

The Inflation Reduction Act: What Will $80 Million Do?

The Inflation Reduction Act was officially signed into law on August 16, 2022, carrying several provisions intended to combat inflation. Among these measures was a nearly $80 billion increase in the funding of the Internal Revenue Service, the most significant increase of funding to the agency in years. But what will this massive influx of money do for the agency, and how could it impact you?

1. **Processing tax returns and other taxpayer services**

    - One of the biggest things this money is supposed to purchase is an increase in the number of agents to process tax returns and provide other taxpayer services. It is estimated that there were as many as 13.3 million unprocessed tax returns at the end of 2022, up from 7.4 million in 2019, and this funding will help to get through this substantial backlog. $3.2 billion of the funding will also be used to assist with pre-filing assistance, education, filing and account services, and other services intended to help regular taxpayers. In addition, $15 million has been dedicated to studying the feasibility of a direct e-file program that can (in theory) help cut down on these bureaucratic delays.

2. **Tax enforcement**

    - $45.6 billion of the funding in the Inflation Reduction Act will go towards hiring lawyers, agents, and other staff intended to conduct audits and litigate tax cases. While the average person is unlikely to be affected by this increased emphasis on tax enforcement, those who make $400,000 or more may be more likely to get audited. Cryptocurrency traders, in particular, should take note of new reporting requirements that may affect their chances of attracting the IRS' attention.

3. Boosting support for basic operations

- $25.3 billion is also being used to help bolster the IRS' basic operations, including routine things like rent, security, utilities, postage, maintenance, and information technology services, among other things. While this may not seem like a significant expenditure, it will help to make the IRS more efficient and, in many ways, less unpleasant to deal with.

4. Updating business systems and technology

- The IRS has almost always been behind when it comes to technology and business systems, and this funding will be used, in part, to help address these problems. In particular, there is an emphasis on improving callbacks for people seeking assistance from the agency, increasing the availability of personalized customer service. They are also looking to upgrade business systems dedicated to video conferencing, secure online portals, and the ability to view tax payments online.

5. Oversight and administration

- Approximately $4.75 billion of these funds are also being used to ensure they are appropriately administered, keeping oversight to minimize waste, abuse, and fraud. This includes $403 million for the Treasury Inspector General for Tax Administration (TIGTA), $104.5 million for the Office of Tax Policy, and $50 million for the Treasury Departmental Offices.

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