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IRS Funding Cuts Continue to Compromise Taxpayer Service and Weaken Enforcement

By Chuck Marr, Joel Friedman, and Brandon DeBot¹

The Internal Revenue Service (IRS) budget has been cut by 18 percent since 2010, after adjusting for inflation. The cuts have forced the IRS to reduce its workforce, severely scale back employee training, and delay much-needed upgrades to information technology systems. These steps, in turn, have weakened the IRS's ability to enforce the nation's tax laws and serve taxpayers efficiently, as the National Taxpayer Advocate, the Treasury Inspector General for Tax Administration, the IRS Oversight Board, and the Government Accountability Office all have documented.

The IRS plays a fundamental role in our system of government — helping taxpayers comply with the tax code and ensuring that the nation's tax laws are enforced fairly and credibly — and policymakers must provide the resources it needs to do these jobs effectively.

Funding cuts are hurting honest taxpayers as they try to file their taxes: *more than half* of the calls to the IRS are not being answered. Even if taxpayers are able to get through to an agent, they must wait about a half hour, on average,² and the IRS is answering only “basic” tax questions. Moreover, many IRS field offices have been closed, making it more difficult for taxpayers, particularly those who have low incomes or are “offline,” to get assistance filing their returns. Funding cuts also weaken the agency's ability to curb tax fraud, tax evasion, and other illegal activities. The IRS estimates that individual and business audit rates have fallen to their lowest levels in a decade, and may continue to fall amid budget cuts.³ (See Figure 1.)

These cuts make no sense from a fiscal perspective, as the return on investment in enforcement spending is high. Each additional \$1 spent on IRS enforcement yields \$6 or more of additional revenue from collecting taxes owed under current law, according to the Treasury Department. Cuts in IRS enforcement funding are increasing the budget deficit.

¹ Nathaniel Frentz provided valuable research assistance.

² Nina E. Olson, “Written Statement of Nina E. Olson,” National Taxpayer Advocate, February 25, 2015, http://www.irs.gov/pub/tas/Nina_Olson_Testimony-2-25-2015.pdf. The National Taxpayer Advocate heads the Taxpayer Advocate Service, an independent organization within the IRS that helps taxpayers resolve problems with the IRS.

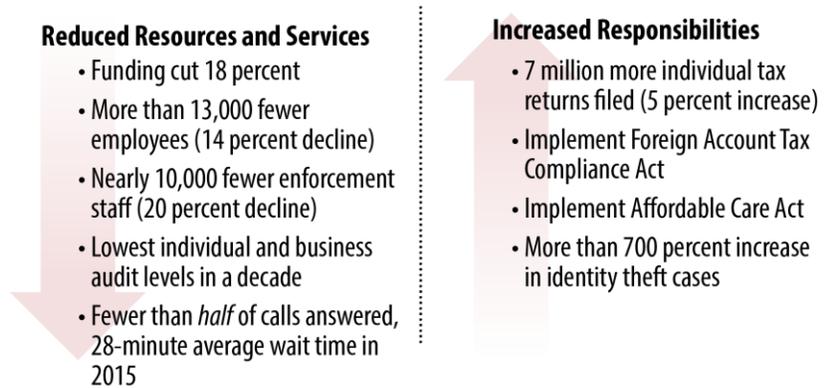
³ Richard Rubin, “IRS Audits of Businesses Decline to Lowest Level Since 2005,” Bloomberg, March 2, 2015, <http://www.bloomberg.com/news/articles/2015-03-02/irs-audits-of-u-s-businesses-decline-to-lowest-level-since-2005-i6s8e9oa>.

Policymakers should reverse these harmful funding cuts, and the President’s fiscal year 2016 budget offers a framework for doing so. The budget would halt the downward trend in IRS funding, proposing an increase of about \$2 billion compared with 2015, though funding would remain roughly 5 percent below the 2010 level, after adjusting for inflation. The increased funding in the President’s budget would focus on enforcement, taxpayer services, and information technology investments.

