Episode 250: Climate, Health Care, and the IRS

Lizzy: Hi, I'm Lizzy Ghedi-Ehrlich

Lisa: And I'm Lisa Hernandez.

Lizzy: And we're your hosts for Scholars Strategy Network's No Jargon. Each month we discuss an American policy problem with one of the nation's top researchers. Without jargon.

Lisa: But this month to mark our 250th episode, we have decided to switch things up a little. Instead of speaking with one researcher, we are talking with three. And instead of talking about specific research and what it means for public policy, we are talking about a policy that was actually passed, focusing on what the research can tell us about it.

Lizzy: That's right. This month we're talking about the Inflation Reduction Act, otherwise known as the IRA that was passed last August. From Clean Energy Investments to Prescription Drug Pricing and funding for the IRS. There's a lot to unpack one year later, and we spoke to experts who study each of these issue areas.

So get ready for a jam packed special 250th episode of No Jargon.

Lisa: First up, we took on the climate provisions of the Inflation Reduction Act, and it's a, we always say, and this is timely, but really, I mean, I live in Florida, I am experiencing heat like no other. So it feels more timely than ever to talk about climate.

Lizzy: Absolutely. This is the moment for this conversation and I think it's one that people are gonna be very ready to hear.

Lisa: Absolutely. So to discuss the Inflation Reduction Act climate provisions, we spoke to Matto Mildenberger, an associate professor of Political Science at the University of California Santa Barbara. Professor Mildenberger's research explores the political drivers of policy and action in the face of serious social and economic threats posed by global climate change. His work focuses on comparative climate policymaking, and the dynamics of US and global climate opinion.

Lisa: Hi, Professor Mildenberger. Thanks for coming on No Jargon.

Matto: Oh my pleasure.

Lisa: I wanna ask you about the Inflation Reduction Act or the IRA for this episode. One of the biggest components of this law are the climate provisions. Can you give us a little bit of background of what that includes?

Matto: Yeah, so the IRA involves the single largest investment in solving the climate crisis, in US history, and it succeeds in passing, sort of really robust federal climate policy where previous efforts have failed, uh, including, for instance, a big effort in the early Obama years, um, in 2008, 2009. And, and partly I think the success is that the IRA takes a very different approach to climate policy than previous efforts in the United States and efforts honestly, in other parts of the world.

It does not attempt to price carbon. It is focused on providing carrots, incentivizing the clean energy transition, and doing that through what really is robust industrial policy. So it marks a very significant change in policymaking approach, but it's one that has proven to be really good climate politics in the United States.

Lisa: And what do you mean by providing, I guess, carrots or encouraging, the transition? How are they encouraging the transition then?

Matto: Yeah, so previously the approach to trying to solve climate change was to make fossil fuels and make releasing carbon pollution to the atmosphere more expensive. And the dominant way to do this was through a policy called carbon pricing. Carbon pricing had some real political challenges, though if I told you that I had a great policy idea and it was going to make the costs of acting really, really salient, including for consumers,

but it was going to keep the benefits quite opaque and put them far into the future, you'd probably tell me I had a very bad policy idea. In fact, you know, if we look at welfare state reforms and in many different policy domains, politicians write it the exact opposite. They wanna front load benefits and make the costs

very opaque and in the long term. And so by framing climate change as the politics of sacrifice, as focusing on an economically efficient policy, that sort of raises the salience of consumer costs by making each unit of carbon pollution more expensive to release. A lot of countries around the world have gotten into a bit of a stalemate in terms of climate policy making.

The IRA takes a different path. It focuses on making the clean energy that we need to move to cheaper and more accessible and equitably, distributed across the country. And it really marks the turn away from neoliberalism and involves the federal government, incenting manufacturing, all sorts of different industrial activity here in the United States.

And that is sort of selling climate change as a type of economic opportunity. You know, President Biden on the campaign trail would say that when he hears the word climate change, he thinks about jobs. And on one hand that, you know, that sounded like a, you know, well crafted political slogan, but the IRA in many ways takes that slogan and makes the reality of it and has as a result, created a, you know, there's a very durable economic and political coalition that's behind this approach to climate politics here in the US.

Lisa: So let's talk about the reality of it. What has happened so far with the implementation of, the IRA's climate components?

