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## Senate passes five-year FAA reauthorization measure; House expected to follow suit next week

The Senate this week cleared a bipartisan, bicameral legislative package that would reauthorize the Federal Aviation Administration (FAA) and the related excise taxes that help fund its operations through September 30, 2028, along with a separate, one-week extension that will keep the agency operating through May 17, giving the House additional time to consider the measure. Passage of the reauthorization bill had been bogged down in debate over potential amendment votes, but ultimately, not a single proposed amendment received a vote, including one from Finance Committee Chairman Ron Wyden, D-Ore., to attach the tax-relief package he introduced earlier this year with House Ways and Means Committee Chairman Jason Smith, R-Mo.




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**FAA Reauthorization Act of 2024**

The broader five-year FAA bill—dubbed the FAA Reauthorization Act of 2024 (text, section-by-section summary)—is the result of months of negotiations between Senate Commerce Committee Chair Maria Cantwell, D-Wash., and ranking Republican Ted Cruz of Texas, as well as House Transportation and Infrastructure Committee Chairman Sam Graves, R-Mo., and ranking Democrat Rick Larsen of Washington.
**URL:** https://www.commerce.senate.gov/services/files/070A7E5D-A95A-42D8-99D2-60DEA347EE32
**URL:** https://www.commerce.senate.gov/services/files/E4B4E5F6-AA83-4F9E-B21C-0F03F95F5FE0

It passed the Senate late May 9 on an 88-4 vote. House consideration is expected during the week of May 13.

The sprawling measure is long on policy changes within the aviation space, including making upgrades to the air traffic control system and mandating consumer refunds in certain cases when flights are disrupted, but does not make any substantive changes to existing aviation tax policy. Rather, the legislation would simply extend the current-law excise taxes on fuel and tickets, along with expenditure authority from the airport and airway trust fund, through September 30, 2028.

**Dozens of Senate amendments filed:** The Senate cleared the first procedural hurdle to proceed to the underlying bill on May 1, voting 89-10 to begin debate on the package. (For prior coverage, see *Tax News & Views*, Vol. 25, No. 16, May 3, 2024.)
**URL:** https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240503_4.html

However, with fiscal year 2024 appropriations and a Ukraine-Israel-Taiwan foreign aid package finally signed into law, a number of senators viewed the FAA bill as one of the last "must-pass" measures before the November 2024 elections and sought to attach other—sometimes unrelated—legislative priorities.

For example, Finance Committee Chairman Ron Wyden on May 7 filed an amendment to attach the Tax Relief for American Families and Workers Act (H.R. 7024), the bipartisan tax package that he negotiated with Ways and Means Chairman Smith and that passed the House on a 357-70 vote in January (more on that below). Bills related to children's online safety, cannabis banking, credit card competition, and a reauthorization of a program that compensates victims of nuclear radiation were among the dozens of other issues unrelated to aviation on which certain senators had been pushing for amendment votes.
**URL:** https://www.congress.gov/bill/118th-congress/house-bill/7024/text

The FAA legislation "is, to use the oft-invoked analogy, one of the last trains leaving the station," Sen. Cruz said recently. "And so everyone's trying to get on board."

**But not a single amendment vote was taken:** Ultimately, however, not a single proposed amendment received a vote on the Senate floor. That outcome was the result of a mix of factors, including a reality that settled in among members pushing to attach assorted—and sometimes extraneous—policy priorities that the internal squabbling could cause the FAA's authorities to lapse at midnight on May 10, even though the underlying bill maintained broad support among both parties.


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"Everybody's got holds on this right now," complained Senate Minority Whip John Thune, R-S.D., on May 9, referring to a legislative tactic senators can use to slow down the chamber's processing of a bill.

Some senators were even opposed to clearing a one-week FAA extension—that is, through May 17—that the House had shuttled through on May 8 prior to departing Washington for the week.

