Separation Incentive Payment.
- the Voluntary Early Retirement Authority.

In April 2025, the IRS extended the TDRP offer to its employees. According to the IRS, over 23,000 employees applied for the TDRP, and 13,124 were approved as of April 22, 2025.

In addition, we were made aware that IRS senior officials raised concerns about how the IRS is implementing its RIF procedures. This is our first report on the IRS's workforce reductions, and we focused on probationary employees identified for termination and employees who voluntarily participated in the initial DRP (collectively referred to as separations). We plan to periodically update this report to highlight additional IRS actions to reduce the workforce, and key IRS operational areas impacted by the cuts.[1] We also plan to evaluate actions that the IRS has taken to terminate its probationary employees.

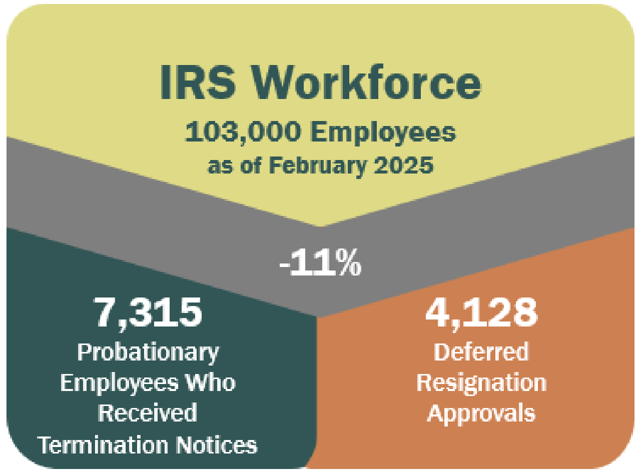
Results of Review

According to IRS records, 7,315 probationary employees received termination notices, and 4,128 employees were approved to accept the initial DRP. This is an 11 percent reduction to the IRS workforce, which had approximately 103,000 employees as of February 2025.

[1] We used data provided by the IRS Human Capital Office for our analysis. We discussed with IRS management how the data was created and any discrepancies we identified. We did not independently validate the data for this informational report.

Figure 1 shows the breakdown of the 11,433 IRS employees who were terminated because of their probationary status or approved to accept the DRP. We analyzed data from the IRS Human Capital Office and the Treasury Integrated Management Information System (TIMIS).

Figure 1: Total Separations From IRS Workforce



Source: TIGTA analysis of IRS Human Capital Office data (March 2025) and TIMIS data (February 2025).

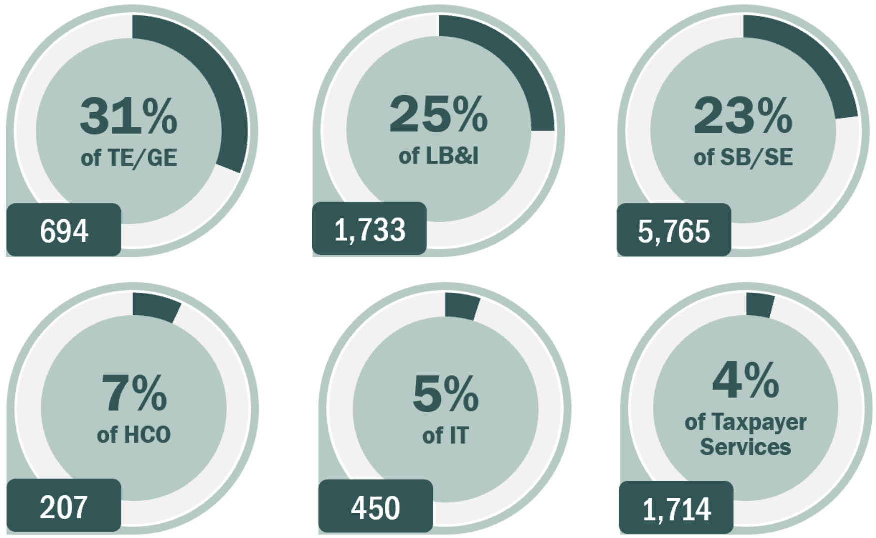
These separations could impact certain IRS business units more than others. Figure 2 lists the Top 6 IRS business units affected. Figure 3 shows the percentage breakdown of separations by business units.

