TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

Snapshot Report: IRS Workforce Reductions as of May 2025

July 18, 2025

Report Number: 2025-IE-R027

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

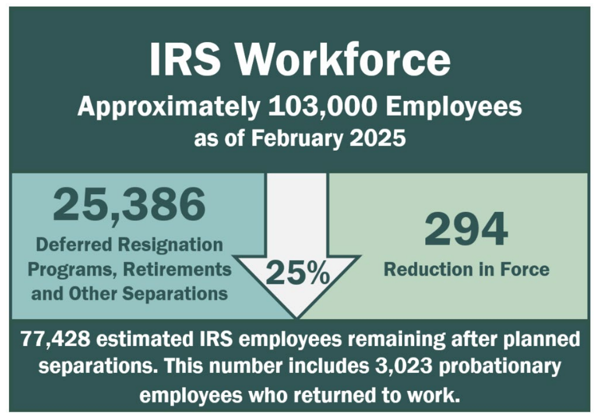
Final Evaluation Report issued on July 18, 2025 **Report Number 2025-IE-R027**

Why TIGTA Did This Evaluation

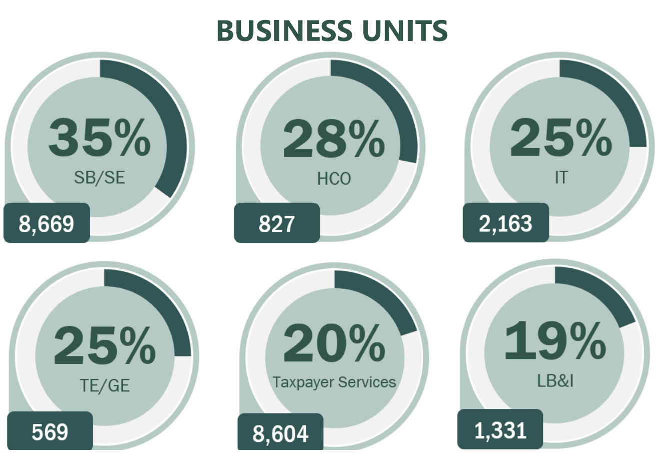
As part of its efforts to reduce the size of the federal government's workforce, the IRS offered deferred resignation programs (DRP). These programs allowed federal employees to resign with pay through September 30, 2025, or later, if the employee's retirement date was between October 1 and December 31, 2025. The IRS also offered Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) to encourage employees to leave federal service. Additionally, in April 2025, the IRS began Reduction in Force (RIF) actions to further reduce its workforce.

We initiated this review to provide an update to our previous report on the IRS's efforts to reduce its workforce. This report provides a snapshot of IRS business units and positions impacted, as of May 2025.

What TIGTA Found



According to IRS records, 25,386 employees separated, took a DRP offer, or used some other incentive to leave. Another 294 employees were sent termination notices due to RIF actions. These departures represent 25 percent of the IRS's workforce and impact certain business units more than others. Additionally, the separations impacted employees in certain positions (*e.g.*, job series). For example, approximately 27 percent of tax examiners separated, while 26 percent of revenue agents separated. Tax examiners are responsible for reviewing and processing federal tax returns to ensure compliance and accuracy. Revenue agents conduct examinations (audits) by reviewing financial records of individuals and businesses to verify what is reported.



TREASURY INSPECTOR GENERAL
for Tax Administration

DATE: July 18, 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 May 2025 (Evaluation No.: IE-25-031.01)

This report presents the results of our review to provide an update on the Internal Revenue Service's efforts to reduce its workforce. This report provides information about IRS workforce reductions resulting from the deferred resignation programs, retirements, and other separations. 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 IRS has taken steps to reduce the size of its workforce in compliance with the President's executive orders and Office of Personnel Management (OPM) guidance. Employees were encouraged to take deferred resignation program (DRP) offers or other incentives to separate and avoid possible Reduction in Force (RIF) actions.

According to the IRS, in February and March 2025, 7,315 probationary employees received termination notices. Court challenges resulted in California and Maryland federal courts ruling that federal probationary employees needed to be reinstated in March 2025. The effects of those rulings were paused by higher courts, including the U.S. Supreme Court. However, in May 2025, IRS and Treasury Department leadership decided to return all probationary employees to full work status by May 23, 2025.

