

THE COALITION FOR FREE AND FAIR FILING

IRS - One Year Since the IRA

The Internal Revenue Service (IRS) plays a critical role in ensuring the government can function, and it puts economic security within reach for Americans by delivering critical tax credits. One year ago, Congress passed the Inflation Reduction Act (IRA), which was set to invest [\\$80 billion](#) in the IRS over the next ten years. After years of chronic underfunding, the IRA allocated critical new resources to improve [customer service](#), [make tax filing easier](#), and make sure that [wealthy tax cheats pay their fair share](#). A handshake deal during debt ceiling negotiations reduced that funding by \$20 billion over two years, threatening the IRS's ability to better enforce the law against wealthy tax cheats and modernize the agency.

Despite these challenges, IRS workers have leveraged new investments over the past year to deliver benefits for everyday Americans, while [tax companies continue to abuse taxpayer trust](#) and [Congressional Republicans fight to deepen cuts to IRS funding](#).

Customer Service

Because of the dedication by the IRS to improve its customer service, the agency has:

- **Improved phone customer service by servicing [87% of taxpayers'](#) requests in the 2023 tax season.** This was the result of increased staffing and resources.
 - The [5,000 new IRS staff](#) were able to **answer 3 million more calls** while **cutting the time** spent on the phone from **28 to three minutes**.
 - Assisted **140,000 more taxpayers in person** compared with the same period last year, because they were able to open or reopen 35 new Taxpayer Assistance Centers (TACs) to help taxpayers file in person for free – **even on Saturdays for people who can't take time off work**.
- **Cut its backlog of unprocessed paper tax returns [by 80%](#)**, reducing it from 13.3 million returns at the end of the 2022 filing season to 2.6 million at the end of the 2023 filing season.

- Expanded scanning to some of the most common forms, including 1040 and 941, which will lead to significantly faster processing and refunds for millions of taxpayers.
- **Taken steps to turn the page on its harmful actions to BIPOC communities** by publicly addressing how [Black tax filers](#) were 3 to 5 times more likely to be audited compared with white filers. This is rare for federal agencies to do.
 - In 2022 the Treasury Department created the [Treasury Advisory Committee on Racial Equity](#) to study and monitor aspects of the economy that have directly and indirectly resulted in disparate outcomes for BIPOC communities.

Free and Simplified Filing

To reduce time and headache for millions of taxpayers, the IRS has made significant strides in providing critical tax services online:

- The IRS conducted a [comprehensive report](#) and found that it can effectively deliver electronic Direct File, that the program is popular (72% of taxpayers expressed interest in the program), and that the program saves taxpayers money and time in the long run.
- Another poll showed that [76% of registered voters support an IRS run free and simplified tax filing option](#).
 - This program was especially popular with filers that earn less than \$50k (77%), young filers (81%), and tax filers who are Black (80%).
- **The IRS will deploy its free [Direct File](#) tax filing software pilot next year, making the tax filing process free and simple, saving taxpayers billions of dollars and hours annually.**
 - Around [87 million taxpayers](#) lose roughly \$13 billion of their refunds to tax prep fees annually because tax companies make it difficult to file taxes for free.
- **Taxpayers can now respond [online](#) to ten of the most common credit notices** like the Earned Income and Health Insurance Tax Credits, rather than through mail, saving time and money.
 - **The IRS plans to expand this tool** to 53 additional notices to ease the process for individuals and small businesses to allow for timely refunds.
 - Millions of small business owners can save time and money because they can now **file Form 1099 series information online** rather than through mail.
- **Enabling taxpayers to submit [mobile-friendly](#) forms**, making taxpaying services more accessible for the estimated 15% of Americans who rely solely on mobile phones for their Internet access.

Making the Wealthy Pay Their Fair Share

- **The IRS collected \$38 million** in delinquent taxes **from more than 175 high-income taxpayers** – imagine what they could do with more.
 - The U.S. [audits fewer millionaires today](#) than any time in the last 15 years – falling from 9.3% of millionaires in 2007 to just 1.8% today.
 - A study in 2021 found that the top 1% of U.S. income earners [fail to report more than 20% of their earnings](#) to the IRS.
- **67% of voters agree that the wealthy should be paying more in taxes** and an [overwhelming majority \(68%\) of all voters believe that the IRS should be doing more](#) to make sure that wealthy Americans are paying the amount of taxes that they owe.
- **Enforcing tax rules on the wealthy more than pays for itself.** A recent [Harvard University and Treasury](#) study found that **for every \$1 spent on cracking down on fraud among high earners, generates \$12 in revenue.**
 - The IRS could shrink this tax gap by 15% in the next 10 years and generate over [\\$1 trillion](#) in additional revenue.

Congressional fight

Despite all that has been accomplished over the past year, all of this is in jeopardy:

- **House Republicans are attempting to [strip the IRS](#) of previously approved funding and block the IRS from creating a free tax filing option.** Republicans even [rejected](#) a bipartisan Senate appropriations bill that protected Direct File, a service that has 76% support among voters.
- **In total, House Republicans are threatening to cut [\\$67 billion](#) in IRS funding, far beyond the debt ceiling deal that was [reached earlier this year](#).**
 - Despite Republican talking points around balancing the deficit, cuts in IRS spending would actually **increase** the deficit. According to a [report](#) from the nonpartisan Congressional Budget Office (CBO) **Republican cuts would result in \$40.4 billion in lost revenue increasing the deficit by \$19 billion.**
- 99 Congressional Leaders [sent a letter](#) to the IRS urging the agency “to make this pilot of the direct file tool available to as many taxpayers as is feasible, in order to deliver real value quickly to American taxpayers and demonstrate the value of modernizing the IRS.”
- **203 organizations came together**, including multiple civil rights, anti-poverty organizations, and more, and sent a [letter](#) to IRS Commissioner Daniel Werfel pledging support for a free and public tax filing tool from the IRS.