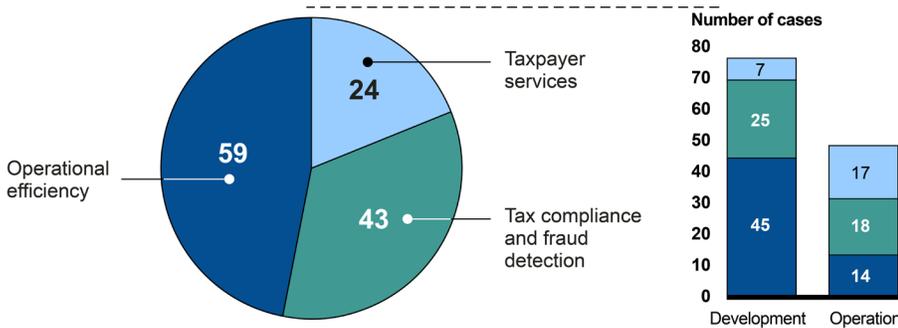


A report to congressional requesters.

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**What GAO Found**

IRS had 126 active artificial intelligence (AI) use cases—applications of AI for a particular business need—in its inventory as of June 2025. These 126 use cases included 65 that were either too sensitive for public reporting or were research and development efforts exempt from public reporting. Although IRS has been using AI for several years, its inventory has grown rapidly since reporting 10 use cases in August 2022. IRS categorized most use cases in the June 2025 inventory as either improving (1) operational efficiency or (2) tax compliance and fraud detection. IRS listed 61 percent (77 of 126) of use cases as in development in June 2025 (see figure).



Source: GAO analysis of Internal Revenue Service's (IRS) June 2025 AI use case inventory. | GAO-26-107522

Major staffing reductions at IRS in 2025 could greatly affect its ability to use AI. For example, officials in the Research, Applied Analytics and Statistics group said they lost 63 employees who had been working full- or part-time on AI. Other IRS units also reported reductions in staff that support AI efforts, in addition to organizational and contractual changes. Still, IRS officials stated that the agency plans to use more AI in the future. However, IRS officials said they had not identified skills needed to support AI or developed a plan to address the skills gaps. The recent staff reductions, the intent to pursue additional AI initiatives, and the absence of a plan to address AI skills gaps increase the risk that IRS AI efforts will not succeed.

In addition, IRS's inventory did not always include quality information. For example, GAO determined that over 25 percent of use cases did not include information on how the use case was to benefit the agency. GAO also identified use case inventory omissions. For example, GAO identified several AI-enabled tools IRS officials said were contracted to help build criminal cases. These tools were not included in the inventory. Improved IRS processes and internal communications can address these shortcomings.

IRS's AI governance process had several entities with oversight of individual AI use cases. However, none were responsible for managing AI investments across the agency. Further, IRS does not have a process to ensure its AI investments are contributing to agency-wide goals. Given the risks facing IRS, a more strategic approach is warranted that enables IRS to identify high-value AI initiatives that contribute to agency-wide goals.

**Why GAO Did This Study**

IRS has used AI for many years. It has numerous AI initiatives under development and in operation, including in areas such as taxpayer service and audit selection. However, future IRS funding, strategy, and staffing levels are uncertain. This dynamic environment highlights the importance of understanding how AI can deliver results for IRS.

GAO was asked to review IRS's use of AI. This report assesses (1) how IRS uses AI and how resource changes at IRS could affect AI efforts; (2) the quality of information in IRS's AI inventory; and (3) how IRS strategically manages its AI investments.

GAO reviewed IRS's internal and public AI inventories, and relevant Department of the Treasury and IRS documents. GAO compared information in and processes for managing IRS's AI inventory to IRS policy and guidance, law, government-wide guidance, and leading practices. In addition, GAO compared IRS's efforts to manage its AI investments against federal guidance and leading practices. GAO also interviewed Treasury and IRS officials.

**What GAO Recommends**

GAO is making eight recommendations to IRS, including to (1) identify skills gaps and develop an AI workforce plan; (2) implement a comprehensive quality assurance process for AI inventory entries; (3) clarify internal communications to ensure all AI use cases are included in the inventory; and (4) require reporting on use case alignment to strategic goals.

IRS agreed with all eight of GAO's recommendations and described steps it plans to take, or has started taking, in response to each recommendation. IRS also provided technical comments, which we incorporated as appropriate.