In July 2025, the U.S. Supreme Court lifted the federal court's prohibition on covered agencies implementing Agency RIF and Reorganization Plans and issuing or executing RIF notices. Currently, it is unclear whether any terminated probationary employees called back to work will be subject to a large-scale RIF. The IRS's various separation efforts and the number of employees affected are discussed below.

Deferred Resignation Programs, Retirements, and Other Separations

Deferred Resignation Program (DRP) – 4,575 employees

In January 2025, the OPM released information on its DRP offering, which allowed federal employees to resign but retain all pay and benefits through September 30, 2025, or later if the employee's retirement date was between October 1 and December 31, 2025. We previously reported that 4,128 employees were approved for the DRP.[1] As of May 2025, an additional 447 employees were approved for a total of 4,575 employees. These employees are on administrative leave with pay and benefits until their separation.

Treasury Deferred Resignation Program (TDRP) – 17,071 employees

In April 2025, the IRS partnered with the Department of the Treasury (Treasury) and offered a second and final TDRP to its employees. This iteration mirrors the first offer including paid leave and benefits until separation to occur no later than September 30, 2025. According to the IRS, some employees who assist with filing season, including taxpayer services and contact representatives in collection, could not be placed on administrative leave until June 30, 2025.

Along with the TDRP, the IRS offered Voluntary Early Retirement Authority (VERA). The VERA, also referred to as "early out" retirement, temporarily lowers the age and service requirements in order to increase the number of employees who are eligible for retirement during periods of substantial restructuring, reshaping, downsizing, or reorganization. It is a management tool to incentivize employees to separate in order to avoid or lessen the impact of involuntary reductions. Employees taking the VERA must separate under the TDRP.

We previously reported that over 23,000 employees applied for the TDRP, and 13,124 employees were approved. As of May 2025, there were 23,409 employees that requested the

[1] TIGTA, Report No. 2025-IE-R017, *Snapshot Report: IRS Workforce Reductions as of March 2025* (May 2025).

TDRP offer, and 17,071 were approved. An additional 776 employees were approved for the VSIP for a total of 17,847. Of these, 3,531 were probationary employees who received termination notices in January or February 2025, and opted to take the TDRP.

Probationary employees who took the TDRP will continue to draw their salary until September 30, 2025, and are free to seek employment elsewhere. However, these numbers could change because employees over 40 years of age have up to 45 days to consider the terms and sign the TDRP agreement. After signing and dating the agreement, the employees retain the right to revoke the agreement for seven days.

Voluntary Separation Incentive Payment (VSIP) – 776 employees[2]

The VSIP, also known as a "buyout," allows agencies that are downsizing or restructuring to offer employees lump-sum payments up to $25,000 (or the employee's severance pay amount, whichever is less) as an incentive to retire or resign. Like the VERA, it is another management tool to incentivize employees to separate and avoid an involuntary separation.

Depending on each employee's eligibility circumstance, they could be eligible for one of three Treasury incentive offerings: (1) TDRP; (2) TDRP and VERA; or (3) VSIP.

Other Separations – 3,093 employees

We also identified an additional 3,093 employees classified as other separations (resignations, retirements, terminations, etc.) since January 2025. According to the IRS, 752 of these are probationary employees who received termination notices and decided to resign. These employees did not participate in the DRP, TDRP, or other offerings from the IRS.

Overview of Involuntary Separations

Probationary Employees

In May 2025, at Treasury's direction, the IRS cancelled termination notices and reinstated 3,023 probationary employees who did not resign or take the TDRP. These employees will continue to work at the IRS, unless they choose to separate or are terminated for other reasons.

Reduction in Force Actions and Administrative Leave

In April 2025, the IRS began implementing a RIF that resulted in involuntary staffing cuts across multiple offices and job categories. As of May 2025, 294 employees received RIF notices. However, a district judge placed an injunction on the removal of these employees. The RIF notices were sent to employees in three offices.

