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Internal Revenue Service Appropriations, FY2024

Overview of the IRS Budget

The Internal Revenue Service (IRS) has two primary responsibilities: (1) collecting most of the revenue to fund federal government agencies and programs, and (2) enforcing taxpayer compliance with federal tax laws through activities like taxpayer assistance and audits. According to the most recent data, in FY2022, the agency processed nearly 263 million tax returns and related forms, collected \$4.9 trillion in gross revenue, and issued refunds totaling nearly \$642 billion.

The IRS's operating budget is a mix of annual appropriations and miscellaneous resources. In FY2023, appropriations account for 75% (\$12.3 billion) of the budget. The remaining 25% (\$4.2 billion) includes unobligated balances from previous years, reimbursable items, and \$2.8 billion mandated by P.L. 117-169, commonly referred to as the Inflation Reduction Act (IRA). The IRS has considerable leeway in how it uses nonappropriated funds.

Historically, IRS appropriations have been distributed among four accounts: taxpayer services, enforcement, operations support, and business systems modernization. As **Table 1** shows, enforcement has been the largest of the four, accounting for over 43% of combined FY2022 and FY2023 appropriations.

FY2023 IRS Appropriations

In December 2022, Congress passed the Consolidated Appropriations Act, 2023 (CAA, P.L. 117-328), which funds most government operations (including the IRS) in FY2023. The IRS's enacted appropriations (see **Table 1**) were identical to FY2022 for three of the four appropriations accounts; Congress provided no funds for the business systems modernization program in FY2023.

Overview of the FY2024 IRS Budget Request

The Biden Administration is requesting \$14.1 billion in IRS appropriations for FY2024, 14.7% more than the FY2023 enacted amount. Relative to FY2023, requested taxpayer service funding is 23.0% greater, enforcement funding 8.6% greater, and operations support funding 10.2% greater. Requested business systems modernization funding is 5.5% greater than it was in FY2022, the last year Congress appropriated money for this purpose. Including an estimated \$2.3 billion in other resources, the IRS's FY2024 budget request, if enacted, would provide the agency with an operating budget of \$14.9 billion.

According to IRS budget documents, the FY2024 request seeks to maintain FY2023 levels of operation and make significant improvements in taxpayer services, enforcement, and the business systems modernization program, with the aim of lowering the federal tax gap.

Table 1. FY2024 IRS Appropriations

(billions of dollars)

Account	FY2023 Enacted	FY2024 Request	FY2024 H.R. 4664 (Mark- up)	FY2024 S. 2309 (Mark- up)
Taxpayer Services	\$2.781	\$3.422	\$2.781	\$2.781
Enforcement	\$5.438	\$5.904	\$4.206	\$5.438
Operations Support	\$4.101	\$4.520	\$4.101	\$4.101
Business Systems Modernization	\$0.0	\$0.290	\$0.150	\$0.0
Total	\$12.320^a	\$14.137	\$11.238	\$12.319

Sources: IRS's FY2024 Budget Justification, Consolidated Appropriations Act, 2023 (P.L. 117-328), S.Rept. 118-61, and H.Rept. 118-145.

Notes:

- a. This figure does not include the \$78.9 billion in funding provided by the Inflation Reduction Act or the \$1.4 billion partial rescission of those funds by the Fiscal Responsibility Act of 2023.

Inflation Reduction Act

The IRS FY2024 budget request is the first such request since the enactment of the Inflation Reduction Act (IRA, P.L. 117-169) in August 2022. The act provided the IRS with \$78.9 billion in mandatory funding that is available for obligation through FY2031. Of this amount, the act specified that \$45.6 billion will go to enforcement, \$25.3 billion to operations support, \$4.8 billion to business systems modernization, and \$3.2 billion to taxpayer services. The amount of this funding and its distribution among major IRS functions have been controversial.

Reflecting opposition by the House majority to IRA enforcement funding, Congress rescinded \$1.4 billion in unobligated IRA enforcement funding in the Fiscal Responsibility Act of 2023 (P.L. 118-5). The rescission does not affect IRA funds for taxpayer services and business systems modernization. Another \$20 billion in IRA funds is reportedly to be repurposed through the FY2024 and FY2025 appropriations processes, under an informal agreement between House Speaker Kevin McCarthy and President Joe Biden.

