Appropriators probe IRS impacts in Trump administration's budget plan

This week, the House Appropriations Committee's Financial Services and General Government Subcommittee held a hearing on the Department of the Treasury, with Treasury Secretary Scott Bessent as the sole witness. The discussion centered on proposed funding and other issues concerning the Internal Revenue Service – the largest bureau within the Treasury Department – as well as on trade and the broader economy.

Several Republican appropriators, including Subcommittee Chairman David Joyce of Ohio and Steve Womack of Arkansas, questioned Secretary Bessent about the proposed reduction in IRS funding outlined in the administration's newly released 2026 budget proposal.

In response, Secretary Bessent highlighted significant cost savings from the administration's information technology modernization efforts of systems that are decades outdated, alongside the return of employees to the office and broader operational efficiencies, emphasizing a commitment to "doing more with less." He added that the administration aims to return the IRS to its pre-Inflation Reduction Act (IRA, P.L. 117-169) size, describing the agency's recent expansion as "bloated."
URL: https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf

Subcommittee Ranking Member Steny Hoyer of Maryland, however, contended that the administration's 2026 budget proposal, which includes a 19 percent cut to IRS funding, would effectively allow wealthy taxpayers to evade their obligations – coinciding with Republican efforts to advance "massive tax cuts" for the wealthiest Americans.

"Cutting back on IRS enforcement makes it easier for the wealthiest individuals and corporations to cheat on their taxes and get out of paying what they owe. That, of course, increases what others pay and explodes the deficit," said Hoyer.

"As the President and Congressional Republicans undermine the ability to enforce our existing tax code, they are also pursuing massive tax cuts for the wealthiest among us," he added.

President Trump has proposed slightly less than a $2.5 billion reduction to the IRS budget as part of his fiscal year 2026 budget recommendations, referred to as the "skinny budget" – the first step in the appropriations process. While the proposal offers limited specifics, it includes a brief explanation outlining the rationale behind the funding cut, including aiming to end the Biden administration's "weaponization of IRS enforcement," which the administration claims "targeted conservative organizations and small businesses." It also suggests that eliminating certain "complex tax credits" and investing in technology upgrades would enhance IRS efficiency, while maintaining support for core taxpayer services. (text of the "skinny budget")
URL: https://whitehouse.gov/wp-content/uploads/2025/05/Fiscal-year-2026-discretionary-budget-request.pdf

The president's proposed IRS budget cut follows earlier rescissions from the nearly $80 billion in mandatory funding provided under the IRA to enhance enforcement, staffing, and operations, including cuts totaling about half of that funding – primarily drawn from the agency's enforcement resources.

Appropriators examine a broad range of key issues

While appropriators reviewed President Trump's recently released 2026 budget proposal – despite its limited specifics – they also pressed Secretary Bessent on a range of broader issues, including the debt ceiling, tax relief, IRS enforcement, audit practices, and other fiscal concerns.

Debt ceiling (the X-date): In response to a question regarding the "X-date" – the point at which Treasury can no longer meet its daily borrowing obligations – Secretary Bessent explained that the ongoing processing of a significant volume of paper tax returns obscures the accurate forecasting of federal revenues. He noted that Treasury will provide Congress with a more specific estimate once internal projections are sufficiently refined but cautioned that the US is approaching its debt limit, and that timely action will be necessary.

"The United States will never default," Secretary Bessent maintained, reaffirming the administration's confidence in meeting its financial obligations despite the looming X-date.

The Congressional Budget Office (CBO) and the Bipartisan Policy Center have both weighed in on the projected timing of the federal debt limit deadline. The CBO projected on March 26 that the Treasury's extraordinary measures to avoid breaching the debt limit will likely be exhausted between August and September 2025, though a May or June deadline could arise if tax receipts fall short of expectations. Similarly, the Bipartisan Policy Center estimated the potential X-date could fall between mid-July and early October.
URL: https://www.cbo.gov/publication/60887
URL: https://bipartisanpolicy.org/debt-limit/

Tax relief: Subcommittee Vice Chair Nick LaLota (R-N.Y.) praised the Trump administration's tax and trade policies for boosting economic growth and middle-class employment. He and Secretary Bessent highlighted the 2017 tax reform's positive impact on wages and job creation, with Bessent supporting the idea of making the tax cuts permanent. Rep. LaLota also referenced public support for the cuts and discussed potential reforms to the state and local tax deduction.

IRS enforcement: Ranking Member Hoyer voiced concern over proposed cuts to IRS enforcement funding and requested an analysis of their long-term impact on revenue collection. In response, Secretary Bessent expressed confidence in Treasury's ability to modernize IRS systems and maintain strong collections without increasing staffing. He emphasized his core priorities: collections, taxpayer privacy, and customer service.

Bessent further pointed to modern technologies, including artificial intelligence, as key to improving efficiency and sustaining performance amid budget reductions.

Addressing enforcement from a different angle, Rep. Marie Gluesenkamp Perez (D-Wash.) raised concerns about the disproportionate auditing of low-income taxpayers, particularly those claiming the Earned Income Tax Credit, and sought clarification on how the administration plans to ensure audit fairness across income levels.

Bessent noted that the IRS is actively reviewing its audit procedures to promote audit fairness.

Workforce reductions and wait times: Rep. Sanford D. Bishop (D-Ga.) voiced concern over reports that the administration intends to cut the IRS workforce by half, warning that such a move could result in billions of dollars in lost revenue. Citing an 11 percent reduction in staffing since January, he cautioned that diminished enforcement capacity may embolden taxpayers to evade their obligations.

Rep. Gluesenkamp Perez raised concerns about long IRS call wait times reported by her constituents, many of whom are frustrated by their inability to speak with a "real person" about their tax returns. In response, Secretary Bessent reaffirmed his focus on customer service and the reallocation of resources to this area, noting that call centers are being enhanced with additional funding to improve access to real-time assistance, and ensure they are better staffed to handle demand.

Economic growth strategy: As part of his opening statement, Secretary Bessent referred to the concept of a "three-legged stool" – comprising trade, tax policy, and deregulation – as essential pillars of the administration's economic growth strategy, emphasizing how these components function in concert to drive progress. He also praised the administration's first 100 days, highlighting job growth, low unemployment, improved government efficiency – including a successful 2025 IRS filing season, IT system upgrades, and streamlined IT funding.

"In the first 100 days of the new administration, 464,000 new jobs were added to the economy. In April alone, over 177,000 American jobs were added – over 40,000 more than economists predicted. All the while, unemployment remains low while real hourly wages continue to grow," said Bessent.
URL: https://home.treasury.gov/news/press-releases/sb0131

"As important as spurring job growth is wrangling inflation. And in this endeavor, the administration continues to make tangible progress. The CPI (consumer price index) for energy goods declined in March as did the price index for core goods. And the CPI for all items declined for the first time since the COVID pandemic. While the cost of goods is decreasing, so are energy prices," he added.

In contrast, Democratic Ranking Member Hoyer criticized what he described as the Trump administration's disturbing first 100 days, citing a declining stock market, a contracting economy, diminished consumer confidence, and what he referred to as an "economy in chaos."

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