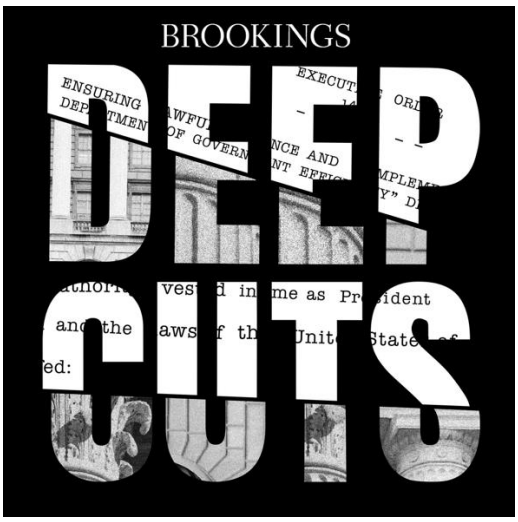
THE BROOKINGS INSTITUTION
Deep Cuts

"The Internal Revenue Service (IRS)"



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CO-HOST MOLLY REYNOLDS: [00:00:00] Every January, at the start of tax season, some 70,000[1] people sign up for special training offered by the Internal Revenue Service, the IRS. The trainees are students, retirees, working professionals. They'll learn how to help tax filers file their income tax returns safely and securely, and to get the credits and refunds they are entitled to.

This training isn't for their own benefit. If they pass the IRS's certification exam, they'll become volunteer tax preparers in their communities. Their goal is to make the process of tax filing easier, more secure, and more accessible for all.

REBECCA THOMPSON: Most people don't think about community building or community engagement with the IRS, which is why it's so important.

CO-HOST MOLLY REYNOLDS: This is Rebecca Thompson. She's one of the tens of thousands of volunteers the IRS certifies every year who help qualified people prepare their taxes for free. No fee, no fine print. For over 50 years, these volunteers have set up shop at community centers or church basements across the country to run volunteer income tax assistance sites, VITA sites.

REBECCA THOMPSON: I've always said that VITA volunteers' hearts are too big for their bodies. It's a group of people who recognize the value of the service that we

[1] https://www.taxpayeradvocate.irs.gov/wp-content/uploads/2026/06/JRC27_FullReport.pdf#page=37

provide to our clients to help people understand how their life translates to a tax return.

CO-HOST MOLLY REYNOLDS: Thompson works long hours through tax season to help people get their taxes done quickly and accurately.

When she shows up for her shift, Thompson says the line of people sometimes wraps around the building. Annually, VITA sites serve over two and a half million people.[2] In a single year, VITA has generated $1.7 billion in refunds for their filers.[3] The clients Thompson works with represent low to moderate income households in underserved [00:02:00] communities.

REBECCA THOMPSON: I choose to believe that the clients that come to the VITA sites really do represent the heart of America.

CO-HOST MOLLY REYNOLDS: Across polls,[4] across decades, most Americans agree that filing your taxes is your civic duty.

INCOME TAX SONG (1942): I paid my income tax today...

CO-HOST MOLLY REYNOLDS: ...that filing your taxes is patriotic.

INCOME TAX SONG (1942): A tax I'm very glad to pay...

CO-HOST MOLLY REYNOLDS: And the vast majority are willing to do their part.

INCOME TAX SONG (1942): I'm squared up with the USA.

CO-HOST MOLLY REYNOLDS: But some of us need help to do this civic duty. Thompson says that those who need help filing should be able to access it.

REBECCA THOMPSON: You know, volunteers come to help to make sure that the least of us actually can claim those tax credits that they're eligible for and get the refunds that they're entitled to, and to do so without having to pay someone to get their taxes done.

CO-HOST MOLLY REYNOLDS: Last year, one of the people who came through Thompson's line was an older woman. She didn't speak English, so she had brought her adult daughter to translate for her. The woman had worked throughout the year and was considered self-employed.

REBECCA THOMPSON: She came to file a return, and because she had been paid in cash, there was no withholding, and she had a balance due.
And when I asked, "Why are you doing this?" You know, the response was because she needed to, because it was a part of her path to citizenship.

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[2] https://www.natptax.com/news-insights/blog/vita-volunteers-go-the-distance-to-serve-taxpayers/?srsltid=AfmBOooZDyb2j6Ceme1y1ZB9nZ7x8SNkqOgsn4F1RK4dmVckVOCqDu1Q
[3] https://www.unitedway.org/news/expanding-access-to-tax-benefits-for-free
[4] https://www.brookings.edu/articles/polling-spotlight-americas-shifting-attitudes-on-taxes/

CO-HOST MOLLY REYNOLDS: Around the same time, another person came through Thompson's line.

