



Updated March 25, 2022

# Internal Revenue Service Appropriations, FY2022

## Overview of the Budget Request

The Internal Revenue Service (IRS) has two primary responsibilities: (1) to collect most of the revenue to fund federal government agencies and programs, and (2) to enforce taxpayer compliance with federal tax laws. According to the IRS Data Book, in FY2020, the agency processed over 240 million tax returns and 3.4 billion information returns, collected nearly \$3.5 trillion in gross revenue, and issued \$736 billion in refunds to all types of taxpayers.

The IRS’s operating budget consists mostly of annual appropriations. In FY2021, 90.5% (\$11,919 million) of its operating budget came from appropriations. The remaining 9.5% (\$1,248 million) consisted of (1) reimbursements from other government agencies for services provided by the IRS, (2) offsetting collections, (3) user fees, and (4) carryovers of unobligated balances from previous fiscal years. Current law allows the IRS to decide how nonappropriated funds are used.

Historically, IRS appropriations have been distributed among four accounts: taxpayer services (TS), enforcement (ENF), operations support (OS), and business systems modernization (BSM). As **Table 1** shows, enforcement accounted for \$5,231 million (43.7%) of the \$11,919 million in enacted appropriations for FY2021, followed by OS (33.0%), TS (21.4%), and BSM (1.9%).

The Biden Administration requested \$13,157 million in IRS appropriations for FY2022, or \$1,238 million (10.4%) more than the enacted amount for FY2021. Relative to FY2021, requested BSM funding was \$82 million greater; requested TS funding was \$385 million greater; requested OS funding was \$520 million greater; and requested ENF funding was \$250 million greater.

**Table 1** does not include a proposed \$417 million program integrity cap adjustment for nondefense discretionary spending under the Budget Control Act of 2011 (BCA; P.L. 112-25, as amended). In general, such an adjustment would allow Congress to increase allocations of annual appropriations for qualified purposes. One such purpose is federal agency activities to maintain a program’s “integrity” by enforcing compliance with its regulations. The IRS’s enforcement actions are not considered a qualified purpose under current law.

According to budget documents, the proposed \$417 million cap adjustment in FY2022, together with the proposed annual cap adjustments through FY2031, would produce a net revenue gain of \$43.6 billion in that period. This estimate may understate the revenue gain from increased enforcement, because it does not include any revenue increase from the compliance effects of enhanced enforcement activities.

The FY2022 budget proposal included \$176.1 million to implement numerous changes in how the IRS interacts with taxpayers that were mandated by the Taxpayer First Act (P.L. 116-25). Among the changes were creating an internet platform for filing Form 1099s, achieving 100% e-filing by tax-exempt entities, and developing uniform standards for electronic signatures.

The Consolidated Appropriations Act, 2022 (P.L. 117-103) provides \$12,595 million in appropriations for the IRS in FY2022 (5.7% more than the FY2021 enacted amount and 4.3% lower than the budget request). This appropriation does not include the requested integrity cap adjustment.

**Table 1. IRS’s FY2021 and FY2022 Appropriations, Excluding Nonappropriated Funds**  
(millions of dollars)

Account	FY2021 Enacted	FY2022 Request	FY2022 Enacted
TS	\$2,556	\$2,941	\$2,781
ENF	\$5,213	\$5,463 <sup>a</sup>	\$5,438
OS	\$3,928	\$4,448 <sup>b</sup>	\$4,101
BSM	\$223	\$305	\$275
<b>Total</b>	<b>\$11,919</b>	<b>\$13,157</b>	<b>\$12,595</b>

**Sources:** IRS’s FY2022 Budget Justification, Consolidated Appropriations Act, 2021 (P.L. 116-260), and Consolidated Appropriations Act, 2022, (P.L. 117-103).

**Notes:**

- a. Excludes requested new budget authority of \$287.5 million as a program integrity cap adjustment.
- b. Excludes requested new budget authority of \$129.5 million as a program integrity cap adjustment.

## Main Appropriations Accounts

### Taxpayer Services (TS)

This account covers the cost of printing forms and publications, processing returns, filing and account services, and taxpayer assistance from the Taxpayer Advocate Service (TAS).

The Administration requested \$2,941 million in FY2022 for TS. Of this amount, \$11 million was set aside for the Tax Counseling for the Elderly (TCE) Program, \$13 million for low-income taxpayer clinic (LITC) grants, \$30 million (through the end of FY2023) for matching grants for the Community Volunteer Income Tax Assistance (VITA) Program, and \$211 million for the TAS.