Figure 2: Top 6 IRS Business Units Affected by IRS Separations

Description of IRS Business Units
Human Capital Office (HCO) supports IRS employee with Human Resource topics.
Information Technology (IT) supports IRS employees by delivering IT services and solutions.
Large Business and International (LB&I) helps corporations, partnerships with assets greater than $10 million to comply with tax laws, including emerging international issues.
Small Business/Self Employed (SB/SE) helps small business and self-employed taxpayers understand and meet their tax obligations.
Tax Exempt & Government Entities (TE/GE) helps taxpayers with pension plans, exempt organizations, and government entities to comply with the tax laws.
Taxpayer Services (TS) helps taxpayers understand and comply with tax laws.

Source: IRS internal SharePoint site.

Figure 3: Count and Percentage Impact of Separations on the Top 6 IRS Business Units



Source: TIGTA analysis of IRS Human Capital Office data (March 2025) and TIMIS data (February 2025).

Additionally, the separations disproportionately impacted employees in certain positions (*e.g.*, job series). For example, the number of revenue agents declined by approximately 31 percent. Revenue agents conduct examinations (audits) by reviewing financial records of individual and businesses to verify what is reported. According to the IRS, in Fiscal Year 2023, examination activities recommended approximately $32 billion in additional tax assessments.[2] Figure 4 lists the Top 6 job series most affected by the separations. Figure 5 highlights these job series by separations.

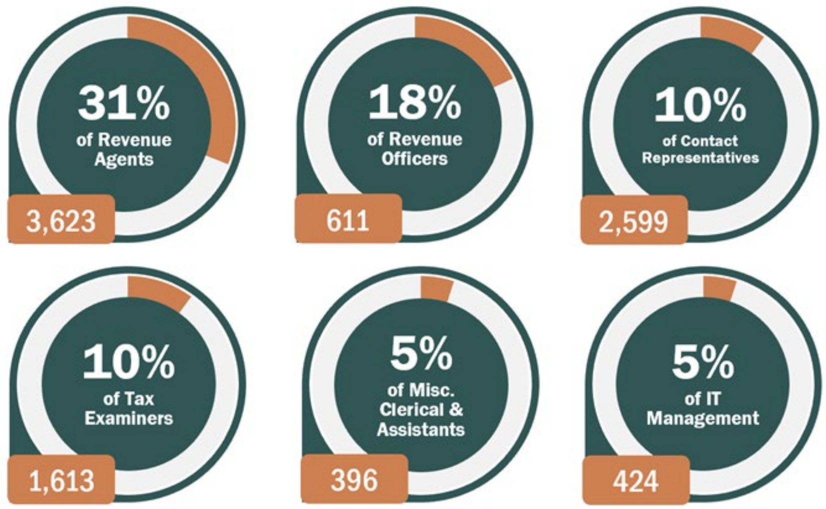
Figure 4: Top 6 Job Series Most Affected by IRS Separations

Brief Description of Job Titles
Contact Representatives helps taxpayers resolve their tax-related issues.
IT Management supports information technology (IT) systems and services.
Miscellaneous Clerical and Assistants provide administrative support for IRS operations.
Revenue Agents examine tax returns to determine or advise on liability for Federal tax laws.
Revenue Officers perform work related to collecting delinquent taxes, surveying for unreported taxes, and securing delinquent returns.
Tax Examiners perform work related to processing tax return, managing accounts, collecting taxes and/or obtaining tax returns, computing or verifying tax, penalties, and interest, and determining proper tax liabilities.

Source: OPM's Handbook of Occupational Groups and Families.

[2] IRS "Internal Revenue Service Data Book" (2023), available at https://www.irs.gov/pub/irs-pdf/p55b.pdf.

