

June 12, 2024

The Honorable Tom Cole
Chair
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable David Joyce
Chair
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Rosa DeLauro
Ranking Member
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

The Honorable Steny Hoyer
Ranking Member
Subcommittee on Financial Services
and General Government
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Chair Cole, Ranking Member DeLauro, Chair Joyce, Ranking Member Hoyer, and Members of the House Committee on Appropriations:

On behalf of the undersigned organizations, we write to share our deep concerns with and strong opposition to the House FY2025 Financial Services and General Government (FSGG) proposal that would reduce revenues, exacerbate the nearly \$700 billion annual [tax gap](#), undermine our ability to invest in families, and imperil improvements in taxpayer services. Specifically, we urge Congress to reject provisions in the House FY 2025 FSGG appropriations bill that would slash the IRS's regular annual funding, reducing it to levels not seen since the early 2000s, as well as a policy rider that would prevent the IRS from implementing its Direct File program. Additionally, we urge you to reject additional rescission of the funding provided to the IRS by the Inflation Reduction Act.

House majority appropriators' claims that their proposal would protect taxpayer services are highly misleading. In fact, their proposal cuts \$350 million from operations support which funds core services such as rent, security, and overhead that are critical to the agency's ability to implement technological advancements and taxpayer services. It would cut \$2 billion from enforcement, a move that would increase the deficit and reduce revenues [multiple times over](#).

The House proposal would also prevent the IRS from moving forward with full implementation of the [highly successful](#) Direct File program, which was rated "excellent" or "above average" by a total of 90 percent of users surveyed by the IRS. This past tax season with a limited launch, over 140,000 taxpayers used the tool across 12 pilot states, saving taxpayers more than \$90 million in refunds and an estimated \$5.6 million in tax preparation fees on their federal returns alone. At full capacity in a few years, Direct File [could save taxpayers \\$11 billion a year](#) between filing fees and time costs, while also helping taxpayers access \$12 billion in tax credits for families that qualify but are currently missing out.

Prior to the recent increase, a [decade](#) of deep budget cuts left the IRS unable to provide the reliable and accessible customer service taxpayers deserve and unable 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. Between 2010 and 2022,

[spending on enforcement](#) dropped by 27 percent in inflation adjusted dollars, hindering the IRS's ability to keep up with a changing and more complex economy, such as the rise in digital asset transactions where estimates suggest that more than half of taxes go unpaid.

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 highest income filers – those with incomes of \$10 million or more - dropped by 87 percent between 2010 and 2021 - while that for the largest corporations – those with assets of \$20 billion or more – dropped by 82 percent over the same period. Prior to the infusion of resources provided by the IRA, the agency had fewer auditors who handled 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 of income earners.

The IRA's funding has already produced strong [results](#). During the 2024 filing season, the IRS reached an 88 percent level of service for calls to the taxpayer helpline and access to face-to-face support was increased. The IRS developed systems to implement tax-related provisions of the landmark Inflation Reduction and CHIPs Acts. Recent investments have also enabled the IRS to make it simpler and easier for families to claim the tax benefits that they are entitled to. 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.

The current House proposal would worsen the impact of the FY 2024 budget agreement that rescinded \$20 billion of the original \$80 billion in mandatory funding provided by the IRA. This would threaten much-needed efforts to modernize the agency and impede its ability to ensure that the wealthy and large corporations pay the taxes that they legally owe. As the appropriations process continues Congress should reject the proposed cuts to the IRS funding and any potential amendments that would further cut agency funding, and work to find ways to increase funding for the IRS. Congress should also oppose any policy rider that blocks the successful and popular Direct File program. Doing so would allow the IRS to continue improving customer service and ensure that the IRS is able to fulfill its mission and serve the American people.

Sincerely,

NATIONAL ORGANIZATIONS

20/20 Vision
Accountable.US
Alliance for a Just Society
American Family Voices
American Federation of Government Employees (AFGE)
American Federation of Teachers (AFT)
Americans for Financial Reform
Americans for Tax Fairness
Autistic People of Color Fund
Autistic Self Advocacy Network
Autistic Women & Nonbinary Network
Center for American Progress
Center for Law and Social Policy (CLASP)
Center for Popular Democracy
Center for the Study of Social Policy

Change Machine
Children's Defense Fund
Churches United for Fair Housing
Coalition on Human Needs
Color Of Change
CommonDefense.us
Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces
Consumer Action
Demand Action
DemCast USA
Dems Make Life Better
Economic Security Project Action
Financial Accountability and Corporate Transparency (FACT) Coalition
First Focus Campaign for Children
Groundwork Action
Health Care Voter
In The Public Interest
Income Movement
Indivisible
Institute for Policy Studies -Inequality Program
Institute on Taxation and Economic Policy
Just Harvest
Just Solutions
Main Street Alliance
MomsRising
National Advocacy Center of the Sisters of the Good Shepherd
National Association of Social Workers
National Disability Institute
National Women's Law Center
NETWORK Lobby for Catholic Social Justice
Our Revolution
P Street
People's Action
Public Advocacy for Kids (PAK)
Public Citizen
Revolving Door Project
RootsAction.org
Service Employees International Union (SEIU)
Small Business Majority
State Revenue Alliance
Strong Economy For All Campaign
Take on Wall Street
The Expectations Project
The Workers Circle
United Church of Christ
Unrig Our Economy
Voices for Progress
Young Invincibles

STATE ORGANIZATIONS

Advancing Connecticut Together
All Home (CA)
Arkansas Asset Builders
Catalyst Miami (FL)
Colorado Fiscal Institute
Courage California
Golden State Opportunity (CA)
Grace – End Child Poverty California
Grow Brooklyn (NY)
Honest Arizona
Housing Action Illinois
Indiana Community Action Poverty Institute
Indivisible Georgia Coalition
Indivisible Marin (CA)
Instituto del Desarrollo de la Juventud (PR)
ISAAH (MN)
The Karabelle Pizzigati Initiative in Advocacy for Children, Youth and Families at The University of Maryland
Michigan Families for Fair Care
Nebraska For Us
Northwest Progressive Institute
Oregon Center for Public Policy
Our Children Oregon
Prepare + Prosper (MN)
RAISE Texas
Rise Up WV
Rocky Mountain Values (CO)
San Diego for Every Child (CA)
The Language of Connection Spokane (WA)
Tygart Valley United Way (WV)
United Way of New York City
Vermont Asylum Assistance Project
Washington Anti-Hunger & Nutrition Coalition
Washington Physicians for Social Responsibility
West Virginia Center on Budget & Policy