

House appropriators approve \$1 billion FY 2023 budget bump for IRS

The House Appropriations Committee on June 24 approved a Financial Services and General Government budget package for fiscal year 2023 that would increase topline funding for the Internal Revenue Service by roughly \$1 billion over the level enacted for FY 2022. Final passage came on a vote of 31-22.

URL: <https://docs.house.gov/meetings/AP/AP00/20220624/114951/BILLS-117-FC-AP-FY2023-AP00-FSGG-U1.pdf>

The spending measure cleared the Financial Services and General Government Subcommittee on June 16.

Program allocations

The proposal as approved would allocate a total of \$13.6 billion to the Service for the coming fiscal year, up from the \$12.6 billion that was enacted for FY 2022 this past March. (For details on the final FY 2022 spending agreement, see *Tax News & Views*, Vol. 23, No. 8, Mar. 11, 2022.) But the measure falls short of the \$14.1 billion that the Biden administration requested for the agency in its FY 2023 budget blueprint. (For details on the White House budget blueprint for FY 2023, see *Tax News & Views*, Vol. 22, No. 28, May 29, 2021.)

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220311_1.html

URL: https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2021/TNV/210529_1.html

Here's how the proposed \$13.6 billion in IRS funding in the subcommittee-approved package would be allocated across the agency's four program areas:

- Enforcement: \$6.1 billion (FY 2022 enacted: \$5.4 billion; FY 2023 White House request: \$6.3 billion);
- Taxpayer Services: \$3.4 billion (FY 2022 enacted: \$2.8 billion; FY 2023 White House request: \$3.7 billion);
- Operations Support: \$3.8 billion (FY 2022 enacted: \$4.1 billion; FY 2023 White House request: \$3.8 billion); and
- Business Systems Modernization: \$310 million (FY 2022 enacted: \$275 million; FY 2023 White House request: \$310 million).

The appropriations package does not include a policy rider sought by a few House Democrats that would have prohibited the IRS from using its funds to block efforts by states and localities to implement workarounds to the \$10,000 annual cap on the deduction for state and local taxes (SALT) that was enacted in the Tax Cuts and Jobs Act of 2017 (P.L. 115-97). Many Democratic lawmakers whose constituents face high state and local income and property taxes have sought to ease the current-law cap or repeal it outright. But House Ways and Means Committee Chairman Richard Neal, D-Mass., recently told reporters that he would prefer that Congress address issues related to the cap through tax legislation rather than through the appropriations process. (The Build Back Better Act, which cleared the House last November, would temporarily raise the cap on the deduction to \$80,000, but that measure remains stalled in the Senate.)

What's next?

House appropriators have stated that they plan to complete work by June 30 on all 12 of the spending bills that are necessary to fund federal government operations in FY 2023. It is currently unclear when those measures will be considered by the full House.

Appropriators in the Senate, meanwhile, have not yet announced their timeline for moving government spending bills for the coming fiscal year.

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