FIGURE 1

IRS Funding Cut Despite Increased Workload

Changes since 2010



Note: Estimates based on latest data available. Numbers reflect changes from 2010 to 2015, except for individual tax returns (2014), audit levels (2014), and identity theft (2013).

Source: CBPP analysis of IRS, National Taxpayer Advocate, Treasury Inspector General for Tax Administration, and Congressional Budget Office data

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The House and Senate budgets, by contrast, would likely make further damaging cuts to IRS funding, which would continue to erode taxpayer services and weaken enforcement.

IRS Funding Has Fallen Sharply Since 2010

Like many discretionary programs (those funded through annual appropriations), the IRS has faced significant budget cuts since 2010. The 2011 Budget Control Act (BCA) capped annual discretionary funding for 2012-2021, and sequestration imposed additional reductions starting in 2013. The Bipartisan Budget Act of 2013, negotiated by then-Senate Budget Committee Chair Patty Murray and then-House Budget Committee Chair Paul Ryan, restored some but not all of the sequestration cuts for 2014 and 2015. The full sequestration cuts remain in place in 2016 and subsequent years.

FIGURE 2

IRS Funding Has Fallen Sharply

IRS discretionary funding in 2015 dollars, billions



Source: CBPP calculations based on Congressional Budget Office, Office of Management and Budget, and Bureau of Labor Statistics data.

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The IRS’s \$10.9 billion budget for 2015 is \$1.2 billion, or 10 percent, below the level appropriated in 2010 — the last year before Congress began cutting discretionary programs. Accounting for inflation, 2015 funding is 18 percent below the 2010 level. (See Figure 2.)

Policymakers have made these cuts despite repeated warnings of the damage they would cause from the IRS Commissioner, National Taxpayer Advocate, Treasury Inspector General for Tax Administration, and others. Policymakers ignored these warnings and cut an additional \$340 million from the IRS budget in the 2015 continuing resolution.⁴

These cuts have significantly hampered the IRS’s ability to carry out its mission. National Taxpayer Advocate Nina Olson concluded that “The budget environment of the last five years has brought about a devastating erosion of taxpayer service, harming taxpayers individually and collectively. . . . The victims of this underfunding are not the IRS and its employees — the victims are U.S. taxpayers.”⁵

Cuts in Workforce and Training

Three-quarters of the IRS budget goes to personnel, 85 percent of whom are directly involved in enforcing tax laws or providing taxpayer services.⁶ Accordingly, in the face of low funding, the IRS has reduced its workforce substantially; the IRS has about 13,300 (14 percent) fewer employees than in 2010. (See Figure 3.) Commissioner John Koskinen predicts the number of employees will shrink by another several thousand by the end of 2015.⁷ Yet at the same time, the IRS’s workload has increased substantially. For instance, the number of individual income tax returns has grown by nearly 7 million since 2010.⁸

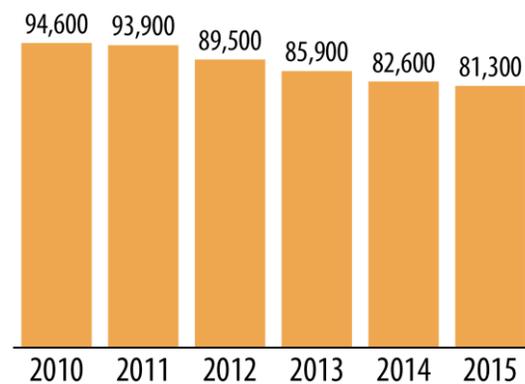
As a report from the IRS Oversight Board, an independent body that Congress created to provide long-term guidance to the IRS, explained in 2014:

The workforce has decreased over the last four years due to a longstanding combination of attrition and a hiring freeze. As the result of the hiring freeze, new employees replace outgoing employees at a rate of one to five. This means a current IRS employee will see five coworkers leave, some of them the most experienced and well trained, before one new employee is eventually hired to cope with a growing workload. This puts enormous stress on new employees arriving at understaffed

FIGURE 3

IRS Has Cut Staff by 14 Percent Since 2010

IRS full-time-equivalent staff funded through appropriations, by fiscal year



Source: Government Accountability Office

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⁴ Rachael Bade, “IRS Budget Cuts Portend More Pain Ahead,” *Politico*, December 10, 2014.