Matto: Well, the IRA has a few different programs in it. There are some grant programs, you know, there's a Greenhouse Gas reduction Fund, which is a 27 billion EPA program that's just beginning to be implemented. Right now there are investments in, you know, a number of environmental justice priorities, but the core of the climate policies in the IRA are a series of tax credits.

Tax credits for different forms of clean energy production tax credits for investing in the full supply chain of producing the materials and transforming those materials into sort of clean energy products. And most of those are uncapped so that the success of the IRA is gonna be based on how much uptake there are of these manufacturing business and household level tax credits over the next 10 years. Um, and so what we need to look at between the IRAs passage and now is, you know, are households and companies and you know, economic actors, are they being incentivized by these tax credits and are we seeing like, a massive race to invest in a clean energy future supported by this industrial policy.

And the answer here is yes, there are hundreds of billions of dollars at this point of investments in electric vehicles and clean energy that are racing into sort of the US economy. The benefits are actually being concentrated in red states who have had an enormous number of jobs and manufacturing facilities in places like Georgia.

Often supported by Republican governors who've offered pretty significant state level economic incentives to, you know, bring battery manufacturing to Kansas or EV manufacturing to the US South. And, and the result is that the IRA is working, I think as well as anyone could have hoped, you know, we're having massive, massive transformation so far in how people are, planning on producing and using energy in the next 10 years.

And the, you know, the incentives are working as planned.

Lisa: Well, that all sounds really promising, and I wanna ask about, steps forward since the IRA is helping us in that clean energy transition, or what are some other policies, given your research, do you think that there's a, the political will or the ecosystem to go beyond the IRA to address climate change?

Matto: Yeah, it's a good question and I think it's worth emphasizing that the IRA alone will not solve climate

change. But there are, I think, three things that need to happen. So one is we need really robust federal regulations now as sort of the counterpoint to the IRA incentives. So we saw that, for instance, with the new tailpipe standards that the Biden administration has recently announced that, our, you know, essentially creating a push in the direction of electric vehicles and standards like that, that are more ambitious than, people had previously imagined that the federal government might undertake, are made possible by the IRA. Right?

So in the presence of this industrial policy, in the presence of serious, uh, state support or federal government support for the energy transition, it gives the EPA and other bodies the ability to pass stronger regulations to help put some, like guardrails on these energy transition investments. The second thing that needs to be deeply engaged with is the question of durability. So the IRA was not a point of contention during the midterms, which is quite unusual in that in previous rounds of climate debate in the US and elsewhere, climate policies that have passed have often been politically contentious.

But the fact that this policy was very focused on delivering benefits to Americans all across the country, um, sort of protected itself, protected the policy from a real, repeal push the way that we saw, for instance, with the Tea Party and Obamacare repeal and in, uh, a decade ago with the, um, debt ceiling debates right now, there certainly are um, folks, on the right wing of the Republican party who are very keen on trying to roll back, the IRA and, you know, push forward fossil fuel subsidies and push forward a future for fossil fuels in the US. And there needs to be still, you know, a coordinated effort by, advocates across the political spectrum to protect against

that impulse. and their job is gonna be made easier by the degree to which the benefits of the IRA are already being realized across the country in, you know, red, blue, and purple districts. And the third thing is that we need to have more climate policy, um, that needs to happen at the state level.

And we're seeing some states take a leadership role, and we also need to begin planning for the next big climate policy package. You know, climate policy is not a one shot deal. We're going to need to repeatedly and iteratively pass more climate policies over the next two decades to protect the country from climate change.

And the hope is that by, investing in all of these new energy industries by creating jobs, really prevailing wage jobs across the country, in sort of the clean energy future, it will also help create a political base for, um, you know, the next big legislative climate debate later this decade. And helping, helping ensure that like that policy is as strong as possible. Let me say a final thing, which is that it also matters how the policies implemented.

The IRA has a lot of tax credits, a lot of tax code considerations, and the devil is in the details here. You know, my colleague here at UC Santa Barbara, published an op-ed in the Times a few weeks ago, that looked at the details of the hydrogen tax credit and some of the very small details that treasury needs to decide on in, coming up with accounting rules on what counts as clean hydrogen to be eligible for these credits, and those decisions are really consequential, right?

