

# [***Earlier Government Shutdowns Offer A Glimpse Of What Taxpayers Might Expect From IRS, Other Agencies***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:698J-W3H1-DXVP-5006-00000-00&context=1516831)

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**Length:** 1997 words

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**Highlight:** On Sept. 30, the government will run out of money. Unless a compromise is reached, there will be a shutdown and all nonessential government functions must stop.

**Body**

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The federal government is headed towards a potential shutdown.

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(**Note:**After publication, Treasury released the IRS contingency plan. You can find more details in an updated piecehere.)

Remember that huge IRS backlog? It's easy to think back and assume that the problems began with the pandemic, but they had started well before that. The last government shutdown started the IRS on its path to a massive paper logjam. Here's a look at what happened. Could it happen again?

**2018 Shutdown**

In 2018, Congress couldn't agree on a solution to the budget that failure resulted in a shutdown. The reason for the stonewall? It was, literally, a wall.

Then-President Trump demanded $6-8 billion from Congress to build a border wall between the U.S. and Mexico. To pay for the wall, the president planned to make cuts to several federal agencies including the Department of Health and Human Services, and the Environmental Protection Agency.

Congress which had already kicked the federal funding can down the road by pushing through two short-term "minibus" appropriations bills finally took action. Sen. Majority Leader Mitch McConnell initially signaled that the Senate was willing to compromise. But when the Senate passed another "minibus" to keep the lights on, Trump said he would not sign any bill that did not include funding for the wall. The Republican-led House stood with Trump and refused to pass the Senate bill. As a result, the federal government officially shut down on Dec. 22, 2018.

The shutdown lasted 35 days, the longest in history. By the time it resumed, the IRS was weeks behind schedule on training and new hires for the 2019 tax season. At the time, the National Taxpayer AdvocateadvisedHouse officials that it would take "at least a year" for the IRS to return to normal operations.

Why so long? When the lights came back on, the IRS had a backlog of 5 million unanswered pieces of mail. At the height of the shutdown, the IRS was receiving more than 700,000 pieces of mail per day. Since in-person taxpayer assistance centers, fax lines, and phone systems were closed, taxpayers and tax professionals were forced to send all requests even routine requests by U.S. Mail.

The IRS and the rest of the government turned the lights back on Jan. 25, 2019. The agency was already underfunded when operations resumed there were no additional hands on deck. If the IRS reassigned workers from other departments to process the mail at a rate of 20,000 more letters per day meaning that they would be removed from other tasks the agency assumed they would be able to tackle the mail backlog alone in 250 business days or roughly, a full calendar year.

**Covid-Related Issues**

What the IRS didn't count on was Covid. On Jan. 20, 2020, the first official cases of Covid were reported in the U.S. A month later, the Center for Disease Control confirmed the first Covid-related death in the U.S. And by mid-March, the U.S. had declared a nationwide emergency.

Meanwhile, the 2020 filing season was already in full swing, having opened on Jan. 27, 2020. According to the IRS, on the first day, they processed more than 2.275 million e-filed returns in an hour and at a rate of 631 submissions per second.

By the end of March, the IRS declared an evacuation order andclosed morethan 90% of IRS buildings. Many employees transitioned to work remotely and you know the rest. The IRS, starting from a deficit, never fully caught up in 2020, leading to more problems in 2021 and 2022.

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OGDEN, UTAH - MARCH 31: An IRS employee walks through tax documents in the staging warehouse at a Internal Revenue Service facility on March 31, 2022 in Ogden, Utah. (Photo by Alex Goodlett for The Washington Post via Getty Images)

The Washington Post via Getty Images

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**All Caught Up-Ish**

The IRS is finally righting the ship. With extra employees and new technology, the backlogs are being winnowed down although anyone still waiting for a refund or forms to be processed might argue that point.

According to the IRS, they have now processed all paper and electronic individual returns received prior to Aug. 2023, and are opening mail within normal time frames. This means the agency has processed returns received for tax year 2021 or earlier if those returns had no errors or didn t require further review.

As of Sept. 16, 2023, the IRS had 945,000 unprocessed individual returns, including tax years 2022 as well as those 2021 returns that need review or correction and late filed prior year returns. Of these, 900,000 returns require error correction or other special handling, and 45,000 are paper returns waiting to be reviewed and processed.

**2023 Shutdown Threat**

Now, another government shutdown looms. On Sept. 30 at midnight, the government will run out of money for the next fiscal year. Unless a compromise is reached in Washington, there will be a government shutdown, and all nonessential government functions must stop.

**What Are The Sticking Points?**

***Politics***. There are 435 seats in the House of Representatives of those, 221 seats are Republicans, 212 are Democrats, and two are vacant. There are 100 seats in the Senate of those, 49 are Republicans, 48 are Democrats, and three are Independents. That means there is little room for breaking with the party if a bill is not bipartisan.

