



AMERICAN CITIZENS ABROAD
EDUCATE, ADVOCATE AND INFORM
AMERICAN CITIZENS ABROAD
global foundation FOR EDUCATION AND RESEARCH

Washington, DC
February 13, 2023

ACA attended a virtual webinar hosted by Tax Analyst, "The Future of IRS Funding," with presentations by former IRS Commissioner Rettig, Nina Olson, President of the Center for Taxpayer Rights, and Michael Desmond of Gibson, Dunn & Crutcher LLP (IRS Chief Counsel in the Trump Administration) discussing the challenges facing the IRS and new Congressional funding to address them. Of the questions submitted, which were unfortunately not addressed during the webinar, the second most requested was on behalf of international taxpayers – asking if the IRS funding earmarked in the Inflation Reduction Act legislation will be used to increase customer servicing of overseas taxpayers.

The Inflation Reduction Act calls for \$80 billion in additional funding to be divided among the agency's four major functions: \$45 billion for enforcement, \$25 billion for operations, \$5 billion for systems modernization, and \$3 billion for taxpayer services. Many overseas taxpayers worry that the new funding, instead of being used to increase servicing to the community, which the IRS has designated as "underserved," will instead be used against enforcement efforts given the IRS and Treasury's belief that there is significant noncompliance by US citizens living overseas.

Former IRS Commissioner Rettig and Nina Olson highlighted that what was missing from the Inflation Reduction Act provisions to provide increased funding for the IRS, was bi-partisan support and a clear direction from Congress as to the problems and the priorities. Olson went further noting that when the last major funding undertaken to transform the IRS was done in 1998 with the IRS Restructuring and Reform Act, Congress went out and gathered copious information from a wide range of taxpayers and sources. Nina Olson who served as the National Taxpayer Advocate at the time, noted that in researching the taxpayer communities Congress created not only a body of legislative history but a consensus of what needed to be done.

ACA agrees with Ms. Olson's assessment and concurs that in order for the IRS to transform itself, it needs to have a better understanding of the communities it is serving. [ACA's research](#) to help define the overseas taxpayer is an invaluable asset for the IRS and the Treasury. Not only does it assist in supporting legislative change like [Residence-based taxation](#) (RBT), it educates the IRS and Treasury on the compliance habits and the areas where compliance is lacking due to misunderstandings and complexities of the tax laws. "In this manner the IRS will understand that it is not more enforcement of overseas taxpayers that is needed but more education, services and reforms that are required for overseas taxpayers," said Marylouise Serrato, ACA Executive Director.

ACA has long advocated for hearings to be held so that the Congress and Administration can be made fully aware of the plethora of problems not only for individual taxpayers but those with small businesses overseas as well. "Until such time as Congress undertakes the job of writing legislation and regulations to address the serious underlying problems with the current tax code, the IRS needs to provide overseas taxpayers with the tools and customer servicing they need," said ACA Chairman, Jonathan Lachowitz. The current National Taxpayer Advocate, Erin

Collins, highlighted many of the problems, dedicating an entire section on overseas taxpayers in the "Most Serious Problems" section of her recent Report to Congress, providing the IRS with suggestions of where they can improve in her [report to Congress](#).

Contact: Marylouise Serrato
info@americansabroad.org
+1 202 322 8441