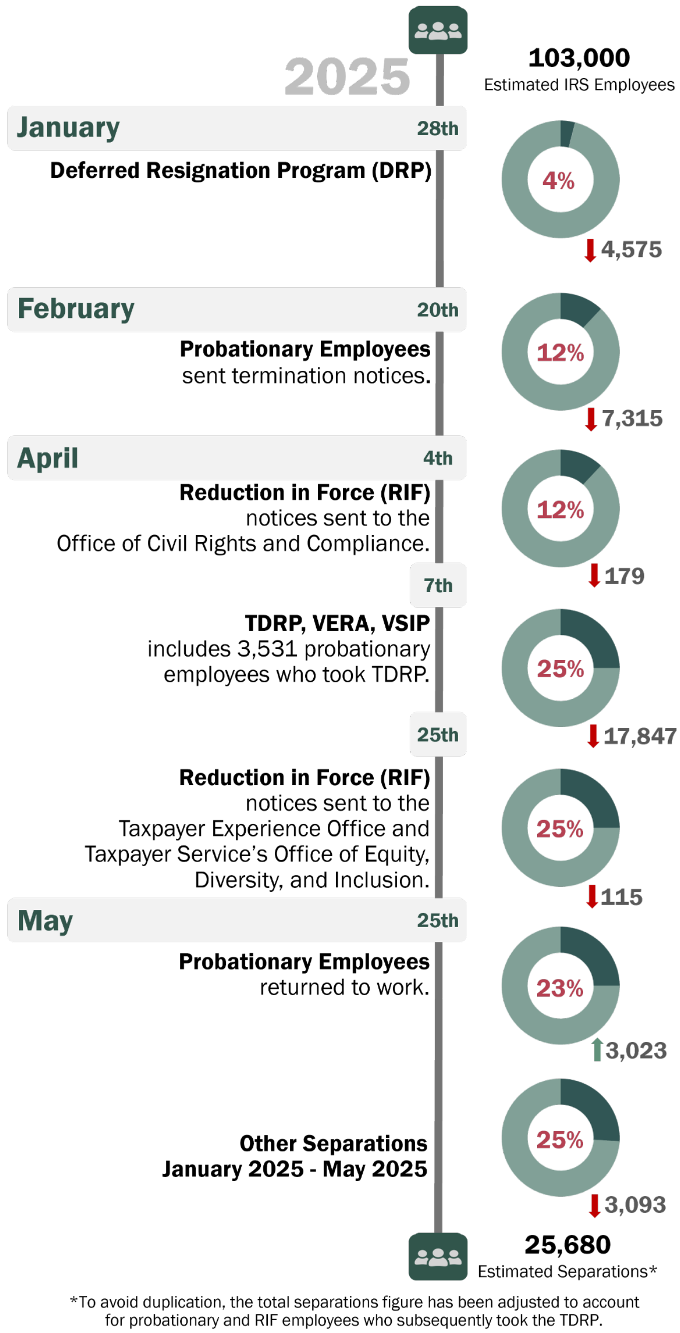
- Office of Civil Rights and Compliance – 179 employees.
- Taxpayer Experience Office – 106 employees.
- Taxpayer Service's Office of Equity, Diversity, and Inclusion – 9 employees.

In addition, according to the IRS, in March 2025, 48 senior Information Technology employees were placed on administrative leave. Of the 48 employees, 26 took the Treasury incentive offerings, while 22 remain on administrative leave.

[2] Employees who took the VSIP were allowed to only take the VSIP or opt to combine with the VERA.

This is our second report on the IRS's workforce reductions. We analyzed data from the IRS Human Capital Office and the Treasury Integrated Management Information System (TIMIS). We accounted for all employees who separated from the IRS from January through May 2025. Figure 1 presents a timeline of separation events at the IRS.