Most prominent among that group were the four senators representing Maryland and Virginia, who vehemently oppose language in the underlying bill that would expand the number of flights at Ronald Reagan National Airport—a provision they argue would exacerbate congestion and pose additional safety concerns at an already-overcrowded facility.

"We can't in good conscience greenlight that [short-term extension] plan until we have a commitment that there will be an opportunity to put our amendment to a vote, and to persuade our colleagues to prioritize the safety of millions of passengers over a few senators' desire for a direct flight home," Virginia Democratic Sens. Tim Kaine and Mark Warner wrote in a statement on May 8.

But ultimately, those four DC-area senators—who represented the lone "nay" votes on the five-year package—relented and allowed both the broader reauthorization and the short-term patch to advance.

"It's really outrageous," said Sen. Chris Van Hollen, D-Md., shortly before voting against the FAA bill.

**Smith-Wyden tax package left on the tarmac**

One notable tax proposal on the no-fly list is the aforementioned Wyden amendment that would have incorporated the House-passed Tax Relief for American Families and Workers Act into the FAA bill.

Among other things, that bipartisan measure would:

- Reverse (through 2025) certain business-unfriendly tax provisions related to the treatment of research expenditures, bonus depreciation, and the deduction for business interest expenses that were included in the Tax Cuts and Jobs Act (P.L. 115-97) but did not take effect until several years after that measure was enacted;
  **URL:** https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf
- Enhance the child tax credit;
- Expand the low-income housing tax credit; and
- Clamp down on improper employee retention tax credit (ERTC) claims.

Of course, in many ways it comes as little surprise that the Wyden amendment did not make the cut for a vote given the fact that the House-passed tax package has faced a wall of opposition from Finance Committee ranking Republican Mike Crapo of Idaho and other key GOP senators. And without a firm demonstration of GOP support that would ensure the tax bill would garner at least 60 votes to clear procedural hurdles in the


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chamber, Senate Majority Leader Charles Schumer, D-N.Y., has thus far been reluctant to force a vote on the floor.

Crapo's chief objection to the bill is its inclusion of a lookback rule in the child tax credit provision that would allow taxpayers to qualify for the expanded credit (for tax years 2024 and 2025) based on their prior-year income—something he and other critics believe would disconnect the credit from work.

Crapo has also expressed concern that the bill's roughly $78 billion cost is almost fully offset from a budget perspective by making changes to the administration of the ERTC. Specifically, Crapo and other GOP senators have argued that offsetting extensions of current law would set a risky precedent next year when lawmakers confront the multi-trillion-dollar expiration of large swaths of the Tax Cuts and Jobs Act. (The Congressional Budget Office this week estimated that the cost of extending various components of the TCJA would, in total, clock-in at roughly $4.6 trillion over 10 years, an increase of $1.1 trillion from projections it released in 2023. See separate coverage in this issue for details.)

**Smith urges stand-alone Senate floor vote:** In related news, Jason Smith, the House's top taxwriter, made some waves this week when he suggested in remarks at a May 8 event hosted by the law firm BakerHostetler that the reluctance among Senate Republicans to advance the bipartisan tax package he developed with Finance Committee Chairman Wyden is fueled more by politics than by policy concerns and that the chamber should vote on the bill as a stand-alone measure.

"Just hold the vote. I believe the votes are there," Smith said. "It should pass the United States [Senate], but unfortunately I think it's for political reasons. It's beyond the policy."

"The longer that we wait for a vote, we only lose votes," Smith cautioned.

(See additional coverage in this issue for comments from Smith at the BakerHostetler event regarding potential offsets for expiring TCJA provisions.)

