

87,000 new IRS agents!

With the passage of the Inflation Reduction Act, the IRS received an \$80 billion funding increase through 2031. These funds will be allocated to four main areas: taxpayer services, enforcement, operations support, and business systems modernization.

The IRS has experienced significant processing delays and staffing shortages, which was especially highlighted by the COVID-19 pandemic. The funds allocated to the taxpayer services is intended to address the paper return backlog and increase hiring for taxpayer advocacy representatives.

Additionally, the funds will be used for upgrades to operations support and business systems modernization. The IRS still utilizes a software called COBOL. This is a very dated programming language that few coders still know today. By updating their technology, the IRS hopes to address many of the current backlogs currently slowing down return processing.

The area that received the largest amount of funding was the enforcement division of the IRS. Over 50% of the new funds will be allocated to this division to assist the IRS with closing the “tax gap.” The “tax gap” is the difference between what individuals/businesses owe and what they have paid.

To assist in this area, the IRS has a goal of hiring 87,000 new agents by 2031. If this goal is met, there will be an increase in the number of audits conducted by the IRS. The government has stated that households earning less than \$400,000 will not see an increase in audits. It is important to note that this is not explicitly stated in the new legislation.

The IRS goal of hiring 87,000 new agents will face many challenges. With a strong job market, finding experienced talent has been a difficult task for any business. The IRS will face the same crisis facing the American economy today with an aging workforce. Additionally, the constantly changing political landscape could lead to new legislation overruling the Inflation Reduction Act.

The increase of the IRS budget is intended to be spread out over 10 years. As such, it is quite possible the budget gets modified by a future session of Congress. Therefore, there is no need for immediate concern for taxpayers. The chances of being audited today are less than 1%. We will be sure to monitor the new for any new updates on the IRS budget increase.

Please do not hesitate to reach out to us with any questions.