P.L. 117-103 provides the IRS with \$2,781 million for TS in FY2022 (8.8% more than the FY2021 enacted amount and 5.4% less than the budget request). The act specifies that \$100 million of that amount shall be available for obligation through the end of FY2023. In addition, \$11 million is set aside for TCE, \$13 million for LITC grants, \$30 million for VITA program matching grants, and \$221 million for the TAS (\$5.5 million of which is to be used for cases involving identity theft and refund fraud).

### Enforcement (ENF)

This account pays for expenses related to assessing and collecting taxes owed, providing legal support, and conducting criminal investigations.

The Administration requested \$5,463 million in appropriations for IRS enforcement activities in FY2022. Of this amount, \$21 million was set aside to purchase new technology for the IRS's Criminal Investigation Division (CID). The budget request also called for \$287.5 million in new budget authority under the BCA to shrink the federal tax gap, which is the difference between taxes owed and taxes paid in full on time. (According to the IRS, the FY2019 net tax gap was \$554 billion.)

P.L. 117-103 provides \$5,438 million for ENF (4.3% more than the FY2021 enacted amount and 0.5% less than the budget request). Of that amount, \$250 million is available for obligation through the end of FY2023; \$60.3 million is set aside for the Interagency Crime and Drug Enforcement Program; and up to \$21 million is to be used to acquire new "investigative technology" for the CID (in addition to its funding under OS). In an atypical move, the act reserves up to \$75 million from the ENF account for reducing the IRS's backlog of unprocessed tax returns and unanswered taxpayer correspondence.

### Operations Support (OS)

This account covers expenses associated with facility services (including rent); postage; telecommunications; security at IRS facilities; research; and the maintenance, security, and upgrade of agency information systems.

The Administration requested \$4,448 million in appropriations for OS in FY2022. Of this amount, \$275 million was available for obligation through the end of FY2023; \$10 million was set aside (until spent) for the construction, renovation, and repair of IRS facilities; \$1 million was reserved through FY2023 for research; and \$10 million was set aside for developing a system to allow federal contractors to electronically certify that they do or do not have seriously delinquent federal tax debt.

The budget request included \$129.5 million in new budget authority for OS investments linked to enforcement actions targeting the federal tax gap.

P.L. 117-103 provides \$4,101 million for OS (4.4% more than the FY2021 enacted amount and 7.8% less than the budget request). Of that amount, \$275 million is available for obligation through the end of FY2023; \$10 million is set aside for the construction and repair of IRS facilities (until spent); \$1 million is available for research through the end of FY2024; \$10 million is reserved (until spent) for developing a system for federal contractors to obtain IRS

certification that they have no federal tax debt; and up to \$5 million is available for reducing the IRS's backlog of tax returns and taxpayer correspondence (in addition to funding for that purpose under the TS account).

The act also requires the IRS to submit quarterly reports to the appropriations committees and the U.S. Comptroller General on the cost, results, and status of technology modernization projects.

### Business Systems Modernization (BSM)

This account pays for costs related to upgrading various IRS information technology (IT) systems.

Under the Administration's budget request, the BSM program would have received \$305 million in appropriations for FY2022. The requested funds were to be available for acquiring and implementing new IT systems through the end of FY2024.

The budget request also required the IRS to submit quarterly reports to the Senate and House appropriations committees and the U.S. Comptroller General on its major IT investments.

P.L. 117-103 provides \$275 million for the BSM program (23.3% more than the FY2021 enacted amount and 9.8% less than the budget request). The funds are available for acquiring new IT systems through the end of FY2024. The act requires the IRS to submit reports on various aspects of its IT investments under the Integrated Modernization Business Plan to the appropriations committees and the U.S. Comptroller General.

### Policy Riders

P.L. 117-103 contains 11 policy riders for the IRS. The first 10 have appeared from year to year for some time. They address such matters as limits on transfers of appropriated funds among IRS's accounts, an employee training program focused on taxpayer rights, protecting the confidentiality of taxpayer information, and resources for "sufficient and effective 1-800 help line service for taxpayers."

The 11<sup>th</sup> rider concerns a matter not regularly addressed in IRS appropriations legislation. It gives the IRS the authority to use FY2022 funds to hire employees, "without regard to any notice or preference requirements," for a specific purpose: to help process "backlogged tax returns and return information."

This authority seems to complement the direct-hire authority for 10,000 entry-level positions that the Office of Personnel Management recently granted to the IRS through the end of 2023. Hiring that many employees would expand the IRS workforce by 14%. The IRS plans to use funds from its current budget to pay for the new hires. It is unclear whether the IRS will offer competitive salaries for those positions.

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