



441 G St. N.W.
Washington, DC 20548

Comptroller General
of the United States

September 26, 2025

The Honorable Scott Bessent
Acting Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

Priority Open Recommendations: Internal Revenue Service

Dear Acting Commissioner Bessent:

The purpose of this letter is to call your personal attention to four areas based on GAO's past work and 26 open priority recommendations, which are enclosed.¹ Additionally, there are 204 other GAO open recommendations that we will continue to work with your staff to address.

We are highlighting the following areas that warrant your timely and focused attention. Specifically:

Managing agency transformation. The Internal Revenue Service (IRS) is undergoing changes in agency leadership, funding, and staffing. The prior administration's *Strategic Operating Plan* described a high-level vision to transform tax administration and the services provided to taxpayers using Inflation Reduction Act (IRA) of 2022 funding.² However, in March 2025, IRS officials said the office that had been leading the transformation effort had been disbanded, and IRS is deciding which IRA projects to continue and which office would lead them.

As IRS reorganizes and reassess its priorities, it is critical to demonstrate that it is following leading agency reform practices, as we recommended in February 2024. These leading practices indicate that agencies can successfully change if they (1) have clear goals; (2) follow an effective process to develop proposed reforms, including consulting with the Congress and other key stakeholders to obtain and ensure their buy-in for any changes; (3) allocate implementation resources; and (4) consider workforce needs during and after the reform. Implementing this recommendation would help IRS achieve its transformation vision. The other

¹GAO considers a recommendation to be a priority if, when implemented, it may significantly improve government operations, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high-risk or duplication issue.

²In August 2022, Congress appropriated approximately \$79.4 billion to IRS through IRA appropriations. Subsequent laws have rescinded or prevented IRS from spending over half of this amount, reducing the amount IRS can spend to \$37.6 billion. See Inflation Reduction Act (IRA) of 2022, Pub. L. No. 117-169, tit. I, subtit. A, pt. 3, § 10301, 136 Stat. 1818, 1831-1833; Fiscal Responsibility Act of 2023, Pub. L. No. 118-5, div. B, tit. II, § 251, 137 Stat. 10, 30-31; Further Consolidated Appropriations Act, 2024, Pub. L. No. 118-47, div. B, tit. VI, § 640, div. D, tit. V, § 530, 138 Stat. 460, 572, 708; Continuing Appropriations and Extensions Act, 2025, Pub. L. No. 118-83, div. A, § 115, 138 Stat. 1524, 1527 (2024); American Relief Act, 2025, Pub. L. No. 118-158, div. A, § 101, 138 Stat. 1722, 1723 (2024); and Full-Year Continuing Appropriations and Extensions Act, 2025, Pub. L. No. 119-4, div. A, tit. I, § 1101(5), (8), 139 Stat. 9, 11.

recommendations we have identified in this letter will also provide valuable insights as IRS works through its transformation.

Many of IRS's planned improvements depend on modernizing IT, including replacing outdated legacy systems used for tax return processing and tax enforcement. In March 2024, we recommended that IRS include programs' cost and schedule history as well as fiscal year and overall goals in its quarterly reports to Congress. Implementing this recommendation would provide Congress and other stakeholders with the information needed to gauge the IRS's performance in meeting long-term modernization goals.

Addressing the tax gap. [Enforcement of tax laws](#) has been on GAO's [High-Risk List](#) since 1990. Reducing the tax gap—the difference between taxes owed and taxes paid on time—is a pressing challenge for IRS. Auditing tax returns is a critical part of IRS's strategy to ensure tax compliance and address the tax gap. However, IRS continues to face challenges with staffing shortages, especially for key enforcement areas. As of May 2025, IRS workforce reductions have resulted in losing more than 25 percent of its mission-critical tax examiners and revenue officers.³

As we reported in January 2024, IRS had lost a significant number of staff who could audit high-income/high-wealth (HI/HW) individuals. We recommended that IRS develop and implement a strategy for hiring and training staff to audit these complex cases. We also recommended for IRS to develop and implement plans to evaluate the effectiveness of its models for selecting HI/HW returns for audit. Implementing these recommendations would help IRS enforce the tax laws, enhance federal revenue, and reduce the risk of unnecessarily burdening compliant taxpayers.

Large partnerships continue to grow in numbers and complexity while the audit rate declined from 2007 and 2019. In July 2023, we recommended that IRS develop (1) guidance to define, and (2) measures to track large, complex partnership audits. Developing such a definition and specific outcome measures would help IRS develop plans, track resources used, and assess the results of large partnership audits. Even a modest improvement in these audits could result in potentially millions of dollars of revenue.

According to IRS, sole proprietors are one of the largest contributors to the tax gap. To improve sole proprietor compliance, in October 2023, we recommended that IRS assess the risks of noncompliance for sole proprietors separately from other business types and develop a communications plan to help sole proprietors meet their tax obligations. Implementing these recommendations would allow IRS to make strategic decisions about enforcement and outreach priorities to help it reduce the estimated \$80 billion annual tax gap for sole proprietors.

Improving the taxpayer experience. IRS has struggled with long-standing challenges in improving taxpayer interactions and satisfaction with IRS services. These challenges include limited data and measures demonstrating improvement in the taxpayer experience, uncertain funding and staffing levels, and changes in complex tax laws. IRS had a strategy with many projects planned and underway to improve taxpayer services with IRA funds. In April 2025, IRS officials said the Taxpayer Experience Office overseeing these efforts had been disbanded.

³Treasury Inspector General for Tax Administration, *Snapshot Report: IRS Workforce Reductions as of May 2025*, 2025-IE-R027 (Washington, D.C.: July 18, 2025).

According to IRS officials, IRS is reassessing these projects because of limitations on its funding and reduced staffing levels.

In July 2025, we recommended that IRS fully implement an evidence-based approach to determine the effects of service improvements on the taxpayer experience. Using our 13 key practices for evidence-based policy making could provide that approach. For example, IRS needs to define (1) performance goals that align with IRS's expectations for an improved experience and (2) measures and targets aligned clearly with those goals throughout IRS, as we had recommended in 2020. As IRS reorganizes and reassesses priorities, an evidence-based approach can inform decisions to make the best use of resources in improving the taxpayer experience.

Timely processing of paper-filed tax returns and IRS responses to taxpayer mail are crucial to improving the taxpayer experience. In July 2018, we recommended implementing the most cost-effective method to digitize information from paper returns. Digitizing paper returns would help reduce return processing times, resulting in faster refunds to taxpayers. Easier access to more data through digitization could also help IRS improve customer service. In April 2022, we also recommended that IRS communicate estimated time frames for processing its correspondence backlog. This will better set expectations for, and potentially reduce repeat inquiries from, taxpayers.