⁵ National Taxpayer Advocate, “2014 Annual Report to Congress,” Volume 1, Taxpayer Advocate Service, December 31, 2014, <http://www.taxpayeradvocate.irs.gov/Media/Default/Documents/2014-Annual-Report/Volume-One.pdf>.

⁶ Based on data in Government Accountability Office (GAO), “Internal Revenue Service: Observations on IRS’s Operations, Planning, and Resources,” February 27, 2015, <http://www.gao.gov/assets/670/668769.pdf>.

⁷ John Koskinen, “IRS 2015 Budget Cut Is ‘Troubling Development,’ Koskinen Says,” *Tax Notes*, December 18, 2014.

⁸ Based on data presented by the National Taxpayer Advocate in “2014 Annual Report to Congress,” Volume 1, Taxpayer Advocate Service, December 31, 2014, <http://www.taxpayeradvocate.irs.gov/Media/Default/Documents/2014-Annual-Report/Volume-One.pdf>, p. 9.

offices and those who remain as they shoulder the burden of the work left behind until a new employee arrives to help.⁹

Commissioner Koskinen announced after the 2015 budget cuts that the IRS would continue its hiring freeze through 2015, and that it would eliminate nearly all overtime pay for employees.¹⁰

The funding cuts have also deeply affected the training of the remaining IRS employees; the IRS's training budget was slashed by 83 percent in nominal terms between 2010 and 2014, the most recent year available.¹¹ Some of the most dramatic cuts have been made to the training budget for the IRS Large Business and International Division, despite the growth in overseas business activity by U.S. residents and businesses, the complexity of many tax issues associated with this activity, and a significant incidence of tax avoidance by U.S. firms that operate overseas.¹²

As Olson has concluded: “[f]aced with a declining budget, the IRS training and education programs have been reduced to bare minimums without consideration for the type of training employees need to perform basic job functions, protect taxpayer rights, and prevent harm and undue burden for taxpayers.”¹³ She adds, “I do not see any substitute for sufficient personnel if the IRS is to provide high-quality taxpayer service.”¹⁴

Taxpayer Services Have Worsened

These cuts have translated into a worsening of taxpayer services. As the Government Accountability Office (GAO) recently found, “A reduced budget and increased workload has contributed to performance declines across the agency, including serious concerns about service to taxpayers during filing season.”¹⁵

The Treasury Inspector General for Tax Administration (TIGTA) has sounded a similar warning, telling Congress last year:

Although the IRS has implemented certain procedures to better assist the American taxpayer, funding reductions pose a significant challenge. . . . These continuing budget constraints make it difficult for the IRS to effectively assist taxpayers. As demand for taxpayer services continues to increase, resources have decreased, thereby affecting the quality of customer service that the IRS is able to provide.¹⁶

⁹ IRS Oversight Board, “FY2015 IRS Budget Recommendation Special Report,” May 2014, <http://www.treasury.gov/IRSOB/reports/Documents/IRSOB%20FY2015%20Budget%20Report-FINAL.pdf>, p. 15.

¹⁰ Koskinen, December 18, 2014.

¹¹ National Taxpayer Advocate, “2014 Annual Report to Congress,” Volume 1, p. 16.

¹² National Taxpayer Advocate, “2013 Annual Report to Congress,” Volume 1, Taxpayer Advocate Service, December 31, 2013, <http://www.taxpayeradvocate.irs.gov/2013-Annual-Report/downloads/Volume-1.pdf>, p. 42.

¹³ *Ibid.*, p. 41.

¹⁴ Olson, February 25, 2015.

¹⁵ GAO, February 27, 2015, p. 33.

