

## Senate Appropriations Democrats propose \$1 billion IRS funding increase for FY 2023

Senate Appropriations Committee Chairman Patrick Leahy, D-Vt., on July 28 released the text of the 12 spending bills needed to fund the government for fiscal year 2023—including a Financial Services and General Government package that, among other things, would increase the budget for the Internal Revenue Service to \$13.6 billion—up roughly \$1 billion over the level enacted for fiscal year 2022, but short of the \$14.1 billion the Biden administration requested for the agency in the fiscal year 2023 budget blueprint it released this past March.

**URL:** <https://www.appropriations.senate.gov/imo/media/doc/FSGGFY2023.PDF>

### Largely aligns with House-passed proposal

The \$13.6 billion top-line spending number for the Service in the Financial Services and General Government proposal that Leahy unveiled matches the fiscal year 2023 allocation for the agency that was included in a “minibus” of six appropriations bills that cleared the House last month.

There are, however, some slight differences in the way the two proposals would spread that total funding amount across the Service’s four program areas. Here’s how the program allocations in the just-released proposal from Leahy align with those in the proposal approved in the House, the administration’s fiscal year 2023 budget request, and the fiscal year 2022 spending agreement that was signed into law earlier this year:

- **Enforcement:** \$6.16 billion (FY 2023 House-approved: \$6.12 billion; FY 2023 White House request: \$6.3 billion; FY 2022 enacted: \$5.4 billion);
- **Taxpayer Services:** \$3.44 billion (FY 2023 House-approved: \$3.41 billion; FY 2023 White House request: \$3.7 billion; FY 2022 enacted: \$2.8 billion);
- **Operations Support:** \$3.68 billion (FY 2023 House-approved: \$3.75 billion; FY 2023 White House request: \$3.8 billion; FY 2022 enacted: \$4.1 billion); and
- **Business Systems Modernization:** \$310 million (FY 2023 House-approved: \$310 million; FY 2023 White House request: \$310 million; FY 2022 enacted: \$275 million)

(For details on the House-approved IRS budget provisions, see *Tax News & Views*, Vol. 23, No. 24, July 22, 2022; for details on the White House budget blueprint for fiscal year 2023, see *Tax News & Views*, Vol. 22, No. 28, May 29, 2021; for details on the final fiscal year 2022 spending agreement, see *Tax News & Views*, Vol. 23, No. 8, Mar. 11, 2022.)

**URL:** [https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220722\\_3.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220722_3.html)

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## Next steps unclear

It is currently unclear if the Financial Services and General Government package—and the 11 other spending measures that Leahy has released—will be marked up in their respective subcommittees or if Senate leaders will instead bypass the committee process and bring the bills directly to the floor. (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.) It is also possible there will be no further action on some or all of these measures and that the next step will be informal negotiations with the House on a package to keep the government funded ahead of the end of fiscal year 2022 at the end of September.

**August action unlikely:** Action of any kind on spending measures appears unlikely in the near term, however. The item topping the Senate's immediate legislative agenda is passing the Inflation Reduction Act of 2022—the \$740 billion budget reconciliation package recently unveiled by Majority Leader Charles Schumer, D-N.Y., and Sen. Joe Manchin, D-W.Va., on July 27—and if all goes according to plan, lawmakers will adjourn for their August recess once the reconciliation measure clears both chambers and is on its way to the White House. As a result, the earliest opportunity for action on appropriations would be during the post-Labor Day work period.

**Status of House spending proposals:** The Senate's proposed FY 2023 appropriations measures ultimately must be reconciled with companion proposals approved by the House. As already noted, the House has approved six of the 12 spending measures (including Financial Services and General Government) that it is required to produce, but Democratic leaders have not announced a timeline for approving the remaining six.

The House is currently in recess and is not scheduled to be back in regular session until after Labor Day, although lawmakers are expected to return to Washington briefly this month to take up the Inflation Reduction Act, assuming it clears the Senate. It appears unlikely, though, that it will take up other significant legislation during that special session, which means action on the chamber's remaining appropriations measures is not expected until September at the earliest.

**A continuing resolution on the horizon?:** If the House and Senate have not reached agreement on a unified appropriations package by the time fiscal year 2023 begins on October 1, the IRS, along with other federal departments and agencies, likely would operate under a short-term continuing resolution at current (fiscal year 2022) funding levels while the two chambers pursue a longer-term accord on spending.

## Inflation Reduction Act offers separate IRS funding infusion

It's worth noting that the IRS also stands to gain an additional funding boost—outside of the congressional appropriations process—if lawmakers approve the Inflation Reduction Act and the president signs it into law.

Specifically, the legislation would allocate roughly \$80 billion (over 10 years) to enhance the agency's enforcement and compliance efforts and narrow the "tax gap"—the difference between the amount of tax owed to the government and the amount actually paid and collected on a timely basis. (For additional details

on this and other tax provisions in the Inflation Reduction Act as introduced, see *Tax News & Views*, Vol. 23, No. 26, July 29, 2022. Also see separate coverage in this issue for an update on the status of efforts to move that legislation through the Senate.)

**URL:** [https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220729\\_1.html](https://dhub.blob.core.windows.net/dhub/Newsletters/Tax/2022/TNV/220729_1.html)

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