REBECCA THOMPSON: Had a day laborer, gosh, last year, came in and filed a tax return and had a balance due. And again, I asked, "Why are you doing this? You got paid in cash." Of course, all income should be reported, must be reported. And he said, "I need to do this. I have to have my papers right."

CO-HOST MOLLY REYNOLDS: Both of these individuals were undocumented immigrants. They were honest about their income earned in the country, paid the taxes they owed, and handed over their sensitive personal information.[00:04:00] They did their civic duty, like all of us. They did it because they trusted the system. They trusted the IRS and the people working at the VITA sites.

REBECCA THOMPSON: We would've assured clients that the IRS does not give your information out, that we as a, as a VITA site, we are prohibited from sharing taxpayer data without their consent.

CO-HOST MOLLY REYNOLDS: This year, neither of those undocumented filers came back to Thompson's site.

REBECCA THOMPSON: It was very concerning to me and to clients in, that I could no longer offer those reassurances.

CHRISTOPHER BING: The Trump administration is starting to turn over personal data to immigration authorities to aid its crackdown on undocumented immigrants. The Internal Revenue Service is building a computer program that would give immigration agents unprecedented access to sensitive taxpayer data, including home addresses.

WRIC ABC 8 NEWS INTERVIEWEE: Honestly, I would rather not file and for them to know where I live at, rather than just disappear.

CO-HOST MOLLY REYNOLDS: Over the past year, the Department of Homeland Security has ramped up immigration enforcement operations.
ICE activity has increased nationwide, and this has had an impact on tax season.

The IRS is mandated by law to protect filers' data, but in 2026, Trump administration officials pressed the agency to share this data:[5] legal names, home addresses, personally identifiable information. In the name of government efficiency, Trump officials asked the IRS to break the law.

CHYE-CHING HUANG: These misuses of taxpayer data and the tax system are a crime.

NINA OLSON: The IRS was being asked to make the taxpayers' return information available government-wide.

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[5] https://www.cnn.com/2025/04/15/politics/doge-irs-takeover-taxpayer-data-immigration

CO-HOST MOLLY REYNOLDS: The career public servants who were trained in rigorous tax filer protections understood the [00:06:00] consequences and tried to stop it. It was a battle you'll hear in this episode, and it is not over yet.
While Trump officials targeted immigrants, they had much larger plans to weaponize the entire tax system,[6] and the consequences of this historic breach of the IRS affect every tax filer. At her VITA site, Rebecca Thompson could no longer assure her clients that the IRS would protect the information that could, in the wrong hands, upend their lives.

REBECCA THOMPSON: While it starts with the immigrant populations and it starts with DHS, it opens the door for Big Brother to come in and just transfer data at will, and they have an obligation to do everything they can to protect that data.

CO-HOST MOLLY REYNOLDS: What's happened to the IRS since January 2025 is central to all other U.S. federal agencies and functions.

The IRS is an agency that collects what we all owe, $5 trillion a year,[7] so our government can give it back to all of us through the policies, programs, and resources that define our nation. Traditionally, Americans are very reliable tax filers, but if the tax system is undermined, if U.S. tax filers no longer feel safe filing, if the system ceases to be neutral and nonpartisan, it will undermine not just one agency, but the funding system for the federal government as a whole.
As Brookings tax policy expert Vanessa Williamson puts it-

VANESSA WILLIAMSON: "A government that cannot tax is no government at all."

CO-HOST MOLLY REYNOLDS: From the Brookings Institution, this is Deep Cuts: The Internal Revenue Service. Every year, you tell the government the truth about your life, your income, your family, your debts. But why do you do it?

One obvious answer: because you have to. It's the [00:08:00] law, created by Congress. Think of it like traffic laws. The tax laws that Congress writes are like the roads, perhaps not designed perfectly, but their infrastructure is what we all use. The IRS is the agency that helps make driving on those roads safe.

Most people wanna drive sensibly, but we install signs and traffic lights and speed bumps so that it is easy to do the right thing. When it comes to taxes, it's the forms, documentation, and withholding rules that are the guardrails. Creating these guardrails is most of what the IRS does. Given our incredibly complicated tax code, the agency tries to make it easy to do the right thing and harder to make a mistake. And just like traffic laws need enforcement, not just to catch the few bad actors, but so everyone trusts the system is fair, tax law needs it, too. That's also the IRS.

NINA OLSON: Congress created the tax code, and the IRS is, by law, required to administer this law that's it's been given.

