At long last, lawmakers poised to finish business on FY 2024 appropriations

The House this week passed the second and final set of six-bill "minibus" appropriations measures, putting lawmakers on the cusp of finally bringing a close to the appropriations process for fiscal year 2024, which began last October 1.

The appropriations package now heads to the Senate, where it is expected to pass. At press time, Democratic and Republican leaders were attempting to lock down a unanimous consent agreement that would expedite consideration of the package and ensure a vote on final passage before midnight on March 22, when a stopgap measure providing funding for the federal departments and agencies covered under the legislation is set to expire. It was unclear, however, whether such an agreement would get the support of all 100 senators, which raises the possibility of a brief lapse in funding if floor proceedings are prolonged and the measure is not approved until sometime after the midnight deadline.

Closing the books on FY 2024

This week's appropriations package—the Further Consolidated Appropriations Act, 2024 (H. Res. 1102)—cleared the House on March 22 by a vote of 286-134, with Democrats supplying 185 of the "aye" votes, compared to just 101 from Republicans, in yet another demonstration of the continuing divide within the GOP facing House Speaker Mike Johnson, R-La.
URL: https://docs.house.gov/billsthisweek/20240318/WDI39597.PDF

With lawmakers eager to leave Washington for a two-week recess, the Senate is expected to swiftly take up and pass the measure and send it to the president's desk, thus averting the need for another short-term continuing resolution to keep the government's doors open. (Lawmakers have enacted four such measures already this fiscal year.)

As has been the case for several important votes this year, Speaker Johnson was effectively forced to bypass the House Rules Committee—where three members of the ultraconservative Freedom Caucus effectively hold veto power over what bills can advance to the floor—and instead brought up the measure under an expedited procedure known as "suspension of the rules," which prohibits amendments, limits debate time, and requires a two-thirds majority for passage rather than the simple majority threshold which normally prevails in the House.

Policy 'wins' for both parties: The sprawling $1.2 trillion package provides funding for roughly three-quarters of the federal government—including the Departments of Defense, Homeland Security, Labor, Education, Health and Human Services, and State—through the end of the fiscal year on September 30, 2024. It would also provide full-year funding for the Treasury Department and the Internal Revenue Service (more on that below).

While both Democrats and Republicans touted various partisan policy wins in the funding measure—for example, Democrats celebrated additional child care funds and the creation of 12,000 special immigrant visas

for Afghans who assisted the US during the war in that country, while the GOP touted increases in border patrol agents and detention beds—in general, the deal closely adheres to a top-line spending accord struck in January between Speaker Johnson and Senate Majority Leader Charles Schumer, D-N.Y., which itself mirrored a spending caps deal that was negotiated by President Biden and then-Speaker Kevin McCarthy, R-Calif., and signed into law last June as part of the Fiscal Responsibility Act (P.L. 118-5). (For details on the January agreement, see *Tax News & Views*, Vol. 25, No. 1, Jan. 12, 2024.)
URL: https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240112_1.html

IRS discretionary budget held flat

The spending package maintains the IRS's regular operating budget for fiscal year 2024 at $12.3 billion, a level consistent with the agency's fiscal year 2023 funding, as enacted, and in keeping with what the president and congressional leaders agreed to as part of the Fiscal Responsibility Act.

Within that total, funding is broken out as it was last year, providing $5.4 billion for enforcement efforts, $4.1 billion for operations support, $2.8 billion for taxpayer services.

Looking ahead to next year, the IRS can expect similar treatment given the Fiscal Responsibility Act's statutory spending caps only increase by 1 percent in fiscal 2025; indeed, President Biden proposed giving the IRS $12.3 billion again next year as part of his recently submitted fiscal 2025 budget plan. (For additional details on this proposal and the other tax proposals in the administration's FY 2025 budget package, see *Tax News & Views*, Vol. 25, No. 11, Mar. 12, 2024.)
URL: https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240312_1.html

Mandatory Inflation Reduction Act funding trimmed by $20.2 billion

As expected, the spending deal also includes a $20.2 billion reduction to the $80 billion mandatory funding infusion (over 10 years) provided to the IRS as part of the Inflation Reduction Act of 2022 (P.L. 117-169), which moved through a Democratic-controlled Congress under budget reconciliation protections and with no support from congressional Republicans.
URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf

President Biden and then-Speaker McCarthy had agreed in their negotiations over the Fiscal Responsibility Act last June to trim that IRS allocation by $10 billion in each of fiscal years 2024 and 2025 and redirect those amounts to other domestic spending priorities; however, the January deal struck by House Speaker Johnson and Senate Majority Leader Schumer accelerated the reallocation of the entire $20 billion into fiscal 2024. This week's deal effectuates that agreement, rescinding $10.2 billion as part of the Financial Services and General Government Appropriations bill, and another $10 billion as part of the Labor, Health and Human Services, Education, and Related Agencies Appropriations Act, with the entire amount taken out of the IRA funding earmarked for enforcement efforts.

The saga will continue: The discussion will not end there, however, with Republicans sure to continue to look for ways to trim those mandatory spending resources that were provided to the IRS outside of the annual appropriations process.

And Democrats, for their part, are already seeking to replace those cuts they just agreed to. For example, as a continuation of Inflation Reduction Act policy and in order to backfill the reductions in mandatory funding negotiated in these recent debt limit and appropriations deals, the White House's recent budget plan proposes to increase and extend the IRS's mandatory funding stream through 2034—that is, for the additional years covered by the 10-year budget window in the fiscal year 2025 blueprint. In total, the budget proposes to allocate $104.3 billion in mandatory funding to the agency through 2034, with about half of that dedicated to enforcement, and lesser amounts dedicated to technology and operations support, taxpayer services, and business systems modernization.

Without that increase and continuation of supplemental funding, the administration argues that the IRS's mandatory funding stream will be depleted by 2030 and the deficit will again rise as the agency is forced to curtail its enhanced enforcement activities. (A recent report from the nonpartisan Congressional Budget Office notes that a $20 billion cut to the IRS's mandatory funding stream would reduce revenues by $44 billion over 10 years—the result of forgone tax collections from diminished enforcement resources—and increase the cumulative deficit by $24 billion.)
URL: https://www.cbo.gov/publication/59972

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