

## Omnibus appropriations bill trims IRS budget 2 percent to \$12.3 billion

The Consolidated Appropriations Act, 2023, the fiscal year 2023 omnibus appropriations measure that Congress approved this week and that President Biden will soon sign into law, would trim funding for the Internal Revenue Service by \$275 million, or about 2 percent, relative to what the agency received in fiscal year 2022.

**URL:** <https://www.appropriations.senate.gov/imo/media/doc/JRQ121922.PDF>

Passage of the roughly \$1.7 trillion spending measure, which was unveiled late on December 19, marks the end of weeks of fraught negotiations between Democrats and Republicans related to spending priorities for the remainder of fiscal year 2023, which runs through September 30 of next year. (See related coverage in this issue for more details on the status of the omnibus bill and its limited tax title.)

### FY 2023 IRS funding at a glance

The omnibus measure, which rolls together 12 separate appropriations measures that fund federal departments and agencies, provides the IRS with \$12.3 billion for fiscal 2023—\$1.3 billion short of what House Democrats passed in funding legislation earlier this year and what Senate Democratic appropriators approved in legislation that was never taken up by the Senate, \$1.8 billion below what the Biden administration requested in its budget blueprint for fiscal year 2023, and \$275 million less than what was enacted in the previous fiscal year.

IRS funding under the Financial Services and General Government component of the omnibus breaks down functionally as follows:

- **Enforcement:** \$5.4 billion (FY 2023 House-approved: \$6.12 billion; FY 2023 White House request: \$6.3 billion; FY 2022 enacted: \$5.4 billion);
- **Taxpayer Services:** \$2.8 billion (FY 2023 House-approved: \$3.41 billion; FY 2023 White House request: \$3.7 billion; FY 2022 enacted: \$2.8 billion);
- **Operations Support:** \$4.1 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:** Zero (FY 2023 House-approved: \$310 million; FY 2023 White House request: \$310 million; FY 2022 enacted: \$275 million)

Among other dictates and policy directives, the legislation also instructs the IRS to assess taxpayer compliance with reporting requirements under the Foreign Account Tax Compliance Act (FATCA) and report its findings to the congressional taxwriting committees within 180 days.

A summary and explanatory statement from congressional appropriators provide additional details on the Financial Services and General Government provisions.

**URL:** <https://www.appropriations.senate.gov/imo/media/doc/FSGG%20FY%202023.pdf>

**URL:** <https://www.appropriations.senate.gov/imo/media/doc/Division%20E%20-%20FSGG%20Statement%20FY23.pdf>

## **Extra cash from Inflation Reduction Act triggers GOP push for budget cuts**

As already noted, the \$275 million cut relative to fiscal year 2022 was achieved by zeroing out funding for business systems modernization accounts—a change that Republicans demanded in the wake of the recently enacted Inflation Reduction Act (P.L. 117-169), which provided the IRS with nearly \$80 billion in additional resources over the next 10 years, including about \$5 billion for systems modernization. Those funds were provided as so-called “mandatory” spending—as opposed to annual appropriations—a necessity under the complex and arcane rules of budget reconciliation, which was the procedural process Democrats utilized to move the Inflation Reduction Act in a manner that was shielded from a certain GOP filibuster in the Senate.

In lieu of being able to repeal the IRA’s \$80 billion tranche of new IRS resources outright—an outcome that is unlikely without unified Republican control of Congress and the White House, which could unlock the possibility of a GOP reconciliation bill aimed at mandatory spending—Republicans were instead left to target the agency’s annual appropriations, which is also referred to as “discretionary” spending.

### **An ongoing debate**

Issues around the size of the IRS’s budget and how the agency uses its available resources were a frequent topic of debate over the past year at hearings held by the two congressional taxwriting committees and are almost certain to be raised again in the upcoming 118th Congress, which convenes on January 3. One notable opportunity to continue that discussion likely will present itself early next year when the Senate Finance Committee and, later, the full Senate, take up President Biden’s nomination of Danny Werfel to be the next IRS commissioner.

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