



## **The IRS: A Federal Welfare Agency**

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The Washington Post suggests that five years of Republican budget cuts are to blame for the taxpayer's filing woes, even though Democrats control the White House and, until recently, the Senate. But, whoever is at fault, the Internal Revenue Service (IRS) commissioner is correct that his agency's services are "abysmal."

Using data from the Office of Management and Budget (OMB) budget database, total IRS outlays are split into two activities: administration and handouts, such as tax credits and Obamacare exchange subsidies.

The data shows that the IRS budget for handouts has skyrocketed. The IRS has become a huge welfare agency.

- Handouts quadrupled from \$30 billion in 2000 to an estimated \$121 billion in 2015. It is eleven times larger than the \$11 billion spent on administration.
- Handouts have spiked the past two years because of Obamacare exchange subsidies of \$13 billion in 2014 and an estimated \$29 billion in 2015. In the recent federal budget, the White House requests \$45 billion for Obamacare exchange subsidies in 2016, which would be four times larger than total IRS administration costs.

The IRS administration costs have been relatively flat. They grew from \$8.4 billion in 2000 to a peak of \$12.3 billion in 2011, and then they dipped to an estimated \$11.3 billion in 2015. However, there have been large changes within the IRS administration budget.

- "Taxpayer services" spending plunged from \$3.9 billion in 2005 to \$2.2 billion in 2015.
- "Enforcement" spending grew from \$4.3 billion to \$4.9 billion.
- "Operations support" spending soared from \$1.5 billion to \$3.9 billion.

A short-term solution for the long lines at IRS offices would be for Congress to trim handouts and use the money to hire more workers to answer taxpayer queries. The long-term solution is to greatly simplify the tax code. That would include eliminating all \$121 billion of tax-code handouts and moving to a flat tax or a simplified two-rate system.

Source: Chris Edwards, "IRS Budget Cuts and Tax Filing," Cato Institute, April 8, 2015.