REBECCA THOMPSON: They're the messenger, essentially, and

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[6] https://www.forbes.com/sites/howardgleckman/2025/10/17/trump-irs-would-use-investigators-to-target-perceived-political-foes/
[7] https://www.irs.gov/statistics/soi-tax-stats-irs-data-book

they always wind up getting shot.

CO-HOST MOLLY REYNOLDS: Just like how traffic enforcement can't force everyone to follow the law, neither can the IRS. For all of its access to your sensitive information and its audit capabilities, the IRS cannot actually compel 160 million households to tell the truth about what they earned. So the IRS depends, to a degree that would surprise most people, on your voluntary willingness to participate honestly.

And as long as we've had an income tax, the system has worked. Americans are reliable tax filers.

NINA OLSON: I'm telling you, after being in the tax world for 50 years, that we don't know everything from everybody, and we do need taxpayers to come in and tell us their information

CO-HOST MOLLY REYNOLDS: Nina Olson spent nearly two decades as [00:10:00] a national taxpayer advocate.

Though the role was within the IRS, she represented the interests of tax filers. Olson saw how a system dependent on the voluntary disclosure of information is dependent on trust.

NINA OLSON: The fact that employers are willing to report wage information, banks are willing to report interest information, taxpayers are willing to report information that nobody else would otherwise get, that's built on trust.

And if they don't feel that that information's going to be held confidentially and not misused, you know, they won't be so honest with us and so open, or they might leave things off, and then it's on the agency to have to go find it, which makes tax administration more costly, it puts a burden on the taxpayer, and it just ultimately erodes trust even more in the tax system than it's already eroded.

CO-HOST MOLLY REYNOLDS: Olson says that the erosion of the tax system doesn't mean you'd get a break on your taxes. In fact, it means more of the burden would shift to you, the average honest tax filer. But there are those who might benefit by taking advantage of the system's failure.

NINA OLSON: People going, "Well, I'm only gonna tell this information if somebody comes after me."

CO-HOST MOLLY REYNOLDS: For instance, when the IRS lacks the ability to go after tax fraud, the billionaire concealing their income can use the government's weaknesses to avoid making their contribution, and those contributions are what fund American democracy. To put it in perspective, in 2024, the IRS collected nearly $5 trillion in federal revenue.[8]

[8] https://www.cbo.gov/publication/61185

$5 trillion. Without it, the government cannot fund the policies, programs, and resources we have: Medicaid, Social Security, roads, the military, the courts, public schools. This puts the IRS at the heart of the circulatory system of government, and [00:12:00] yet--

CHYE-CHING HUANG: The IRS has been an agency that has long been underfunded.

CO-HOST MOLLY REYNOLDS: Chye-Ching Huang is an expert in tax policy who has spent her career tracking what happens to the IRS when the money starts to run out.

It's happened before. For most of the 2010s, the IRS was starving for resources. It was a decade of chronic underfunding, death by a thousand budget cuts. At the same time, the economy itself was becoming more complex, and as a result, Huang says, taxpayer finances were becoming more complicated.

CHYE-CHING HUANG: The population was growing. Things like the gig economy were really exploding and creating new tax administration challenges, both for filers, uh, IRS customer service, and making sure that people were complying with the law and understanding it.

CO-HOST MOLLY REYNOLDS: Every year, the IRS was being asked to do more with less.

The budget was too low, the workforce was shrinking, and the agency's IT systems were stuck in the 20th century. Eventually, the gap between the critical functioning of the agency and its realistic capacity became visible in unavoidable ways.

CHYE-CHING HUANG: It got to the point where they didn't have enough funding to fill the staplers or get enough paper in.

There were piles of paper sort of stacked in corridors waiting to be scanned, and there weren't enough people to just do basic jobs like answer the phones, and IRS phone wait times had really taken a, a, a hit.

IRS REPRESENTATIVE: Thank you for calling the Internal Revenue Service.

CO-HOST MOLLY REYNOLDS: Even during these lean years, the IRS kept running.

Not in the way it should have for an agency interfacing with every household in America, but there was no option for it to fail.

People kept filing, revenue kept coming in. The civil servants inside the agency [00:14:00] stayed committed to the mission, even when the mission was being made more difficult. And the IRS managed to serve the American public well at moments of crisis. Did you receive a stimulus check during the COVID-19 pandemic?

Those funds were distributed by the agency.[9]

CHYE-CHING HUANG: That's, uh, the role that this agency has played over and over again with lawmakers piling on top of it more and more responsibility while cutting its budget over and over again.

CO-HOST MOLLY REYNOLDS: And then in 2022, finally, the IRS saw relief.

