OTP hiring

From: "Batchelder, Lily" <lily.batchelder@treasury.gov>
To: kamin@nyu.edu, rkysar@fordham.edu, db609@georgetown.edu, chye.ching.huang@nyu.edu, vfleischer@law.uci.edu, jmilne@vermontlaw.edu, Steven Dean <steven.dean@brooklaw.edu>, daniel.hemel@nyu.edu, "Shaviro, Daniel" <shavirod@mercury.law.nyu.edu>, anne.alstott@yale.edu, Michael J Graetz <mjg127@columbia.edu>, Lilian Faulhaber <lilian.faulhaber@law.georgetown.edu>, bdg9@law.georgetown.edu, "Gamage, David" <dgamage@indiana.edu>, llederma@indiana.edu, alice.abreu@temple.edu, jbankman@stanford.edu, paul.caron@pepperdine.edu, richard.pomp@uconn.edu, calfee@law.ufl.edu, osofsky@email.unc.edu, greene@law.duke.edu, colinvaux@law.edu, arasko@law.columbia.edu, tbrennan@law.harvard.edu, kfogg@law.harvard.edu, Nina Olson <neo@taxpayer-rights.org>, Chuck Marr <marr@cbpp.org>, "Levitis, Jason" <jlevitis@urban.org>
Cc: "West, Thomas" <thomas.west2@treasury.gov>, "Vallabhaneni, Krishna" <krishna.vallabhaneni@treasury.gov>, "Weiser, Carol" <carol.weiser@treasury.gov>
Date: Tue, 27 Sep 2022 13:45:42 -0400

Dear Colleagues,

OTP is hiring and I was hoping you could help share the following job postings with your former students, career services offices, professional networks, etc. We are looking to recruit attorney-advisors with experience in the following areas:

- Energy tax and renewable energy incentives
- Tax equity financing
- Tax procedure, administration, and compliance
- Partnerships and other pass-through entities
- Financial institutions and products, including tax-exempt bonds
- Personal income tax credits
- Issues of import to Indian tribal nations and their citizens
- Employer-provided health benefits

Given the time sensitive nature of implementing many provisions in the Inflation Reduction Act, we are asking for applications by **October 3**, though will continue to consider applications thereafter on a case-by-case basis

Thanks so much and hope you are well!

Lily

Attorney-Advisors in the Office of Tax Legislative Counsel

Job Description: The Office of Tax Legislative Counsel (TLC) is the component office of the Department of the Treasury's Office of Tax Policy responsible for advising the Assistant Secretary for Tax Policy and other senior Treasury officials on the formulation of legislative and administrative proposals that further the Administration's domestic tax policies. TLC consists of roughly 20 lawyers and tax policy advisors who share a commitment to serving the Nation by advising on and reviewing most of Treasury's domestic tax policy and legal matters. On a daily basis, TLC attorney-advisors enjoy the privilege of shaping domestic tax matters (other than employee benefits, employment tax, and pension matters) with their experiences and perspectives as they consult with colleagues in the Internal Revenue Service (IRS) to develop regulations and other administrative guidance under the Internal Revenue Code and offer their technical expertise to Congressional staff drafting tax legislation. Partial telework is permitted; full remote work schedules may be considered, depending on the relevant experience of the applicant and the needs of the office. Some travel may be required.

Relevant Qualifications and Experience: This announcement is being used to fill multiple positions for Attorney-Advisors at the GS-15 level. Our office places a high value on diversity of experiences and perspectives and encourages applications from individuals from all ethnic and racial backgrounds, veterans, LGBTQ+ individuals, and persons with disabilities. Applicants must have graduated from an accredited law school with an LLB, JD, or equivalent, be a member in good standing of a bar in a state or territory of the United States or the District of Columbia, and have at least 7 years of relevant legal experience (which may include a judicial clerkship).

Applicants should have significant experience in at least one of the following domestic federal tax areas:

- Energy tax rules, especially with respect to renewable energy incentives and tax equity financing;
- Tax procedure, administration, and compliance, which may include federal tax controversy experience;
- Taxation of partnerships and other pass-through entities; and
- General federal tax experience that may translate to a variety of federal tax issue areas or derive from working on:

- Issues of import to Indian tribal nations and their citizens,
- Issues regarding financial institutions and products, including tax-exempt bonds and other financial instruments, or
- Issues regarding various personal income tax credits, such as the Earned Income Tax Credit, Child Tax Credit, or American Opportunity Tax Credit.

Applicants should also have strong legal research and writing skills, as well as an interest in public service.

Applicants must be U.S. citizens or nationals.

To Apply: Please email a resume to taxpolicyrecruiting@treasury.gov and reference TLC Attorney-Advisor Position in the subject line of the email. In the email, please indicate under which domestic federal tax area(s) you would like your application to be considered. **Please apply no later October 3, 2022.** Applications received later may be considered on a case-by-case basis.

Questions may be directed to taxpolicyrecruiting@treasury.gov.

ATTORNEY-ADVISOR IN THE OFFICE OF BENEFITS TAX COUNSEL

Job Description: The Office of Benefits Tax Counsel (BTC) is the component office of the Department of the Treasury's Office of Tax Policy responsible for advising the Assistant Secretary of Tax Policy and other senior Treasury officials on the formulation of legislation and administrative proposals that further the Administration's retirement, health and welfare, fringe benefits, and employment tax policies. BTC consists of roughly 8 lawyers and tax policy advisors who share a commitment to serving the Nation by advising on and reviewing Treasury's tax and legal matters related to employee and contractor benefits and employment taxes. On a daily basis, BTC attorney-advisors work with their Internal Revenue Service (IRS) colleagues to develop regulations and other administrative guidance under the Internal Revenue Code and to offer technical assistance to Congressional staff drafting benefits tax legislation. Partial telework is permitted; full remote work schedules may be considered, depending on the relevant experience of the applicant and the needs of the office. Some travel may be required.

Currently, BTC is seeking an attorney-advisor to work on guidance implementing the No Surprises Act and transparency in coverage provisions of the Consolidated Appropriations Act, 2021, as well as guidance under the Affordable Care Act, the Mental Health Parity and Addiction Equity Act, and other priority areas relating to health and welfare benefits under the Internal Revenue Code. The attorney-advisor will work on regulations, other published guidance, materials for implementation/operation of programs, proposed legislation, Congressional correspondence, and related matters (such as litigation) involving these health and welfare benefits issues.

Relevant Qualifications and Experience: Applicants should have a minimum of 5 years of experience (which may include a judicial clerkship) working on matters relating to employee benefits, including significant experience with matters relating to health benefits. Our office places a high value on diversity of experiences and perspectives and encourages applications from individuals from all ethnic and racial backgrounds, veterans, LGBTQ+ individuals, and persons with disabilities. Applicants must have graduated from an accredited law school with an LLB, JD, or equivalent, be a member in good standing of a bar in a state or territory of the United States or the District of Columbia.

Applicants should also have strong legal research and writing skills, as well as an interest in public service.

Applicants must be U.S. citizens or nationals.

To Apply: Please email a resume to taxpolicyrecruiting@treasury.gov and reference BTC Attorney-Advisor Position in the subject line of the email. In the email, please indicate under which domestic federal tax area(s) you would like your application to be considered. **Please apply no later October 3, 2022.** Applications received later may be considered on a case-by-case basis.

Questions may be directed to taxpolicyrecruiting@treasury.gov.

RE: Bullets

From: Seth Hanlon <shanlon@americanprogress.org>
To: "Batchelder, Lily" <lily.batchelder@treasury.gov>
Date: Thu, 29 Sep 2022 12:35:35 -0400

Sounds like a job I might be interested in!

From: Lily.Batchelder@treasury.gov <Lily.Batchelder@treasury.gov>
Sent: Thursday, September 29, 2022 12:25 PM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: Bullets

#1

- Experienced tax lawyer (must have extensive tax expertise)
- Experience running intergovernmental tax policy process, preferably as part of EOP
- Knowledgeable about climate policy and trusted by climate leaders
- Experience and knowledge of Hill and stakeholder management and engagement
- Adept at translating technical tax concepts to lay audiences

#2

- Experience working on tax legislation on the Hill
- Deeply knowledgeable about green credits in the Inflation Reduction Act, technical tax issues related to them, and stakeholder interests
- Graduate degree preferred

Very high-level framing

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: Fri, 14 Oct 2022 08:51:10 -0400

Hi Ellen,

In case useful, please see the below. This is very early stage so not yet ready to share, but I wanted to send your way, and of course extremely happy to look through anything on your end as well.

So wonderful to see you this week, and look so forward to talking again soon.

All my very best, and many thanks again—for everything,

Natasha

The purpose of this mandatory funding is secure the personnel, technology, and expertise to target revenue from high income tax evaders. Because of a decrease in its annual budget of 20% each year for the last decade, it is currently incapable of capturing that revenue.

- This resource shortage is compounded by a 35% reduction in the number of revenue agents dedicated to high-end evasion and large corporate cases.
   - For example, the IRS currently opens only 7,500 exams of partnerships each year out of more than 4 million returns that it receives.
   - Overall, audit rates for taxpayers making over $1 million in income have fallen by almost 80 percent in the past decade. It also has not had the tools that it has needed to modernize outdated technology or automate work that today is being done inefficiently, such as manual transcription of paper returns.

Mandatory funding is necessary to allow the agency to make these investments, many of which have high fixed costs.

- Recruiting and training sophisticated compliance teams capable of pursuing complex, high earner evasion must occur over the span of the next decade to be done right; similarly, developing one-stop digital services to allow the agency to establish state-of-the-art communications with the American taxpayers (i.e., the way they currently communicate with their financial institution) requires a long-term investment.

In short, the discretionary resources cover the cost of continued operations at the IRS, and the mandatory funding supports the agency's efforts to transform into a 21^{st} century tax administrator while dramatically improving taxpayer service and expanding effective enforcement of high-income tax non-compliance (focused on expanding enforcement for taxpayers with net incomes over $400,000).

Should the IRS be forced to use mandatory funding to cover existing operations due to a lack of sufficient discretionary appropriations, the IRS will not have the resources in place it needs to use IRA funding to achieve congressional intent by transforming its technological ecosystem, investing in real-time taxpayer service and filing simplification like direct file tools, and building up enforcement capacity in areas of high concern, where today high-end evaders and the partnerships and corporations they own are able to underpay their tax liabilities substantially without any true capacity of the IRS to pursue this evasion.

FW: __ Smith Op-Ed: IRS abuse demands answers

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Chuck Marr <marr@cbpp.org>, Samantha Jacoby <sjacoby@cbpp.org>
Date: Wed, 26 Oct 2022 15:31:32 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

From: House Budget Committee Republicans <press@budgetgop.housecommunications.gov>
Sent: Wednesday, October 26, 2022 3:27 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: [redacted] Smith Op-Ed: IRS abuse demands answers

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

View this email in your browser

FOR IMMEDIATE RELEASE
October 26, 2022

CONTACT:
Tim Foster

Smith Op-Ed: IRS abuse demands answers

By Rep. Jason Smith
The Hill

House Republicans recently announced our Commitment to America, and one of the pillars of that commitment is to hold Washington accountable to the American people. We made this commitment because we have listened to Americans who all across this country are experiencing the hardships and uncertainty created by an out-of-control government with an out-of-touch agenda under one-party Democrat rule in Washington and are rightfully concerned about what could come next.

Sadly, we know from experience how out-of-control government can become. We need look no further than the last time Democrats controlled the White House during the Obama-Biden administration, when the IRS targeted conservative political groups that opposed the administration's priorities and then tried to cover it up.

Nine years ago, it was revealed that the IRS division that grants non-profit status to political organizations, overseen by a Lois Lerner, had been targeting for additional scrutiny conservative groups in the lead up to the 2012 Presidential election. Despite being at the center of a scandal where Americans' freedom of speech was being suppressed, Lerner received nearly $130,000 in taxpayer-funded bonuses between 2010 and 2013, including a $42,000 bonus while she was under investigation for the targeting activity that occurred under her watch.

Years later, American taxpayers are just now learning how much this scandal has cost them. At the House Budget Committee, we have traced that over the years, taxpayers have footed the bill for Lerner's legal defense to the tune of at least $3.6 million — forcing the same taxpayers whose First Amendment rights were violated by the IRS to defend the bureaucrat who violated them. Another $3.5 million has been paid to victims of the Lerner targeting scheme, totaling at least $7.1 million to deal with the fallout from the IRS' illicit activity.

As more information comes to light about the scandal, it is increasingly baffling and frustrating that to date not a single federal employee has been held accountable. Recently unsealed emails from Lerner showed she was aware as early as 2010 that conservative groups were being held to a different standard than other applicants, and yet she did nothing. Unfortunately, this is unsurprising as her emails make it clear *why* she did nothing. Lerner reveals a remarkable level of disdain for conservatives and the values they hold dear — referring to her fellow Americans as "crazies" and "a[**]holes," and writing that their "rabid, hellfire piece of religion" was destroying the country.

As if one was not enough, Democrats voted this year in their Inflation Reduction Act to create an army of potential Lois Lerners by handing over $80 billion to the IRS to hire 87,000 new agents to audit working families. Estimates show this would lead to 710,000 more audits on middle-and low-income families. In response to legitimate public fear that the IRS will come knocking on their doors, Treasury Secretary Janet Yellen attempted to assuage the American people's concerns by telling the IRS not to conduct audits above "historical levels" on families making less than $400,000. What Secretary Yellen failed to explain to the public is that the "historical levels" she referenced would return audit levels to those we saw under the Obama-Biden administration when the Lerner scandal occurred. Further, her directive does nothing to limit the myriad of other enforcement actions the IRS could pursue against working class Americans.

Thanks to Democrats, the IRS is so flushed with the cash now that it recently admitted it could continue to operate whether or not Congress voted to fund its annual budget. The agency has said it has enough funding from the Inflation Reduction Act to keep every employee on payroll even during a lapse in government funding that would cause other agencies across government to cease regular operations. In short, Democrats have prioritized the IRS to such an extent that it can continue implementing President Biden's agenda no matter what. By allowing the IRS to potentially function absent regular congressional funding, Democrats have forfeited congressional oversight that could address the agency's repeated abuse of power.

A supercharged IRS that does not answer to Congress is dangerous. Over the past two years we've seen the agency become increasingly unaccountable under President Biden's rein. For example, last year the tax information for thousands of Americans was leaked to the media at the same time President Biden was trying to whip public support for raising taxes on those same individuals. And earlier this year, the agency again leaked confidential tax information online — this time of 120,000 taxpayers who own retirement accounts on which Democrats have sought to impose stricter contribution limits. Are Americans truly expected to assume all of these instances are just a bunch of coincidences?

Democrats have refused to ask the IRS tough questions about the agency's behavior because it could potentially expose how abuses of power by the IRS have served the Washington Democrats' political agenda. When Republicans earn back majorities in Congress, business as usual for the IRS will be over. We will return power to the American people and hold the IRS accountable, starting with undoing 87,000 IRS agents that Democrats hired to go after working families. It is time for Washington to get a wakeup call.

###

Our mailing address is:
House Budget Committee Republicans
507 Cannon House Office Building
Washington, D.C.
20215

Want to change how you receive these emails?
You can update your preferences or unsubscribe from this list

IRA Stakeholder Mtg (Ford Motor Company)

Where:	https://ustreasury.zoomgov.com/j(b)(6) [redacted]
When:	Thu Nov 17 10:30:00 2022 -05:00
Until:	Thu Nov 17 11:00:00 2022 -05:00
Organisers	"Byrd, Kimberly" <kimberly.byrd@treasury.gov>
Required Attendees:	"West, Thomas" <thomas.west2@treasury.gov> "Leonard, Shelley" <shelley.leonard2@treasury.gov> Seth Hanlon <shanlon@americanprogress.org> "Aks, Matthew" <matthew.aks@treasury.gov> jmikrut@capitoltax.com "jmikrut@capitoltax.com" <jmikrut@capitoltax.com>
Optional Attendees:	"Bernardini, Jennifer" <jennifer.bernardini@treasury.gov> "Wojcik, Kimberly" <kimberly.wojcik@treasury.gov> "Jacinto, Jarrett" <jarrett.jacinto@treasury.gov> "Carlson, Curtis" <curtis.carlson@treasury.gov> "Leiserson, Gregory" <gregory.leiserson2@treasury.gov> "Batchelder, Lily" <lily.batchelder@treasury.gov> "Sneeringer, Stacy" <stacy.sneeringer@treasury.gov> "Uberoi, Nimita" <nimita.uberoi@treasury.gov> "Arceneaux, Scott" <scott.arceneaux@treasury.gov> "Brown, Austin L. EOP/WHO"WHO-EOP [redacted]
Attachments:	Ford Motor Company Comments on IRA 11.03.2022[73].pdf (393.19 kB)

Ford attendee list:

Steve Croley, Chief Policy Officer and General Counsel, scroley@ford.com
Chris Smith, Chief Government Affairs Officer, cass@ford.com
JT Young, Director of Government Affairs, jyoun134@ford.com
Nicole Puckett, Chief Tax Officer, npuckett@ford.com
Bob Cahalan, Assistant Tax Officer, rcahala1@ford.com
John Ortisi, Tax Attorney, jortisi@ford.com
Katie Wang, Director, Battery and Raw Material Supply Chain, kwang109@ford.com
Joe Mikrut, Partner, Capitol Tax Partners, mikrut@capitoltax.com

Attached are the comments filed by Ford on November 4th. On the call, they plan to discuss the following topics:

- Foreign entity of concern;
- Definitions of processing;
- Vehicle designation (sedan or SUV).

Hi there,

Matt Aks is inviting you to a scheduled ZoomGov meeting.

Join Zoom Meeting

One tap mobile:

US: +16692545252,,[redacted]# or +16468287666,[redacted]#

Meeting URL:

https://ustreasury.zoomgov.com/[redacted]

Meeting ID:

[redacted]

Join by Telephone

For higher quality, dial a number based on your current location.

Dial:

US: +1 669 254 5252 or +1 646 828 7666 or +1 669 216 1590 or +1 551 285 1373 or 833 568 8864 (Toll Free)

Meeting ID:

[redacted]

International numbers

Join from an H.323/SIP room system

H.323:

161.199.138.10 (US West)
161.199.136.10 (US East)

Meeting ID:

[redacted]

SIP:

[redacted]@sip.zoomgov.com

VIA ELECTRONIC TRANSMISSION to IRS-2022-0020-0001 and IRS-2022-0021-0001

November 3, 2022

Department of the Treasury
Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

Re: Ford Motor Company's Comments on Inflation Reduction Act
Notice 2022-46: Clean Vehicle Credit, Section 30D
Notice 2022-47: Advanced Manufacturing Production Credit, Section 45X

Ford Motor Company (Ford) thanks the staff and leadership at the Treasury Department, the IRS, and throughout the Administration for considering these comments on the Inflation Reduction Act's amendments to section 30D and the addition of section 45X to the tax code, 26 U.S.C. §§ 30D and 45X.

Ford is committed to accelerating the development of breakthrough electric, connected vehicles that are made for Americans and by Americans. As a company, we take great pride in assembling more vehicles and employing more hourly workers in the U.S. than any other automaker. We are also proud to have been the only full-line American automaker to stand in support of California's stronger vehicle emissions standards during the prior administration, and we are now defending the Biden Administration's standards, both in keeping with the Paris Climate Accord and our company commitment to be 100% carbon neutral worldwide by 2050.

Ford appreciates the actions taken by the Biden Administration and Congress to promote zero emissions vehicles and their domestic supply chains, including new measures in the Inflation Reduction Act. We recognize the tremendous potential of this law to help our country meet our shared goals to address climate change and lead the clean energy economy. With careful implementation and partnership between the public and private sectors, this legislation will help us transition to a zero-emissions transportation future while strengthening America's economy, energy independence, and national security.

We have enclosed two attachments to this letter: one regarding the Clean Vehicle Credit under Section 30D, and a second regarding the Advanced Manufacturing Production Credit under Section 45X. Both credits will help strengthen our domestic supply chains and locally source battery components and critical minerals, helping decarbonize transportation while also strengthening American manufacturing. As detailed in these attachments, Ford requests that the government confirm, clarify, and interpret the meaning of various aspects of both provisions.

801 Pennsylvania Avenue NW
Suite 400
Washington, DC 20004

With respect to the Clean Vehicle Credit, Ford strongly encourages the government to take the time necessary to develop comprehensive guidance that clearly establishes for all affected parties—automakers, suppliers, dealers, and customers—what vehicles are eligible and what responsibilities each part of the value chain has to demonstrate compliance with the credit's multiple complex criteria. Doing so will allow more customers to benefit from the incentive now and into the future and push automakers and suppliers to build up the supply chains that are critical to our economic and national security.

While we encourage you to be deliberate in the careful implementation of the Inflation Reduction Act, Ford is not waiting to lead the EV revolution. We are working overtime to localize our supply chains and ramp up the production of our must-have, iconic electric vehicles. Since just last fall, Ford and our partners have announced nearly $14 billion in EV and battery investments in the United States, building out a supply chain that upholds our commitment to care for people and protect the environment. Globally, we are investing $50 billion in electric vehicles and the batteries and supply chains that power them through 2026. By late next year, we're targeting an annual run rate of 600,000 EVs, and we will ramp up to a 2 million global annual run rate by 2026. We plan that half of our global production will be electric vehicles by 2030. Effective implementation of the IRA, consistent with our comments, will help Ford achieve and perhaps exceed these targets.

Our country is at an inflection point: we have the opportunity to make a bold move to combat climate change and ensure the United States remains an economic and technological leader on the world stage going forward. And just as we did when Ford put the world on wheels a century ago, we intend to make sure this next industrial revolution, the EV revolution, is Built for America.

Thank you again for your time and consideration. Please feel free to contact me or Evan Belser, Policy Strategist and Managing Counsel, at 202-997-0217 or ebelser1@ford.com if Ford can provide any additional information or support to implement this historic piece of legislation.

Sincerely,

Christopher A. Smith
Chief Government Affairs Officer
Ford Motor Company

Attachments

Attachment

Ford Motor Company's Comments on
Clean Vehicle Credit, Section 30D
Notice 2022-46, IRS-2022-0020-0001
November 3, 2022

(2) Critical Minerals. Section 30D(e)(1) provides the new critical minerals requirements, including the applicable percentage requirements to be phased in over several years.

(a) What factors and definitions should be considered to determine the place of extracting or processing such critical minerals, and, in particular, to determine whether extracting or processing occurred in the United States or in any country with which the United States has a free trade agreement in effect?

Ford requests that the government clarify the meaning of the term "processing." A clear definition will be fundamental for compliance. The law states that processing should occur in the United States or a country with which there is a Free Trade Agreement in effect. However, given the complex journey that critical minerals take from extraction to incorporation into the battery of an electric vehicle, it is not clear what stage(s) of the journey actually constitute "processing."

Take for instance, lithium, which section 45X(c)(6)(P) defines as an applicable critical mineral only as "Lithium which is (i) converted to lithium carbonate or lithium hydroxide, or (ii) purified to a minimum purity of 99.9 percent lithium by mass." Mined ore and brine containing lithium pass through many stages, only one or a few of which yields "lithium," as defined. There is extraction, crushing, grinding, filtering, and transportation of ore to yield spodumene concentrate. To yield battery-grade lithium carbonate from spodumene concentrate, the steps can include calcination, acid roast, leaching, purification, filtration, removing magnesium and calcium, precipitation, digestion, ion exchange, crystallization, use of centrifuge, drying and micronizing. To yield battery-grade lithium hydroxide from the lithium carbonate, the steps can include conversion, ion exchange, evaporative crystallization, and drying.

Ford urges the government to define "processing" to include any step(s) that is necessary to yield a substance that meets the statutory definition for an applicable critical mineral. If any of these processing steps occur in the United States or a country with which the United States has a Free Trade Agreement, then that applicable critical mineral should be eligible for the critical minerals credit in section 30D. This definition would align with the statutory language, and provide needed clarity for the industry.

(b) What factors and definitions should be considered to determine the place of recycling such critical minerals and, in particular, to determine whether recycling occurred in North America?

Ford requests the government define the place of recycling for critical minerals as having occurred in North America if any step of the process that begins with used batteries or manufacturing byproduct and is necessary to yield a substance that meets the statutory definition for an applicable critical mineral occurs in North America. The place of recycling should not depend on the initial source of the batteries or other material that serve as inputs or feedstocks for recycling. Defining place of recycling in this way will help spur the development of closed-loop battery recycling supply chains.

(c) What factors and definitions should be considered to determine (i) the total value of the critical minerals contained in a vehicle's battery, and (ii) the percentage of that total value attributable to critical minerals (I) extracted or processed in the United States or a country with which the United States has a free trade agreement in effect, or (II) recycled in North America?

The total value of the critical minerals contained in a vehicle's battery should be the sum of the amount paid for, or the fair market value of, all applicable critical minerals (as defined by 26 U.S.C. § 45X) that are installed into (or through additional processing become part of) the vehicle's battery. Consistent with the definitions for "processing" and "recycling" laid out above, the full value of each critical mineral in which some extraction, processing, <u>or</u> recycling took place within the required location(s) will count towards meeting the critical minerals percentage(s).

(3) Battery Components. Section 30D(e)(2) provides the new battery component requirements, including the applicable percentage requirements to be phased in over several years.

(a) What factors should be considered in defining the components of a battery of a clean vehicle?

Ford requests that the government define battery components to include components in the battery bill of materials that are used in the battery manufacturing or assembly process. This should include Tier 1 components and exclude sub-components or critical raw materials provided by Tier 2 suppliers (and beyond). The value of Tier 1 components incorporates the value of components from all previous supplier tiers, so full value is included. To separately include the components of previous supplier tiers as battery components would result in a double count of value.

The definition of battery components should also include indirect materials that are in the battery bill of materials that are used in the battery production process. Similar to the treatment of indirect materials under the US-Mexico-Canada Agreement ("USMCA") as originating materials (regardless of the indirect material's originating or non-originating status), these indirect materials should be counted as being manufactured or assembled in North America. For example, NMP (N-Methyl Pyrrolidone) is a solvent used in the battery electrode manufacturing process to dissolve the PVDF (polyvinylidene fluoride) binder and generate the slurry of ingredients which are then coated onto the current collector. During coating, the NMP is removed and thus does not end up in the final battery, but it is an essential intermediate component. This indirect material, if used in a manufacturing process in North America, should count toward the value of domestically sourced components.

Once a qualified manufacturer can identify the correct battery components, 100% of the value of the battery components that are manufactured or assembled in North America should be counted towards the applicable percentage requirement. The full value of a battery component, regardless of its constituent materials, should be counted because it satisfies both the definition of a battery component and also meets the standard of "manufactured or assembled in North America." This is consistent with the USMCA's standard approach which disregards non-originating content as long as the good satisfies the applicable rule of origin as a USMCA originating good.

(b) What factors and definitions should be considered to determine the place of manufacture or assembly of the components of a battery of a clean vehicle and, in particular, to determine whether manufacture or assembly occurred in North America?

The contemplated standard to meet "manufacture or assembly" should be lower than the U.S. Customs concept of "substantial transformation" because assembly implies a broader scope of operations that should be counted if shown to occur in North America.

(c) What factors and definitions should be considered to determine (i) the total value of the components contained in the battery of a clean vehicle, and (ii) the percentage of that total value attributable to components that were manufactured or assembled in North America?

The total value of battery components should be the amount paid for, or the fair market value of, the components plus any applicable costs such as labor and overhead incurred to produce those components.

(5) Foreign Entity of Concern. Section 30D(d)(7) provides that some vehicles are excluded from the availability of the credit, including when any of the applicable critical minerals contained in the battery were extracted, processed, or recycled by a foreign entity of concern (defined in 42 U.S.C. 18741(a)(5)), or if any of the components contained in the battery of such vehicle were manufactured or assembled by a foreign entity of concern.

(a) Is guidance needed to clarify the definition of "foreign entity of concern"?

Yes. While Ford appreciates and supports the overall objective of the law to bolster the localization of battery production and critical mineral mining and processing in the U.S. and with our trading partners and allies, an overly expansive interpretation of this provision risks undermining that very same objective by making the clean vehicle credit largely unavailable. As our industry works to domesticate our supply chain, clarity and guidance on what would constitute a "foreign entity of concern" is necessary to ensure that joint ventures in critical mineral extraction, processing, or recycling will not cause vehicles to be automatically excluded. Relatedly, clear guidance on the scope of ownership is essential to ensure a joint venture or partnership does not trigger the "foreign entity of concern" provision of the law.

Specifically, Ford recommends the following should not be considered to trigger the "foreign entity of concern" exclusion:

- A US-organized company, regardless of its owners
- A non-US company organized outside of a country of concern (i.e., China, Russia, Iran, North Korea), which is 50% or less owned by an entity that meets the definition of "foreign entity of concern" as defined in 42 U.S.C. § 18741
- A non-US joint venture member that is organized outside of a country of concern, even if it is affiliated with a "foreign entity of concern"

Lastly, industry needs a de minimis standard incorporated in "foreign entity of concern" reporting requirements so that unintended traces of critical minerals do not disqualify consumers from getting a tax credit.

(6) Recordkeeping and Reporting

(a) What existing regulatory or guidance frameworks for recordkeeping requirements or information reporting or existing battery technology supply chain tracking methodologies may be useful for developing guidance for qualified manufacturers under § 30D(e)(3)?

In order to establish a workable and sustainable verification process, the purchaser should be allowed to rely on the supplier's certification for critical minerals and battery components. The suppliers are undoubtedly in the best position to certify that the critical minerals or battery components meet the applicable IRA requirements. One example to consider is the current certification process utilized by U.S. Customs and Border Protection in order to verify originating status under a free trade agreement.

(10) Vehicle Classifications

(b) What criteria employed by the Environmental Protection Agency and Department of Energy, or other factors (for example, Department of Transportation motor vehicle type classification) should be considered in determining the designation of such vehicles?

For simplicity for consumers and the industry, vehicle classification for the MSRP caps ($80,000 for trucks, vans, and SUVs; $55,000 for all other vehicles) should align with vehicle classification in www.fueleconomy.gov, where EPA and DOE already classify vehicles into categories including those listed in the IRA (i.e., SUV, van, pickup). The IRA specifically requires alignment with classification by EPA and DOE in § 30D(f)(11)(C).

The government should not look to vehicle classification under the Corporate Average Fuel Economy (CAFE), which is administered by EPA and DOT (not DOE). That program includes only "car" or "truck" and, per 40 C.F.R. § 600.315-08, the EPA and DOE have discretion to select any vehicle classification (e.g., a vehicle may be a "car" in the CAFE program but an "SUV" in www.fueleconomy.gov, in which case it would be subject to the $80,000 MSRP cap).

(13) Please provide comments on any other terms that may require definition or additional guidance.

