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January 9, 2023

Dear Representative,

NFIB writes in strong support of H.R. 23, the *Family and Small Business Taxpayer Protection Act*, which directs the Internal Revenue Service (IRS) to prioritize serving taxpayers rather than overwhelmingly focusing on expanded enforcement efforts. **H.R. 23 will be considered an NFIB Key Vote for the 118th Congress.**

In the Inflation Reduction Act of 2022, Congress disproportionately prioritized enhanced enforcement over increased taxpayer services. Of the additional \$80 billion in funding to the IRS, \$45.6 billion (58% of the expanded funding) was allocated for enforcement efforts while only providing \$3 billion (4% of the expanded funding) for taxpayer services. Before considering how to penalize taxpayers, the IRS should address resolving the immense return backlog and better assisting taxpayers with compliance.

In late August 2022, the Treasury Inspector General for Tax Administration (TIGTA) detailed how the IRS's processing delays have prevented businesses from receiving key pandemic relief benefits.¹ More specifically, the IRS did not begin processing claims for qualified Sick and Family Leave Credits and Employee Retention Credit for 12 months. Further, the IRS reports the agency still has 1.91 million unprocessed individual returns and 395,000 unprocessed 941-X Forms, the forms related to COVID business tax credits.² Unsurprisingly, TIGTA identified "Improving Taxpayer Service" as the top management and performance challenge the IRS should consider for Fiscal Year 2023.³

NFIB members echo this concern. In a recent NFIB Research Center survey, members were asked about their interactions with the IRS. Of the members who attempted to contact the IRS for information related to their businesses in the last 12 months, 64% of these respondents reported that the experience was not helpful at all.⁴

¹ <https://www.treasury.gov/tigta/auditreports/2022reports/202246059fr.pdf>.

² <https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue>.

³ https://www.treasury.gov/tigta/management/management_fy2023.pdf.

⁴ Holly Wade, COVID-19 Small Business Survey Part 22, NFIB Research Center, March 2022, <https://www.nfib.com/content/press-release/coronavirus/new-nfib-covid-survey-inflation-pressures-and-lost-sales-opportunities-challenge-small-businesses/>.

The *Family and Small Business Taxpayer Protection Act* would rescind the billions in funding for the IRS's expanded enforcement efforts from the *Inflation Reduction Act of 2022* while retaining funding to focus on improving taxpayer services and modernizing operations to serve taxpayers.

NFIB strongly supports H.R. 23, the *Family and Small Business Taxpayer Protection Act*, and will consider final passage as an NFIB Key Vote for the 118th Congress.

Sincerely,

A handwritten signature in black ink that reads "Kevin Kuhlman". The signature is written in a cursive, slightly slanted style.

Kevin Kuhlman
Vice President, Federal Government Relations
NFIB