NEWS ANCHOR: Today, the U.S. House will vote on the Inflation Reduction Act. House Speaker Nancy Pelosi-

CO-HOST MOLLY REYNOLDS: The Inflation Reduction Act included a serious investment in the IRS. It was breaking news in the tax world. The IRS would see an extra $80 billion over a 10-year span.[10]

NEWS ANCHOR: The money is set to go towards things like taxpayer services, collecting owed taxes, conducting criminal investigations, and more.
It never-

CHYE-CHING HUANG: As that funding was enacted and absorbed, there was the start of some really promising initiatives that were delivering better service and, uh, ensuring more people following the tax laws.

CO-HOST MOLLY REYNOLDS: With the infusion of new money, the IRS would also see new leadership. Danny Werfel had spent years in public service when, in 2023, he was tapped to lead the IRS by President Biden.
Werfel stepped into the role of IRS commissioner at a turning point. The money was there. What remained to be seen was how it would be spent.

DANNY WERFEL: My friends, when I was growing up, used to say, "Danny's only happy when he's stressed out."

CO-HOST MOLLY REYNOLDS: Three weeks after walking into his new office, Werfel had to deliver a plan.

The result was 150 pages[11] of milestones, projects, and deadlines centered around a basic thesis.

DANNY WERFEL: All taxpayers should be able to do all of their interactions with the IRS digitally or virtually if they choose. [00:16:00] That was it. But there wasn't a easy technology solution that you would just plug in and suddenly the paper backlog goes away, and the phone calls start getting answered, and the walk-in centers start opening up for appointments, and, and the audit rates where they needed to go up, go up, and the website automatically improves.

CO-HOST MOLLY REYNOLDS: Werfel knew that the plan would only work if the agency had the expertise to enact it. Under his leadership, the IRS brought in tax

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[9] https://www.congress.gov/crs_external_products/IN/PDF/IN11393/IN11393.4.pdf
[10] https://taxpolicycenter.org/briefing-book/how-did-inflation-reduction-act-2022-affect-irss-budget
[11] https://www.irs.gov/pub/irs-pdf/p3744.pdf

examiners, technologists, forensic accountants, researchers, engineers, data scientists. Across sectors, the IRS onboarded around 30,000 people over 28 months.[12]

DANNY WERFEL: What I'm most proud of is the team that I built, in particular the leadership team.

They were enormously hardworking and innovative, and I knew that I had a reliable set of leaders with great instincts that were gonna help and be instrumental in everything that we did.

CO-HOST MOLLY REYNOLDS: As a tax filer himself, Werfel based his approach on personal experience.

DANNY WERFEL: I reflected on my own family, and my parents, who are in their 80s, who have never once in their lives used an ATM machine.

When they need cash, they go into the bank, and they fill out their deposit slip and get their, their cash. My kids, who are in their 20s, have never been in a bricks-and-mortar bank. If they get a check from someone, they flip over their smartphones and cash it instantaneously on their online banking platform.

And the idea that the IRS would still be on kind of a fax machine technology, highly paper-based, with a website where a lot of the functionality you see with your online banking platforms is nonexistent, that just seemed like a non-starter.

CO-HOST MOLLY REYNOLDS: It's a straightforward premise. If you're going to have a tax system, and we are, and if that system is going to be complicated, and it will be, [00:18:00] then the least the government can do is make it possible to navigate without paying a professional to help you, or standing in line for eight hours, or waiting on hold just to ask a question.

DANNY WERFEL: And as long as most people who have an issue with the IRS are gonna want an easy way to resolve it, why not create an online platform that works as well as the best online banking platforms?

CO-HOST MOLLY REYNOLDS: This is how Direct File was born.

CHRIS GIVEN: As I wrote the product strategy for Direct File, one of the things that I put in there was the statement, "Taxes are the product."

CO-HOST MOLLY REYNOLDS: Chris Given was one of the technologists that the IRS brought in to modernize the agency. He had worked in the private sector, but with the IRS, he saw an opportunity to build something the U.S. had never built before: public tax filing software. Tax filers in many other countries, like Belgium, France, and New Zealand, can fill out their taxes online using tax filing software provided by the government.[13]

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[12] https://www.tigta.gov/sites/default/files/reports/2026-02/2026108005fr.pdf#page=5
[13] https://www.gao.gov/assets/gao-25-106933.pdf#page=48

But in the U.S., before Direct File, there was no guided software to file your federal tax return online directly with the IRS for free. One reason why? Private tax preparation companies have lobbied against government-run tax filing software for decades,[14] and they have built their business models on a particular premise.