¹⁶ Testimony of the Honorable J. Russell George, Treasury Inspector General for Tax Administration, hearing before the House Committee on Appropriations Subcommittee on Financial Services and General Government, February 26, 2014, http://www.treasury.gov/tigta/congress/congress_02262014.pdf.

For example, despite the rise of electronic filing, millions of taxpayers still communicate with the IRS by telephone and mail. But through mid-February 2015, a typical caller waited about 28 minutes for an IRS representative to get on the line, and nearly 60 percent of calls were *never* answered.¹⁷ These figures will likely continue to worsen over the filing season. This represents a sharp decline from 2010, when the IRS answered three-quarters of calls and had an average wait time of just under 11 minutes.¹⁸ The IRS will also answer only “basic” tax questions this filing season, and no longer helps taxpayers prepare returns.

Similarly, the IRS conducts important business with taxpayers through the mail, including individual examinations and clarifications on how much tax a filer owes. Cuts in IRS funding have severely restricted its ability to respond in a timely manner. Even while incoming mail has not increased since 2010, the share of mail that the IRS fails to respond to within 45 days has nearly doubled, from 27 percent at the end of 2010 to 49 percent at the end of 2013.¹⁹

The situation is even worse for practitioners who help taxpayers fill out their returns. The IRS estimates that the average wait on the practitioner “priority” hotline, which tax preparers call for help with their clients, will be 52 minutes this filing season.²⁰

These cuts threaten low-income and other vulnerable taxpayers in particular. As Olson, the National Taxpayer Advocate, has stated, “Comprehensive studies demonstrate that low-income and other vulnerable taxpayer populations need person-to-person assistance to comply with their federal tax obligations. . . . [W]hile online self-help tools address the needs of many taxpayers in a low-cost manner, the IRS is harming those offline taxpayers when it significantly decreases the provision of face-to-face and person-to-person telephone services.”²¹ She added, “I do not think it is hyperbolic to say we are facing a crisis in taxpayer service.”²²

¹⁷ Olson, February 25, 2015.

¹⁸ Government Accountability Office, Letter to the Honorable Ron Wyden, the Honorable Tom Udall, and the Honorable Charles W. Boustany, Jr., “Absorbing Budget Cuts Has Resulted in Significant Staffing Declines and Uneven Performance,” April 21, 2014, <http://www.gao.gov/products/GAO-14-534R>, p. 13.

¹⁹ GAO, February 27, 2015.

²⁰ Rachael Bade, “IRS Budget Cuts Portend More Pain Ahead,” *Politico*, December 10, 2014.

²¹ Olson, February 25, 2015.

²² Nina E. Olson, “Written Statement of Nina E. Olson,” National Taxpayer Advocate, March 3, 2015, http://www.irs.gov/pub/tas/NTA_Testimony_030315.pdf.

Enforcement Is Weaker

The number of IRS staff devoted to enforcing tax laws has dropped by 20 percent since 2010.²³ (See Figure 4.) As a result, the IRS is conducting fewer audits overall and fewer audits of high-income taxpayers and businesses. The annual audit rate for individual taxpayers is now below 1 percent and at its lowest level in a decade. The IRS audited 1.2 million taxpayers in 2014 — 150,000 fewer than in 2013 and over 300,000 below 2010.²⁴ Audits of corporations have fallen as well. As Commissioner Koskinen notes, “We continue to see steep declines in corporate examinations as the IRS budget has declined during the last five years. Overall business audits declined by 6 percent last year, dropping to the lowest level in eight years.”²⁵ The audit rate for filers with incomes over \$10 million fell to 16 percent in 2014, down from 24 percent in 2013.²⁶

As TIGTA put it, “The IRS is facing many new challenges while operating with fewer resources and employees. Several indicators showed the effect of this, including a decrease in enforcement revenue.”²⁷ The IRS Oversight Board has warned that the lagged effects of recent underfunding will likely shrink revenues from enforcement further in the next few years, even if IRS funding is not cut further.