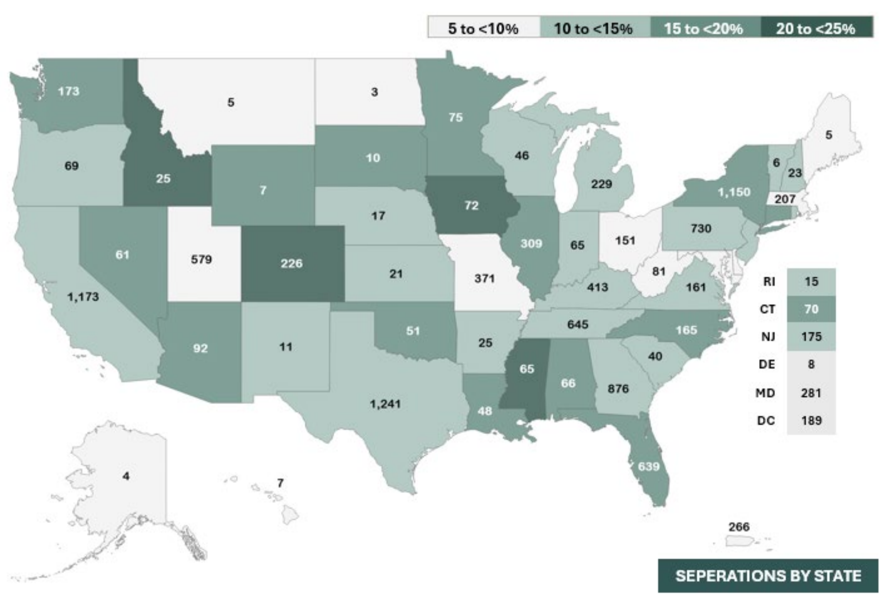
Figure 5: Count and Percentage Impact of Separations by Job Series



Source: TIGTA analysis of IRS Human Capital Office data (March 2025) and TIMIS data (February 2025).

Reducing the IRS workforce has had nationwide implications. Every state, the District of Columbia, and Puerto Rico [hereafter referred to as state(s)] had probationary employees who received termination notices or accepted the DRP. Iowa, Colorado, Mississippi, and Idaho had the highest percentage of employee separations compared to the IRS workforce in those states. Figure 6 shows the states where the affected employees worked and the percentage of employees separating compared to the IRS workforce in the state.

Figure 6: Probationary and DRP Employees by State



Source: TIGTA analysis of IRS Human Capital Office data (March 2025) and TIMIS data (February 2025).[3]

[3] Total does not sum to 11,443. One employee did not have TIMIS data available for analysis.

Demographics of Probationary Employees Who Received Termination Notices

According to the IRS, 7,310 probationary employees received termination notices in February 2025, and 5 received notices in early March 2025. The IRS emails and/or hard copy letters notified the employees that they were terminated for performance. At the time the probationary employees were issued termination notices, several senior IRS officials raised concerns that many of these employees did not have documented performance issues. We have a review underway to assess the allegations that these officials made.

In March 2025, a federal court ruled that the probationary employees needed to be reinstated. The IRS recalled the terminated employees but placed them on administrative leave. There have been court cases challenging the terminations and reinstatements. Currently, it is unclear what the final disposition will be for probationary employees who received termination notices.

According to OPM, probationary periods are an essential tool for agencies to assess employee performance and manage staffing levels. Generally, employees in the competitive service with less than one year of service, and in the excepted service with less than two years of service, can be terminated without triggering Merit Systems Protection Board appeal rights. This applies to temporary employees on appointments “not to exceed” a date.

How many years of service did probationary employees have at the IRS?

Most of the 7,315 probationary employees who received termination notices had less than one year experience with the IRS.[4]

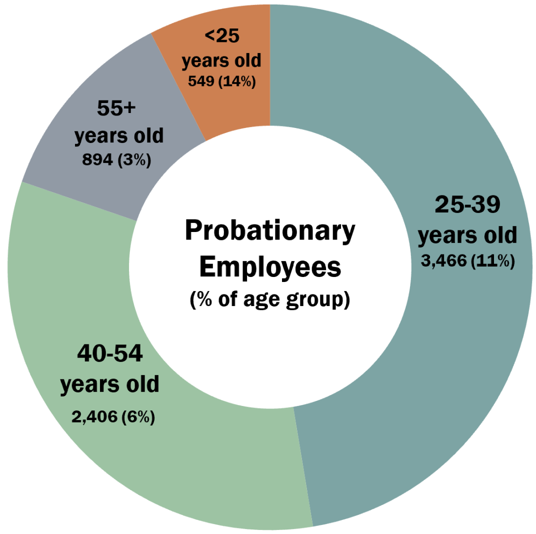
- 6,669 employees had 1 year of service or less.
- 615 employees had between 1 and 5 years of services.
- 31 employees had more than 5 years of service.

