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WEBINAR

WHAT TO EXPECT THIS TAX SEASON

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PANEL DISCUSSION

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WILLIAMSON: Hello and welcome to What To Expect This Tax Season. By any standard, the IRS has seen an immense amount of change in just one year. The agency lost a quarter of its staff and three quarters of its senior leadership in the administration cycle through an unprecedented seven IRS commissioners. Before making the IRS's day-to-day operations, a second job for the head of Social Security and to this already complicated situation, we saw added the most lengthy government shutdown in history as the agency was implementing a complicated new tax law.

I think it's reasonable to imagine that some taxpayers have cause for concern. So what should taxpayers be expecting this tax season? If there is anyone who can sort out the chaos, it is our expert panel today. I'm gonna quickly introduce everyone and then we can jump right in.

First of all, Brandon DeBot is a senior attorney advisor and policy director at the Tax Law Center at NYU. Previously, he served as special assistant to the president for tax policy at the White House national Economic Council.

Barry Johnson is a non-resident fellow in the Urban-Brookings Tax Policy Center. Before joining Urban, Barry was the Chief Data and Analytics Officer at the Internal Revenue Service, the director of the IRS Statistics of Income Division and the statistical official of the Department of the Treasury.

Nina Olson is the executive director of the Center for Taxpayer Rights from March, 2001 until July, 2019, Nina served as the National Taxpayer Advocate of the United States, an independent organization within the IRS, dedicated to assisting taxpayers resolve their problems with the IRS and making administrative and legislative recommendations to mitigate those problems systemically.

And Rebecca Thompson. Until July, 2025, Rebecca was a senior advisor in the Department of Treasury leading stakeholder engagement for the IRS modernization and for Direct File. And before that, Rebecca was the Vice President of Strategic Partnerships and Network Building at Prosperity Now, where she helped lead the Taxpayer Opportunity Network.

Thank you so much all of you for joining us. I wanna start with a question for the panel as a whole. Given all the changes that we saw at the IRS in 2025, I barely scratched the surface. I know. What

was the issue you were most concerned about coming into tax season? What have you been watching and what will you be watching in the weeks ahead as we get closer to tax day?

Brandon, do you think I could start with you?

DEBOT: Sure. Thanks Vanessa. It's great to be here. I think there's a lot to be worried about these days but I am especially concerned about revenue collection and voluntary compliance given the damage to enforcement capacity and other actions that could erode trust in the tax system or give the impression that there are fewer consequences to not complying with the tax laws.

At the center of this is, are the workforce cuts that you mentioned and, and the loss of a quarter of IRS staff. In particular the departure of folks who had been brought on recently to help bolster the IRS's capacity to target and audit large, complex businesses and high income people. And those could erode revenue by hundreds of billions of dollars over the next decade according to estimates by the Yale Budget Lab. But they could cost even more potentially into the trillions of dollars if voluntary compliance falls due to weakened enforcement and eroding trust in the system, and they're the issues that could erode that trust.

And, and we can enforcement run much deeper, and I'm sure we'll talk about many of them from the unlawful data sharing attempts at. Political interference in audits the serious loss of enforcement capacity at the Department of Justice, the reins assignment of tax investigators to immigration enforcement and so on.

That's a key area, how, you know, how taxpayers respond to this new environment. And also how the IRS operates and what the effect on, on the tax gap and the deficit are.

WILLIAMSON: I mean, I think we're in many ways operating in kind of a new world, so it's a little bit hard. We've always had high tax compliance, so it's, it's hard to imagine falling out of that system.

Barry, what's on your mind these days when it comes to the tax season?

JOHNSON: So first, thanks for inviting me to be part of this panel. It's great to be here. You know, I think it's the staffing cuts that, that really, because it sort of flows through everything else that we're gonna talk about today. It's not just that they lost 25% of their staff, but they lost the, the 25% that had the deepest institutional memory. Folks that were really the deep subject matter experts in whatever it was they did, whether it was on the enforcement side or the tax administration processing side or the, or the research side.

And you know, what's the impact gonna be on that? Are taxpayers gonna be getting accurate answers when they call the, the, lines? And I think we'll hear a little bit more about that later. I too am worried about the, the compliance activities. We had worked really hard when I was there to kinda rebalance the enforcement activities so that we were doing a better job of reaching across the whole tax filing population in, in audit coverage. You might recall it before the, the, the IRA budget came into the IRS, we had cut way back on audits of more complex tax returns, tipping the mix of audits toward the lower income folks because those are, frankly, easier audits to do. That can be done by mail, they can be done by lower graded employees. The issues tend to be simpler. And, you know, one of the goals that the IRS had set was to, was to have a fairer system where we were really auditing folks at all income levels and, and all levels of complexity. And I'm, I'm really concerned about the ground we're gonna lose on that.

And then finally, you know, thinking about my own, my data hat, I'm just, I'm worried about our ability to even know what's going on in the IRS. I'm, I'm really looking forward to seeing the data book. Hopefully it will come out usually, normally it would come out the end of March, beginning of April. And while I will only cover the fiscal year for 2025, and that's a little bit too soon to see, you know, the deep impact of a lot of these cuts and changes, we will have some early indicators of the impact of the budget cuts on, on, on collection activities, enforcement activities taxpayer advocate activities all sorts of things.

And, and so I think we'll be able to see a kind of an, an early indicator at least of, of how both the loss of staff and, and the, some of, in some cases, the redeployment of staff, like the redeployment of the criminal investigations teams to assist ice what the impact that's having on would've been core IRS functions in the past.

