

BETTER IRS

FAQ: IRS Funding in the Lame Duck and Impact on 2025 Tax Fight

Q: WHAT IS THE CURRENT FUNDING SITUATION FOR IRS ENFORCEMENT?

A: The Inflation Reduction Act (IRA) provided \$45.6 billion to the IRS for enforcement¹, but almost half—over \$21 billion—has already been formally rescinded by Congress as a result of the debt limit deal (spread across two different laws).^{2,3}

An additional \$20.2 billion of IRA enforcement funding is stuck in limbo for the duration of the current continuing resolution (CR).

As a result, **\$41.8 billion (92%) of the IRS' IRA funding for cracking down on rich tax cheats is currently either rescinded or frozen.**

Without an “anomaly” in the next CR to unfreeze those IRA funds, the IRS will be \$100 million short of what it needs in FY25. That could mean laying off experts, giving free rein to wealthy tax cheats to break the law.

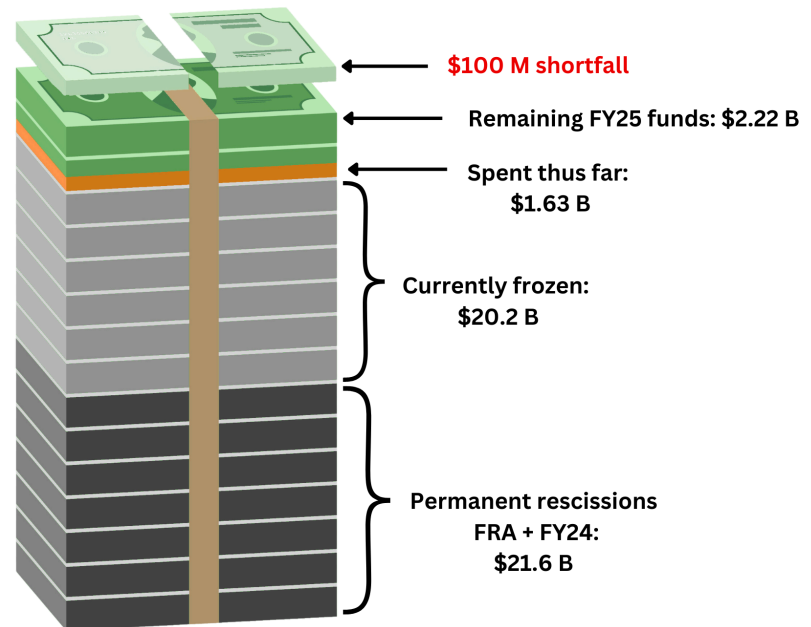
Q: HOW DOES THE CURRENT CR IMPACT IRS FUNDING?

Continuing resolutions carry forward the policies and funding levels of the previous fiscal year's appropriations bill. As a result, the \$20.2 billion rescission included in FY24 has essentially been repeated.

That means an additional \$20.2 billion of enforcement funding is stuck in limbo for the duration of the current CR—not yet rescinded but not accessible to the agency either. If this situation stretches beyond December, it could seriously impact IRS's ability to ramp up hiring as planned.

Q: WHAT'S AN ANOMALY AND WHAT HAPPENS IF WE DON'T GET ONE IN DECEMBER?

An anomaly is a line of legislative text—see example here⁴—that exempts part of the old law from carrying over.



BETTER IRS

If there's a full-year CR, or multiple short-term CRs adding up to a full year—October 1, 2024 to September 30, 2025—then the funding will be formally cut (and will need to be reauthorized by Congress) without an anomaly. Without an anomaly, the IRS will run out of its IRA enforcement funding before the end of FY25. That could mean laying off the experts that the IRS just hired.

Q: DO WE STILL NEED AN ANOMALY IF WE PASS AN FY25 OMNIBUS INSTEAD OF A CR?

A: No. If there is an FY25 omnibus, Congress would be writing a new full year appropriations bill and would not have to carry forward anything from the previous appropriations bill. However, there will be different threats to IRS enforcement funding in an FY25 omnibus bill.