Ford supports a VIN-by-VIN approach to reporting which vehicles are eligible. This provides maximum flexibility for manufacturers to meet critical mineral and component requirements and supports statutory language that the classification be done by vehicle. Ford would also like the option to aggregate vehicles, and clarity from the federal government on reporting requirements. The VIN number calculation coupled with flexibility for allocating critical minerals within vehicle segments will give consumers greater access to the credit and more optionality when making purchasing decisions.

Guidance is needed to confirm that artificial graphite is not an applicable critical mineral. Artificial graphite does not meet the definition of graphite provided in section 45X(c)(6)(N) as "Graphite which is purified to a minimum purity of 99.9 percent graphitic carbon by mass." Artificial graphite is a feedstock from crude oil that is then processed into petroleum coke. Therefore, artificial graphite should not be subject to the analysis to determine if a battery meets the critical minerals requirement.

(2) Section 45X(d)(4) provides that for purposes of § 45X, a person is treated as having sold an eligible component to an unrelated person if such component is integrated, incorporated, or assembled into another eligible component which is sold to an unrelated person. How should "integrated, incorporated, or assembled" be determined?

Ford urges Treasury to clarify that a person is treated as having sold an eligible component if the person produces an eligible component (e.g., electrode active materials, battery cells, battery modules) they later integrate into another component (up to and including an electric vehicle) and sell that to an unrelated person. This clarification will help ensure that the sale of a complete vehicle, battery, component, or assembly will be eligible for the tax credit while allowing automakers, their joint ventures, and their suppliers to optimize the corporate structure of their businesses and the nature and sequence of manufacturing stages and commercial transactions.

(5) Is additional clarification needed regarding the definitions of an "eligible component" in § 45X(c)?

Ford requests Treasury confirm that the definition of "qualifying battery component" include the following components, which each fall under the common understanding of "electrode active materials," "battery cells," or "battery modules": cathode materials, cathode foils, PVDF (polyvinylidene fluoride) binder, anode material, artificial graphite, conductors, binders, deionized water, anode foils, copper foils, electrolyte solvents, additives, electrolyte salts, NMP (N-Methyl Pyrrolidone), CNTs (carbon nano tubes), electrolytes, pouch, maleic acid, tabs, tape, and stacking adhesive.

(a) How should the amount of the § 45X credit be calculated for components that could be used in systems of varying capacities?

In the case of producing batteries for electric vehicles, Ford requests that Treasury confirm that the credit in 45X is based on the installed capacity of the battery (as opposed to the usable capacity). Installed capacity reflects the amount of domestic battery production, and battery cell manufacturers may not necessarily be aware of the usable capacity (because the vehicle manufacturer determines usable capacity). Further, there is precedent in the tax code for using the installed capacity; the prior version of Section 30D ("New qualified plug-in electric drive motor vehicles") based tax credits on installed capacity (Section 30D(d)(4)).

(7) Section 45X(c)(6) identifies "applicable critical minerals," and includes minimum purity percentages by mass.

(a) How should purity percentages be determined?

Ford urges Treasury to confirm that the provisions of 45X concerning purity percentages exist to ensure that the amount of the tax credit (for example, in 45X(b)(1)(M)) is based off the amount of applicable critical minerals of that purity, regardless of whether the taxpayer produces and sells such minerals as a standalone commodity or whether the taxpayer produces and sells a commodity that includes such minerals as well as other elements or compounds. In the latter case, the tax credit would be based only on the costs to produce the applicable critical minerals, but not costs to produce other elements or compounds.

(b) Should an independent third party be required to verify the results?

No independent third-party verification is needed. Industry parties already ensure purity and quality, which are fundamental requirements to manufacture EV batteries.

(10) Please provide comments on any other topics under § 45X that may require guidance.

Ford requests Treasury confirm the plain language of section 45X(b)(1)(M), which provides for a credit that is, "in the case of any applicable critical mineral, an amount equal to 10 percent of the costs incurred by the taxpayer with respect to production of such mineral." The plain language of this provision encompasses all costs incurred by the taxpayer for all steps in the production of that applicable critical mineral.

Take, for example, lithium, which is an applicable critical mineral defined as "Lithium which is (i) converted to lithium carbonate or lithium hydroxide, or (ii) purified to a minimum purity of 99.9 percent lithium by mass." The production "costs" include all costs to the taxpayer incurred in each stage of production. In the case of lithium, production includes all of the following stages and qualifying costs include all those costs incurred:

- for mining, crushing, grinding, filtering, and transporting ore and any other steps to yield spodumene concentrate;
- for all the steps to yield lithium carbonate from spodumene concentrate including calcination, acid roast, leaching, purification, filtration, removing magnesium and calcium, precipitation, digestion, ion exchange, crystallization, use of centrifuge, drying and micronizing;

- for all the steps to yield lithium hydroxide from lithium carbonate, including conversion, ion exchange, evaporative crystallization, and drying;
- for all the steps to yield lithium hydroxide directly from spodumene concentrate, including calcination, acid roast, water leach, neutralization and impurity removal, filtration, crystallization, causticization, ion exchange, filtration, magnesium and calcium removal, use of centrifuge, dissolution, and drying;
- for all the steps to yield lithium carbonate from brine, including liming, use of ponds, boron removal, calcium and magnesium removal, lithium carbonate precipitation, crushing, repulping, flotation and tails dewatering, use of centrifuge, digestion, crystallization, drying, micronizing and packing;
- for all products and materials used or consumed in all these steps; and
- for proper disposal, recycling, or reuse of byproducts from all these steps.

RE: E-Connect with Environmental Law Institute Experts about Non-Partisan Non-Profit Education Events on Inflation Reduction Act Tax Credits

From: "Batchelder, Lily" <lily.batchelder@treasury.gov>
To: Vickie Patton <vpatton@edf.org>
Cc: Jay Pendergrass <pendergrass@eli.org>, Rachel Jean-Baptiste <jean-baptiste@eli.org>, "Aks, Matthew" <matthew.aks@treasury.gov>, "Hanlon, Seth" <seth.hanlon@treasury.gov>
Date: Sun, 04 Dec 2022 15:14:41 -0500

Hi Vickie,

Thanks so much for reaching out, and for all your work on passing and implementing the IRA. I'm adding a couple of my colleagues.

Best,
Lily

From: Vickie Patton <vpatton@edf.org>
Sent: Sunday, December 4, 2022 11:27 AM
To: Batchelder, Lily <Lily.Batchelder@treasury.gov>
Cc: Jay Pendergrass <pendergrass@eli.org>; Rachel Jean-Baptiste <jean-baptiste@eli.org>
Subject: E-Connect with Environmental Law Institute Experts about Non-Partisan Non-Profit Education Events on Inflation Reduction Act Tax Credits

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Assistant Secretary Batchelder,

Thank you for your leadership and public service.

The Environmental Law Institute's Jay Pendergrass and Rachel Jean-Baptiste, both included on this email, lead an inclusive and far-reaching environmental law education program. They would sincerely appreciate speaking with your colleagues about whether ELI's non-partisan non-profit education programs might host accessible and inclusive public events on actions by the Department of Treasury in implementing the Inflation Reduction Act.

Here is a sample of events that ELI hosts, https://hyperlink.services.treasury.gov/agency.do?origin=https://www.eli.org/events-calendar.

Sincerely yours,
Vickie Patton
Environmental Defense Fund

FW: The U.S. Tax Gap and Revenue Estimates From Increased Funding for the Internal Revenue Service

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: rrubin@cfr.org, Jack Lew (b)(6) [redacted]@gmail.com>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Chuck Marr <marr@cbpp.org>, Samantha Jacoby <sjacoby@cbpp.org>
Date: Wed, 07 Dec 2022 10:15:10 -0500
Attachments: 58602-IRS-tax_gap.pdf (291.84 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Lifting this up...

From: Jason Moreira <moreira@cbpp.org>
Sent: Wednesday, December 7, 2022 10:02 AM
To: Tax <Tax@cbpp.org>
Subject: CBO: The U.S. Tax Gap and Revenue Estimates From Increased Funding for the Internal Revenue Service

New From CBO

[The U.S. Tax Gap and Revenue Estimates From Increased Funding for the Internal Revenue Service]

Presentation by Kathleen Burke and Shannon Mok, analysts in CBO's Tax Analysis Division, and Joseph Rosenberg, Deputy Director of CBO's Tax Analysis Division, to the Brazilian Tax and Customs Administration.

• Email to a friend •

Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

The U.S. Tax Gap and Revenue Estimates From Increased Funding for the Internal Revenue Service

December 7, 2022

Presentation to the
Brazilian Tax and Customs Administration

Kathleen Burke, Shannon Mok, and Joseph Rosenberg
Tax Analysis Division

For information about the event, titled Tax Gap: Challenges for Tax Administrations in Brazil, see https://tinyurl.com/3jvp9aub.

U.S. Tax Gap

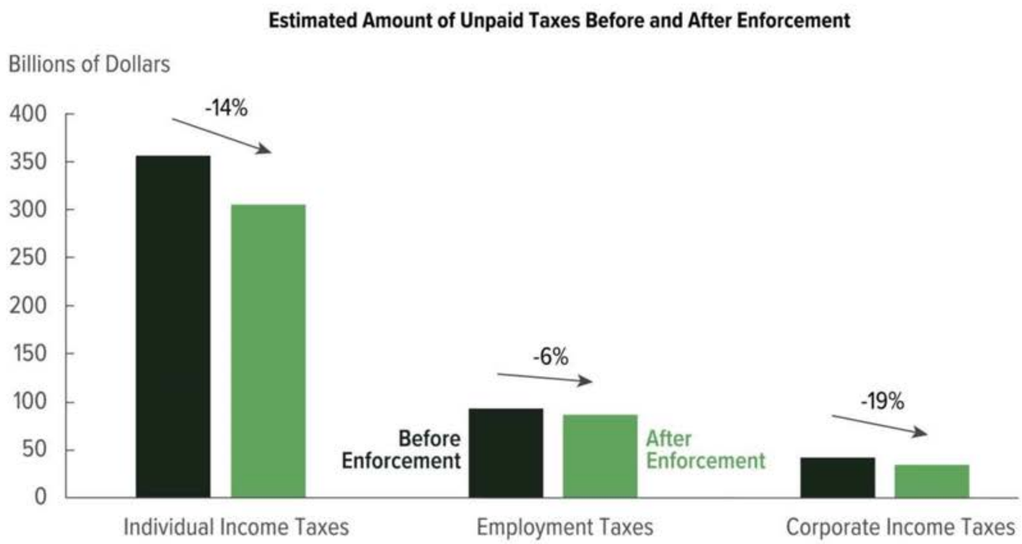
Estimates of the U.S. Tax Gap

In the United States, the Internal Revenue Service (IRS) relies largely on taxpayers to report their income, calculate the amount of tax they owe, and remit that amount to the IRS through withholding or other payments.

The difference between the amount of taxes owed and the amount collected each year—often called the tax gap—is estimated periodically by the IRS.

- **Gross tax gap:** The difference between the total amount of federal taxes owed and the amount that taxpayers paid on or before the filing deadline.
- **Net tax gap:** The amount of taxes that remains unpaid after the IRS has sought to collect the taxes owed, through either administrative or enforcement actions.

Estimated Amount of Unpaid Taxes as an Annual Average, 2014 to 2016



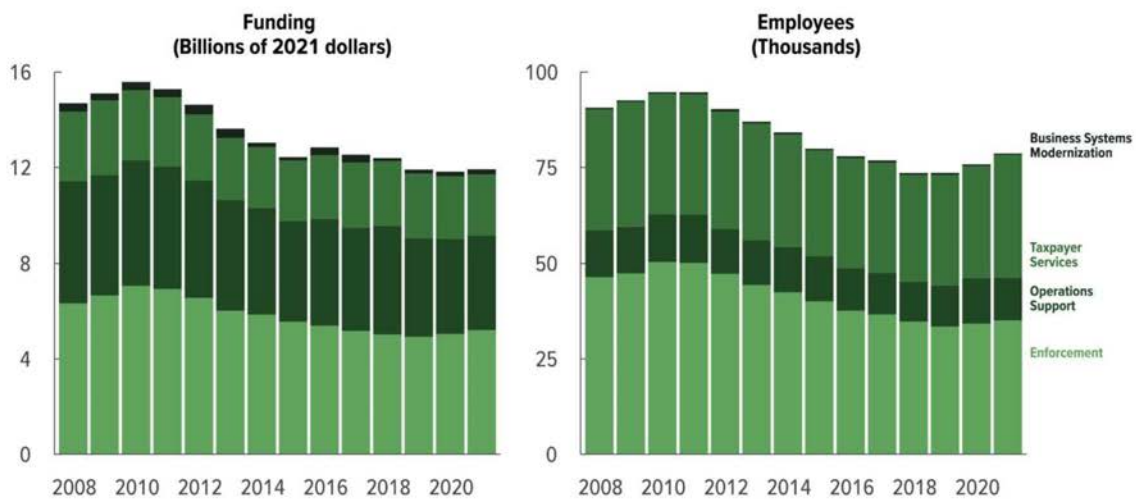
From 2014 to 2016, the gross tax gap averaged $496 billion annually, the IRS estimates. That amount was 2.8 percent of U.S. gross domestic product and about 18 percent of federal taxes owed.

The net tax gap was an estimated $428 billion annually over that period.

What Enforcement Actions Does the IRS Undertake?

- Identifying taxpayers who did not file returns on time and obtaining those returns
- Correcting mathematical or clerical errors
- Verifying information reported by taxpayers by checking it against information from third parties
- Using software to flag fraudulent or questionable refunds
- Collecting unpaid taxes through mailed notices, payment agreements with taxpayers, and liens or levies
- Auditing tax returns of corporations, partnerships, and individual taxpayers

Funding for the IRS and Number of Employees, by Appropriation Account, 2008 to 2021



Between 2008 and 2021, the IRS's appropriations decreased by 19 percent on an inflation-adjusted basis, and the number of employees fell by 13 percent.

The enforcement account absorbed much of that decline in staffing—dropping by 24 percent over that period.

How Changes in IRS Funding Would Affect Future Revenues

How CBO Estimates the Effects of Increased Funding

CBO's estimate of revenues is based on the IRS's projected returns on investment (ROIs) for spending on new enforcement initiatives.

CBO adjusts the ROIs to better reflect the marginal return on additional spending.

- CBO expects the IRS to prioritize the enforcement actions that it thinks will have the highest average return
- CBO expects taxpayers to adapt to the IRS's enforcement actions and adopt new ways of evading detection, so an enforcement activity may have a lower return in later years
- Productivity of the IRS's enforcement actions depends on the IRS's other capabilities (in terms of funding).

CBO's estimate of revenues also accounts for the timing of collections resulting from enforcement actions.

IRS Funding in the 2022 Reconciliation Act

Over the 2022–2031 period, that legislation increases total funding for the IRS by $80 billion and funding for enforcement of tax laws by $46 billion.

- Including that new funding, the IRS's budget in 2031 is projected to be about one-tenth larger than it was in 2010 (its recent peak) when measured as a share of total output in the U.S. economy, CBO estimates

Revenues are projected to increase by $180.4 billion over the 2022–2031 period.

- That estimate reflects the Secretary of the Treasury's directive that the additional funding not be used to increase the share of small businesses or households with income below $400,000 that are audited relative to historical levels.

Congressional Budget Office, letter to the Honorable Kevin Brady and the Honorable Jason Smith regarding additional Information about increased enforcement by the Internal Revenue Service (August 25, 2022), www.cbo.gov/publication/58390.

Projected Changes in Spending and Revenues From Increased IRS Funding in the 2022 Reconciliation Act

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2022-2026	2022-2031
	By Fiscal Year, Millions of Dollars											
	Increases or Decreases (-) in Direct Spending											
Subtitle A. Deficit Reduction												
Part 3. Funding the Internal Revenue Service and Improving Taxpayer Compliance												
Sec. 10301 Enhancement of Internal Revenue Service Resources												
Budget Authority	79,622	0	0	0	0	0	0	0	0	0	79,622	79,622
Estimated Outlays	0	3,823	3,380	4,970	6,248	7,996	10,106	12,617	15,072	15,388	18,421	79,600
Memorandum:												
Nonscorable Increases in Revenues												
Enhancement of Internal Revenue Service Resources	0	2,012	5,106	11,125	16,116	21,716	26,314	31,218	34,877	31,904	34,359	180,388

Congressional Budget Office, cost estimate for Public Law 117-169 as enacted on August 16, 2022, Estimated Budgetary Effects of Public Law 117-169, to Provide for Reconciliation Pursuant to Title II of S. Con. Res. 14 (September 7, 2022), www.cbo.gov/publication/58455.

Resources for Additional Information

Congressional Budget Office, *Estimated Revenue Effects of Increased Funding for the Internal Revenue Service in H.R. 5376, the Build Back Better Act* (November 2021), www.cbo.gov/publication/57620

Congressional Budget Office, "The Effects of Increased Funding for the IRS," *CBO Blog* (September 2, 2021), www.cbo.gov/publication/57444

Congressional Budget Office, *Trends in the Internal Revenue Service's Funding and Enforcement* (July 2020), www.cbo.gov/publication/56422

Internal Revenue Service, *Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2014–2016* (October 2022), www.irs.gov/pub/irs-pdf/p1415.pdf

FW: Lew upcoming tv

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Chuck Marr <marr@cbpp.org>
Cc: Anderia Steward <asteward@cbpp.org>
Date: Wed, 07 Dec 2022 12:36:44 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Natasha,
Are you doing anything for Dems in response to this? tx

From: Victoria Esser (b)(6) [redacted]@gmail.com>
Sent: Wednesday, December 7, 2022 12:32 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>; Shannon Buckingham <sbuckingham@cbpp.org>
Subject: Lew upcoming tv

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Ellen, Shannon,

I know Ellen already saw this release from House W&M Rs. Jack asked me to coordinate with you all on the best response. He is likely doing CNBC Squawk Box and Bloomberg Balance of Power next week and week after.

I think he is comfortable on advocating for funding piece but anticipating some potential snark question/s on false assertion that tax gap numbers are inflated/ supposed abuses/ going after middle class.

Would you all be able to help?

With thanks,
Victoria

Re: tax enforcement event 11/3

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Diane Bui <dbui@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Allison Preiss <apreiss@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>, "Yoeli, Max" <yoeli@lindsaygoldbergllc.com>
Date: Fri, 29 Oct 2021 16:46:20 -0400

Hi all,

Adding Max from team Lew as well, and many, many thanks,

Natasha

From: Diane Bui <dbui@americanprogress.org>
Date: October 29, 2021 at 4:44:21 PM EDT
To: Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, White, Antonio <Antonio.White2@treasury.gov>, Rizzo, John <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Afternoon All,

The event page is now live on our website: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/

We'd appreciate any support to help uplift and promote, and will continue to promote widely next week. Appreciate the quick turnaround!

Have a great weekend,
Diane

From: Julia Cusick <jcusick@americanprogress.org>
Date: Friday, October 29, 2021 at 3:49 PM
To: Diane Bui <dbui@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Hi All,

I borrowed the event page language to put together this advisory. Please send me any additional feedback by COB. If it works for everyone, I'll send to press first thing on Monday.

Julia

Center for American Progress

For Immediate Release
October 29, 2021

Contact
Julia Cusick
jcusick@americanprogress.org

EVENT ADVISORY: Toward Stronger and Fairer Tax Enforcement

Washington, D.C.- Under the status quo, the United States will lose about $7 trillion in revenue over the next 10 years from taxes that are owed but not paid, largely from the wealthiest Americans. Over the past decade, the IRS' ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the revenue service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, such as those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers, with adverse implications for inequality and racial equity as well as federal revenues.
The Biden administration has proposed a major initiative to strengthen tax enforcement and make it more equitable by shifting enforcement resources in the direction of wealthy Americans and corporations. The key elements of this initiative are pending in Congress.
Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation as well as where we go from here.
Please submit any questions for our distinguished panel via email at CAPeventquestions@americanprogress.org. Live captioning will be available on Zoom and on the YouTube livestream.
WHO:
Panelists:
Fred Goldberg, Commissioner, Internal Revenue Service, 1989–1991
Chye-Ching Huang, Executive Director of the Tax Law Center, New York University
Jacob J. Lew, U.S. Secretary of the Treasury, 2013–2017
Natasha Sarin, Deputy Assistant Secretary for Economic Policy, U.S. Treasury Department
Moderator:
Jean Ross, Senior Fellow for Economic Policy, Center for American Progress
WHEN:
Wednesday, November 3, 2021, 3:00 pm ET – 04:00 pm ET
WHERE:
You must RSVP at this link to watch the livestream event.
For more information or to speak to an expert, contact Julia Cusick at jcusick@americanprogress.org.

###

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcusick@americanprogress.org
cell: 717.538.3285

From: Diane Bui <dbui@americanprogress.org>
Sent: Friday, October 29, 2021 3:15 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Antonio.White2@treasury.gov; John.Rizzo@treasury.gov; Jean Ross <jross@americanprogress.org>; Natasha.Sarin@treasury.gov; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Alexandra.LaManna@treasury.gov
Subject: Re: tax enforcement event 11/3

Also flagging the time on the invite says it ends at 4:15, but I've since changed that to say 4pm. Thank you!

From: Diane Bui <dbui@americanprogress.org>
Date: Friday, October 29, 2021 at 3:09 PM
To: Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Great, thanks all!

The language has been copyedited. The event page is here: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/ and attached is a copy of our email send. Please note the RSVP page is currently going QA on our end, so it's not fully set up. But will be ready by the end of the day.

One last question on my end:

- Seth, I know you are sending over official titles. If we have bio links for our speakers, please also send them my way. No worries if we don't have them.

Let me know if there are any edits or changes that need to be made by **4pm today**. So we can start promoting and make the event live on our page.

Thank you!
Diane

From: Seth Hanlon <shanlon@americanprogress.org>
Date: Friday, October 29, 2021 at 2:52 PM
To: "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White
Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov

<John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

Re: tax enforcement event 11/3

From: "Yoeli, Max" <yoeli@lindsaygoldbergllc.com>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, dbui@americanprogress.org, jcusick@americanprogress.org, shanlon@americanprogress.org, "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, jross@americanprogress.org, apreiss@americanprogress.org, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>
Date: Fri, 29 Oct 2021 16:53:14 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Many thanks, Natasha, and I'm glad to see the event page up.

Please let me know if you need anything on Jack's end ahead of Wednesday.

Looking forward to the conversation.

All the best,
Max

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 4:46 PM
To: dbui@americanprogress.org <dbui@americanprogress.org>; jcusick@americanprogress.org <jcusick@americanprogress.org>; shanlon@americanprogress.org <shanlon@americanprogress.org>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; jross@americanprogress.org <jross@americanprogress.org>; apreiss@americanprogress.org <apreiss@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; Yoeli, Max <Yoeli@lindsaygoldbergllc.com>
Subject: Re: tax enforcement event 11/3

Hi all,

Adding Max from team Lew as well, and many, many thanks,

Natasha

From: Diane Bui <dbui@americanprogress.org>
Date: October 29, 2021 at 4:44:21 PM EDT
To: Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, White, Antonio <Antonio.White2@treasury.gov>, Rizzo, John <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Afternoon All,

The event page is now live on our website: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/

We'd appreciate any support to help uplift and promote, and will continue to promote widely next week. Appreciate the quick turnaround!

Have a great weekend,
Diane

From: Julia Cusick <jcusick@americanprogress.org>
Date: Friday, October 29, 2021 at 3:49 PM
To: Diane Bui <dbui@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>,

"Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Hi All,

I borrowed the event page language to put together this advisory. Please send me any additional feedback by COB. If it works for everyone, I'll send to press first thing on Monday.

Julia

Center for American Progress

For Immediate Release
October 29, 2021
Contact
Julia Cusick
jcusick@americanprogress.org

EVENT ADVISORY: Toward Stronger and Fairer Tax Enforcement

Washington, D.C.- Under the status quo, the United States will lose about $7 trillion in revenue over the next 10 years from taxes that are owed but not paid, largely from the wealthiest Americans. Over the past decade, the IRS' ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the revenue service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, such as those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers, with adverse implications for inequality and racial equity as well as federal revenues.

The Biden administration has proposed a major initiative to strengthen tax enforcement and make it more equitable by shifting enforcement resources in the direction of wealthy Americans and corporations. The key elements of this initiative are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation as well as where we go from here.

Please submit any questions for our distinguished panel via email at CAPeventquestions@americanprogress.org. Live captioning will be available on Zoom and on the YouTube livestream.

WHO:
Panelists:
Fred Goldberg, Commissioner, Internal Revenue Service, 1989–1991
Chye-Ching Huang, Executive Director of the Tax Law Center, New York University
Jacob J. Lew, U.S. Secretary of the Treasury, 2013–2017
Natasha Sarin, Deputy Assistant Secretary for Economic Policy, U.S. Treasury Department
Moderator:
Jean Ross, Senior Fellow for Economic Policy, Center for American Progress
WHEN:
Wednesday, November 3, 2021, 3:00 pm ET – 04:00 pm ET
WHERE:
You must RSVP at this link to watch the livestream event.
For more information or to speak to an expert, contact Julia Cusick at jcusick@americanprogress.org.

###

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcusick@americanprogress.org
cell: 717.538.3285

From: Diane Bui <dbui@americanprogress.org>
Sent: Friday, October 29, 2021 3:15 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Antonio.White2@treasury.gov; John.Rizzo@treasury.gov; Jean Ross <jross@americanprogress.org>; Natasha.Sarin@treasury.gov; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Alexandra.LaManna@treasury.gov
Subject: Re: tax enforcement event 11/3

Also flagging the time on the invite says it ends at 4:15, but I've since changed that to say 4pm. Thank you!

From: Diane Bui <dbui@americanprogress.org>
Date: Friday, October 29, 2021 at 3:09 PM
To: Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia

Cusick <jcusick@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Great, thanks all!

The language has been copyedited. The event page is here: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/ and attached is a copy of our email send. Please note the RSVP page is currently going QA on our end, so it's not fully set up. But will be ready by the end of the day.

One last question on my end:

- Seth, I know you are sending over official titles. If we have bio links for our speakers, please also send them my way. No worries if we don't have them.

Let me know if there are any edits or changes that need to be made by **4pm today**. So we can start promoting and make the event live on our page.

Thank you!
Diane

From: Seth Hanlon <shanlon@americanprogress.org>
Date: Friday, October 29, 2021 at 2:52 PM
To: "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White
Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio

<Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

Re: tax enforcement event 11/3

From: Seth Hanlon <shanlon@americanprogress.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Jean Ross <jross@americanprogress.org>
Date: Sun, 31 Oct 2021 11:34:41 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Sounds great. I'm flexible except between 12-1:30.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Sunday, October 31, 2021 10:33:52 AM
To: Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>
Subject: Fwd: tax enforcement event 11/3

Hi Jean and Seth,

Jean, looking so forward to your moderating this week. Thank you for doing. Do you want to touch base sometime tomorrow on structure and types of questions? Good times on your end? Happy to do over email if easiest too—just let me know.

All best wishes,

Natasha

From: Diane Bui <dbui@americanprogress.org>
Date: October 29, 2021 at 4:44:21 PM EDT
To: Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, White, Antonio <Antonio.White2@treasury.gov>, Rizzo, John <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Afternoon All,

The event page is now live on our website: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/

We'd appreciate any support to help uplift and promote, and will continue to promote widely next week. Appreciate the quick turnaround!

Have a great weekend,
Diane

From: Julia Cusick <jcusick@americanprogress.org>
Date: Friday, October 29, 2021 at 3:49 PM
To: Diane Bui <dbui@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Hi All,

I borrowed the event page language to put together this advisory. Please send me any additional feedback by COB. If it works for everyone, I'll send to press first thing on Monday.

Julia

Center for American Progress

For Immediate Release
October 29, 2021
Contact
Julia Cusick
jcusick@americanprogress.org

EVENT ADVISORY: Toward Stronger and Fairer Tax Enforcement

Washington, D.C.- Under the status quo, the United States will lose about $7 trillion in revenue over the next 10 years from taxes that are owed but not paid, largely from the wealthiest Americans. Over the past decade, the IRS' ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the revenue service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, such as those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers, with adverse implications for inequality and racial equity as well as federal revenues.

The Biden administration has proposed a major initiative to strengthen tax enforcement and make it more equitable by shifting enforcement resources in the direction of wealthy Americans and corporations. The key elements of this initiative are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation as well as where we go from here.

Please submit any questions for our distinguished panel via email at CAPeventquestions@americanprogress.org. Live captioning will be available on Zoom and on the YouTube livestream.

WHO:
Panelists:
Fred Goldberg, Commissioner, Internal Revenue Service, 1989–1991
Chye-Ching Huang, Executive Director of the Tax Law Center, New York University
Jacob J. Lew, U.S. Secretary of the Treasury, 2013–2017
Natasha Sarin, Deputy Assistant Secretary for Economic Policy, U.S. Treasury Department
Moderator:
Jean Ross, Senior Fellow for Economic Policy, Center for American Progress
WHEN:
Wednesday, November 3, 2021, 3:00 pm ET – 04:00 pm ET
WHERE:
You must RSVP at this link to watch the livestream event.
For more information or to speak to an expert, contact Julia Cusick at jcusick@americanprogress.org.

###

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcusick@americanprogress.org
cell: 717.538.3285

From: Diane Bui <dbui@americanprogress.org>
Sent: Friday, October 29, 2021 3:15 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Antonio.White2@treasury.gov; John.Rizzo@treasury.gov; Jean Ross <jross@americanprogress.org>; Natasha.Sarin@treasury.gov; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Alexandra.LaManna@treasury.gov
Subject: Re: tax enforcement event 11/3

Also flagging the time on the invite says it ends at 4:15, but I've since changed that to say 4pm. Thank you!

From: Diane Bui <dbui@americanprogress.org>
Date: Friday, October 29, 2021 at 3:09 PM
To: Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Great, thanks all!

The language has been copyedited. The event page is here: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/ and attached is a copy of our email send. Please note the RSVP page is currently going QA on our end, so it's not fully set up. But will be ready by the end of the day.

One last question on my end:

- Seth, I know you are sending over official titles. If we have bio links for our speakers, please also send them my way. No worries if we don't have them.

Let me know if there are any edits or changes that need to be made by **4pm today**. So we can start promoting and make the event live on our page.

Thank you!
Diane

From: Seth Hanlon <shanlon@americanprogress.org>
Date: Friday, October 29, 2021 at 2:52 PM
To: "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White
Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

Re: tax enforcement event 11/3

From: Diane Bui <dbui@americanprogress.org>
To: "Yoeli, Max" <yoeli@lindsaygoldbergllc.com>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Allison Preiss <apreiss@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>
Date: Mon, 01 Nov 2021 14:12:27 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Happy Monday All,

We are incredibly excited about the event on Wednesday. Max, please let me know if I should use your email address for Jack's Zoom link, or if I should use another email.
Natasha, let me know if there is anyone else from your team that should be on the backend of the event.

