



Updated March 4, 2019

# Internal Revenue Service Appropriations, FY2019

## Overview

The Internal Revenue Service (IRS) has two main statutory responsibilities: to collect most of the revenue needed to fund the federal government and to enforce federal tax laws and regulations. In FY2017, the agency processed 245.4 million tax returns and other documents and collected \$3.4 trillion in gross revenue.

Appropriations typically provide most of the funds available for obligation by the IRS: in FY2017, 94% of those funds (\$11.235 billion) came from appropriations. The remaining 6% (\$710 million) consisted of reimbursements from other government agencies, offsetting collections, user fees, and unobligated balances from previous years. Under current law, the IRS is free to use these miscellaneous funds as it sees fit, without congressional approval.

Historically, the agency’s appropriated funds have been distributed among four accounts: taxpayer services (TS), enforcement, operations support (OS), and business systems modernization (BSM). As shown in **Table 1**, enforcement accounted for 43% of the \$11.431 billion in enacted appropriations for the IRS in FY2018, followed by OS (32%), TS (22%), and BSM (1%). Congress added \$320 million (3%) to the IRS budget in FY2018 to pay for the cost of implementing the tax revision law (P.L. 115-97).

**Table 1. Internal Revenue Service’s FY2018 and FY2019 Appropriations, Excluding Non-Appropriated Funds**

(millions of dollars)

Account	FY2018 Enacted	FY2019 Request	FY2019 Enacted
Taxpayer Services	\$2,507	\$2,241	\$2,492
Enforcement	4,860	4,628	4,860
Operations Support	3,634	4,313	3,724
Business Systems Modernization	110	110	150
Administrative Provision	320	0	77
<b>Total</b>	<b>\$11,431</b>	<b>\$11,135</b>	<b>\$11,303</b>

**Source:** IRS’s FY2019 Budget Justification and Conference Report (H.Rept. 116-9) for H.J.Res. 31 (Consolidated Appropriations Act, 2019; P.L. 116-6).

The Trump Administration requested \$11.135 billion in appropriations for the IRS in FY2019, or \$296 million less than the enacted amount for FY2018. This reduction reflected an added \$94 million to maintain FY2018 levels of operation, \$13 million in anticipated efficiency savings, \$13 million in added investment in IRS’s information technology (IT) infrastructure, \$317 million in program decreases, and program increases of \$199 million. Foremost among the requested program decreases were a cut of \$138 million for IRS’s toll-free telephone service for taxpayers and a transfer of \$178 million from the BSM program to OS. Requested funding for program increases would have been used mostly to enhance the security of IRS’s information systems.

In addition, the Trump Administration proposed a program integrity cap adjustment in FY2019 (under §251(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985; P.L. 99-177) of \$362 million to pay for “new and continuing” investments in IRS’s enforcement programs aimed at reducing the federal tax gap, which is the difference between the amount of federal taxes paid in full and on time in a tax year and the total amount of taxes owed. Of the proposed cap adjustment, \$205 million would have applied to the enforcement account, and \$157 million to the OS account. The IRS estimated that these investments, plus others planned through FY2023, would have yielded a net revenue gain of \$29 billion over 10 years. The cap adjustments would have given the IRS additional budget authority under the discretionary nondefense spending caps for FY2019 specified in the Bipartisan Budget Act of 2018 (P.L. 115-123). No cap adjustment is allowed under current law for IRS’s enforcement activities.

## Individual Appropriations Accounts

### Taxpayer Services

The Trump Administration’s FY2019 budget request for the IRS included \$2.241 billion in appropriations for taxpayer services, or \$266 million less than the enacted amount for FY2018. Of the requested amount, \$8.9 million was designated for the Tax Counseling for the Elderly (TCE) Program, \$12.0 million in matching grants for low-income taxpayer clinics, \$15.0 million in matching grants for the Volunteer Income Tax Assistance (VITA) Program (available through September 30, 2020), and \$206 million for the Taxpayer Advocate Service (TAS).

