

SENATE FINANCE EXAMINES IRS 2026 FILING SEASON AND OPERATIONS

EXECUTIVE SUMMARY

On April 15, the Senate Finance Committee held a [hearing](#) to examine the Internal Revenue Service's (IRS) 2026 filing season and operations, featuring testimony from IRS Chief Executive Officer **Frank J. Bisignano**. Discussion was largely partisan, centering on the following topics: (1) tax policy implementation under the One Big Beautiful Bill Act (OBBBA); (2) digital services and IRS modernization; (3) workforce reductions; and (4) enforcement strategies addressing the tax gap. Republicans praised new OBBBA tax deductions for the 2026 filing season and emphasized efficiency gains related to expanded electronic filing and direct deposit tax refunds. Conversely, Democrats focused on the consequences of workforce reductions — including increased wait times for phone assistance and reduced audit capacity — and frequently criticized interagency data sharing policies. To a lesser extent, members also discussed the Social Security Administration (SSA), under the purview of Mr. Bisignano's dual role as SSA Commissioner.

OPENING STATEMENTS

Chair Mike Crapo (R-ID) ([statement](#)) praised the OBBBA's extension of previous tax cuts from the 2017 Tax Cuts and Jobs Act and new deductions for tips, overtime income, car loan interest payments, and senior income. He also outlined IRS modernization and tax fraud prevention as key ongoing priorities for the agency, promoting his Taxpayer Assistance and Service Act ([S.3931](#)) to enhance digital resources and taxpayer rights.

Ranking Member Ron Wyden (D-OR) ([statement](#)) criticized the Trump administration's discontinuation of the Direct File program and denounced the IRS's data-sharing agreement with Immigration and Customs Enforcement (ICE), suggesting it may induce non-filing among immigrants who fear being targeted. Ranking Member Wyden also raised concerns that IRS workforce reductions initiated by the U.S. Department of Government Efficiency (DOGE) service and the phasing out of paper refunds may increase customer service challenges, with disproportionate impacts on "vulnerable" individuals.

WITNESS TESTIMONY

Mr. Frank J. Bisignano ([testimony](#)), Chief Executive Officer of the IRS, touted the 2026 filing season as the "most successful in history," highlighting new OBBBA tax deductions, broad electronic filing, and expedient taxpayer refunds through direct deposit services. He emphasized his goals to

transform the IRS into a “digital-first agency” to better address noncompliance, provide 24/7 availability and access to taxpayers, improve collections, and safeguard data privacy.

DISCUSSION AND QUESTIONS

Tax Policies and Programs

- When prompted by Chair Crapo, Mr. Bisignano explained that six million taxpayers claimed tax deductions on tips, 25 million on overtime pay, one million on car loan interest payments, and 30 million on senior Social Security income. Mr. Bisignano also identified five million new “Trump Accounts” opened in the past year, with one million accounts now eligible for \$1000 seed funds.
- Mr. Bisignano assured **Sen. Todd Young (R-IN)** that the IRS will be prepared to administer all tax reporting and compliance requirements related to Trump Accounts by July 4 when contributions begin.
- Mr. Bisignano agreed to collaborate with **Sen. Marsha Blackburn (R-TN)** to: (1) expand eligibility for the research and development tax credit to shop-floor manufacturing research; and (2) simplify compliance requirements across the overlapping Large Partnership Compliance Program and Pass-Through Entity program.
- Mr. Bisignano agreed to **Sen. Chuck Grassley’s (R-IA)** request to enhance the IRS Whistleblower Program.
- **Sen. Mark Warner (D-VA)** criticized the Trump administration’s policies toward data centers, tariffs, and the Iran War, citing increased household electricity bills, gas prices, and expenses that have offset forecasted tax cut benefits.
- **Sen. Roger Marshall (R-KS)** expressed support for the Volunteer Income Tax Assistance program and indicated that his office would submit future inquiries regarding the 45Z Clean Fuel Production Credit.
- **Sen. Bill Cassidy (R-LA)** promoted his Improving IRS Customer Service Act ([unlisted](#)) to: (1) establish an online dashboard monitoring backlogs and call wait times; (2) enhance electronic access to information and refunds; (3) expand callback technology; and (4) provide alternative payment methods for taxpayers facing economic hardship.
- Mr. Bisignano agreed to collaborate with Sen. Cassidy to clarify guidance on Section 170H of the tax code governing historic preservation easements, as well as to combat taxpayer confusion regarding cryptocurrency filing rules.
- Mr. Bisignano committed to working with **Sen. Maggie Hassan (D-NH)** to combat tax-related scams and simplify interagency reporting channels.