Digitizing information from paper returns is also key to having information readily available for enforcement and leveraging IRS's key fraud detection program, the Return Review Program (RRP). In July 2018, we recommended that IRS expand its RRP capabilities to support other enforcement activities and help resolve issues quickly at the point of filing. Fully implementing these recommendations could help prevent identity theft (IDT) refund fraud and erroneous claims of tax benefits, including those submitted by unscrupulous return preparers. Taking action on these recommendations also could result in financial benefits of hundreds of millions of dollars.

Ensuring taxpayer data security. Strong protections for taxpayers' personal and financial information are critical to maintaining public confidence in the tax system, avoiding data breaches that expose sensitive information to fraudsters, and minimizing disruptions to IRS operations.

However, IRS does not have a complete inventory to ensure it has implemented safeguards to protect taxpayer information being processed or stored on all of its systems, applications, and databases. In August 2023, we recommended that IRS maintain a comprehensive inventory of systems that store or process taxpayer information. We also call your attention to the 22 recommendations related to information system control deficiencies following our fiscal year 2024 audit of IRS's financial statements.⁴ Implementing these recommendations would reduce the risk of unauthorized access to, modification of, or disclosure of sensitive taxpayer data.

Taxpayer information held by third-party providers—such as paid tax return preparers and tax preparation software providers—also presents risks of unauthorized disclosure making taxpayers vulnerable to IDT refund fraud. In May 2019, we recommended that IRS develop a guidance structure to better protect taxpayer information while at third-party providers. Without

⁴See GAO, *IRS Financial Reporting: Improvements Needed in Information System and Other Controls*, [GAO-25-107930](#) (Washington, D.C.: Mar. 18, 2025) and GAO-25-107929SU (Limited Official Use Only version); and *Financial Audit: IRS's FY 2024 and FY 2023 Financial Statements*, [GAO-25-107202](#) (Washington, D.C.: Nov. 7, 2024).

this structure, it is unclear how IRS will adapt to changing security threats in the future and ensure those threats are mitigated.

Please see Enclosure 1 for additional details about the status and actions needed to fully implement all 26 open priority recommendations out of the 230 total recommendations that remain open. This includes priority recommendations on enhancing information reporting.

We also provide in Enclosure 2 additional information on IRS's recommendation implementation rate and implemented, removed, and new priority recommendations since our June 2024 letter to Commissioner Werfel; and relevant management challenges from our High-Risk List that apply to IRS. In response to legislation enacted in December 2022, this enclosure also includes information on any additional congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues relating to such implementation.

Copies of this letter are being sent to the appropriate congressional committees. The letter will also be available on the GAO website at [Priority Recommendations | U.S. GAO](#). We also sent a separate letter specifically focused on open recommendations and key issues related to information technology to your Chief Information Officer.⁵

If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Jessica Lucas-Judy, Director, Strategic Issues, at lucasjudyj@gao.gov, or James R. McTigue, Jr., Director, Strategic Issues, at mctiguej@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this letter. Our teams will continue to coordinate with your staff on addressing these priority recommendations and the remaining 204 open recommendations. I appreciate IRS's continued commitment and thank you for your personal attention to these important issues.

Sincerely,

//SIGNED//

Gene L. Dodaro
Comptroller General
Of the United States

Enclosures – 2

cc: Kaschit Pandya, Chief Information Officer, IRS

⁵GAO, *Chief Information Officer Open Recommendations: Internal Revenue Service*, [GAO-25-108580](#) (Washington, D.C.: Aug. 28, 2025).

Enclosure 1

Priority Open Recommendations to the Internal Revenue Service

Managing Agency Transformation

IRS Reform: Following Leading Practices and Improving Cost Estimation Policies Could Benefit Agency Efforts. [GAO-24-106091](#). Washington, D.C.: February 14, 2024.

Year Recommendation Made: 2024

Recommendation: As the Internal Revenue Service (IRS) implements its agency reform efforts, the Commissioner of Internal Revenue should ensure that IRS can demonstrate that it is following relevant leading agency reform practices.

Action Needed: IRS agreed with this recommendation. In August 2024, IRS stated it was still determining how to best demonstrate these best practices are built into its program management approach for transformation efforts. IRS's Transformation and Strategy Office planned to provide evidence in November 2025 showing how it was following leading practices for agency reform and addressing the key questions highlighted in the report. In March 2025, IRS officials said the office that had been leading this effort had been disbanded.

Executive Order No. 14210, published February 14, 2025, directed agencies to conduct an agency reduction in force and reorganization.⁶ As of August 2025, IRS was awaiting reorganization guidance from the Department of the Treasury. We will continue to monitor its agency reform efforts.

To fully implement this recommendation, IRS needs to show how it is using the leading practices to inform its planning and assess its reform efforts. Following leading practices will help IRS ensure that changes that are being implemented to improve its effectiveness in achieving its mission.

High-risk Area: [Enforcement of Tax Laws](#)

Director: James R. McTigue, Jr., Strategic Issues

Contact information: mctiguej@gao.gov

Information Technology: IRS Needs to Complete Planning and Improve Reporting for Its Modernization Programs. [GAO-24-106566](#). Washington, D.C.: March 19, 2024.

Year Recommendation Made: 2024

Recommendation: The Commissioner of the IRS should include information including a history of programs' cost and schedule goals and showing how the quarterly cost and schedule

⁶Exec. Order No. 14210, Implementing the President's "Department of Government Efficiency" Workforce Optimization Initiative, 90 Fed. Reg. 9669 (Feb. 14, 2025).

performance aligns with fiscal year and overall goals for the programs in its quarterly reports to Congress.

Action Needed: IRS agreed with this recommendation. In January 2025, IRS provided its updated Quarterly IT Omnibus report for quarter four fiscal year 2024, dated November 2024, as evidence that it had implemented our recommendation. The report identifies IRS's modernization programs' planned versus actual schedule performance for the quarter. In addition, it identifies planned versus actual costs for the fiscal year. However, the report does not identify how the quarterly cost performance aligns with overall cost goals for each program or how schedule performance aligns with the fiscal year and overall schedule goals for each program as we recommended. In April 2025, IRS paused sending quarterly reports, and, in June 2025, officials reported that they are working to restart them. IRS officials also shared a draft framework for a new set of IT initiatives intended to replace the programs in its quarterly reports to Congress.

To fully address this recommendation, the agency needs to include the missing information in its reporting to Congress. This would provide additional background and clarity on IRS's efforts to modernize the agency's IT.

High-risk Area: [Improving IT Acquisitions and Management](#) and [Enforcement of Tax Laws](#)

Director: David B. Hinchman, Information Technology and Cybersecurity

Contact information: hinchmand@gao

Addressing the Tax Gap

Tax Compliance: Opportunities Exist to Improve IRS High-Income/High-Wealth Audits. [GAO-24-106112](#). Washington, D.C.: January 11, 2024.

