

July 30, 2024

The Honorable Patty Murray
Chair
Committee on Appropriations
U.S. Senate
Washington, DC 20510

The Honorable Susan Collins
Vice Chair
Committee on Appropriations
U.S. Senate
Washington, DC 20510

The Honorable Chris Van Hollen
Chair
Subcommittee on Financial Services
and General Government
Committee on Appropriations
Washington, DC 20510

The Honorable Bill Hagerty
Ranking Member
Subcommittee on Financial Services
and General Government
Committee on Appropriations
Washington, DC 20510

Dear Chair Murray, Vice Chair Collins, Chair Van Hollen, Ranking Member Hagerty, and members of the Senate Committee on Appropriations:

We write to urge the Senate Appropriations Committee to protect current funding levels for the Internal Revenue Service (IRS) in the FY2025 Financial Services and General Government bill. If the Senate were to follow current House proposed FY2025 funding levels, it would imperil the ability of the IRS to serve everyday American taxpayers, reduce revenues, and exacerbate the \$700 billion annual tax gap. Senate appropriators should reject any funding cuts to ensure the IRS has adequate resources to continue its rebuilding effort, which has already produced strong results since the Inflation Reduction Act's infusion of funding for the IRS. In addition, we ask you to oppose harmful poison pill riders such as the House rider blocking the popular, effective Direct File program. Thanks to IRA modernization funds, the IRS is beginning to dramatically improve customer service, crack down on wealthy tax cheats and deliver a free and fair direct e-filing program.

Prior to the recent funding increase, a decade of deep budget cuts left the IRS unable to provide the reliable and accessible customer service taxpayers deserve and 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. 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 millionaires dropped by 71 percent between 2010 and 2019. Prior to the infusion of resources under the IRA, the agency had fewer auditors who handle 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, due to systemic racism, disproportionately households of color. After the IRS budget cuts, EITC filers became about as likely to be audited as someone in the top 1 percent.

The investment made to rebuild the IRS has already shown promising early results:

- The IRS is now answering taxpayer calls as it should, clearing backlogs, and transmitting timelier tax refunds. The agency answered nearly 90 percent of calls during the 2024 filing season (a vast improvement from 18 percent in 2022). Average wait times dropped from 29 to 4 minutes.
- This past filing season, the IRS conducted a Direct File pilot program that allowed hundreds of thousands of people in 12 states to file their taxes online for free without commercial tax preparers. Data released by IRS on April 26 further confirms that the pilot was an incredible success with a 90 percent satisfaction rate. When fully phased in the program is estimated to save

Americans \$11 billion annually in filing and time costs and could deliver \$12 billion more in currently unclaimed tax credits for low-income families.

- On the enforcement side, the IRS is devoting new resources to increasing tax collections from high-income tax evaders. The IRS has [collected](#) over \$1 billion in past-due taxes from millionaires and 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. [Estimates](#) suggest that every \$1 spent auditing high-income individuals means more than \$12 in additional tax revenue.

The House FY2025 Financial Services and General Government (FSGG) proposal would slash the IRS's regular annual funding, reducing it to levels not seen since the early 2000s. This would harm honest, low- and middle-income taxpayers:

- The current House proposal would cut \$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. The proposal would also cut \$2 billion from enforcement, a move that would increase the deficit and reduce revenues multiple times over.
- A policy rider in the House bill would prevent the IRS from implementing its Direct File program. Over 140,000 taxpayers successfully submitted returns using the tool across 12 pilot states this past filing season, saving taxpayers more than \$90 million in refunds and an estimated \$5.6 million in tax preparation fees on their federal returns alone. Proposals to block Direct File should be rejected.

As appropriations discussions ramp up for FY2025, the Senate must protect the IRS and reject cuts to the agency's annual base funding. Any additional rescissions of the funding provided to the IRS by the Inflation Reduction Act must also be rejected.

We appreciate your consideration of our views.

Sincerely,

NATIONAL ORGANIZATIONS

20/20 Vision

AFL-CIO

American Federation of State, County and Municipal Employees (AFSCME)

AFT

Americans for Democratic Action (ADA)

Americans for Financial Reform

Americans for Tax Fairness

Center for American Progress

Center for Law and Social Policy (CLASP)

Children's Defense Fund

Coalition on Human Needs

Color Of Change

Common Sense Media

Community Change Action

Congregation of Our Lady of Charity of the Good Shepherd, U.S. Provinces

Consumer Action

Economic Security Project Action

Equal Rights Advocates

Excessive Wealth Disorder Institute

First Focus Campaign for Children

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Futures Without Violence
HCAN
Health Care for America Now (HCAN)
Income Movement
Indivisible
Institute on Taxation and Economic Policy
Just Solutions
MomsRising
MoveOn
My Money Story
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
Oxfam America
P Street
Patriotic Millionaires
RESULTS
Service Employees International Union
Small Business Majority
Social Work Grand Challenge to Reduce Extreme Economic Inequality
Take on Wall Street
The Autistic People of Color Fund
UnidosUS
Unitarian Universalists for Social Justice
United Church of Christ
United for a Fair Economy (also list Responsible Wealth)
Voices for Progress
Young Invincibles

STATE ORGANIZATIONS

Advancing CT Together
Arkansas Asset Builders
CCWRO
Colorado Fiscal Institute
GRACE - End Child Poverty CA
Grow Brooklyn
Haus of a Stranger
Instituto del Desarrollo de la Juventud
ISALAH (MN)
Louisiana Partnership for Children and Families
Maine People's Alliance
Meals4Families
Michigan League for Public Policy
NC Budget & Tax Center
OpenSky Policy Institute
Pennsylvania Policy Center
RAISE Texas
Rise Up WV
Shriver Center on Poverty Law

SimplifyCT, Inc.
The Commonwealth Institute for Fiscal Analysis
United Ways of the Pacific NW
Washington State Budget and Policy Center
We Make Minnesota
William E. Morris Institute for Justice

LOCAL ORGANIZATIONS

Beyond Careers
Catalyst Miami
Haus of a Stranger
Just Harvest
La Victoria Foundation
National Council of Jewish Women Los Angeles
New American Association Of Massachusetts
PRISM
San Diego for Every Child
Tygart Valley United Way