What were the ages of probationary employees?

The termination of probationary employees will have a greater impact on certain age groups within the IRS workforce. Probationary employees who received termination notices tended to be under the age of 40. For example, 549 probationary employees were under 25 years old, which represented 14 percent of all IRS employees in that age group. Figure 7 shows the age groups for all probationary employees who received termination notices.

[4] Years of service was calculated as of March 12, 2025.

Figure 7: Probationary Employees by Age Group



Source: TIGTA analysis of IRS Human Capital Office data (March 2025) and Probationary Employee Terminations and TIMIS data (February 2025).

What were the grade levels of probationary employees?

Probationary employees who received termination notices were from all grade levels. Although most of these probationary employees had not been with the IRS long, some were in highly skilled technical positions. For example, some GS-13 employees were IT specialists and data scientists. We determined that 1,488 probationary employees were GS-13 (13 percent of all employees at that grade level).

Demographics of Employees Who Accepted the Deferred Resignation Program Offer

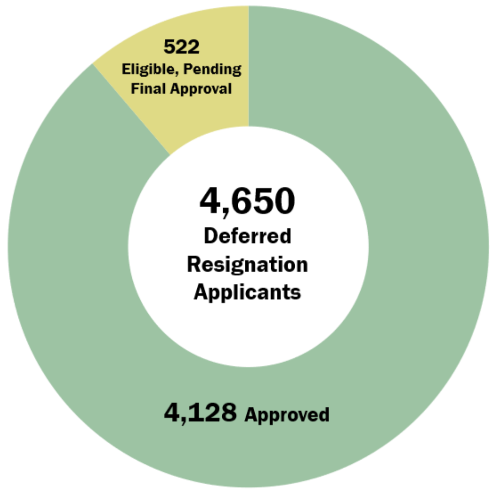
According to the IRS, 4,128 of its employees accepted and were approved for the DRP. On January 28, 2025, OPM issued mass emails to federal employees that contained the following excerpt on the DRP (the deadline was subsequently extended to February 12, 2025).

> *"If you choose not to continue in your current role in the federal workforce, we thank you for your service to your country and you will be provided with a dignified, fair departure from the federal government utilizing **a deferred resignation program**. This program begins effective January 28 and is available to all federal employees until February 6. If you resign under this program, you will retain all pay and benefits regardless of your daily workload and will be exempted from all applicable in-person work requirements until September 30, 2025 (or earlier if you choose to accelerate your resignation for any reason). The details of this separation plan can be found below."*

What is the status of DRP applicants, as of March 2025?

According to the IRS, 4,128 employees have been approved for the DRP. There are 522 employees that applied but have not received final approval or are awaiting employee verification. Figure 8 presents the breakdown of their status, as of March 2025.

Figure 8: Status of DRP Approvals and Pending Eligibility



Source: TIGTA analysis of IRS Human Capital Office DRP data (March 2025).

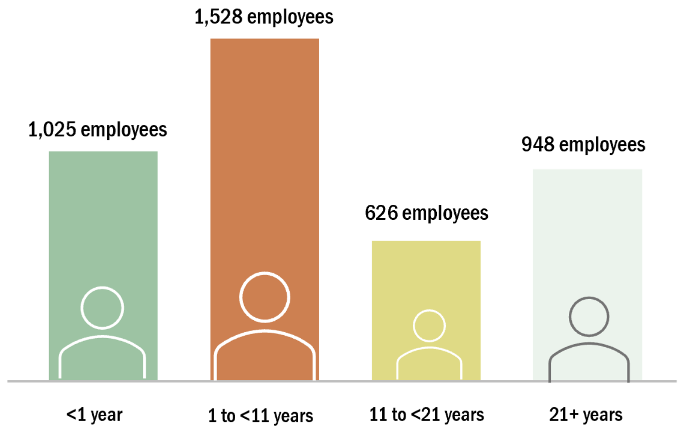
How many DRP employees are on administrative leave, as of March 2025?