So all those things are, are the things that I have been watching for throughout this following season.

WILLIAMSON: Yeah, I heard call wait times mentioned, and so I'm, I think, legally obligated to turn to you now. No, I'm kidding. But the I know you've got a ton of data on this at, at your fingertips.

What are you thinking about as we, as we get sort of halfway, a little more than that through the tax season this year?

OLSON: Well, I think you know, basically everything everybody else said, but well, you can hear it right now. I'm on the phone right now with the IRS on on hold. I think as someone who focuses most of her professional work on dispute resolution, I'm actually worried what happens the morning after, you know, the morning after you file your return.

The IRS does so many compliance touches, as Barry noted, the easy stuff, math error notices freezing refunds until someone comes in and provides information that the IRS thinks they need. Can you get through to anybody? Will there be anybody dealing with this? So even if you make it through and you can file and you can call during the filing season and get some information in order to file, what happens after you filed?

I'm really concerned about because you don't have the qualified people and that, and we've seen this before, that when you don't have the staffing, the machines just freeze stuff and then they just sit there. Sit there and sit there and sit there and issues don't get resolved. And that's a huge issue for people and their trust.

And it also can have the effect of discouraging people from claiming things that they're actually eligible for because they think the IRS is, you know, holding something of theirs, which they are. So I'm very concerned about that. Obviously I'm concerned about ice, which we'll talk about later, and just the general erosion of 61 0 3.

And I'll also say about transparency, what folks have been talking about. You know, we have a project with doing FOIA requests and we have been very active in that over the last year asking for staffing

data, et cetera. And just recently in response to one of our FOIA requests, which the iris didn't fulfill properly and agreed to reopen it.

On staffing the last pay period for the fiscal year 2025, and the first pay period for 2026. So we could see who had dropped off, you know, by unit in the IRS and they called, they wrote back to us and they said, you know, we are really seriously understaffed. Would you consider withdrawing your FOIA request?

And it was like, you know, folks, no. And by the way, this is precisely the reason why we're doing this FOIA request to show the impact. So it's just, it's hitting everywhere. Truly everywhere.

WILLIAMSON: Yeah. Just for the record, how long have you been on hold? Right now,

OLSON: let's see, I started at 12:44 and it is 1:40, so almost an hour. This is real time. You'll know as soon as I do. And we've gotten through.

WILLIAMSON: Yeah, and I wanna talk more about this because one of the questions I have is whether we're finding out data like this the way we usually do from the IRS. But first I wanna bring in Rebecca who knows everything there is to know about how taxpayers actually experience the IRS because she is a leader in the VITA community.

So the folks who do voluntary income tax help for low and moderate income tax taxpayers. Rebecca, what are you watching this year?

THOMPSON: Hey, good afternoon and thank you so much Vanessa for the opportunity to join this panel. So as you mentioned, one of the things that I have really been watching for is what would be the implication of the one big beautiful bill act on average every everyday American taxpayers?

And one of the things as well as what would be the implication to volunteer programs like the Vida program and TCE and in regards to how we actually prepare the returns for. The American taxpayer. So one of the big issues, and one of my concerns coming into the filing season was whether or not we

would actually timely receive the guidance and information that we needed in order to prepare accurate returns due to the aforementioned staffing cuts and limited capacity of the IRS.

So one of the things that we've already experienced this year is no, we did not actually timely receive the guidance and the information that we needed in order to prepare accurate returns, specifically around the provisions for overtime calculations and no tax on overtime, and no tax on tips, which were also the big things that we are watching for this year to see because it was all the buzz in the news media.

So we were really watching, and I've been really watching to, to understand what the implication would be of those, those key talking points on people's tax returns and how they file, whether or not, you know, the information was provided, whether or not we had guidance on how to prepare accurate returns and how people were actually experiencing these, these purported tax cuts and tax breaks for the, for the everyday folks.

You know, a couple of other things that I've been watching for have been like filing season trends and whether or not people were filing as they normally would and whether or not the data was coming back. Earlier data showed that the return counts were coming in a little bit lower just slightly lower than they had been over the, the last few filing seasons.

Which is something typically that will happen. But we look to see people, you know, this, this April rush, we're a week out from April. And so we anticipate, you know, that there will be a lot of folks that are coming in to catch up. And then another big, big key point that we were looking at looking at is the phasing out of paper checks.

The impact that that has, particularly on low income American limited English speaking populations and seniors. And what we've seen is that the IRS has like for some reason has introduced an additional layer of complexity to the process which it seems like unnecessary layer of complexity in the way that they're actually implementing this paper check phase out.

And it is driving us to actually strongly encourage people to get direct deposit even against their wishes because of the additional complexity that has been introduced into the process. Couple other

things that we're, we're noticing around the Affordable Care Act and, there's some, some disconnect between the systems regarding who had marketplace insurance and who didn't.

And so we're seeing a higher number of returns that are actually being rejected for that reason, and people not really understanding the types of insurance that we had. And then of course, we're making sure that people are prepared because as a part of this new legislation, come next filing season, that there will no longer be a cap on the repayment of those advanced premium tax credits.

And so we wanna make sure that people are aware that this, that repayment cap is going away. So there are a lot more conversations that we're having with taxpayers. And then finally the one that's near and dear to my heart would be the IRA and the phase out of the Clean Energy Credits that are due to the IRA.

And so we're making sure that people are aware that they will no longer have access to those credits. So if they decide to make some changes and upgrades to their homes for energy efficient improvements to their homes this filing season, they can no longer look forward to being able to claim those in the next year.

