Guillen Pujol

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# How IRS Layoffs Will Impact the 2025 Tax Season

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**By The Guillen Pujol CPA Group Newsroom**

Business, Business Owner, FinCEN Reporting, Today in Accounting

The Internal Revenue Service (IRS) has found itself at the center of controversy amid sweeping layoffs that could significantly impact taxpayers across the U.S. The Trump administration initiated these layoffs as part of a broader government downsizing, drawing sharp criticism from lawmakers, economists, CPA firms, and policy analysts. They warn that tax processing, enforcement, and federal revenue collection could face severe disruptions.

According to AP News, the IRS plans to eliminate up to half of its approximately 90,000 employees through layoffs, attrition, and voluntary incentivized buyouts. As of February 2025, the IRS has already terminated approximately 7,000 probationary employees – those with less than one to two years of service. The information was disclosed to AP News by sources who spoke on condition of anonymity, as they were not authorized to discuss the plans publicly.

The Trump admin has framed the IRS layoffs as a necessary step to streamline federal operations. The Department of Government Efficiency (DOGE), the new agency led by billionaire Elon Musk, is driving cost-cutting initiatives across federal agencies to reduce the workforce size and curb government spending. In an interview with Fox Business, Musk outlined his approach, emphasizing efforts to eliminate waste, dissolve redundant agencies, and downsize federal employment as part of a broader fiscal strategy.

## Potential Impacts on Tax Season

These layoffs coincide with peak tax-filing season, raising concerns over the agency's ability to manage the annual deluge of tax returns efficiently. Analysts and IRS officials predict multiple disruptions, such as:

1. **Delayed Tax Refunds:** With fewer IRS employees processing returns, millions of taxpayers may experience significant refund delays. Former IRS Commissioner Danny Werfel, whom President Biden appointed in 2023, stressed the need to modernize IRS processes to improve efficiency. Speaking

about the IRS's paperless processing initiative, he warned that relying on paper slows operations, increases processing times, and leads to more errors. "When our operations are flooded with paper, we are slower and more prone to errors." The Biden administration previously launched an initiative to digitize all paper-filed returns by the 2025 filing season, aimed to speed up refund processing. However, with fewer employees available to carry out these modernization efforts, progress may stall. In return, this will make tax season even more challenging for millions of Americans.

2. **Weakened Enforcement and Compliance:** A reduced workforce means fewer auditors and compliance officers, creating an environment ripe for tax evasion. The IRS has long been a crucial component in ensuring high-income earners and corporations pay their fair share. According to a Brookings Institution report, investments in tax enforcement have historically yielded significant returns. Some estimates have suggested that every dollar allocated to IRS enforcement generates between $5 and $9 in recovered revenue. The loss of staff may weaken oversight and reduce government revenue at a time when fiscal responsibility remains a pressing concern.
3. **Budget Deficits and Spending Cuts:** Experts argue that lower IRS staffing could ultimately cost the government more than it saves. The Congressional Budget Office estimates that reduced tax enforcement could result in $300 billion in lost revenue over the next decade.

## Long-Term Implications

The administration insists the layoffs will reduce government bloat. However, tax policy analysts warn they will have dire consequences. The Tax Policy Center predicts the tax gap—the difference between what taxpayers owe and what the government collects—could surge past $1 trillion over the next decade.

For instance, according to the Tax Policy Center, between 2010 and 2022, the IRS's budget was reduced by 24% after adjusting for inflation, leading to significant cutbacks in taxpayer services and enforcement efforts. This reduction in resources has been associated with decreased compliance and increased tax evasion, ultimately widening the tax gap—the difference between taxes owed and taxes paid.

Additionally, studies have shown that investments in tax enforcement can yield substantial returns. For example, research indicates that every dollar allocated to IRS enforcement generates between $5 and $9 in recovered revenue. This underscores the potential long-term costs of reducing IRS resources as diminished enforcement. As a result, this may lead to increased tax evasion and a significant loss of federal revenue.

# How IRS Layoffs Will Impact the 2025 Tax Season

Considering these findings, it's evident that while budget cuts to the IRS may provide immediate fiscal relief, they can result in greater financial shortfalls over time due to decreased tax compliance and enforcement capabilities.

As the tax season unfolds, all eyes will be on the IRS's ability to navigate these challenges. Taxpayers prepare for potential disruptions, while economists and policymakers assess the broader economic and fiscal impact of the layoffs. One thing is certain: this year's tax season will test the resilience of the nation's revenue collection system like never before.

## Advice for Taxpayers

Given these developments, taxpayers should file early and electronically to expedite processing and minimize refund delays caused by IRS layoffs.

To avoid disruptions in your tax filing experience, consider consulting experienced Miami CPA firms like Guillen Pujol CPA Group. We can help ensure accuracy in tax filings and prevent rejections.

To stay up-to-date all important tax deadlines, you can visit our website to access our 2025 Tax Calendar. This is an built-in exclusive tax tool that is a must-have for businesses, individuals, and expats navigating complex IRS tax deadlines. Designed for corporations of all types, international businesses, and individual taxpayers, the 2025 Tax Calendar offers real-time deadline tracking and seamless Google Calendar integration.

Our board-certified tax and accounting advisors are here to guide you through these changes. With expertise in corporate tax planning and outsourced bookkeeping services, we take a proactive approach to tax strategy. As a result, we deliver customized solutions that align with your business goals and prepare you for tax challenges like these. IRS layoffs will likely create long periods of uncertainty for taxpayers, leading to issues such as accumulating interest if they fail to address notices on time. To prevent this, you can take advantage of our Financial Write-Up Services. These services are necessary for businesses that want accurate, organized, and compliant financial records. Without these services, decision-making becomes a guessing game, and transparency disappears.

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At Guillen Pujol CPA Group, we specialize in high-income tax planning, international tax services, tax management, capital gains tax foreign property, outsourced bookkeeping and controller services, among others tax advisory solutions. Our team of experienced tax professionals has helped thousands of clients navigate complex regulations. This includes areas like Corporate Transparency Act compliance, ensuring compliance and optimal tax management strategies. As leading experts among Miami CPA firms, we are committed to providing exceptional tax consulting services tailored to your needs.?

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**Editor's Note:** This post is part of the 'The GPCPAs Info Hub,' an initiative dedicated to empowering you with the knowledge and strategies needed to navigate the complexities of the U.S. tax system and financial strategies. Visit our Information Hub, a curated resource offering the latest in tax, economic, and business news, alongside actionable guidance on tax strategies, accounting, and business advisory—because Planning Tomorrow, *Together* starts here.

**Disclaimer:** This article reflects the legal status as of March 13, 2025. Businesses are advised to consult with legal and tax professionals for the most current information.

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