

House OKs FY 2023 budget bump for IRS

The House of Representatives on July 20 approved legislation that, among other things, calls for a \$13.6 billion allocation for the Internal Revenue Service for fiscal year 2023—an increase of \$1 billion over the level enacted for FY 2022, but less than the \$14.1 billion the Biden administration requested for the agency in its FY 2023 budget blueprint.

The IRS funding provisions are part of a Financial Services and General Government spending bill that was included in a larger “minibus” (H.R. 8294) carrying six discrete appropriations measures that cover funding for a broad swath of federal departments and agencies. H.R. 8294 cleared the chamber by a party-line vote of 220-207. (Democrats provided all the “aye” votes; Republicans were all aligned in the “nay” column.)

URL: <https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-117HR8294RH-RCP117-55.pdf>

Here’s how the proposed \$13.6 billion in IRS funding in the House-approved measure 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).

Next steps

The House’s proposed allocations for the IRS and other departments and agencies funded under the Financial Services and General Government umbrella will eventually need to be reconciled with a separate proposal from the Senate.

Senate appropriators have not yet released their versions of the 12 spending bills necessary to fund the federal government, although a spokesperson for Senate Appropriations Committee Chairman Patrick Leahy, D-Vt., recently indicated that the Democratic chairs of the Appropriations subcommittees likely will release their respective proposals later this month. A timetable for subcommittee mark-ups has not yet been announced.

Sen. Richard Shelby, R-Ala., the ranking member of the Appropriations Committee, has indicated that Republicans would prefer to wait on mark-ups until after Democrats and Republicans on the panel reach an agreement on a top-line spending number for the coming fiscal year.

IRS releases five-year strategic plan

The House vote on the appropriations vehicle carrying the IRS budget came the same day that the Service released a five-year strategic plan (covering FY 2022 through FY 2026) in which it outlines its goals for enhancing taxpayer service and protecting taxpayer privacy, enforcing the nation's tax laws, developing an inclusive and diverse workforce, and transforming its technology and organizational design.

URL: <https://www.irs.gov/pub/irs-pdf/p3744.pdf>

The plan touts the Service's efforts during the previous five years to improve customer service and administer the nation's tax laws despite COVID-related shutdowns and staffing shortages and an increased workload as it implemented emergency tax code changes (such as recovery rebate payments and monthly child tax credit payments) enacted to address the economic impact of the pandemic. Those pandemic-related challenges also resulted in a backlog of millions of unprocessed paper income tax returns from tax year 2020 as well as significant delays in response times for taxpayers calling the agency's telephone assistance line—issues that have prompted criticism from some congressional taxwriters and the National Taxpayer Advocate.

According to the plan, the Service expects over the next five years to “develop and increase the availability of services and tax products that are easy to use and support the needs of all communities” as well as “continuously enhance taxpayer service by improving access to phone and face-to-face assistance, reducing paper inventory, and expanding online options for taxpayers to meet their service needs.”

On the enforcement front, the plan states that the Service will continue its efforts to improve voluntary compliance and narrow the “tax gap” (the difference between the amount of taxes owed to the federal government and the amount paid on a timely basis) by “strengthen[ing] enforcement capabilities, improv[ing] outreach, and proactively work[ing] to analyze new tax requirements and understand taxpayer behaviors and trends.”

The Service also intends to “leverage new technology and data analytics to detect and combat sophisticated evasion techniques and facilitate timely audits and collection investigations. These efforts [will] enable [it] to fairly enforce tax law and stop those who abuse the system, such as malicious actors that take advantage of taxpayers or those who underreport or fail to file a return,” the plan states.

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