A good decision can put the country on a path towards having clean technologies. But there's of course, fossil fuel lobbies and actors who wanna try and distort the intention of these tax credits and make dirty technologies eligible. So there's also an enormous amount of work that the Administration needs to do over the next two years to ensure that the IRA delivers on its promise. And, you know, there's, there's also a high premium in having at least one branch of government controlled in the post 2024 by actors who are committed to, you know, seeing the IRA continue and not, uh, repealing it or constraining it or undermining it.

Lisa: Well, the IRA definitely sounds really promising, especially with the creative ways that it is incentivizing a clean energy transition, and of course, hoping for more policy that centers workers, and that also centers those who are mostly impacted by climate change. Um, especially as we continue to face climate change challenges in the years to come.

And I do wanna ask for any closing thoughts as we wrap up this conversation.

Matto: Yeah. Well, I think that another feature of the IRA that we need to keep in mind is the degree to which, unlike previous rounds of climate policy making here in the United States, it centered environmental justice in a real and sustained way. Um, this is part of the Administration's Justice40 Initiative.

It also speaks to the growing power of the environmental justice movement, um, in our sort of federal political system. And so there are serious investments in the IRA, in ensuring equitable access to the clean energy transition in helping communities, who have been historically, disadvantaged to, um, to manage some of these like, deeply problematic, environmental harms that are facing, you know, frontline communities, you know, in parts of the country.

It's really communities of color that are, are literally absorbing the toxins and air pollution associated with our energy system. At the same time as, uh, other people are benefiting from that energy that's being produced. And so there are real inequities, um, and real injustices in the way that energy has been produced and consumed in the United States.

And this IRA package for the first time is really, putting serious federal dollars behind trying to fix that.

Lisa: Well, I look forward to, um, hearing about the potential effects, and thank you so much, Matto. We really appreciate your time sharing your insights and your vision for climate policy moving forward.

Matto: Yeah, thanks. I'm really excited as well to see what the future brings.

Lizzy: If you're listening to this podcast during our current historic global heatwave, I hope Dr. Mildenberger's thoughts about how serious the US government is taking this moment will bring you some peace of mind.

And next we're looking at another big component of the IRA, the healthcare provisions.

Lisa: And I mean, the IRA is in part, I mean the, is a response to inflation, which, we could say that's also an economic struggle as a result of the covid of it all. Um, so healthcare is definitely important to address.

Lizzy: That is gonna have echoes through the ages, COVID itself, but the entailments of having had covid that we're still figuring out what that means for an aging population, what that means, um, you know, for other pre-existing conditions, diseases that people will get as they continue to live their lives and the medicine that we used to treat them, that has becoming, you know, increasingly out of reach for people who need it.

So to discuss the healthcare provisions that are gonna deal with that in the IRA, we spoke to Soumitra Bhuyan, an associate professor of Health Administration at Rutgers University, New Brunswick. Professor Bhuyan's research focuses on health policy, healthcare reform, public health, health systems, and his primary teaching and research interests include chronic disease management and health information systems with an overarching emphasis on population health.

Lizzy: Hi, Professor Bhuyan. Thanks for coming on No Jargon.

Soumitra: Hey, good morning Lizzy. Thanks for having me.

Lizzy: Excellent. I'm so excited to talk to you today. And we're looking not just at your work, but at current events, specifically the Inflation Reduction Act, sometimes called the IRA, and there's two big healthcare provisions in that bill: prescription drug pricing and healthcare subsidies. So I'd love for you to break down what these provisions entail.

Let's start with the first one. What is the prescription drug pricing element of this law?

Soumitra: So just to give some background, high drug prices are a significant concern for all Americans. We spend about almost $1,500 per individual on prescription drugs. Of course that number is going up and up every year. And that is really a significant concern among our elderly.

It is across the political spectrum both Democrats and Republican actually favor some policy action to lower the cost of prescription drugs. Uh, the provisions in the, you know, Inflation Reduction Act are expected to lower the out-of-pocket spending. Uh, specifically people with Medicare and, also the expectation is they're gonna lower the overall drug, uh, spending by the federal government.

And the Congressional Budget Office estimated that it's going to save about 280 billion dollars by 2033.

Lizzy: That's a pretty big number. Um, but it also makes sense from what you've said. We're spending a lot, and especially elderly people, as you note, who have the most prescriptions, um, and are often on Medicare. You know, these are, these are people who, for whom that cost is quite a bit.

