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IRS Funding A Target In Health-Care Battle

By MARTIN VAUGHAN

Funding for the Internal Revenue Service could become a battleground in the next Congress as Republicans seek to halt implementation of the new health-care law.

GOP candidates are running on a pledge to repeal that law. But some repeal advocates say a strategy of choking off funding to the IRS and federal health agencies is more politically viable.



Getty Images

"Repeal is not within the set of possible outcomes while President Obama holds his veto pen. However, a defunding strategy could throw sand in the gears of health care and bring it to a near standstill," said Michael Cannon, director of health policy studies at the libertarian Cato Institute.

Some Republican members of the House of Representatives have already made clear their intention to target IRS funding. "We have the power of the purse," Rep. Phil Gingrey (R., Ga.) said during a CNN appearance last month.

"Every one of these agencies involved in implementing this new law will need \$5 billion to \$10 billion of appropriations. We can stop that and we can certainly stop the IRS from hiring," said Mr. Gingrey.

"The president's health-care bill vastly expands the responsibilities of the IRS and strengthens its heavy hand in dealing with ordinary taxpayers who play by the rules," said Rep. John Culberson (R., Texas), a member of the appropriations subcommittee that funds IRS and the Treasury Dept, in a statement to Dow Jones Newswires.

A spokeswoman said Mr. Culberson will also back efforts to restrict funding to the IRS for health care implementation.

The Treasury Dept. says the IRS won't be able to provide small business health insurance tax credits if Congress blocks funding for implementing the health care law.

"It's unfortunate that some in Congress want to pursue a plan that would leave millions of small businesses with higher taxes and higher health insurance bills," said Sandra Salstrom, a Treasury Dept. spokeswoman.

The Congressional Budget Office estimated in March the IRS will need from \$5 billion to \$10 billion over the next ten years to administer subsidies for low and middle-income people to purchase health insurance.

The high end of that estimate, roughly \$1 billion a year, would represent an 8% increase over IRS's 2010 budget of

\$12.1 billion.

In addition, the tax agency is charged with enforcing a new requirement to purchase health insurance that will cover most Americans, and collecting new taxes on drug makers, insurance companies and medical-device makers.

In the current anti-IRS rhetoric spawned by the health-care bill, some see echoes of the 1990s when lawmakers railed against the IRS and talked about "pulling the tax code up by its roots."

The agency suffered in both reputation and funding during that period, which undermined its ability to perform basic tax collection and taxpayer service functions, said Jeffery Trinca, vice president at lobbying firm Van Scoyoc and Associates.

"When Congress puts a bull's eye on the IRS, it can have a negative effect on things like morale, retention and hiring," said Mr. Trinca. "I hope that's not where we're going."

The IRS has fared better in recent years in the appropriations process, receiving increases of 4.5% in each of the last two budget cycles.

It has helped that IRS Commissioner Doug Shulman has used high-profile initiatives against wealthy tax dodgers to burnish the tax collector's image.

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