Shortly, you should receive a DocuSign link from our legal team with our speaker release form for you to sign. Most notably, since this is a c3 event, we cannot endorse or promote any political parties or candidates. Please let me know if you have any questions.

I will send around Zoom links and a calendar hold soon. We ask that speakers join no later than 2:45pm ET on Wednesday to ensure we do not run into any technical issues during the event.

Thanks again, and let me know if you have any questions.

Best,
Diane

From: "Yoeli, Max" <Yoeli@lindsaygoldbergllc.com>
Date: Friday, October 29, 2021 at 4:53 PM
To: "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Diane Bui <dbui@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Allison Preiss <apreiss@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Many thanks, Natasha, and I'm glad to see the event page up.

Please let me know if you need anything on Jack's end ahead of Wednesday.

Looking forward to the conversation.

All the best,
Max

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 4:46 PM
To: dbui@americanprogress.org <dbui@americanprogress.org>; jcusick@americanprogress.org <jcusick@americanprogress.org>; shanlon@americanprogress.org <shanlon@americanprogress.org>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; jross@americanprogress.org <jross@americanprogress.org>; apreiss@americanprogress.org <apreiss@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; Yoeli, Max <Yoeli@lindsaygoldbergllc.com>
Subject: Re: tax enforcement event 11/3

Hi all,

Adding Max from team Lew as well, and many, many thanks,

Natasha

From: Diane Bui <dbui@americanprogress.org>
Date: October 29, 2021 at 4:44:21 PM EDT
To: Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, White, Antonio <Antonio.White2@treasury.gov>, Rizzo, John <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Afternoon All,

The event page is now live on our website: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/

We'd appreciate any support to help uplift and promote, and will continue to promote widely next week. Appreciate the quick turnaround!

Have a great weekend,
Diane

From: Julia Cusick <jcusick@americanprogress.org>
Date: Friday, October 29, 2021 at 3:49 PM
To: Diane Bui <dbui@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Hi All,

I borrowed the event page language to put together this advisory. Please send me any additional feedback by COB. If it works for everyone, I'll send to press first thing on Monday.

Julia

Center for American Progress

For Immediate Release
October 29, 2021
Contact
Julia Cusick
jcusick@americanprogress.org

EVENT ADVISORY: Toward Stronger and Fairer Tax Enforcement

Washington, D.C.- Under the status quo, the United States will lose about $7 trillion in revenue over the next 10 years from taxes that are owed but not paid, largely from the wealthiest Americans. Over the past decade, the IRS' ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the revenue service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, such as those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers, with adverse implications for inequality and racial equity as well as federal revenues.
The Biden administration has proposed a major initiative to strengthen tax enforcement and make it more equitable by shifting enforcement resources in the direction of wealthy Americans and corporations. The key elements of this initiative are pending in Congress.
Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation as well as where we go from here.
Please submit any questions for our distinguished panel via email at CAPeventquestions@americanprogress.org. Live captioning will be available on Zoom and on the YouTube livestream.
WHO:
Panelists:
Fred Goldberg, Commissioner, Internal Revenue Service, 1989–1991

Chye-Ching Huang, Executive Director of the Tax Law Center, New York University
Jacob J. Lew, U.S. Secretary of the Treasury, 2013–2017
Natasha Sarin, Deputy Assistant Secretary for Economic Policy, U.S. Treasury Department
Moderator:
Jean Ross, Senior Fellow for Economic Policy, Center for American Progress
WHEN:
Wednesday, November 3, 2021, 3:00 pm ET – 04:00 pm ET
WHERE:
You must RSVP at this link to watch the livestream event.
For more information or to speak to an expert, contact Julia Cusick at jcusick@americanprogress.org.
###
The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcusick@americanprogress.org
cell: 717.538.3285

From: Diane Bui <dbui@americanprogress.org>
Sent: Friday, October 29, 2021 3:15 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Antonio.White2@treasury.gov; John.Rizzo@treasury.gov; Jean Ross <jross@americanprogress.org>; Natasha.Sarin@treasury.gov; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Alexandra.LaManna@treasury.gov
Subject: Re: tax enforcement event 11/3

Also flagging the time on the invite says it ends at 4:15, but I've since changed that to say 4pm. Thank you!

From: Diane Bui <dbui@americanprogress.org>
Date: Friday, October 29, 2021 at 3:09 PM
To: Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Great, thanks all!

The language has been copyedited. The event page is here: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/ and attached is a copy of our email send. Please note the RSVP page is currently going QA on our end, so it's not fully set up. But will be ready by the end of the day.

One last question on my end:

- Seth, I know you are sending over official titles. If we have bio links for our speakers, please also send them my way. No worries if we don't have them.

Let me know if there are any edits or changes that need to be made by **4pm today**. So we can start promoting and make the event live on our page.

Thank you!
Diane

From: Seth Hanlon <shanlon@americanprogress.org>
Date: Friday, October 29, 2021 at 2:52 PM
To: "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon

<shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White
Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund

shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

Re: tax enforcement event 11/3

From: Jean Ross <jross@americanprogress.org>
To: Diane Bui <dbui@americanprogress.org>, "Yoeli, Max" <yoeli@lindsaygoldbergllc.com>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>
Date: Mon, 01 Nov 2021 14:37:41 -0400

Good afternoon,

Really looking forward to this. I am pulling together a list of questions for the moderated portion of the panel, which we will circulate in advance. If you have one or more that you would like to be asked (or that you think one of the other panelists should be asked), please send them my way. Also, given the packed agenda and short amount of time, I will do very brief introductions. If you have a two to three sentence preferred introduction, please feel free to share it along with your preferred title/name.

All my best,

Jean Ross
Senior Fellow, Economic Policy
Center for American Progress
jross@americanprogress.org

From: Diane Bui <dbui@americanprogress.org>
Sent: Monday, November 1, 2021 2:12 PM
To: Yoeli, Max <Yoeli@lindsaygoldbergllc.com>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Julia Cusick <jcusick@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Happy Monday All,

We are incredibly excited about the event on Wednesday. Max, please let me know if I should use your email address for Jack's Zoom link, or if I should use another email.
Natasha, let me know if there is anyone else from your team that should be on the backend of the event.

Shortly, you should receive a DocuSign link from our legal team with our speaker release form for you to sign. Most notably, since this is a c3 event, we cannot endorse or promote any political parties or candidates. Please let me know if you have any questions.

I will send around Zoom links and a calendar hold soon. We ask that speakers join no later than 2:45pm ET on Wednesday to ensure we do not run into any technical issues during the event.

Thanks again, and let me know if you have any questions.

Best,
Diane

From: "Yoeli, Max" <Yoeli@lindsaygoldbergllc.com>
Date: Friday, October 29, 2021 at 4:53 PM
To: "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Diane Bui <dbui@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Allison Preiss <apreiss@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Many thanks, Natasha, and I'm glad to see the event page up.

Please let me know if you need anything on Jack's end ahead of Wednesday.

Looking forward to the conversation.

All the best,
Max

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 4:46 PM
To: dbui@americanprogress.org <dbui@americanprogress.org>; jcusick@americanprogress.org <jcusick@americanprogress.org>; shanlon@americanprogress.org <shanlon@americanprogress.org>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; jross@americanprogress.org <jross@americanprogress.org>; apreiss@americanprogress.org <apreiss@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; Yoeli, Max <Yoeli@lindsaygoldbergllc.com>
Subject: Re: tax enforcement event 11/3

Hi all,

Adding Max from team Lew as well, and many, many thanks,

Natasha

From: Diane Bui <dbui@americanprogress.org>
Date: October 29, 2021 at 4:44:21 PM EDT
To: Julia Cusick <jcusick@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, White, Antonio <Antonio.White2@treasury.gov>, Rizzo, John <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Afternoon All,

The event page is now live on our website: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/

We'd appreciate any support to help uplift and promote, and will continue to promote widely next week. Appreciate the quick turnaround!

Have a great weekend,
Diane

From: Julia Cusick <jcusick@americanprogress.org>
Date: Friday, October 29, 2021 at 3:49 PM
To: Diane Bui <dbui@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Hi All,

I borrowed the event page language to put together this advisory. Please send me any additional feedback by COB. If it works for everyone, I'll send to press first thing on Monday.

Julia

Center for American Progress

For Immediate Release
October 29, 2021
Contact
Julia Cusick
jcusick@americanprogress.org

EVENT ADVISORY: Toward Stronger and Fairer Tax Enforcement

Washington, D.C.- Under the status quo, the United States will lose about $7 trillion in revenue over the next 10 years from taxes that are owed but not paid, largely from the wealthiest Americans. Over the past decade, the IRS' ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the revenue service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, such as those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers, with adverse implications for inequality and racial equity as well as federal revenues.
The Biden administration has proposed a major initiative to strengthen tax enforcement and make it more equitable by shifting enforcement resources in the direction of wealthy Americans and corporations. The key elements of this initiative are pending in Congress.
Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation as well as where we go from here.
Please submit any questions for our distinguished panel via email at CAPeventquestions@americanprogress.org. Live captioning will be available on Zoom and on the YouTube livestream.
WHO:
Panelists:
Fred Goldberg, Commissioner, Internal Revenue Service, 1989–1991
Chye-Ching Huang, Executive Director of the Tax Law Center, New York University
Jacob J. Lew, U.S. Secretary of the Treasury, 2013–2017
Natasha Sarin, Deputy Assistant Secretary for Economic Policy, U.S. Treasury Department
Moderator:
Jean Ross, Senior Fellow for Economic Policy, Center for American Progress
WHEN:
Wednesday, November 3, 2021, 3:00 pm ET – 04:00 pm ET
WHERE:
You must RSVP at this link to watch the livestream event.
For more information or to speak to an expert, contact Julia Cusick at jcusick@americanprogress.org.

###

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcusick@americanprogress.org
cell: 717.538.3285

From: Diane Bui <dbui@americanprogress.org>
Sent: Friday, October 29, 2021 3:15 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Antonio.White2@treasury.gov; John.Rizzo@treasury.gov; Jean Ross <jross@americanprogress.org>; Natasha.Sarin@treasury.gov; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Alexandra.LaManna@treasury.gov
Subject: Re: tax enforcement event 11/3

Also flagging the time on the invite says it ends at 4:15, but I've since changed that to say 4pm. Thank you!

From: Diane Bui <dbui@americanprogress.org>
Date: Friday, October 29, 2021 at 3:09 PM
To: Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Great, thanks all!

The language has been copyedited. The event page is here: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/ and attached is a copy of our email send. Please note the RSVP page is currently going QA on our end, so it's not fully set up. But will be ready by the end of the day.

One last question on my end:

- Seth, I know you are sending over official titles. If we have bio links for our speakers, please also send them my way. No worries if we don't have them.

Let me know if there are any edits or changes that need to be made by **4pm today**. So we can start promoting and make the event live on our page.

Thank you!
Diane

From: Seth Hanlon <shanlon@americanprogress.org>
Date: Friday, October 29, 2021 at 2:52 PM
To: "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White
Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

CAP Event: Toward Stronger and Fairer Tax Enforcement

Where:	Zoom - Links Below
When:	Wed Nov 03 14:45:00 2021 -04:00
Until:	Wed Nov 03 16:00:00 2021 -04:00
Organisers	Diane Bui <dbui@americanprogress.org>
Required Attendees:	Seth Hanlon <shanlon@americanprogress.org> Jean Ross <jross@americanprogress.org> Mara Rudman <mrudman@americanprogress.org> Sofia Carratala <scarratala@americanprogress.org> "Goldberg, Jr., Fred T" <fred.goldberg@skadden.com> Chye-Ching Huang <chye.ching.huang@nyu.edu> "Yoeli, Max" <yoeli@lindsaygoldbergllc.com> "Sarin, Natasha" <natasha.sarin@treasury.gov> rebecca.pavlis@skadden.com peggychen@nyu.edu
Attachments:	11.3.21 Tax Enforcement Run of Show.docx (34.09 kB)

You should have received a Zoom link, and your individual links are below. Please join no later than 2:45pm to run through final tech checks and prep for our 3pm start time. Run of show is attached

Fred Goldberg
Chye-Ching Huang
Jacob Lew
Natasha Sarin

Mara Rudman
Jean Ross
Seth Hanlon

CAP Event: Toward Stronger and Fairer Tax Enforcement

Where:	Zoom - Links Below
When:	Wed Nov 03 14:45:00 2021 -04:00
Until:	Wed Nov 03 16:00:00 2021 -04:00
Organisers	Diane Bui <dbui@americanprogress.org>
Required Attendees:	Diane Bui <dbui@americanprogress.org> Seth Hanlon <shanlon@americanprogress.org> Jean Ross <jross@americanprogress.org> Mara Rudman <mrudman@americanprogress.org> Sofia Carratala <scarratala@americanprogress.org> "Goldberg, Jr., Fred T" <fred.goldberg@skadden.com> Chye-Ching Huang <chye.ching.huang@nyu.edu> "Yoeli, Max" <yoeli@lindsaygoldbergllc.com> "Sarin, Natasha" <natasha.sarin@treasury.gov> rebecca.pavlis@skadden.com peggychen@nyu.edu
Attachments:	11.3.21 Tax Enforcement Run of Show.docx (34.09 kB)

You should have received a Zoom link, and your individual links are below. Please join no later than 2:45pm to run through final tech checks and prep for our 3pm start time. Run of show is attached

Fred Goldberg
Chye-Ching Huang
Jacob Lew
Natasha Sarin

Mara Rudman
Jean Ross
Seth Hanlon

If you have any tech issues or questions, I can be reached via email or at 301-448-6783. Thank you!

Center for American Progress

Toward Stronger and Fairer Tax Enforcement

Wednesday, November 3, 2021
3pm – 4pm

3:00pm	Event begins, Mara Rudman provides opening remarks
3:05pm	Jean Ross leads moderated questions with Fred Goldberg, Chye-Ching Huang, Jacob J. Lew and Natasha Sarin
3:50pm	Jean leads moderated audience Q&A
4:00pm	Event ends

Tax Enforcement Panel Questions

From:	Jean Ross <jross@americanprogress.org>
To:	"Goldberg, Jr., Fred T" <fred.goldberg@skadden.com>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, chye.ching.huang@nyu.edu, yoeli@lindsaygoldbergllc.com
Cc:	Seth Hanlon <shanlon@americanprogress.org>, "Pavlis, Rebecca R" <rebecca.pavlis@skadden.com>, Diane Bui <dbui@americanprogress.org>, Peggy Chen <peggychen@nyu.edu>
Date:	Tue, 02 Nov 2021 14:46:28 -0400
Attachments:	CAP tax enforcement panel questions_v1.docx (18.94 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Good afternoon,

I look forward to talking at 4 today. I know that several of the participants in the call have hard stops at 4:30. I've attached a draft set of questions for the moderated part of the session. I doubt that we will have time to address all of them and would welcome suggestions for questions that should be on the list. I would welcome your thoughts for which questions we should absolutely make sure to address and who might be the best person to direct them to. We hope to leave 15-20 minutes for questions from the audience.

Thanks again for your time. This promises to be a great event.

Best,

Jean Ross
Senior Fellow, Economic Policy
Center for American Progress
jross@americanprogress.org

From: Jean Ross <jross@americanprogress.org>
Sent: Monday, November 1, 2021 3:04 PM
To: Fred Goldberg <fred.goldberg@skadden.com>; Chye-Ching Huang <chye.ching.huang@nyu.edu>; Max Yoeli <yoeli@lindsaygoldbergllc.com>
Cc: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Pavlis, Rebecca R Pavlis <rebecca.pavlis@skadden.com>; Diane Bui <dbui@americanprogress.org>
Subject: Tax Enforcement Event Panel Prep

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi All - Thanks again for doing this on short notice. This is going to be a terrific session. There's been a request for a call among the speakers - happy to oblige as a group, if possible, and, if not, one-on-one. Might tomorrow 9-11, 12-1:30, or 3:30-4:30 work?

By way of background, the run of show is as follows:

- Welcome and introductions: Mara Rudman of CAP
- Introduction of the panel: Jean Ross of CAP

  - Two to three minute openers by each of the panelists with a proposed order of:

    - Jack Lew
    - Fred Goldberg
    - Chye-Ching Huang
    - Natasha Sarin

- Moderated questions to the panel - will circulate in advance, feel free to suggest
- Q&A from the audience

Please let me know if you are available at any of the times above or, if not, when you might be available and we'll work with your schedule.

All my best,

Jean Ross
Senior Fellow, Economic Policy
Center for American Progress
jross@americanprogress.org

Panel structure
Two to three minute openers from each speaker in the following order:

- Lew
- Goldberg
- Huang
- Sarin

Moderator questions for the panel:
We will probably not get to all, please suggest who the question should be first addressed to. Also, feel free to highlight those that should be priorities since we will probably shift to the audience longer before we get to all of these. I've also tried to arrange into several broad categories.

<u>What got us here</u>

1. The problem we are talking about – the large and widening tax gap – is not a new one. This problem has been around for a while and there has always been a significant degree of tax evasion and noncompliance. Why is this issue gaining traction now?

2. **Natasha (?)**; The reconciliation bill is not the Administration's first effort to tackle this problem. Could you speak to efforts that are already underway as a result of prior legislation and/or regulatory initiatives?

<u>The process</u>

1. When thinking about this issue, I come back to the fact that we're not talking about increasing taxes; we're talking about ensuring that taxes owed under the law as it now stands are actually paid. One of the components of the package –a requirement for banks to report two simple numbers: cash inflows into accounts and cash outflow out of accounts – faced heavy lobbying opposition, including some misleading claims. Press reports suggest that key lawmakers have said that the Administration's proposal won't be in the reconciliation bill.
    a. **Natasha**: Where do things stand now? Is it still possible that the reconciliation bill will include improvements to information reporting?
    b. **Other panelists**: What is the importance of information reporting? And where can we go from here to improve information reporting?

3. There has been considerable debate about and significant differences in the numbers – i.e., how will compliance be scored for budget purposes. The tax gap is $7 trillion over the next decade. The administration estimates that the IRS funding proposal will narrow the tax gap by $400 billion over that period. Yet some estimates of tax enforcement proposals, including from CBO, are lower. How do we reconcile these numbers? Is $400 billion too high an estimate, or could investments in the IRS potentially close the tax gap by more?

4. The agreement as it now stands makes a sizeable investment and will require – and, in fact, is designed to support – a substantial increase in IRS staff. Is it enough? Too much? What didn't get done in this round of negotiations but really needs to occur in order to ensure that taxpayers pay what they owe and receive the quality serve they deserve?

5. As Congress hopefully moves towards a vote, what lessons can we take away from this round of negotiations. Who are the champions in Congress? Is there any degree of bipartisan support for this effort? What approaches might provide a productive path towards future action?

6. Are there specific efforts or proposals that should be priorities for future action? Bank reporting? Others?

Who are the targets of the proposed effort (and why)?

1. The Administration has consistently stated that increased enforcement will be targeted at this highest income individuals/largest corporations. Why target this effort at the high end? Shouldn't all of us be paying the taxes that we owe?

2. How will this proposal affect corporations? The BBB framework also includes measures designed to get at profit shifting and aggressive tax planning. Thinking about the package as a whole, how does a compliance package of this magnitude differentiate between clearly illegal instances of tax avoidance and more questionable acts of tax avoidance?

3. If I'm a regular worker who pays my taxes and receives a W-2, why should I care about this? What's in it for me?

4. **Chye-Ching**: Under the current system, a working family claiming the EITC has roughly the same chance of being audited as someone in the top one percent of earners. How should we think about tax compliance in the context of a broader framework that seeks to advance racial and economic justice?

5. One of the things that our tax system lacks is an option for taxpayers to file their taxes online directly and for free. There is some funding in the House Build Back Better Act for the IRS to report to Congress on the feasibility and potential cost of developing such an option for taxpayers. Do you think taxpayers should have such an option, and how soon do you think we might see it?

Implementation

1. This is a large and ambitious effort. Can the IRS realistically absorb this large an increase in funding (and how quickly)? Targeting this initiative towards wealthy individuals and the largest corporations will require highly skilled staff that can go toe to toe with the private bar and largest accounting firms. Does the Administration have a plan?

2. Critics argue that the IRS can't be trusted to protect taxpayers' privacy and that additional funding could make the problem worse. We all worry about data privacy and the like. How will the Administration ensure the security of taxpayers' confidential data and records?

CBPP on BBB tax provisions/tweet thread on issue of expiring provisions

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "White, Antonio" <antonio.white2@treasury.gov>, "Kalyanam, Aruna" <aruna.kalyanam@treasury.gov>, "Harris, Benjamin" <benjamin.harris@treasury.gov>, "Lebryk, David" <david.lebryk@treasury.gov>, "Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>, "Siegel, Julia" <julia.siegel@treasury.gov>, "Byrd, Kimberly" <kimberly.byrd@treasury.gov>, "Clausing, Kimberly" <kimberly.clausing@treasury.gov>, linda.robertson@treasury.gov, mark.mazur2@treasury.gov, "Schmidt, Michael" <michael.schmidt2@treasury.gov>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Reimherr, Patrick" <patrick.reimherr@treasury.gov>
Date: Tue, 02 Nov 2021 15:22:19 -0400

Today we released a paper detailing the tax provisions in the Build Back Better (BBB) framework. We also released a tweet thread outlining the real and lasting offsets of BBB, addressing the issue of temporary expiring provisions. Hope these are helpful.
Ellen

Build Back Better Requires Highest-Income People and Corporations to Pay Fairer Amount of Tax, Reduces Tax Gap

"The Build Back Better (BBB) legislation before the House would raise a reported $1.85 trillion over ten years to pay for critical investments to reduce child poverty; make health care, child care, and housing more affordable; and address climate change. Moreover, while many of the BBB investments are temporary, the bulk of the tax provisions are permanent and so would continue raising revenue after ten years. The legislation would raise revenue in three main ways: requiring people with high incomes to pay a fairer amount of tax, reducing unwarranted tax advantages for profitable corporations (particularly large multinationals), and improving enforcement of the nation's tax laws to close the roughly $600 billion annual gap between taxes legally owed and taxes paid — a gap disproportionately due to high-income filers' noncompliance with the law. Together, these measures would make the tax code more equitable and adequate."

Read the full (8 pp.) report: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/research/federal-tax/build-back-better-requires-highest-income-people-and-corporations-to-pay

***

CBPP's President, **Sharon Parrott**, just put out a new tweet thread: https://hyperlink.services.treasury.gov/agency.do?origin=https://twitter.com/ParrottCBPP/status/1455582738505945102

Sharon Parrott @ParrottCBPP · 3m
Replying to @ParrottCBPP
When a temporary program expires, policymakers will have to take action to extend the program. At that point, they can insist that the extension be paid for with additional offsets.

1

Sharon Parrott @ParrottCBPP · 3m
When an extension is considered, CBO will "score" the cost of extending the provision as compared to allowing it to expire. The only way to show a zero net cost of the extension will be to enact new offsets.

1

Sharon Parrott @ParrottCBPP · 3m
Unlike the 2001 or 2017 tax laws, which were *not* fully offset, policymakers crafting #BuildBackBetter have committed to paying for all of the new spending.

Policymakers can pay for future extensions & the White House has committed to doing so.

1

Sharon Parrott @ParrottCBPP · 3m
Substantial revenues are available to offset the cost of extending temporary programs.

The Biden Administration & others have put forward many sound revenue raisers that will not be included in #BuildBackBetter.

1

Sharon Parrott @ParrottCBPP · 3m
Example: the current #BuildBackBetter framework won't require the very wealthiest – like Jeff Bezos – to pay income taxes on the annual growth in their wealth & doesn't include any corporate rate increases.

1

Sharon Parrott @ParrottCBPP · 3m

Often overlooked about the #BuildBackBetter framework: if, as in the current House bill, revenue raisers are made permanent, there are substantial revenues – trillions of $'s – being collected in the second decade & not currently being used to pay for investments.

1

Sharon Parrott @ParrottCBPP · 3m

The out-year revenues will improve the longer-run fiscal outlook, putting the nation in a stronger position to sustain important policy advances into the future.

1

Sharon Parrott @ParrottCBPP · 3m

Expirations will force policymakers & the public to evaluate the benefits & costs of the programs & decide if they should be extended.

Given strong evidence behind these policies, there's every reason to believe they will deliver large benefits for families & the country.

1

Sharon Parrott @ParrottCBPP · 3m

Investments in kids, early education, & higher ed have large payoffs for kids & the nation. Health coverage improves health outcomes.

These make our country stronger & more just.

1

Sharon Parrott @ParrottCBPP · 3m

The nation can afford these investments. #BuildBackBetter takes the first step – and pays for it – and when it comes time to extend effective policies, the resources will be available to take the next one.

CBPP on BBB tax provisions/tweet thread on issue of expiring provisions

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Batchelder, Lily" <lily.batchelder@treasury.gov>
Date: Tue, 02 Nov 2021 15:45:26 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Lily,
Today we released a paper detailing the tax provisions in the Build Back Better (BBB) framework. We also released a tweet thread outlining the real and lasting offsets of BBB, addressing the issue of temporary expiring provisions. Hope these are helpful.
Ellen

Build Back Better Requires Highest-Income People and Corporations to Pay Fairer Amount of Tax, Reduces Tax Gap

"The Build Back Better (BBB) legislation before the House would raise a reported $1.85 trillion over ten years to pay for critical investments to reduce child poverty; make health care, child care, and housing more affordable; and address climate change. Moreover, while many of the BBB investments are temporary, the bulk of the tax provisions are permanent and so would continue raising revenue after ten years. The legislation would raise revenue in three main ways: requiring people with high incomes to pay a fairer amount of tax, reducing unwarranted tax advantages for profitable corporations (particularly large multinationals), and improving enforcement of the nation's tax laws to close the roughly $600 billion annual gap between taxes legally owed and taxes paid — a gap disproportionately due to high-income filers' noncompliance with the law. Together, these measures would make the tax code more equitable and adequate."

Read the full (8 pp.) report: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/research/federal-tax/build-back-better-requires-highest-income-people-and-corporations-to-pay

***

CBPP's President, **Sharon Parrott**, just put out a new tweet thread: https://hyperlink.services.treasury.gov/agency.do?origin=https://twitter.com/ParrottCBPP/status/1455582738505945102

Sharon Parrott @ParrottCBPP · 3m ···
Replying to @ParrottCBPP
When a temporary program expires, policymakers will have to take action to extend the program. At that point, they can insist that the extension be paid for with additional offsets.

1

Sharon Parrott @ParrottCBPP · 3m ···
When an extension is considered, CBO will "score" the cost of extending the provision as compared to allowing it to expire. The only way to show a zero net cost of the extension will be to enact new offsets.

1

Sharon Parrott @ParrottCBPP · 3m ···
Unlike the 2001 or 2017 tax laws, which were *not* fully offset, policymakers crafting #BuildBackBetter have committed to paying for all of the new spending.

Policymakers can pay for future extensions & the White House has committed to doing so.

1

Sharon Parrott @ParrottCBPP · 3m ···
Substantial revenues are available to offset the cost of extending temporary programs.

The Biden Administration & others have put forward many sound revenue raisers that will not be included in #BuildBackBetter.

1

Sharon Parrott @ParrottCBPP · 3m ···
Example: the current #BuildBackBetter framework won't require the very wealthiest – like Jeff Bezos – to pay income taxes on the annual growth in their wealth & doesn't include any corporate rate increases.

1

Sharon Parrott @ParrottCBPP · 3m

Often overlooked about the #BuildBackBetter framework: if, as in the current House bill, revenue raisers are made permanent, there are substantial revenues – trillions of $'s – being collected in the second decade & not currently being used to pay for investments.

1

Sharon Parrott @ParrottCBPP · 3m

The out-year revenues will improve the longer-run fiscal outlook, putting the nation in a stronger position to sustain important policy advances into the future.

1

Sharon Parrott @ParrottCBPP · 3m

Expirations will force policymakers & the public to evaluate the benefits & costs of the programs & decide if they should be extended.

Given strong evidence behind these policies, there's every reason to believe they will deliver large benefits for families & the country.

1

Sharon Parrott @ParrottCBPP · 3m

Investments in kids, early education, & higher ed have large payoffs for kids & the nation. Health coverage improves health outcomes.

These make our country stronger & more just.

1

Sharon Parrott @ParrottCBPP · 3m

The nation can afford these investments. #BuildBackBetter takes the first step – and pays for it – and when it comes time to extend effective policies, the resources will be available to take the next one.

Re: [Ext] Tax Enforcement Panel Questions

From: Diane Bui <dbui@americanprogress.org>
To: "Goldberg, Jr., Fred T" <fred.goldberg@skadden.com>, Jean Ross <jross@americanprogress.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, chye.ching.huang@nyu.edu, yoeli@lindsaygoldbergllc.com
Cc: Seth Hanlon <shanlon@americanprogress.org>, "Pavlis, Rebecca R" <rebecca.pavlis@skadden.com>, Peggy Chen <peggychen@nyu.edu>
Date: Wed, 03 Nov 2021 10:22:28 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Good Morning All,

We are all very excited about this afternoon's event. We wanted to send along the most current press list for today. We are currently at 153 total, and ask that you do not share these names widely.

First Name	Last Name	Organization	Press
David	Baumann	Washington Credit Union Daily	Y
Esgar	Guadarrama	Osl Mobile	Y
David	Hood	Bloomberg Industry Group	Y
Douglas	Kennedy	Fox News Channel	Y
Chikako	Koga	Lingotekinc	Y
David	Lawder	Reuters	Y
Kate	Michael	The Well News	Y
Rick	Newman	Yahoo Finance	Y
Brendan	Pedersen	American Banker	Y
Richard	Rubin	The Wall Street Journal	Y
Ben	Steverman	Bloomberg News	Y
David	van den Berg	Law360	Y
Laura	Weiss	CQ Roll Call	Y

Thank you, and see everyone at 2:45pm,
Diane

From: "Goldberg, Jr., Fred T" <Fred.Goldberg@skadden.com>
Date: Tuesday, November 2, 2021 at 3:41 PM
To: Jean Ross <jross@americanprogress.org>, "'Natasha.Sarin@treasury.gov'" <Natasha.Sarin@treasury.gov>, "chye.ching.huang@nyu.edu" <chye.ching.huang@nyu.edu>, "yoeli@lindsaygoldbergllc.com" <yoeli@lindsaygoldbergllc.com>
Cc: Seth Hanlon <shanlon@americanprogress.org>, "Pavlis, Rebecca R" <Rebecca.Pavlis@skadden.com>, Diane Bui <dbui@americanprogress.org>, Peggy Chen <peggychen@nyu.edu>
Subject: RE: [Ext] Tax Enforcement Panel Questions

Thanks Jean. I admire what CAP does but not a world I've been invited to (having served in the Nixon, Reagan and Bush I Administrations), where I first fell in love with what is now known as UBI.