Soumitra: Sure. And, actually it's going to, uh, really impact them as an individual, how they access this medication. And also it's going to, as I say, the government ends up spending, uh, saving a significant amount of money. So basically the prescription drug provisions include, quite a few things here, but, but I think the most important is that, uh, it's going to record a federal government to negotiate prices for some of the drugs covered under Medicare Part B and part B, with the highest total spending, that will start in 2026. So just to give a little bit of a, kind of a breakdown, uh, of that, uh, regulation. In 2023, Medicare will select and announce first drugs that to be negotiated, uh, the law requires that these drugs are actually chosen from a list of the highest spending, brand name Medicare part D drugs that do not have any competition at this point.

And then the price of those negotiated drugs will start, be effective in 2026. And then Medicare will choose and negotiate another 15 drugs, beginning 2027, 15 more in 2028, and 20 more each year after that. And uh, if the manufacturers don't follow a negotiation rule for a selected drug, they'll either pay tax or they'll be penalized, if they don't, fulfill some of the other requirements.

Lizzy: So maybe walk us through a little bit about like what does this change mean for future prescription drug pricing? How, what would you say to people today who are anticipating something being different in their lives, from the passage of these laws and what is that gonna look like? When can they expect it?

Are there hurdles that might not be cleared?

Soumitra: Absolutely Lizzy. So, so let me kind of, it's going to actually fully will take in effect in 2029. But in between now and 2029, there are a lot of things will be happening. Just to give you a number, actually more than 5 million people with Medicare in the US, they struggle to afford their prescription drugs.

So I conducted a study, few years back specifically for, chronic illnesses, uh, like, cardiovascular and diabetes. And, and actually we found that, we men are significantly more likely to skip medication, to save money. And as we know for chronic illnesses, you know, having access to these medications are very important for optimal outcome.

So a lot of people are actually struggling to pay for those, prescription drugs, that include a vast majority of the Medicare population. So some of the provisions they're going to take immediate effect that include the limit, the insulin cost sharing to $35 for a month of supply and that the individual won't pay a deductible for their covered insulin product.

I think that's going to relieve a lot of, you know, uh, diabetic patients. They might need insulin for their treatment. And also, the law requires the drug companies to pay rebate if the drug prices rise faster than the inflation rate that will start in 2023.

And also another provision's that going to take in effect, uh, in 2023, the reduced cost, and improve the covers for adult vaccines in Medicare Part D, Medicaid and the chip program. So those are the three things they're already started. In 2024 actually, the law will eliminate the coinsurance the enrollees used to pay for the Part D catastrophic coverage, that's 5% coinsurance. And also it's going to expand eligibility for Part D, low income sub subsidy. Full benefits up to, uh, 150 federal property line. And in 2025, and I think this is going to be significant, they add 2000 out-of-pocket cap for Medicare part D and other drug benefit charges.

So, they don't have to, you know, pay more.

Lizzy: I can't wait to see some of the research that's gonna be able to come out of this. To see, you know, if we can calculate not just the improvement to folks' health outcomes, but also like what that means for spending. Um, I think that's really exciting. And you've identified clearly that this is helping, both people, individual people, especially elderly people, people on Medicare, and also it sounds like Medicaid.

Um, but everyone, you know, across the aisles cuz we're all spending money on prescriptions and that this is a real problem because there's folks who simply can't easily afford, you know, the products that government has made available to them to care for their health. Which brings us to the second part we wanted to talk about healthcare subsidies.

So that's Affordable Care Act, premium assistance. Um, can you talk about impacts that this change may have already had or will have on the public health systems?

Soumitra: Right, right. Lizzy, thank you for the comment. Just to give a little bit of a color, add color to that. So, not only there'll be a gap of $2,000 from 2025, but also the enrollee actually will have the option to pay the prescription cost in a monthly amount, and that can be split all over the year rather than all at one visit.

So that's also very significant. And to add some number, in 2020, about 1.4 million Medicare party enrollees without the low income subsidies had annual out-of-pocket drug spending of $2,000 or more. And outta this 1.4 million Medicare party enrollee, 1.3 million enrollee, actually spending above the catastrophic covers threshold.

And this is a group is going to significantly, find relief by, by the $2,000, uh, you know, out-of-pocket maximum or yearly cap beginning 2025.

And then going back to the subsidy equation on health insurance side of it. So basically, uh, what, you know, the law is going to do, the law is going to extend, uh, uh, the, premium help they were actually providing, for, the, enrollees is to buy their insurance, uh, from the marketplaces.