Digital Services and IRS Modernization

- In response to Chair Crapo, Mr. Bisignano asserted that the IRS Direct File program was a duplicative service with disproportionate administration costs, noting many taxpayers are already eligible for free e-filing with private companies.
- **Sen. Michael Bennet (D-CO)** argued that the U.S. has fallen behind countries such as Australia in providing free and accessible “prepopulated tax forms.”

- **Sen. Sheldon Whitehouse (D-RI)** called on Committee leaders to hold a technical hearing examining the IRS's use of artificial intelligence (AI) to counter losses in audit-dedicated staff.
- **Sen. Ron Johnson (R-WI)** and Mr. Bisignano discussed ways to harness technology to enhance enforcement despite a reduced audit workforce. Sen. Johnson called on the IRS to further identify ways to better assist taxpayers, reduce compliance costs, and enhance the agency's efficiency, emphasizing the need to "simplify and rationalize" the U.S. tax code.
- Sens. Grassley and Young requested clarification on the IRS's "digital-first" tools. Mr. Bisignano explained that AI now enables the IRS to process amended returns in fewer than three days and notify taxpayers for corrections to underreported forms.
- When prompted by **Sen. Steve Daines (R-MT)**, Mr. Bisignano cited electronic filing and direct deposit processes as key factors in the success of the 2026 filing season.
- In response to **Sens. Elizabeth Warren (D-MA), John Barrasso (R-WY)**, Cassidy, and Marshall, Mr. Bisignano indicated that the IRS measures success in the 2026 filing season based on digital taxpayer engagement, such as through chatbots and other online query platforms, and tax return processing speed.
- Sen. Barrasso expressed concern that rural taxpayers may have difficulty electronically paying owed taxes. Mr. Bisignano confirmed that paying taxes by check would remain an option.

Workforce Reductions and Customer Service

- **Sens. Peter Welch (D-VT), Ben Ray Lujan (D-NM)**, Warren, and Hassan criticized recent IRS workforce reductions, citing doubled wait times for phone assistance, fewer audits of wealthy taxpayers, and reduced collections revenue.
- Mr. Bisignano assured Sens. Whitehouse, Johnson, and Warner that workforce reductions have not affected audit or enforcement activities.
- **Sen. Thom Tillis (R-NC)** requested detailed data on customer service metrics and sustainable workforce levels.

Enforcement Strategies and the Tax Gap

- Sens. Bennet and Welch expressed concerns about the growing tax gap, claiming the gap is driven largely by underreporting on behalf of wealthy taxpayers. Mr. Bisignano repeatedly noted that the "addressable tax gap" is significantly smaller than the aggregate tax gap and touted a 12 percent increase in enforcement revenue.
- In response to Sen. Whitehouse's criticism of the IRS's declining interest in auditing high-income taxpayers under the Trump administration, Mr. Bisignano asserted that the IRS equally pursues "all bad actors" regardless of income level.
- Sen. Tillis argued only one-third of the tax gap is recoverable, attributing the remaining gap to lawful, savvy tax preparation and filing inaccuracies by low-income taxpayers.

Data Security

- Ranking Member Wyden and **Sen. Catherine Cortez Masto (D-NV)** criticized the IRS's data-sharing agreement with ICE. Mr. Bisignano declined to elaborate on the agreement but emphasized the agency's commitment to data privacy.

- Mr. Bisignano assured **Sen. Raphael Warnock (D-GA)** that the IRS will never investigate taxpayer entities based on political or immigration views.
- Sen. Barrasso criticized the Biden administration for the leak of wealthy taxpayer's filing information to media outlets and failing to address existing data security weaknesses. When prompted about the IRS's efforts to improve data security, Mr. Bisignano explained that risk management teams now report directly to senior leadership and conduct weekly meetings.

Social Security Administration

- Mr. Bisignano declined to respond directly to Sens. Whitehouse, Cortez Masto, and Hassan's criticisms of DOGE's access to Social Security records.
- Sen. Cortez Masto expressed concern that new SSA guidance requiring physical records prevents foster children from obtaining Social Security cards, despite previous allowances for digital records.
- Mr. Bisignano agreed to assist Sen. Daines in easing eligible children's access to Social Security benefits.