Much of what I observed could be context setting or integrated with answers to specific questions. And others on the panel may of course disagree with my observations.

From: Jean Ross <jross@americanprogress.org>
Sent: Tuesday, November 2, 2021 3:32 PM
To: Goldberg, Jr., Fred T (WAS) <Fred.Goldberg@skadden.com>; 'Natasha.Sarin@treasury.gov' <Natasha.Sarin@treasury.gov>;

chye.ching.huang@nyu.edu; yoeli@lindsaygoldbergllc.com
Cc: Seth Hanlon <shanlon@americanprogress.org>; Pavlis, Rebecca R (WAS) <Rebecca.Pavlis@skadden.com>; Diane Bui <dbui@americanprogress.org>; Peggy Chen <peggychen@nyu.edu>
Subject: Re: [Ext] Tax Enforcement Panel Questions

Not out of line at all. Thank you. I can definitely take another look at the questions with your comments in mind.

Best,

Jean Ross

From: Goldberg, Jr., Fred T <Fred.Goldberg@skadden.com>
Sent: Tuesday, November 2, 2021 3:25 PM
To: Jean Ross <jross@americanprogress.org>; 'Natasha.Sarin@treasury.gov' <Natasha.Sarin@treasury.gov>; chye.ching.huang@nyu.edu <chye.ching.huang@nyu.edu>; yoeli@lindsaygoldbergllc.com <yoeli@lindsaygoldbergllc.com>
Cc: Seth Hanlon <shanlon@americanprogress.org>; Pavlis, Rebecca R <Rebecca.Pavlis@skadden.com>; Diane Bui <dbui@americanprogress.org>; Peggy Chen <peggychen@nyu.edu>
Subject: RE: [Ext] Tax Enforcement Panel Questions

Thanks Jean. I know we will be talking shortly but as a fan and admiring stranger in the strange (to me) land of CAP, I did want to share a couple of preliminary reactions:

I have been concerned for months now about the "enforcement" framing for four reasons:

- It is commonly understood to mean hiring more agents for more audits. That's exactly not what the Administration's initiative is all about.
  - Five former Secretaries, including our panel colleague Secretary Lew, made clear (as I read their terrific column) that it's about stable, long-term funding that allows the IRS to use technology as the driver of progress
  - The also make clear that
    - service is the foundation for successful tax administration for both moral and practical reasons
    - improving voluntary compliance is key to shrinking the tax gap
- It gives ammunition to those who mischaracterize the Administration's initiative as putting an IRS agent at everyone's dinner table
- Of greater concern in some ways is that it reinforces how some in the IRS want and think it to be all about more agents for more audits
- I believe the vast majority of those in the IRS and those of us who deal with the IRS (including many of us who still bleed IRS blue) is that the IRS is in a far deeper hole (largely not of its own making) than at any time in its past and that while planning to implement the "rebuild," it should focus on the urgent (for many reasons) deliverable of getting out of that hole and improving service.

With apologies if this is out of line or out of bounds, Fred

From: Jean Ross <jross@americanprogress.org>
Sent: Tuesday, November 2, 2021 2:46 PM
To: Goldberg, Jr., Fred T (WAS) <Fred.Goldberg@skadden.com>; 'Natasha.Sarin@treasury.gov' <Natasha.Sarin@treasury.gov>; chye.ching.huang@nyu.edu; yoeli@lindsaygoldbergllc.com
Cc: Seth Hanlon <shanlon@americanprogress.org>; Pavlis, Rebecca R (WAS) <Rebecca.Pavlis@skadden.com>; Diane Bui <dbui@americanprogress.org>; Peggy Chen <peggychen@nyu.edu>
Subject: [Ext] Tax Enforcement Panel Questions

Good afternoon,

I look forward to talking at 4 today. I know that several of the participants in the call have hard stops at 4:30. I've attached a draft set of questions for the moderated part of the session. I doubt that we will have time to address all of them and would welcome suggestions for questions that should be on the list. I would welcome your thoughts for which questions we should absolutely make sure to address and who might be the best person to direct them to. We hope to leave 15-20 minutes for questions from the audience.

Thanks again for your time. This promises to be a great event.

Best,

Jean Ross
Senior Fellow, Economic Policy

Center for American Progress

jross@americanprogress.org

From: Jean Ross <jross@americanprogress.org>
Sent: Monday, November 1, 2021 3:04 PM
To: Fred Goldberg <fred.goldberg@skadden.com>; Chye-Ching Huang <chye.ching.huang@nyu.edu>; Max Yoeli <yoeli@lindsaygoldbergllc.com>
Cc: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Pavlis, Rebecca R Pavlis <rebecca.pavlis@skadden.com>; Diane Bui <dbui@americanprogress.org>
Subject: Tax Enforcement Event Panel Prep

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi All - Thanks again for doing this on short notice. This is going to be a terrific session. There's been a request for a call among the speakers - happy to oblige as a group, if possible, and, if not, one-on-one. Might tomorrow 9-11, 12-1:30, or 3:30-4:30 work?

By way of background, the run of show is as follows:

- Welcome and introductions: Mara Rudman of CAP
- Introduction of the panel: Jean Ross of CAP
  - Two to three minute openers by each of the panelists with a proposed order of:
    - Jack Lew
    - Fred Goldberg
    - Chye-Ching Huang
    - Natasha Sarin
- Moderated questions to the panel - will circulate in advance, feel free to suggest
- Q&A from the audience

Please let me know if you are available at any of the times above or, if not, when you might be available and we'll work with your schedule.

All my best,

Jean Ross

Senior Fellow, Economic Policy

Center for American Progress

jross@americanprogress.org

This email (and any attachments thereto) is intended only for use by the addressee(s) named herein and may contain legally privileged and/or confidential information. If you are not the intended recipient of this email, you are hereby notified that any dissemination, distribution or copying of this email (and any attachments thereto) is strictly prohibited. If you receive this email in error please immediately notify me at (212) 735-3000 and permanently delete the original email (and any copy of any email) and any printout thereof.

Further information about the firm, a list of the Partners and their professional qualifications will be provided upon request.

==

This email (and any attachments thereto) is intended only for use by the addressee(s) named herein and may contain legally

FW: Buchanan: Dems' Flawed IRS Proposal Burdens Americans and Small Businesses

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Chuck Marr <marr@cbpp.org>
Date: Mon, 08 Nov 2021 14:12:08 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

From: Ways and Means Republicans <pressfromways&means@mail.house.gov>
Sent: Monday, November 8, 2021 1:42 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: Buchanan: Dems' Flawed IRS Proposal Burdens Americans and Small Businesses

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

View this email in your browser

Ways and Means Republicans

Buchanan: Dems' Flawed IRS Proposal Burdens Americans and Small Businesses

November 8, 2021 - PRESS RELEASE

J.P. Freire (202) 226-4774
Jessica Henrichs (202) 870-6316

Democrats are still working to include their proposal to track Americans' personal bank accounts and to turn local banks into chapters of the IRS.

Even raising the reporting requirement to $10,000 from their even more terrifying $600 proposal will burden Americans and small businesses, Ways and Means Republican Rep. Vern Buchanan (R-FL) warns in an op-ed for Fox Business.

CLICK HERE to read the full op-ed.

KEY EXCERPTS:

- *"Steve Rosenthal, a senior fellow at the left-leaning Tax Policy Center called it a 'deeply flawed proposal' and said that 'even at $10,000, the Biden bank proposal is still too sweeping, throws a net very wide, and it's hard to see what fish they want to catch here."*
- *"Every day Americans and small businesses across the country will inevitably get caught in the crosshairs if this ill-advised proposal ever becomes law. Anyone planning to send their child to college; take out a loan to reinvest in their business; sell goods at a farmers' market; or even buy groceries for a family of four could unintentionally have their privacy compromised by the IRS."*
- *"The current draft still includes nearly $80 billion that would allow the agency to more than double in size and hire an additional 87,000 agents.*
- *"However, Senate Democrats are reportedly still making a last-minute effort to get the snooping provision inserted. As recently as last week, a Treasury official said that the administration was still 'hopeful' that Democrats will 'get this past the finish line.'"*

KEY TAKEAWAYS:

- As Republicans wrote in a recent letter, "Even the $10,000 de minimis annual threshold would sweep up the bank information of nearly every American with a job."
- The nonpartisan CBO analysis assumes that under the President's proposal audit rates would "rise for all taxpayers"–including EITC audits and those of other lower and middle-income workers.
- Under the guise of closing the "tax gap," President Biden has a proposal to spend $80 billion on an army of auditors and to turn local banks into chapters of the IRS to report on the gross transactions of your personal and business bank accounts.
- It turns out there's very little evidence suggesting the IRS estimate on unpaid taxes (dubbed the "tax gap") is accurate, given that it may be based on data from seven years ago or wild guesses on foreign transactions, cryptocurrency, concealed income, and other sectors.

READ: REPORT: Democrats Still Seeking IRS Snooping Scheme

###

Follow on Twitter.	Like on Facebook.	Connect on Instagram.

Unsubscribe from this list

Click Here to view this email in your browser
Click Here to be removed from this list

FW:

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Tue, 09 Nov 2021 11:12:14 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Your eyes only. You're sending me some quotes, and what you want re a state person to comment on how the IRS $ would help? tx

---

From: Chuck Marr <marr@cbpp.org>
Sent: Tuesday, November 9, 2021 8:25 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>; Joel Friedman <friedman@cbpp.org>; Sharon Parrott <sparrott@cbpp.org>; Shannon Buckingham <sbuckingham@cbpp.org>; Michael Leachman <leachman@cbpp.org>
Cc: Samantha Jacoby <Sjacoby@cbpp.org>
Subject: RE:

Yes – we intend to – Samantha is drafting a blog

It will defend the score plus note if critics, such as the GOP are so concerned about tax gap revenue then they should add the info reporting proposal for some fiscal insurance

---

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Tuesday, November 9, 2021 7:17 AM
To: Chuck Marr <marr@cbpp.org>; Joel Friedman <friedman@cbpp.org>; Sharon Parrott <sparrott@cbpp.org>; Shannon Buckingham <sbuckingham@cbpp.org>; Michael Leachman <leachman@cbpp.org>
Subject:

Natasha Sarin called last night. They are seeing Repubs shift their attacks from the IRS enforcement to the IRS money. Treasury is worried Repubs will attack the OTA estimate and point to the forthcoming lower estimate of savings when the CBO score is out. Natasha noted that Repubs like Portman and others during BIF negotiations argued that CBO was too conservative in its estimates, and Treasury folks wondered if we might put something out (eg. A blog or tweet thread) when the CBO scores comes out pointing to the Repubs' statements and offering defense of OTA as much as we can. They will send quotes.
Also wants some state-related help, Michael, that I'll fill you in on later – will give you a call.

Thoughts?
Ellen

Ellen Nissenbaum
Senior Vice President for Government Affairs
CBPP
(202)408-1080
(202[redacted] *(cell)*

RE:

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>, Samantha Jacoby <sjacoby@cbpp.org>
Date: Tue, 09 Nov 2021 12:23:37 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

+ Chuck and Samantha who is working on our blog.
Tx
Ellen

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Tuesday, November 9, 2021 12:13 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: RE:

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Hi Ellen,

Yes, I'll send you quotes, we are putting together a document for you now. Here is a sampling from Romney and Portman:

- The first way that can't be scored is the plan to raise money from beefed up IRS enforcement. The bipartisan group of 10 senators, of which Romney is a part, has estimated that for $40 billion of investment in going after those who do not pay taxes, that would net $100 billion in return. Romney said the CBO has not traditionally issued an official "score" on such matters, which could spell danger for Republicans who are already wary of beefing up a federal agency which has proved politically controversial in the past. "The CBO won't score that because they say, 'Well, the government's entitled to all of its tax revenue, so you can't get a score for actually getting more of it," Romney told reporters. "Generally, the CBO's assessment of tax gaps is that they do not rely on them for scoring purposes and I would presume that would be the case here. But we recognize that there were some things that we saw as a source of revenue that the CBO might not be able to score." Democrats land on $3.5 trillion budget agreement - ABC News (go.com)

- "The tax gap is a good example. ... CBO says all these taxes were supposed to be collected, so we're not going to give you credit, which is I think wrong. So the CBO may not be as fulsome as it should be," Portman said. Senate negotiators scramble to defang GOP criticism | TheHill

On a state person, I think another argument to make that they can offer is to support for tax gap efforts because of spillovers on state budgets, states will collect more revenue when we clamp down on evasion, can lead to stronger fiscal positions, etc.

THANK YOU for all you are doing here, and in general.

All best wishes,

Natasha

RE: CAP brief on bank reporting

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Chuck Marr <marr@cbpp.org>
Cc:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Date:	Wed, 10 Nov 2021 18:49:32 -0500

They have a 1.6T number but it is for both enforcement dollars and reporting:

https://www.taxnotes.com/tax-notes-federal/compliance/recover-16-trillion-modernize-tax-compliance-and-assistance/2020/03/02/2c5p2

I will check to see if they broke them out.

From: Chuck Marr <marr@cbpp.org>
Sent: Wednesday, November 10, 2021 5:57 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: RE: CAP brief on bank reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Natasha – has Charles R or Fred G weighed in on the scoring difference or are all of Charles scoring comments associated with the info reporting.?

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, October 28, 2021 10:45 AM
To: Chuck Marr <marr@cbpp.org>; Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: RE: CAP brief on bank reporting

It's the later pages of this PDF attached (pages 4-7)

From: Chuck Marr <marr@cbpp.org>
Sent: Thursday, October 28, 2021 10:37 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: RE: CAP brief on bank reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thanks, Natasha – is the memo linked somewhere? Sorry, I don't see it

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, October 28, 2021 10:23 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>; Chuck Marr <marr@cbpp.org>
Subject: FW: CAP brief on bank reporting

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Mark's memo attached to these letters explains how you get $400B from just the IRS enforcement money. It's up somewhat from the original OTA number ($320B) because it includes a very conservative deterrence estimate.

From: Sarin, Natasha
Sent: Thursday, September 16, 2021 12:01 PM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: RE: CAP brief on bank reporting

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Wednesday, September 15, 2021 1:42 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: CAP brief on bank reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Also, if you're able to share the letters to Neal I'd love to see them – thanks!

From: Seth Hanlon
Sent: Wednesday, September 15, 2021 1:18 PM
To: Natasha.Sarin@treasury.gov
Subject: CAP brief on bank reporting

I forgot to send this to you yesterday: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/issues/economy/news/2021/09/14/503821/bank-tax-reporting-critical-component-bidens-build-back-better-agenda/

I just tweeted on it: https://hyperlink.services.treasury.gov/agency.do?origin=https://twitter.com/SethHanlon/status/1438189621641416706?s=20

And you probably saw Chuck and Samantha's piece but ICYMI: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/research/federal-tax/reducing-the-tax-gap-5-key-points-on-information-reporting

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202(b)(6) [redacted]
@SethHanlon
He/him/his

FW: NYT: An empowered I.R.S. emerges as the linchpin of Biden's social policy bill.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Samantha Jacoby <sjacoby@cbpp.org>
Date: Mon, 15 Nov 2021 14:53:07 -0500

An empowered I.R.S. emerges as the linchpin of Biden's social policy bill.

By Alan Rappeport
Nov. 15, 2021, 1:45 p.m. ET

https://hyperlink.services.treasury.gov/agency.do?origin=https://www.nytimes.com/2021/11/15/us/politics/biden-social-policy-bill-irs.html

WASHINGTON — President Biden's pledge to fully pay for his $1.85 trillion social policy and climate spending package depends in large part on having a beefed up Internal Revenue Service crack down on tax evaders, which the White House says will raise hundreds of billions of dollars in revenue.

But an upcoming assessment by the nonpartisan Congressional Budget Office is likely to undercut the administration's position by casting doubt on the amount of money that a more muscular I.R.S. would actually bring in.

As Democrats prepare for a final push to pass the spending legislation this week, the White House is bracing lawmakers for a disappointing tally from the budget office, which is likely to find that the cost of the overall package will not be fully paid for with new tax revenue over the coming decade. That includes the administration's plans to boost I.R.S. funding by $80 billion, which Treasury says could bring in $400 billion over the next decade as a bolstered enforcement staff ramps up audits on corporations and the rich. The budget office is expected to assume a much lower haul, according to White House and Treasury officials — possibly less than $200 billion over 10 years.

The C.B.O. tends to believe that the tax collection prowess of more enforcement agents will wane over time, while the White House assumes that taxpayers will become more compliant with the I.R.S. when they see tax dodgers facing consequences.

Such estimates are crucial to Mr. Biden's ability to get the next leg of his agenda through Congress. Lawmakers have to rely on the budget office's so-called score, which estimates whether the spending will add to the federal budget deficit over the next 10 years.

A disappointing assessment that shows the bill adding to the deficit could pose another big challenge for Mr. Biden's domestic policy legislation, which is already facing steep hurdles in the House and Senate. A group of moderate Democrats in the House have said that they want to see an assessment from the budget office before moving forward with the legislation. And some lawmakers have expressed concerns about whether the bill is fiscally responsible, with Senator Joe

Manchin III of West Virginia, a key swing vote, expressing concern that the package could add to the national debt and stoke further inflation.

Because Democrats are using a budget procedure called reconciliation to pass the bill with a simple majority, they cannot afford to lose a single vote in the Senate and no more than three votes in the House.

The administration's ability to raise taxes to pay for the spending has already run into resistance. Mr. Manchin and other moderate Democrats have opposed efforts to sharply raise taxes on corporations and the wealthiest Americans. That has left the Biden administration increasingly reliant on capturing uncollected tax revenue from the $7 trillion "tax gap" to pay for a sweeping expansion of child care, health and climate initiatives.

The proposal to give the I.R.S. an additional $80 billion over a decade has drawn fierce resistance from Republicans, right-leaning advocacy groups and banks, who have warned that an empowered tax collection agency will be weaponized against conservatives and target ordinary taxpayers.

The Biden administration has insisted that audit rates for people earning less than $400,000 per year would not rise, but that a large expansion of the nation's social safety net could be funded just by collecting tax revenue that is already owed to the government.

The big question is: How much money is there for the taking?

A preliminary assessment by the budget office earlier this year suggested the administration was being overly optimistic and that those who had avoided paying taxes in the past would adjust their activities to continue evading the I.R.S.

"C.B.O. expects taxpayers to adapt to the I.R.S.'s enforcement activities and adopt new ways of evading detection, so an enforcement activity may have a lower return in later years," the budget office said in September.

Bracing for the shortfall, senior Biden administration officials are urging lawmakers to disregard the budget office assessment of the enforcement proposal. They argue that the budget office is being overly conservative in its calculations, failing to properly credit the return on investment of additional I.R.S. resources and overlooking the "deterrent effects" that a more aggressive tax collection agency would have on tax cheats.

"In this one case, I think we've made a very strong empirical case for C.B.O. not having an accurate score," Ben Harris, Treasury's assistant secretary for economic policy, said in an interview. "The question is would they rather go with C.B.O. knowing C.B.O. is wrong or would they want to target the best information they could possibly have."

Mr. Harris described the discrepancy as a methodological shortcoming. He said that it was "patently absurd" that bolstering the enforcement capacity of the I.R.S., which has been depleted for years, would not compel taxpayers to be more compliant. The C.B.O. also predicts that the "return on investment" of giving the I.R.S. more money will decline over time, while Treasury disagrees.

The C.B.O. has been releasing its assessments of the House Democrats' legislation in parts and has been racing to get an overall number to lawmakers ahead of a possible vote this month. Most of the estimates are expected to be in line with White House projections, but the I.R.S. measure is likely to be an outlier.

The I.R.S. has for years been a favorite target of Republicans, who have accused the agency of political bias and worked to starve it of funding. From 2010 to 2020, funding for the I.R.S. declined by about a fifth and its enforcement ranks fell by 30 percent, making it difficult to pursue audits and legal fights against well-financed tax evaders.

In recent weeks, Republicans in congress have expressed growing alarm about the prospect of an empowered I.R.S.

"The I.R.S. will double in size," Representative Mike Kelly, Republican of Pennsylvania, said last month. "It will be more involved in the day-to-day lives of every American. And the result will be an invasion of privacy and the heavy hand of the government squeezing out smaller, more local businesses."

The Biden administration believes that doubling the enforcement staff at the I.R.S. will go a long way toward combating tax dodgers.

Charles P. Rettig, the I.R.S. commissioner who was picked for the job by former President Donald J. Trump, said last week the agency was long overdue for a financial infusion. He said the agency has fewer auditors than at any time since World War II.

"If given the resources we need, we will be able to make a sizable dent in noncompliance over several years," Mr. Rettig wrote in a Washington Post opinion article. "A properly funded and trained workforce will also have a significant deterrent effect on cheating."

A separate proposal that would also have required banks to report more information about the finances of their customers to the I.R.S. has so far been left out of the legislation amid backlash over privacy concerns. The Biden administration is still pushing for a more narrow version of that proposal to be included in a final bill.

Douglas Elmendorf, who directed the C.B.O. from 2009 to 2015, said that estimating the returns on additional I.R.S. enforcement was challenging because large funding infusions to the agency had little precedent and it was difficult to quantify the "indirect effects" of more auditors. He said lawmakers should take that into account when setting policy.

"I think Congress should always look beyond the budget estimate when deciding what to do about legislation," Mr. Elmendorf said.

With slim majorities in the House and Senate, Democrats could need to find other ways to pay for their plans if they are not ready to rely on the I.R.S.

John Koskinen, the former I.R.S. commissioner in the Obama and Trump administrations, said that it was unfortunate that the proposals to fund the agency became so politicized. He suggested that it was not so far-fetched that an agency that already collects more than $3 trillion a year could capture another $40 billion annually if it was properly staffed and modernized.

"When you under-fund the I.R.S., it's just a tax cut for tax cheats," Mr. Koskinen said.

Senate Should Improve SALT Provision in House BBB Bill (CBPP)

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"undisclosed recipients:;"
Bcc:	"Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>
Date:	Mon, 15 Nov 2021 16:55:22 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Senate Should Improve SALT Provision in House BBB Bill

November 15, 2021, 2:00 pm
By Chuck Marr
https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/blog/senate-should-improve-salt-provision-in-house-bbb-bill

When the Senate considers the landmark Build Back Better (BBB) legislation following expected House action, it should replace the House provision on the state and local tax (SALT) deduction with an alternative approach advanced by Senators Bob Menendez and Bernie Sanders. While the House provision would dramatically increase the current cap on the SALT deduction, providing large tax cuts for wealthy households, the Menendez-Sanders approach would better target the tax cut and avoid windfalls for the richest people.

The 2017 tax law imposed a $10,000 cap on the state and local taxes that filers can deduct on their federal returns. (Previously, filers could deduct an unlimited amount of state and local income and property taxes for federal tax purposes, subject to the individual alternative minimum tax or AMT.) This "SALT cap" is slated to expire after 2025, along with most of the law's other individual tax provisions. The House bill would raise the cap to $80,000 and extend it through 2030, then set the cap at $10,000 for 2031 only, after which it would expire.

The alternative from Senators Sanders and Menendez would exempt people below a certain income threshold from the $10,000 cap. Sanders has suggested setting the threshold at $400,000, consistent with President Biden's pledge not to raise taxes on households with incomes below that level; Senator Menendez would set the threshold somewhat higher. Either way, this approach would exempt the vast majority of households — including all middle-income households — from the cap. And it would avoid the biggest flaw in the House proposal, which would provide wholly unnecessary tax cuts of up to $25,900 to many of the country's richest people, as explained below.

Here's some background. The SALT cap in the 2017 tax law targeted households with higher incomes who pay substantial state and local taxes; these households disproportionately live in states that impose higher taxes to support more robust public services, where political power tends to be held by Democrats. In these states, the cap typically affects about 9 in 10 households with incomes in the top 95th to 99th percentiles. But these households *still received the largest net tax cut* from the 2017 tax law, measured as a share of their income, because the other tax cuts in the 2017 law far outweighed the tax increase imposed by the SALT cap — even in the states most affected by the cap.

There are several reasons why these households received such large tax cuts from the 2017 tax law despite the SALT cap, but two stand out. First, the law lowered income tax rates across many of the seven tax brackets, and all of these rate cuts benefit upper-income households. Second, the law substantially scaled back the AMT in ways that made the AMT much less likely to affect taxpayers in the 95th to 99th percentiles. In New Jersey, for example, where this group has incomes ranging from roughly $337,000 to $1.1 million, they received tax cuts averaging 3.5 percent of income from the 2017 law, according to the Institute on Taxation and Economic Policy. The top 1 percent of households also received large tax cuts from the 2017 law. None of these high-income households needs another tax cut.

While House proponents of increasing the SALT cap frequently argue that their goal is to protect middle-class families, the Menendez-Sanders approach more than satisfies this goal by exempting all but the highest-income households entirely. The House provision, by contrast, would expand the amount of state and local taxes that *any* household could deduct, no matter how high its income. Households making several million dollars a year could get a $25,900 tax cut. (This amount represents the 37 percent top tax rate multiplied by the $70,000 increase in the cap amount.) This is especially problematic because one of the House bill's most important policy changes to reduce tax advantages at the top is a surtax on the adjusted gross incomes of very rich people. The surtax, however, wouldn't kick in until incomes reach $10 million, so someone with a $9 million income wouldn't face the surtax but *would* get up to a $25,900 tax cut under the House bill's SALT provision.

As result of its large SALT tax cut, the House bill's income and payroll tax provisions together would provide a tax cut to nearly 80 percent of households with income between $500,000 and $1 million (whose tax cuts would average $8,800) and to 70 percent of households with incomes over $1 million (whose tax cuts would average $16,960), the Tax Policy Center estimates. There's no way to justify these tax cuts as "middle-class" tax relief. They are particularly egregious given that BBB aims to provide the most help for low- and middle-income households while reducing tax advantages for wealthy households.

The House Build Back Better legislation as a whole is a historic step forward: it would make child care and health care more affordable, lower prescription drug prices for seniors, and reduce child poverty, while fully offsetting the cost by raising taxes on high-income individuals and multinational corporations and collecting more of the taxes already owed. The Senate can improve this landmark legislation by replacing its SALT provision with the far superior Menendez-Sanders approach.

More on this Topic

Report
Build Back Better Requires Highest-Income People and Corporations to Pay Fairer Amount of Tax, Reduces Tax Gap
November 2, 2021

Report
Corporate Lobbying Campaign Against Biden Tax Proposals Is Inaccurate, Unpersuasive
September 10, 2021

Report
Build Back Better's Child Tax Credit Changes Would Protect Millions From Poverty — Permanently
November 11, 2021

Chart Book
The Need to Rebuild the Depleted IRS

EMBARGOEDCOPY: BLOG ON IRS SCORING

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>, "Clausing, Kimberly" <kimberly.clausing@treasury.gov>, "Davidson, Jonathan" <jonathan.davidson@treasury.gov>, "Kalyanam, Aruna" <aruna.kalyanam@treasury.gov>
Date:	Wed, 17 Nov 2021 10:12:03 -0500
Attachments:	IRS funding_revenue blog.docx (25.48 kB)

Revenue From BBB's IRS Enforcement Funding Would Support Investments

The Build Back Better (BBB) legislation before the House would raise revenue in part by improving IRS enforcement of the nation's tax laws to close the roughly $600 billion annual gap between taxes legally owed and taxes collected — a gap disproportionately due to high-income filers' noncompliance with the law. BBB would provide roughly $80 billion over ten years for this essential task. The Congressional Budget Office's (CBO) September estimate of how much added revenue would come from improving IRS enforcement is lower than a more recent Treasury Department estimate, and even the higher Treasury estimate may be conservative. But more broadly, both agencies agree that the investment will result in a significant increase in revenues to help pay for the bill's investments to reduce poverty, broaden opportunity, expand health coverage, and address climate change.

BBB would provide the enforcement funding via a multi-year, mandatory funding stream (that is, directly in authorizing law rather than through annual appropriations) to give the IRS the certainty it needs to rebuild its audit staff and make long-term commitments to technology upgrades. The added funding is especially vital given the depleted state of the IRS. A decade of cuts has severely undermined the agency's ability to perform its fundamental jobs of enforcing the nation's tax laws and helping taxpayers navigate a tax system that relies on voluntary compliance.

The Biden Administration estimates the IRS investment would raise a net $400 billion over ten years (that is, after subtracting the $80 billion investment), in large part due to additional collections stemming directly from audits. Importantly, the Administration also expects some of the additional revenue to come from greater *voluntary* compliance. In other words, a robust IRS enforcement division that effectively polices tax evasion, audits high-income people at higher rates, and employs advanced technology to flag problematic tax returns would likely have a deterrent effect, encouraging taxpayers to voluntarily report more of their income. It has been Treasury's longstanding view under Presidents of both parties that deterrent effects can generate additional revenue.

CBO will soon issue estimates of the revenue that BBB's added enforcement funding would generate as part of its analysis of the legislation as a whole. CBO's September analysis of the Biden Administration's 2022 budget (which included the proposed $80 billion investment) estimated that the proposal would generate $200 billion in added revenue over ten years, for a net increase of $120 billion. That's consistent with past CBO estimates of boosting IRS enforcement funding.

To estimate the added revenues from new IRS enforcement funding, CBO makes several adjustments to the IRS' projected returns from the new spending (that is, how much the IRS expects to raise from taxes, penalties, and interest paid by audited taxpayers). CBO reduces the value of these projected returns because, for example, it expects the IRS to prioritize the highest-value audits in early years, with later audits raising less revenue. CBO also expects that sophisticated tax evaders will eventually find new ways to avoid detection. Treasury incorporates these factors into its own estimate, but CBO appears to make more aggressive downward adjustments.

Moreover, CBO's estimates don't appear to account for revenue increases due to the increase in voluntary taxpayer compliance in reaction to more robust IRS enforcement. These deterrent effects may be substantial. For example, one frequently cited study found that individual taxpayers increased their reported income by around 3 percent on average in the years after they were audited; it also found that reporting of certain business income increased by more than 14 percent after an audit. To be sure, estimating the magnitude of the deterrent effect of greater IRS enforcement involves uncertainty. Recognizing this uncertainty, Treasury takes a conservative approach in its revenue estimates and includes only a small share of the potential revenue boost from increased deterrence.

In addition, neither Treasury nor CBO has estimated the potential revenue increase from BBB's *non*-enforcement IRS funding. The House legislation includes $5 billion for technology modernization and $2 billion for taxpayer services. CBO has noted that IRS spending in these non-enforcement areas could increase revenue by boosting the agency's productivity. For example, in fiscal year 2020, the IRS was able to answer just 24 percent of its phone calls; restoring customer service to appropriate levels would likely increase voluntary compliance by allowing taxpayers to easily receive information and assistance when trying to file. CBO's revenue estimates don't account for any such potential increases in compliance due to better taxpayer services and technology.

