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Consolidated Appropriations Act, 2014, Passes the House and the Senate

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On January 15, 2014, the House, by a vote of 359-67, passed an appropriations bill to fund our federal government through September 30, 2014. The next day, January 16, 2014, the Senate passed the bill by a vote of 72-26. The bill will now make its way to President Obama for signature.

Once signed by President Obama, the bill, commonly known as the "Consolidated Appropriations Act, 2014," will become law (the "Act"). The Act spans 1,524 pages and contains some interesting provisions. Title I of Division E of the Act focuses on the Department of Treasury.

The Act provides the IRS with a 2014 budget of $11.3 billion. This represents a budget decrease of $526 million or 4.4% from its 2013 budget.

The $11.3 billion budget is primarily allocated among four areas:

1. Taxpayer Assistance — $2.123 billion

- tax counseling for elderly
- low-income taxpayer clinics
- community volunteer income tax assistance programs
- taxpayer advocate service

2. Enforcement — $5.022 billion

3. Operation Support — $3.741 billion

- rent
- facilities services
- printing

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- postage
- administration
- security
- technology

4. Business Systems Modernization — $313 million

The Service has some flexibility in spending its budget. For example, it may allocate 5% or less of any specific appropriation or 3% or less of its "enforcement" appropriation to other IRS budget items. Advance approval, however, of the Committees for Appropriations is necessary.

- The IRS is directed to maintain an employee training program which includes education about taxpayer rights, "dealing courteously" with taxpayers, ethics, and the impartial application of tax law.
- The IRS is directed to use funds from its budget to improve taxpayer service, including its 1-800 helpline services.
- None of the IRS's budget may be available to target taxpayers for "regulatory scrutiny based on ideological beliefs," or "for exercising any right guaranteed under the First Amendment."
- $92 million of additional funds will be made available to the Service (through September 15, 2015) to be used "solely to improve the delivery of services to taxpayers, to improve identification and prevention of refund fraud and identity theft, and to address international and offshore compliance issues."

Tax practitioners should be asking themselves a few questions about the Act as it pertains to the Service, including:

- With the budget cuts, how will the enforcement side of the Service be impacted from the taxpayer and/or practitioner perspective?
- With over $2 billion allocated to taxpayer assistance, will taxpayers and practitioners actually feel any positive impact?

It is expected President Obama will sign the Act into law. Time will tell how the Service's budget under the Act will actually impact taxpayers and tax practitioners.

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