Year Recommendations Made: 2024

Recommendation: The Commissioner of Internal Revenue should develop and implement a strategy for hiring and training staff to meet IRS's needs for high-income/high-wealth (HI/HW) auditing.

Action Needed: IRS agreed with this recommendation. As of August 2024, IRS officials said they were planning to hire and train individuals with the skill and potential to work more complicated HI/HW audit cases. IRS anticipated developing and implementing a strategy by October 2025 for hiring and training staff to meet its current and future needs for HI/HW auditing. However, ongoing IRS workforce reductions and a hiring freeze may make it difficult for IRS to complete its original plan. To implement this recommendation, IRS needs to determine both its hiring and training needs and base its strategy on meeting those needs.

Recommendation: The Commissioner of Internal Revenue should develop evaluation plans that include relevant evaluation questions and appropriate evaluation designs to evaluate the effectiveness of IRS's models for selecting HI/HW returns for audit.

Recommendation: The Commissioner of Internal Revenue should use IRS's evaluation plans to evaluate the effectiveness of its models for selecting HI/HW returns for audit.

Actions Needed: IRS agreed with these recommendations. As of July 2025, IRS stated that it will develop plans to evaluate the effectiveness of its models for selecting HI/HW returns for audit by October 2025. IRS plans to perform the related evaluations and, if applicable, update its models by April 2026.

To fully implement these recommendations, IRS will need to develop evaluation plans that follow key practices for designing evaluations, such as including relevant evaluation questions. It must also use these plans to determine the effectiveness of its selection models. Doing so will help IRS to select returns for audit that have the most significant noncompliance.

Potential Financial Benefit if Implemented: Identified but no estimate

High-Risk Area: [Enforcement of Tax Laws](#)

Director: James R. McTigue, Jr., Strategic Issues

Contact information: mctiguej@gao.gov

Tax Enforcement: IRS Audit Processes Can Be Strengthened to Address a Growing Number of Large, Complex Partnerships. [GAO-23-106020](#). Washington, D.C.: July 27, 2023.

Year Recommendations Made: 2023

Recommendation: The Commissioner of Internal Revenue should develop guidance defining large, complex partnerships and the characteristics of those entities.

Action Needed: IRS agreed with the recommendation. In September 2024, IRS completed an analysis of approximately 4 million partnerships in tax year 2019 and identified six groups of partnerships. IRS determined that complex, operating entities are characterized by three or more tiers of partners and earn 90 percent or more of their income from business income. Approximately 300,000 partnerships met that criteria.

While IRS's analysis is helpful, we recommended guidance to help guide enforcement efforts to narrow down the population of partnerships and select the highest risk for audit. Our report showed that an increasing number of large partnerships have 20 or more tiers of partners, which is a much greater degree of complexity than IRS's analysis. Narrowing further the definition of large, complex partnerships would help IRS more efficiently review partnerships identified as complex, operating entities and select those with the highest risk for noncompliance to best leverage limited audit resources and address the tax gap.

To fully implement this recommendation, IRS needs to refine and integrate the research into enforcement efforts to help focus those efforts on a smaller subset of large partnerships. Doing so will better inform management by tracking audit resources used and results and help IRS better address the tax gap.

Recommendation: The Commissioner of Internal Revenue should identify and implement measures for tracking progress toward agency objectives that reflect the definitions and guidance for large, complex partnerships, which should include creating additional activity codes for IRS to track audit resources used and results.

Action Needed: IRS partially agreed with this recommendation. IRS officials reported in April 2024 that they do not agree that creating additional activity codes is necessary. They

believe that the agency's existing codes are sufficient to track staffing and audit results of partnership compliance efforts. In February 2025, IRS officials said that additional activity codes take technology resources they do not believe are available and also expressed concern about committing to certain groupings of partnerships in case circumstances changed.

While we recognize that IRS must balance its use of resources, we continue to believe that addressing our recommendation would help IRS to better manage and focus limited audit resources. Our report found that all audits of large partnerships are categorized under one activity code. Categorizing all audits under one code makes it impossible for IRS to effectively track audits of the most complex partnerships and allocate audit resources.

To fully implement this recommendation, IRS needs to create measures and activity codes that allow it to identify the largest, most complex partnerships for audit, where the risk of noncompliance may be the greatest. Doing so will allow IRS to identify these entities, track progress on addressing the tax gap related to partnerships, and manage its audit resources.

Potential Financial Benefit if Implemented: May contribute to millions of dollars.⁷

High-Risk Area: [Enforcement of Tax Laws](#)

Director: James R. McTigue, Jr., Strategic Issues

Contact information: mctiguej@gao.gov

Sole Proprietor Compliance: Treasury and IRS Have Opportunities to Reduce the Tax Gap.
[GAO-24-105281](#). Washington, D.C.: October 19, 2023.

Year Recommendation Made: 2024

Recommendation: The Commissioner of Internal Revenue should ensure that the Small Business/Self-Employed (SB/SE) Division assesses the risks of sole proprietor noncompliance, including defining objectives and the risk tolerance SB/SE is willing to accept, as part of its broader efforts to enforce compliance among small businesses.

Action Needed: IRS disagreed with this recommendation. As of May 2025, IRS stated that it assesses noncompliance risk at every step when identifying the returns likeliest to result in noncompliance. IRS also stated that its efforts in identifying noncompliance, combined with its education and outreach to encourage voluntary compliance, demonstrate its holistic approach to addressing noncompliance by all small businesses, including sole proprietors. IRS said that there is no consistent set of attributes that apply to all sole proprietors which would make it useful to address these taxpayers separately from other small business taxpayers. We maintain that sole proprietors are different from other business types and warrant separate risk assessments and outreach.

To fully implement this recommendation, IRS needs to conduct a risk assessment for sole proprietors, distinct from other businesses. Without a comprehensive risk assessment, SB/SE is limited in its ability to make strategic decisions related to enforcement and outreach priorities.

⁷This potential financial benefit is not attributable to one recommendation alone but could result from the combined effect of implementing two or more recommendations.

Recommendation: The Commissioner of Internal Revenue should develop and implement a communications plan focused on outreach and education to improve sole proprietor compliance, particularly when tax laws or IRS guidance change. This should include mechanisms to ensure IRS communicates relevant information to sole proprietors in a timely manner and engages stakeholders, as appropriate.

Action Needed: IRS disagreed with this recommendation. As of May 2025, IRS stated that it incorporates sole proprietor audiences as a part of its broader compliance communications and outreach plans and conducts programs and events of interest to sole proprietors across the country. IRS also stated that it will continue to identify additional opportunities to expand and deepen communication with and outreach to this taxpayer segment to help them understand their tax obligations.