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## Updated CBO estimate pegs 10-year cost of TCJA extensions at $4.6 trillion

In a development that ramped up a debate among congressional taxwriters and foreshadows the tough decisions facing lawmakers next year, the nonpartisan Congressional Budget Office (CBO) estimated in a new report released May 8 that the 10-year cost of permanently extending all the temporary provisions in the Tax


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Cuts and Jobs Act (TCJA, P.L. 115-97) that are scheduled to expire at the end of 2025 would be $4.6 trillion, up $1.1 trillion from projections the agency issued in 2023.
**URL:** https://www.cbo.gov/publication/60114
**URL:** https://www.congress.gov/115/plaws/publ97/PLAW-115publ97.pdf

**By the numbers**

According to the report, which was undertaken at the request of Senate Finance Committee Chairman Ron Wyden, D-Ore., and Senate Budget Committee Chairman Sheldon Whitehouse, D-R.I., permanent extensions of the expiring pieces of the TCJA would increase the federal deficit by a combined $3.97 trillion from 2025 through 2034 and increase net interest outlays by a combined $605 billion over the same period.

The bulk of the cost—$3.7 trillion, including interest—comes from the individual income tax provisions, such as statutory rate cuts, an enhanced child tax credit, and the 199A deduction for passthrough business owners. Extensions of higher estate and gift tax exemption amounts would add another $189 billion to the 10-year tally (including interest), and a return to 100 percent bonus depreciation would cost an additional $469 billion (including interest).

While most provisions impacting corporate taxpayers were made permanent in the TCJA, there are a handful of international tax provisions scheduled to change after 2025. The 10 percent rate of the base erosion and anti-abuse tax (BEAT) is set to increase to 12.5 percent; the deduction for global intangible low-taxed income (GILTI) is due to fall from 50 percent to 37.5 percent; and the deduction for foreign derived intangible income (FDII) is scheduled to fall from 37.5 percent to 21.875 percent. Permanently extending the current rules for those three tax regimes would add $172 billion to the deficit over 10 years, plus $25 billion in net interest, CBO said.

**Policy debate kicking into high gear**

Since the TCJA was approved by a Republican-controlled House and Senate in 2017, Democrats have argued that the bill was skewed towards big businesses and the nation's wealthiest households while adding significantly to the federal debt. Republicans have countered that the legislation boosted economic growth, federal tax revenues, real median household income, and wages.

The House Ways and Means Democratic press office highlighted the new CBO estimate in a statement following the report's release, saying the 2017 bill "didn't raise workers' wages, help small businesses, or grow our economy." The statement emphasized that Democrats would ensure Congress does not raise taxes on households earning less than $400,000—echoing President Biden's longtime promise—while charging that Republicans are "plotting a sequel to their 2017 Trump Tax Scam cuts for their wealthy and well-connected friends."

Finance Committee Chairman Wyden had a similar reaction, saying, "Republicans have planned all along on making Trump's tax handouts to the rich permanent, but they hid the true cost with timing gimmicks and a 2025 deadline that threatens the middle class with an automatic tax hike if they don't get what they want."


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House Republicans responded to the report by casting doubt on the accuracy of CBO's scoring and highlighting metrics they said show that the "Trump tax cuts were a boon for America's economy and working families."

"While the Congressional Budget Office provides a valuable service to the Congress, its track record in predicting the economic and fiscal outcome of the 2017 Trump tax cuts is poor to say the least," said Ways and Means Chair Jason Smith, R-Mo., and Budget Committee Chair Jody Arrington, R-Texas, in a statement, adding that "tax revenues reached a record high of nearly $5 trillion, and revenues averaged $205 billion above CBO predictions for the four years following implementation of the law."

**Smith: Some GOP lawmakers open to corporate rate hike**

Regardless of the exact figure, lawmakers in both parties know that there will be a significant cost to extending TCJA provisions. In the past, Republicans have typically argued that extensions of current law should not require revenue offsets—and over time some Democrats have come to agree. But the growing federal deficit is a concern for many members of Congress on both sides of the aisle. And with federal debt held by the public now approaching 100 percent of gross domestic product, warning cries from deficit hawks in both parties have begun to grow louder.

Against that backdrop, Ways and Means Committee Chairman Smith said this week that some in his party believe they may not be able to extend all of the TCJA cuts or might have to consider raising the corporate income tax rate to help pay for them.

