IRS Funding Accountability Act

Purpose

As part of the Inflation Reduction Act (IRA), Democrats provided the IRS $80 billion in funding without including any oversight or accountability measures to prevent waste, protect taxpayer rights, or measure improvements in service. The proposed legislation would require the IRS to provide Congress with an annual plan on how the agency intends to use such funds subject to a joint resolution of disapproval. The bill also requires quarterly updates from the IRS and Treasury to enable consistent and transparent evaluation of the plans, provide accountability for any misuse of funds, and guard against violations of taxpayer rights. Failure to submit timely and thorough plans or reports would result in financial penalties.

Summary

Annual Plans and Reporting Requirements

- <u>Initial Plan:</u> Upon enactment of the bill, the IRS is prohibited from spending IRA funds (other than for addressing taxpayer services) until the agency submits a comprehensive plan to Congress detailing how the IRA funds are to be spent over 1, 5, and 10 years. The Act affords Congress 60 days to review the plan – during which time the funds remain frozen – and may reject the plan with a joint resolution of disapproval using expedited procedures similar to those under the Congressional Review Act.
- <u>Annual Plans:</u> Following the initial plan, the IRS is required to submit an updated comprehensive plan each February that details any modifications or changes to the initial plan, provide quantifiable metrics that enable Congress to track plan progress, and report on the levels of taxpayer services and audit rates.
- <u>IRS and Treasury Testimony:</u> The IRS Commissioner and Treasury Secretary are required to testify in person before relevant Congressional committees within 30 days of submission of the annual comprehensive spending plan.
- <u>Oversight</u>: The Government Accountability Office and the Office of Management and Budget must approve the plan prior to its submission to Congress. The National Taxpayer Advocate and IRS Advisory Council must also review the plan in advance of submission.
- <u>Enforcement and Penalties:</u> Late submissions to Congress would result in a reduction of $10 million per day of IRA enforcement funds.

Quarterly Reports and Penalties

- <u>Quarterly IRS Reports:</u> The IRS is required to report to Congress on the actual expenditure of IRA funds by IRS division/office, a detailed account of hiring by IRS division/office, and any violations of Fair Tax Collection practices, among other things.
- <u>Quarterly Treasury Reports:</u> The Treasury is required to report to Congress on actions it takes with respect to IRA funding generally and more specifically on its use of the over $150 million appropriated under the IRA for Treasury's Office of Tax Policy and Departmental Offices.
- <u>Penalties:</u> Failure by the IRS or Treasury to meet quarterly reporting deadlines would result in a reduction of $1 million per day of IRA funds to the respective agency.