P.L. 116-6 (the Consolidated Appropriations Act, FY2019) grants the IRS \$2.492 billion in appropriations for taxpayer services in FY2019, or \$15 million less than the enacted amount for FY2018. Of the amount enacted for FY2019, \$9.9 million is set aside for the TCE program, \$18.0 million

for the VITA matching grants program (the funds will remain available until the end of FY2020), and \$12.0 million for the low-income taxpayer clinic matching grants program. The TAS is receiving \$207 million for its operating expenses; \$5.5 million of that amount must be used for “identity theft and refund fraud casework.”

### Enforcement

For FY2019, the Trump Administration requested \$4.628 billion for tax law enforcement, or \$132 million less than the amount enacted for FY2018. Of the requested amount, \$50 million was to be available through the end of FY2020, and \$60.3 million was reserved for the Interagency Crime and Drug Enforcement Program. An additional \$205 million was targeted at enforcement activities aimed at reducing the federal tax gap, as an exemption from the discretionary nondefense spending caps in P.L. 115-123.

P.L. 116-6 gives the IRS \$4.860 billion for enforcement activities in FY2019. Of this amount, \$50 million will remain available until September 30, 2020, and \$60.3 million is set aside for IRS’s participation in the Interagency Crime and Drug Enforcement Program.

### Operations Support

The Trump Administration asked for \$4.313 billion in appropriations for OS in FY2019, or \$679 million more than the enacted amount for FY2018. Of the requested amount, \$250 million was to be available through the end of FY2020 and \$10 million was to be available until spent for the acquisition of equipment and the repair, construction, and renovation of facilities. In addition, the budget request called for another \$157 million in budget authority for OS through an adjustment of the caps on discretionary nondefense spending in FY2019 under P.L. 115-123.

Under the Consolidated Appropriations Act, 2019, the IRS is receiving \$3.724 billion in appropriations for OS in FY2019. Of this amount, \$50 million will remain available through the end of FY2020; \$10 million will remain available until spent for the acquisition of equipment and the construction, repair, or renovation of facilities; and \$1 million will be available for research until September 30, 2021.

The act also requires the IRS to submit a report to both appropriations committees and the U.S. Comptroller General on the cost and “schedule performance” of certain aspects of its major IT investments. The agency’s budget request for FY2020 should include a summary of the cost and schedule performance of the major IT systems funded through the OS account.

### Business Systems Modernization

The Trump Administration requested \$110 million in appropriations for the BSM Program in FY2019, or the same amount that was enacted for FY2018. The funds were to remain available until September 30, 2021.

P.L. 116-6 increases the appropriations for BSM to \$150 million in FY2019. No later than 30 days after the end of each quarter in 2019, the IRS is required to submit a report to both appropriations committees and the U.S. Comptroller General on the cost and schedule performance of the agency’s major IT investments under the BSM program.

### Administrative Provisions

P.L. 116-6 contains 16 administrative provisions that specify the activities that the IRS should and should not engage in during FY2019. Some provisions are more controversial than others. The following provisions have sparked varying degrees of controversy in recent years:

- Section 106 of the act prohibits the IRS from using appropriated funds to “target” U.S. citizens for exercising their First Amendment rights.
- Section 107 bars the IRS from using appropriated funds to “target” specific groups for added scrutiny because of their “ideological beliefs.”
- Section 111 prohibits the IRS from using appropriated funds to develop and implement a return-free or pre-populated filing system.
- Section 112 grants the IRS an additional \$77 million through the end of FY2020 for the purpose of implementing the tax changes in P.L. 115-97. The funds cannot be used until the IRS Commissioner submits a plan for their use to both appropriations committees. This provision continues a practice that Congress started in FY2016 of increasing the funds available to the IRS but subjecting their use to a stringent set of guidelines.
- Section 125 prohibits the IRS from using appropriated funds to “issue, revise, or finalize” any regulation or ruling or guidance unrelated to a specific taxpayer concerning the standard for determining whether an organization is operated exclusively for the promotion of social welfare under Section 501(c)(4). The standard and definitions used on January 1, 2010, will continue to guide the determination of an entity’s status under Section 501(c)(4) after the act’s date of enactment.

---

**Gary Guenther**, Analyst in Public Finance

**IF10966**

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.