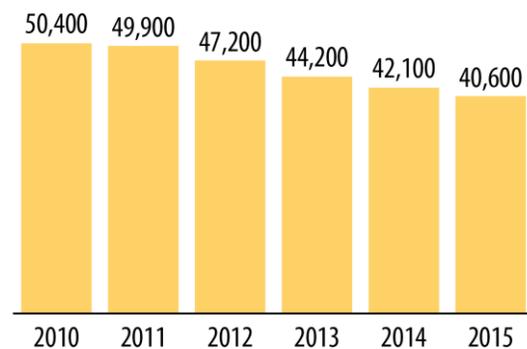
Meanwhile, the scope and complexity of the global financial system — and thus the need for robust IRS enforcement — continue to expand. Estimates suggest that the international tax gap (that is, the amount of unpaid U.S. taxes each year on cross-border transactions) is between \$40 billion and \$133 billion.²⁸

Weakening IRS enforcement ultimately hurts the entire budget and increases deficits. A dollar spent on enforcement yields a significant return by increasing the collection of revenue that is due under current law. The Treasury estimates that, from current levels, every additional dollar invested in IRS tax enforcement activities yields \$6 or more in

FIGURE 4

IRS Has Cut Enforcement Staff by 20 Percent Since 2010

IRS enforcement staff, by fiscal year



Source: Government Accountability Office

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²³ GAO, February 27, 2015, p. 35.

²⁴ Internal Revenue Service, “Drop in Audits Correlates With Budget Cuts, IRS Says,” *Tax Notes*, February 25, 2015.

²⁵ Marie Sapirie, “Business Tax Return Examinations Drop,” *Tax Notes*, March 3, 2015.

²⁶ Internal Revenue Service, “2014 Data Book,” March 25, 2015, <http://www.irs.gov/uac/SOI-Tax-Stats-IRS-Data-Book>.

²⁷ Treasury Inspector General for Tax Administration, press release, September 17, 2013, http://www.treasury.gov/tigta/press/press_tigta-2013-32.htm.

²⁸ Testimony of the Honorable J. Russell George, Treasury Inspector General for Tax Administration, hearing before the Senate Committee on Appropriations Subcommittee on Financial Services and General Government, April 30, 2014, http://www.treasury.gov/tigta/congress/congress_04302014.pdf, p. 24.

increased revenue.²⁹ Further, increased enforcement funding produces indirect revenue savings by deterring tax evasion, which Treasury estimates to be at least three times the direct revenue impact.³⁰

Enforcement has suffered in part because Congress failed to include in the BCA a special cap adjustment for funding IRS enforcement. In the past, Congress has enacted adjustments in the discretionary funding caps that allow specified amounts of additional funding to be provided — without counting against the caps — for certain federal activities that have been shown to save more than they cost by reducing overpayments and fraud in various government programs and noncompliance with the tax laws. In crafting the discretionary funding that the BCA set, Congress did provide “program integrity” cap adjustments that enable lawmakers to provide funds above the BCA caps for continuing disability reviews in Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI), financial redeterminations in SSI, and activities to combat Medicare and Medicaid fraud and overpayments.³¹ But Congress refused the Administration’s request to provide a comparable adjustment for IRS enforcement, despite a “tax gap” estimated at over \$385 billion a year³² and evidence that various IRS enforcement efforts save many times what they cost.

As Commissioner Koskinen summarized, “Essentially, the government is losing billions to achieve budget savings of a few hundred million dollars.”³³

Delays in Upgrading Information Technology

The IRS needs state-of-the-art information technology (IT) to help it perform its core functions of collecting taxes and enforcing the nation’s tax laws while countering sophisticated identity thieves and tax evaders and addressing taxpayers’ privacy concerns. The IRS lags behind in this area. For example, some IRS computers still run on an operating system that is so outdated Microsoft no longer services it; the IRS had to spend scarce funds to set up custom support.³⁴ Commissioner Koskinen notes that the IRS uses “applications that were running when John F. Kennedy was President.”³⁵ He concludes, “We’re falling behind in upgrading hardware infrastructure and software. This compromises the stability and reliability of our information systems, and leaves us open to more system failures and potential security breaches.”³⁶

²⁹ “The Budget of the United States Government, Fiscal Year 2016, The Department of the Treasury,” p. 1035, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/tre.pdf>.