And there are a couple other things, but I know we'll get to those later on, particularly in conversations around the sharing of taxpayer data and Department of Homeland Security and ice.

WILLIAMSON: Yeah. So just following up on the, the point you made about guidance, if Rebecca is a, as you know, as someone working sort of, you know, directly with the IRS right?

Vita as a partner of the IRS, if if folks at Vita aren't getting the guidance they need, I, I have to ask myself what regular taxpayers trying to do their own taxes are gonna be confronting. Brandon, do you wanna jump in on this question of guidance? I know you've given it a lot of thought.

DEBOT: Yeah. Sure. So we've, you know, seen a lot of guidance coming a little bit late. And especially for the provisions that were retroactive and that includes the no tax on. Provisions. And some of it has resolved questions, but a lot of it has also led to confusion. So as one example, treasury and the IRS provided relief for employers from TIPS and overtime reporting requirements this

year, which means employers don't need to report tipper overtime pay that may qualify for these deductions leaving many workers to do complex calculations on their own or work with Vita Partners who, who can help them.

But it's a really it can be quite a complex calculation. Another is treasury and the IRS effectively turning off one of the restrictions in the tips deduction that Congress had enacted at least for this year and, and possibly future years. So there's the sort of. Recent tax law implementation part.

The other major guidance trend that we're seeing is the administration's deregulatory agenda. Which in practice has involved a series of costly unsound and in some cases potentially unlawful guidance that grants requests by stakeholders like. Large multinational corporations and the crypto industry.

This includes a series of giveaways that hollowed out the corporate alternative minimum tax on large, profitable businesses. Contrary to Congress's goals, when it enacted the tax it also. Includes reversing guidance that was intended to address really egregious tax avoidance transactions used by large, sophisticated businesses.

And these and other actions together have cost tens of billions of dollars over a decade and given tax cuts that Congress could have provided but did not. So as you might imagine, these aren't the issues that the typical taxpayer has top of mind when they go to file their return. But treasury and IRS have been spilling a lot of ink on them with harmful effects on revenue, on fairness and on the integrity of the tax system.

WILLIAMSON: These are just so many things to be keeping an eye on. You know, it kind of leads me to my next question which already came up. I think several people raised it from the beginning. You know, with all of these changes underway, these very complicated and controversial changes underway, I think a lot of people are asking about the federal government in general and the IRS in particular.

Are we getting accurate information about, about the sort of processes and changes that are underway? And you know, if I'm talking about IRS data, I obviously wanna hear from Barry Johnson.

So would you maybe tell us a little bit about what you're watching on that front and what do you think of the changes we've seen?

Are we getting the information we usually get? Does it seem to be in keeping with what we've seen in the past?

JOHNSON: Well, I, I, I will say I looked at Brookings keeps a tracking sheet of, of the weekly reports, and those numbers looked very similar to the kinds of information we were getting in the past. I, I mean, the, I would caution anybody that looking at the, the weekly filing season data.

Are is, is not a really great advance indicator, especially early in the filing season, especially this filing season. You noted that a lot of people have had confusion about how to file their taxes if they have, if they're impacted by some of the newer provisions. And so I would expect that that would be a, a, a major cause for a, a, a, a slightly lower number of returns coming in.

In the early weeks of the following season, we probably will see a, a rush at the end, or maybe even a lot more extensions than we would see or extensions in populations that typically wouldn't have taken advantage of that that provision. You know, we can, you know, that if you don't file a return.

By April 15th, you can get an extension to file the actual return in, in, in, in mid-October, as long as you pay an estimate of what the tax will ultimately be. So those numbers look pretty similar to me. I, I thought I would focus a minute on something that Janet Hol Black and I addressed in a blog a few weeks ago, and that's changes to how the IS is.

Thinking about the service it provides to taxpayers over the phone. In January, the CEO announced that they're gonna abandon the, the level of service measure that had been in place for about two decades. That's after they re reduced the goal twice in, in, in, in facing the reality of, of, of understaffing and and inability to bring the, the people that they were able to hire on timely because of the shutdown.

The new measures or the level of service that measured they used to use before only looked at return calls going into what's called the accounts management team. Those are the folks mostly doing 10,

40 questions. And it divided the, the number of calls that that reached a, a person by the total number of calls essentially.

And. They've been reporting that number for a long time, and usually an important pre-filing season goal is, is, you know, what that level service is gonna be. 85% was roughly what they achieved last year. In, in, earlier, in, in prior, prior years, before the IR investment, it was somewhere around 20%. So it does move around a lot.

You know, it's far from a per a perfect measure. The taxpayer advocate, I'm sure Nina included in many of her reports, the fact that, that that level of service number that IS published was incomplete. It only looked at one phone line. And there are lots of other phone lines. There are lines to call in if you have your ID stolen and if you have, you know, a collection problem all sorts of other things, those were not included in that level of service measures.

So in some ways, IRS would rob from Peter to pay Paul by moving folks around to focus, you know, answering calls that were to these lines that were measured. So moving forward it looks like they're gonna be reporting. On a few measures, the average speed of answer of call, the call abandonment rate, and the time spent online, and the CEO said that, you know, these changes are in alignment with, with recommendations from the past.

I'll, I'll address that in a second. But I, you know, I think one thing to point out here is that these are similar to the kinds of measurement changes that were put in place at Social Security earlier, late last year, and that there has been a lot of criticism about those changes and that the numbers seem to paint a rosier picture than, than people are actually experiencing.