CHRIS GIVEN: Many tax preparation options try to position taxes as this scary boogeyman that they are saving you from. You know, the greater the delta between, "Oh, taxes are horrifying," and, "Oh, phew, that was easy," the more value that you can associate with your product, and thus the more that people are willing to pay for it.

CO-HOST MOLLY REYNOLDS: Direct File's premise was the opposite.
Filing your taxes, something mandated by the government, should not be overly complicated and intimidating. What if, instead of mystifying the tax code, you explained it? What if [00:20:00] filing your taxes became educational?

CHRIS GIVEN: Now, that tax code is imperfect. There are many things that we couldn't change that we might have liked to, but we could try to explicate what was hard about it to make it as easy as possible.

And so our goal was to make taxes as user-friendly as possible.

CO-HOST MOLLY REYNOLDS: Direct File ran a pilot program for the 2024 tax season and expanded in the 2025 tax season, and people loved it. It didn't just help users complete the chore of doing their taxes. It changed their relationship with the entire tax system.

Direct File users were able to file their taxes on their own, without a third party, directly with the IRS for free.

CHRIS GIVEN: We were building the best possible version of taxes and really trying to deliver a vision of what the level of service you could expect from the IRS would be.

CO-HOST MOLLY REYNOLDS: By the end of 2024, the IRS was better than ever. The forward momentum was real and measurable.

DANNY WERFEL: What you have, as we're approaching the end of the Biden administration, is a more fully staffed IRS with a record high level of service on the phones, expanded walk-in centers, the paper backlog going in the exact right direction.

CO-HOST MOLLY REYNOLDS: With the agency's basic functioning on the rails, IRS public servants started to dream up new goals, new plans for more programs to build.

DANNY WERFEL: In terms of the technology, think of this as spans of a bridge going across the water. We were able to complete many important spans so that

[14] https://www.opensecrets.org/news/2026/04/intuit-and-hr-block-set-lobbying-records-the-year-direct-file-died

taxpayers could do things they couldn't do before and get all the way across the water. In some cases, the spans were halfway across the water, and in some cases, we were just breaking ground for new spans.

CO-HOST MOLLY REYNOLDS: Then, bridge by bridge, Trump officials set out to dismantle it.

TRACI DIMARTINI: There were deep, [00:22:00] systemic, intentional activities going on to undercut the IRS as an organization.

CO-HOST MOLLY REYNOLDS: Tracy DiMartini is a career civil servant. She was a senior HR official at the IRS when, in January 2025, the second Trump administration began and DOGE arrived.

The transition was like nothing she'd ever seen before. The administration was trying to get rid of thousands of employees, going outside the contract protecting their employment, offering buyouts that had no clear legal underpinning.[15]

TRACI DIMARTINI: I had no idea if it was legal. Any agency would have to prove you have the money to pay out all of the, say, leave payouts that were gonna come, and do you have enough people to process retirements?
And we're gonna put people on admin leave for six months or longer? That's like an HR no-no.

CO-HOST MOLLY REYNOLDS: DiMartini was astounded. In the span of a few months, her workplace was facing a constant unsettling threat. The day-by-day operations were so chaotic, even traumatic, that thousands of skilled and dedicated employees left the IRS in their own volition.

TRACI DIMARTINI: This was a numbers game to the administration. It was just, "How many people can we say we, we shed in the name of efficiency?" It just seemed like another attempt to try and bully the workforce.

CO-HOST MOLLY REYNOLDS: The reason DOGE gave for the firings of probationary employees, those who were new enough in a role that they hadn't cleared their probationary period, was performance issues.[16]
For DiMartini, this part was unconscionable.

TRACI DIMARTINI: My red line was I was not gonna sign any letter that said we were dismissing people because of their performance when I knew that was a bold-faced lie. No one in the government had the time to review the performance of all of our probationary employees and make that kind of decision.

CO-HOST MOLLY REYNOLDS: DiMartini herself was threatened with termination. When she wouldn't violate the law about citing the performance of [00:24:00] IRS employees, she was escorted out of the building. She ended up retiring.

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[15] https://www.cnn.com/2025/03/13/politics/doge-irs-workforce-cuts-downsizing/index.html
[16] https://www.icij.org/news/2025/09/watchdog-report-finds-overwhelming-majority-of-irs-employees-fired-by-doge-for-performance-had-no-documented-issues/

TRACI DIMARTINI: I left with my integrity intact because, as a career executive, I don't have to like or agree with what the administration's doing, but it is my professional responsibility to make sure the Constitution's being followed and to make sure that our existing regulations, statutes, laws are being followed.