In remarks at a May 8 legislative seminar hosted by the law firm BakerHostetler, Smith said that some members of the GOP are open to raising the corporate tax rate—which was reduced to 21 percent in the TCJA from 35 percent under prior law—both because revenue will be needed to offset TCJA extensions and because "there's people on both sides of the aisle that believe the corporate tax rate is not enough."

"One of the biggest challenges that will be discussed, debated, and decided in 2025 is should taxes be paid for, or should they not be paid for when you're looking at spending [and the] budget . . . because of the fiscal crisis," Smith said.

The issue of revenue offsets for tax-law extensions already arose this year in the context of bipartisan legislation passed by the House in January. The Tax Relief for American Families and Workers Act (H.R. 7024), which Smith negotiated over the course of several months with Finance Committee Chairman Ron Wyden, would retroactively reverse through 2025 three business-unfriendly tax provisions in the TCJA (related to the treatment of research expenditures, bonus depreciation, and the deduction for business interest expenses) and temporarily enhance the child tax credit and the low-income housing tax credit. That bill was essentially revenue neutral as a result of provisions that would tighten rules around the pandemic-era employee retention tax credit. Although the measure cleared the House in January by a wide bipartisan margin, it remains stuck in the Senate, where some GOP lawmakers have voiced objections to various facets of the


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package, including the proposed pay-for, arguing, among other things, that offsetting extensions of current law would set a risky precedent, particularly in light of the pending expiration of the TCJA provisions.
**URL:** https://www.congress.gov/bill/118th-congress/house-bill/7024/text

Commenting on the House-approved bipartisan tax package, Smith told the audience at the BakerHostetler event that there are Republicans who are willing to buck what had been considered GOP orthodoxy on offsets and who regard a corporate tax hike as a viable revenue-raising option.

"Without a doubt, some very well-known conservative members of this conference demanded why in this tax bill we were not raising the corporate tax rate," Smith said. (See separate coverage in this issue for additional comments from Smith about the current status of the Tax Relief for American Families and Workers Act.)

Looking ahead to the pending expiration of the TCJA provisions, Smith said that while he could think of $2.5 trillion worth of revenue offsets, "that is going to be a huge task to try to pay for $4 trillion worth of taxes."

The TCJA's significant cut in the corporate tax rate was a particular point of pride for then-President Donald Trump, who signed the legislation into law in 2017 and is the *de facto* Republican presidential nominee in 2024. Ways and Means Committee Chairman Smith, for his part, said he is not personally advocating for a higher corporate rate.

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## House appropriators grill Werfel on IRS request for additional mandatory funding

Internal Revenue Service Commissioner Daniel Werfel faced questions from a sometimes skeptical contingent of Republicans and a more receptive audience of Democrats as he defended the Biden administration's fiscal year 2025 budget request for the agency—including an extension of the 10-year mandatory funding stream enacted in the Inflation Reduction Act of 2022—during a May 7 hearing before the House Appropriations Financial Services and General Government Subcommittee.

This subcommittee has jurisdiction over funding for the Treasury Department and the IRS, among other federal agencies, so members of this panel will take the first crack at drafting the House version of an IRS appropriations package for fiscal year 2025, which begins on October 1 of this year.

**Administration's proposal**

The White House proposes to maintain the IRS's regular operating budget—that is, funding provided under the annual appropriations process—for the upcoming fiscal year at $12.3 billion, consistent with its fiscal year 2023 and 2024 allocations, as agreed to by President Biden and then-House Speaker Kevin McCarthy, R-Calif.,


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in the Fiscal Responsibility Act of 2023 (P.L. 118-5) in June of last year and affirmed this past January in a handshake deal on government funding between current Speaker Mike Johnson, R-La., and Senate Majority Leader Charles Schumer, D-N.Y.
**URL:** https://www.congress.gov/118/plaws/publ5/PLAW-118publ5.pdf