Even the higher Treasury estimates are viewed as conservative by some former Treasury officials. Former Treasury Secretary Larry Summers, for example, estimates that added enforcement funding could raise substantially more than Treasury estimates. Former Treasury Secretary Jacob Lew similarly claims that Treasury's estimate understates the revenue savings from investing in the IRS.

Finally, Congress could address any remaining concerns about how much enforcement revenue BBB would generate by restoring provisions dropped from the House package that would require improved information reporting to help the IRS identify unpaid taxes. Coupling the IRS funding increases with these reporting requirements would raise an additional $460 billion, according to Treasury. Unfortunately, the banking industry mounted a misinformation campaign against the President's information reporting proposal. Either as part of the BBB negotiations or after BBB is enacted, Congress should examine the industry's misinformation, debunk it, and renew the effort to provide the IRS with the information it needs to enforce the tax code on behalf of honest taxpayers.

FW: Press advisory

From: Seth Hanlon <shanlon@americanprogress.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Batchelder, Lily" <lily.batchelder@treasury.gov>, aruna.kalyanam@mail.house.gov, "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>
Date: Wed, 17 Nov 2021 15:44:33 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

FYSA...

CAP

For Immediate Release
November 17, 2021

Julia Cusick
jcusick@americanprogress.org

PRESS CALL: Summers and Rossotti on Why Tax Enforcement Provision in the Build Back Better Act Will Raise Significantly More Revenue than CBO is Likely to Conclude

Washington, D.C. — Preliminary White House estimates indicate that the Build Back Better Act will reduce the deficit by $36 billion over the next decade and by at least $2 trillion in the subsequent decade. Provisions in Build Back Better that would modernize the IRS would be a major source of budget savings, improving the agency's ability to properly enforce the law with regard to high-income and corporate taxpayers. The Treasury's Office of Tax Analysis (OTA) estimates that these investments will raise $400 billion of revenue, net of the $80 billion investment—but those savings will not be included in the official Congressional Budget Office (CBO) score of the bill. In previous publications, former Treasury Secretary Lawrence H. Summers and former IRS Commissioner Charles Rossotti have each estimated that investments in IRS modernization and compliance will generate significantly more revenue than the Treasury OTA estimates.

Please join the Center for American Progress, Summers, and Rossotti for a discussion on the limitations of the CBO score and the substantial revenue that the Build Back Better Act's tax enforcement provisions are expected to generate.

Live transcription will be available for this call.

WHO:

Lawrence H. Summers, former Secretary of the Treasury; Distinguished Senior Fellow, Center for American Progress
Charles Rossotti, former IRS Commissioner; Senior Adviser, Carlyle Group

Moderator:
Patrick Gaspard, President and CEO, Center for American Progress

WHAT:

Press call to discuss the limitations of the CBO's score on the tax enforcement provisions in the Build Back Better Act.

WHEN:

Thursday, November 18, 2021, 9:00 a.m. ET

RSVP:

Please email Julia Cusick at jcusick@americanprogress.org to receive dial-in information.

###

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people.

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcusick@americanprogress.org
cell: (b)(6) [redacted]

From: Navin Nayak <nnayak@americanprogress.org>
Sent: Wednesday, November 17, 2021 2:16 PM
To: Julia Cusick <jcusick@americanprogress.org>
Subject: Press advisory

Can you send it to me? Thanks

Navin Nayak
President and Executive Director, CAP Action Fund
(202) 489-2934
pronouns: he/him/his

RE: CNBC interview

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>, "Lew, Jacob" <lew@lindsaygoldbergllc.com>
Date: Wed, 17 Nov 2021 22:51:22 -0500

Hi Jack,

Seconding Ellen—just watched, and this is great, and the tax gap stats and focus on the difficulty of currently going after complex taxpayers is extremely helpful. We really are so grateful, for everything. Hoping we get through this week with a successful House vote, fingers crossed.

All best wishes, and many, many, many thanks again,

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Wednesday, November 17, 2021 10:41 PM
To: Lew, Jacob <Lew@lindsaygoldbergllc.com>; Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: CNBC interview

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

tx

From: Lew, Jacob <Lew@lindsaygoldbergllc.com>
Sent: Wednesday, November 17, 2021 7:57 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>; Natasha.Sarin@treasury.gov
Subject: CNBC interview

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

First clip is on the bill and payfors, second is on the Fed

Sent from my iPhone

Begin forwarded message:

> **From:** "Yoeli, Max" <yoeli@lindsaygoldbergllc.com>
> **Date:** November 17, 2021 at 7:50:48 PM EST
> **To:** "Lew, Jacob" <Lew@lindsaygoldbergllc.com>
> **Cc:** Victoria Esser [redacted] @gmail.com>
> **Subject: clips to share**
>
> Jack,
>
> I believe the two links below together cover the entire interview from this afternoon:
>
> https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cnbc.com/video/2021/11/17/jack-lew-bidens-agenda-will-lead-to-more-fair-equitable-economy.html
>
> https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cnbc.com/video/2021/11/17/fmr-treasury-sec-jack-lew-on-whether-to-keep-or-replace-fed-chair-powell.html

For sharing with the Hill or elsewhere, the first clip covers scoring, whereas the second clip touches on the Fed and inflation.

Best,
Max

RE: Press advisory

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Seth Hanlon <shanlon@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Zina Barrow <zbarrow@americanprogress.org>
Date: Thu, 18 Nov 2021 08:39:57 -0500

Thank you!

From: Seth Hanlon <shanlon@americanprogress.org>
Date: November 18, 2021 at 8:39:26 AM EST
To: Julia Cusick <jcusick@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Zina Barrow <zbarrow@americanprogress.org>
Subject: RE: Press advisory

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

That's great – thanks both!

From: Julia Cusick <jcusick@americanprogress.org>
Sent: Thursday, November 18, 2021 8:38 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov; Zina Barrow <zbarrow@americanprogress.org>
Subject: RE: Press advisory

Assuming she doesn't need to be in the back end: (b)(6) [redacted] the conference ID is (b)(6) [redacted]

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcusick@americanprogress.org
cell: (b)(6) [redacted]

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Thursday, November 18, 2021 8:37 AM
To: Natasha.Sarin@treasury.gov; Zina Barrow <zbarrow@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>
Subject: RE: Press advisory

+ Zina and Julia - What number can Natasha dial in at? Thx!

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, November 18, 2021 8:16 AM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: Re: Press advisory

Btw can you share dial-in? Will try to listen to some.

From: Seth Hanlon <shanlon@americanprogress.org>
Date: November 17, 2021 at 3:52:20 PM EST
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>, Batchelder, Lily <Lily.Batchelder@treasury.gov>, Aruna.Kalyanam@mail.house.gov <Aruna.Kalyanam@mail.house.gov>, White, Antonio <Antonio.White2@treasury.gov>, Rizzo, John <John.Rizzo@treasury.gov>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>
Subject: FW: Press advisory

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

FYSA...

CAP

For Immediate Release
November 17, 2021

Julia Cusick
jcusick@americanprogress.org

PRESS CALL: Summers and Rossotti on Why Tax Enforcement Provision in the Build Back Better Act Will Raise Significantly More Revenue than CBO is Likely to Conclude

Washington, D.C. — Preliminary White House estimates indicate that the Build Back Better Act will reduce the deficit by $36 billion over the next decade and by at least $2 trillion in the subsequent decade. Provisions in Build Back Better that would modernize the IRS would be a major source of budget savings, improving the agency's ability to properly enforce the law with regard to high-income and corporate taxpayers. The Treasury's Office of Tax Analysis (OTA) estimates that these investments will raise $400 billion of revenue, net of the $80 billion investment—but those savings will not be included in the official Congressional Budget Office (CBO) score of the bill. In previous publications, former Treasury Secretary Lawrence H. Summers and former IRS Commissioner Charles Rossotti have each estimated that investments in IRS modernization and compliance will generate significantly more revenue than the Treasury OTA estimates.

Please join the Center for American Progress, Summers, and Rossotti for a discussion on the limitations of the CBO score and the substantial revenue that the Build Back Better Act's tax enforcement provisions are expected to generate.

Live transcription will be available for this call.

WHO:
Lawrence H. Summers, former Secretary of the Treasury; Distinguished Senior Fellow, Center for American Progress
Charles Rossotti, former IRS Commissioner; Senior Adviser, Carlyle Group

Moderator:
Patrick Gaspard, President and CEO, Center for American Progress

WHAT:

Press call to discuss the limitations of the CBO's score on the tax enforcement provisions in the Build Back Better Act.

WHEN:

Thursday, November 18, 2021, 9:00 a.m. ET

RSVP:

Please email Julia Cusick at jcusick@americanprogress.org to receive dial-in information.

###

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people.

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcus[redacted]rogress.org
cell (b)(6) [redacted]

From: Navin Nayak <nnayak@americanprogress.org>
Sent: Wednesday, November 17, 2021 2:16 PM
To: Julia Cusick <jcusick@americanprogress.org>
Subject: Press advisory

Can you send it to me? Thanks

Navin Nayak
President and Executive Director, CAP Action Fund
(202) 489-2934
pronouns: he/him/his

RE: Alert: Senate Republicans Will Try to Restrict Biden's IRS Audit Boost

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>, "Clausing, Kimberly" <kimberly.clausing@treasury.gov>
Date: Wed, 08 Dec 2021 16:14:26 -0500

Sadly, we are well aware Trying to brainstorm some side-by-sides we will be able to offer when the time comes (hopefully soon!).

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Wednesday, December 8, 2021 4:00 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Clausing, Kimberly <Kimberly.Clausing@treasury.gov>
Subject: FW: Alert: Senate Republicans Will Try to Restrict Biden's IRS Audit Boost
Importance: High

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Senate Republicans Will Try to Restrict Biden's IRS Audit Boost

Bloomberg Government

Senate Republicans Will Try to Restrict Biden's IRS Audit Boost

- Democrats want to give IRS extra $80 billion over a decade to boost collections
- Republicans tie proposed audit restriction to Biden tax hike pledge

By Colin Wilhelm / December 7, 2021 02:18PM ET / Bloomberg Law

Senate Republicans plan to offer an amendment to Democrats' tax-and-spend plan that would bar the IRS from using tens of billions of dollars in additional funding to audit any households making $400,000 or less.
The House-passed reconciliation package includes an additional $80 billion in funding for the Internal Revenue Service over 10 years, largely to increase enforcement to collect unpaid taxes. Revenue from the spending increase is one of the

provisions Democrats are pushing to offset new spending on climate change, health care, and other priorities, though congressional scorekeepers project it would raise less than the Treasury Department forecast it would.
Senate Finance Committee ranking member Mike Crapo (R-Idaho) said Tuesday that Republicans plan to force a vote when the reconciliation package is on the Senate floor that would limit what the IRS could do with that additional money.
Limiting the IRS's ability to audit a large portion of the population would cut into the amount of revenue the increased funding would bring in, potentially complicating efforts to pass the overall package. If Democrats are able to vote down the amendment, it still could create a tricky issue to explain on the campaign trail in advance of next year's midterm elections.
Republican lawmakers speaking at a Capitol Hill press conference tied the idea to President Joe Biden's pledge that he wouldn't raise taxes on people making under $400,000 a year.
"If you look at where the tax gap supposedly is, interestingly it falls mostly on those making less than $500,000 a year," Crapo said, referring to the official estimate of the difference between taxes owed and revenue collected by the IRS. "I think half of it roughly, 40% to 50%, falls on people making $100,000 or under."
Under the Senate's budget reconciliation rules, Democrats would bypass a Republican filibuster on the overall package, but Republicans would have the ability to force amendment votes on the floor. Sen. Shelley Moore Capito (R-W.Va.) said earlier this month that she is ready to introduce an amendment that would retain the current $10,000 cap on deductions for state and local tax payments.
To contact the reporter on this story: Colin Wilhelm in Washington at cwilhelm@bloombergtax.com
To contact the editors responsible for this story: Patrick Ambrosio at pambrosio@bloombergtax.com; Kathy Larsen at klarsen@bloombergtax.com

---

BGOV Congress Tracker Edit this alert

RE: IMPORTANT CBPP piece on Friday CBO report

From: Joel Friedman <friedman@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Richard Kogan <kogan@cbpp.org>
Date: Thu, 09 Dec 2021 16:26:56 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thanks Natasha. Nice talking with you.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, December 9, 2021 4:22 PM
To: Richard Kogan <kogan@cbpp.org>; Joel Friedman <friedman@cbpp.org>
Subject: RE: IMPORTANT CBPP piece on Friday CBO report

Hi Richard and Joel,

So sorry—I lost power and my Zoom refused to restart! Really apologize. But so many thanks to you both for doing this so quickly and for taking a few minutes to walk through. Really very, very much appreciate all you are doing and look so forward to talking again soon.

All best wishes,

Natasha

From: Richard Kogan <kogan@cbpp.org>
Date: December 9, 2021 at 4:03:25 PM EST
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>, Joel Friedman <friedman@cbpp.org>
Subject: RE: IMPORTANT CBPP piece on Friday CBO report

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

OK, I'm on the link, waiting for you to "start this meeting." ●

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, December 9, 2021 3:54 PM
To: Richard Kogan <kogan@cbpp.org>; Joel Friedman <friedman@cbpp.org>
Subject: RE: IMPORTANT CBPP piece on Friday CBO report

Wonderful, I will jump on Zoom at 4 if works? Link below, look so forward.

Natasha Sarin is inviting you to a scheduled ZoomGov meeting.

Topic: My Meeting
Time: Dec 9, 2021 04:00 PM Eastern Time (US and Canada)

Join ZoomGov Meeting
https://hyperlink.services.treasury.gov/agency.do?origin=https://ustreasury.zoomgov.com/j/(b)(6) [redacted]

Meeting ID: (b)(6) [redacted]
One tap mobile
+16692545252,,(b)(6) [redacted] US (San Jose)
+16468287666,,[redacted] US (New York)

Dial by your location
+1 669 254 5252 US (San Jose)
+1 646 828 7666 US (New York)
+1 669 216 1590 US (San Jose)
+1 551 285 1373 US
833 568 8864 US Toll-free
Meeting ID: [redacted]
Find your local number: https://hyperlink.services.treasury.gov/agency.do?origin=https://ustreasury.zoomgov.com/u/aSnosjmPw

Join by SIP
[redacted]@sip.zoomgov.com

Join by H.323
[redacted] (US West)
(US East)
Meeting ID: [redacted]

From: Richard Kogan <kogan@cbpp.org>
Sent: Thursday, December 9, 2021 3:52 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Joel Friedman <friedman@cbpp.org>
Subject: RE: IMPORTANT CBPP piece on Friday CBO report

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Natasha, nice to hear from you. We can talk now (or some other time, if that works better for you). You can call me at [redacted], but it might be simpler for you to send me a Zoom link and I can share my screen, with my messy spreadsheet, if that would help you.

Richard

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, December 9, 2021 2:48 PM
To: Joel Friedman <friedman@cbpp.org>; Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Richard Kogan <kogan@cbpp.org>
Subject: RE: IMPORTANT CBPP piece on Friday CBO report

Thanks, Ellen, and thanks Joel for details.

Richard – are there good times on your end to connect this afternoon? Sometime 3:30-4:30 easiest on my end, but I can do later as well if better. Let me know when best and also best number, and many, many thanks.

All warmest wishes,

Natasha

From: Joel Friedman <friedman@cbpp.org>
Sent: Thursday, December 9, 2021 2:46 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Richard Kogan <kogan@cbpp.org>
Subject: RE: IMPORTANT CBPP piece on Friday CBO report

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi Natasha,

I did the words, and Richard did the numbers.

Thanks,

Joel

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Thursday, December 9, 2021 2:44 PM
To: Natasha.Sarin@treasury.gov
Cc: Joel Friedman <friedman@cbpp.org>; Richard Kogan <kogan@cbpp.org>
Subject: RE: IMPORTANT CBPP piece on Friday CBO report

+ Joel and Richard. They'll be happy to connect w/ you.
Ellen

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, December 9, 2021 2:09 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: Re: IMPORTANT CBPP piece on Friday CBO report

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Hi Ellen,

Can you connect me with whoever wrote this CBO piece if possible?

All best wishes, and many thanks, as always!

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: December 9, 2021 at 1:32:36 PM EST
To: Taverna, Andrea <Andrea.Taverna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>, Kalyanam, Aruna <Aruna.Kalyanam@treasury.gov>, Harris, Benjamin <Benjamin.Harris@treasury.gov>, Lebryk, David <David.Lebryk@treasury.gov>, Ngarmboonanant, Wishcha <Geng.Ngarmboonanant@treasury.gov>, Leibenluft, Jacob <Jacob.Leibenluft2@treasury.gov>, Davidson, Jonathan <Jonathan.Davidson@treasury.gov>, Siegel, Julia <Julia.Siegel@treasury.gov>, Richards, Katharine <Katharine.Richards@treasury.gov>, Byrd, Kimberly <Kimberly.Byrd@treasury.gov>, Clausing, Kimberly <Kimberly.Clausing@treasury.gov>, Batchelder, Lily <Lily.Batchelder@treasury.gov>, Linda.Robertson@treasury.gov <Linda.Robertson@treasury.gov>, mark.mazur2@treasury.gov <mark.mazur2@treasury.gov>, Schmidt, Michael <Michael.Schmidt2@treasury.gov>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Reimherr, Patrick <Patrick.Reimherr@treasury.gov>
Subject: IMPORTANT CBPP piece on Friday CBO report

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Assessing Build Back Better's Fiscal Impact: 3 Key Facts

By Joel Friedman
December 9, 2021, 1:15 pm
https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/blog/assessing-build-back-betters-fiscal-impact-3-key-facts

The Congressional Budget Office (CBO) has stated that it will produce a report on the budgetary effects of making certain policies in Build Back Better permanent, apparently in response to Senator Lindsey Graham's request. This report will not show Build Back Better's true cost, nor will it present a plausible prediction of what Congress would do when considering extending the provisions, as we have explained when assessing similar analyses. The actual fiscal impact of Build Back Better — the House-passed bill, as written — appears to be roughly zero over the next decade, and around $2 trillion in deficit reduction in the subsequent decade. Based on recent history, it is highly unlikely that Congress would permanently extend all of the bill's temporary provisions without any offsets, which is the assumption that Senator Graham instructed CBO to use for this analysis.

When assessing the CBO report, keep three things in mind:

1. **The actual, House-passed Build Back Better legislation — not the policies as *assumed* by Senator Graham — is completely paid for over the next decade under reasonable assumptions, and very nearly paid for according to CBO's estimates.** While both CBO

and the Treasury Department agree that the bill's increased IRS funding for the enforcement of tax laws would generate more revenue, Treasury estimates are somewhat higher — although reasonable and likely even conservative, given the size of the overall gap between what taxes are legally owed and collected, as we've explained. Under the Treasury estimates, the bill's cost would be more than offset over the next decade. Senate leaders have indicated they plan to pay for the Build Back Better legislation that they pass. This Congress has thus shown a commitment to paying for Build Back Better's investments — a commitment that has strengthened during consideration of the package, since the budget resolution itself would have allowed for a reconciliation bill that was not fully paid for. This commitment stands in sharp contrast to the 2001 and 2017 tax-cut packages, which significantly increased deficits.

2. **The Build Back Better legislation would reduce the deficit over the second decade (2032-2041).** We project that the bill includes roughly $2.0 trillion in deficit reduction over the second decade based on CBO cost analyses, and $2.1 trillion when an extrapolation of Treasury's estimate of revenues from enforcement funding are used. Even though many spending provisions in the bill are for a finite period, most of the revenue increases and reductions in prescription drug spending are permanent. Congress's decision to make the deficit-reducing provisions of Build Back Better permanent reflects a deliberate policy choice — one that will reduce widening income and wealth inequality, slow the growth in prescription drug costs, *and* lessen fiscal challenges facing future policymakers and generations.

3. **It's reasonable to assume that policymakers would couple the cost of extending Build Back Better's provisions with substantial offsets.** When Congress invests in reducing poverty, expanding health care, or bolstering human capital, it tends to offset these costs — as both Build Back Better and the Affordable Care Act suggest. Policymakers would have to evaluate the benefits and costs of Build Back Better's policies as they near their expiration date and act affirmatively if they want to extend them. They would no doubt face significant pressure to offset the cost of these extensions.

   Just as policymakers crafting the current package committed to financing the investments with sound offsets, those considering extensions of these policies in the future likely would similarly choose to do so. Sound revenue-raising offsets would be readily available for this task. While developing Build Back Better, Congress has considered numerous revenue measures that would raise trillions of dollars over the coming decade, but did not include many, partially because total investments were scaled back. These policies, which would raise revenue from wealthy households and profitable corporations and are broadly popular with the public, will remain available in the future.

While assessing Build Back Better's fiscal impact is important, it is not the only — or even the most important — metric for assessing the legislation. Policymakers should also focus on how the investments in Build Back Better will meet critical needs and have important long-term benefits for individuals and the nation as a whole. For example, its investments in children, early education, and college access and completion have a strong evidence base, showing they will reduce poverty and hardship among children and improve long-term outcomes in their education and health. Those investments would over time also boost labor force participation and productivity, enhancing the nation's long-term economic outlook.

The package will make us a fairer, more equitable nation; it is fiscally sustainable; and the Senate should move swiftly to pass it.

Build Back Better Would Save About $2 Trillion in Second Decade (CBPP)

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"undisclosed recipients:;"
Bcc:	"Batchelder, Lily" <lily.batchelder@treasury.gov>
Date:	Fri, 10 Dec 2021 09:17:19 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Build Back Better Would Save About $2 Trillion in Second Decade

December 10, 2021, 9:00 am
by Richard Kogan
https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/blog/build-back-better-would-save-about-2-trillion-in-second-decade

The House-passed Build Back Better (BBB) legislation would generate substantial savings in its second decade (2032-2041), CBPP projections show.

Over the first decade, the Congressional Budget Office (CBO) estimates that the legislation is very nearly paid for — and more than paid for if one uses the Treasury Department's reasonable estimate of the savings generated by BBB's IRS enforcement provisions rather than CBO's estimate.

The CBO estimates of BBB show that it would cost a modest $158 billion over the next ten years (representing 0.1 percent of gross domestic product, or GDP, over that period), with costs turning to savings by 2027. We project that these savings would continue into the *second* decade, with second-decade savings totaling $2.0 trillion (0.5 percent of GDP).

In fact, the bill's savings could be slightly larger. As noted, BBB would reduce the large gap between federal taxes that are owed and those that are actually paid by providing funding for more IRS staffing and other resources for the IRS to upgrade its operations and better ensure that wealthy individuals and large corporations meet their legal responsibilities. Both the Treasury Department and CBO agree that these provisions would generate additional revenues that would exceed their costs, but the Treasury Department assumes a greater return on this investment.

We believe that the Treasury Department's figures are reasonable and, if we adjust CBO's estimates of IRS enforcement for the Treasury estimates, CBO's first-decade net cost would become a *savings* of $115 billion. Under those assumptions, our second-decade estimate of savings would grow from $2.0 trillion to more than $2.1 trillion.

The table below lists the main BBB provisions that have second-decade budgetary effects — some costs, some savings — showing our extrapolations based on CBO's first-decade estimates (except in the case of the immigration provisions, for which CBO estimates are available). Since the bill's provisions are generally fully phased in by the end of the first decade, extrapolating their budgetary impacts in the second decade is relatively straightforward — by looking at the growth rates in costs and savings as the policies come into full effect. Many BBB provisions have little or no second-decade effects, so we do not show them separately.

BBB would address important issues facing the nation, such as climate change, child care and education, housing, paid leave, immigration, poverty, and income inequality, making sorely needed federal investments and raising revenues from the well off and large corporations. Any assessment of the bill should focus mainly on the merits of these policies.

Nevertheless, there is legitimate interest in how the bill would affect projected deficits. The short answer: in the first decade, it largely or completely covers its costs and, in the second, it produces roughly $2 trillion in net savings.

TABLE 1

Estimates of the Fiscal Effects of Build Back Better (BBB) in the Second Decade

($ in billions)

Provisions of BBB that have second-decade effects:	2032 – 2041
Paid leave	589
Green energy incentives	433
Immigration / Judiciary Committee provisions	372
Home- and community-based services	247
Child Tax Credit and similar benefits	85
Reduce the tax gap (IRS enforcement)	-102

TABLE 1

Estimates of the Fiscal Effects of Build Back Better (BBB) in the Second Decade

($ in billions)

Provisions of BBB that have second-decade effects:	2032 – 2041
Reduced costs of Medicare prescription drugs	-787
Revenue-raising provisions*	-2,855
All other	33
Total	-1,985
Reduce the tax gap: additional savings from extrapolating Treasury's estimate for IRS enforcement	-136
Total, with Treasury's IRS enforcement	-2,121

*Division H of the Ways and Means Committee title, excluding IRS enforcement.

Notes: Figures do not include debt service costs. Years are fiscal years.

Source: Projections based on CBPP analysis of Congressional Budget Office cost estimates of House-passed Build Back Better (H.R. 5376) for 2022-2031, except for the Immigration/Judiciary Committee provisions, which reflect CBO's estimates.

More on this Topic

Blog
Revenue From BBB's IRS Enforcement Funding Would Support Investments
November 17, 2021

Blog
Assessing Build Back Better's Fiscal Impact: 3 Key Facts
December 9, 2021

Report
Build Back Better Investments Are Fiscally Sustainable
November 11, 2021

Statement
Parrott: House Takes Historic Step; Senate Should Get Build Back Better Across Finish Line Without Delay
November 19, 2021

CBPP: Congress has Immediate Opportunity to Fund the IRS for the Short and Long Term

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Taverna, Andrea" <andrea.taverna@treasury.gov>, "White, Antonio" <antonio.white2@treasury.gov>, "Kalyanam, Aruna" <aruna.kalyanam@treasury.gov>, "Harris, Benjamin" <benjamin.harris@treasury.gov>, "Lebryk, David" <david.lebryk@treasury.gov>, "Ngarmboonanant, Wishcha" <geng.ngarmboonanant@treasury.gov>, "Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>, "Siegel, Julie" <julie.siegel@treasury.gov>, "Richards, Katharine" <katharine.richards@treasury.gov>, "Byrd, Kimberly" <kimberly.byrd@treasury.gov>, "Clausing, Kimberly" <kimberly.clausing@treasury.gov>, "Batchelder, Lily" <lily.batchelder@treasury.gov>, linda.robertson@treasury.gov, mark.mazur2@treasury.gov, "Schmidt, Michael" <michael.schmidt2@treasury.gov>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Reimherr, Patrick" <patrick.reimherr@treasury.gov>, "Brody, Simone (Detailee)" <simone.brody@treasury.gov>
Date: Wed, 02 Feb 2022 11:45:53 -0500

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

The Center released a new paper explaining that Congress has the opportunity to enact sorely-needed increases in IRS funding through Build Back Better and FY22 appropriations.

Best,
Ellen

Congress Needs to Take Two Steps to Fund the IRS for the Short and Long Term

"Over the next several weeks, Congress has two important opportunities — in negotiating appropriations for fiscal year 2022 and a compromise agreement on Build Back Better — to put the IRS on a path to a much needed, and long overdue, rebuild after years of crippling funding cuts. Those cuts, aggravated by new challenges posed by the pandemic, have helped create what one recent news report termed a "brutal filing season" this year as the IRS tries to address a large backlog of unprocessed returns and filer correspondence despite its shrunken funding. Over the longer term, the cuts risk undermining the IRS' ability to perform the basic function of government for which it is responsible. Congress should respond by:

1. **Funding the President's full request for 2022 IRS appropriations.** President Biden's fiscal year 2022 budget proposed increasing IRS appropriations by 14 percent over the 2021 level, including a 15 percent increase for customer service. But the IRS has been operating under a stopgap funding measure since the fiscal year began on October 1, which freezes IRS (and most other) funding at the 2021 level. The current continuing resolution expires on February 18, so Congress must act soon to address funding for the rest of the fiscal year. Both the House-passed Financial Services appropriations bill and the bill proposed by Senate Appropriations Committee Chairman Patrick Leahy provide the President's full requested increase for the IRS for 2022. Congress should retain those IRS funding levels as part of any agreement on final 2022 appropriations.

2. **Retaining the President's full long-term IRS funding proposal in any final Build Back Better agreement.** The House-passed Build Back Better legislation would provide roughly $80 billion in mandatory funding over ten years to give the IRS the predictable, sustained funding it needs over several years to rebuild its depleted staff, make the long-term commitments needed to upgrade its severely outdated computer systems, and address the large "tax gap" — the nearly $600 billion of legally owed taxes that go unpaid each year. This measure enjoys strong support among Senate Democrats. While it is clear that the House version of Build Back Better will ultimately need to be revised to pass the Senate, the IRS funding should be considered an essential element of any final bill.

These steps would make important progress toward the ultimate goal of a rebuilt IRS that restores public trust in the fairness of the tax system by responding in a timely, effective manner to taxpayer questions and enforcing the nation's tax laws fully so that everyone pays the taxes they owe, just as the vast majority of taxpayers and businesses do voluntarily."

Read the full (5 pp.) report: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/research/federal-tax/congress-needs-to-take-two-steps-to-fund-the-irs-for-the-short-and-long-term

letter from 35 groups regarding tax simplification reforms at IRS

From:	Susan Harley <sharley@citizen.org>
To:	"Batchelder, Lily" <lily.batchelder@treasury.gov>, WHO-EOP [redacted] "Kamin, David" WHO-EOP [redacted] "Siegel, Julie" <julie.siegel@treasury.gov>, "West, Thomas" <thomas.west2@treasury.gov>, "White, Antonio" <antonio.white2@treasury.gov>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Kalyanam, Aruna" <aruna.kalyanam@treasury.gov>
Date:	Thu, 17 Feb 2022 09:35:07 -0500
Attachments:	Tax filing simplification sign on letter_FINAL_SUBMITTED.2.17.22.pdf (197.39 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Good morning,

Attached, please find a letter from 35 groups urging the IRS to take up tax simplification reforms like return-free filing and a government run Free File program as a way to both increase the taxpayer experience but also to reduce resource constraints on the agency moving forward. We are also submitting this letter as a statement for the record for today's Senate Finance Committee hearing on customer service challenges at the IRS.

Thank you so much for the work that you have done so far in this space and we look forward to working together to implement further reforms.