So it was supposed to be, you know, expired in 2022, but now it has been extended to 2025.

Lizzy: And you know, in your research you focused on ways that healthcare systems can better serve patients who suffer from chronic diseases, certain types of cancers with, with management, diabetes, cardiovascular disease. Can you think of some examples of how these two specific parts of the IRA would affect people like that. Like what, you know, you can make up an imaginary person if that's useful to you, or if there's stories that you actually have to share with your research. I'd love to just make it very clear, aside from obviously lowering costs, you know, what does it mean for chronic disease management to have improved access from this bill?

Soumitra: That's a great question. So, so think about if somebody, you know, having a chronic illness, and by the way, 6 out of 10 Americans will live with at least one chronic illness, like, heart disease, stroke, cancer, or diabetes. Okay? So the prevalence of chronic illness, is rising.

And we all know that the most of the chronic disease, it's not very expensive to manage the chronic illnesses. However, I think you rightfully said the end result of a chronic illness, like for example, if somebody has having diabetes, let's say food amputation, the end product or end result is actually expensive.

Similarly, somebody's have, hypertension, right? The managing that with medication, with lifestyle changes, that is not expensive. However, the end product that end up, you know, having a stroke or a heart attack, that might result in significant cost to our healthcare system. And, and it is actually estimated that that about 90%, it's estimated on CDC, 90% of our 3.8 trillion per year attributed, you know, to the people with chronic illnesses and, and mental health conditions.

So think about the impact of it, to the cost of our care basically. There was another study was done and actually found that, let's say if we can increase the screening, like let's say colorectal cancer, let's do 70% that actually can reduce the Medicare spending by 14 billion by 2050.

So think about, some of the, uh, really positive side, not only to actually improve outcome for the patient, if they actually, for example, for a cancer, they cut early, but also save significant amount of money for our government, right? And, think about that. Lot of these, let's say low income, individuals, some of the individuals with, with Medicare, uh, as well, you know, they have issue with access to care for a lot of Americans. You know, sometimes the emergency department is their first point of contact because they don't have a primary care provider. And, and sometimes these people have no insurance. So I think they're expanding that subsidy and helping this individual to buy uh, you know, healthcare to the, you know, healthcare gov or state based marketplace is going to give them an option to have a primary care provider so that they can go and, and manage their chronic illness better. So I think improving access is always, a great, way to actually keep the population healthy.

Lizzy: These are some complex systems and so I have no doubt that this, you know, we're not, we're not fixing it all, but it sounds like there's some things in here to look out for that are gonna be, you know, really positive. So I'm so glad you could share that with us.

Soumitra: No, no, thank you so much. I think overall it's a great, uh, uh, relief for a lot of Americans, including the elderly. And, of course there'll be some challenges, uh, to implement it and, I think it's the right direction to improve access and health equity.

Lizzy: Well, elderly Americans of all political persuasions. I hope you're listening and I hope you're looking forward to your improved lives at lower drug costs. And Professor Bhuyan, thank you so much for being with us today.

Soumitra: Wonderful. Thank you Lizzy. Uh, great, great speaking with you.

Lisa: . And be on the lookout for lower drug prices if these policy changes affect your insurance. This has been a priority for Americans, so we hope people notice the results and really think about that advocacy and research that went into getting these provisions passed. And last but not least, we wanna talk about the increase in funding for the I R S, which happens to be another major component of the Inflation Reduction Act. And I mean, money and inflation reduction, IRS, I would have thought that this whole bill would be focused on taxing and IRS funding more so than climate provisions.

Lizzy: This gigantic bill, which is named to be about inflation and encompasses. so many disparate things, but we're seeing how it's tied all together. And of course, you know, when we think about the economy, the way things have been costing more in general and people thinking about their household budgets, you know, the taxes are the part of our, you know, the, the, the money that we all are getting from jobs to pay for our society here in the US and all the services that people are using and the insurance itself, and the healthcare and all of these climate provisions.

And there's an agency whose job it is to manage all of that. And that is the IRS. And so might not be people's favorite topic. I think they're unfairly demonized. I'm excited to hear more about it. Actually.

But we'll find out in our next short segment to discuss the increase in IRS funding. We spoke to Vanessa Williamson. She's a senior fellow in governance studies at Brookings and a senior fellow at the Urban Brookings Tax Policy Center.