House Appropriations Committee Markup of H.R. 4664

On July 13, 2023, the House Appropriations Committee marked up a Financial Services and General Government (FSGG) bill (H.R. 4664) to provide appropriations for the IRS and other agencies in FY2024. H.R. 4664 would provide the IRS with \$11.2 billion in appropriations for that year, \$1.1 billion less than the enacted amount for FY2023 and \$2.9 billion below the budget request.

Four other FY2024 spending bills reported by the committee would rescind about \$67 billion of IRA's mandatory funds. Some Senate Democrats oppose the cuts.

Senate Appropriation Committee Markup of S. 2309

On the same day, the Senate Appropriations Committee marked up a FY2024 FSGG bill (S. 2309) that would provide the IRS with \$12.3 billion in appropriations, the same as the enacted amount for FY2023 and \$1.8 billion below the budget request.

FY2024 IRS Appropriations

The requested appropriations for FY2024 are in addition to any of the \$57.5 billion in remaining IRA mandatory funds.

Taxpayer Services

This account pays for prefilling assistance and education, filing and account services, taxpayer advocacy services, and associated support costs.

The IRS is requesting \$3.4 billion in appropriations for taxpayer services in FY2024. Of this amount, \$100 million would be available through the end of FY2025. Not less than \$11 million would go to the Tax Counseling for the Elderly program; \$26 million to low-income taxpayer program grants; \$40 million (available until September 30, 2025) to matching grants for the Community Volunteer Income Tax Assistance program; and \$236 million to the Taxpayer Advocate Service (TAS).

H.R. 4664 as reported would provide \$2.781 billion for taxpayer services in FY2024. Not less than \$12 million of that amount would go to the TCE program; \$28 million to LITC grants; \$40 million (until September 30, 2025) to VITA matching grants; and \$271 million to the TAS.

S. 2309 as reported would provide the same amount as H.R. 4664 for taxpayer services in FY2024. Not less than \$12 million would go to the TCE program, \$26 million for LITC grants, \$41 million (available for two years) for VITA grants, and \$254 million for the TAS.

Enforcement

This account covers the costs associated with collecting taxes owed, legal and litigation support, criminal investigations, and enforcement of tax laws.

The IRS is requesting \$5.9 billion in enforcement appropriations for FY2024. Of this amount, \$250 million would be available through the end of FY2024; \$60.3 million would go to the Interagency Crime and Drug Enforcement program; and \$25 million would be reserved

for the acquisition of "investigative technology" by the Criminal Investigation Division (CID).

H.R. 4664 as reported would provide \$4.206 billion for enforcement in FY2024, \$25 million of which would be used to acquire investigative technology for the CID.

S. 2309 as reported would provide \$5.438 billion for enforcement in FY2024, the same as FY2023.

Operations Support

This account funds the operation of the IRS's infrastructure, including research and statistics of income, headquarters maintenance, information systems development and operation, and telecommunications.

The IRS is requesting \$4.5 billion for operations support in FY2024. Of that amount, \$275 million would remain available through the end of FY2025; \$10 million would remain available until obligated for the construction and repair of IRS facilities; and \$1 million would remain available for research through the end of FY2026.

H.R. 4664 as reported would provide \$4.101 billion for operations support in FY2024. It would require the IRS to continue to submit quarterly reports to the appropriations committees on the results of the agency's major information technology (IT) investments.

S. 2309 also would provide \$4.101 billion for operations support in FY2024, with the same IT reporting mandate.

Business Systems Modernization

This account pays for business systems modernization (BSM) program expenses, such as the acquisition of information technology systems and related services.

The IRS is requesting \$290 million for the program. This follows a decision by Congress to provide no BSM appropriations in FY2023. The decision was based on the view that the IRS could rely on funds for BSM under IRA and leftover funds from COVID-19 relief legislation to cover FY2023 expenses.

BSM funds are used only for the development, modernization, and enhancement of the agency's information technology. Funds from the operations support account cover the operation and maintenance costs of implemented projects.

H.R. 4664 as reported would provide \$150 million for the BSM program in FY2024; the money would be available until the end of FY2026. It would require the IRS to provide Congress with quarterly reports on the status and cost of BSM projects.

S. 2309 as reported would provide no funds for the BSM program in FY2024.

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