Figure 1: Timeline of IRS Separation Events



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

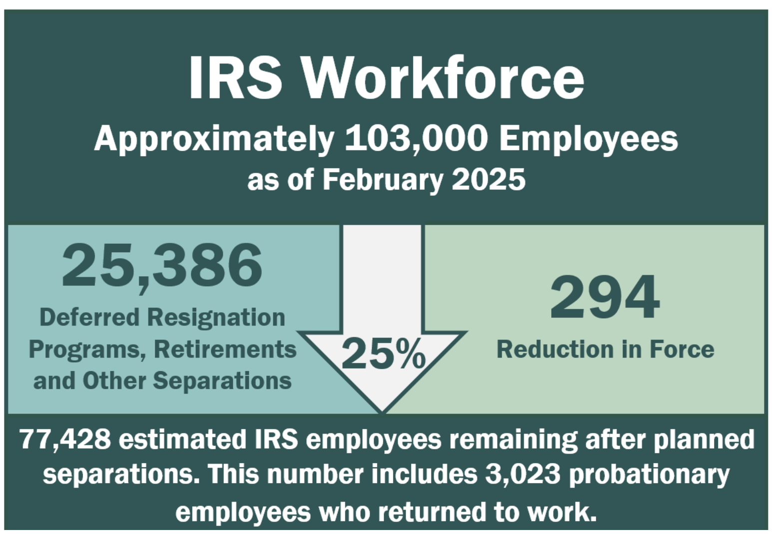
Results of Review

According to the IRS, 25,386 employees have separated or taken a DRP incentive, while 294 employees have been sent termination notices due to RIF actions. There are also 31 employees (22 Information Technology employees and 9 probationary employees[3]) who remain on administrative leave. However, as of May 2025, none of the employees who received a RIF notice have been terminated. They are still working because of a court injunction. An additional 3,023 probationary employees were also terminated and then reinstated due to the court injunction. Until the court challenges are resolved, these employees will continue to work at the IRS, unless they choose to separate or are terminated for other reasons.

IRS actions have resulted in an approximate 25 percent reduction of its workforce. The National Taxpayer Advocate recently reported that, without improved technology in place, the IRS staffing cuts could jeopardize the upcoming filing season. The National Taxpayer Advocate also stated, "to deliver a successful filing season, the IRS needs a sufficient number of trained employees to program its processing systems, develop and disseminate timely and clear guidance on tax law changes, answer telephone calls and process correspondence, among other things."[4]

Figure 2 shows the breakdown of IRS employees who either separated or were subject to RIF actions.

Figure 2: Separation Totals



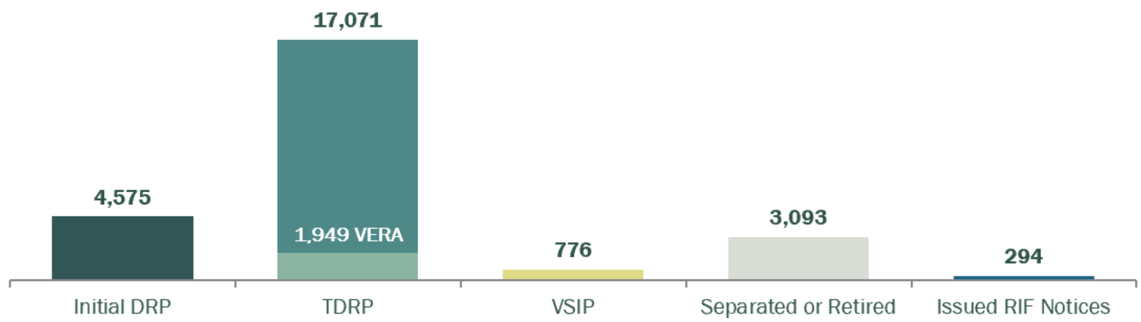
Source: TIGTA analysis of IRS Human Capital Office data (May 2025) and TIMIS data.

Figure 3 depicts the number of employees who participated in the various workforce reduction initiatives or received RIF notices.

[3] As of July 2025, there are now 36 employees who have not returned to full work status. According to IRS, these individuals have either refused to return to work or are unresponsive and are being referred for removal.

[4] National Taxpayer Advocate, Fiscal Year 2026 Objectives Report to Congress (Publication 4054, Rev. 6-2025).

Figure 3: Breakdown of Separations[5]