³⁰ *Ibid.*, p. 1035.

³¹ While Congress has funded program integrity activities for Social Security and SSI, it has yet to fund them for Medicare.

³² The tax gap is the difference between what is owed in federal taxes and what is paid each year. The most recent estimate is that \$385 billion was owed for tax year 2006, but never paid. See: Internal Revenue Service, “Tax Gap for Tax Year 2006, Overview,” January 6, 2012, http://www.irs.ustreas.gov/pub/newsroom/overview_tax_gap_2006.pdf.

³³ John Koskinen, “Koskinen Discusses Challenges Facing IRS, Tax Industry,” *Tax Notes*, October 31, 2014.

³⁴ IRS Oversight Board, “FY2015 IRS Budget Recommendation Special Report,” May 2014, <http://www.treasury.gov/IRSOB/reports/Documents/IRSOB%20FY2015%20Budget%20Report-FINAL.pdf>, p. 15.

³⁵ John Koskinen, “Koskinen Discusses Major Challenges Facing IRS,” *Tax Notes*, February 24, 2015.

³⁶ John Koskinen, “Koskinen Discusses Challenges Facing IRS, Tax Industry,” *Tax Notes*, October 31, 2014.

GAO reports that budget constraints have contributed to delays in two essential IT projects: Information Reporting and Documentation Matching, designed to match documents such as 1099-K forms with individual tax returns to help track down underreported income; and the Return Review Program, designed to replace the outmoded Electronic Fraud Detection System, the IRS's main system for detecting fraudulent returns.³⁷ Part of an aggressive IRS effort to prevent identity thieves from obtaining tax refunds fraudulently, the Return Review Program is meant to keep the IRS "ahead of identity thieves because we will be able to act more quickly to incorporate what we learn about fraud schemes into our filters," Koskinen says.³⁸

TIGTA describes identity theft as a "rapidly growing problem"³⁹ that is "personally, professionally, and financially devastating" for its victims.⁴⁰ The IRS identified 339,000 cases of identity theft in 2010,⁴¹ and that figure grew to more than 2.9 million cases in 2013.⁴² The 2013 cases totaled about \$30 billion in identity theft-related fraud attempts, about \$24 billion of which the IRS was able to prevent or recover.⁴³

The IRS has prioritized addressing identity theft. As Nina Olson explained in her 2013 annual report to Congress, "In FY 2013, the IRS assigned more than 3,000 employees to work on identity theft cases. Because of the harm identity theft victims suffer, that was the right call to make. But for an overworked agency absorbing budget cuts, the reassignment of so many employees has meant other work in crucial taxpayer service and enforcement areas could not be done."⁴⁴ The report also notes that an integrated case management system is urgently needed to resolve issues for victims in a timely way; budget constraints have hindered progress, however. TIGTA also notes, "Resources have not been sufficient for the IRS to work identity theft cases dealing with refund fraud, which continues to be a concern."⁴⁵

³⁷ Government Accountability Office, Letter to the Honorable Ron Wyden, the Honorable Tom Udall, and the Honorable Charles W. Boustany, Jr., "Absorbing Budget Cuts Has Resulted in Significant Staffing Declines and Uneven Performance," April 21, 2014, <http://www.gao.gov/products/GAO-14-534R>, p. 24.

³⁸ Testimony of the Honorable John A. Koskinen, Commissioner of the Internal Revenue Service, hearing before the House Ways and Means Committee, February 5, 2014, p. 14.