However, IRS continues to incorporate these communications as part of a broader audience of businesses. To fully implement this recommendation, IRS should tailor communications to sole proprietors since some—including those who do not realize that they are sole proprietors—may not know to seek out information for small businesses on the IRS website to understand their tax filing obligations.

Potential Financial Benefits if Implemented: May contribute to hundreds of millions of dollars.⁸

High-risk Area: [Enforcement of Tax Laws](#)

Director: James R. McTigue, Jr., Strategic Issues

Contact information: mctiguej@gao.gov

Paid Tax Return Preparers: IRS Efforts to Oversee Refundable Credits Help Protect Taxpayers but Additional Actions and Authority Are Needed. [GAO-23-105217](#). Washington, D.C.: November 30, 2022.

Year Recommendation Made: 2023

Recommendation: The Commissioner of Internal Revenue should finalize the Service-wide Return Preparer Strategy and identify the resources needed to implement it.

Action Needed: IRS agreed with this recommendation. IRS's *Strategic Operating Plan* described initiatives that could help paid preparers improve the accuracy of returns they submit, such as by notifying preparers of potential issues, but did not contain additional information on agency-wide preparer compliance efforts. In April 2024, IRS provided a draft crosswalk of how the Service-wide Return Preparer Strategy aligned with the Strategic Operating Plan's objectives and initiatives. However, it was unclear how IRS planned to implement the Service-wide Return Preparer Strategy. For example, the first goal of the Service-wide Return Preparer Strategy was to develop a centralized compliance organization, but IRS decided not to implement that approach as of April 2024. Further, IRS had not documented the resources it needs to implement the preparer strategy.

⁸This potential financial benefit is not attributable to one recommendation alone but could result from the combined effect of implementing two or more recommendations.

As of June 2025, IRS stated that it is unknown what organizations or operations will remain as part of the IRS mission after the reduction in force and reorganization. As a result, IRS stated that it is impossible to implement this recommendation at this time. However, we continue to believe that a service-wide strategy could help IRS determine the resources needed in relation to other programs that focus on paid preparer compliance.

To fully implement this recommendation, IRS needs to capitalize on the planning efforts it has already made and identify the remaining steps toward a more coordinated approach to paid preparer compliance and resource needs. Implementing a Service-wide Return Preparer Strategy could benefit taxpayers and their representatives by helping them prepare more accurate tax returns and could help IRS efficiently allocate resources across its paid preparer compliance activities.

High-Risk Area: [Enforcement of Tax Laws](#)

Director: James R. McTigue, Jr., Strategic Issues
Contact information: mctiguej@gao.gov

IRS Referral Programs: Opportunities Exist to Strengthen Controls and Increase Coordination across Overlapping Programs. [GAO-16-155](#). Washington, D.C.: February 23, 2016.

Year Recommendation Made: 2016

Recommendation: The Commissioner of Internal Revenue should direct the referral programs to coordinate on a plan and timeline for developing a consolidated, online referral submission. This could better position IRS to leverage specialized expertise while exploring options to further consolidate the initial screening operations.

Action Needed: IRS agreed with our recommendation. As of May 2025, IRS had taken some action to establish a mechanism to coordinate on a plan and timeline for developing a consolidated, online referral submission. For example, in March 2023, IRS began using its electronic document upload tool to digitize paper information referrals received. In May 2023, IRS launched an online portal for the public to submit information referrals on potential tax law violations.

However, as of September 2025, IRS continues to offer different paper forms for the public to report other types of tax fraud, such as abusive schemes and return preparer misconduct. The multitude of forms and instructions can confuse taxpayers about which form to use or cause them to file their report incorrectly.

To fully implement this recommendation, IRS must establish a timeline for consolidating intake for its multiple public referral programs. Without further progress on efforts to consolidate referral intake, IRS faces continued public confusion and inefficiencies in receiving and routing referrals to the correct enforcement unit.

Potential Financial Benefit if Implemented: Identified but no estimate

High-Risk Area: [Enforcement of Tax Laws](#)

Director: Jessica Lucas-Judy, Strategic Issues
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Improving the Taxpayer Experience

Taxpayer Experience: IRS Should Fully Establish Its Approach for Using Evidence to Assess Service Improvement Results. [GAO-25-107408](#). Washington, D.C.: July 17, 2025.

Year Recommendation Made: 2025

Recommendation: The Commissioner of Internal Revenue should fully establish an evidence-based approach, such as we identified, to determine whether and how improvements to services affect the taxpayer experience.

Action Needed: IRS agreed with this recommendation. In June 2025 comments on our draft report, IRS outlined planned steps for implementation. Until IRS fully establishes an evidence-based approach for the taxpayer experience, IRS will not be assured that it has the information it needs to assess progress toward its taxpayer experience goals, determine what worked well and where improvements are needed, and identify the best investments of its resources to make those improvements.

High-risk Area: [Enforcement of Tax Laws](#)

Director: Jessica Lucas-Judy, Strategic Issues

Contact information: lucasjudyj@gao.gov

Taxpayer Service: IRS Could Improve the Taxpayer Experience by Using Better Service Performance Measures. [GAO-20-656](#). Washington, D.C.: September 23, 2020.

Year Recommendations Made: 2020

Recommendation: The Commissioner of Internal Revenue should identify agency-wide and division performance goals that align with IRS's strategic service goals and objectives for an improved taxpayer experience.

Recommendation: The Commissioner of Internal Revenue should identify performance measures with targets for improving the taxpayer experience that link with the related performance goals.

Actions Needed: IRS agreed with both of these recommendations. IRS had taken some steps on implementing these recommendations for improving the taxpayer experience. IRS has adopted two strategic objectives and 14 related subgoals for improving taxpayer services. As we reported in July 2025, IRS officials said that they did not know when IRS will formally document how all 14 subgoals on improving taxpayer services will also improve the taxpayer experience. IRS is still working on measures that align with each of the 14 to enable it to assess how meeting the subgoals improved the taxpayer experience.

To fully implement these recommendations, IRS needs to clearly state performance goals for desired improvements in the taxpayer experience and specify their related measures with targets. Without such performance information, it will be challenging for IRS and stakeholders to assess progress made toward an improved taxpayer experience and providing top-quality service.

High-Risk Area: [Enforcement of Tax Laws](#)

Director: Jessica Lucas-Judy, Strategic Issues
Contact information: lucasjudyj@gao.gov

Tax Filing: 2021 Performance Underscores Need for IRS to Address Persistent Challenges.
[GAO-22-104938](#). Washington, D.C.: April 11, 2022.

Year Recommendations Made: 2022

Recommendation: The Commissioner of Internal Revenue should estimate time frames for resolving IRS's correspondence backlog, monitor and update these estimates periodically, and communicate this information to taxpayers and stakeholders.