All the best,
Susan

Susan E. Harley, J.D.
Managing Director-Public Citizen's Congress Watch division
215 Pennsylvania Ave. SE | Washington, D.C. 20003
T: (202) 454-5150 | **C:** (b)(6) [redacted]
Follow me on Twitter @Susan_Citizen
Pronouns: she/her/hers

PUBLIC CITIZEN 50 YEARS

PUBLIC CITIZEN IS TURNING 50
Join us for a year-long celebration

35 Organizations Urge Biden Administration to Simplify Tax Filing to Help Taxpaying Families

February 17, 2022

Dear President Biden, Vice President Harris, Secretary Yellen, and Commissioner Rettig:

As groups dedicated to social, racial, gender, worker, and economic justice, we are writing to urge you to use your existing statutory authority to implement reforms that would improve customer service and simplify the process by which Americans file their tax returns.

As you know, the Internal Revenue Service's (IRS) budget has been reduced by about 20% (in real dollars) since 2010, and staff is down by almost a quarter over that same period.[1] The combined effect has been to permit too many wealthy people to evade or aggressively avoid paying the taxes they owe while making it increasingly difficult for millions of ordinary taxpayers to reach the IRS when they need help filing their taxes. [2,3] As a result, the current system disadvantages low-income individuals—disproportionately Black and Brown households and other households of color—who lack the resources to navigate unnecessarily complicated systems or spend weeks trying to get a resolution to their questions.[4] We can and must better equip the IRS to reduce the estimated annual $600 billion tax gap in unpaid taxes, disproportionately owed by the wealthy,[5] by bolstering enforcement while also funding top-notch customer service to facilitate the process of paying taxes.

That is why our organizations advocate increasing IRS's annual appropriations and providing the $80 billion in additional funding in the House-passed Build Back Better Act that would enable the IRS to modernize its IT systems, enhance customer service, and strengthen tax enforcement with an emphasis on high-income taxpayers and large corporations.

But while we push for increased funding through Congress, **we urge you to take steps now to implement simple, commonsense reforms that would immediately improve taxpayers' experiences interacting with the IRS**. As taxpayers are warned to brace for significant delays this tax filing season, there is no excuse for failing to use your existing authority until Congress acts. [6] These steps would also lay the groundwork for a state-of-the-art process that allows ordinary taxpayers to easily file and fully pay their federal taxes in the future without having to spend money on paid preparers or software.

First, using the powers granted to the IRS by a Republican Congress in the Internal Revenue Service Restructuring and Reform Act of 1998, the IRS can and should immediately implement the same return-free filing option already enjoyed by taxpayers in other countries. It is indefensible that ordinary American taxpayers spend an average of 11 hours doing their taxes and often pay $200 or more for paid filing services[7] when the government already has the data needed for most taxpayers with simple returns.

Providing taxpayers with preliminary tax returns pre-populated with wage and other data already collected by the IRS through information reporting would not only reduce the burden on families who are struggling to make ends meet, it would reduce the errors and other problems that collectively add to the IRS's backlog and to the demand for live customer support. What better way to easily fix minor problems before they become major problems than providing ordinary taxpayers with their own data and doing the math for them?

Second, the IRS should terminate the confusing and poorly implemented corporate Free File partnerships. This effort has been plagued with problems from the start and subject to sabotage from corporate partners that sought to divert taxpayers to their paid alternatives.[8] A publicly run free filing system should be a cornerstone of the effort to modernize the IRS's antiquated technology.

We recognize that Treasury and the IRS have gone to extraordinary lengths to meet new challenges during the COVID-19 pandemic, including implementing systems to dispense Economic Impact Payments and monthly Child Tax Credit payments and implementing non-filer portals for COVID relief. We also commend the Biden Administration for recent efforts such as creating ChildTaxCredit.gov and better publicizing free tax filing partnerships and tools. It is with these achievements and your commitment to the public in mind that we urge you to act boldly under your existing authority to help American taxpayers while eliminating unnecessary burdens on the IRS's resources.

Sincerely,

Americans for Tax Fairness
Center for American Progress
Public Citizen
American-Arab Anti-Discrimination Committee (ADC)
American Federation of Government Employees
Americans for Democratic Action (ADA)
Americans for Financial Reform
Blue Future
Campaign for America's Future
Chicago Political Economy Group
Church WORLD SERVICE
Coalition on Human Needs
Consumer Action
Economic Policy Institute
Economic Security Project Action
Faith in Public Life
Friends Committee on National Legislation
ICNA Council for Social Justice
Institute on Taxation and Economic Policy

Jobs With Justice
Missionary Oblates of Mary Immaculate -US Province
National Advocacy Center of the Sisters of the Good Shepherd
National Consumer Law Center (on behalf of its low income clients)
Network Lobby for Catholic Social Justice
Our Revolution
Oxfam America
Public Good Law Center
Responsible Wealth
RESULTS
Revolving Door Project
RootsAction.org
Take on Wall Street
Transparency Task Force
Unitarian Universalists for Social Justice
United for a Fair Economy

---

[1] Chuck Marr, Samantha Jacoby, et. al., CENTER ON BUDGET AND POLICY PRIORITIES, *Congress Needs to Take Two Steps to Fund the IRS for the Short and Long Term* (Feb. 1, 2022) https://www.cbpp.org/research/federal-tax/congress-needs-to-take-two-steps-to-fund-the-irs-for-the-short-and-long-term.

[2] Russ Buettner, Susanne Craig and Mike McIntire, *Long-concealed Records Show Trump's Chronic Losses and Years of Tax Avoidance*, NEW YORK TIMES (Sept. 27, 2020) https://www.nytimes.com/interactive/2020/09/27/us/donald-trump-taxes.html; Clare Duffy, *Software CEO Robert Brockman charged in $2 billion tax evasion case*, *CNN* (Oct. 17, 2020) https://www.cnn.com/2020/10/17/business/robert-brockman-tax-evasion-charges/index.html; Sharon LaFraniere, *Paul Manafort, Trump's Former Campaign Chairman, Guilty of 8 Counts*, NEW YORK TIMES (Aug. 21 2018) https://www.nytimes.com/2018/08/21/us/politics/paul-manafort-trial-verdict.html.

[3] *Backlog and severe understaffing at IRS portends delays this tax season: "It's a huge headache"*, CBS News (Jan. 31, 2022) https://www.cbsnews.com/news/tax-season-irs-backlog-understaffing-delays-refunds/ .

[4] Kori Hale, *Why Taxes Continue to be a Sunken Place for African Americans*, FORBES (July 15, 2020) https://www.forbes.com/sites/korihale/2020/07/15/why-taxes-continue-to-be-a-sunken-place-for-african-americans/?sh=6eb21efd3752.

[5] The IRS's most recent estimate of the "tax gap" is $381 billion annually over 2011-2013, which extrapolates to $574 billion in 2019 assuming the same compliance rate. *See* Charles O. Rossotti and Fred L. Forman, Recover $1.6 Trillion, Modernize Tax Compliance and Assistance: The How-To, TAX NOTES (Sept. 29, 2020).

[6] *It's Likely to be a Frustrating Tax Season, Deputy Treasury Secretary Says*, NPR (Jan. 26, 2022) https://www.npr.org/transcripts/1075717058,

[7] Press Release, Sen. Warren Leads Colleagues in Reintroducing Legislation to Simplify and Decrease the Costs of Tax Preparation and Filing (April 12, 2019) https://www.warren.senate.gov/newsroom/press-releases/senator-warren-leads-colleagues-in-reintroducing-legislation-to-simplify-and-decrease-the-costs-of-tax-preparation-and-filing,

[8] See, e.g., Rachel Sandler, *FTC Probes Intuit Over Suspicions It Diverted TurboTax Users From Free Filing*, FORBES (Sept. 8, 2020) https://bit.ly/3eyT1Kd.

Re: what do you know about this?

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: Thu, 17 Mar 2022 16:15:51 -0400

I heard from Portman that it is currently around $5B, could go up a bit but no enforcement money. I am worried about it detracting from the broad $80B efforts. Are you? May reach out to the Cardins softly.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: March 17, 2022 at 4:08:59 PM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: what do you know about this?

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Amid painful tax season, bipartisan duo eyes IRS budget fix

Modernizing the agency is a rare area of agreement; how to do it remains fraught By Laura Weiss

Posted March 17, 2022 at 9:00am
After giving the IRS its biggest budget boost in years, some lawmakers are turning to new efforts to deliver resources to the beleaguered agency in the middle of a tax filing season plagued by lengthy delays and a hefty backlog of unprocessed returns.

Sens. Benjamin L. Cardin, D-Md., and Rob Portman, R-Ohio, are assembling a proposal focused on modernizing the IRS — a rare area of bipartisan agreement when it comes to the nation's tax collectors — that could involve dedicated funding for the perennially cash-strapped agency. But Democrats' other goals for bolstering the agency likely hinge on agreeing to a larger budget reconciliation package they can pass without GOP support.

"This is ... clearly moving in the right direction," Senate Finance Chair Ron Wyden, D-Ore., said after the IRS got a 5.6 percent budget increase in the fiscal 2022 omnibus spending package. "We've got a lot to do. And we need new tech; we need more investigators; we need hiring authority."

The current tax season has thrown into sharp relief the partisan divide on the IRS. As the agency battles a backlog of millions of unprocessed tax returns and correspondence with taxpayers, Democrats at both ends of Pennsylvania Avenue as well as the taxpayer advocate's office, an independent watchdog within the agency, have urged more funding as the solution.

Republicans largely disagree, arguing the agency has failed to use existing funds and make technological improvements that could lower budget needs in the future. Democrats have called for a better-resourced agency to go after wealthy tax evaders, while the GOP has hit back at the idea of expanding the presence of tax auditors.

It's a divide likely to be on display again Thursday when IRS Commissioner Charles P. Rettig appears before the Ways and Means Oversight Subcommittee. During a February hearing, ranking Republican Tom Rice of South Carolina pinned the problem on the IRS's yearslong failure to keep up with technology, while Democrats also urged more funding.

Unpredictable funding

Cardin and Portman's efforts could offer an avenue for lawmakers to address IRS woes outside the appropriations process, which faces other constraints, like the amount allocated to nondefense spending as a whole and unpredictable timing and results.

The duo has teamed up for several bipartisan projects, going back years to when they served on House Ways and Means together. As Senate Finance Committee members, they introduced a retirement savings bill last year and co-authored a 2018 IRS reform measure, which wasn't taken up. That measure included authority to help recruit and retain information technology workers and a requirement that the government set standards for taxpayers' signatures on commercial electronic forms.

Cardin said his latest project with Portman would provide "more predictable support" to modernize the IRS and that staff is actively working on filling in the details. Portman confirmed the effort and its focus on modernization.

The IRS' tech problems range from outdated computer systems and online tools to the need for a chain of employees to manually process paper filings.

The Finance Committee's top Republican, Sen. Michael D. Crapo of Idaho, said he couldn't determine whether he'd support the bipartisan effort without seeing details but that there's a need for IT improvements at the IRS, citing its inability to handle the volume of phone calls it receives.

"That's the one area where ... I'd be open to looking at what they're doing," Crapo said.

Wyden also said he's open to Cardin and Portman's proposal. Sen. Elizabeth Warren, D-Mass., a Finance panel member, welcomed the effort.

"The IT at the IRS is so far behind where it needs to be that they have a really deep hole to dig out of," Warren said. "We need to make significant investment to bring the IRS into the 21st century and this is something that shouldn't be partisan. We should all have an interest in the efficient, effective functioning of the IRS, so I hope we can work with Republicans on this."

Last year, Warren introduced legislation that would make IRS funding mandatory, or provided each year independent of the appropriations process, and more than double its current budget to $31.5 billion, adjusted for inflation annually. Of that figure, 50 percent would be devoted to enforcement and 15 percent to taxpayer services.

Warren has only attracted one co-sponsor so far, California Democrat Alex Padilla. But there's support from stakeholders for the general concept.

The Professional Managers Association, a membership group for IRS managers, is urging lawmakers to act outside the appropriations process. Executive Director Chad Hooper said in a statement on the omnibus' passage that Congress' inability to pass budgets on time holds the agency back. He called for multiyear dedicated funding for IT modernization.

"Only with dedicated funds that the IRS can rely on outside the traditional dysfunctional appropriations cycle can the IRS finally modernize its core computing databases, which entered their 61st year of continuous operation in January," Hooper said.

Crapo and some Democrats pointed to the latest IRS budget as solving some problems, though most didn't believe the funding gain had settled the issue.

Baby steps

The delayed appropriations law for the ongoing fiscal year included almost $12.6 billion for the IRS, representing a significant boost after years of stagnant funding. The Biden administration and congressional Democrats proposed a 14 percent increase, so the end result still fell short of their aims.

The biggest increases went to taxpayer services and efforts to modernize the IRS, both areas that have been a focus given that the agency has been unable to answer most calls — among customer service struggles — and that the need to manually process paper returns has been a leading cause of current backlogs.

The IRS has assembled surge teams to redirect staff and is hiring to fill 5,000 positions in the coming months, but higher funding comes too late to assuage all troubles with only a month left in filing season. There's been bipartisan pressure on the IRS to use all its tools to make the 2022 process easier on taxpayers, including suspending notices and other relief.

The budget for taxpayer services climbed 8.7 percent to $2.8 billion from fiscal 2021, and the funding for modernization grew by about 23 percent to $275 million. Meanwhile, enforcement funding climbed by 4.3 percent.

Senate Financial Services Appropriations Subcommittee Chair Chris Van Hollen, D-Md., whose panel funds the IRS, was skeptical of returning to the issue for further bipartisan efforts outside the appropriations process. He said that Democrats pressed for more IRS funding than was in the omnibus, but Republicans resisted.

“Clearly we need more of a onetime large infusion for their, sort of, infrastructure like for their computer systems, their technology,” Van Hollen said. “Just like we did the infrastructure bill for our, you know, roads and bridges, we need a IRS infrastructure program.”

But he pointed to Democrats’ stalled $2.2 trillion social safety net and climate package as the venue for that overhaul. That package included $80 billion in funding aimed at narrowing the “tax gap” between what’s owed and paid to the government each year, making it a revenue raiser in the bill.

The latest version of that bill would devote more than $4.7 billion through fiscal 2031 to modernizing business systems and almost $3.2 billion to taxpayer services along with enforcement and operations funding, though all of the money is aimed at supporting tax enforcement activities.

House Ways and Means Chairman Richard E. Neal, D-Mass., pointed to remaining enforcement and technology needs with the fiscal 2022 budget increase in place.

Funding in the omnibus “will probably get us through this filing season, but I think it’s gonna need more,” Neal said.

RE: timely quick question

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc:	Chuck Marr <marr@cbpp.org>
Date:	Mon, 16 May 2022 14:37:28 -0400

Just wrote to you—lmk if didn't see. There is some background here on the imputation model OTA is developing:
https://home.treasury.gov/news/featured-stories/advancing-equity-analysis-in-tax-policy

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Monday, May 16, 2022 2:33 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE: timely quick question

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Oh wait, what research on equity? Can you say? If not, tha'ts fine. tx

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Monday, May 16, 2022 2:31 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE: timely quick question

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

I'm staffing it, yes!

We're going to talk about some principles for enforcement that we are putting together for how IRS should go after high-end. And also going to ask for ideas about how best to mobilize support for IRS funding efforts in the next few months (so in that sense, very related to reconciliation). And will get into some of the research that we're working on in equity and tax space. Is that helpful? Happy to jump on phone w/ you guys too of course.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Monday, May 16, 2022 1:38 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject: timely quick question

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Natasha,
Our new(ish) President, Sharon Parrott, is participating in this meeting Wally has called w/ a few key outside folks this week. I think the topic is supposed to be about IRS modernization. Are you staffing this meeting? Sharon can obviously thank him for the leadership here, and we have an EITC/CTC error rate issue to raise, but more broadly, do you know what the real goals are for this meeting? Will it get into reconciliation tax issues at all?
We're talking to Sharon now.
Tx
Ellen and Chuck

RE: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

From: "White, Antonio" <antonio.white2@treasury.gov>
To: "Humphries, Rashad" <rashad.humphries@treasury.gov>, Seth Hanlon <shanlon@americanprogress.org>
Cc: "Smith, Madeleine" <madeleine.smith@treasury.gov>, "Yam, Albert" <albert.yam@treasury.gov>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Schmidt, Michael" <michael.schmidt2@treasury.gov>
Date: Tue, 17 May 2022 16:49:54 -0400

Seth,

The Deputy Secretary is looking forward to hosting you at Treasury for tomorrow for a two-way dialogue on Treasury's efforts to modernize the IRS and promote equity in the process. The discussion will focus on two broad areas: First, the IRS's developing role as a benefits administrator within our government and economy, looking at our experience with the American Rescue Plan's Child Tax Credit program as an ongoing case study; and second, how we think about the importance of overhauling tax enforcement to create a more equitable tax code, and the importance of investing in the IRS's efforts here.

Below are question for the group's consideration in advance of tomorrow's discussion:

- The Child Tax Credit program broke new ground in program design, transitioning a partially refundable annual credit into a fully refundable credit and monthly payment program. What are our key lessons learned from a legislative and policy perspective for tax benefits in the future? What are the major takeaways for outreach and program implementation going forward?
- We are working to secure additional multi-year funding for the IRS to focus on high-end evasion relative to less resource-intensive correspondence audits on the low-end. What principles should underlie the IRS's compliance efforts?

Thank you,
Antonio

From: Humphries, Rashad <Rashad.Humphries@treasury.gov>
Sent: Tuesday, May 17, 2022 7:44 AM
To: Seth Hanlon <shanlon@americanprogress.org>
Cc: Smith, Madeleine <Madeleine.Smith@treasury.gov>; Yam, Albert <Albert.Yam@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Good Morning Seth,

Please submit your clearance information into the Treasury WAVES system as soon as possible. The link provided is only available until 9:00am today.

https://appointment.treasury.gov/coordrsvptwvs?apptid=a05t0000008cvB8

If you have any questions please let me know.

Respectfully,
Rashad

Rashad Humphries
Senior Assistant to the Deputy Secretary
Office of the Deputy Secretary
U.S. Department of the Treasury
O: 202 622 0169 | M: (b)(6) [redacted]
rashad.humphries@treasury.gov

From: Humphries, Rashad
Sent: Friday, May 13, 2022 4:45 PM
To: Seth Hanlon <shanlon@americanprogress.org>
Cc: Smith, Madeleine <Madeleine.Smith@treasury.gov>; Yam, Albert <Albert.Yam@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Good Afternoon Seth,

Thanks for confirming your attendance. The Treasury Roundtable on IRS Modernization will be held at **Main Treasury on Wednesday, May 18th, 2022 at 10:30am in the Secretary's Large Conference Room (3327)**. In preparation for the meeting, each attendee must complete the follow in order to gain access to the Treasury building;

- **Submit PII for Background/Clearance Check via TWAVES System**
  https://appointment.treasury.gov/coordrsvptwvs?apptid=a05t0000008cvB8

  Note: Please submit clearance information no later than **Noon, Monday May 16th.**

- **Provide Negative Covid Test (24hrs Prior) or Receive Rapid Test**
  Please note due to covid-19 the Treasury Department will administer rapid testing prior to the meeting. Please arrive at least 30 minutes prior to be escorted to the testing location. However, if you're able to submit a negative result within 24 hours of the meeting that is acceptable to send in advance of the meeting. No masks are required upon entering the building.

Arrival instructions: We are located at 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Please enter the Treasury building @The White House Kiosk on Penn Avenue and Upper East Executive Avenue (between the White House and the Treasury) (map attached). All guests must present a photo ID or if non U.S. citizen an official passport to the officer at the kiosk. Once cleared, an escort will guide you to the building entrance. Walk down the walkway until you see the steps of the Treasury's Bell Entrance. Upon entry into the building present your photo ID/official passport to the officer at the desk to be presented with a visitors pass. Walk to the right of the security belt and place your belongings on the belt, but keep the visitors ID in hand as you'll need it to tap the key pad at the turnstile. An escort will meet you in the lobby.

If you have any questions or concerns prior to the meeting please let me know.

Best,
Rashad

Rashad Humphries
Office of the Deputy Secretary
U.S. Department of the Treasury
O: 202 622 0169 | M(b)(6) [redacted]
rashad.humphries@treasury.gov

From: White, Antonio <Antonio.White2@treasury.gov>
Sent: Wednesday, May 11, 2022 11:23 AM
To: Seth Hanlon <shanlon@americanprogress.org>
Cc: Smith, Madeleine <Madeleine.Smith@treasury.gov>; Yam, Albert <Albert.Yam@treasury.gov>; Humphries, Rashad <Rashad.Humphries@treasury.gov>
Subject: RE: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Great news, Seth!

I'm adding the Deputy Secretary's front office to collect your clearance information and I'll be in touch with an agenda early next week.

Thanks,
Antonio

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Wednesday, May 4, 2022 2:07 PM
To: White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Hi Antonio – Thank you and count me in! --Seth

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Wednesday, May 4, 2022 10:35 AM

To: Seth Hanlon <shanlon@americanprogress.org>
Subject: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Dear Seth:

On behalf of U.S. Treasury Deputy Secretary Wally Adeyemo, I am delighted to invite you to join him for an off-the-record roundtable discussion with economic thought leaders and practitioners on Treasury's efforts to modernize the IRS and promote equity on **Wednesday, May 18, 2022, from 10:30-11:30 a.m.** at the U.S. Department of the Treasury, 1500 Pennsylvania Ave NW, Washington, DC.

Please RSVP by Wednesday, May 11, 2022. Once we receive your RSVP, we will share instructions for clearance and entry into Treasury. Treasury will share a brief, 3-5 sentence press readout that includes the list of attendees following the discussion. Given the sensitive nature of this discussion, we appreciate your discretion with this invitation. In the meantime, please don't hesitate to reach out with any questions.

Sincerely,

Antonio White
Deputy Assistant Secretary, Community Engagement
U.S. Department of the Treasury
M: (202) (b)(6) [redacted]
E: antonio.white2@treasury.gov

RE: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

From: "White, Antonio" <antonio.white2@treasury.gov>
To: "Humphries, Rashad" <rashad.humphries@treasury.gov>, Susan Harley <sharley@citizen.org>
Cc: "Smith, Madeleine" <madeleine.smith@treasury.gov>, "Yam, Albert" <albert.yam@treasury.gov>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Schmidt, Michael" <michael.schmidt2@treasury.gov>
Date: Tue, 17 May 2022 16:52:35 -0400

Susan,

The Deputy Secretary is looking forward to hosting you at Treasury for tomorrow for a two-way dialogue on Treasury's efforts to modernize the IRS and promote equity in the process. The discussion will focus on two broad areas: First, the IRS's developing role as a benefits administrator within our government and economy, looking at our experience with the American Rescue Plan's Child Tax Credit program as an ongoing case study; and second, how we think about the importance of overhauling tax enforcement to create a more equitable tax code, and the importance of investing in the IRS's efforts here.

Below are question for the group's consideration in advance of tomorrow's discussion:

- The Child Tax Credit program broke new ground in program design, transitioning a partially refundable annual credit into a fully refundable credit and monthly payment program. What are our key lessons learned from a legislative and policy perspective for tax benefits in the future? What are the major takeaways for outreach and program implementation going forward?
- We are working to secure additional multi-year funding for the IRS to focus on high-end evasion relative to less resource-intensive correspondence audits on the low-end. What principles should underlie the IRS's compliance efforts?

Thank you,
Antonio

From: Humphries, Rashad <Rashad.Humphries@treasury.gov>
Sent: Friday, May 13, 2022 4:36 PM
To: Susan Harley <sharley@citizen.org>
Cc: Smith, Madeleine <Madeleine.Smith@treasury.gov>; Yam, Albert <Albert.Yam@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Good Afternoon Susan,

Thanks for confirming your attendance. The Treasury Roundtable on IRS Modernization will be held at **Main Treasury on Wednesday, May 18th, 2022 at 10:30am in the Secretary's Large Conference Room (3327)**. In preparation for the meeting, each attendee must complete the follow in order to gain access to the Treasury building;

- **Submit PII for Background/Clearance Check via TWAVES System**
  https://appointment.treasury.gov/coordrsvptwvs?apptid=a05t0000008cvB8

- **Provide Negative Covid Test (24hrs Prior) or Receive Rapid Test**
  Please note due to covid-19 the Treasury Department will administer rapid testing prior to the meeting. Please arrive at least 30 minutes prior to be escorted to the testing location. However, if you're able to submit a negative result within 24 hours of the meeting that is acceptable to send in advance of the meeting. No masks are required upon entering the building.

Arrival instructions: We are located at 1500 Pennsylvania Avenue, NW, Washington, DC 20220. Please enter the Treasury building @The White House Kiosk on Penn Avenue and Upper East Executive Avenue (between the White House and the Treasury) (map attached). All guests must present a photo ID or if non U.S. citizen an official passport to the officer at the kiosk. Once cleared, an escort will guide you to the building entrance. Walk down the walkway until you see the steps of the Treasury's Bell Entrance. Upon entry into the building present your photo ID/official passport to the officer at the desk to be presented with a visitors pass. Walk to the right of the security belt and place your belongings on the belt, but keep the visitors ID in hand as you'll need it to tap the key pad at the turnstile. An escort will meet you in the lobby.

If you have any questions or concerns prior to the meeting please let me know.

Best,
Rashad

Rashad Humphries
Office of the Deputy Secretary
U.S. Department of the Treasury
O: 202 622 0169 | M: [redacted]
rashad.humphries@treasury.gov

From: White, Antonio <Antonio.White2@treasury.gov>
Sent: Wednesday, May 11, 2022 11:15 AM
To: Susan Harley <sharley@citizen.org>
Cc: Smith, Madeleine <Madeleine.Smith@treasury.gov>; Yam, Albert <Albert.Yam@treasury.gov>; Humphries, Rashad <Rashad.Humphries@treasury.gov>
Subject: RE: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Thank you, Susan.

We are delighted you can attend. I'm adding the Dep Sec's front office to collect your clearance information and I'll be in touch on agenda and logistics early next week.

Thank you,
Antonio

From: Susan Harley <sharley@citizen.org>
Sent: Monday, May 9, 2022 3:13 PM
To: White, Antonio <Antonio.White2@treasury.gov>
Subject: FW: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Hi Antonio,

Thank you for this invitation. I'm happy to attend.

Best,
Susan

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Wednesday, May 4, 2022 10:51 AM
To: Susan Harley <sharley@citizen.org>
Subject: [Invitation]: Treasury Roundtable on IRS Modernization with Deputy Secretary Wally Adeyemo

Dear Susan:

On behalf of U.S. Treasury Deputy Secretary Wally Adeyemo, I am delighted to invite you to join him for an off-the-record roundtable discussion with economic thought leaders and practitioners on Treasury's efforts to modernize the IRS and promote equity on **Wednesday, May 18, 2022, from 10:30-11:30 a.m.** at the U.S. Department of the Treasury, 1500 Pennsylvania Ave NW, Washington, DC.

Please RSVP by Wednesday, May 11, 2022. Once we receive your RSVP, we will share instructions for clearance and entry into Treasury. Treasury will share a brief, 3-5 sentence press readout that includes the list of attendees following the discussion. Given the sensitive nature of this discussion, we appreciate your discretion with this invitation. In the meantime, please don't hesitate to reach out with any questions.

Sincerely,

Antonio White
Deputy Assistant Secretary, Community Engagement
U.S. Department of the Treasury
M: [redacted]
E: antonio.white2@treasury.gov

FW: Republicans request GAO to report on Treasury oversight of S/L Fiscal Recovery Funds, including net tax cuts provision

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>
Date:	Wed, 08 Jun 2022 10:35:41 -0400
Attachments:	6-6-22_letter_to_gao_on_ust_arpa_funding (1).pdf (436.33 kB)

The letter (link in story) is more interesting than the story itself.

Senate Finance GOP Questions ARPA Tax Mandate's Success

By **Asha Glover** · Jun 6, 2022, 8:12 PM EDT · Listen to article

The Government Accountability Office should review and assess the effectiveness of the American Rescue Plan's provision prohibiting states from using pandemic aid to offset tax cuts, the Republicans on the Senate Finance Committee said Monday.

The senators, led by Senate Finance Committee ranking member Mike Crapo of Idaho, requested that the GAO answer a series of oversight questions about the American Rescue Plan Act's tax mandate, including how the U.S. Department of the Treasury has tracked whether states have satisfied the requirement to not use funding to provide tax cuts. The **letter**, signed by the 14 Republicans on the Finance Committee, was sent to Comptroller General Gene Dodaro.

The ARPA's so-called tax mandate, which has **been challenged by several states**, bars states from "directly or indirectly" using coronavirus aid to offset a reduction in net revenue.

The senators additionally requested that the GAO answer whether the requirement to have states report on whether they have abided by the tax mandate serves any useful purpose toward the government's objective of efficiently using federal taxpayer resources.

--Editing by Khalid Adad.

From: Michael Mazerov <mazerov@cbpp.org>
Sent: Tuesday, June 7, 2022 4:37 PM
To: Carl Davis <carl@itep.org>
Subject: Law 360 article?

Can you send me this one? Thanks.

Senate Finance GOP Questions ARPA Tax Mandate's Success

The Government Accountability Office should review and assess the effectiveness of the American Rescue Plan's provision prohibiting states from using pandemic aid to offset tax cuts, the Republicans on the Senate Finance Committee said Monday.
Read full article | Save to favorites

United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510–6200

June 6, 2022

The Honorable Gene Dodaro
Comptroller General
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20226

Dear Comptroller Dodaro:

Section 9901 of the American Rescue Plan Act (ARPA; Public Law No. 117-2) appropriated $350 billion of COVID relief funds to governments of states, localities, territories and tribes. Clarity and oversight of how these funds are being expended, obligated, and administered by the Department of the Treasury is important and a responsibility of the Senate Finance Committee, on which we serve. Unfortunately, ARPA, unlike the Coronavirus Aid, Relief, and Economic Security (CARES) Act, has no meaningful built-in nonpartisan oversight mechanism that allows for necessary Congressional oversight and there is lack of transparency on uses of the funds provided to various governments.

Based on several discussions with officials at the Department of the Treasury (Treasury) regarding obligations, expenditures, and uses of Coronavirus State and Local Fiscal Recovery Funds (SLFRFs) provided for in ARPA, there remains insufficient information on details, and reporting that is publicly available to date, which Treasury appears to take with casual indifference. Because of the lack of information and transparency on uses of and accounting for these federal funds, we request that the Government Accountability Office (GAO) help to ensure there is proper oversight of at least $350 billion of ARPA funding and necessary accountability to Congress and the American people.

We request that GAO promptly engage in review and assessment of administration of the SLFRFs at the Treasury and address the following:

- What oversight is Treasury performing on ARPA state and local funds, if any, and how can taxpayers learn of any possible Treasury oversight actions?