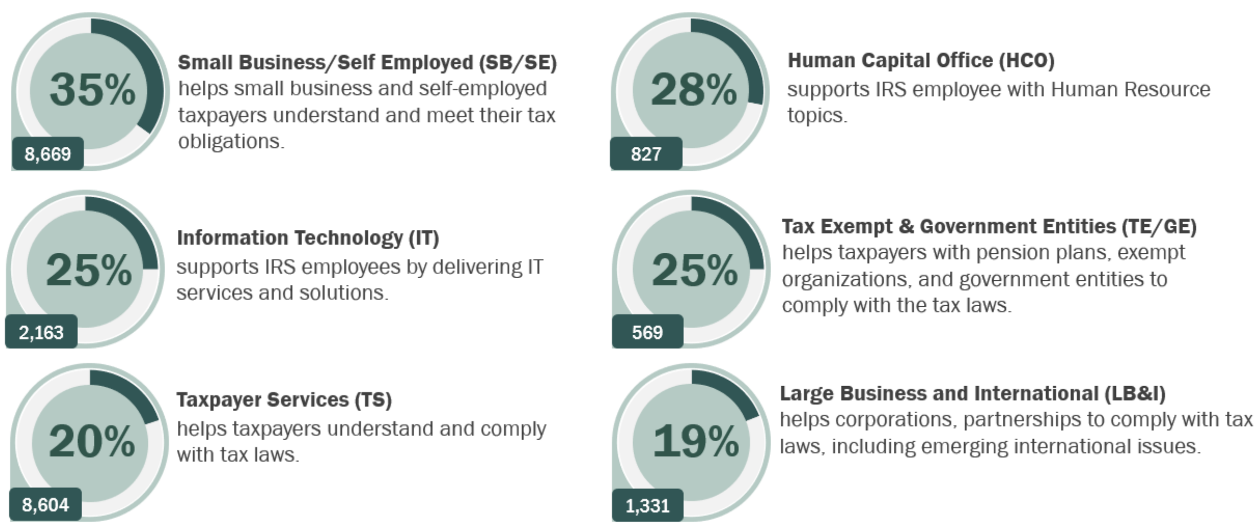


Source: TIGTA analysis of IRS Human Capital Office data (May 2025) and TIMIS data.

Breakdown of Total Separations

Workforce reductions will affect certain IRS business units more than others and disproportionately impact employees in certain positions (*e.g.*, job series). Figure 4 shows the IRS business units affected by the separations. Figure 5 highlights the IRS job series affected by the separations.

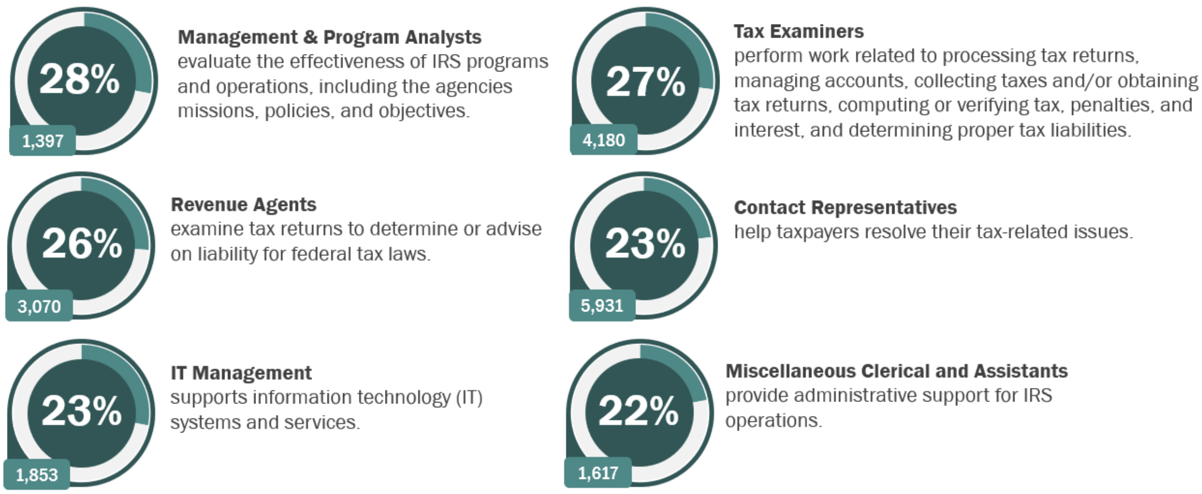
Figure 4: Top 6 IRS Business Units Affected by the Separations with the Count and Percentage Impact



Source: TIGTA analysis of IRS Human Capital Office data (May 2025) and TIMIS data, and IRS's internal SharePoint site for business unit definitions.

[5] Our data showed that 129 of the 294 employees who received RIF notices took one of the Treasury incentive offerings or separated on their own accord. As such, 129 should be subtracted from 25,515 (the total number of employees from initial DRP, TDRP, VSIP, and other separations/retirements) to get to the 25,386 employees shown in Figure 2.

