

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND REFORM

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MEMORANDUM

April 18, 2022

To: Members of the Subcommittee on Government Operations

Fr: Subcommittee Staff

Re: Hearing on “IRS: Is It Ready?”

On **Thursday, April 21, 2022, at 10:00 a.m. ET**, the Subcommittee on Government Operations will hold a virtual hearing to examine the operations and financial condition of the Internal Revenue Service (IRS), with a focus on how the agency will fare this tax season. The hearing will convene remotely using Zoom.

Every year “the IRS processes more than 150 million individual and business tax returns.”¹ A combination of resource constraints and other limitations prompted the IRS to delay the start of the 2021 tax filing season by two weeks.² Currently, the IRS is struggling to address a massive backlog of about 23.5 million tax returns and pieces of correspondence related to the 2021 tax season as it heads into the 2022 tax season.³ According to the Government Accountability Office, 8 million of these items are tax returns that await processing.⁴ Other items in that backlog include suspended returns and returns that were amended. In its 2021 Annual Report to Congress, the Taxpayer Advocate Service (TAS), an independent entity that ensures taxpayers are treated fairly by the IRS, called 2021 “the most challenging year taxpayers and tax professionals have ever experienced.”⁵

The IRS’s budget declined by about \$929 million (7.7%) between fiscal years 2014 and 2019, and, in fiscal year 2020, the budget was at its lowest level since fiscal year 2000, after

¹ Government Accountability Office, *Tax Filing: Preliminary Observations on IRS’s Efforts to Address Persistent Challenges* (Feb. 17, 2022) (GAO-22-105802) (online at www.gao.gov/assets/gao-22-105802.pdf).

² *Id.*

³ Senate Committee on Finance, Testimony of National Taxpayer Advocate Erin M. Collins, Taxpayer Advocate Service, *Hearing on Spotlighting IRS Customer Service Challenges* (Feb. 17, 2022) (online at www.finance.senate.gov/hearings/spotlighting-irs-customer-service-challenges).

⁴ Government Accountability Office, *Tax Filing: Preliminary Observations on IRS’s Efforts to Address Persistent Challenges* (Feb. 17, 2022) (GAO-22-105802) (online at www.gao.gov/assets/gao-22-105802.pdf).

⁵ National Taxpayer Advocate, *Annual Report to Congress* (2021) (online at www.taxpayeradvocate.irs.gov/wp-content/uploads/2022/01/ARC21_Full-Report.pdf) (accessed Apr. 7, 2022).

adjusting for inflation.⁶ Since fiscal year 2010, the IRS workforce has been reduced by 22%, leaving one-third the number of enforcement agents and less than half the number of customer service representatives.⁷

More recently, the IRS has received modest budget increases. In fiscal year 2021, the agency received \$11.9 billion in appropriations. In fiscal year 2022, it received \$12.6 billion. IRS Commissioner Charles Rettig said the IRS “appreciates the \$675 million increase” to the IRS’s budget for fiscal year 2022, but, he added, “funding constraints remain a barrier to addressing the current paper inventory and supporting our IT operations adequately.”⁸

In February 2022 testimony before the Ways and Means Subcommittee on Oversight, Commissioner Rettig said the following regarding IRS’s budget challenges:

Over the course of the last decade, the IRS’s budget has decreased by more than 15 percent in real terms. Because of this decrease, in FY 2021 we realized less than 79,000 full-time equivalents (FTEs), which is close to 1974 levels. Since 2010, IRS Enforcement FTEs have decreased by 30 percent, while real Gross Domestic Product has increased by 29 percent, and the filing population has increased by 14 percent. Over the next six years, we estimate we will need to hire 52,000 employees just to maintain our current levels.⁹

I. WITNESSES

Charles P. Rettig

Commissioner
Internal Revenue Service

Erin M. Collins

National Taxpayer Advocate
Taxpayer Advocate Service

Staff contacts: Wendy Ginsberg or Annaliese Yukawa at (202) 225-5051.

⁶ *Id.*; Government Accountability Office, *2019 Tax Filing* (Jan. 2020) (GAO-20-55) (online at www.gao.gov/assets/710/703851.pdf).

⁷ Tax Policy Center, *The IRS Data Book Tells a Story of Shrinking Staff, Fewer Audits, and Less Customer Service* (June 7, 2019) (online at www.taxpolicycenter.org/taxvox/irs-data-book-tells-story-shrinking-staff-fewer-audits-and-less-customer-service).

⁸ Subcommittee on Oversight, Committee on Ways and Means, Testimony of Charles P. Rettig, *Hearing on The Filing Season and IRS Operations* (Mar. 17, 2022) (online at <https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/CommissionerRettig%20TestimonyOV-9.pdf>).

⁹ *Id.*