

August 23, 2023

### **IRS Destroyed 30,000,000 Unprocessed Tax Returns**

The House Ways and Means Committee obtained information from the IRS Commissioner that the IRS Destroyed 30,000,000 unprocessed paper filed tax returns. Despite repeated attempts by the Ways and Means Committee to learn more about the decision, the IRS has been uncooperative. In a report by the Treasury Inspector General for Tax Administration blame was placed upon the Covid 19 pandemic for overwhelming the agency's ability to process the tax returns.

At the onset of the pandemic, the report stated, the IRS closed its Tax Processing Centers for the duration of March and April 2020. When the agency reopened the centers, "a significant backlog of paper-filed individual and business tax returns that remained unprocessed" had built up. At that point the IRS released a memorandum ordering employees to destroy the nearly 30 million of these backlogged documents. The IRS cited system limitations that would not allow older documents to be processed.

Hmmm!!

Approximately, two weeks later on May 17, the Ways and Means Committee requested an explanation of the decision. Within 24 hours the request was rejected with an explanation that releasing further details would impose a significant risk to the agency.

Hmmm!!

[#496 7/25/23 6:45 pm.](https://www.theepochtimes.com)

### **IRS To Implement Procedures to Examine Fraudulent ERC Claims**

After clearing its backlog of Employee Retention Credit claims, the IRS is shifting its efforts to implementing additional procedures to root out fraudulent claims, Commissioner Daniel Werfel told attendees at the IRS Nationwide Tax Forum in Atlanta. Aggressive marketing tactics have duped many employers into believing that they are eligible for the credit when they are not. *The Trusted Professional* 8/1/23.

### **Federal Budget Breaks Peacetime Record**

The latest budget figures show that the U.S. government has broken peacetime non-crisis records for spending and deficits with no respite in sight. A deficit of \$1.62 TRILLION for the first 10 months of the fiscal year, up \$726 BILLION from a year earlier. If not for shifts in the dates of some payments, the Congressional Budget Office said the deficit would have been even higher at \$1.7 TRILLION, a 131% increase.

What is astounding is that this blowout is happening when the economy is growing, the Covid crisis is past, and there are not any domestic emergencies to address. This is when deficits are supposed to decline, as they did during the economic expansions of the 1980s, 1990s and 2000s. Deficits also fell under President Obama after Republicans regained control of the House in 2010.

Revenues have fallen about 10% despite the increase in corporate taxes. Individual income

tax revenue is down 20%, or about \$442 BILLION, and CBO speculates one reason is smaller capital gains realization. Soaking the rich does not work when the rich are not making money in the financial markets.

The biggest increase in outlays so far this year has been net interest on the soaring federal debt: a rise of \$146 BILLION to \$572 BILLION, or 34%. That interest total is nearly double all corporate tax revenue so far this year of \$319 BILLION. Interest on the debt this fiscal year has climbed to 15.5% of all federal revenue, and most of the 10 months through July were well before interest rates rose to their current levels. Interest payments will keep soaring as Treasury is scheduled to issue \$1 TRILLION in new debt at higher rates in the current fiscal quarter. Much more debt will be needed to finance the spending binge for the Inflation Reduction Act, the Chips Act, and the Infrastructure Bill.

This is dismaying because the booming deficit will make it that much harder to raise spending on National Defense in a world of growing threats, such as a Chinese invasion of Taiwan or a North Korean missile aimed at Seattle.

The deficit will also complicate the case for keeping tax rates low and extending the Trump tax rates when they expire in 2025. Higher taxes will only reduce the economic growth needed to finance all this spending.

Some record! *Wall Street Journal* 8/9/23 p. 16.

As always, if you have any questions about these or any other matters, do not hesitate to call us.