

IRS Operations: Looking Back and Looking Ahead

UT Law CLE's 71st Annual Taxation Conference

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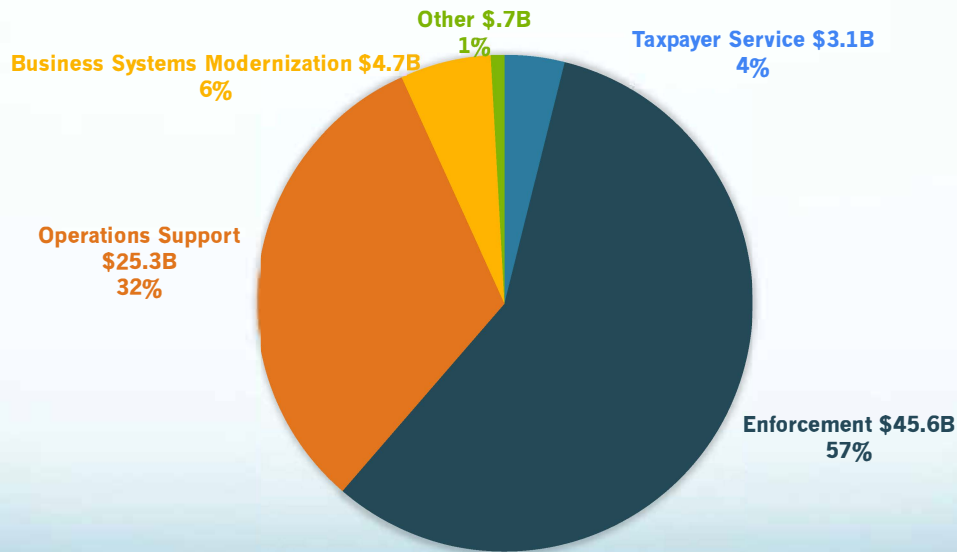
Overview

- Context for comments
- Evolving role for the IRS in administering the tax law
- Structural headwinds for the IRS, particularly in the context of administering tax expenditure programs
- Legacy institutional challenges for the IRS
- The Inflation Reduction Act (IRA) as a watershed moment
- Challenges and opportunities going forward

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IRS Funding Under Inflation Reduction Act (as originally enacted)



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Inflation Reduction Act, Pub. L. No. 117-169

Signed into law in August 2022, providing \$79.6 billion in special 10-year funding for the IRS

- \$45.6 billion for tax enforcement activities including hiring new examination agents, providing legal support and investing in “investigative technology”
- \$25.3 billion for operations support, including improved telecommunications and information technology
- \$3.2 billion for taxpayer services including filing support and account services
- \$4.8 billion for business systems modernization projects

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Inflation Reduction Act, Pub. L. No. 117-169

Baseline IRS Enforcement	2017	2018	2019	2020	2021	2022	2023	2020-2023 Average
(in \$ billions)	\$4.7	\$4.7	\$4.6	\$4.8	\$5.0	\$5.4	\$5.4	\$4.9

- \$45.6 billion for tax enforcement activities averaged over 10 years equates to annual additional enforcement spending of \$4.6 billion per year, a 98% increase over the enacted average enforcement budget from FY 2017 through FY 2023
- Baseline amounts and averages do not take into account:
 - Inflation, including the 8.7% cost of living adjustment for FY 2023 alone
 - Increased IRS program responsibilities, e.g., clean energy provisions enacted as part of the IRA

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Fiscal Responsibility Act of 2023, Pub. L. No. 118-5

Debt ceiling legislation signed into law on June 3, 2023

- Rescinds \$1.4 billion in previously authorized FY 2023 funding for IRS “enforcement and related activities”
- Also understood to repurpose an additional \$20 billion in FY 2024 and FY 2025 IRS funding, haircutting the \$79.6 billion in funding provided for by the IRA

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