GAO Highlights

TAX REGULATIONS

Opportunities Exist to Improve Economic Analysis and Taxpayer Engagement

GAO-26-108115 July 2026

A report to congressional committees

Contact: James R. McTigue, Jr. at mctiguej@gao.gov

What GAO Found

The Department of the Treasury and the Internal Revenue Service (IRS) proposed 236 tax regulations and finalized 231 regulations between January 21, 2017, and March 31, 2026. These regulations included those that implemented provisions of the sweeping tax law changes of 2017, 2022, and 2025. IRS rulemaking procedures generally provided the public with an opportunity to comment on proposed tax regulations.

GAO found that Treasury and IRS could improve the usefulness of regulatory economic analyses required for economically significant tax regulations which have $100 million or more in economic effects, with 28 tax regulations designated as such in the period GAO reviewed. Treasury and IRS consistently used one of the Office of Management and Budget's (OMB) recommended practices for the economically significant regulations reviewed. This practice of analyzing alternative ways to design the regulations resulted in decisions that made it easier for taxpayers to claim new tax benefits. However, Treasury and IRS used other recommended practices less consistently. These practices, if used, would help Treasury and IRS make more informed selections of regulatory alternatives by providing specific cost, benefit, and revenue estimates.

Use of Recommended Analysis Practices for Selected Final Tax Regulations

Recommended practices	Regulatory Economic Analyses by Treasury and IRS: Investing in Qualified Opportunity Funds	Limitation on Deduction for Business Interest Expense	Additional First-Year Depreciation Deduction	Denial of Deduction for Certain Fines
Alternative Approaches	●	●	●	●
Identification of Costs and Benefits	◑	◑	◑	●
Estimation of Revenue Changes	○	○	○	●
Summary of Economic Effects	○	○	○	○

● Fully addressed ◑ Partially addressed ○ Not addressed

Source: GAO analysis of documents from the Department of the Treasury and the Internal Revenue Service (IRS). | GAO-26-108115

Treasury and IRS are not following leading practices for public engagement in rulemaking and risk not being prepared to address voluminous public comments, sometimes tens of thousands, on proposed tax regulations. IRS faces increasing challenges with AI-generated public comments which make it more difficult for IRS to identify duplicate comments. IRS has not developed policies for addressing mass public comments or comments written with the assistance of AI. Treasury and IRS hold public hearings on proposed regulations in Washington, D.C., upon request. Effective virtual participation by members of the public from across the United States is challenging because IRS only uses dial-in technology rather than widely available video conferencing technology. A federal advisory agency recommends that agencies reduce barriers to public regulatory participation. GAO also identified additional opportunities to document public comments made at hearings to ensure important concerns are considered.

Why GAO Did This Study

In recent years, Treasury and IRS have been affected by significant legal decisions, changes in the requirements for rulemaking, and rapidly evolving technologies that enable mass public comments.

The Inflation Reduction Act of 2022 (IRA) directed GAO to oversee the use of IRA funds including Treasury and IRS regulatory actions. GAO's objectives included assessing: (1) the development of regulations in light of recent tax law changes, (2) the extent to which Treasury and IRS perform economic analysis for major tax regulations and measure revenue effects, and (3) the extent to which Treasury and IRS follow leading practices for public engagement in rulemaking.

GAO analyzed regulatory activity between January 2017 and March 2026; compared four selected regulatory economic analyses against recommended practices by OMB with the regulations selected, in part, because the economic analyses were the most relevant examples in selecting alternative regulatory designs; and compared public comment and regulatory hearing procedures against leading practices.

What GAO Recommends

GAO is making six recommendations to Treasury and IRS, including providing more specific economic analyses, developing a policy to identify and document mass public comments including comments written with the assistance of AI, enhancing virtual participation in and documentation of regulatory hearings. Treasury agreed with two recommendations and disagreed with four recommendations. GAO maintains that implementation of all six recommendations would improve the development of tax regulations.