The Honorable Chuck Schumer
Senate Majority Leader
United States Senate
Washington, DC 20510

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate
Washington, DC 20510

The Honorable Hakeem Jeffries
House Minority Leader
United States House of Representatives
Washington, DC 20510

The Honorable Mike Johnson
Speaker of the House
United States House of Representatives
Washington, DC 20510

December 13, 2023

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker Johnson, and Minority Leader Jeffries:

We write to share our deep concerns with and strong opposition to House proposals that would significantly reduce revenues, exacerbate the $600 billion annual tax gap, undermine our ability to invest in working families, and imperil improvements in taxpayer services. Specifically, we urge Congress to reject provisions in the House FY 2024 appropriations bills that would gut the IRA's mandatory IRS funding and cut the IRS's regular annual funding. While we're disappointed that the debt limit agreement reached earlier this year rescinds a portion of the IRA's IRS funding, the Senate's appropriations legislation is at least consistent with that agreement. Any bipartisan discussions on a topline agreement to proceed on the appropriations bills should not go lower than the Senate's IRS funding levels.

A decade of deep budget cuts left the IRS unable to provide the reliable and accessible customer service taxpayers deserve and to ensure wealthy taxpayers and corporations pay the taxes they legally owe. In 2021, 9 out of 10 taxpayer phone calls to the IRS went unanswered, leaving individuals and small business owners without the help they needed. The IRS relies on woefully outdated technology, with software dating back to the Kennedy Administration.

As a result of the budget cuts, audits of high-income taxpayers, which require substantial resources because of these filers' complex financial affairs, plummeted: the audit rate for millionaires dropped by 71 percent between 2010 and 2019. Prior to the infusion of resources under the IRA, the agency had fewer auditors who handle the sophisticated tax returns of high-income households and corporations than it had in the early 1950s. The IRS focused instead on the simpler returns of low-income taxpayers, who are disproportionately households of color. After the budget cuts, EITC filers became about as likely to be audited as someone in the top 1 percent.

The IRA provided nearly $80 billion in long-term, mandatory funding to begin reversing these inequitable outcomes and to rebuild the IRS, which the Congressional Budget Office estimated would increase federal revenues by $180 billion as a result of improved tax compliance.

The IRA funding has already shown promising early results: the IRS is now answering taxpayer calls as it should, clearing backlogs, and transmitting timelier tax refunds. According to the

National Taxpayer Advocate, “the difference between the 2022 filing season and the 2023 filing season was like night and day.” In the 2024 filing season, the IRS will conduct a Direct File pilot program available that will allow hundreds of thousands of people in 13 states to file their taxes for free without relying on commercial tax preparers. These improved services will help advance equity by ensuring that tax filers with low and moderate incomes can access the information and assistance they need to accurately claim tax benefits to which they are entitled. On the enforcement side, the IRS is using new tools to identify large partnerships to audit, such as hedge funds and real estate firms, after years of auditing high-income partnerships at near-zero rates. And a new IRS initiative to boost enforcement efforts on high-income taxpayers is already generating significant revenue.

Disturbingly, of the $80 billion in ten-year funding that IRA provided, the House appropriations bills would rescind $67 billion, deeply undercutting the rebuilding effort, compromising the progress the IRS has made in improving taxpayer service, and raising the deficit. These bills compound the problem by cutting the regular annual IRS appropriation by $1.1 billion (or 9 percent below a freeze). These cuts go well beyond the already-damaging cuts agreed to in the bipartisan debt ceiling agreement and would thwart the IRS’s efforts to rebuild its operational and enforcement capacity so it can collect legally owed federal revenue and improve customer service for years to come.

In contrast, the Senate appropriations bills adhere to the original debt limit deal, cutting $10 billion from the IRS’ special funding for FY 2024, and provide flat annual funding for the agency. While we’re concerned about the $10 billion rescission, and that the Senate’s approach does not account for the effects of inflation on the cost of providing services, it does maintain current levels of spending for the IRS and protects the agency’s modernization effort much more than the House bills. It recognizes that rebuilding the IRS requires both sufficient annual appropriations for the agency’s ongoing base operations as well as the long-term funding provided by the IRA.

As the budget process continues in the coming weeks, Congress should, at a minimum, commit to protecting the IRS funding levels agreed to in the Senate for both the IRA mandatory funding and the IRS’s base budget — based on the bipartisan debt ceiling agreement — to ensure the IRS can fulfill its mission and serve the American people.

Sincerely,

20/20 Vision

American Federation of State, County and Municipal Employees (AFSCME)

American Federation of Teachers

Americans for Tax Fairness

Association of Farmworker Opportunity Programs

Campaign for America's Future

Center for American Progress

Center for Law and Social Policy (CLASP)

Center on Budget and Policy Priorities (CBPP)

Children’s HealthWatch

Coalition on Human Needs

Color Of Change

Community Change Action

Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces

Economic Security Project Action

First Focus Campaign for Children

Food Research & Action Center (FRAC)

Friends Committee on National Legislation

Futures Without Violence

Groundwork Action

In the Public Interest

Indivisible

Institute on Taxation and Economic Policy (ITEP)

Instituto del Desarrollo de la Juventud (Youth Development Institute) of Puerto Rico

Jewish Women International

LIFT

Main Street Alliance

MomsRising

National Advocacy Center of the Sisters of the Good Shepherd

National Association of Social Workers

National Education Association

National Employment Law Project

National Health Care Policy Council (NHCHC)

National Women's Law Center

NETWORK Lobby for Catholic Social Justice

Patriotic Millionaires

PolicyLink

Progressive Change Institute

Prosperity Now

Public Advocacy for Kids (PAK)

Public Citizen

Responsible Wealth

RESULTS

SaverLife

Small Business Majority

Social Work Grand Challenge to Reduce Extreme Economic Inequality

Take On Wall Street

The AIDS Institute

The National Association for the Advancement of Colored People (NAACP)

The Center for the Study of Social Policy

Transport Workers Union of America

Unitarian Universalists for Social Justice

United for a Fair Economy

Voices for Progress

CC:

The Honorable, Patty Murray, Chairwoman, U.S. Senate Committee on Appropriations
The Honorable Susan Collins, Ranking Member, U.S. Senate Committee on Appropriations
The Honorable, Kay Granger, Chairwoman, House Committee on Appropriations
The Honorable Rosa L. DeLauro, Ranking Member, House Committee on Appropriations