- What federal control standards apply, or should be applied, to administration of SLFRFs by Treasury, and is Treasury applying such controls, properly designing such controls, and monitoring of control activities?
- Are risk assessments and monitoring components of internal controls significant to the objective of the efficient and transparent use of taxpayer resources, and are there any means by which Congress and the American people can verify that monitoring components and internal controls at Treasury meet standards.
- Do standards and internal controls related to the SLFRFs adhere to those set by the Comptroller General (as in the *Standards for Internal Control in the Federal Government;* the "Green Book*")* issued in compliance with Sec. 3512 (c) and (d) of Title 31 of the United States Code, and with any associated Office of Management and Budget Circular (e.g., OMB Circular No. A-123)?
- Noting that Treasury has released its initial "Interim Reports and Recovery Plan Performance Reports – 2021" and that several reports seem to indicate zero obligations or expenditures, are reporting requirements established by Treasury, especially for small localities, creating undue burdens and inefficiencies?
- Given that ARPA mistakenly sought to have the Executive Branch of the federal government prevent states from using SLFRF funds to provide tax cuts deemed by states to be beneficial to their citizens, does Treasury's requirement to have states report on whether they have satisfied Treasury's loose approximation of how state tax policies may or may not constitute a "tax cut" serve any useful purpose toward the objective of the efficient use of federal taxpayer resources?
- In Treasury's Interim Reports and Recovery Performance Reports—2021, there are instances where reporting errors are apparent, including cases where a reporting government identifies fund uses for which it claims that amounts expended exceed amounts obligated. Treasury officials have indicated no desire to request corrections of known reporting errors in the Interim Reports, and Treasury's position appears to be, with respect to the errors, to treat errors as bygones to ignore. Would such a practice adhere to principles of sound federal financial management and establishment of principled internal controls?
- In light of reports of SLFRF funds being used in states and localities for things seemingly unrelated that have nothing to do with responding to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or with making necessary investments in water, sewer, or broadband infrastructure, what controls in Treasury have been established to ensure that reported expenditures by states and localities abide by the restrictions on uses put in place in ARPA?[1]

[1] For an example of reported questionable uses of SLFRF funds, see "State lawmakers used coronavirus relief money to fund new hotels, ballparks and ski slopes," March 23, 2022, Fortune magazine, available at https://fortune.com/2022/03/23/coronavirus-relief-money-lawmakers-fund-projects/. Examples of questionable uses include: $12 million for renovations of a minor league baseball stadium; $5 million for paying off debts of the Edward M. Kennedy Institute for the U.S. Senate; $400 million for building new prisons; $70 million for tourism marketing in Puerto Rico, $8 million in Washington, D.C.; $6.6 million to replace irrigation systems at two golf courses; $2.5 million to hire new parking enforcement officers in Washington, D.C.; and, $2 million for a county to help purchase a privately owned ski area.

- Money is fungible across budget categories in state, local, territorial, and tribal governments, and some SLFRF funds have accrued to general funds (e.g., the general fund of a state). ARPA restricts uses of SLFRF funding by stating that no recipient of such funds may use such funds "for deposit into any pension fund." Given that funds are fungible across budget categories, that some SLFRF funds may accrue to general funds of a government, and that general funds may be used by governments to fund pensions, how is it feasible for Treasury to enforce a legal restriction against a government, in effect, using SLFRF funds for deposit into pension funds? How is Treasury enforcing such a restriction in its administration of SLFRF usage?
- Noting that ARPA does not restrict SLFRF funds from being used by a state or local or territorial government for funding of "other post-employment benefits" (OPEBs), and that, in addition to massive underfunding of pension obligations in many states and localities, state and local governments have, according to some reports, more than $1 trillion of net liabilities for OPEBs, how much of ARPAs $350 billion of funding for governments of states, localities, and territories could flow to bailing out OPEB liabilities of those governments?
- Noting that ARPA grants Treasury the authority to recoup SLFRF funds from state, local, territorial, or tribal governments when funds are used in violation of allowable uses, how much of the $350 billion allocated by Treasury to those governments has been recouped to date, and how can Congress and the American people monitor any such recoupments?

Thank you for your prompt attention to these matters.

Sincerely,

Mike Crapo
U.S. Senator

Charles E. Grassley
U.S. Senator

John Cornyn
U.S. Senator

John Thune
U.S. Senator

Richard Burr
U.S. Senator

Rob Portman
U.S. Senator

Pat Toomey
U.S. Senator

Tim Scott
U.S. Senator

Bill Cassidy, M.D.
U.S. Senator

James Lankford
U.S. Senator

Steve Daines
U.S. Senator

Todd Young
U.S. Senator

Ben Sasse
U.S. Senator

John Barrasso, M.D.
U.S. Senator

RE: Tax Alliance for Racial Justice Call

From: Myrto Karaflos <mkaraflos@prosperitynow.org>
To: Joanna Ain <jain@prosperitynow.org>, danielle@saverlife.org, crichardson@nul.org, mdodson@results.org, Vanna Cure <vcure@prosperitynow.org>, "Matsui, Amy" <amatsui@nwlc.org>, Michelle Dallafior <michelled@firstfocus.org>, Chuck Marr <marr@cbpp.org>, Saverino.Barbara <barbara.saverino@uww.unitedway.org>, Ellen Nissenbaum <nissenbaum@cbpp.org>, Emma Mehrabi <emehrabi@childrensdefense.org>, Zachary Tilly <ztilly@childrensdefense.org>, Kris Cox <kcox@cbpp.org>, kmenefee@nwlc.org, Michelle Harati <mharati@lisc.org>, Doug Ryan <dryan@prosperitynow.org>, Laura Peralta-Schulte <lperalta@networklobby.org>, Rakim Brooks <rbrooks@aclu.org>, Richelle Friedman <rfriedman@chn.org>, Sam Washington <swashington@cbpp.org>, Radha Seshagiri <rseshagiri@saverlife.org>, Emanuel Nieves <emanuel@liberationinageneration.org>, Jason Ewas <jewas@buildcommonwealth.org>, Alejandra Montoya-Boyer <amontoyaboyer@prosperitynow.org>, Megan Haberle <mhaberle@naacpldf.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Schmidt, Michael" <michael.schmidt2@treasury.gov>
Date: Fri, 10 Jun 2022 11:31:09 -0400
Attachments: TARJ Call Notes 6.9.2022.docx (38.85 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi everyone,

The notes from yesterday's TARJ call are attached.

Thanks,
Myrto

Myrto Karaflos
(she/her)
Policy Manager
Prosperity Now
1200 G Street NW | Suite 400
Washington, DC 20005
202(b)(6)[redacted] (Direct)
mkaraflos@prosperitynow.org

We envision an economy that is just, fair, and free from structural racism. One where every person, family, and community has the power to build sustainable wealth and prosperity.

From: Joanna Ain <JAin@prosperitynow.org>
Sent: Wednesday, June 8, 2022 5:35 PM
To: danielle@saverlife.org; crichardson@nul.org; mdodson@results.org; Vanna Cure <VCure@prosperitynow.org>; Matsui, Amy <amatsui@nwlc.org>; Michelle Dallafior <Michelled@firstfocus.org>; Chuck Marr <marr@cbpp.org>; Saverino.Barbara <Barbara.Saverino@uww.unitedway.org>; Ellen Nissenbaum <nissenbaum@cbpp.org>; Emma Mehrabi <emehrabi@childrensdefense.org>; Zachary Tilly <ztilly@childrensdefense.org>; Kris Cox <kcox@cbpp.org>; kmenefee@nwlc.org; Michelle Harati <MHarati@lisc.org>; Doug Ryan <dryan@prosperitynow.org>; GA Cal <Cal_GA@prosperitynow.org>; Laura Peralta-Schulte <lperalta@networklobby.org>; Rakim Brooks <rbrooks@aclu.org>; Richelle Friedman <RFriedman@chn.org>; Radha Seshagiri <rseshagiri@saverlife.org>; Emanuel Nieves <emanuel@liberationinageneration.org>; Jason Ewas <jewas@buildcommonwealth.org>; Alejandra Montoya-Boyer <amontoyaboyer@prosperitynow.org>; Myrto Karaflos <MKaraflos@prosperitynow.org>; Megan Haberle <mhaberle@naacpldf.org>; Natasha.Sarin@treasury.gov; Michael.Schmidt2@treasury.gov
Cc: Sam Washington <swashington@cbpp.org>; Cy Richardson
Subject: RE: Tax Alliance for Racial Justice Call

Hi all! Excited to be joined by Michael Schmidt tomorrow, Senior Advisor in the U.S. Department of the Treasury, to discuss issues like the CTC and IRS funding with you all. Here's the suggested agenda—please let me know if you have anything further to add:

- Agenda:
- Hill Updates
- Discussion with Michael Schmidt
- VITA Modernization Act Update

- IRS Funding Webinar
- Other Updates?

Thanks,
Joanna

-----Original Appointment-----
From: Joanna Ain
Sent: Monday, January 25, 2021 3:20 PM
To: Joanna Ain; danielle@saverlife.org; crichardson@nul.org; mdodson@results.org; Vanna Cure; Matsui, Amy; Michelle Dallafior; Chuck Marr; Saverino.Barbara; Ellen Nissenbaum; Emma Mehrabi; Zachary Tilly; Kris Cox; kmenefee@nwlc.org; Michelle Harati; Doug Ryan; GA Cal; Laura Peralta-Schulte; Rakim Brooks; Richelle Friedman; Radha Seshagiri; Emanuel Nieves; Jason Ewas; Alejandra Montoya-Boyer; Myrto Karaflos; Megan Haberle; Natasha.Sarin@treasury.gov; Michael.Schmidt2@treasury.gov
Cc: Sam Washington; Cy Richardson
Subject: Tax Alliance for Racial Justice Call
When: Thursday, June 9, 2022 12:00 PM-1:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Microsoft Teams Meeting

Microsoft Teams meeting

Join on your computer or mobile app
Click here to join the meeting

Or call in (audio only)
+1 509-931-1364,,966334281#   United States, Spokane
Phone Conference ID: 966 334 281#
Find a local number | Reset PIN

Learn More | Meeting options

TARJ Meeting – 6/9/22

Attendees: Michael Schmidt (Senior Advisor in the U.S. Department of the Treasury), Ellen Nissenbaum, Kris Cox, Kat Menefee, Barbara Saverino, Michelle Harati, Meredith Dodson, David Plasterer (RESULTS), Michelle Dallafior, Danielle Bautista, Joanna Ain, Alejandra Montoya-Boyer, Doug Ryan, Myrto Karaflos

Discussion with Mike Schmidt

- Mike: There's an opportunity to transform the IRS moving forward due to the discussions going on now
- Racial equity in the tax administration space – two buckets:
    - Taxpayer service lens: Recognition of what it is that Congress is asking the IRS to do. We need to reflect on the CTC experience and how we can make sure we're serving the lowest-income filers
    - Compliance/enforcement side: The decimation of IRS capacity/resources has resulted in an enforcement imbalance
- Both of these initiatives are turbocharged by the IRS' ability to secure additional resources that Congress is discussing right now
- We see and feel the extent of the resource constraints every day – personnel capacity, IT capacity, operational issues (inventory of paper returns and correspondence that needs to be worked through). This affects low-income filers whose returns are being held up
- Joanna: Are there ways this group can be helpful?
    - Mike: If this funding comes to pass, within six months of passage we'll need to develop an operational plan, plus quarterly reporting against this plan. This document will be incredibly important
    - We want to make sure our priorities are integrated into this document, and that equity isn't an afterthought
- Mike: What are the group's thoughts on what we should focus on in terms of racial equity?
    - Meredith: Prof. Dorothy Brown has emphasized disaggregating data by race. Is this something being discussed?
        - Mike: It's front and center. The President established a racial equity working group across the administration that's driving the data side
        - The challenge is getting insights into racial equity when we don't ask about race on the tax form. The approach we're focused on is building a model where we can make generalizations about race/ethnicity on an aggregate basis
        - One challenge we've had is how to frame the idea of funding the IRS that pushes back against cynical narratives. The IRS is a core function of govt and people interact with it on a regular basis, so we have an opportunity to make people's lives easier
- Joanna: Is there any thought about bringing in stories from people? There are two levers – long-term gain of funding the IRS to support families, and short-term piece in the reconciliation package
    - Mike: It's not something we're pushing on our end right now, but I think it's a great idea – it was very valuable in the CTC context

- Framing the story as, we need to give the govt the resources to be able to serve taxpayers
- Meredith: The ABC Coalition has a Parent Advisory Board that can talk about the CTC. There's a PAB meeting tonight, so it might make sense to follow up today via Children's Defense Fund

- Meredith: How do you see the Racial Equity Task Force feeding into this process?
  - Mike: The task force is set to look across Treasury, and I think it's really important – we're in lockstep
- Michelle: First Focus has a large Children's Budget Coalition that thinks a lot about foster youth and youth at risk of homelessness. If we can be helpful in terms of this group, let us know
  - Mike: That's helpful to know. We had conversations with foster youth advocacy group last year around the CTC
- Michael's email: michael.schmidt2@treasury.gov

IRS Funding Webinar

- Webinar is on Wednesday, 6/16 – Joanna to send out updated registration link
- Speakers include Michael Schmidt; Lily Batchelder, Assistant Secretary for Tax Policy; Natasha Sarin, Counselor for Tax Policy and Implementation; Steven Dean, Brooklyn Law School; Erin Collins, National Taxpayer Advocate; Leigh Phillips, SaverLife

Hill Updates

- Michelle D.: Heard that tax pieces aren't expected to be in COMPETES
- Meredith: Connecting the dots between permanent full refundability and how important it is from a racial justice perspective. Are there things RESULTS should amplify around this? New resources, talking points?
- Kris: One development this week is Yellen's comments that CTC doesn't have anything to do with inflation. Being on the offense on what is actually contributing to inflation
- Joanna: Has there been comparison done between what a family's tax refunds looked like this past tax season and what could change if the CTC expansion doesn't pass?
  - Kris: We could pull out these examples from papers. We've continued to focus on what happened pre-ARP - roughly 27M kids were left out of the full credit, and we've broken this down into % by race/ethnicity
  - Joanna: Could make this into an infographic
  - Will the calculation of 27M children not receiving the full credit be revised?
    - Kris: Not likely now, but maybe after reconciliation
  - 27M figure broken down by race/ethnicity per state: Appendix Table 2 in https://www.cbpp.org/research/federal-tax/congress-should-adopt-american-families-plans-permanent-expansions-of-child
- Joanna: For those doing Hill days, what are you advocating for?
  - Meredith: For Democrat offices, extending the expanded CTC with full permanent refundability through reconciliation. For Republican offices, broad bipartisan support for the CTC, including full refundability
  - Barbara: We're asking that the expansions become permanent for the credit, including full refundability

- Ellen: Congress is aiming to reach a deal in the next two weeks. But there's little money for the CTC – $65B isn't enough for permanent refundability

VITA Modernization Act Update

- Prosperity Now is working on this with United Way. We're hoping to share draft legislation with the group before the next call

Other Updates?

- Ellen: I've started thinking about how we react to a deal – pre-drafted statements. If it becomes public that the CTC isn't moving through reconciliation, do we want a big sign-on letter saying that Congress should act on the CTC this year? I'll send a follow-up email around this

June 15th Tax Compliance for Refugees, June 22th Problem Solving Day, Tax Controversy Update with Annual BBQ - Many Pro Bono Tax Law Volunteer Thanks

From: "rjohnsmith922@post.harvard.edu" [redacted]@gmail.com>
To: Joann Kozlowski <jkozlowski@agostinolaw.com>
Cc: Frank Agostino <fagostino@agostinolaw.com>, Stuart-Luke Brenda <brenda.e.stuart-luke4@irs.gov>, Bailey Betzaida <betzaida.bailey@irs.gov>, Thomas Georgia A <georgia.a.thomas@irs.gov>, Tucker Darol <darol.tucker@irs.gov>, Representative Paul Tonko Rep NY Staff Bianca Hotte <bianca.hotte@mail.house.gov>, "Representative Thomas R Suozzi (D-NY) Chief of Staff Mike Florio" <mike.florio@mail.house.gov>, US Senator Richard Blumenthal D CT Staff Yanira Rios Cruz <yanira_rios@blumenthal.senate.gov>, US Senator Charles E Schumer Chief of Staff Mike Lynch <mike_lynch@schumer.senate.gov>, Representative Adriano Espaillat D NY Staff Shana Marks <shana.marks@mail.house.gov>, US Senator Ron Wyden Chief of Staff Jeff Michel <jeff_michels@wyden.senate.gov>, Representative Jerald Nadler D NY Staff Lauren Geiser <lauren.geiser@mail.house.gov>, Professor of Law and Vice Chair I.R.S. Advisory Council Dennis J Ventry Jr <djventry@ucdavis.edu>, Bryan Skalartos Partner <bskarlatos@kflaw.com>, "Foreman, Matthew E." <mforeman@csglaw.com>, "Nogid, Amy" <amy.nogid@alston.com>, Glenn Newman <newmang@gtlaw.com>, William M. Funk <wfunk@funklawsite.com>, "Davis-Slay, Jacqueline - DA-OSDBU, Washington, DC" <jacqueline.davis-slay@usda.gov>, Professor David Siffert [redacted]@gmail.com>, Shari Rosen Asher Director <sascher@westcestergov.com> [redacted]@gmail.com, "Colon, Miriam" <mcolon@citytech.cuny.edu>, Vincent <vvicari@ramapo.edu>, Mon Yuck Yu <mon.yuck.yu@amphsonline.org>, Marcus Dyer <mdyer@withum.com>, Patricia Mahecha <pmahecha@fideliscare.org>, Pamela Brooks <pbrooks@tha-nj.org>, Roxy Caines <caines@cbpp.org>, ozlem.aydin@irs.gov, barbara.andrews@acf.hhs.gov, Omar Fields [redacted]@gmail.com>, Brooklyn Hispanic Chamber of Commerce <info@brooklynhcc.org>, "Sealy, Earleene A" <earleene.a.sealy@hud.gov>, Luis Parra <luisp@luisparraea.com>, Rev Charles Anthony Byrd [redacted]@gmail.com>, [redacted]@yahoo.com>, "Meyers, Nicole (ACF)" <nicole.meyers@acf.hhs.gov>, Adjetey George <george.a.okaiadjetey@irs.gov>, "Perez, Eduardo" <eperez@comptroller.nyc.gov>, "Munoz, Miosotis" <mimunoz@cityhall.nyc.gov>, Singh Carolyn <carolyn.singh@irs.gov>, Everett M Lo Regional Public Affairs Office SSA <everett.lo@ssa.gov>, [redacted]@gmail.com, Alfred Placeres [redacted]@gmail.com>, "Rivera, Sylvia I." <sylvia.rivera@sba.gov>, Professor David Gamage Indiana University Maurer School of Law <dgamage@iu.edu>, Vice President Vanessa Joseph <vjoseph@mvccny.net>, reichen@ftc.gov, [redacted]@aol.com, "Elaine Yue,CPA" <elaine.yue@yylcpa.com>, Queens Women's Chamber of Commerce <info@qwcc.nyc>, Polish Slavic Center [redacted]@yahoo.com>, Vietnam Heritage Center <info@vietnamheritagecenter.org>, Dean Paul Caron <paul.caron@pepperdine.edu>, Dominick Concilio [redacted]@gmail.com>, Charlene Gordon <cgordon@health.nyc.gov>, [redacted]@gmail.com, Morizio Louis A <louis.a.morizio@irs.gov>, Jackeline.Roserosoria <jackeline.roserosoria@lehman.cuny.edu>, Kris Krauskopf CPA <kkrauskopf@peretzcpas.com>, Lynn Karam <l.karam@lekmanagementinc.com>, "Lin, Man-Li K." <man-li.lin@sba.gov>, "Mack-Hardiman, Max E" <mackhame@buffalostate.edu>, Nana Agyekum <nagyekum@agyassociates.com>, President Omar Fields <president.omarfields@mvccny.net>, "ANASTACIA.BELTREZ <ANASTACIA.BELTREZ@lehman.cuny.edu>,, Jackeline.Roserosoria <Jackeline.Roserosoria@lehman.cuny.edu>,, Jennifer Johnson [redacted]@gmail.com>,, Crystyn Wright [redacted]@gmail.com>,, [redacted]@outlook.com [redacted]@outlook.com>,, prmanjm [redacted]@gmail.com>, [redacted]@gmail.com [redacted]@gmail.com>,, Ams67 <ams67@geneseo.edu>, [redacted]@gmail.com" [redacted]@gmail.com>, Mark Jaffe Greater New York Chamber of Commerce <jaffe@chamber.com>, Michael Wallace <mwallace@agostinolaw.com>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Juan Carlos Cabeza <juancarlos.cabeza@lehman.cuny.edu>, Sandra Perez [redacted]@yahoo.com>, Nancy Stevens-Smith [redacted]@aol.com>, [redacted]@gmail.com" [redacted]@gmail.com>, CLARENCE.STANLEY <clarence.stanley@lehman.cuny.edu>, Enck Nilka A <nilka.enck@irs.gov>, James Gerrylee <gerrylee.james@irs.gov>, GOHER MURTAZA <goher.murtaza@lehman.cuny.edu>, Madely Santiago <madely.santiago@lehman.cuny.edu>, "Billups, Terri L." <terri.billups@sba.gov>, Galler Christina A <christina.a.galler@irs.gov>, Patrick Saul [redacted]@gmail.com>, Soriano Arianna <ams67@geneseo.edu>, Professor Victor Fleischer [redacted]@gmail.com>, Javier Solis <jsolis@lostaxes.com>, SAMIRA.BAHRAMI <samira.bahrami@lehman.cuny.edu>, Raquel Hickey <raquel@hickeyandhickey.com>, prmanjm [redacted]@gmail.com>, Anastacia Beltrez <anastacia.beltrez@lehman.cuny.edu>, Jose De Jesus <jose.dejesus@lehman.cuny.edu>
Date: Sun, 12 Jun 2022 10:58:46 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Joann Kozlowski, many thanks to Frank Agostino,Yourself, Taxpayer Advocate Service, US Treasury IRS and everyone for the Tax Compliance for Refugees June 15 at 1:30pm-4:30pm program, the June 22 Problem Solving Day at Bergen Community College at the Meadowlands, the June 22nd Tax Controversy Update as well as the Annual Thank You Volunteers BBQ hosted by Frank Agostino and Associates.
Stakeholders cannot be thankful enough for these efforts. .
Thanks again and all the best;
jack

View in browser

Tax Compliance for Refugees

Three (3) Free NY & NJ CLE, CPE, and EA CE Credits

Virtual Event

RSVP

Live Tax Controversy Events

June 22, 2022

Tax Controversy Update - 2022

The TAX ENFORCEMENT UPDATE before the BBQ (THREE (3) FREE NY & NJ CLE, CPE, and EA CE CREDITS) is an annual event where private and government tax professionals discuss current events and best practices relating to Federal and State Tax Compliance and Enforcement. At this year's event, we will acknowledge the efforts of the pro bono volunteers who assisted low-income and limited English proficiency taxes during COVID.

Live - Problem Solving Day - June 22, 2022

Representatives of the Taxpayer Advocate Service (TAS) will be available to help taxpayers and their tax professionals with their unresolved IRS tax problems. TAS will provide one-to-one guidance, direction on the next steps, and case-building ideas. If a tax professional's client's problem meets the TAS criteria, TAS will assign a Case Advocate to work with the tax professional to resolve the taxpayer's issue.

The Annual BBQ - June 22, 2022

The annual "Thank You" event is our opportunity to thank family, friends, colleagues and our pro bono volunteers for everything they do.

Bring your friends and families - there will be plenty of food and great entertainment

Agostino & Associates

14 Washington Place, The Bankhouse,
Hackensack
NJ 07601 United States

You received this email because you signed up on our website or made purchase from us.

Unsubscribe

--

Confidentiality / Privilege Notice: This e-mail is covered by the Electronic Communications Privacy Act, 18 U.S.C. §§ 2510-2521 and is legally privileged. This e-mail message including attachments, if any, is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. Any unauthorized review, use, disclosure or distribution is prohibited.

Sharing is caring:
rjohnsmith922@post.harvard.edu

FW: Sometimes, Taxes Are Okay

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Date: Fri, 22 Jul 2022 08:35:27 -0400

Almost wish you all could say (per article below) here are the tnings we won't be able to do w/o that IRS money….

From: Daily Deduction <tpcdailydeduction@news.urban.org>
Sent: Friday, July 22, 2022 8:02 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: Sometimes, Taxes Are Okay

Web Version

DAILY DEDUCTION
from the Tax Policy Center

Corporations are willing to pay a tax penalty for high executive compensation.

The Wall Street Journal found (paywall) big corporations seem willing to pay a tax price to keep highly compensated executives happy. It found that 36 companies in the S&P 500 paid a combined $2.1 billion in taxes on nondeductible compensation over the past three years, up from $480 million in 2019 and $850 million last year. The 2017 tax law barred firms from deducting more than $1 million in pay for each top exec. Compensation consultants told the *Journal* that the rising tax bills rarely affect C suite pay.

The IRS has a new five-year plan.

The agency's strategic plan hits all the right buttons: Better taxpayer service, stronger enforcement, updated technology, enhancing digital services, and more effective recruiting. But how much can it do without sufficient resources? And given limited funds, which of its many goals will get top billing?

Indiana Senate GOP favors suspending some sales taxes instead of giving refunds.

Senate Republicans will introduce a bill in an upcoming special session to suspend Indiana's 7 percent sales tax on electricity, water, gas, internet and phone bills. The $260 million plan would replace Gov. Eric Holcomb's proposed $225 tax refund.

No more “newcomer tax” in Allegheny County.

School districts have been appealing assessments on new home sales to increase property tax revenue. After homeowners sued, a county judge rolled back assessment increases on 10,000 newly-bought homes. The judge has asked for the implications of reversing assessments going back to 2018.

European Central Bank raised its interest rate for the first time in 11 years.

The bank raised the benchmark rate by 0.5 percent, to 0 percent. Inflation in the eurozone is currently 8.6 percent. This ends 8 years of negative interest rates that had been in place to encourage lending, spending, and investment during the region’s sovereign debt crisis. The moves reflect an attempt to reduce inflation in the eurozone.

DONATE TO THE TAX POLICY CENTER

500 L'Enfant Plaza SW
Washington, DC 20024

1775 Massachusetts Avenue, NW
Washington, DC 20036

Manage My Subscriptions

This email was sent by:
Urban Institute
500 L'Enfant Plaza SW
Washington, DC 20024

Privacy Policy

Unsubscribe

FW: URGENT - politico

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Fri, 29 Jul 2022 14:07:37 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

https://www.politico.com/minutes/congress/07-29-2022/about-that-inflation-reduction/

"**Democrats'** newly rebranded "Inflation Reduction Act" would **slightly raise prices before cooling them**, economic analysts predict." (pulled quote at very top of the story)

JOEL – Is Richard digging in on P-W analysis?

CHAD – does this change anything for what we say?

Sharon Parrott
(she/her/hers, why pronouns matter)
President, Center on Budget and Policy Priorities
sparrott@cbpp.org/202.408.1080

[No Subject]

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Chuck Marr <marr@cbpp.org>, Chye-Ching Huang <chye.ching.huang@nyu.edu>
Date: Tue, 02 Aug 2022 13:45:29 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Nina Olson just announced on a groups' call that any estimates of savings Treasury does for program integrity has never
Said Rs will try to cut the $80b in half, and change ratio in enforcement/customer service. I piped up and said it's NOT helpful for her comments to get off the call, all she agreed these are her personal comments and she wants the bill to move forward. She also said she thinks more of the money should (like the Repubs) shift from enforcement to customer service.

Don't call her – it will clearly be pinned on me.

I can think about whether I should send her an email and cc Chye Ching and Chuck.
So maddening.

Ellen Nissenbaum
(she/her/hers, [why pronouns matter])
Senior Vice President, Government Affairs
Center on Budget and Policy Priorities
202 [redacted] (cell)
202 3258797 (direct)

RE: Revised version

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Tue, 02 Aug 2022 15:35:48 -0400

On it

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Tuesday, August 2, 2022 3:07 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: Revised version

LMK what you think:

The Inflation Reduction Act raises revenue from only three sources: requiring large corporations to pay at least a 15% rate, enforcing the tax law so that evaders pay what they owe; and addressing the carried interest loophole for investment fund managers. As former senior government officials [As former senior officials of both Democratic and Republican Administrations], we can affirm this bill is financed by sensible tax policy that will collect more from top-earners and large corporations. Without a doubt, taxes due or paid will not increase for any family making less than $400,000/year. And the extra taxes levied on corporations do not reflect increases in the corporate tax rate, but rather the reclaiming of revenue lost to tax avoidance and provisions benefitting special interests. The selective presentation by some of the distributional effects of this bill neglects benefits to middle-class families from reducing deficits, from bringing down prescription drug prices, and from more affordable energy costs. This legislation will help increase American competitiveness, lower costs for families, and fight inflation—and should be passed immediately by Congress.

FW: Formers statement on website

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: Wed, 03 Aug 2022 11:36:10 -0400

From: Correa, Andres <Andres.Correa@treasury.gov>
Sent: Wednesday, August 3, 2022 11:35 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Adams, Lily <Lily.Adams@treasury.gov>; Gwin, Michael <Michael.Gwin@treasury.gov>
Subject: RE: Formers statement on website

As requested: Statement from Former Treasury Secretaries on Inflation Reduction Act | U.S. Department of the Treasury

From: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Sent: Wednesday, August 3, 2022 11:24 AM
To: Correa, Andres <Andres.Correa@treasury.gov>; Adams, Lily <Lily.Adams@treasury.gov>; Gwin, Michael <Michael.Gwin@treasury.gov>
Subject: RE: Formers statement on website

Thanks Andres! Will you send me a link when you have one?

From: Correa, Andres <Andres.Correa@treasury.gov>
Sent: Wednesday, August 3, 2022 11:23 AM
To: Adams, Lily <Lily.Adams@treasury.gov>; Gwin, Michael <Michael.Gwin@treasury.gov>
Cc: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: Formers statement on website

Got it will do.

From: Adams, Lily <Lily.Adams@treasury.gov>
Sent: Wednesday, August 3, 2022 11:22 AM
To: Gwin, Michael <Michael.Gwin@treasury.gov>; Correa, Andres <Andres.Correa@treasury.gov>
Cc: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: Formers statement on website

Hey Andres,

Can we post the formers statement on our website so there's a link to it? We don't need to blast but we just need to have a link.

