

United States Senate

WASHINGTON, DC 20510

November 30, 2023

The Honorable Chuck Schumer
Majority Leader
United States Senate
Room S-221, The Capitol Room
Washington, DC 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230, The Capitol
Washington, DC 20510

Dear Majority Leader Schumer and Minority Leader McConnell,

For decades, the Internal Revenue Service (IRS) has watched its staff and budget shrink while still tasked with carrying out its dual mission of delivering a high-level of customer service to taxpayers and enforcing the nation's tax laws. The Inflation Reduction Act (IRA) allocated approximately \$80 billion to the agency for four key functions: enforcement, operations support, business system modernization, and taxpayer services. Months later, policymakers agreed to cut more than \$21 billion of those IRA funds as part of the Fiscal Responsibility Act (FRA).

As we continue to discuss the FY 2024 budget, it is imperative that we preserve the remaining IRA-allocated funds. Doing so will allow the IRS to continue its work improving the taxpayer experience, ensuring that high-income individuals pay their fair share, and effectively administering critical social programs.

Yet, the House Appropriations Committee has approved four bills that rescind nearly \$70 billion of the IRA's critical investment in the IRS and cut appropriated funding for the agency \$1.1 billion below a freeze. These cuts would cripple the agency's ability to rebuild and modernize the tax system after a decade of steep cuts. The Senate appropriations bills, on the other hand, [adhere](#) to the original budget deal in the FRA, cutting \$10 billion from the IRS' special funding for FY 2024, and providing flat appropriated funding for the agency.

It comes as no surprise that the agency's effectiveness in processing tax returns, taxpayer correspondence and answering taxpayer telephone calls has suffered over the years. Prior to the IRA, [IRS funding](#) was cut from \$15 billion in 2010 to \$12 billion in 2021. As a result of funding cuts, its ranks were depleted, but the workload continued to increase. The number of IRS revenue agents declined [43 percent](#) – from [14,750 in 2010 to 8,350 in 2020](#) – even as the number of tax returns filed grew by 21.3 million during that same period.

A portion of the IRA funding is [being used to reverse](#) this critical understaffing – and it is already having an impact. The IRS reduced tax assistance wait times from [27 minutes to 4 minutes](#) and [cut the tax backlog by 80%](#) from a peak of 13.3 million returns in 2022 to 2.6 million at the end of the 2023 filing season. Because of this, refunds are getting to Americans more quickly in 2023 compared to 2022.

If properly funded, the IRS will also be able to more effectively [administer](#) critical [social programs](#), such as the Earned Income Tax Credit (EITC). More than [25 million](#) hard working Americans received almost \$25 billion from the tax credit to help make ends meet. But as many as 1 out of 5 eligible workers fail to [claim](#) this credit, either because they are unaware of the credit or unaware that they are eligible. These are everyday Americans who are losing out on critical funds that could be used for housing, utilities, and other necessary expenses.

More robust funding will also allow the IRS to increase its audits and compliance actions to reduce the [tax gap](#)—which is the difference between taxes collected and taxes legally owed. The tax gap is

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approximately \$600 billion per year: that's \$7 trillion in lost revenue over the next 10 years. Shockingly, under the [Trump Administration](#), the IRS chose to audit low income workers at a higher rate than millionaires despite the fact that most unpaid taxes are owed by the wealthy. In fact, of the \$600 billion lost per year, \$160 billion is owed by the [top 1%](#) while the top 5 percent of households account for more than half of unpaid taxes.

Why is this important? Because this funding is critical for our federal investments across the board: in addressing climate change, improving access to health care, strengthening our national security, and investing in our children's education.

Overall, investing in the agency's taxpayer services and enforcement capacities actually brings in much-needed revenue to the federal government's coffers. A recent [study](#) from researchers at Harvard, the Treasury Department, and the University of Sydney found that every additional dollar spent on IRS audits of taxpayers in the top 10% of earners generates over \$12 in government revenue. All told, the Congressional Budget Office [estimates](#) increased auditing and enforcement will increase gross federal revenue by [\\$180 billion](#) through 2031. A portion of the IRA funding has already strengthened this activity, with the IRS recovering [\\$38 million from 175 high-income tax cheats](#). This is money that can be used on issues of national importance and reducing the deficit.

The increased funding has made a monumental difference for the budget-starved IRS, which is now able to fulfill its mission to serve taxpayers more effectively. According to the [National Taxpayer Advocate](#), "the difference between the 2022 filing season and the 2023 filing season was like night and day." Additional funding cuts will derail this necessary progress.

As the budget process continues in the coming months, I hope you will join me in protecting the IRA funding and the IRS's base budget to ensure the IRS can fulfill its mission and serve the American people.

Sincerely,



John Hickenlooper
United States Senator



Angus King
United States Seant