So why not craft a bipartisan bill? Currently, the sides are pretty close on several budget matters in the Senate, but some Republicans in the House want to see more spending cuts and reduced funding for Ukraine. While Republicans hold the majority in the House, they need most of their members to agree or a spending bill likely won t advance. Crossing the aisle isn t an option: Rep. Matt Gaetz (FL-R)has suggestedthat he will try to replace House Speaker Kevin McCarthy if he makes concessions on spending bills.

**Potential Consequences**

There is irony at being pushed into a shutdown while fighting about cost savings shutdowns are expensive. According to the Congressional Budget Office (CBO), the government shutdown in 2018reducedeconomic output by $11 billion in the following two quarters including $3 billion that the economy never regained. Thelast three government shutdownsled to the equivalent of 56,940 years in lost productivity from federal workers being furloughed, costing the government at least $338 million in additional processing costs and late fees. And Moody's Analytics estimated that the 2013 government shutdown reduced GDP growth by $20 billion.

**Getting Paid**

It can be easy to forget just how big the government is, and how many aspects of your daily life could be impacted by a shutdown. If the government shuts down, many functions that impact taxpayers will slow down or stop.

Fortunately, Social Security checks will still go out every month during a shutdown as those are considered mandatory spending. The same is true for Medicare and Medicaid payments.

Government workers may be furloughed. The National Treasury Employees Union (NTEU), the labor union representing 150,000 employees of 31 departments and agencies of the United States government, including the IRS,reportsthat at least 2,600 civilian federal employees live in every congressional district. The vast majority 96% of the districts have over 4,000 civilian federal employees. Several states have more than 100,000 federal employees.

Those figuresdo not includemilitary service members. Service members will continue to report for duty, though they typically do not get paid during a shutdown.

"A government shutdown is not a harmless, D.C. drama," said NTEU National President Doreen Greenwald. "Federal employees in every American community will lose income, through no fault of their own, and in many cases, they will be locked out of doing the work they were hired to do for the American people."

Federal employees earn back pay during a shutdown, but it means missed paychecks in the meantime. Not all government employees will face hardship salaries for members of Congress aren t funded through annual appropriations, so they will continued to be paid during any shutdown.

**IRS**

TheAnti-Deficiency Actis a series of laws dating back more than 100 years. The Act is intended to stop federal agencies from spending money that isn't authorized as well as barring them from accepting voluntary services employees can't work for free during a shutdown. The penalties for violating the Act are severe, so federal agencies generally provide a written contingency plan.

A link to earlier contingency plans for the Department of Treasury now results in an error message reading "Page Not Found." That suggests that the IRS may be readying plans behind the scenes.

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Dept. of Treasury screenshot from Sep. 27, 2023

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Anarchived pageshows the contingency plan for FY2023, which was approved on Sept. 8, 2022. The coming fiscal year is FY2024, which begins on Oct. 1, 2023, and ends on Sept. 30, 2024.

In the prior contingency plan, the IRS reported that the Inflation Reduction Act funding meant that normal IRS operations would continue during a government shutdown. All of the employees were expected to be retained. It's unclear whether that would still be the case.

If the IRA money is not in play, we'd have to rely on the law and history as a guide.

During a shutdown, agencies are allowed to perform activities supported by funding that doesn't expire at the end of the fiscal year, as well as other activities that are either expressly permitted under the law or deemed necessary. Sometimes those activities cross over. For example, Social Security payments are funded outside of an annual appropriation, so those employees will continue to work, as well as those IRS employees who support them, even though IRS funding is typically not outside of annual appropriation.

The law also allows for "activities necessary to safeguard human life or protect government property." You might not think of your tax return as a matter of life or death, but the government begs to differ the IRS may process tax returns with taxpayer payments to protect those dollars.

Here's a partial list of additional functions that directly impact taxpayers, which will typically continue during a government shutdown:

* Processing of returns with payments

1. Processing disaster relief transcripts
2. E-filing up to the point of refunds
3. Design and printing of tax forms
4. Appeals (statutory deadlines will not be changed)
5. Certain civil and criminal tax cases (statute expiration, bankruptcy, liens, and seizures cases)
6. Active criminal investigations
7. IRS.gov (website)

Here's a partial list of functions that directly impact taxpayers and would typically be put on hold during a government shutdown:

* No tax refunds issued

1. No processing of non-disaster relief transcripts
2. No processing of forms 1040X, amended returns
3. No non-automated collections
4. No audit or examinations (some exceptions apply)
5. No legal counsel
6. No call center during Non-Filing Season

The IRS also typically releases the tax brackets and other tax adjustments for the coming year in the previous October. It's not clear whether those would be released on time. However, you can check out the predicted adjustments for 2024 from Bloomberghere now.

**What's Next**

None of us have a crystal ball, and this situation remains fluid. Check back with the Forbes tax team for updates as they become available.

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**Load-Date:** September 29, 2023

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