She studies taxation, redistribution, and political participation, and she's the author of Read My Lips. Why Americans like me are proud to pay taxes, which brings together national survey data with in-depth interviews to explore why Americans view tax paying as a civic responsibility and moral obligation.

Lizzy: Professor Williamson. Thank you so much for coming on No Jargon.

Vanessa: Thanks for having me.

Lizzy: And so, as you know, this is a very special episode, our 250th, and we're centering it on the Inflation Reduction Act, uh, one big component of which is increasing funding for the IRS.

So, to start, tell me more about why the IRS is in need of more funding.

Vanessa: So the IRS has been persistently unfunded for literally decades. I mean, you can find articles about how the IRS needs money dating back to the 1980s. So what has happened is because, you know, politicians found it, ineffective strategy to beat up on the IRS.

You know, it's been really challenging to raise money for the institution. So over time, what this means is that there are not enough people to answer the phones. Uh, there are not enough people to handle enforcement. And, you know, they're stuck using technology that is from the 1990s.

Lizzy: Yeah.

Vanessa: So, uh, you know, a common joke in sort of tax policy circles is that there are IRS tech systems that are not just old enough to vote, they can run for congress. So yeah, we're dealing with really, really persistent budget shortfalls. The enforcement budget alone of the IRS dropped a quarter in 10 years.

And so there was a period of time when there were the same number of revenue agents. You know, I think in 2017 there were about the same number of revenue agents as there had been in the 1950s. I mean, the much smaller country, much simpler tax code, much simpler economy. Yeah. And you know, you just, you see the effect in, uh, in all kinds of things. In wait times in, you know, billionaires getting away with not paying their share.

There're just so many ways that undermining public services in this way damages, you know, the core of our, of the government.

Lizzy: Yeah. So back to that concept of people not paying what we are owed. Tell me more about the enforcement budget. You mentioned that a couple times. What is enforcement?

Vanessa: So, you know, for most people, the IRS probably already knows how much taxes you owe, but you have to fill out your forms anyway and you pay your taxes. Americans have a very, very high level of tax morale, which is a technical term for, you know, talking about how people feel about the tax system.

Americans are, remarkably, uh, sanguine, remarkably positive about the tax code and, uh, remarkably good taxpayers. Uh, so our tax system is sort of in better shape in that way than a lot of other countries, but we have a gap, right? There's something called the tax gap, and that is how we talk about the money that is owed but not paid.

And that can be because people are late, you know, it can be because people made a mistake and in some cases it can be because people, uh, are trying to, you know, outwit Uncle Sam and not pay their share. So, when you reduce the IRS enforcement budget, which is the people who actually check that the numbers, you know, add up on your forms, that they make some sense, that they match the other data the IRS has, you know, from your, say your employer, for example, when you cut that budget, people can't check those numbers as, as carefully, right? They're trying to check the taxes, uh, filed by a very rich person who has, you know, lots of accountants and lawyers and so forth.

They're not gonna be able to catch the ways that people are, evading taxes they should be paying.

Lizzy: So the underfunding has reduced the IRS's ability to serve regular constituents in the way that people want them to. You talked about the long wait times. There's no one to help you if you need help, but also we've lost this big chunk in the top where we would actually be checking things and how is that affecting revenue?

Are there ideas about this or is it partially that we kind of can't know because that's the point?

Vanessa: No, we do have some relatively good ideas. I mean, they're, they're relatively conservative estimates, I'd say, but, the tax cap is believed to be about $7 trillion over a decade.

Lizzy: Wow.

Vanessa: Yeah, 7 trillion.

It's a big number. Were you expecting a smaller number? It's a large number.

Lizzy: I suppose. I was, I really, I don't think people really think about what a trillion is, and, and I really do. And that is a lot.

Vanessa: Yeah. Many, many zeros involved. And you know, I mean, when you think about how much that is compared to what we could be spending it on, it's an extraordinary loss. Right. And, you know, people will not be shocked to learn that most of the tax gap is due to people at the top. Not only because you know most people in the kind of middle of the income spectrum, you know? You have an employer, you get your, your forms, your employer also sends the same forms to the government.

So obviously you just, it's withheld, it's all very easy, right? Or it should be. But people at the top have a lot more room to fiddle at the margins, right? So three fifths of the tax gap, that is the, the money we think is owed but is not paid, is coming from the people in the top 10% of taxpayers and more than a quarter of the tax gap.