The budget plan also calls for extending the special mandatory funding allocation for the IRS enacted under the Inflation Reduction Act (P.L. 117-169) to strengthen the agency's enforcement and compliance operations, modernize its information technology systems, and improve its taxpayer service functions.
**URL:** https://www.congress.gov/117/plaws/publ169/PLAW-117publ169.pdf

As enacted, the Inflation Reduction Act provided $80 billion in mandatory funding for the IRS through 2032; however, $20 billion of that amount was subsequently reallocated to other budget priorities in keeping with what the president and congressional leaders agreed to as part of their recent spending accords. The administration proposes to backfill that reduction by making the mandatory funding stream available through 2034—that is, for the additional years covered by the 10-year budget window in the fiscal year 2025 blueprint. In total, the agency would receive $104.3 billion in mandatory funding through 2034, with about half of that dedicated to enforcement, and lesser amounts dedicated to technology and operations support, taxpayer services, and business systems modernization. (For details on all of the tax proposals in the president's fiscal year 2025 budget blueprint, see *Tax News & Views*, Vol. 25, No. 11, Mar. 12, 2024.)
**URL:** https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240312_1.html

**Republicans question audit priorities, bang for the buck from new funding**

Subcommittee Chairman David Joyce, R-Ohio, and several Republicans on the panel appeared wary of the IRS's plans to use the mandatory funding stream to expand its taxpayer compliance efforts—Joyce invoked the frequently repeated GOP argument that the agency intends to "rebuild an army of IRS agents"—and they questioned whether the Biden administration would adhere to its promise not to use those funds to increase audit rates on taxpayers with income of less than $400,000. Those taxpayers, Joyce said in his opening statement, "have enough to worry about amidst higher grocery, rent, and utility bills."

More broadly, Republicans questioned why the agency needs additional funds—beyond the annual discretionary appropriation—to provide basic taxpayer services.

"It's worth exploring why the IRS says it cannot deliver a successful filing season with the discretionary funds this subcommittee provides, especially considering that these funds account for almost half of this subcommittee's allocation," Joyce said.

**Audit focus:** Republican Steve Womack of Arkansas, a former chairman of the subcommittee, asked the IRS commissioner about the agency's expanded audit focus and about the extent to which taxpayers with income below $400,000 contribute to the estimated $687 billion annual federal tax gap—the difference between the amount of tax legally owed to the government and the amount paid and collected on a timely basis.


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Werfel, who emphasized in his opening statement that “there is no new wave of audits coming” for low- and middle-income taxpayers as a result of the new funding infusion, told Womack that the IRS is intent on increasing its scrutiny of large corporations, complex partnerships, and high-wealth individuals because those are the areas in which the agency “fell most behind” in the years leading up to the enactment of the Inflation Reduction Act. Large corporations, he noted, are now operating in a greater number of jurisdictions and engaging in increasingly complex tax transactions, which has made it more difficult for the IRS to determine their correct level of income and identify instances of potential tax-avoidance. The new funding, he said, is allowing the IRS to shore up its compliance resources—that is, by hiring specialized staff and moving toward more sophisticated technologies—to focus on those segments of the tax base where enforcement has been weakest.

Republican subcommittee member Mark Amodei of Nevada questioned why the IRS needs to expand its audit activity when federal tax collections appear to be approaching “record levels.”

Werfel acknowledged the increase in receipts but said they were attributable to population growth and an overall expansion of the economy. Audit rates, however, have not grown in the way that they should, he said.