According to the IRS, as of March 2025, more than half (54 percent) of employees that accepted the DRP were placed on administrative leave. One of the stipulations for the DRP, specific to the IRS, is that employees who accept the offer but work in “critical filing season positions” must work until at least May 15, 2025, before being placed on administrative leave. Managers also had the discretion to decide when an employee could be placed on administrative leave. Generally, all employees that accepted the DRP will be separated from the IRS as of September 30, 2025.

How many years of IRS service did DRP employees have?

Approved DRP employees had varying years of experience, with many having 11 or more years of IRS service. Figure 9 highlights DRP employees’ years of IRS service.

Figure 9: DRP Employees' Years of IRS Service

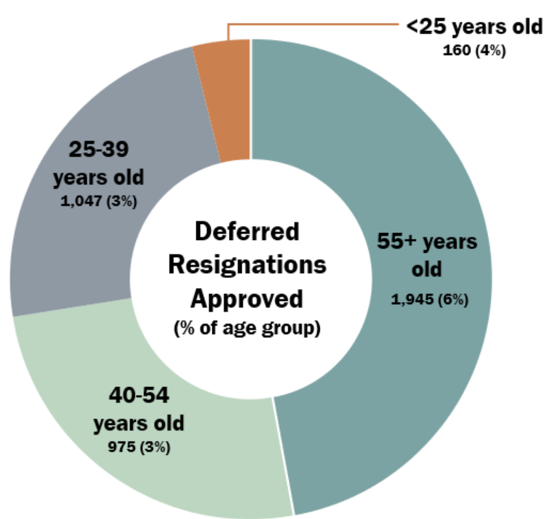


Source: TIGTA analysis of IRS Human Capital Office DRP data (March 2025) and TIMIS data (February 2025). [5]

What were the ages of IRS employees approved for the DRP?

Nearly half (47 percent) of IRS employees whose deferred resignations have been approved were more than 55 years of age. These separations had a similar impact across all age groups. Figure 10 shows the number of DRP employees in various age categories.

Figure 10: Age Groups of DRP Employees



Source: TIGTA analysis of IRS Human Capital Office DRP data (March 2025) and TIMIS data (February 2025).

As previously mentioned, in April 2025, the IRS extended the TDRP offer to its employees. According to the IRS, over 23,000 employees applied for the TDRP, and 13,124 were approved as of April 22, 2025. We will continue to report on the impact of the TDRP and RIF procedures on the IRS workforce in subsequent reports.

[5] For Figures 9 and 10, the total does not sum to 4,128. One employee did not have TIMIS data available for analysis. Years of service was calculated as of March 12, 2025.

Appendix I

Detailed Objective, Scope, and Methodology

Our overall objective was to provide an update on the IRS's efforts to reduce its workforce. To accomplish our objective, we:

- Obtained information from the IRS on probationary employees who were identified, sent dismissal letters, and terminated from employment. We also reviewed information on employees who accepted and were approved for the DRP offer to voluntarily resign or retire from the IRS.
- Independently compared and verified select fields from IRS time-and-attendance information from January 12, 2025, through February 22, 2025.
- Compiled demographic information on probationary employees who received termination notices and employees who accepted the DRP offer.

Performance of This Review

This review was performed with information obtained from the IRS Office of Human Capital in March 2025. We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *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 followed procedures to ensure accuracy of the information presented. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Data Validation Methodology

We analyzed data provided by the IRS Human Capital Office. We compared select fields from this data to records in TIMIS and the Discovery Directory. We discussed with IRS management how the data was created. We did not independently validate the data for this informational report.

Appendix II

Abbreviations

DRP	Deferred Resignation Program
IRS	Internal Revenue Service
OPM	Office of Personnel Management
RIF	Reduction in Force
TDRP	Treasury Deferred Resignation Program
TIGTA	Treasury Inspector General for Tax Administration
TIMIS	Treasury Integrated Management Information System
Treasury	U.S. Department of the Treasury

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 www.tigta.gov/form/suggestions.

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