Action Needed: IRS agreed with the recommendation. Officials said IRS would continue with its efforts to manage its correspondence inventory and return it to normal levels. In March 2024, IRS launched a new web page, "Processing status for tax forms," on IRS.gov. This web page shows the receipt date (month and year) of the correspondence that IRS is currently processing. While the "Processing status of tax forms" web page shows approximately how long IRS is taking to begin processing correspondence after receiving it, it does not provide information on how long taxpayers can expect to wait for a response once IRS begins to process it.

To fully implement this recommendation, IRS needs to clearly communicate estimated time frames for resolving correspondence so taxpayers know when to reasonably expect a response or refund. Without clear, timely information on IRS's processing time frames for addressing taxpayer correspondence, taxpayers may continue to call, write, or visit IRS in person to try to obtain this information. IRS will continue to struggle to meet demands for taxpayer customer service and in processing returns.

Recommendation: The Commissioner of Internal Revenue should direct responsible IRS business units to regularly identify, monitor, and report on the primary reasons for individual and business-related refund interest payments and associated dollar amounts, and report this information, as appropriate, to IRS leadership, Treasury, and Congress.

Action Needed: IRS disagreed with this recommendation. As of May 2025, IRS maintains its position that interest is prescribed by statute, and it does not consider interest paid a reliable or meaningful business measure. We maintain that interest payments are an expense to the U.S. government, and monitoring them could help IRS and Congress know how, if at all, the expense could be reduced. To implement this recommendation, IRS needs to identify why it pays interest and share this information with IRS leadership, Treasury, and Congress, as appropriate.

Recommendation: The Commissioner of Internal Revenue should take steps to reduce the amount of refund interest paid for those cases within IRS's control.

Action Needed: IRS agreed with this recommendation. IRS stated that it would look for ways to reduce refund interest payments related to the return backlog resulting from the COVID-19 pandemic. This included hiring additional staff, redirecting existing resources, and using automation to improve processing timeliness. For the 2024 filing season, IRS continued using direct hiring authority to help hire additional processing staff and implemented scanning of paper returns.

However, processing returns and correspondence in a timely manner alone likely will not resolve the annual cost of refund interest payments, which have totaled \$32.4 billion from fiscal

years 2015 to 2024. In May 2025, IRS reported that it paid \$5.3 billion in refund interest in fiscal year 2024. Further, refund interest payments can be due to both retroactive legislative benefits and delays in IRS processing times.

Without identifying, monitoring, and reporting on the primary reasons for refund interest payments, and associated dollar amounts, IRS is not in a position to ensure that any steps it takes in response to this recommendation directly affect any reduction in refund interest payments.

Potential Financial Benefit if Implemented: May contribute to tens of millions of dollars.⁹

High-Risk Area: [Enforcement of Tax Laws](#)

Director: Jessica Lucas-Judy, Strategic Issues

Contact information: lucasjudyj@gao.gov

Tax Administration: Taxpayer Input Could Strengthen IRS's Online Services. [GAO-20-71](#). Washington, D.C.: December 19, 2019.

Year Recommendation Made: 2020

Recommendation: The Commissioner of the IRS should direct the Commissioner of Wage and Investment (W&I) to work with the Director of the Office of Online Services to ensure that future decisions regarding whether to renew the Free File agreement incorporate findings from a comprehensive examination of the benefits and costs of the agreement as it relates to long term plans for IRS's online services, including plans to file amended returns electronically.

Action Needed: IRS agreed with this recommendation. A March 2021 IRS analysis addressed a portion of the recommendation by identifying potential benefits, such as the lower cost of processing electronic returns compared to paper ones. However, IRS did not discuss how the Free File program should be coordinated with online services offered to taxpayers, such as online accounts.

In April 2024, IRS and Free File, Inc. extended the term of their agreement until October 2029. IRS officials reported in April 2024 that they had not analyzed the potential benefits and costs of the Free File program prior to renewing the agreement because, in their view, no requirements were added. IRS officials also stated that the agency had not analyzed how the Free File program should relate to longer-term plans to expand IRS online services. IRS officials believe that the Free File program would not conflict with plans for expanding online services. In September 2024, IRS officials reiterated that the only costs for IRS are three employees who support the program, that the Free File program is coordinated with online accounts, and that the program contributes to IRS's strategic plan for using Inflation Reduction Act of 2022 funds to improve taxpayer services. However, our prior work found that IRS did not sufficiently consider potential benefits and costs before signing prior extensions of the Free File agreement and circumstances have continued to evolve with IRS's Direct File program.

Further, in July 2025, Congress passed and the President signed Public Law 119-21—commonly known as the One Big Beautiful Bill Act—which contains a provision appropriating

⁹This potential financial benefit is not attributable to this recommendation alone but could result from the combined effect of implementing two or more recommendations.

\$15 million for IRS to report on the cost of enhancing public-private partnerships for free tax filing and replacing IRS's Direct File program. IRS is to assess the feasibility of a new approach that is consistent and simple for taxpayers and provides features to address taxpayer needs and report on the cost of developing and running a free direct e-file tax return system.¹⁰ The provision also directs IRS to study taxpayer opinions and preferences regarding a government service or a private sector service.

To fully implement this recommendation, IRS needs to undertake a more complete analysis of the current Free File agreement to inform decisions about the future direction of online services for individual taxpayers. Without a more rigorous examination, IRS is not positioned to manage the risks of its reliance on the Free File agreement or consider how Free File fits within its portfolio of IRS-provided online services.

High-Risk Area: [Enforcement of Tax Laws](#)

Director: Jessica Lucas-Judy, Strategic Issues

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2019 Tax Filing: IRS Successfully Implemented Tax Law Changes but Needs to Improve Service for Taxpayers with Limited-English Proficiency. [GAO-20-55](#). Washington, D.C.: January 15, 2020.

Year Recommendation Made: 2020

Recommendation: The Commissioner of Internal Revenue should direct the W&I division to develop and implement a strategy, in collaboration with its strategic workforce planning initiative, for the efficient use of overtime.

Action Needed: IRS agreed with this recommendation. IRS stated that its existing process within the W&I division for the use and approval of overtime is sufficient, so it would not take any further action. However, as we reported in January 2020, W&I offices had exceeded their overtime allocations in several of the preceding years.

For the 2024 filing season, IRS used IRA funding and direct hire authority to hire more employees than in the previous five filing seasons. Even with the additional staff, IRS officials said that the agency still faced challenges in some locations with processing operations. IRS continued to experience higher turnover for its filing season workforce than for the agency as a whole. In addition, IRS continued to use overtime during the 2025 filing season. IRS officials told us that their use of mandatory and voluntary overtime was due in part to IRS's inability to hire staff because of the federal hiring freeze that went into effect before the filing season began.