³⁹ Testimony of the Honorable J. Russell George, Treasury Inspector General for Tax Administration, hearing before the Senate Committee on Appropriations Subcommittee on Financial Services and General Government, April 30, 2014, http://www.treasury.gov/tigta/congress/congress_04302014.pdf, p. 10.

⁴⁰ *Ibid.*, p. 14.

⁴¹ Treasury Inspector General for Tax Administration, "There Are Billions of Dollars in Undetected Tax Refund Fraud Resulting From Identity Theft," July 19, 2012, <http://www.treasury.gov/tigta/auditreports/2012reports/201242080fr.pdf>.

⁴² Testimony of the Honorable J. Russell George, Treasury Inspector General for Tax Administration, hearing before the Senate Committee on Appropriations Subcommittee on Financial Services and General Government, April 30, 2014, http://www.treasury.gov/tigta/congress/congress_04302014.pdf, p. 10.

⁴³ GAO, February 27, 2015, p.10.

⁴⁴ National Taxpayer Advocate, "2013 Annual Report to Congress," Volume 1, p. 25.

⁴⁵ Testimony of the Honorable J. Russell George, Treasury Inspector General for Tax Administration, hearing before the Committee on Appropriations Subcommittee on Financial Services and General Government, U.S. Senate, March 3, 2015, http://www.treasury.gov/tigta/congress/congress_03032015.pdf.

IRS Responsibilities Growing

Restoring IRS funding to a more adequate level is important to enable the agency both to reverse the decline in taxpayer service and to handle its new and expanding responsibilities, which range from combating identity theft to its responsibilities under the Affordable Care Act (ACA). TIGTA notes that health reform “contains an extensive array of tax law changes that, absent added funding, will present budgetary challenges for the IRS in coming years.”⁴⁶ Most important, the IRS is charged with administering the premium tax credits — the subsidies that millions of near-poor and middle-income taxpayers receive to help them afford coverage in the health insurance marketplaces — as well assistance with health insurance deductibles and co-payments for taxpayers with modest incomes. ACA implementation this filing season will “add considerable new work,” Olson notes.⁴⁷

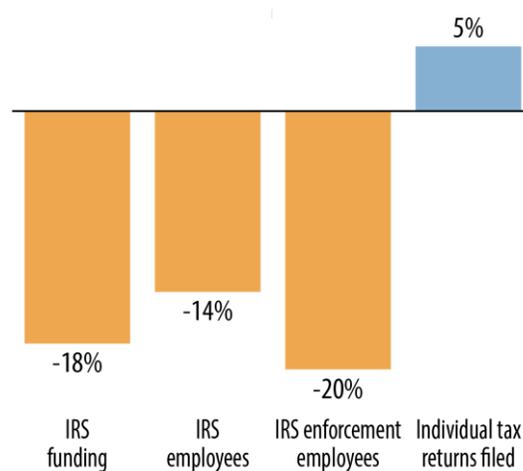
Another major new set of responsibilities for the IRS concerns the Foreign Account Tax Compliance Act (FATCA). Enacted in 2010, FATCA seeks to reduce illegal tax evasion by requiring filers and financial institutions to report more information to the IRS about assets held in offshore accounts. More than 150,000 financial institutions in 112 countries have already registered under FATCA.⁴⁸ The IRS needs added personnel and IT resources to collect and analyze the large amounts of information that FATCA will generate and to conduct enforcement activities where warranted.⁴⁹

Finally, the number of individual income tax returns has grown by nearly 7 million, or 5 percent, since 2010.⁵⁰ The increasing number of tax returns strains IRS resources as budget cuts reduce the resources necessary to process the returns.⁵¹ (See Figure 5.)

FIGURE 5

IRS Funding Cut As Workload Grows

Percent change since 2010



Source: CBPP calculations based on IRS, National Taxpayer Advocate, and Congressional Budget Office data.

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⁴⁶ Testimony of Alan R. Duncan, Assistant Inspector General for Audit, Treasury Inspector General for Tax Administration, joint hearing before the Committee on Oversight and Government Reform, Subcommittee on Energy Policy, Health Care And Entitlements and the Committee on Homeland Security, Subcommittee on Cybersecurity, Infrastructure Protection, and Security Technologies, U.S. House of Representatives, July 17, 2013, p. 1.