Responding to a question from Amodei about specific steps the IRS has taken to prioritize audits of high-income, high-wealth individuals, Werfel commented that an Inflation Reduction Act-funded program targeting 1,600 ultrawealthy individuals who haven’t paid recognized tax debts has brought in more than $500 million in back taxes to date. He also noted that under a new program launched at the beginning of 2024, the IRS is sending out compliance letters to nonfilers with annual income of $400,000 or more. (In a recently released update to its strategic operating plan for implementing the mandatory funding, the IRS also announced plans to significantly increase audit rates on corporations with assets over $250 million, complex partnerships with assets over $10 million, and wealthy individuals with total positive income over $10 million beginning in tax year 2026. For prior coverage, see *Tax News & Views*, Vol. 25., No. 17, May 3, 2024.)
**URL:** https://www.irs.gov/pub/irs-pdf/p3744a.pdf
**URL:** https://dhub.deloitte.com/Newsletters/Tax/2024/TNV/240503_1.html

**Value of technology improvements:** Amodei also pressed Werfel to identify concrete ways in which the IRS has used the Inflation Reduction Act funding to improve its information technology systems and whether those improvements have led to increased operating efficiencies and lower costs for the agency.

Werfel replied that the IRS has “dramatically” expanded its menu of digital options that allow taxpayers to interact with the agency from their laptops or smartphones—essentially setting up a system in which taxpayers can avoid having to visit an IRS office or wait for telephone assistance at an IRS call center if that is their preference. He also noted that the IRS’s ongoing effort to move from a paper-based to a digital format for various IRS forms and returns cuts the time required for filing and processing and reduces the agency’s overall operating costs.

In his exchange with Amodei, Werfel also told the panel that the new funding for information technology improvements will give the IRS the resources it needs to keep pace with growth in the tax system that is spawned by the changes Congress makes to the federal tax code. He noted, for example, that enactment of


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legislation mandating information reporting on digital currency meant that the IRS had to create a new infrastructure to implement the requirement since the agency's existing systems could not accommodate the demands of change in law.

**Democrats emphasize tax fairness**

The panel's Democrats, for their part, cast the IRS's expanded compliance efforts targeting large corporations and wealthy taxpayers as a matter of ensuring fairness in the tax code. Ranking member Steny Hoyer, D-Md., contended in his opening statement that further clawbacks of the Inflation Reduction Act funding would mean that "more high earners will be able to get out of paying the taxes that they owe under laws that are already on the books."

"Nobody likes to pay taxes, but all of us ought to pay the taxes that are legally owed under the laws that we pass. And Americans are particularly aggrieved when they think they are paying more than their fair share, where corporate executives are paying less than the people who work for them, in terms of percentage," he said.

Commissioner Werfel commented in an exchange with Hoyer that the administration's plan to extend and increase the IRS's mandatory funding stream will enable the agency to make a significant dent in the tax gap. Before the 2022 legislation was enacted, audit rates were at their "most anemic" levels in IRS history, he said, noting that the agency had just one auditor for every 150 "top-tier" taxpayers who had assets over $250 million and filed returns that in some cases were "tens of thousands of pages" or more in length.

"What we need to do is not only hire more people, but [also] provide them technology, data analytics, and subject matter expertise to unpack all that complexity," he said. Without these actions, "[w]e are leaving a lot of money on the table."

Rep. Rosa DeLauro, D-Conn., who is the ranking member of the full Appropriations Committee and was waived onto the subcommittee to participate in the hearing, chided Republicans for supporting the rescissions to the Inflation Reduction Act funding in the budget deal for fiscal year 2024.

"We have a revenue problem . . . and there is a refusal [among Republicans] to let the IRS collect legally owed taxes from billionaires [and corporations] in order to address the problem," she said.

**Improved technology and child tax credit enhancements:** On the technology side, DeLauro praised the IRS's ability to implement the now-expired enhancements to the child tax credit enacted in the American Rescue Plan Act of 2021 (P.L. 117-2), which, among other things, allowed taxpayers to receive the credit in advanceable monthly installments—a feature that required the creation of a special portal that allowed taxpayers to request the advance payments and allowed the IRS to process those payments and remit them to taxpayers. (The legislation also increased the credit amount and phase-out thresholds, made the credit fully refundable, and increased the age limit for a qualifying child.)
**URL:** https://www.congress.gov/117/plaws/publ2/PLAW-117publ2.pdf


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DeLauro asked Commissioner Werfel how quickly the IRS would be able to put a similar program in place if Congress were to reinstate the American Rescue Plan provisions—including the election for advance direct payments of the credit—as the administration proposed in its latest budget blueprint.