Q: WHAT ARE THE THREATS IN AN FY25 OMNIBUS?

The Biden-McCarthy deal to raise the debt limit imposed caps on discretionary spending. The original plan was to use \$10 billion from IRS' IRA enforcement funds in FY24 and \$10.2 billion in FY25 to offset discretionary spending levels above the caps.

However, the Schumer-Johnson deal in early 2024 front-loaded all of the IRS cuts—a total of \$20.2 billion—into FY24.

As a result, there is a roughly \$10.2 billion hole in offsets planned for FY25. Unless Congress repeals the spending caps or cuts discretionary spending to meet those caps, it will need to find an additional ~\$10.2 billion in cuts from *somewhere* when it drafts new funding bills for FY25.

Q: WHAT WOULD FURTHER RESCISSIONS MEAN FOR CRACKING DOWN ON RICH TAX CHEATS?

Taking an additional \$10 billion from IRS enforcement will significantly curtail its ability to crack down on wealthy or corporate tax cheats. The bulk of IRS' enforcement spending has gone to—and will continue to go towards—onboarding highly trained accountants with the expertise required to audit the complicated tax returns of ultra-wealthy individuals and large corporations.

Even at this early stage of staffing up, there have already been big successes, such as securing [more than \\$1 billion](#) in back taxes owed by millionaires.

If funding is rescinded, the IRS will not be able to afford these additional staff and may need to begin laying off its newly hired expert auditors by the end of FY27.⁵

Q: WHAT IS THE FISCAL IMPACT OF IRS BACKING AWAY FROM ENFORCEMENT?

Every \$1 spent auditing high-income earners yields more than [\\$22 in revenue](#). The Congressional Budget Office estimates that if the current \$20.2 billion freeze were to become permanent, IRS funding would reduce its total revenue collection [by nearly \\$66 billion dollars](#) over the next decade.

BETTER IRS

RELEVANT LEGISLATIVE TEXT AND CITATIONS

- 1) [Inflation Reduction Act, PL117-169, Section 10301\(1\)\(A\)\(ii\)](#) ENFORCEMENT.—For necessary expenses for tax 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. 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.
- 2) [Fiscal Responsibility Act, PL118-5](#) SEC. 251. RESCISSION OF CERTAIN BALANCES MADE AVAILABLE TO THE INTERNAL REVENUE SERVICE. Of 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 section 10301 of Public Law 117–169 (commonly known as the “Inflation Reduction Act of 2022”) as of the date of the enactment of this Act, \$1,389,525,000 are hereby rescinded. [IRS has confirmed that all of the FRA rescissions were drawn from enforcement.]
- 3) [Further Consolidated Appropriations Act, 2024, PL 118-47](#)
TITLE VI GENERAL PROVISIONS--THIS ACT (including rescissions of funds)
Sec. 640. Of the unobligated balances of amounts made available under section 10301(1)(A)(ii) of the Act to provide for reconciliation pursuant to title II of S. Con. Res.14 (Public Law 117-169, commonly referred to as the “Inflation Reduction Act”), \$10,200,000,000 are hereby rescinded. ...
(rescission) TITLE V GENERAL PROVISIONS (transfer of funds)
Sec. 530. Of the unobligated balances of amounts made available in section 10301(1)(A)(ii) of Public Law 117-169, \$10,000,000,000 are hereby rescinded.
- 4) An example of an anomaly eliminating an FY24 rescission that was included in the final [short-term CR passed this month](#): “(5) The Financial Services and General Government Appropriations Act, 2024 (division B of Public Law 118–47), except sections 637 and 638.”
- 5) See page 31 of the [FY24 Strategic Operating Plan](#) for expected IRA enforcement spending per fiscal year. A \$10.2 billion rescission in FY25—on top of the rescissions already enacted by Congress—would exhaust IRA funding for enforcement by early FY28, likely prompting layoffs and buyouts throughout FY27 in advance of the shortfall.