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Internal Revenue Service Appropriations, FY2024

Overview of the IRS Budget

The Internal Revenue Service (IRS) is responsible for (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 FY2022 data, 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 receipts. In FY2023, appropriations accounted for 75% (\$12.3 billion) of the budget. The remaining 25% (\$4.2 billion) came from unobligated balances from previous years, reimbursable items, and \$2.8 billion in mandatory funding provided by P.L. 117-169 (also referred to as the Inflation Reduction Act or IRA); more details on the IRA’s impact on IRS funding are provided below. The IRS has considerable leeway in its use of miscellaneous funds.

IRS appropriations are distributed among four accounts: taxpayer services, enforcement, operations support, and business systems modernization. As **Table 1** shows, enforcement was the largest of the four in FY2023, accounting for 44% of enacted appropriations.

Table 1. FY2024 IRS Appropriations
(billions of dollars)

Account	FY2023 Enacted	FY2024 Request	FY2024 Enacted
Taxpayer Services	\$2.781	\$3.422	\$2.781
Enforcement	\$5.438	\$5.904	\$5.438
Operations Support	\$4.101	\$4.520	\$4.101
Business Systems Modernization	\$0.0	\$0.290	\$0.9
Total	\$12.320^a	\$14.137	\$12.320

Sources: IRS’s FY2024 Budget Justification, Consolidated Appropriations Act, 2023 (P.L. 117-328), and Further Consolidated Appropriations Act, 2024 (P.L. 118-47).

Notes:

- a. This figure does not include the \$78.9 billion in funding provided by the Inflation Reduction Act (IRA) or the rescissions in IRA funds that have been enacted in 2023 and 2024.

FY2024 Budget Request

The Biden Administration requested \$14.1 billion in IRS appropriations for FY2024, 14.7% more than the FY2023 enacted amount. Requested taxpayer service funding was 23.0% greater, enforcement funding 8.6% greater, and operations support funding 10.2% greater. Requested business systems modernization (BSM) funding was 5.5% greater than it was in FY2022, the last year Congress appropriated money for this purpose. Including an estimated \$2.3 billion in miscellaneous receipts, the IRS FY2024 budget request would have provided the agency with an operating budget of \$14.9 billion.

Inflation Reduction Act

The IRA provided the IRS with \$78.9 billion in mandatory funding that is available for obligation from FY2022 to 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 BSM, and \$3.2 billion to taxpayer services. Funds designated for one purpose (e.g., taxpayer services) may not be used for a different purpose (e.g., enforcement).

By the end of FY2023, the IRS had obligated \$3.5 billion in IRA funds; of that amount, \$0.9 billion went to taxpayer services, \$0.3 billion to enforcement, \$1.5 billion to operations support, and \$0.8 billion to BSM. Nearly \$2.0 billion (57%) of expended IRA funds in FY2023 were used to pay for normal operating costs and inflation adjustments not covered by enacted appropriations.

Congress rescinded \$1.4 billion in unobligated IRA enforcement funding in the Fiscal Responsibility Act of 2023 (P.L. 118-5).

Another \$20.2 billion in IRA money was rescinded in the law (P.L. 118-47) providing appropriations for the IRS in FY2024. This reduced the amount of IRA funds available to the IRS to about \$54 billion at the start of FY2024; this included funds already expended.

Further Consolidated Appropriations Act, 2024 (P.L. 118-47)

This law provides funding for the IRS in FY2024 at the same total amount as in FY2023. Each of the four accounts are funded at the same levels. (See **Table 1**.)

Taxpayer Services

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

P.L. 118-47 provides \$2.781 billion in appropriations for taxpayer services in FY2024. Of this amount, \$100 million is available for obligation through the end of FY2025. In

addition, not less than \$12 million is for the Tax Counseling for the Elderly program; not less than \$28 million for Low-Income Taxpayer Clinic grants; and not less than \$41 million (available until September 30, 2025) for matching grants for the Community Volunteer Income Tax Assistance program. The law provides \$271 million to the Taxpayer Advocate Service (TAS), \$7 million of which is to be used for cases involving identity theft and refund fraud.

Enforcement

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

P.L. 118-47 provides \$5.438 billion in appropriations for enforcement in FY2024. Of this amount, \$250 million is available for obligation until the end of FY2025; \$60.3 million is set aside for the Interagency Crime and Drug Enforcement program; and \$25 million is for the acquisition of “investigative technology” by the IRS Criminal Investigation Division (CID).

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.

P.L. 118-47 provides \$4.101 billion in appropriations for operations support in FY2024. Of that amount, \$275 million is available for obligation until the end of FY2025; \$10 million is available until spent for equipment purchases and the “construction, repair, and renovation of facilities”; and \$1 million (available until the end of FY2026) is for research.

This funding is contingent on the IRS submitting quarterly reports to the House and Senate appropriations committees and the U.S. Comptroller General that summarize the status of the IRS’s information technology investments, focusing on current status and plans and costs for the remainder of the fiscal year. The IRS is also directed to include in its FY2025 budget request a summary of expected costs and results for its major IT systems during that year.

Business Systems Modernization

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

P.L. 118-47 provides no appropriations for the BSM program in FY2024. Congress also provided no funding for the program in FY2023. The text of the law gives no indication of why no funds are available for program operating costs. This lack of funding may require the IRS to dip into IRA BSM money to cover those and other expenses that normally are paid for out of annual appropriations.

Administrative Provisions

Appropriations laws typically include provisions (also known as riders) directing a federal agency to engage in or eschew certain actions. P.L. 118-47 contains 12 such provisions for the IRS. They address matters such as employee training in taxpayer rights and confidentiality, improvements in telephone service for taxpayers, targeting taxpayers because of their “ideological beliefs,” and considering someone’s compliance with tax laws in making hiring and promotion decisions.

To ensure that the IRS does not attempt to spend more on enforcement than the appropriated amount, a rider bars the agency from transferring any FY2024 appropriations to the enforcement account.

Policy Issues

One policy issue raised by P.L. 118-47 concerns the revenue implications of the \$20.2 billion rescission of IRA funds. The IRS has not announced which functions will be affected. The IRA funds were intended in part to make substantial reductions in the federal tax gap, which averaged \$540 billion a year from 2017 to 2019, according to the most recent IRS estimate. A recent Congressional Budget Office analysis concluded that a \$20 billion reduction in IRA enforcement spending could result in a \$44 billion drop in federal revenues from FY2024 to FY2034.

Another policy issue related to P.L. 118-47 is its impact on the IRS’s strategic goals, as set forth in a plan released in April 2023. A key assumption undergirding the plan was that the IRA funds would be used to pay for the transformation of the IRS to achieve those goals, and that normal operating costs would be covered by annual appropriations. So far, this assumption has not been upheld in practice. The IRS used \$2.0 billion of IRA funds to supplement its FY2023 appropriations and may draw on another \$818 million to maintain FY2023 operating levels in FY2024. There is some concern that the reduction in IRA funds through rescissions will make it more difficult for the IRS to realize its goals for improving taxpayer services, accelerating the modernization of its IT systems, and lowering the federal tax gap by FY2031.

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