House Appropriations panel proposes pared-down IRS budget for FY 2024

The House Appropriations Financial Services and General Government Subcommittee on June 22 approved by voice vote a fiscal year 2024 budget package for the government departments and agencies under its jurisdiction that would allocate $11.2 billion to the Internal Revenue Service—nearly $1.1 billion below the level enacted for FY 2023 and $2.9 billion less than the Biden administration requested in the FY 2024 budget blueprint it sent to Congress this past March.
URL: https://docs.house.gov/meetings/AP/AP23/20230622/116153/BILLS-118--AP--FServices-FY24FSGGSubcommitteeMark.pdf

Debt-limit fallout

The smaller proposed topline number for the IRS reflects a broader demand by some conservative Republicans in the House Freedom Caucus to hold nondefense discretionary spending for the coming fiscal year at the levels in place for fiscal year 2022 and bypass the spending caps that President Biden and Speaker Kevin McCarthy, R-Calif., agreed to in the Fiscal Responsibility Act (P.L. 118-5), which was signed into law on June 3. That measure, which suspended the federal debt limit through January 1, 2025, also made certain fiscal policy changes—including provisions to keep nondefense discretionary spending flat for fiscal year 2024 and limit annual growth to 1 percent for fiscal years 2025 through 2029.
URL: https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf

A bloc of House Freedom Caucus members, who felt that McCarthy ceded too much ground on spending to the president in negotiating the debt-limit deal, staged a protest earlier this month by withholding votes to allow some GOP-sponsored measures to advance to the floor—a move that essentially kept the chamber at a days-long standstill. (Since McCarthy is operating with a single-digit majority, even a few defections among members on his side of the aisle proved to be enough to defeat rules allowing lawmakers to debate legislation and hold votes on final passage.) Floor action resumed only after McCarthy agreed to instruct appropriators to mark up government funding measures at the lower—fiscal year 2022—levels and reportedly assented to giving conservative Republicans a greater voice in decision-making within the chamber.

Addressing the pact between McCarthy and the Freedom Caucus members, House Appropriations Committee Chair Kay Granger, R-Texas, told reporters on June 12 that the Fiscal Responsibility Act provided “a ceiling, not a floor” for federal spending and that Republicans would “use the appropriations process in the House to stake out our priorities and reverse the reckless spending of the last two years.”

Program allocations

Here’s how the subcommittee-approved discretionary budget would be allocated across the Service’s four program areas and how those proposed allocations compare to what the White House requested for the coming fiscal year and to the enacted levels in effect for FY 2023:

- **Enforcement:** $4.2 billion (FY 2024 White House request: $5.9 billion; FY 2023 enacted: $5.4 billion);
- **Taxpayer Services:** $2.8 billion (FY 2024 White House request: $3.4 billion; FY 2023 enacted: $2.8 billion);
- **Operations Support:** $4.1 billion (White House budget request: $4.5 billion; FY 2023 enacted: $4.1 billion); and
- **Business Systems Modernization:** $150 million (FY 2024 White House budget request: $289 million; FY 2023 enacted: Zero).

Changes in mandatory funding

The package also would rescind just over $6 billion in mandatory funding for IRS enforcement programs and $4 billion in mandatory funding for operations support that had been allocated to the agency for fiscal year 2024 under the Inflation Reduction Act of 2022 (P.L. 117-169). That legislation gave the IRS a total of roughly $80 billion in mandatory funding over 10 years; however, a "handshake" agreement that the president and Speaker McCarthy reached during the debt-limit negotiations but was not incorporated into the text of the Fiscal Responsibility Act calls for redirecting a total of $20 billion of the supplemental IRS funding to other (unspecified) nondefense discretionary priorities over the next two fiscal years ($10 billion in fiscal year 2024 and $10 billion in fiscal year 2025).
URL: https://www.taxnotes.com/research/federal/legislative-documents/public-laws-and-legislative-history/inflation-reduction-act-of-2022-%28p.l.-117-169%29/7dybc

Next steps

The full House Appropriations Committee is expected to take up the Financial Services and General Government funding measure shortly after lawmakers return from their upcoming Independence Day recess the week of July 10. If the pared-down package clears the full committee in its current form and is approved in the House along party lines—outcomes that appear likely—it is destined to encounter resistance in the Democratic-controlled Senate, where appropriators in both parties have agreed to mark up government funding measures that align with the spending caps established in the Fiscal Responsibility Act.

Sen. Chris Van Hollen, who chairs the Senate Appropriations Financial Services and General Government Subcommittee, flatly rejected the emerging House package—particularly, its proposed cuts to the IRS's enforcement budget—in comments to reporters after the text of the text of the measure was released on June 21.

"Let's just cut to the chase here: What you've got is House Republicans trying to protect deadbeat wealthy taxpayers," Van Hollen said.

Van Hollen's panel reportedly will mark up its funding proposal on July 13.

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