All that money that is owed to the public, is coming from the top 1%, right? And that's both because it's easier to, you know, to have complicated, tricky taxes when you make a lot of money. And also because of course, people at top have lots and lots of money, so it's not that surprising that that's where the money is missing.

Yeah, it still feels, it's not surprising and it's still a little bit shocking. But, so let's, let's look at how we're thinking about maybe remedying some of the issues. You've brought up the Inflation

Reduction Act. What is the IRS getting from it and do we know what it's supposed to be allocated for?

Right, so there's what the IRS was getting and there's what the IRS is probably actually getting right. Hmm. Because the IRA had this big, big chunk, $80 million for the IRS, like a big, huge chunk of money to, to address these different pieces, right? To address customer service and modernization.

That was about little less than half the money and then about $45 billion for enforcement, right? That was where the, what the money was supposed to be. So they were gonna have, you know, new systems to answer the phones faster. They, in fact, have already opened some new taxpayer assistance centers. So if you're having problems figuring out your taxes, you can actually go in person and get help from the IRS, you know, they were gonna update these, these incredibly ancient tech systems that they're still relying on. And they were going to, you know, put a lot of money into enforcement, right? And Janet Yellen said that the, she mandated that the funding would only be used to increase audit rates on those earning more than $400,000 a year. Right? So aiming the money at the top where we know that the money is.

So this was what was supposed to happen, right? But some of that money is gonna get clawed back, because it is, as far as I can tell, the number one priority of the Republican party to is to roll back the IRS's funding. Right? It was the first piece of legislation House Republicans introduced as soon as they regained the majority, and when the Biden administration was negotiating over the debt ceiling.

This is one of the central demands that, uh, house Republicans had. So, a big piece of the money, was actually, kind of clawed back now how that's actually going to work out, we don't really know yet. Um, it was $21 billion was, uh, going to be cut from the IRS funding, uh, as part of the debt ceiling negotiation.

But the wording of that, uh, you know, it was sort of a handshake deal and the wording of that is not entirely clear. So we're actually not sure how the IRS is gonna be prioritized funding and because the Republican party is continuing to try and cut the IRS beyond that, it's very hard for the IRS to plan right now because they don't actually know what the number's gonna be.

Lizzy: Yeah. And so do we know anything about the timeline for when we can't expect this to be settled? We know that, you know, we're in the middle of summer now, so we're looking at kind of next year's tax season, or at least as a, what we would consider not in the top 10% of people. When I think of tax season that I think most average Americans think of it is that's kind of the late winter, early spring, sort of of the next year.

This may not be something - you know, I know you can't predict the future, but are are folks like you who are, are, you know, tax experts and, and watching these kind of policy battles play out? Have any idea about what we can expect, when we might expect legislation to be settled and what that might mean for taxpayers and or the agency itself?

Vanessa: Yeah, so I think that there's a lot of uncertainty here, both because, you know, the, the result of the debt ceiling negotiation is probably kind of the ceiling for the additional money that the IRS is gonna get. That was what was agreed upon. But the house Republicans are going to keep attaching cuts.

The IRS to legislation as it comes through. And it's not entirely, you know, it's as has become increasingly standard, uh, not entirely clear that Congress is gonna manage to get its appropriations done. So we're likely to, you know, have additional austerity by gridlock. We're likely to have additional sort of hostage taking, processes by which we move legislation forward.

Um, so the sort of broader dysfunction of the government, will have ramifications in this particular issue as well.

Lizzy: Tax season was a couple months ago. Are there effects that have already been put into place from the signing of the IRA that people may have noticed?

Are there effects that have gone into place, but that people might not have noticed? That we wanna draw people's attention to just, you know, for part of our larger, you know, mission to help people connect the dots between laws that are passed and how policies are actually affecting them.

Vanessa: That's a great question. The IRS has used some of its increased funding already to open and in fact, reopen taxpayer as incentives that they had had to close due to shortages of funding.

Um, and they're also moving forward on, you know, reducing those, call wait times. So in 2021, the IRS received 280 million phone calls, and only managed to answer about 11% of them. So that's an area of very, very obvious, room for improvement. And it's, so that's, I think, uh, one of the, the pieces that really got put upfront was to try and make the IRS more accessible so that people can have questions or getting them answered.