Werfel replied that given the advances in its core technology the IRS has achieved with its Inflation Reduction Act funding, the agency would be able to re-engineer and implement an expanded child tax credit program "within weeks" if lawmakers decide to revive it.

**Impact of additional cuts:** Responding to a question from DeLauro, Werfel stated that further rescissions to the Inflation Reduction Act funding would limit the IRS's ability to "hold taxpayers accountable who aren't playing by the rules." He also noted that funding cuts would have repercussions on the service side in the form of longer lines at IRS walk-in centers longer wait times on the telephone assistance line.

**Slogging through employee retention credit claims**

Turning to an issue not addressed in the administration's budget blueprint, Republican Ashley Hinson of Iowa asked Werfel about the IRS's progress in processing claims for the employee retention tax credit (ERTC), which was enacted in the 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-136) as an emergency measure to help cash-strapped businesses keep employees on their payrolls in the wake of the nationwide economic shutdown brought on by the COVID-19 pandemic. The credit is limited to certain wages paid in 2020 and 2021 but may be claimed through April 15, 2024 (for tax year 2020) and April 15, 2025 (for tax year 2021). The IRS issued a moratorium on processing new ERTC claims in September of 2023 in response to a perceived rise in fraud within the program—which the agency has attributed largely to the work of unscrupulous third-party promoters—during the preceding summer.
**URL:** https://www.congress.gov/116/plaws/publ136/PLAW-116publ136.pdf

Werfel replied that the IRS is continuing to process claims that were submitted before September 14, 2023, when the moratorium took effect, but it does not yet have a timeline for addressing claims received after that date and will conduct an "assessment of inventory" to determine the best way to proceed. He noted that there is a high level of questionable ERTC claims in the IRS's current inventory and the work involved in identifying and weeding out those claims has hampered the agency's ability to process refunds for taxpayers who legitimately qualify for the credit.

Werfel also told the panel that taxpayers have withdrawn some $400 million in ineligible ERTC claims under a special compliance program the IRS put in place shortly after the moratorium was announced, and he urged other taxpayers who have filed what they know to be improper claims to rescind them. Taxpayers who received refunds based on improper or questionable ERTC claims have repaid roughly $700 million to the government under a separate voluntary disclosure initiative that the IRS announced last December, Werfel said. (The application deadline to participate in that program was March 22, 2024.)
**URL:** https://www.irs.gov/newsroom/irs-announces-withdrawal-process-for-employee-retention-credit-claims-special-initiative-aimed-at-helping-businesses-concerned-about-an-ineligible-claim-amid-aggressive-marketing-scams
**URL:** https://www.irs.gov/newsroom/irs-new-voluntary-disclosure-program-lets-employers-who-received-questionable-employee-retention-credits-pay-them-back-at-discounted-rate-interested-taxpayers-must-apply-by-march-22


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The Tax Relief for American Families and Workers Act (H.R. 7024), a bipartisan tax package put forward earlier this year by House Ways and Means Committee Chairman Jason Smith, R-Mo., and Senate Finance Committee Chairman Ron Wyden, D-Ore., includes a provision intended to clamp down on improper ERTC claims by accelerating the deadline for filing additional claims for the credit to January 31, 2024, imposing new reporting requirements and restrictions on promoters of the credit, and extending by one year the statute of limitations for the IRS to assess penalties on improper claims. That legislation cleared the House in late January with a strong bipartisan majority but currently remains stuck in the Senate. (See separate coverage in this issue for the latest on the bill's status in that chamber.)
**URL:** https://www.congress.gov/bill/118th-congress/house-bill/7024/text

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