

White House proposes significant budget bump for IRS

The Biden administration on April 9 released a so-called “skinny” budget request laying out top-line spending numbers for federal departments and agencies for fiscal year 2022 that includes \$13.2 billion in base funding for the Internal Revenue Service, an increase \$1.2 billion or 10.4 percent over the FY 2021 enacted level.

URL: <https://www.whitehouse.gov/wp-content/uploads/2021/04/FY2022-Discretionary-Request.pdf>

Additional enforcement resources

In addition to the base funding increase, the budget request also includes an increase of \$417 million in funding “for tax enforcement as part of a multiyear tax initiative that would increase tax compliance and increase revenues.”

The administration called for beefing up IRS enforcement resources in its recently released Made in America Tax Plan, the funding component of its \$2 trillion infrastructure package. A Treasury Department report on the president’s tax plan indicated this proposal would be “part of a broader overhaul of tax administration that would give the IRS the resources it needs to collect the taxes that are owed by wealthy individuals and large corporations.” (See separate coverage in this issue for additional details on the Treasury report.)

The budget request follows the recent release of a working paper (whose authors include two members of the Service’s research, applied analytics, and statistics team) indicating that a “substantial” portion of tax noncompliance among US taxpayers at the highest end of the income scale goes undetected in random audits conducted by the IRS. A recent audit report from the Treasury Inspector General for Tax Administration also found, among other things, that the IRS does not make high-income taxpayers a priority in its efforts to recoup delinquent tax payments, that the agency does not have a strategy to address delinquencies among high-income taxpayers, and that it does not consider the fact that a taxpayer has a high level of income as a primary factor in determining whether a delinquency is collectible.

URL: <https://www.nber.org/papers/w28542>

URL: <https://www.treasury.gov/tigta/auditreports/2021reports/202130015fr.pdf>

House Ways and Means Committee Chairman Richard Neal, D-Mass., and Select Revenue Measures Subcommittee Chairman Mike Thompson, D-Calif., issued a statement last month in which they pledged to “work with urgency to create an equitable system that holds tax cheats accountable.”

URL: <https://waysandmeans.house.gov/media-center/press-releases/ways-and-means-chairs-statement-tax-evasion-wealthy-and-tax-gap>

Neal and Thompson also announced plans to schedule a hearing “to better understand how Congress can hold to task the wealthy taxpayers who are exploiting and undermining our tax system.” (For prior coverage, see *Tax News & Views*, Vol. 22, No. 14, Mar. 26, 2021.)

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210326_6.html

Other priorities

According to the White House, the proposed increase in base funding would also allow the IRS to provide new and improved online tools for taxpayers to communicate with the agency easily and quickly, and improve telephone and in-person taxpayer customer service, including outreach and assistance to underserved communities.

More to come

The “skinny” budget is intended to give congressional appropriators the information they need to begin developing the spending bills necessary to fund government operations for the coming fiscal year.

The administration is expected to release its complete tax-and-spending budget blueprint for fiscal year 2022 in the coming weeks. That plan is expected to be accompanied by a Treasury “Green Book” that typically contains more detailed descriptions of an administration’s revenue proposals.

— Michael DeHoff
Tax Policy Group
Deloitte Tax LLP

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