



June 30, 2023

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) consists of other resources, including 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. IRS’s FY2024 Appropriations
(billions of dollars)

Account	FY2022 Enacted	FY2023 Enacted	FY2024 Request	FY2024 House bill (Mark-up)
Taxpayer Services	\$2.781	\$2.781	\$3.422	\$2.781
Enforcement	\$5.438	\$5.438	\$5.904	\$4.206
Operations Support	\$4.101	\$4.101	\$4.520	\$4.101
Business Systems Modernization	\$0.275	\$0.0	\$0.290	\$0.150
Total	\$12.595	\$12.320^a	\$14.137	\$11.238

Sources: IRS’s FY2024 Budget Justification, Consolidated Appropriations Act, 2023 (P.L. 117-328), and text of House Appropriations Subcommittee on Financial Services and General Government markup.

Notes:

- a. This figure does not include any of the funds the IRS received from Congress to implement pandemic-related tax benefits, which totaled \$3.1 billion when they were enacted. The supplemental funds came from P.L. 116-136, P.L. 116-260, and P.L. 117-2. Nor does it include any of the funding authorized by P.L. 117-169, nor the \$1.4 billion rescission of those funds by the Fiscal Responsibility Act (FRA, P.L. 118-5).

Markup of House Appropriations Subcommittee Bill (unnumbered) for FY2024 IRS Appropriations

On June 22, the House Appropriations Subcommittee on Financial Services and General Government marked up a bill to provide appropriations for FY2024, including the IRS. According to the text of the bill, the IRS would receive \$11.2 billion in appropriations for that year, an amount that, if enacted, would be 9% below the agency’s FY2023 funding and would mark the lowest agency funding since FY2017.

P.L. 117-169 (Inflation Reduction Act)

The IRS FY2024 budget request is the first such request since the enactment of IRA in August 2022. The act provided the IRS with \$78.9 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. Both the size of the funding and its distribution among major IRS functions have been a source of continuing controversy.

Reflecting opposition by the House majority leaders to IRA enforcement funding, Congress rescinded \$1.4 billion in unobligated IRA funding through the Fiscal Responsibility Act of 2023 (P.L. 118-5). The rescission does not affect IRA funds for taxpayer services and business systems modernization.

Under an informal agreement between House Speaker Kevin McCarthy and President Joe Biden, another \$20 billion in IRA funds will reportedly be repurposed through the appropriations process in FY2024 and FY2025. It is unclear which IRS programs will be affected the most.

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 (\$7 million of which would go to cases involving identity theft and refund fraud).

The budget request allocates \$823 million in appropriations to taxpayer prefilling assistance and education and \$2.6 billion in appropriations to filing and account services. These amounts include \$271 million to improve taxpayer phone services and \$106 million to implement the clean energy tax credits in the IRA.

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).

The budget request allots \$818 million to investigations, \$4.9 billion to audits and collections, and \$189 million regulatory activities.

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 for obligation 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.

The budget request allots \$1.0 billion to infrastructure maintenance and operation, \$1.2 billion to shared services and support, and \$2.2 billion to information services.

Business Systems Modernization

This account pays for expenses related to the business systems modernization (BSM) program, 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.

Under the budget request, the IRS would submit quarterly reports to the two appropriations committees on the status, cost, and performance results of current BSM projects

Administrative Provisions

Appropriations laws generally include administrative provisions (or riders) that signal congressional priorities in agency use of appropriated funds.

The IRS FY2024 budget request includes 14 administrative provisions, 2 of which are not part of the agency’s FY2023 appropriations. One (Section 113) would grant the IRS direct hiring authority until the end of FY2027 to fill critical positions for which there is a shortage of “highly qualified candidates.” The other, Section 114, would allow the IRS to use “streamlined critical pay authority” to appoint up to 200 individuals to IRS positions.

The FY2024 appropriations measure marked up by the House Appropriations Subcommittee on Financial Services and General Government includes one provision that is absent from the budget request. It would prevent the IRS from using FY2024 appropriated funds to “develop or provide” a free tax-filing option without the approval of the appropriations committees, the Senate Finance Committee, and the House Ways and Means Committee.

Gary Guenther, Analyst in Public Finance

IF12440

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.