⁴⁷ Olson, February 25, 2015.

⁴⁸ John Koskinen, “Koskinen Discusses Major Challenges Facing IRS,” *Tax Notes*, February 24, 2015.

⁴⁹ Internal Revenue Service, “FY 2016 President’s Budget,” February 2, 2015, <http://www.treasury.gov/about/budget-performance/CJ16/02-06.%20IRS%20FY%202016%20CJ.pdf>.

⁵⁰ National Taxpayer Advocate, “2014 Annual Report to Congress,” Volume 1, p. 9.

⁵¹ John Koskinen, “Koskinen Discusses Challenges Facing IRS, Tax Industry,” *Tax Notes*, October 31, 2014.

More Adequate Funding Needed

Funding is an increasingly serious problem for the IRS, although not the agency's only challenge; many analysts believe that the IRS needs to more effectively manage its operations. But funding is a key constraint and cannot be ignored as a crucial factor in diminishing the IRS's effectiveness.

The President's budget would begin to address these challenges by reversing the sharp decline in IRS funding. Its proposed \$12.9 billion funding level for 2016 is an 18 percent increase over the current level.⁵² This would restore the funding lost since 2010 in nominal — though not inflation-adjusted — dollars. The increase includes \$480 million for enforcement that would be provided through a “program integrity” adjustment (and thus would not count against the BCA caps). It directs most of the proposed increase to operations support, which includes IT improvements crucial to improving both taxpayer service and tax enforcement. The additional funds would also bolster depleted personnel levels, including increasing enforcement employees by 10 percent. Treasury estimated a similar initiative in the President's 2015 budget would “yield a net deficit reduction of \$35 billion” over ten years.⁵³ Commissioner Koskinen projects the increase in funding for taxpayer services would boost the share of taxpayer phone calls answered to 80 percent and reduce wait times to no more than 5 minutes.⁵⁴

By contrast, the House- and Senate-passed budgets would likely cut IRS funding even further. Although the budgets do not specify funding levels for the IRS, they contain significant cuts to the non-defense discretionary (NDD) part of the budget, which includes the IRS. The House and Senate budgets cut NDD funding by \$970 billion and \$400 billion, respectively, over the next decade.⁵⁵ These cuts are *in addition to* the harsh cuts already imposed by the BCA caps and sequestration. As a result, IRS funding would likely fall even further under the House and Senate budgets.⁵⁶

Collecting taxes is one of government's most essential functions, yet budget cuts in recent years have made it harder for the IRS to enforce tax laws, and implementing new laws such as the ACA and FATCA have added to the agency's responsibilities. Policymakers should give the IRS sufficient resources to carry out its mission. In particular, policymakers who profess to be concerned or even alarmed about the nation's current or future fiscal course should provide the IRS with the funding it needs to administer the nation's tax laws and collect taxes due under the laws of the land.

⁵² This amount is the Administration's request that is consistent with the discretionary caps for 2016 and does not include the additional \$165 million request for taxpayer services that is part of the “Opportunity, Growth, and Security Initiative.”

⁵³ Department of the Treasury, “Funding Highlights,” March 4, 2014, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/treasury.pdf>.

⁵⁴ William Hoffman and Kat Lucero, “IRS Will Work With Decreased Funding, Koskinen Says,” *Tax Notes*, March 4, 2015.

⁵⁵ Richard Kogan and Isaac Shapiro, “Congressional Budget Plans Get Two-Thirds of Cuts From Programs for People With Low or Moderate Incomes,” Center on Budget and Policy Priorities, March 23, 2015, <http://www.cbpp.org/cms/index.cfm?fa=view&id=5289>.

⁵⁶ If IRS funding was maintained or increased under the House and Senate budgets, then other vital programs would need to be cut to meet the severely reduced NDD funding levels.