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up an appropriations fight with Democrats.

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By Laura Weiss, CQ-Roll Call (TNS)

A handshake deal to redirect IRS funding to offset tight spending caps for other domestic programs won't mark the end of a partisan battle over expanding the tax collecting agency.

About \$21 billion of an \$80 billion tranche of funding that Democrats enacted last year is set to be cut and repurposed as part of the agreement between President Joe

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Republicans are vowing to continue attempts to chip away at the roughly \$59 billion in IRS funding that will remain, if the handshake agreement holds. McCarthy said after the House passed the debt ceiling package last week that “we’re not going to stop until we get the rest of the IRS agents repealed.”

Sen. John Cornyn, R-Texas, a member of the tax-writing Finance Committee, described the clawback plans as a “good down payment” toward rescinding the full \$80 billion.

Next step: Appropriations bills

The next opportunity to go after those funds will be the fiscal 2024 appropriations process that’s now set to get underway, after Biden signed the debt ceiling bill into law this weekend.

The \$80 billion that Democrats enacted last year is a separate, mandatory add-on spread over a decade, but the agency also gets an annual chunk of discretionary funding, most recently \$12.3 billion in the omnibus package for the current fiscal year.

It will be the first appropriations process since the [\\$80 billion cash infusion](#) became law in which Democrats are negotiating with a Republican-controlled House. To attract Senate GOP support in the 50-50 chamber last year—appropriations bills require 60 votes to get past a filibuster—Democrats agreed to a 2% IRS budget cut.

A Republican who negotiated the debt limit deal on McCarthy’s behalf, North Carolina Rep. Patrick T. McHenry, said the plan to repurpose \$10 billion each year during the next two years’ appropriations cycles is “a pre-agreement that this is on the table.” But he said the side deal isn’t meant to determine the details of appropriations outcomes.

The appropriations process “is still wide-open for appropriators to make their

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the conversation around the agency's annual funding level. He said the IRS has had abysmal customer service and that's where dollars should be concentrated.

For other accounts, like revamping technology systems, Kennedy said the IRS should come up with a plan, citing wasted funding in the past. He also expressed hesitancy about enforcement funds.

“Now I think the Biden administration is trying to use the funding increase to target taxpayers. I get that; everybody ought to pay their fair share of taxes,” Kennedy said. “But the record of the IRS in terms of treating people fairly and being transparent in doing so is not good.”

Democrats are readying for a fight. Sen. Chris Van Hollen, who chairs the Financial Services subcommittee that oversees IRS funding, said he'll be pushing to fulfill the White House's request that the IRS get \$14.1 billion in fiscal 2024, a 15% boost over this year.

The Maryland Democrat said that would protect the agency's ability to improve customer service, modernize technology and ramp up enforcement against wealthy tax cheats.

Rep. Steny H. Hoyer, D-Md., said he expects pressure from Republicans to trim IRS resources, particularly to squeeze tax enforcement. Hoyer, the top Democrat on the House Financial Services Appropriations Subcommittee, said he has discussed the issue with the panel's Republican chairman, Steve Womack of Arkansas.

“He's under a lot of pressure to cut out all of the \$80 billion. That did not happen,” Hoyer said. “And we're gonna have that fight I'm sure on a continuing basis.”

Senate Finance Chair Ron Wyden, whose panel has jurisdiction over the tax code, said in a statement after the debt ceiling package cleared Congress that he would

fight any effort to further strip the IRS funding.

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technology in the near term.

IRS Commissioner Danny Werfel has said that even with the \$80 billion cash infusion in place, the yearly government funding process could determine the agency's course in the years to come.

If its regular annual budget falls below the fiscal 2022 level plus inflation, the IRS will have to siphon funds from its \$80 billion stash to maintain its typical operations, he wrote in an April memo included in the IRS's strategic operating plan.

Doggett said he believes Democrats can stave off deeper budget cuts that impact the IRS's immediate plans to expand tax enforcement but the partisan divide on the issue will continue to linger over funding debates.

"I'm satisfied that we can win the short-term battle, maybe not in the House but ultimately in conference committee, and IRS can do this (work) initially," he said. "Over the long term, there'll be a struggle about it."

Even if the IRS proceeds with its existing plans, the agency is expected to collect less tax revenue with fewer funds.

The nonpartisan Congressional Budget Office estimated that clawing back \$1.4 billion of IRS funding would end up costing the government \$900 million over a decade as revenue losses outweigh the spending cut.

A preliminary estimate from CBO found that a repeal of \$21.4 billion in total of IRS funding would grow the deficit on net by \$19 billion, according to Senate Budget Chairman Sheldon Whitehouse, D-R.I., who requested the analysis.

(Roll Call staff writer Lindsey McPherson contributed to this report.)

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