So for example, in the private sector, speed of answer refers to the amount of time it takes to, for a caller to reach a person. And the abandonment rate is the share of callers who hang up before that happens. But the IRS hasn't actually defined any of these measures. And so we're not really sure what's, what, what's gonna count and what's not gonna count.

In his March testimony, the CEO noted that taxpayer wait times were in the single digits, which makes me think maybe they're just didn't, maybe they're just starting, you know, calling it done when the,

when the computer picks the phone up and says, Hey, you're on hold. Not sure but. TIGTA in January also noted that because of hiring challenges that a lot of the folks up there were gonna be bringing on answer.

The phones would only be able to handle the most basic kinds of questions and problems. And that often what would happen is that you would be triaged and then sent on to someone else. And so I think an important measure for us to think about is when you finally do reach that human body, are they able to resolve your question or are you gonna be put on hold again or, or promised to call back at some future time to, to get your question answered.

And so I, you know, I think all this speaks to the need to distinguish between the time someone spends waiting and the quality of the, of the service they get once they finally do reach somebody.

OLSON: You know, if I can weigh in here. Oh, go ahead.

JOHNSON: No, I was gonna say the other thing that, that, that while the, they've called these new measures, enterprise measures, there hasn't been any, you know, concrete statement of whether they're gonna expand this beyond the accounts management lines that we historically measured.

You know, it, it truly does wait to be seen whether or not these measures are going to do much. And, you know, I think for me it's fine to measure how fast and how many and it's important. But I think that all the original recommendations coming in from the taxpayer advocate, from GAO, from Teda, they really were talking about looking at streamlining the taxpayer experience and measuring the quality of responses.

And to do that takes intentionality. It's gonna require surveys, it's gonna require studies. And I haven't seen any commitment yet that, that, that IS is gonna be able to do those things given their reduced staffing. So for all those reasons, I'm, I'm really not. Confident that what we're gonna hear about at the end of the filing season about how wonderful the level of service was or these, these new measures are, is really gonna reflect the taxpayers.

Were actually doing any better than they were before.

OLSON: You think that this particular taxpayer's still on hold after one hour and 10 minutes to the 10 40 number. But I think, you know, we've been calling over the last month, my staff and I, some of the lines, not just the 10 40 line, but lines like the identity theft line, like the automated collection service line, like the taxpayer protection line program line, or the, which is where you have to call and authenticate yourself.

And then also the automated questionable credit line where the IRS has concerns about your refund and won't issue it until you answer some, some questions or provide some information. And there we've found anything from, you know, of the calls, like for the, taxpayer protection line. We made nine calls and there were seven disconnects.

So those disconnects happened within two minutes of dialing. But when you managed to get through, it was an hour to an hour and 15 minutes. Overall, we had an average of 50 minutes, and you have as the wait time to get through until they finally picked up on a live assist, and that includes those two minute disconnects, which were the majority, and on several of the lines, which just shows what Ja de Barry's saying.

The other thing I'd add to that is, you know, several years ago. When I was the taxpayer advocate, we did a literature review of private service customer service entities, what measures they used and that they said, you know, it's really hard to measure quality customer service, but the key measure they all agreed on, and these were large entities that managed phone lines across industries, was first contact resolution, which is what Barry's talking about.

You know, and, and that can be measured, but you've got to do it in a lot of different ways than just pulling wait time. And I'm still on hold,

WILLIAMSON: my goodness. All right. So we have se we have some questions about how call, wait time's gonna be measured. I wanna circle back to something that I think I, I think all of you raised when you, you, at the very start of our conversation.

And it's an issue that's kind of a lot of attention for a reason. We're seeing huge changes in the IRS's role in immigration enforcement. Brandon, I wanna start with you and talk about an issue that I think has actually gotten a little less attention but is really worth thinking more about.

What are the changes that the administration has put in place in terms of tax credits and immigrants?

DEBOT: Sure. So Treasury has announced that it intends to issue proposed regulations that would wrongly deny tax credits for many people who are lawfully present in the United States. This could include important tax credits that support economic opportunity like the child tax credit and the earned income tax credit for low income workers as well as others.

I wanna be really clear about three things on this. So first the proposed rules haven't been issued yet. So unlike in the data sharing that we've referenced, and, and I'm sure we'll talk more about we don't know whether the administration will ultimately move forward and issue the rules or their final.

Substance. We also don't know how they would be shaped through the notice and comment process or litigation. Second if the administration moves forward, it would be attempting to override decades of shared understanding between Congress and the executive branch using a novel reinterpretation of a 1996 law.

But it's Congress's role to determine eligibility for tax credits which it's done across each of the tax credits potentially at issue starting with the 1996 law and through subsequent legislation indeed. In the 2017 tax law and again, last summer, president Trump signed into law bills passed by Republican congresses that changed eligibility for many of these tax credits.

And so the administration's reinterpretation would essentially try to override those decisions. And then third whatever the administration's rhetoric around this the primary effect of the reinterpretation would be denying tax credits for people who are lawfully present in the United States such as immigrants with work authorization you know, daca, people with DACA status or temporary protected status.

Those who have applied for asylum withholding of removal or protection against the convention against torture and even potentially families with children who are US citizens. So this is a really concerning area that we're watching closely.

WILLIAMSON: Is there any timeline for how that's gonna roll out, or do we not know? It's open-ended.

DEBOT: We don't know. Yeah, it's open-ended.

WILLIAMSON: Nina, I wanna turn to you next to talk about the immigration issues. 'cause you, your organization has really been at the heart of some of this work. There, you know, there's, it was announced at least a year ago that the, that the IRS was gonna be changing its policy for data sharing with ICE, and that, that moved forward with an MOU between the IRS and ice.

