

117TH CONGRESS
1ST SESSION

H. R. 1116

To provide for increased audits, improved technology infrastructure, and increased staff for the Internal Revenue Service for the purpose of reducing the tax gap, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 18, 2021

Mr. DEFAZIO (for himself, Ms. SCHAKOWSKY, Mr. SMITH of Washington, Ms. NORTON, Ms. TLAIB, Ms. BONAMICI, Ms. OMAR, Mr. VELA, Ms. JAYAPAL, Mr. BEYER, Ms. OCASIO-CORTEZ, Mr. GARAMENDI, Mr. JOHNSON of Georgia, Mr. DOGGETT, Mrs. NAPOLITANO, Mr. HASTINGS, Ms. SCANLON, Mr. JONES, Mr. MCGOVERN, Mr. GARCÍA of Illinois, Mr. CARSON, Mr. COOPER, Mr. COHEN, Mr. RASKIN, and Mr. KHANNA) introduced the following bill; which was referred to the Committee on Appropriations

A BILL

To provide for increased audits, improved technology infrastructure, and increased staff for the Internal Revenue Service for the purpose of reducing the tax gap, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “IRS Enhancement and
5 Tax Gap Reduction Act of 2021”.

1 **SEC. 2. FINDINGS.**

2 Congress finds the following:

3 (1) According to the Office of the Taxpayer Ad-
4 vocate, the difference between tax liabilities owed to
5 the Internal Revenue Service and those liabilities ac-
6 tually collected by the IRS, known as the “tax gap”,
7 averaged roughly \$381,000,000,000 annually in un-
8 paid taxes from 2011 to 2013.

9 (2) Recent studies project that the tax gap will
10 be a cumulative \$7,500,000,000,000 between 2020
11 and 2029.

12 (3) Between 2010 and 2018, the share of indi-
13 vidual income tax returns it examined fell by 46 per-
14 cent, and the share of corporate income tax returns
15 it examined fell by 37 percent.

16 (4) Individual income taxes are the largest
17 group of uncollected taxes before audits, rep-
18 resenting about \$314,000,000,000.

19 (5) Estimates suggest that at least 70 percent
20 of the tax gap comes from underpayment by the top
21 1 percent.

22 (6) In 2020, the Treasury’s Inspector General
23 for Tax Administration announced that roughly
24 880,000 high-income individuals who didn’t file tax
25 returns between 2014–2016 failed to pay more than
26 \$45 billion in owed liabilities. Of those 880,000

1 cases, more than 325,000 were closed without ever
2 being entered into the Internal Revenue Service’s
3 (IRS) enforcement system, more than 40,000 cases
4 were entered but were then subsequently closed
5 without ever being worked on, and the remaining
6 500,000 cases are “sitting in one of the collection
7 function’s inventory streams and will likely not be
8 pursued as resources decline”.

9 (7) In 2011, more than 12 percent of individ-
10 uals making \$1,000,000 or more annually were au-
11 dited. In 2018, only 3.2 percent of such individuals
12 were audited.

13 (8) For 8 years in a row, IRS tax enforcement
14 has declined. The IRS audited 0.45 percent of per-
15 sonal income-tax returns in fiscal year 2019, the
16 lowest level in at least 4 decades.

17 (9) Individuals are about half as likely to be au-
18 dited now compared to 2010.

19 (10) Audit rates for those making \$10,000,000
20 or more fell from more than 14 percent in 2017 to
21 roughly 6.5 percent in 2018.

22 (11) Over the course of the past decade, the
23 number of income tax returns has increased by
24 roughly 9 percent.

1 (12) Audit rates for the largest corporations in
2 2011 were more than 90 percent. Now, they are
3 closer to 50 percent.

4 (13) The corporate share of Federal tax rev-
5 enue has dropped by more than two-thirds in the
6 past 65 years.

7 (14) In 2010, corporate taxes accounted for 9
8 percent of Federal revenue.

9 (15) The Tax Cuts and Jobs Act has pushed
10 business taxes to record lows, and, according to the
11 Institute on Taxation and Economic Policy, 91 of
12 the Fortune 500 companies paid \$0 in income tax
13 in 2018 despite turning a profit.

14 (16) According to a report from the Office of
15 the Taxpayer Advocate, the average United States
16 household is paying an annual surtax of more than
17 \$3,000 to subsidize taxpayers who aren't paying all
18 that they owe.

