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IN FIRST LEGISLATIVE VOTE, TOP PRIORITY FOR NEW GOP HOUSE IS PROTECTING RICH TAX CHEATS

House Republicans will use their majority to repeal \$72 billion in new IRS funding designed to catch wealthy and corporate tax cheats and improve customer service for average taxpayers

Washington, D.C. – The first legislative vote by the new House Republican majority scheduled for Monday evening, January 9, is to repeal nearly all of the \$80 billion in new funding over ten years that was provided to the IRS in the Inflation Reduction Act last year. That \$80 billion will increase federal revenue by \$204 billion, for a net [revenue increase of \\$124 billion](#).

The [GOP's legislation, H.R. 23](#), would slash nearly \$72 billion, or \$9 out of every \$10 in new dedicated funding, including:

- \$45.6 billion for tax enforcement activities to catch wealthy and corporate tax cheats
- \$25.3 billion in operations support for tax enforcement programs and taxpayer services, which is critical for ensuring taxpayers get refunds on time and phone calls answered
- \$403 million for the [Inspector General for Tax Administration](#), which promotes integrity, economy, and efficiency in the administration of our federal tax system
- \$153 million to beef up the [U.S. Tax Court](#) to resolve taxpayer and IRS disputes
- \$15 million for the IRS to prepare a report on what it would take to create a [free, government-run tax e-filing system](#) that would make it much easier for taxpayers to file their tax returns without paying a private service to help them

Note: see the end of this release for the text of the Inflation Reduction Act being repealed.

“It took four days for House Republicans to agree on who should lead them, but they took about two hours to protect rich and corporate tax cheats by defunding the IRS,” said Frank Clemente, Americans for Tax Fairness executive director. **“The House GOP’s first legislative vote shows that their number 1 priority is protecting wealthy tax cheats and big corporations that avoid paying what they owe in taxes. The richest 1% avoid paying \$160 billion a year that they owe due to inadequate tax enforcement. Republicans voted to let them keep on cheating the rest of us. The funding Republicans voted to cut was needed to make the IRS work much better for taxpayers who are playing by the rules and to hold accountable the wealthy and big corporations when they fail to pay what they owe.”**

KEY FACTS ABOUT THE NEED FOR NEW IRS FUNDING

IRS Underfunding Crisis

- Since 2010, IRS annual funding has [declined by 20%](#), from around \$15 billion in 2010 to \$12 billion in 2021, adjusted for inflation. That includes a [25% cut to the IRS enforcement budget](#).
- IRS [staffing is down 22%](#) since 2010, declining from more than 94,500 full-time equivalent workers in 2010 to nearly 73,500 in 2021. Enforcement staff was [cut by 31%](#), with the number of dedicated revenue agents [dropping by 40%](#).
- IRS audit rates [declined 58%](#) overall between 2010 and 2019, with audit rates among large corporations declining 54% and audit rates for millionaires dropping 71%.
- In 2011, taxpayers earning \$1 million or more were about [six times more likely to be audited than low-income families](#) receiving the Earned Income Tax Credit. By 2018, millionaire audits were only twice as likely as audits of EITC recipients.
- As of June 2022, nearly [21 million taxpayers were waiting](#) for their tax returns to be processed from last season.
- In 2021, the IRS [received a record 282 million calls](#), but only 32 million (11%) were answered by customer service representatives.

Tax Gap Estimates

- The Treasury estimates the annual tax gap is around \$600 billion, and predicts the gap will total [\\$7 trillion over the next 10 years](#).
- The [richest 1% of households evaded \\$163 billion](#), or 28%, of the total of unpaid or underpaid taxes in 2019, according to the Treasury.