And so why don't, can you give us a little background on sort of process of the MOU and then also and also how this differs from previous IRS policy, and then tell us a little bit about how that's playing out in the courts.

OLSON: Right. Previous, prior to February of 2025, you know, the IRS's position for decades had been that it did not share.

Tax return information, just address information in specific with immigration authorities. Then there was a, is a provision under the Internal Revenue code that says that tax information can be shared with agencies for non-tax criminal investigations. They have to meet certain requirements. And the IRS took the position that just sharing address only really was not something that they were going to do because it really didn't further a criminal in non-tax criminal investigation that there had to be some other information of the taxpayer that was needed for that investigation.

And then in February of 2025 in furtherance of an executive order that said all agencies should support the, the president's. Push to deport you know, unlawful PE people, not, not people in this country without lawful authorization. There were reaching out to the IRS to get information, and this is

a matter of public record through some of the both of reporting and also some of the disclosures of the administrative record in the litigation that we're part of.

First they asked for 7 million which is the entire, you know, undocumented working population, working age population in the United States. They went down to 700,000. Then they went back up to 1.2 million because people in the iris kept rejecting it, saying You haven't met the requirements of the statute.

Those people finally left or were fired or put step stepped aside, did an end run around them. And finally it was disclosed in July that the IRS in response to request for 1.2 million addresses of taxpayers had released about 47,000. There were several pieces of several cases that were filed.

One case was really challenging very early on, seeking a preliminary injunction against implementation of the memorandum of understanding that was entered into between ICE and the I-R-S-D-H-S and the IRS. Our case actually, we really filed early in February just over the overall policy. We were really seeing expansion of 61 0 3, the code section that protects the confidentiality of return information beyond what Congress authorized.

But then with the disclosure of the ICE disclosures we sought a stay in a preliminary injunction. And in November, the judge in the DC. District court issued a pro a stay under the Administrative Procedure Act and the status right now, although it's on appeal, the stay still continues. And it's basically saying the Iris needs to follow the law and she outlines what the law.

Is in order to get this information and she has also ordered the IRS to come in within three days of any additional request by ICE for more information or whether the IRS is going to give to ICE any information, they're going to have to notify the parties and the judge. Between when the case went up on appeal and today an enterprising reporter who is then at the Washington Post uncovered that the IRS looking back over its disclosures had determined that some part of them had been un law, improper in their words because they had not met the very bare bones of the statute.

And the judge. Looked at that, we went in with a motion to, for the, to stay the appeal and let us go back at the district court level and conduct discovery. The judge looking at this decided that, in fact,

she indicated that IRS had unlawfully disclosed 42,000 pieces of, you know, TA tax return information on 42,000 taxpayers.

So where we are is that we are in, in our case, we are at the circuit court level, and we've completed the first round of briefings by DOJ and ourselves. We are waiting on a ruling on our motion to remand to the court and let us conduct discovery to get a more complete record of what really happened because there are two competing sworn statements by IRS officials about what they did in their 180 degrees different.

I'll also note that there is a case in Massachusetts. That now has a stay against DHS ICE asking additional inform, you know, asking, submitting additional requests to the IRS. So right now we have a stay on the IRS sharing information with ICE and a stay on DHS in another case, asking information from the IRS.

WILLIAMSON: Thank you that I, I, I wasn't even fully up on like the last update there. So that's just that's really informative. And you know, I think one of the things that's been really interesting about the, the cases is that it's been such an important source of information about how the processes have actually been unfolding, right?

There's been very much a black box outside of the, the lawsuits, but the other people who I think have sort of firsthand information about this of course is immigrant tax filers. Rebecca, I wanna come to you for a second. I mean, I, you know, as the cases has moved forward, i, I think it puts the, the, the people potentially affected in, in a very, very hard situation as they're thinking about how, or even whether to file their returns.

What, what are you seeing at a, at a local level.

THOMPSON: Yeah. And thanks for the question and thanks so much for the, for the update. Nina. I know for years we have shared with, with particularly immigrant communities that the IRS will never share your taxpayer data. So this was definitely a twist in the scenario for us.

But what we're seeing, and I initially thought that it would have somewhat of a chilling effect on the filing season, but what we are seeing and what we're experiencing has actually been to the contrary that people continue to file applications and apply for I tens, and they continue to come in particularly to our sites.

And maybe Barry might have more. Relevant and up-to-date data on the overall, on the IRS overall as to whether or not how many I 10 and, and other types of returns we're seeing. But for us and for the VIT community overall, we are actually not seeing a significant slowdown in the number of immigrant returns, the number of I 10 filers that we are actually helping to prepare and file their returns this year.

I think a part of this as, as we engage in conversations with folks, a part of this is, has really been that they, they know and they, they see that this is a part of the path to citizenship. And so it just demonstrates people's dedication and commitment to obtaining citizenship in the right way, despite the perceived impact that it might have, and that, and that their information and data might be shared, might potentially be shared and that they might be targeted for de deport.

OLSON: You know, I think what we are seeing, and I think it's true, what Rebecca's saying is that these are folks who really understand how important return filing is to that path of getting your status adjusted, et cetera. But to Brandon's point about the benefits that folks can claim, what we're seeing as a low income taxpayer clinic is that taxpayers may be calling us and asking us about it, and then they disappear.

