

116TH CONGRESS  
2D SESSION

# H. R. 6076

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.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 4, 2020

Mr. DEFAZIO (for himself, Ms. SCHAKOWSKY, and Ms. NORTON) introduced the following bill; which was referred to the Committee on Appropriations

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## 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 2020”.

6       **SEC. 2. FINDINGS.**

7       Congress finds the following:

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

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

10          (3) Individual income taxes are the largest  
11          group of uncollected taxes before audits, represent-  
12          ing about \$314,000,000,000.

13          (4) Estimates suggest that at least 70 percent  
14          of the tax gap comes from underpayment by the top  
15          1 percent.

16          (5) In 2011, more than 12 percent of individ-  
17          uals making \$1,000,000 or more annually were au-  
18          dited. In 2018, only 3.2 percent of such individuals  
19          were audited.

20          (6) For the eighth year in a row, IRS tax en-  
21          forcement declined. The IRS audited 0.45 percent of  
22          personal income-tax returns, the lowest level in at  
23          least four decades.

24          (7) Individuals are about half as likely to be au-  
25          dited now compared to 2010.

1           (8) Audit rates for those making \$10,000,000  
2           or more have fallen from more than 14 percent in  
3           2017 to roughly 6.5 percent in 2018.

4           (9) Over the course of the past decade, the  
5           number of income tax returns has increased by  
6           roughly nine percent.

7           (10) Businesses are being audited at a rate of  
8           1.6 percent, a near record low. The IRS had set a  
9           target of 2.2 percent.

10          (11) Audit rates for the largest corporations in  
11          2011 were more than 90 percent. Now, they are  
12          closer to 50 percent.

13          (12) Business taxes in 2019 are on track to be  
14          the lowest portion of Federal revenue on record, ac-  
15          counting for 3.5 percent of all Federal tax revenue  
16          through the third quarter of 2019.

17          (13) In 2010, corporate taxes accounted for 9  
18          percent of Federal revenue.

19          (14) The Tax Cuts and Jobs Act has pushed  
20          business taxes to record lows, and, according to the  
21          Institute on Taxation and Economic Policy, 91 of  
22          the Fortune 500 companies paid \$0 in income tax  
23          in 2018 despite turning a profit.

24          (15) According to a new report from the Office  
25          of the Taxpayer Advocate, the average United States

1 household is paying an annual surtax of more than  
2 \$3,000 to subsidize taxpayers who aren't paying all  
3 that they owe.

4 (16) According to the Congressional Budget Of-  
5 fice, the IRS's budget is roughly 20 percent below  
6 its peak 2010 inflation-adjusted budget.

7 (17) According to the IRS, the agency has lost  
8 nearly 30,000 full-time positions since 2010.

9 (18) According to the IRS, 31 percent of its  
10 workers will retire within the next five years.

11 (19) Despite this, the agency has also seen in-  
12 creased workload due to the implementation of the  
13 Affordable Care Act and the Tax Cuts and Jobs Act.

14 (20) Studies have shown that investing in en-  
15 forcement and tightening rules could generate more  
16 than \$1,000,000,000,000 over a decade.

17 (21) The Federal Government estimates that  
18 each additional dollar spent on tax enforcement  
19 could yield more than \$4 in revenue.

20 (22) IRS data demonstrates that an extra audi-  
21 tor-hour spent auditing returns for those earning  
22 \$5,000,000 or more raises nearly \$5,000.

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

1           (24) According to a 2018 study by the Congres-  
2           sional Budget Office, increasing IRS funding by a  
3           total of \$20,000,000,000 over 10 years could in-  
4           crease revenue by a total of \$55,000,000,000.

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

8           (a) IMPROVING AUDITS.—

9           (1) IN GENERAL.—There is appropriated  
10          \$5,000,000,000 for an additional amount for the  
11          “Department of the Treasury—Internal Revenue  
12          Service—Enforcement” account, for each of fiscal  
13          years 2021 through 2030—

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

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

24           (2) AUDITING LEVELS.—The minimum levels  
25          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 2021  
20 through 2030, 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 2021 through 2030, 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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