CO-HOST MOLLY REYNOLDS: DiMartini left the IRS in March 2025. She had no way of knowing the final numbers of IRS staff loss as the mass exodus marched on. Within the first year of Trump's second term, by December 2025, the IRS had been hollowed out. It lost over a quarter, 27%, of its staff, and three-quarters of its senior leadership.[17]

In total, more than 27,000 workers.[18]

CHYE-CHING HUANG: Just the simple risk of that level of disruption is a, a really big one.

CO-HOST MOLLY REYNOLDS: Chye-Ching Huang again. With much of the IRS's civil servant leadership forced out, the bulwark protecting tax filers against abuse collapsed.

CHYE-CHING HUANG: When you lose staff and most senior leadership in a really chaotic way, you just increase the risk that the systems that are set up to protect taxpayer information fail because of the chaos, because the right person is not there to, to do the correct checks or to make sure that the right IT systems or checklists are being followed.

CO-HOST MOLLY REYNOLDS: You also lose people doing the basic job of the IRS's nine-to-five. You lose the technologists who are running direct file, which was officially eliminated in November 2025, and experts building other digital services intended to make tax filing easier and more secure.[19] You lose the people who can catch those bad actors who will try to take advantage of the system's collapse, people like President Trump.

In January 2026, Donald Trump, along with his two sons [00:26:00] and the Trump organization, filed a lawsuit against the IRS and Treasury Department. He demanded $10 billion in damages. The judge presiding over the case found that there was never a real legal dispute between the parties in the first place because Trump, a sitting president, effectively controlled the very federal agencies he was suing.[20]

NEWS ANCHOR: A federal judge today blasting President Trump's lawsuit against the IRS, saying it was filed to, quote, "manipulate the judicial process."

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[17] https://www.brookings.edu/articles/tax-season-with-a-hollowed-out-irs-what-do-taxpayers-need-to-know/
[18] https://www.brookings.edu/wp-content/uploads/2026/01/IRSDATA_01_30_2026_2025-TAS-Report.pdf#page=9
[19] https://www.taxnotes.com/featured-news/irs-shutters-direct-file-citing-cost-and-low-uptake/2025/11/05/7t7q0
[20] https://tax.thomsonreuters.com/news/trump-ends-10b-legal-battle-with-irs-as-doj-orders-settlement-fund/

CO-HOST MOLLY REYNOLDS: The judge determined that the case was, quote, "the product of collusion."[21] Also suspect was the Trump administration's attempt to settle the case by creating a so-called anti-weaponization fund and barring the government from auditing his past tax returns.

NEWS ANCHOR: That lawsuit led to an attempt by the Justice Department to create a nearly $1.8 billion so-called anti-weaponization fund that would benefit the president's allies. It was also used to justify an order shielding the president, his family, and his businesses from IRS scrutiny on past tax returns.

CO-HOST MOLLY REYNOLDS: At the time of this recording, the order shielding Trump and his associates from audits of their past tax returns remains in effect, although litigation is ongoing.

The fund has been blocked.[22] However, there's no guarantee it'll stay that way. And the very attempt to create this fund, nearly $1.8 billion of taxpayer money expected to compensate the president's political allies, is something no administration in American history has ever done before. The fact that the Justice Department attempted this move at all is a warning sign.

The IRS is supposed to stay out of politics for the same reason all law enforcement is once an elected official can turn the operations of the state on ordinary citizens, that's it the person in charge could punish citizens for their lack of support or provide special benefits to [00:28:00] supporters there cannot be free speech if you have to worry that your opinions might lead to an audit or an arrest. And that's not all.

CHYE-CHING HUANG: There have also been really concerning direct efforts by the IRS and DOGE officials over the past year to bend or break various specific protections for taxpayer data and the guardrails that exist against weaponization.

CO-HOST MOLLY REYNOLDS: Taxpayer data is protected by several mandates within U.S. law.[23] One of them is called Section 6103. Its premise is simple: your tax return information is confidential. It cannot be shared with other government agencies, law enforcement, or anyone else.[24]

NINA OLSON: Tax return information is confidential unless, and there is an unless-

CO-HOST MOLLY REYNOLDS: Nina Olson again, former taxpayer advocate.

NINA OLSON: Unless we, Congress, say otherwise in this statute. I don't care what any other statute says. If it's not in 6103, it's not an exception to the confidentiality of tax returns and tax return information.