They do, if they get a notice from the IRS or their return is held up, they are not challenging it even though they are eligible under the law. And it is that chilling effect that you know, we're all really concerned about. You know, the law is being undermined just by this, this position and this inter theorum effect of this similar to the public charge is, is very great.

I think.

WILLIAMSON: Barry, I don't know if you wanted to chime in about the sort of data on iTunes in the past.

JOHNSON: I, I really don't. IRS has not really ever published very much information on Itin filers. There was a report that we did about eight years ago, I think that, that, that provided some detailed statistics in response to a congressional request.

But, but for the most part, the I 10 statistics are folded into the, to, to the general statistics that we have by, by state district, et cetera. And it's, it's a relatively small number of filers when you think about 140 million returns.

THOMPSON: If I can add one more thing to that to that conversation is not only do we see small where we seeing smaller returns refunds.

A lot of the immigrant filers that we help actually wind up with a balance due because of the type of work that they do and how they are actually paid. So it's not a lot of W2 income where taxes are being withheld. So we have a lot of clients that are immigrants that wind up with a balance due and they are committed to actually paying that balance and reconciling that I have no idea how they are managing to make ends meet and pay the IRS.

But there is absolutely a dedication and a commitment to file those returns regardless of the fact that there is a balance owed and to make those payments timely.

WILLIAMSON: I mean I think it, it's, it's such an important story 'cause it really runs counter to a lot of the sort of coverage you see of these kinds of issues.

Well we've been talking a lot about the short term issues that we've been expecting to see this year. And but I want to give everyone an opportunity to talk about the longer term because, you know, the IRS is a large institution and even very big changes like these, you know, it is a big ship to turn.

So let's talk a little bit about what you're expecting to see in the years to come. Barry. Can you talk a little bit about about modernization and how that was going, how it changed in the last year, and what your expectations are for the future? And we've got a question from the audience specifically about ai.

So if you wanna incorporate your thoughts on, on how that was being incorporated and how it will be incorporated. I know our audience is interested.

JOHNSON: Sure. I, I, I'll, I'll be brief there. I mean, there was a lot going on when I left. It was an exciting time to be at the IRS and I actually deferred my retirement a little bit because it was such an exciting time to be working on modernization in so many different ways.

We called it transformation back then too. I heard the CEO recently said that they've renamed it, but actually in 2024, it was also called transformation. And I think one of the key things about what the IRS is trying to do. When IRA became law and we got the, the \$80 billion was to be extremely transparent about what was going on.

So there were detailed published strategic plans. There were periodic updates that that laid out timelines for for what was gonna happen next. And, and they were working, we were working in a number of different areas. One was just modernizing the, the way the IRS collects and stores data with the cloud first approach.

And that was being done in partnership with Treasury. The, and another major push was this initiative to eliminate the use of paper for internal functions by, by, by taking a posture of scanning and digitizing and digitalizing the data as they come in the door. And, and by that I mean. Not only just taking a picture of a piece of paper so that you can move the picture around instead of having a mail, paper everywhere or cart paper around the, a service center, but also using AI technology to pull usable data all the usable data off of that picture so that, so that you could work an IRS employee could work on a, on a paper filed return exactly the same way they would work on an electronically filed, returned.

And that was so in incredibly important for all aspects of the IRS's work from the initial tax administration processing all the way through any compliance streamlined and, and compliance treatments and also the research function. Another major area of improvement was to try to make the people who do the, who answer the telephones make their jobs better.

We had an initiative called Taxpayer 360, which is really intended to bring together information from across the IRS equal system of, of, of systems. Whether it be your, your tax return information or the notice you got last week that said you owed something or that we owed you something your, your, maybe your payment plan information, any collection actions, all that stuff is in separate systems.

And if you ever watched a legacy, a, a, a taxpayer service person use legacy systems, they would have four or five or six screens open on, on their terminal just trying to answer even the most basic questions. And they were amazingly adept at it. It was humbling to watch a, a very low grade employee, just really master all this, all this, all these systems.

But the goal was to give what we called a single pane of glass to the, to the, those sisters so that they would have everything at their fingertips. In addition, we want, we were working on and successfully piloted an AI based application that would allow the taxpayer sister to query the Internal revenue manual, which is kinda the Bible of how we do everything in the Internal Revenue Service and get back responsive how to answer, how to deal with whatever the situation was, and also all the references back to where in the IRM the information came from.

So it could be fact checked. We weren't just taking the AI's word for it, that this is the way to do it. They could get the original language, but it, it saved having to search through, you know, multiple volumes of, of a very, very, very dense document. And that was really going along very well in 2024.

Then we were doing the same thing with the case management systems, trying to provide consolidated, integrated information to, to every step along the way of the of a compliance treatment stream from the, from the, the audit piece through the, through any kind of post audit resolution that needed to happen.

Most everybody knows all that stuff stopped in, in spring of last year. And you know, it, I don't want to paper over the fact that even when there was plenty of money and, and we had the staff, there were, there were contracting issues, there were delays. The digitalization, for instance, was supposed to, the first phase of that was supposed to happen at the end of 2024.

Some contract issues pushed that back to the, the end of 2025. You know, as a result of the pause that that went in effect in the spring of last year and the fact that most of those contracts were canceled and many of the staff contractors that were working on those projects have were off boarded.

The current projections seemed to be that they're gonna be doing a little bit less than we had planned for the end of 2025, maybe by the end of 2026. TDA reported in January that the efforts on the Taxpayer 360 were behind the original schedule that we had posted, and that what was there was kind of glitchy.

