The Biden Administration has requested a $1.2 billion increase in funding for the Internal Revenue Service (IRS) as part of its proposal for Fiscal Year 2022 (FY 2022) discretionary funding released in a letter from Office of Management and Budget Acting Director Shalanda Young on April 9, 2021. The additional funding would bring the IRS FY 2022 budget to $13.2 billion, which represents a 10.4% increase over the 2021 enacted budget.

The additional funding would be used to increase IRS enforcement, especially for oversight of high-income individuals and corporate tax returns to ensure compliance with existing tax laws. The discretionary request also seeks an additional $417 million to fund a multiyear tax enforcement initiative aimed at increasing tax compliance and revenues. In total, the discretionary request would increase resources for tax enforcement by nearly $1 billion. Other funds appropriated to the IRS would be used for development and improvement of online tools and better telephone and in-person customer service for taxpayers.

Apart from IRS spending, the discretionary spending proposal includes $191 million for the US Department of the Treasury’s Financial Crimes Enforcement Network to create a database that tracks the ownership and control of certain companies and organizations.
The discretionary spending proposal is intended as a starting point for congressional appropriators and will be followed by the president’s full budget proposal—including tax changes and pay-fors—later in the spring.

**Practice Point:** We believe that the US Congress is likely to appropriate additional funds for tax enforcement in the FY 2022 budget. Taxpayers should begin preparing for additional IRS audits and scrutiny of return positions. Such preparation may include examining prior tax return positions and ensuring they have audit-ready files.

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