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[21] https://democracyforward.org/news/press-releases/federal-court-finds-trump-v-irs-lawsuit-plaintiffs-acted-in-bad-faith/

[22] https://democracyforward.org/news/press-releases/federal-court-finds-trump-v-irs-lawsuit-plaintiffs-acted-in-bad-faith/

[23] https://taxlawcenter.org/taxpayer-data-privacy-and-security

[24] https://www.law.cornell.edu/uscode/text/26/6103

CO-HOST MOLLY REYNOLDS: Olson says Congress constructs exceptions to be specific and narrow.

NINA OLSON: Congress has very carefully laid requirements on those exceptions to make sure that they are narrowly construed and that IRS has extraordinarily oversight responsibilities to make sure that that information is disclosed only in the way that Congress has authorized.

CO-HOST MOLLY REYNOLDS: Going outside of those congressional exceptions is a crime. Before 2025, anyone who did so could face imprisonment or fines. Any federal or state workers who did so would face immediate termination.[25]

NINA OLSON: It's embedded, ingrained in IRS employees from day one on their training, and they get annual training every year about what constitutes unauthorized access.

CO-HOST MOLLY REYNOLDS: The IRS takes this seriously. Even if someone at the IRS makes a mistake, pulling the wrong [00:30:00] file, for instance, they must report it to their manager. All workers are trained, steeped in the systems that ensure the agency is holding up its end of the bargain with tax filers. It's the IRS's culture.

NINA OLSON: And then you get to the point where what happens if somebody disregards all of those protections?

And so then you come up to February 2025, when you have DOGE coming into the government and starting to talk about not just that we're going to fight fraud, waste, and abuse, but that somehow IRS information is going to be key to fighting government-wide fraud, waste, and abuse, and talking about how they need to share tax return information across the government.

CO-HOST MOLLY REYNOLDS: In the midst of the chaos of Trump's first few months of his second term, when the IRS was hemorrhaging its workforce, officials from the Department of Homeland Security came knocking. They demanded the IRS share tax filer data. They wanted to use sensitive tax filer information, legal name, latest address, to deport undocumented immigrants.[26]

NINA OLSON: All of a sudden, we're talking about sharing it for completely unrelated programs that aren't authorized under the statute.

NEWS ANCHOR: The IRS and Department of Homeland Security appear closer to finalizing an information-sharing agreement. Agreement between U.S. Immigration Customs and Enforcement and the Internal Revenue Service is causing fear among undocumented immigrants across the country.
The goal of this, uh, appears to be speeding up President Trump's deportation effort.

The president's supporters say his immigration policies are what voters want.

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[25] https://taxlawcenter.org/blog/understanding-taxpayer-privacy-protections-under-section-6103-and-related-statutes
[26] https://forumtogether.org/article/irs-ice-immigration-data-sharing-agreement-explainer/

CO-HOST MOLLY REYNOLDS: IRS civil servants were appalled. It would've been a clear breach of the laws that protect all tax filers,[27] like Section 6103.

NINA OLSON: IRS employees were being put under enormous pressure to do things that was contrary to the policies [00:32:00] and the statute, and were being put in untenable positions.

And then you started seeing people leaving positions, resigning, being moved out of positions.

CO-HOST MOLLY REYNOLDS: Several senior officials resigned rather than comply.[28] Other senior IRS officials who pushed back were pressured, sidelined, or forced out. And by April 2025, the deal was signed.[29] The IRS agreed to DHS's demand. But the battle was not over.

At first, DHS wanted tax filer data for millions of people. The civil servants, lawyers, and privacy experts who were still at the IRS recognized that this went way outside of the law, way outside of the narrow exceptions built into Section 6103.[30] But as more and more people were pushed out or sidelined, the bulwark was breaking.

In the end, the IRS handed over 47,000 tax filer files to immigration authorities, far fewer than the millions DHS had demanded, but still far more than the law allowed. A federal court later found that out of those 47,000 cases, the IRS had violated the law in at least 90% of them.[31] Those cases represent people, people like the mother who came through Rebecca Thompson's line at the VITA site, who owed money and paid it, the day laborer who showed up because he believed in the system.

When you apply for U.S. citizenship, one of the things the Department of Homeland Security looks for is, quote, "Demonstrated good moral character."

NINA OLSON: One of the measures of good moral character is that you have filed your tax returns. So this population comes in with the promise that has been there for decades, that the IRS does not enforce immigration laws, and the IRS does not share information willy-nilly with ICE.

That was the IRS guidance up to April [00:34:00] 2025.

CO-HOST MOLLY REYNOLDS: The damage done to the IRS in 2025 was widespread and rapid. Some of it may take decades to undo. Trust alone will take decades to rebuild, in Americans and in former and current IRS civil servants. But none of this damage is permanent.