So I think. There have been some successes that the, the ability to interact with the, the IRS electronically has, has evolved over the last year. And I think that that's all to the good. People want to work with the IRS, like they work with their bank and, and some of that stuff is working. We now have voice and chatbots, interactive voice and chatbots where, where taxpayers can interact with a real person in the IRS that way if that's what they want to do.

And, and that there are, there's a new zero paper initiative. Zippy, I think is the, is the acronym that's in place. And you know, like I said, I think that will land us someplace close to where we would've been the end of 2025, maybe by the end of 2026. But it's Tega also reported that is experiencing problems because some of that scanning work is being done by contractors who need to come into the IRS and work with the paper documents.

They can't get clearances because. The HCO staff that would've onboarded them were all fired or, or took buyouts. And so it just, I think we're just seeing delays in, in what would've, what was potentially gonna happen under the, of. Previous plan. And, and I think the thing that's most troubling to me is right now there's no plan.

The, the CEO and his testimony to Congress earlier this month noted it's a 10 point plan, but that's not published anywhere that I can find. There is a promise that there'll be a strategic plan update from there at rest sometime later this year. Maybe that's gonna be in there, but, you know, I, I hope that, that the IRS will revert to, its, its posture of when I was there, of really trying to be transparent about

what people should be expecting when it's gonna happen, and then they can be held accountable and, and be given resources or whatever needs to happen to, to help make, meet these milestones.

Because I think the goals are still the right goals. I, I think it's just all kind of been pushed back because of, of, of the cuts that came last year. AI was really moving along well. When I was there, we were working not only with this, this, this IRM lookup tool, but we were starting to integrate more advanced algorithms into the, the programs that select returns for audits.

And the result of that was we were working with more complex returns and, and the early testing showed we were having fewer no change returns or no, no change audits. No change Audits are where we, we think there's something wrong with return. We go, we spend a lot of time with somebody, and then at the end of the day we said, oh, you got it right.

Good for you. And, but a lot of resources got used a lot of time on both sides as wasted. And so one of the goals of trying to use AI in that space is to just really hone in on the worst of the worst, be able to, to quantify what's wrong with the return in a more accurate way, and then, and then, and then go after just those, those taxpayers that really need that kind of a treatment.

I think. I looked through the Tre's AI governance guidance that came out rather recently, and it looks like they've restored most of the, the tenants of the program that was in place when I was there. You recall that there was a, a release under the Biden administration of AI guidance and then that was all rescinded in 2025.

But it looks like a lot of the elements that treasury's putting in place are the right elements. And so I, I do think, and I know from the, the colleagues I work with there that are still there, there's a just tremendous commitment to get it right and to make sure that AI applications are performing safely in the way they're supposed to work.

And if, if all those things are being followed, I, I, I'm pretty confident that we'll get there. It's just a shame that we lost so much time and, and, and potentially wasted money. I, I saw the ticket report noted that IRA spent 60 million dollars on its digitization plan or, or process. It was ready to start testing in April.

DOGE pulled the plug, and as far as I know, that's just all gone. And so that's just really, really sad. So that, that's so kind of a mixed review of, of where we are with modernization.

WILLIAMSON: Yeah. So just a, a year behind where we could have been, I suppose. Brandon, I wanna bring you in to talk a little bit about looking even farther into the future.

I guess the revenue question. So you the IRS is unusual for being an agency that when you invest in it, it raises it increases the amount of money the government ends up with. So tell me a little bit about what you think all these losses at IRS will mean for public revenue going forward.

DEBOT: Yeah, absolutely.

I mean, I think it will be likely very damaging to revenue. But I, I'd like to back up and connect this to what Barry was just talking about with a point about funding. So the IRS has two main buckets of funding that are provided by Congress. It's base budget that is provided each year through the appropriations process.

And then the one time funding that Barry just referenced, provided by the inflation reduction Act for modernization in especially around it some for services and then especially to improve audit coverage. And, and that was estimated to bring in substantial revenue mainly from high income people.

And, corporations now both of those buckets have been cut substantially recently including rescission of, of almost all of the funding that was provided on the enforcement side. And that has, you know, the Congressional Budget office and, and various other neutral score keepers have evaluated that as losing substantial funding on that.

But I think what's underappreciated about the recent deals is that their structure gives the current administration essentially a slush fund of remaining one-time funding with the flexibility that will let it decide where and to what extent shortfalls will hit. And. How severe they will be.

That's not to say there won't be damage long term or in the near term. We've been talking about a lot of areas of risk. And certainly the workforce cuts could undermine enforcement. But that damage is actually in many ways self-inflicted the result of the administration's choices about workforce reductions about.

Advocating for funding cuts and how they choose to allocate resources. But then the long term is very different. There the budget cuts are simply setting the IRS up to fail to collect less revenue, to provide worse service to tax payers. If Congress doesn't change the base budget that I, that I alluded to over the next few years by 2029, the IRS's funding levels would be nearly 50% below what the Trump administration began with in 2025 after adjusting for inflation.

So that will really harm you know, enforcement and revenue collection and increased deficits. It will also undermine modernization efforts like Barry was alluding to. And undermines the quality of service that can be provided to taxpayers.

JOHNSON: And just to note, the, the issue with the way the re the, particularly the enforcement revenue comes in, there's a long lag between when the returns are filed and when we actually realize the revenue.

So like this year, I, I, I heard in, in the recent testimony, they were touting a very large settlement that just came in that was likely to result of an audit that started 44 or five years ago. And so we may not see the real impact of, of any reduction in, in audits on revenue for several years. And we may see some benefits from the ramp up over the last couple of years in, in the near term.

