



Written by [David Kelly](#) on September 29, 2023

IRS Not Exempt From Impending Shutdown

The Internal Revenue Service (IRS) updated its [contingency plan](#) Thursday after finding out that the agency does not have available funds under the Inflation Reduction Act (IRA) to keep operations at full capacity in the event of the impending government shutdown.

Under the plan, the IRS will furlough up to two-thirds of its nearly 90,000 employees, leaving only essential staff to perform “activities that will continue during a lapse of annual appropriations in order to protect against the imminent loss of property or life.”



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The updated “Lapsed Appropriations Contingency Plan” was unexpected as, according to [The Washington Post](#), “the IRS had held for months that it could do business as usual if government funding lapsed.” However, “the Office of Management and Budget (OMB) told the agency this week that the money cannot substitute for the agency’s regular budget, which pays the salaries of most of its employees. The result will be a return to the backlogs at all levels of service that had begun to disappear in the last year, current and former IRS officials said.”

The IRS was optimistic a shutdown could be averted, stating in the plan’s overview, “While we do not anticipate using the plan, prudent management requires that agencies prepare for this contingency.”

Those preparations were broken down in the 144-page, comprehensive plan listing numerous activities or programs that would be affected by a shutdown, including most taxpayer services and the IRS call center.

“Audits and enforcement will also cease. The IRS will not respond to any paper correspondence. A total of 365 taxpayer assistance centers will close, jeopardizing face-to-face service to 5,000 taxpayers a day, the administration said. More than 10 million individual filers received extensions through Oct. 16, Treasury officials said. Normally at this time of year, the IRS answers 46,000 phone calls a day, officials said,” reported the *Post*.

However, one third of the IRS staff will remain on the job during the shutdown, according to the *Post*, as the “OMB said that long-term modernization projects funded by the Inflation Reduction Act can continue during a shutdown.”

According to the contingency plan, during the shutdown “the IRS will continue return processing activities to the extent necessary to protect Government property, to include tax revenue, [and] maintain the integrity of the federal tax collection process. The IRS will also continue activities to implement the green energy credit provisions of the Inflation Reduction Act, activities that implement the IRS Inflation Reduction Act Strategic Operating Plan and the Direct File pilot program.”

The IRS had originally planned on using President Biden’s Inflation Reduction Act monies to keep the agency at full operation, even after suffering a loss of \$20 billion in IRS funding with the debt-limit deal



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in May.

However, “some experts said that using IRA money to keep regular operations afloat during a shutdown could have set a bad political precedent for the agency and given critics more ammunition for later cuts,” the *Post* reported.

The paper further explained:

“If they had continued operation, Republicans would have been able to say, ‘Hey, you got billions of dollars in new mandatory money,’” said Chris Edwards, a tax expert at the libertarian Cato Institute. ““There’s no big disaster if we just cut your regular budget. Maybe you don’t even need that budget.””

The IRS is just one agency and government service that will be greatly affected by a shutdown. Government employees deemed “essential” will continue to work in services that protect public safety or national security, such as federal law enforcement and air traffic control. However, millions of federal employees and military service members won’t get paid until it ends.

CNN [shared](#) that “during the last government shutdown in 2018-19, an estimated 420,000 federal employees worked without pay and another 380,000 were furloughed.... Government contractors are even worse off. Unlike federal workers, contractors have no guarantee of getting back pay once the government reopens. Contractors number in the millions and include firms that work for NASA, the Department of Homeland Security, Federal Aviation Administration, and other federal agencies, providing a range of services such as IT or infrastructure repair.”

Lawmakers have until the end of the day on Saturday, September 30, to reach a deal to keep the government open.



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