

# A Depleted IRS May Turn to Expedited Processes to Work Off Dispute Backlog

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## Key Points

- The IRS is operating with at least 25% fewer employees than a year ago, and, as of mid-December 2025, nearly two-thirds of senior leadership positions remained vacant or filled with acting managers, including the commissioner and the chief counsel.
- The longest federal government shutdown in history only exacerbated personnel challenges, potentially impacting the 2026 filing season and likely leading to delays in the processing of refund claims and responses to notice-related inquiries as well as appeals.
- Taxpayers with active examinations may want to be alert to opportunities to resolve their matters quickly and efficiently with an IRS Compliance Division motivated to reduce its workload.

By any measure, 2025 was a tumultuous year for the Internal Revenue Service (IRS), leaving a slimmed-down organization struggling to implement new priorities and a workforce trying to catch its breath in the face of dizzying personnel changes and government shutdown-related backlogs.

For taxpayers, this likely means a mixture of both significant challenges and opportunities in 2026 when navigating a reshaped IRS and the uncertainties of a shifting enforcement landscape.

## Personnel Changes and Leadership Challenges

Fulfilling the Trump administration's goal of reducing the size of the federal government, the Office of Management and Budget (OMB) and Department of Government Efficiency (DOGE) oversaw a dramatic and sudden reduction in IRS staffing, from approximately 103,000 employees at the beginning of 2025 to 74,299 employees as of the end of July 2025.

Most of these departures were a result of voluntary incentives such as the Deferred Resignation Program, leading in some cases to the abrupt loss of experienced employees with little opportunity for knowledge transfer or succession planning. The loss of key personnel in certain areas led the IRS to try to reverse course on some of the separations.

Personnel departures were not limited to the front lines. As of mid-December 2025, seven different individuals had served as either commissioner or acting commissioner since the beginning of the year. Treasury Secretary Scott Bessent stepped into the acting role in August 2025 following the departure of President Donald Trump's nominee, Billy Long, after only two months.

Frank Bisignano served double duty as both commissioner of the Social Security Administration and in the newly created position of IRS "chief executive officer," with no deputy commissioner in place and no new nominee for commissioner on the horizon.

Treasury Assistant Secretary for Tax Policy Ken Kies continues to act as IRS chief counsel, with President Trump pulling his nomination of Donald Korb just before a scheduled November 2025 vote on his confirmation.

Nearly two-thirds of IRS senior leadership stepped down in 2025, which resulted in less seasoned leaders stepping into acting roles or covering more than one leadership area. The agency awaits permanent leadership and an easing of the hiring freeze that had been in place since January 2025, preventing many vacant management positions from being filled permanently.

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## Government Shutdown

On October 1, 2025, the federal government began what was to be the longest shutdown in history, lasting 43 days, while Congress debated the contours of legislation to fund the government.

While the IRS had some flexibility due to remaining Inflation Reduction Act funding, over half of its employees were furloughed during the shutdown, including most compliance and chief counsel personnel, leading to a pause in most service center activities, examinations, nonautomated collection activities, appeals and litigation.

## Impact on Taxpayers Going Forward

A year of difficult transition and potential taxpayer frustration lies ahead as the IRS struggles to dig out of a shutdown-created backlog with far fewer employees. While protecting activities necessary for filing season always takes priority, it remains to be seen whether the IRS can implement all the changes to guidance, publications, forms and systems required by the [One Big Beautiful Bill Act](#) (OBBBA) on time in the current environment.

Taxpayers with matters pending with **IRS service centers**, such as refund claims, responses to penalty notices, account error resolution and the processing of certain forms, will likely encounter delays and difficulty reaching IRS personnel who can meaningfully assist, including at the **Taxpayer Advocate Service**, which also lost 25% of its employees in 2025.

Taxpayers with matters either heading to or pending before the **Independent Office of Appeals** (Appeals) will also likely encounter delays. Appeals lost over 28% of its workforce in 2025, with no corresponding reduction in its caseload (which is purely driven by taxpayer demand), and many cases needed to be reassigned. Shutdown backlogs in cases awaiting processing by Appeals — both at early and late stages of the appeal process — will likely lead to further delays.

**Tax litigation** essentially ground to a halt during the shutdown, with very limited activity. Based on past experience with shutdowns and the COVID-19 pandemic, this is likely to lead to a significant backlog in the U.S. Tax Court and delays for taxpayers. How the IRS chooses to devote its litigation resources going forward is not yet clear and could shift if and when a new chief counsel is installed. Meanwhile, IRS National Office attorneys will likely continue to prioritize critical OBBBA guidance, while fewer resources will be available for private letter rulings and other taxpayer-specific advice.

Examination activity will also likely be affected by resource issues in the Large Business and International (LB&I) Division — both in terms of which cases LB&I works and how it approaches those cases, so **Compliance Division activity** may be reduced.

For example, a unit formed in 2024 to focus on large and complex pass-through entities has been largely hollowed out, meaning the prior administration's attempts to increase audit coverage of large partnerships and expand its Global High Wealth Program has been mostly abandoned.

For ongoing corporate examinations, Compliance personnel will be motivated to close out these cases as early and efficiently as possible, and we expect to continue to see a trend toward greater use of alternative dispute resolution vehicles.

In 2025, we saw exam teams routinely offering to bring Appeals to the table early through the Fast Track mediation program and expect similarly increased interest in other post-filing dispute resolution tools such as Early Referral, Rapid Appeals and Post-Appeals Mediation due to the potential time and resource efficiencies they offer.

Similarly, we expect Compliance personnel to be receptive to entertaining pre-filing agreements, voluntary disclosure agreements, skipping years/cycles and other ways of streamlining or limiting the scope of open examinations. Taxpayers with matters pending with the **Advance Pricing and Mutual Agreement Program**, on the other hand, may face less favorable outcomes resulting from resource unavailability and delays.

## Final Thoughts

Taxpayers and their advisers will need plenty of patience when dealing with the IRS in 2026, as shutdown-related backlogs compound personnel challenges. At the same time, there should be opportunities to explore alternative paths to resolution in the reshaped IRS, with which taxpayers may want to familiarize themselves.