NINA OLSON: Now that things have kind of been strip-mined, if you will, you've got this surface that you can build upon and really say, "Well, what should it look like?"

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[27] https://taxlawcenter.org/blog/irs-dhs-agreement-to-share-taxpayer-information-would-create-significant-risks-to-all-taxpayers
[28] https://www.cnn.com/2025/04/08/politics/melanie-krause-acting-irs-commissioner-resigning
[29] https://embed.documentcloud.org/documents/25889274-mou-0408/?embed=1
[30] https://www.tigta.gov/sites/default/files/reports/2026-06/2026ier010fr.pdf
[31] https://apnews.com/article/irs-breaks-law-judge-finds-2dbe472e46121091a32309bdab6795d7

CO-HOST MOLLY REYNOLDS: Throughout this episode, you've heard from people who tried to make the IRS the best possible version of what it could be. They were the ones thinking first, always, of the people the IRS serves.

NINA OLSON: 95% of our taxpayers are either complying or are trying to comply. Their motivation is they're doing the best they can to comply.

CO-HOST MOLLY REYNOLDS: Olson says the whole system should be designed with the majority of filers in mind, and the majority of filers are good faith participants.

The IRS, she says, should earn and honor the trust of the people who are trying to do right by the system. What does that actually look like? The process should be simple enough that you don't need to pay someone else to translate it for you. It should be flexible enough that you can do it your way, on paper or digitally. And if you get confused or make a mistake, that's not a red flag, that's a problem to solve. Olson says the IRS should meet people where they are. This includes those who try to skirt past their tax filing, their civic duty.

For them, experts agree the IRS should be equipped to enforce the law fairly. But due to the Trump administration's efforts to weaken the agency, we know this isn't happening as it should be. IRS enforcement revenue in fiscal year 2025 was down nearly $5 billion compared to the previous year.[32] Without the staff necessary to conduct audits, which can take multiple [00:36:00] years, we won't see the full impact right away.

The Yale Budget Lab projects that over the next decade, IRS staffing cuts will increase the deficit by nearly six hundred billion dollars.[33] All of this from Musk's claim that gutting the IRS, the United States' revenue collection agency, would save the country money.[34] But the people who have already facilitated one evolution of the IRS are still out there.

The senior leadership, the engineers who built Direct File, the auditors with 30 years of institutional memory, the public servants who believed in the IRS's mission and haven't stopped believing in it despite being pushed aside.

DANNY WERFEL: Moving forward, it would be a mistake to go back to the way in which the government or the IRS did business as of January 19, 2025. But we're on a long journey here. Sometimes you take one step back before you take two steps forward.

CO-HOST MOLLY REYNOLDS: The relationship between the citizen and the state when it comes to something as fundamental as taxation has to be built on something more durable than fear. It has to be built on the belief that both parties will hold up their end of the bargain, that tax filers will follow the tax system's rules of the road by accounting for their income in good faith, that the IRS won't use their compliance

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[32] https://www.brookings.edu/wp-content/uploads/2026/09/IRSDATA_09_04_2026_20263S0045fr.pdf#page=7
[33] https://budgetlab.yale.edu/research/weakened-irs-has-substantial-consequences
[34] https://www.bbc.com/news/articles/cn4j33klz33o

against them, and will make it easy for tax filers to follow the rules by building programs like direct file, programs in which taxes are the product.

A great IRS looks like an agency that is able to keep its word, that can collect the revenue needed to provide democratic functions. We need the IRS to be able to do its job so that all of us benefit. Whether we build it remains to be seen, but the people who know how to do it are out there.

Next time on Deep Cuts: AmeriCorps.

LOANN AYERS: That's the magic of the [00:38:00] AmeriCorps members one-on-one attention in the schools for these kids. Life-changing.

BRIAN BAER: To be able to dedicate a year of your life to volunteerism and wanting to do this is so rewarding.

MICHAEL ROJAS: When you introduce the possibility of the federal agency not being able to provide that overhead support, then essentially every state's disaster response plans is an incredibly weakened levy.

BRIAN BAER: We had to stop work after I received the call immediately. They were like my kids, and I just gave my kids some really bad news. It was not a good afternoon.

CO-HOST MOLLY REYNOLDS: Deep Cuts is a production of the Brookings Institution and Goat Rodeo. You can follow the series on Apple, Spotify, or wherever you get your podcasts. For Goat Rodeo, the lead producer of this episode is Jay Venables with production support from Cara Schillin and Ian Enright. Production assistance from Hazel Hoffman.

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