

## DOGE Set to Hamstring IRS

Accounting Today | Roger Russell | March 11, 2025

Whether the Internal Revenue Service lays off merely 7% of its workers or as much as half of its 90,000-member workforce, it is certain that it will affect the ability of the agency to do its job. This is especially so given the timing of its reduction in force during tax season.

**"There's no exact number yet," said David Shapiro, partner and chair of the tax, compensation and benefits practice at Saul Ewing LLP. "They started by rescinding the offers of those who were scheduled to start, so that in the Office of Chief Counsel that included law students who were reviewing and drafting regs. Everyone who was probationary was terminated. In addition there were a lot of IRS employees that accepted the deferred resignation offer. They don't think that a reduction of 7,000 is enough — they want to get rid of a total of 50,000. In the minds of most practitioners, that would be devastating."**

**That is already beginning to affect practitioners, according to Shapiro.** For example, a colleague had a question for the Office of Chief Counsel: **"In normal times, there would have been no problem," he said. "But due to lack of resources, he was told that they might not be able to rule on his question."**

The cuts are part of the effort by the Trump administration and its Department of Government Efficiency to reduce the cost of government, as well as incidences of waste, fraud and abuse. But DOGE's staff reductions have been sweeping and ill-thought-through, and have often had to be reversed. They also haven't always saved the government money.

**"[Private letter rulings] have significant user fees attached," he noted. "So the one that requests it is actually funding the cost of those rulings, paying the IRS employees' salaries, so it's not costing other taxpayers."**

**Shapiro expects a significant decrease in the number of rulings the IRS can issue — and that's not the only problem.**

**"It's significant because there's another tax bill in the works," Shapiro said. "They won't have enough people at the IRS to give taxpayers and preparers guidance on how to apply laws that are not clear on their face. So without thinking about the effects on audit and compliance, I'm most worried about unclear rules and no clear interpretation of rules, because they won't have the people they need to provide clear guidance."**

**The number of audits will decrease because there won't be enough people to do them, he indicated. "Also, we don't know what will happen to audits in progress. My colleague had an Appeals conference, and the next day we found out that the Appeals officer was terminated, and his systems were locked down. Right now the case is in limbo — they don't have enough personnel to pick up where they fired the Appeals officer in an untimely way. Anything like that, where the taxpayer is relying on human interaction, such as ID theft cases, can take over a year. We have no idea how long this one will take."**

**The DOGE cuts will negatively affect litigation, according to Shapiro.**

**"There will be fewer people at the IRS and fewer at Chief Counsel, so it will be more challenging for them to get things done because they will have a greater backlog," he said. "They will likely have an increase in the number of automated notices and penalties. They will have to get the same amount of work done with fewer people, and not enough people to resolve problems."**

Perhaps more important is the impact all this will have on keeping things timely.

**"My real concern is that anything where you need people at the IRS will take more time," said Shapiro. "That goes for even the most mundane matters. For example, to establish a domestic entity you can just go online and get a tax ID, or do it by phone. A foreign entity can't do that. So it's harder for foreigners who want to do business in the U.S. Likewise for low-income taxpayers to resolve an issue through an offer in compromise. This will all go away without agents to help. There are things the IRS can do more efficiently, but they need to modernize their computer system. Right now there isn't much interest in investing in technology, just in cutting people."**

**"The people I have dealt with at the IRS have been good, intelligent, hardworking people trying to do the right thing," he added. "They have saved taxpayers millions by giving clear guidance and making it possible for businesses to cooperate without having to spend huge amounts of money for guidance from the private sector. I love it when people pay me money to do that, but I don't love it when taxpayers need to pay me money when the government could have given them clear guidance but didn't have the resources to do it."**