19 (17) According to the Congressional Budget Of-
20 fice, the IRS's budget is roughly 20 percent below
21 its peak 2010 inflation-adjusted budget.

22 (18) According to the IRS, the agency has lost
23 roughly 30,000 full-time positions since 2010, more
24 than 20 percent of its staff.

1 (19) The amount of IRS funding and staff allo-
2 cated to enforcement activities has declined by about
3 30 percent since 2010.

4 (20) According to the IRS, roughly 30 percent
5 of its workers will retire within the next 5 years.

6 (21) Despite this, the agency has also seen in-
7 creased workload due to the implementation of the
8 Affordable Care Act, the Tax Cuts and Jobs Act,
9 and the COVID–19 pandemic.

10 (22) Studies have shown that investing in en-
11 forcement and tightening rules could generate more
12 than \$1,000,000,000,000 over a decade.

13 (23) The Federal Government estimates that
14 each additional dollar spent on tax enforcement
15 could yield more than \$4 in revenue.

16 (24) IRS data demonstrates that an extra audi-
17 tor-hour spent auditing returns for those earning
18 \$5,000,000 or more raises nearly \$5,000.

19 (25) In fiscal year 2018, the IRS collected
20 nearly \$3,500,000,000,000 on a budget of about
21 \$11,430,000,000.

22 (26) The Congressional Budget Office estimates
23 that increasing the IRS’s funding for examinations
24 and collections by \$20,000,000,000 over 10 years
25 would increase revenues by \$61,000,000,000, and

1 that increasing such funding by \$40,000,000,000
2 over 10 years would increase revenues by
3 \$103,000,000,000.

4 **SEC. 3. IMPROVING RESOURCES AVAILABLE TO THE INTER-**
5 **NAL REVENUE SERVICE TO REDUCE THE TAX**
6 **GAP.**

7 (a) IMPROVING AUDITS.—

8 (1) IN GENERAL.—There is appropriated
9 \$5,000,000,000 for an additional amount for the
10 “Department of the Treasury—Internal Revenue
11 Service—Enforcement” account, for each of fiscal
12 years 2022 through 2031—

13 (A) for the salaries and expenses of addi-
14 tional staff to increase audits to not less than
15 the minimum levels described in paragraph (2);
16 and

17 (B) for necessary expenses for tax enforce-
18 ment activities in order to determine and collect
19 owed taxes, to conduct criminal investigations,
20 and to enforce criminal statutes related to viola-
21 tions of internal revenue laws and other finan-
22 cial crimes.

23 (2) AUDITING LEVELS.—The minimum levels
24 described in this paragraph are as follows:

1 (A) Fifty percent of individuals or joint re-
2 turns with gross income of not less than
3 \$100,000,000.

4 (B) Thirty-five percent of individuals or
5 joint returns with gross income of not less than
6 \$10,000,000 and less than \$100,000,000.

7 (C) Twenty percent of individuals or joint
8 returns with gross income of not less than
9 \$5,000,000 and less than \$10,000,000.

10 (D) Ten percent of individuals or joint re-
11 turns with gross income of not less than
12 \$1,000,000 and less than \$5,000,000.

13 (E) Ninety percent of corporations with
14 gross income of not less than \$20,000,000,000.

15 (F) Fifty percent of corporations with
16 gross income of more than \$1,000,000,000 and
17 less than \$20,000,000,000.

18 (b) IMPROVING TECHNOLOGY INFRASTRUCTURE.—
19 There is appropriated for each of fiscal years 2022
20 through 2031, for efforts collecting and protecting tax-
21 payer information, reducing tax-related theft and fraud,
22 and modernizing the technology infrastructure of the In-
23 ternal Revenue Service—

1 (1) \$3,800,000,000 for an additional amount
2 for the “Department of the Treasury—Internal Revenue
3 Service—Operations Support” account; and

4 (2) \$500,000,000 for an additional amount for
5 the “Department of the Treasury—Internal Revenue
6 Service—Business Systems Modernization” account.

7 (c) ENHANCING TAXPAYER SERVICES.—There is ap-
8 propriated \$2,500,000,000 for an additional amount for
9 the “Department of the Treasury—Internal Revenue
10 Service—Taxpayer Services” account, for each of fiscal
11 years 2022 through 2031, for the salaries and expenses
12 of additional staff to achieve adequate staffing levels to
13 provide taxpayer services, including pre-filing assistance
14 and education as well as filing and account services.

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