We continue to believe that a strategy, in collaboration with IRS's strategic workforce planning initiative, would help ensure the efficient use of overtime. If not well managed, overtime can be costly, contribute to skills gaps, and lead to employee burnout.

Potential Financial Benefit if Implemented: Less than one million dollars

¹⁰An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14, Pub. L. No. 119-21, § 70607, 139 Stat. 72, 289 (2025).

High-risk Area: [Enforcement of Tax Laws](#)

Director: Jessica Lucas-Judy, Strategic Issues

Contact information: lucasjudyj@gao.gov

Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement. [GAO-18-544](#). Washington, D.C.: July 24, 2018.

Year Recommendations Made: 2018

Recommendation: The Commissioner of Internal Revenue should implement the most cost-effective method to digitize information provided by taxpayers who file returns on paper.

Action Needed: IRS agreed with this recommendation. IRS has taken steps to modernize the processing of individual and business paper returns in recent years. This includes accessing electronic amended returns, creating an internet portal for businesses to e-file forms, and making 20 more tax forms available for electronic filing. For the 2024 filing season, IRS expanded a project using outside vendors to scan and extract data from some individual paper tax returns and employer returns. By the end of the 2024 filing season, about 2 percent (82,000) of the nearly 5 million paper Form 1040 returns that IRS received were processed through the vendor project. About 16 percent (800,000) of paper employer returns IRS received were processed by vendors.

As of June 2025, IRS had plans to move forward with a zero paper initiative that would support its goal to digitally process 100 percent of paper-filed tax returns and information documents, consistent with this recommendation. An IRS official said completing this initiative and other technology projects depend on IRS appropriations. Digitizing paper returns benefits taxpayers and IRS. Reduced processing time would result in faster refunds to taxpayers and easier access to more data for customer service. Also, IRS could use the Return Review Program (RRP) fraud filters on all paper and electronic forms and allow more pre-refund compliance checks or investigations.

Recommendation: Based on its evaluation of the RRP, the Commissioner of Internal Revenue should expand RRP to support identified activities.¹¹

Action Needed: IRS agreed with this recommendation. IRS has taken steps to expand its use of RRP's filtering technology at the time of return processing. For example, in October 2022, IRS started using RRP to check for fraud and other withholding errors on digitized amended returns, helping examiners prioritize thousands of amended returns for manual review before a refund is issued.

To fully implement this recommendation, IRS needs to consider ways to leverage RRP's screening capability at the time of filing. Expanding RRP to screen and filter all individual and business tax returns—not just those seeking refunds—could support key compliance goals. For example, taxpayer issues could more quickly be resolved by enhancing systemic checks on tax returns to identify issues at the point of filing and notify taxpayers.

¹¹In January 2022, IRS implemented a previous priority recommendation to evaluate the costs and benefits of expanding RRP to analyze individual returns not claiming refunds to support other enforcement activities.

Potential Financial Benefit if Implemented: May contribute to hundreds of millions of dollars.¹²

High-Risk Area: [Enforcement of Tax Laws](#)

Director: James R. McTigue, Jr., Strategic Issues

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Ensuring Taxpayer Data Security

Security of Taxpayer Information: IRS Needs to Address Critical Safeguard Weaknesses.
[GAO-23-105395](#). Washington, D.C.: August 14, 2023.

Year Recommendation Made: 2023

Recommendation: The Commissioner for Internal Revenue should ensure that the IT Cybersecurity office, in collaboration with the Privacy, Governmental Liaison and Disclosure office, maintain a comprehensive inventory of IRS systems that process or store taxpayer information.

Action Needed: IRS agreed with this recommendation. As of April 2025, IRS provided documentation demonstrating that system inventory data sources, such as the Enterprise Security Audit Trails (ESAT) inventory and the Federal Information Security Modernization Act of 2014 master inventory, have incorporated the As-Built-Architecture ID to align with the authoritative data source for IRS systems that process or store taxpayer information. However, these documents did not demonstrate that IRS maintains a comprehensive inventory of IRS systems that process or store taxpayer information. Specifically, we continue to identify systems either omitted or incomplete in the ESAT inventory.

To implement this recommendation, IRS needs to update its databases and sources that inform its inventory to ensure they have complete and accurate information on whether systems process or store taxpayer information. Implementing this recommendation would help IRS ensure it has implemented safeguards to protect taxpayer information on all of its relevant systems.

High-Risk area: [Ensuring the Cybersecurity of the Nation](#) and [Enforcement of Tax Laws](#)

Director: Jessica Lucas-Judy, Strategic Issues

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Taxpayer Information: IRS Needs to Improve Oversight of Third-Party Cybersecurity Practices.
[GAO-19-340](#). Washington, D.C.: May 9, 2019.

Year Recommendation Made: 2019

¹²This potential financial benefit is not attributable to this recommendation alone but could result from the combined effect of implementing two or more recommendations.

Recommendation: The Commissioner of Internal Revenue should develop a governance structure or other form of centralized leadership, such as a steering committee, to coordinate all aspects of IRS's efforts to protect taxpayer information while at third-party providers.

Action Needed: IRS agreed with the intent of this recommendation but did not agree to implement it. In May 2025, IRS officials reiterated the need for additional explicit authority to establish security requirements for the information systems of paid preparers and others who electronically file returns. IRS reported that to effectively establish data safeguarding policies and enforce compliance with those policies, a centralized leadership structure would require statutory authority for IRS to do so. IRS stated that without such authority, implementing the recommendation would be an inefficient, ineffective, and costly use of resources.

We continue to believe that IRS could implement this recommendation without additional statutory authority. IRS has ongoing activities aimed at protecting taxpayer information at third-party providers, and our recommendation is to coordinate such activities. We also disagree that convening a governance structure or other centralized form of leadership would be inefficient, ineffective, or costly.

To fully implement this recommendation, IRS needs to develop a structure to coordinate across the seven different offices that are already working on information security-related activities, such as updating existing standards, monitoring Authorized e-file Provider program compliance, and tracking security incident reports. Without this structure, it is unclear how IRS can respond to changing security threats and ensure threats are mitigated.

High-Risk area: [Enforcement of Tax Laws](#) and [Ensuring the Cybersecurity of the Nation](#)

Director: Jessica Lucas-Judy, Strategic Issues

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Enhancing Information Reporting

Tax Administration: Better Coordination Could Improve IRS's Use of Third-Party Information Reporting to Help Reduce the Tax Gap. [GAO-21-102](#). Washington, D.C.: December 15, 2020.

Year Recommendations Made: 2021

Recommendation: The Commissioner of Internal Revenue should research, evaluate, and develop potential recommendations to expand third-party information reporting to include more information on sole proprietors' income and expenses.