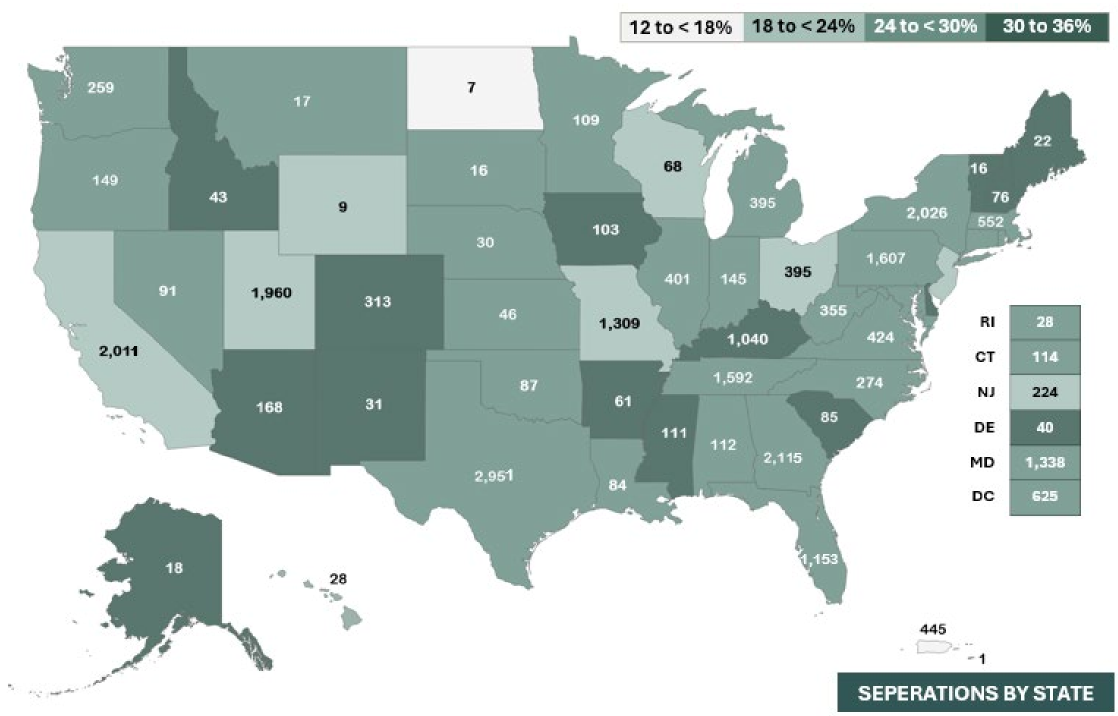
Figure 5: Top 6 IRS Job Series Affected by the Separations with the Count and Percentage Impact



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

These separations will have nationwide implications. Every state, Washington D.C., Puerto Rico, and the Virgin Islands [hereafter referred to as state(s)] have employees who will separate from the IRS. California, Georgia, New York, Texas, and Utah have the highest numbers of anticipated employee separations. Delaware, Idaho, Iowa, Maine, and Mississippi have the highest percentage of anticipated employee separations compared to the IRS workforce in those states. Figure 6 shows the states where anticipated separated employees worked, as compared to the IRS workforce in the state.

Figure 6: Employee Separations by State



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

Involuntary Separations

In April 2025, the IRS began implementing a RIF that would result in involuntary staffing cuts across multiple offices and job categories. As of May 2025, according to the IRS, 294 employees received RIF notices. However, a district judge placed an injunction on the removal of these employees. As a result, the IRS has not terminated any employees through a RIF. In addition, the IRS placed 48 senior Information Technology employees on administrative leave in March 2025. The following offices sent RIF notices to employees, and some employees decided to take one of the Treasury incentive offerings or leave on their own accord:

- **Office of Civil Rights and Compliance**—179 employees were notified that their positions were being eliminated. The letters noted that approximately 75 percent of the office will be reduced through a RIF. The office was allowed to retain 64 positions. The remaining employees will be moved to the Office of Chief Counsel. However, 69 employees were approved for the DRPs, 5 took the VSIP offer, and 3 employees separated on their own accord.
- **Taxpayer Experience Office**—106 were notified their positions were being eliminated. However, 48 employees were approved for the DRPs and 1 employee separated on their own accord. The office was eliminated, and no employees were retained. Created in 2022, this office oversaw the IRS's strategic direction to improve the taxpayer experience.
- **Taxpayer Service's Office of Equity, Diversity, and Inclusion**—9 employees were notified their positions were being eliminated, and the office was allowed to retain 4 positions. However, 3 employees took the DRP offers. This office works to foster an inclusive and fair workplace by leveraging employee diversity and ensuring equitable service for all taxpayers.

In addition, within the **Information Technology Office**, 48 senior employees were placed on administrative leave in March 2025 due to reorganization plans.[6] Of those 48 employees, 22 remain on administrative leave as of June 6, 2025, and 26 separated from the IRS through the DRP, TDRP, VERA or VSIP.