And so it might be, it'd be very easy to, to use the numbers in, in a misleading way. Either that they're not going down as much as, as we, as the naysayers are, are crying that they will, or that they may even continue to go up for a little while based on work that was already in the pipeline. But what we won't have is that pipeline of work working its way through the audit process and then all the appeals and courts processes that result in a settlement.

Most of the money that, most of the big money that comes in from audits comes in from large corporations and very complex taxpayers. And so it, it just, we're not gonna know for a while what the real impact of, of changes in the audit mix looks like. Or at least that's the way I, I see it.

WILLIAMSON: I think that there's a a long-term question raised by the changes that we've seen about how the IRS should be funded, right?

Like, in what way should we get money to the IRS so that it is, can be used most effectively. Now, there's a question of resilience, and, you know, when congress reverses course as dramatically as it has, I'm not sure what you can do about it, but Nina, do you have some thoughts about what the right strategy to fund the IRS would look like going forward?

OLSON: You know, I, I've really thought a lot about, you know, the IRA funding and I, I know that, you know, it needed to really be heavily on the enforcement side in order to raise the revenue that would allow all the other things that were in the bill to be paid for. But I, you know, what? We recommended over years as the National Taxpayer Advocate was incremental funding, but a commitment to that incremental funding that you would get.

You know, whether it was a three to 6% increase each year, whether it was, you know, emphasis on it and taxpayer service. And then bringing on enforcement people over time so you could train them up, really train them up. And also that would give you an opportunity to decide where in this day and age, AI certainly helps, and then what skills you need to bring on.

And unfortunately we're just not in that place. 'cause I'll also say that, you know, Congress is a really long memory and I can't tell you how many conversations I had on the hill where I would say, you know, we need more IT funding that helps both taxpayer service and enforcement. We need it. You know, it's very taxpayer facing about this.

The things that Barry was talking about, the 360, you know, taxpayer 360 and, and. Staffers would say to me, well, you know, we gave IRS it funding back in 1985 and they blew it. And I'm like, I know, but you know, that's not a reason to not give them money now. Conduct oversight, productive oversight, you know, so anyway, I'm on my soapbox.

I will let you know that at one hour and 31 minutes on this call, I was disconnected, which is what we call the courtesy disconnect. It says, thank you. We're too busy to answer goodbye.

WILLIAMSON: Oh my goodness. I was just about to ask.

OLSON: That's, that's the taxpayer experience.

WILLIAMSON: Oh, well, I mean that may be the, the theme for our call, but what I wanna do, we have just a couple minutes left and I wonder if everyone could give me maybe two sentences.

You know, it's a hard time to be a journalist. There is so much news going on right now. If people are thinking about what's the story this tax day, what would you say that a journalist should be looking into? Brandon, can I start with.

DEBOT: Sure. I, I think really a lot of focus on how some of the decisions that the administration has been making such as misleading marketing around the no tax on policies such as suspending direct file the free tool for that allowed taxpayers to file directly with the IRS online.

And phasing out paper checks in a rushed and unnecessary way that's delaying refunds. How those are really affecting taxpayers. What are their story, what are their consequences?

WILLIAMSON: Yeah. Do you wanna jump in and let us know what's your story that you think should be covered this tax day?

THOMPSON: Yeah. Building on that, in addition to what Brandon mentioned, I would also give the, the silver lining which is the, the improvements to the individual online accounts that taxpayers actually are able to access and get to their information. So you might not get a, a, your phone call answer, but they would actually can get to their information.

I see a lot of taxpayers using that individual online accounts and the improved notices, which actually came as a part of the IRA funding. So they have moved a lot of those notices from the IRS language

into the English language so people can actually understand when they do get a letter that it's, it's understandable and it makes it a little bit easier for folks.

WILLIAMSON: Yeah. Barry, do you wanna jump in?

JOHNSON: Sure. Sort of the theme of the call. I, I'd really be interested in, in what the taxpayers really experienced trying to, to file the returns across the spectrum of taxpayers. And also digging in a little bit to see what's been the, you know, what didn't get done over the time that during the following season there are trade offs and we don't have time to talk about them, but, you know, if you're answering phones, you're not doing something else.

And one of the, one of the something elses was processing paper that came in the door. Another something else was, was dealing with re with incomplete returns and that kind of thing. And so we know that before when we didn't have money in the IRS, those things backed up. They left a lot of money on the table that could have been gotten if there had been just a little extra resources for some from outreach.

And so it would be important, I think, to know what the, what the cost of, of the current lack of staffing has been in, in those terms as well.

WILLIAMSON: And Nina, I'm gonna give you the last word.

OLSON: Okay. Well, I think it sort of goes to the morning after, you know, what is going, what is it going to be like after the filing season?

What are the phones going to be like? How are they processing correspondence, amended returns? And then we just issued, you know, a return mystery shopping report on return preparers and will be issuing a report on morning afterward. The voice of the taxpayers who have been audited by the it's low income taxpayers describe their experience.

The last thing I'd say is there's a major piece, bipartisan piece of legislation that has been introduced, the Taxpayer Assistance and Service Act, the Task act by, you know, chairman Creo and ranking

member Widen in the Senate. And I really think reporters should be watching that, that has so many taxpayer protections that including regulation of return preparers, which could be a game changer.

So we'll see what happens with that.

WILLIAMSON: Well, let see. Good to end on some good news. I wanna thank you all for joining us and to thank our audience for hearing the latest on. I know I know a lot more about how this tax season's been going and I know what I wanna look at going forward, so thank you all and have a good day.