Action Needed: IRS neither agreed nor disagreed with this recommendation. In response to our recommendation, in September 2024, IRS completed a study that reviewed how the introduction of the 1099-K (*Payment Card and Third-Party Network Transactions*) changed filing and reporting compliance among recipients. However, this study did not fully address the recommendation. For example, this study did not evaluate ways IRS could more broadly increase third-party information reporting to enhance tax compliance among sole proprietors. In the report, IRS noted that proposals for policy changes, such as changes in information reporting, are coordinated through the Treasury legislative proposal process. IRS noted there was a prior proposal to improve reporting of digital assets, but no other recent proposals related to Form 1099-K or sole proprietor expense reporting. IRS reported that third-party reporting of sole proprietor expense items are in most cases infeasible and present serious privacy

concerns. However, the report does not describe why this kind of expense reporting is infeasible or what privacy concerns it raises, and states that there have been no recent proposals related to this topic.

We continue to believe that IRS should conduct research on ways to expand third-party information reporting including more information on sole proprietors' income and expenses. Without further researching and evaluating options to help improve compliance for sole proprietorships, IRS is missing an opportunity to help address a significant part of the tax gap.

Recommendation: The Commissioner of Internal Revenue should develop a collaborative mechanism to coordinate among the internal stakeholders who are responsible for the intake, processing, and use of information returns, as well as to improve outreach to external stakeholders in relation to information returns.

Action Needed: IRS neither agreed nor disagreed with this recommendation. In April 2024, IRS implemented an organizational structure, with four chief officers responsible for various functions within IRS reporting directly to a single Deputy Commissioner. The Chief Taxpayer Compliance Officer has primary responsibility regarding the use of data to inform the selection of tax returns for audit. IRS reported that this new officer is developing an enterprise-wide compliance approach, which will include a consideration of how to use data from information returns. As of May 2025, IRS anticipates it will have completed the necessary data and research to finalize this strategy by October 1, 2025.

Until IRS finalizes its strategy and implements a collaborative mechanism with a coordinated approach to using information returns, it risks missing opportunities to improve the effectiveness of its development, intake, processing, and use of information returns.

Potential Financial Benefit if Implemented: Identified but no estimate

High-risk Area: [Enforcement of Tax Laws](#)

Director: James R. McTigue, Jr., Strategic Issues

Contact information: mctiguej@gao.gov

Virtual Currencies: Additional Information Reporting and Clarified Guidance Could Improve Tax Compliance. [GAO-20-188](#). Washington, D.C.: February 12, 2020.

Year Recommendation Made: 2020

Recommendation: The Commissioner of Internal Revenue should clarify the application of reporting requirements under the Foreign Account Tax Compliance Act (FATCA) to virtual currency.¹³

Action Needed: IRS disagreed with this recommendation. In an August 2020 letter, IRS said it intends to focus on developing guidance regarding information reporting on certain virtual currency transactions involving U.S. businesses instead of clarifying the application of reporting requirements under FATCA to virtual currency. IRS stated that additional guidance on FATCA requirements may be appropriate in the future as the workings of foreign virtual currency

¹³Subtitle A of Title V of the Hiring Incentives to Restore Employment Act is commonly referred to as Foreign Account Tax Compliance Act (FATCA). Pub. L. No. 111-147, §§ 501-541, 124 Stat. 71, 97-117 (2010).

exchanges become more transparent over time. In our February 2020 report, we found that many virtual currency stakeholders were uncertain about how, if at all, FATCA requirements apply to virtual currency and would benefit from clarifications to the guidance.

In March 2023, IRS informed us that it submitted a proposal to require reporting by certain taxpayers of foreign digital asset accounts under Section 6038D of the Internal Revenue Code. This proposal was included in the prior administration's fiscal year 2024 and 2025 revenue proposals. As of May 2025, IRS had not taken any further action.

However, in July 2025, the President's Working Group on Digital Asset Markets released a report titled "Strengthening American Leadership in Digital Financial Technology," which included a statement that legislation could be enacted to require taxpayers to report foreign digital asset accounts. If enacted, such legislation would address the intent of our recommendation by clarifying the application of reporting requirements under FATCA to virtual currency.

We continue to believe that IRS could implement this recommendation by providing taxpayers with a clear statement about the current requirements under FATCA related to foreign virtual currency accounts. Lack of clarity about these requirements could lead to underreporting, which deprives IRS of data needed to address offshore tax evasion, or overreporting, which creates unnecessary burdens and costs for taxpayers.

Potential Financial Benefit if Implemented: A billion or more dollars

High-risk Area: [Enforcement of Tax Laws](#)

Director: James R. McTigue, Jr., Strategic Issues

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Enclosure 2

Key Information About the Status of GAO Recommendations and Improving Agency Operations

Internal Revenue Service's Recommendation Implementation Rate

In November 2024, we reported that, on a government-wide basis, 70 percent of our recommendations made 4 years ago were implemented.¹⁴ As of June 2025, the Internal Revenue Service's (IRS) recommendation implementation rate was 71 percent. As of September 2025, IRS had 230 open recommendations.

Implemented, Closed, and New Priority Recommendations

Our June 2024 letter to Commissioner Werfel identified 30 priority recommendations.¹⁵ Since then, IRS implemented five recommendations, we removed the priority status of one recommendation, and we added two new priority recommendations.

Implemented recommendations: IRS implemented five priority recommendations since June 2024.

- IRS completed steps to fully implement its workforce planning initiative, as we recommended in March 2019.¹⁶ In March 2021, IRS established a workforce plan, including an enterprise strategy, and had initiated the associated workforce analysis. In June 2024, IRS issued its fiscal year 2024-2026 workforce plan. The plan documents actions IRS took to develop an inventory of its current workforce and related competency and staffing requirements, analyze its workforce to identify skills gaps, develop strategies to address them, and evaluate and adjust strategies as conditions change over time. As a result, IRS has taken an important step in coordinating previously fragmented efforts to address skills gaps at the agency.
- IRS developed and implemented a plan to modernize the "Where's My Refund" application, as we recommended in April 2022.¹⁷ In 2022, IRS conducted a study to determine taxpayer needs and feedback on the application. In March 2023, IRS approved a modernization plan to address taxpayer needs it identified in the study. IRS completed implementation of its plan in June 2024. For example, IRS integrated the "Where's My Refund" application into taxpayers' online accounts, updated the web interface and optimized its appearance on mobile devices, and introduced additional information for taxpayers whose returns are delayed due to processing errors or identity

¹⁴GAO, *Performance and Accountability Report: Fiscal Year 2024*, [GAO-25-900570](#) (Washington, D.C.: Nov. 15, 2024).

¹⁵GAO, *Priority Open Recommendations: Internal Revenue Service*, [GAO-24-107356](#) (Washington, D.C.: June 25, 2024).