Status of Probationary Employees

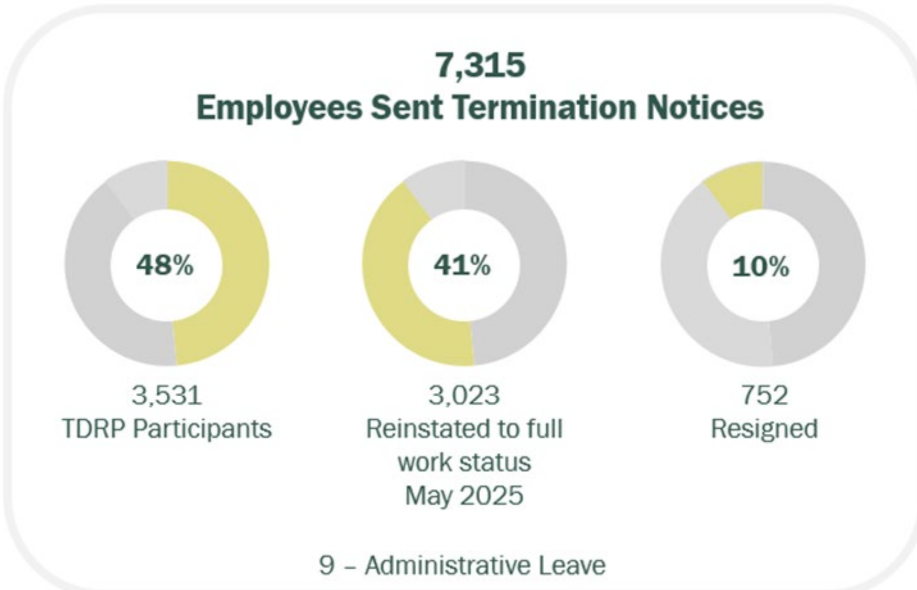
In our first report, we shared that beginning in February 2025, 7,315 probationary employees received termination notices. While notices were sent to probationary employees terminating their employment in February 2025, there have been subsequent court challenges regarding the termination of probationary employees. In March 2025, federal courts in California and Maryland ruled that probationary employees needed to be reinstated. In April 2025, the effects of those rulings were paused by higher courts, including the U.S. Supreme Court. According to the IRS, prior to the Supreme Court's ruling on the California federal court order, probationary employees who received termination notices were reinstated and placed on administrative leave. In July 2025, the U.S. Supreme Court lifted a federal court's prohibition on covered agencies implementing Agency Reduction in Force and Reorganization Plans (ARRPs) and issuing or

[6] We did not include these 48 senior Information Technology employees in the 294 employees who received RIF notices.

executing RIF notices. At the time we published this report, it is unclear whether any probationary employees will remain reinstated or be terminated in a large-scale RIF.

Figure 7 shows a breakdown of the employees sent termination notices and the status of those employees as of May 2025. These reductions, when applicable, are already included in Figure 2 totals.

Figure 7: Breakdown of the 7,315 Employees Sent Termination Notices



Source: TIGTA analysis of IRS Human Capital Office data (May 2025).[7]

We plan to issue a separate report on the actions taken by the IRS to terminate its probationary employees. Also, our Office of Audit is planning to assess the actions taken by the IRS to ensure separated employees returned their assigned equipment and identification documents, and that their building accesses were promptly removed. They will also assess how the IRS plans to overcome the impact of the workforce reductions as it prepares for the 2026 Filing Season.

[7] The total percentage does not add to 100 percent due to rounding. As of July 2025, there are now 36 employees who have not returned to full work status. According to IRS, these individuals have either refused to return to work or are unresponsive and are being referred for removal.

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 employees who accepted and were approved for the DRP and TDRP offers to voluntarily resign or retire from the IRS.
- Obtained information from the IRS on employees who were part of the RIF.
- Independently compared and verified select fields from IRS time-and-attendance information.
- Compiled demographic information on employees who accepted the DRP, TDRP, VERA, and VSIP offers, and employees who were given RIF notices.

Performance of This Review

This review was performed with information obtained from the IRS Human Capital Office in May 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 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	Department of the Treasury
VERA	Voluntary Early Retirement Authority
VSIP	Voluntary Separation Incentive Program

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