Non-partisan Fact Checks on GOP Claims about the \$80 billion in IRS Funding

- [AP Fact Check](#): “GOP skews budget bill’s impact on IRS, taxes”
- [Washington Post Fact Checker, Three Pinocchios](#): “Hyperbolic GOP claims about IRS agents and audits”
- [PolitiFact](#): “Kevin McCarthy’s mostly false claim about an army of 87,000 IRS agents”
- [Time](#): “Trump Allies Are Attacking Biden For a Plan to Hire 87,000 New IRS Agents That Doesn't Exist”
- [Bipartisan group of former IRS commissioners](#): “In fact, for ordinary Americans who already fulfill their tax obligations, audit scrutiny will decline, because the IRS will be better at selecting returns for examination. This bill is about getting to the heart of the problem and pursuing high-end taxpayers and corporations who today illegally evade their tax obligations.”

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TEXT OF PARTS OF INFLATION REDUCTION ACT BEING REPEALED

[The House GOP bill is HERE](#). The bill strikes funding for "the unobligated balances of amounts appropriated or otherwise made available for activities of the Internal Revenue Service by paragraphs (1)(A)(ii), (1)(A)(iii), (1)(B), (2), (3), (4), and (5)" of the Inflation Reduction Act. Which corresponds to these parts of the IRA:

(1)(A)(ii) ENFORCEMENT.—For necessary expenses for tax law enforcement activities of the Internal Revenue Service to determine and collect owed taxes, to provide legal and litigation support, to conduct criminal investigations (including investigative technology), to provide digital asset monitoring and compliance activities, to enforce criminal statutes related to violations of internal revenue laws and other financial crimes, to purchase and hire passenger motor vehicles (31 U.S.C.1343(b)), and to provide other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$45,637,400,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(1)(A)(iii) OPERATIONS SUPPORT.—For necessary expenses of the Internal Revenue Service to support taxpayer services and enforcement programs, including rent payments; facilities services; printing; postage; physical security; headquarters and other IRS-wide administration activities; research and statistics of income; telecommunications; information technology development, enhancement, operations, maintenance, and security; the hire of passenger motor vehicles (31 U.S.C. 1343(b)); the operations of the Internal Revenue Service Oversight Board; and other services as authorized by 5 U.S.C. 3109, at such rates as may be determined by the Commissioner, \$25,326,400,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(1)(B) TASK FORCE TO DESIGN AN IRS-RUN FREE “DIRECT EFILE” TAX RETURN SYSTEM.—For necessary expenses of the Internal Revenue Service to deliver to Congress, within nine months following the date of the enactment of this Act, a report on (I) the cost (including options for differential coverage based on taxpayer adjusted gross income and return complexity) of developing and running a free direct efile tax return system, including costs to build and administer each release, with a focus on multi-lingual and mobile- friendly features and safeguards for taxpayer data; (II) taxpayer opinions, expectations, and level of trust, based on surveys, for such a free direct efile system; and (III) the opinions of an independent third-party on the overall feasibility, approach, schedule, cost, organizational design, and Internal Revenue Service capacity to deliver such a direct efile tax return system, \$15,000,000, to remain available until September 30, 2023: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(2) TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION.—For necessary expenses of the Treasury Inspector General for Tax Administration in carrying out the Inspector General Act of 1978, as amended, including purchase and hire of passenger motor vehicles (31 U.S.C. 1343(b)); and services authorized by 5 U.S.C. 3109, at such rates as may be determined by the Inspector General for Tax Administration, \$403,000,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(3) OFFICE OF TAX POLICY.—For necessary expenses of the Office of Tax Policy of the Department of the Treasury to carry out functions related to promulgating regulations under the Internal Revenue Code of 1986, \$104,533,803, to remain available until September 30,

2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(4) UNITED STATES TAX COURT.—For necessary expenses of the United States Tax Court, including contract reporting and other services as authorized by 5 U.S.C. 3109; \$153,000,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

(5) TREASURY DEPARTMENTAL OFFICES.—For necessary expenses of the Departmental Offices of the Department of the Treasury to provide for oversight and implementation support for actions by the Internal Revenue Service to implement this Act and the amendments made by this Act, \$50,000,000, to remain available until September 30, 2031: Provided, That these amounts shall be in addition to amounts otherwise available for such purposes.

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