Yeah, so that's a, that's a really key piece of the puzzle.

Lizzy: Yeah. You know what's interesting to me? So you're describing this organization that, at least in like popular culture, I mean the joke is always the IRS sucks, you know, death and taxes and you gotta, everybody's gotta pay and what a painful time of year.

And yet, uh, you know, a lot of your expertise in your research has been into public sentiment about this agency and, and how it is positive and how people see paying taxes potentially as a patriotic act. Can you talk a little bit about that? About how Americans feel about doing taxes?

Vanessa: Yeah, absolutely. So the IRS is not a popular agency, but it's worth noting that they're substantially more popular than Congress.

The interesting thing about tax paying is that a startling percentage, uh, feel very positively about it, right? Not only do vast majority of Americans see tax paying as an important civic duty, this is something that gets 90, 95% agreement. You ask Americans, is it, uh, every American's civic responsibility to pay taxes?

Overwhelming agreement. Like, to find levels of consensus that high, you have to ask people whether Elvis is alive or did we really land on the moon? You know, you have to ask really out there questions. Americans believe that tax paying is a responsibility. Uh, they also interestingly have often quite a positive attitude about tax filing, which amazes me because as much as I love taxes, I do not, in fact, like doing my taxes.

But a third of Americans do. Uh, and not only because they get a refund, uh, a lot of people use it as a time to sort of reassess their budgets and sort of, you know, taking an accounting of things and they think it's worth doing. And it's also, of course a really important financial time for a lot of low income and working class households.

Because, uh, of the earned income tax credit and the child tax credit, right? So a lot of people get a refund at that time of year, and it makes an enormous difference.

Lizzy: Yeah. That is so interesting. And so based on your research and expertise, what are other changes to the IRS that you think should be made? What's not contained in this bill?

If there were no strings attached, congressional legislative feasibility is not an issue, what would you like to see?

Vanessa: Oh, I'd let the IRS to file your taxes for you. You know, you can amend them and correct them. But the number one thing, I mean, it is millions and millions of hours of Americans time wasted filling out paperwork to provide the IRS with information they already have.

I mean, it is the most absurd red tape nonsense. And it is absolutely a place of, um, of predation on working class families because, you know, as I said, this, this, these tax credits are so vitally important. Well, these are exactly the kind of folks who end up at an h r block, uh, or other, tax preparer.

And, you know, they lose that, some of that money. Yeah, so the effectiveness of the income tax credit is meaningfully reduced both by um, you know, having people have to fill out the things themselves and by the cost of the money they're paying to tax preparers. We could do so much more good with the money we're already spending.

Lizzy: Yeah.

Vanessa: I mean, it's the only other place in our economy that has a similarly absurd system is healthcare. Right? Where you're just like, oh, wouldn't you love to know how much it's gonna cost? We cannot possibly inform you.

Lizzy: Uh, yeah, no, I mean, it's healthcare and taxes, you know, not that big of a deal, so I understand why.

Vanessa: No, I, oh my goodness.

Lizzy: Any final thoughts? Other things that you would like folks to know? Any, any messages for the, for IRS workers out there who might be listening right now to this podcast?

Vanessa: When I've spoken to people who work at the IRS who are in treasury, they're always sort of startled to learn that the, they are not the most tested agency in the entire, you know, that there are, in fact, parts of government disliked more, and also this tax morale that Americans have.

I think it is, you know, in some ways quite a beautiful thing that, you know, despite all of this underfunding, despite all of the, you know, dysfunction in Washington. Well, you know, when it comes right down to it, people think they should pay their share and they're willing to do so.

Lizzy: Yep. Vote. Be on a jury.

Pay your taxes. Thank you so much, Vanessa. We really appreciate it. And thank you everyone for listening.

Vanessa: Thank you.

Lisa: That wraps up our 250th episode of No Jargon. For more on the work of our three guests today, check out our show notes at scholars.org/nojargon. No Jargon is the podcast of the Scholars Strategy Network, a nationwide organization that connects journalists, policy makers, and civic leaders with America's top researchers to improve policy and strengthen democracy.

The producer of our show is Mandana Mohsenzadegan. Our audio engineer is Peter Linnane. If you like the show, please subscribe and rate us on Apple Podcasts or wherever you get your shows.

You can give us feedback on Twitter @NoJargonPodcast or at our email address, nojargon@scholars.org.