¹⁶GAO, *Internal Revenue Service: Strategic Human Capital Management Is Needed to Address Serious Risks to IRS's Mission*, [GAO-19-176](#) (Washington, D.C.: Mar. 26, 2019).

¹⁷GAO, *Tax Filing: 2021 Performance Underscores Need for IRS to Address Persistent Challenges*, [GAO-22-104938](#) (Washington, D.C.: Apr. 11, 2022).

theft concerns. These improvements provide taxpayers with additional information, which can help reduce the need to call or write IRS for this information.

- As of February 2025, IRS has designated a dedicated entity for overseeing efforts to detect, prevent, and resolve business identify theft (IDT), as we recommended in January 2020.¹⁸ Return Integrity and Compliance Services (RICS) is responsible for administering and overseeing the IRS program that identifies business returns for possible IDT or employer identification number fabrication. RICS leads the development of IRS's annual business IDT taxonomy, an in-depth analysis which estimates the amount of revenue detected, prevented, and lost to business IDT schemes. RICS also participates in IRS-wide collaboration forums that bring together multiple parts of the organization to analyze emerging IDT risks and trends. RICS's continued leadership on business IDT will ensure that IRS is well positioned to understand and address business IDT fraud risks going forward.
- In February 2025, IRS demonstrated that it had systematically evaluated key information returns considering how to improve compliance and reduce fraud and reporting burden, as we recommended in December 2020.¹⁹ IRS submitted an evaluation of six information returns that are used for enforcement purposes. IRS selected the Forms 1099-B, 1099-R, W-2G, 1099-INT, 1099-MISC, and Form 1065 Schedule K-1 based on their association with fraud risk and their potential to benefit from modifications aimed at improving voluntary compliance or operational efficiency. The evaluation included factors such as the filing requirement threshold and the deadlines for providing the returns to taxpayers and IRS. In addition, IRS compiled descriptive statistics for four of these six information returns, as well as others, and presented information about the time and money associated with each of these information returns. As a result, IRS has more information available about the characteristics of information returns, which it can use to support its decision-making and inform possible future modifications to information returns.
- In July 2025, IRS demonstrated it had assessed how new online services may reduce taxpayer burden.²⁰ IRS estimated that electronically amending returns saved taxpayers 150,000 hours and approximately \$4 million in fiscal year 2021. IRS also estimated that its free Direct File service—which assisted eligible taxpayers with preparing and filing returns—saved taxpayers \$21 million in fiscal year 2024 and \$41 million in fiscal year 2025. The effect on time burden varied depending on whether Direct File taxpayers had previously used paid preparers. IRS's actions should help decision-makers assess how new online services are improving the taxpayer experience.

¹⁸GAO, *Identity Theft: IRS Needs to Better Assess the Risks of Refund Fraud on Business-Related Returns*, [GAO-20-174](#) (Washington, D.C.: Jan. 30, 2020).

¹⁹GAO, *Tax Administration: Better Coordination Could Improve IRS's Use of Third-Party Information Reporting to Help Reduce the Tax Gap*, [GAO-21-102](#) (Washington, D.C.: Dec. 15, 2020).

²⁰GAO, *Tax Administration: Taxpayer Input Could Strengthen IRS's Online Services*, [GAO-20-71](#) (Washington, D.C.: Dec. 19, 2019).

Priority status removed: In August 2025, we removed the priority status from one October 2023 recommendation to help address sole proprietor tax compliance.²¹ We recommended that IRS analyze existing data and forthcoming Form 1099-K data to better understand sole proprietor noncompliance and use that information to make decisions on enforcement and outreach priorities for sole proprietors. Because of a 2021 statutory change expanding the reporting threshold, IRS expected to receive millions more Forms 1099-K reporting payment card and third-party network transactions. In July 2025, the One Big Beautiful Bill Act included a provision that reverted to the original 1099-K reporting threshold.²² Given the change in forthcoming 1099-K data, we have removed the priority status from this recommendation.²³

New priority recommendations: The two new priority recommendations fall into the areas of addressing the tax gap and improving the taxpayer experience. (See Enclosure 1.)

High-Risk List

In February 2025, we issued our biennial update to our High-Risk List.²⁴ This list identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement. It also identifies the need for transformation to address economy, efficiency, or effectiveness challenges. One of our high-risk areas—[enforcement of tax laws](#)—centers directly on IRS.

Several other government-wide, high-risk areas also have direct implications for IRS and its operations. These include [improving IT acquisitions and management](#), [strategic human capital management](#) and the [personnel security clearance process](#), [managing federal real property](#), and [ensuring the cybersecurity of the nation](#).

In addition to IRS's high-risk area, we urge your continued attention to the other government-wide, high-risk issues as they relate to IRS. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, the Office of Management and Budget, and the leadership and staff in agencies, including within IRS. In March 2022, we issued a report on key practices to successfully address high-risk areas, which can be a helpful resource as your agency continues to make progress to address high-risk issues.²⁵

Congress's Role on GAO Recommendations

We also recognize the key role Congress plays in providing oversight and maintaining focus on our recommendations to ensure they are implemented and produce their desired results. Legislation enacted in December 2022 includes a provision for GAO to identify any additional

²¹GAO, *Sole Proprietor Compliance: Treasury and IRS Have Opportunities to Reduce the Tax Gap*, [GAO-24-105281](#) (Washington, D.C.: Oct. 19, 2023).

²²Pub. L. No. 119-21, § 70432 139 Stat. 72, 243 (2025).

²³This recommendation remains open and is associated with potential financial benefits of hundreds of millions that could result from the combined effect of implementing two or more recommendations.

²⁴GAO, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, [GAO-25-107743](#) (Washington, D.C.: Feb. 25, 2025).

²⁵GAO, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, [GAO-22-105184](#) (Washington, D.C.: Mar. 3, 2022).

congressional oversight actions that can help agencies implement priority recommendations and address any underlying issues relating to such implementation.²⁶

Congress can use various strategies to address our recommendations, such as incorporating them into legislation. Congress can also use its budget, appropriations, and oversight processes to incentivize executive branch agencies to act on our recommendations and monitor their progress. For example, Congress can hold hearings focused on IRS's progress in implementing GAO's priority recommendations, withhold funds when appropriate, or take other actions to provide incentives for agencies to act. Moreover, Congress can follow up during the appropriations process and request periodic updates.

Congress also plays a key role in addressing any underlying issues related to the implementation of these recommendations. For example, Congress can pass legislation providing an agency explicit authority to implement a recommendation or requiring an agency to take certain actions to implement a recommendation.

²⁶James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, § 7211(a)(2), 136 Stat. 2395, 3668 (2022); H.R. Rep. No. 117-389 (2022) (accompanying Legislative Branch Appropriations Act, H.R. 8237, 117th Cong. (2022)).

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