Lily

Statement from Former Treasury Secretaries on Inflation Reduction Act

"As former Treasury Secretaries of both Democratic and Republican Administrations, we support the Inflation Reduction Act which is financed by prudent tax policy that will collect more from top-earners and large corporations. Taxes due or paid will not increase for any family making less than $400,000/year. And the extra taxes levied on corporations do not reflect increases in the corporate tax rate, but rather the reclaiming of revenue lost to tax avoidance and provisions benefitting the most affluent. The selective presentation by some of the distributional effects of this bill neglects benefits to middle-class families from reducing deficits, from bringing down prescription drug prices, and from more affordable energy. This legislation will help increase American competitiveness, address our climate crisis, lower costs for families, and fight inflation—and should be passed immediately by Congress."

—Timothy F. Geithner, Jacob J. Lew, Henry M. Paulson Jr., Robert E. Rubin and Lawrence H. Summers

CBPP: IRA Revenue Package Is Sound Policy

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: adewale.oadeyemo@treasury.gov, "Taverna, Andrea" <andrea.taverna@treasury.gov>, antonio.white2@treasury.gov, "Kalyanam, Aruna" <aruna.kalyanam@treasury.gov>, "Harris, Benjamin" <benjamin.harris@treasury.gov>, "Lebryk, David" <david.lebryk@treasury.gov>, "Ngarmboonanant, Geng" <geng.ngarmboonanant@treasury.gov>, "Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>, "Bowdler, Janis" <janis.bowdler@treasury.gov>, "Siegel, Julie" <julie.siegel@treasury.gov>, katharine.richards@treasury.gov, "Byrd, Kimberly" <kimberly.byrd@treasury.gov>, "Batchelder, Lily" <lily.batchelder@treasury.gov>, linda.robertson@treasury.gov, mark.mazur@do.treas.gov, "Schmidt, Michael" <michael.schmidt2@treasury.gov>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Reimherr, Patrick" <patrick.reimherr@treasury.gov>, simone.brody@treasury.gov, "Rosenblum, A. Zack" <zack.rosenblum@treasury.gov>
Date: Thu, 04 Aug 2022 11:21:05 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

The Center just posted a new paper highlighting the importance of the revenue-raisers and tax policies in the Inflation Reduction Act.

Senate Revenue Package Is Sound Policy

"The Inflation Reduction Act before the Senate would make important investments in climate and energy initiatives, lower the cost of medicines for seniors and other Medicare recipients, extend critical tax credits to help millions of households afford health insurance purchased through state exchanges, and it is expected to reduce the monthly cost of insulin for people with diabetes. To pay for these investments and reduce the deficit, the bill includes a revenue package with three main elements, all of which are sound tax policies individually.

Specifically, the revenue changes would increase IRS funding to reduce the tax gap, require corporations to pay a 15 percent minimum tax, and narrow the carried interest loophole. Together, these tax policy changes would generate $450 billion in revenue through 2031. These revenues would more than offset the cost of the bill's critical $360 billion investment to address climate change."

Read the full (8 pp.) report: https://www.cbpp.org/research/federal-tax/senate-revenue-package-is-sound-policy

CBPP Statement: Inflation Reduction Act Takes Important Steps Forward and Should Be Enacted

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Batchelder, Lily" <lily.batchelder@treasury.gov>, "Taverna, Andrea" <andrea.taverna@treasury.gov>, antonio.white2@treasury.gov, "Kalyanam, Aruna" <aruna.kalyanam@treasury.gov>, "Harris, Benjamin" <benjamin.harris@treasury.gov>, "Lebryk, David" <david.lebryk@treasury.gov>, "Ngarmboonanant, Geng" <geng.ngarmboonanant@treasury.gov>, "Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>, "Bowdler, Janis" <janis.bowdler@treasury.gov>, "Siegel, Julie" <julie.siegel@treasury.gov>, katharine.richards@treasury.gov, "Byrd, Kimberly" <kimberly.byrd@treasury.gov>, linda.robertson@treasury.gov, mark.mazur@do.treas.gov, "Schmidt, Michael" <michael.schmidt2@treasury.gov>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, "Reimherr, Patrick" <patrick.reimherr@treasury.gov>, simone.brody@treasury.gov, "Rosenblum, A. Zack" <zack.rosenblum@treasury.gov>
Cc: bruce.n.reed@who.eop.gov
Date: Fri, 05 Aug 2022 12:02:36 -0400

Below, please find CBPP President Sharon Parrott's statement on the announcement of an agreement on a modified Inflation Reduction Act.

///

https://www.cbpp.org/press/statements/inflation-reduction-act-takes-important-steps-forward-and-should-be-enacted

CBPP Statement: August 5, 2022 - For Immediate Release

Inflation Reduction Act Takes Important Steps Forward and Should Be Enacted
Measure Lacks Key Health Provision and Steps to Cut Child Poverty

Statement of Sharon Parrott, President, on the Announcement of an Agreement on a Modified Inflation Reduction Act

The Inflation Reduction Act moves toward a fairer tax system, makes health coverage and prescription drugs more affordable, and addresses the global challenge of climate change. This bill is an important step forward and should become law.

The tax package shrinks tax breaks for certain profitable corporations, reduces inefficient tax incentives for companies to buy back their stock, and gives the IRS resources so it can do more to ensure that high-income households and corporations pay what they owe. Revenues from these sound provisions and savings from lowering prescription drug costs will fund important climate and health investments. Senate leaders indicate the revised bill will reduce deficits by $300 billion over the next decade, similar to the Congressional Budget Office's estimate of the original bill.

The provisions making Affordable Care Act (ACA) marketplace coverage more affordable will prevent 3.1 million people from losing coverage and becoming uninsured in 2023 while reducing the cost of coverage for millions more — an important step toward universal health coverage.

Efforts to address climate change through legislation have been blocked for many years. Making significant investments to reduce carbon emissions and support our transition to cleaner energy is a landmark accomplishment, even if further action will be needed over time.

While the bill won't have large near-term economic effects, its deficit reduction supports the Federal Reserve's efforts to bring down inflation and its health policies will help families facing high costs for coverage and prescriptions. Importantly, the steps to address climate change will pay dividends over time, while the tax policies both support these critical investments and begin to build toward a fairer tax system.

At the same time, unless the bill is amended on the Senate floor, policymakers will squander this critical opportunity to close the Medicaid coverage gap, which leaves 2.2 million people without access to health coverage because their states refuse to expand Medicaid. The real-world impacts of failing to close the coverage gap are staggering. Without coverage, people pay exorbitant out-of-pocket costs for care and when that isn't possible, they often go without the care they need. Many accrue crushing medical debt. The impacts are serious — research has shown that failing to expand Medicaid results in unnecessary deaths. Closing the coverage gap would improve health and save lives at a modest cost. The Senate should use the amendment process to do so.

As the package took shape in the Senate, policies that would make a dent in the nation's appallingly high rate of child poverty — and that were included in the House bill — were left out. Failing to invest in our children through policies such as expanding the Child Tax Credit and helping families afford child care and rent means that too many will needlessly have their futures shortchanged. The research is clear — when we invest in our children and reduce poverty, we not only reduce near-term hardship, but we improve children's long-term health and education outcomes, benefiting the country as a whole.

In the final negotiations, policymakers improved the bill by adding an excise tax on stock buybacks. It reflects deeply misguided priorities, however, that the revenues were not used to close the Medicaid coverage gap, but to weaken other tax provisions — including protecting an egregious loophole for private equity fund managers and unnecessarily narrowing the corporate minimum tax provision.

Policymakers should now add the provision to close the coverage gap. They should pass this bill and then use opportunities this year in the appropriations process and year-end legislation to reduce child poverty, help families make ends meet, and — if still outstanding — extend coverage to people in states that have refused to expand Medicaid.

Additional Background

Bill Makes the Tax System Fairer

The agreement will begin to make the tax system fairer. It shrinks tax breaks for certain profitable corporations, reduces inefficient tax incentives for companies to buy back their stock, and gives the IRS resources to do more to ensure that high-income households and corporations pay what they owe.

The bill requires corporations with more than $1 billion in average, annual profits to pay at least 15 percent in taxes on their profits. The provision was modified in final negotiations to exempt depreciation from the corporate minimum tax. These large and highly profitable corporations benefit from public investments in research, infrastructure, and education and they should contribute by paying a fairer amount of taxes. Claims that requiring them to pay some taxes will hurt the economy don't withstand scrutiny — very large corporate tax cuts enacted in 2017 had no discernable impact on the economy, and scaling back a small fraction of those tax cuts won't either. These are modest provisions and corporate taxes remain low.

There is more to do to ensure corporations pay a fair amount of taxes. For example, policymakers need to do more to prevent multinational corporations from shifting profits offshore to avoid taxes; they can do so by aligning our tax laws with the landmark multilateral agreement to modernize the international tax system reached last year. Congress will need to return to this issue as soon as possible to implement this important agreement.

The agreement adds a 1 percent excise tax on stock buybacks, which also was in the House bill. Corporations have two basic ways to distribute profits to their shareholders: issue dividends (the traditional route) or offer to buy back a certain number of their own shares, which in turn raises the value of remaining stocks held by individuals and institutions. While these are economically similar, they are taxed differently. Dividends are generally taxable when shareholders receive them. Under a stock buyback, in contrast, shareholders who sell their shares to the corporation at a gain owe capital gains tax but shareholders who *don't* sell their shares — typically the overwhelming proportion — see the value of their shares rise but don't pay tax on the gain until they sell. Their wealth increases but their taxes don't.
By imposing a 1 percent excise tax on share buybacks, this provision is designed to correct this tax policy inefficiency.

It's disappointing that a provision was dropped in the final negotiations that would have narrowed the "carried interest" loophole that benefits wealthy private equity managers. While the revenues were replaced by the stock buyback provision, there were far more important uses for them.

Still, rebuilding revenues is an important step in reversing chronic underinvestment in the challenges facing the nation. More than two decades of tax cuts and deep cuts in IRS enforcement efforts have let wealthy households and corporations shirk their responsibilities to pay a fair amount of taxes.

Bill Makes Health Care More Affordable

By extending for three years the American Rescue Plan's temporary enhancements to premium tax credits, the agreement protects 14.5 million people who signed up for marketplace coverage this year, including those with low and moderate incomes, from facing a spike in their premiums next year. Without the extension, premiums would have more than doubled or tripled for some. These spikes would have caused an estimated 3.1 million people to lose coverage and become uninsured, and would have strained household budgets for millions more. This is a significant step forward toward universal coverage and Congress should ultimately make these improvements permanent.

The agreement also takes steps to lower the cost of prescription drugs for both the federal government and consumers, including a $35-per-month cap on the out-of-pocket cost of insulin.
However, the current bill does nothing to make affordable coverage available to the more than 2 million people with incomes below the poverty line who are uninsured because their states have refused to adopt the Medicaid expansion. Most of the people in the Medicaid coverage gap live in the South and 3 in 5 are people of color.

The failure to close the coverage gap is especially egregious in the wake of the Supreme Court decision to overturn *Roe v. Wade*. Closing the coverage gap is a concrete way to help ensure that the more than 800,000 women in the gap — most of whom live in states that have or likely will soon have strict abortion restrictions — have the comprehensive contraception coverage and regular access to health care providers they need to prevent unintended pregnancies, as well as pre-conception care that increases the likelihood of healthy birth outcomes. This is particularly important given our nation's unconscionably high rates of pregnancy-related deaths, a crisis that disproportionately impacts Black people compared to other groups. Closing the coverage gap would not solve the nation's abortion access and maternal health crises, but it is a concrete action that would help affected people right now.

The bill also leaves out other important provisions to improve maternal and child health, such as permanently allowing states to provide 12 months of postpartum coverage in Medicaid, guaranteeing that children receive Medicaid and the Children's Health Insurance Program (CHIP) for 12 uninterrupted months, and permanently extending CHIP.

RE: 87,000

From: Chuck Marr <marr@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Tue, 09 Aug 2022 15:45:04 -0400

** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Do you know what the IRS workforce is now? What it will be at the end of the window? And a good year to compare that to?

-----Original Message-----
From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Tuesday, August 9, 2022 2:24 PM
To: Chuck Marr <marr@cbpp.org>
Subject: RE: 87,000

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

* The claim is absolutely false.
* The new multi-year resources for the IRS are going to do two things: 1) go after high income or corporate tax cheats who aren't paying their taxes and 2) improve IRS service for the American people. IRS will not increase audits relative to recent years for those below 400K.
* The majority of hires for the IRS will fill vacancies of employees who have left the agency or will in the coming years.
* The overall increase in staff would rebuild the agency from the 1970's level they are at today.
* Additional new hires include IT professionals to improve outdated technology and taxpayer services staff to ensure Americans get better service, and experienced auditors who can take on corporate and high income tax evaders that fuel the multi-trillion dollar tax gap.

-----Original Message-----
From: Chuck Marr <marr@cbpp.org>
Sent: Tuesday, August 9, 2022 2:20 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: 87,000

** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi Natasha- can you send anything you have on the 87,000?
Thanks!!

Sent from my iPhone

Fwd: A CLOSER LOOK: 87,000 IRS agents are not coming for you

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Chuck Marr <marr@cbpp.org>, Samantha Jacoby <sjacoby@cbpp.org>
Date: Wed, 17 Aug 2022 03:57:36 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

From: Patriotic Millionaires <info@patrioticmillionaires.org>
Sent: Tuesday, August 16, 2022 11:53 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: A CLOSER LOOK: 87,000 IRS agents are not coming for you

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

View this email in your browser

August 16, 2022

Hi Friends of the Patriotic Millionaires,

Less than an hour ago, President Biden signed the Inflation Reduction Act (IRA) – the Democrats' new healthcare, climate, and tax reform package – into law. This is a historic and monumental achievement that will likely be remembered as one of Biden's biggest legislative victories.

One of the most important elements of the IRA is the $80 billion in additional funding that the bill allocates to the Internal Revenue Service (IRS) over the next decade. Years of budget cuts on the part of Republicans have left the agency in a deplorable state. Between 2010 and 2018, the IRS's annual budget was cut by no less than $2.9 billion, an act of intentional sabotage that cost the agency almost a fifth of its staff and left it ill-equipped to perform tax audits, especially for millionaires and billionaires with hard-to-trace income sources.

You'd think that most Americans would join us in welcoming and celebrating a well-functioning IRS that can provide better service for most taxpayers and consequences for wealthy criminal tax cheats.

Unfortunately, not a single Republican joined Democrats in either the Senate or the House to vote to pass the IRA and give the IRS a critical boost in funding. And since these votes, the Republican opposition has only gotten nastier. Conservative politicians and high-profile media pundits have now taken to the airwaves to spread blatant disinformation about the IRS funding provision.

Republican lawmakers and pundits are saying that, with the new funds from the IRA, Democrats plan to hire 87,000 new IRS agents, arm them, and send them to audit working Americans and small business owners. Last week, House Minority Leader Kevin McCarthy tweeted: "Do you make $75,000 or less? Democrats' new army of 87,000 IRS agents will be coming for you – with 710,000 new audits for Americans who earn less than $75k."

As is often the case with conservative conspiracy theories, this has taken on a life of its own and is spiraling out of control. Some are now claiming that President Biden will use these supposed 87,000 IRS agents as a secret police force to target and knock down the doors of his political enemies.

Let's be clear: **absolutely none of this is true**.

The new enforcement funding will be exclusively focused not on low- and middle-class workers but on the ultra-rich who are primarily responsible for America's tax gap, i.e. the difference between taxes owed and taxes paid, which is currently estimated to be $600 billion annually.

The ultra-rich are the ones that have the resources to hire armies of tax lawyers to squirrel their millions and billions away in tax havens like the Bahamas or the Cayman Islands in an effort to dodge the taxman. They're the ones who have been getting away with paying nothing because the IRS didn't have the resources to properly audit them. And they're the ones who are going to be affected by increased IRS enforcement (which, by the way, will only be about 5,000 new agents - certainly nowhere near football stadium size as Senator Lindsay Graham would have you believe).

If you're a law-abiding taxpayer, you have nothing to fear. If you make less than $400,000, you have nothing to fear.

This anti-IRS fearmongering by Republicans is despicable, but at least it shows American voters who modern Republicans really are and what they stand for. They are not the party of "law and order," as they like to claim. Instead, they have become the party of criminal apologists.

Make no mistake about it: anyone – Republican, Democrat, rich, poor, etc. – that illegally evades taxes is a criminal. Full stop. The IRS isn't going after people who are taking advantage of loopholes; it's going after people who break the law.

With this current misinformation campaign, not to mention years of IRS budget cuts, Republicans are doing everything they can to protect criminals (criminals who happen to be some of their major funders). In contrast, with their latest efforts through the IRA, Democrats are doing everything they can to go after anyone that would try to evade taxes and skirt the law.

Republican politicians' protection of criminals does not stop with tax evasion. Republicans are also doing everything in their power to protect individuals, even former Presidents, that would try to steal classified documents. They did everything they could to defend those who stormed the Capitol on January 6 in an attempt to thwart the lawful certification of President Biden's election. They did (and continue to do) everything they could to protect those who criminally lied to the American public in 2020 about voter fraud and election security. This is who they are to their core.

Democrats need to go on the offensive here. It's not enough to just say "That's not true" to Republican lies - they need to start calling out Republicans for protecting wealthy criminals in the first place. It's time to aggressively tell the truth to the American public – about the IRS funding in the IRA and everything else in between. Democrats can show voters that, contrary to what Republicans would have them believe, they are the party of principles, integrity, and "law and order." The conservative media ecosystem is loud, but if told correctly, the truth is always louder.

Warmly,
The Patriotic Millionaires

Our mailing address is:
Patriotic Millionaires
1629 K St NW
Suite 300
Washington, DC 20006

Add us to your address book

Fwd: News Alert: The IRS could be on the verge of changing the way Americans file their taxes

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Mon, 22 Aug 2022 10:49:44 -0400

Just in case you missed it.. and did you see the recent twitter exchange? Now in upper Norway...

Get Outlook for iOS

From: The Hill <thehill@email.thehill.com>
Sent: Monday, August 22, 2022 3:00:10 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: News Alert: The IRS could be on the verge of changing the way Americans file their taxes

View Online

I'm an image

News Alert

F a T w Li n Y o

The IRS could be on the verge of changing the way Americans file their taxes

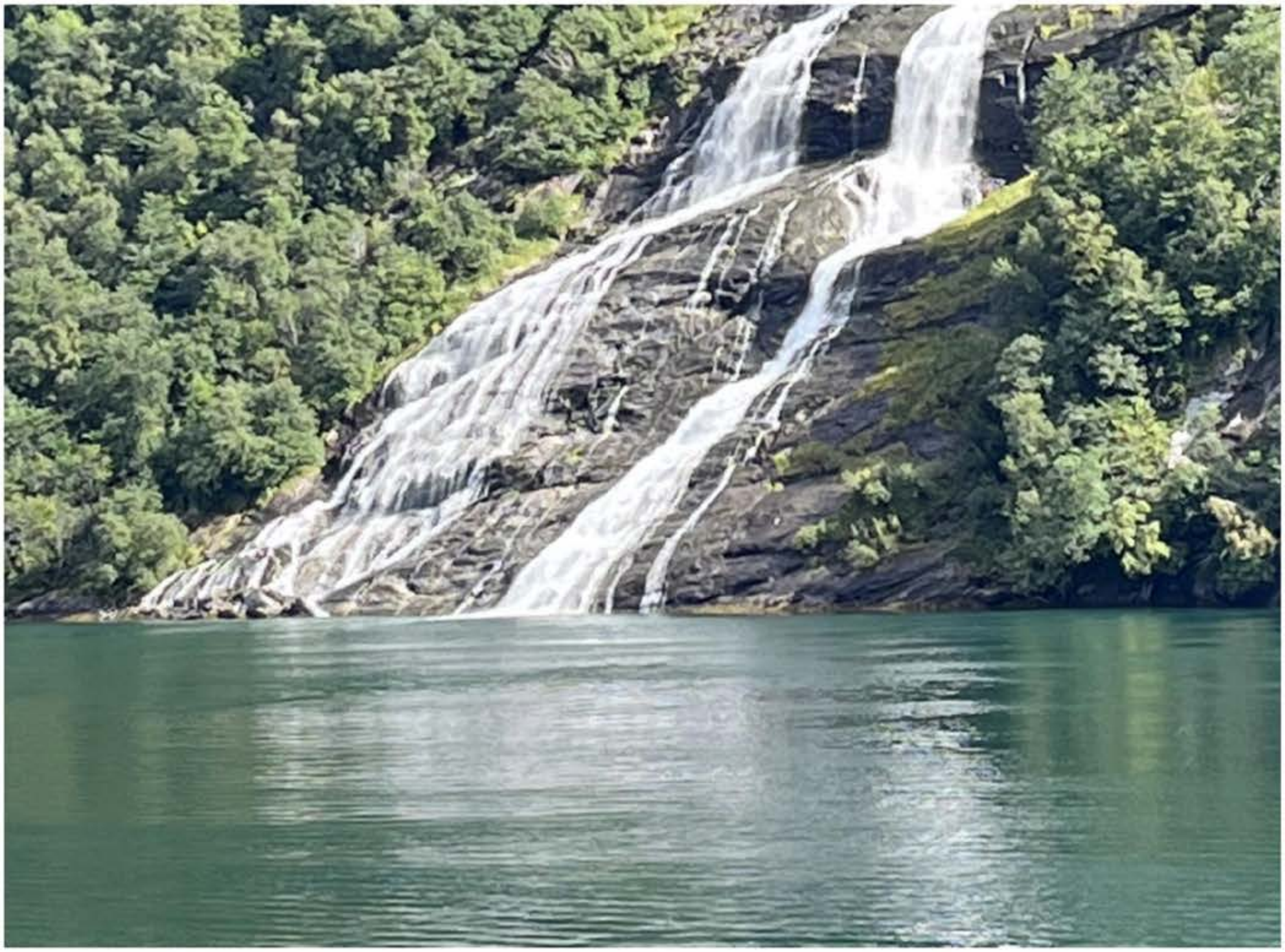
The IRS could be on the cusp of revolutionizing the way that Americans file their taxes.

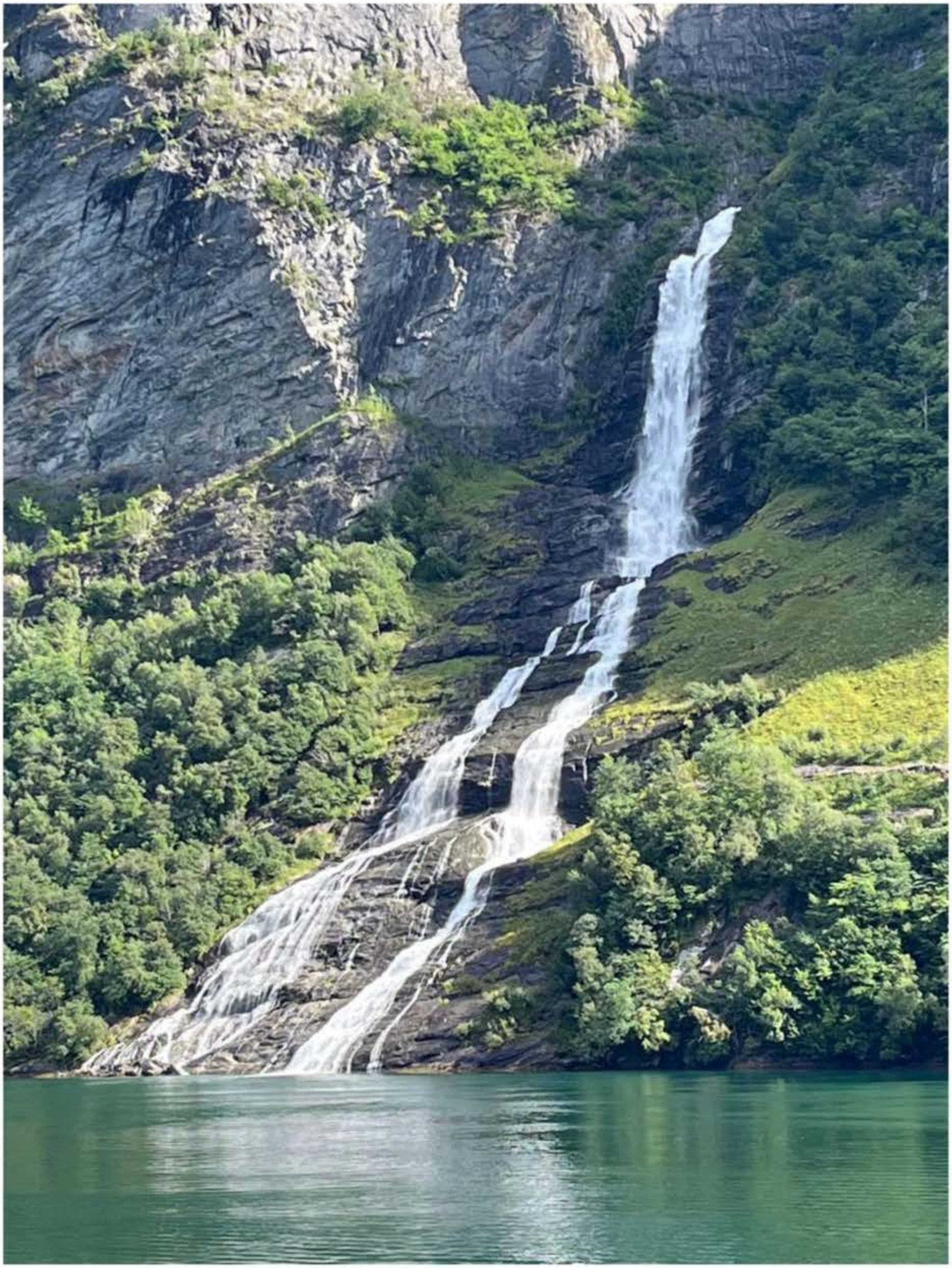
The Inflation Reduction Act signed into law by President Biden on Tuesday provided $80 billion in funding for the agency, including $15 million to deliver a report on a free, government-run tax e-filing system that tax simplification advocates have long argued for.

But the agency is on a tight deadline to deliver.

Read the full story here.

Learn more about Jeeng



RE: News Alert: The IRS could be on the verge of changing the way Americans file their taxes

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Date:	Mon, 22 Aug 2022 16:46:39 -0400

This is beautiful!!! When are you back? Really looking so forward to getting together soon

I caught this. The Twitter exchanges have been something to behold. Would be keen to get your advice on how best to navigate all of the misinformation.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Monday, August 22, 2022 10:50 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: Fwd: News Alert: The IRS could be on the verge of changing the way Americans file their taxes

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Just in case you missed it.. and did you see the recent twitter exchange? Now in upper Norway...

Get Outlook for iOS

From: The Hill <thehill@email.thehill.com>
Sent: Monday, August 22, 2022 3:00:10 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: News Alert: The IRS could be on the verge of changing the way Americans file their taxes

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Click in for the latest news from The Hill.

View Online

I'm an image

News Alert

News Alert

F a T w Li n Y o

The IRS could be on the verge of changing the way Americans file their taxes

The IRS could be on the cusp of revolutionizing the way that Americans file their taxes.

The Inflation Reduction Act signed into law by President Biden on Tuesday provided $80 billion in funding for the agency, including $15 million to deliver a report on a free, government-run tax e-filing system that tax simplification advocates have long argued for.

But the agency is on a tight deadline to deliver.

Read the full story here.

Learn more about Jeeng

Fwd: ATF messaging to counter lies and disinformation from GOP regarding IRS funding in the Inflation Reduction Act

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Date:	Fri, 26 Aug 2022 14:25:21 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

FYI. Ok, back to focusing on Norway! Did you get away at all?
Get Outlook for iOS

From: Frank Clemente <fclemente@americansfortaxfairness.org>
Sent: Friday, August 26, 2022 7:44 PM
Subject: ATF messaging to counter lies and disinformation from GOP regarding IRS funding in the Inflation Reduction Act

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Allies, below are two emails we sent to our activist list this week explaining to them the dangerous lies and distortions being spread by GOP members of Congress and Fox News about the $80 billion that will go to the IRS over 10 years so the agency can audit wealthy tax cheats and provide much better service to customers. Feel free to use what you like without attribution. More on this matter will be coming from us in the weeks ahead. This is sure to be a major talking point for GOP candidates this fall.

Subject: RE: Tell Facebook: Crack down on dangerous Republican lies and disinformation

Progress America

Benjamin,

We've seen the dangerous results of Republican lies.

First, there was the Big Lie of January 6, 2021. More recently, after the FBI search of Trump's Mar-a-Lago resort for classified documents, we saw an increase in attacks and threats against the FBI, including an attack by one Trump supporter on an FBI field office in Cincinnati, OH. Other Trump supporters were seen standing outside of a Phoenix, AZ, FBI office with semi-automatic assault rifles.[1]

Now, congressional Republicans are inciting violence through more lies and disinformation, simply because they don't like Democrats' new health, climate change and tax law that gives the IRS the resources it needs to hold wealthy and corporate tax cheats accountable.

Republicans think their lies and scaremongering over IRS funding is going to win them the November election—telling voters that 87,000 new IRS agents will be knocking down their doors guns blazing and searching for money under their mattresses.

The truth is that Democrats' new *Inflation Reduction Act* will increase IRS funding by $80 billion over 10 years to modernize its technology, improve customer service, and **crack down on millionaire and billionaire tax cheats** who aren't paying $160 billion in taxes each year that they already owe.[2]

Sign the petition to all social media platforms, including Facebook and Twitter. Demand that they immediately crack down on Republican lies and disinformation, which are riling up an army of armed vigilantes to threaten the safety and security of our nation.

Check out Frank's email below for more details.

Thank you for taking action today,

Sarah Christopherson
Legislative and Policy Director
Americans for Tax Fairness Action Fund

[1] "FBI Search of Trump's Mar-a-Lago Triggers Slow-Motion Rerun of Jan. 6 Insurrection," The Intercept, Aug 19, 2022
[2] "The Case for a Robust Attack on the Tax Gap," U.S. Department of Treasury, Sept. 7, 2021

-- Frank's email --

Benjamin,

We've seen the damage that lies and disinformation can do to our country.

Donald Trump's "Big Lie" led to the deadly January 6th attack on our Capitol. Recent lies around the FBI search of Trump's Mar-a-Lago resort for classified documents have led to threats and violence against FBI agents.

Now, Republican lies about increased funding for the Internal Revenue Service, intended to scare American taxpayers, risk inciting even more violence.

In order to avoid another violent attack on our democracy, sign the petition to demand social media companies, including Facebook, crack down on Republican lies and disinformation about the modernization of the IRS.

Congressional Republicans are spreading dangerous disinformation about the recently passed *Inflation Reduction Act*. Just look at this tweet from Senator Ted Cruz (R-TX):

Cruz isn't alone. Speaking on Fox News this month, Senator Chuck Grassley (R-IA) implied that the IRS is "going to have a strike force that goes in with AK-15s [sic] already loaded, ready to shoot some small-business person in Iowa."[1]

Senator Rick Scott (R-FL) claimed that "the IRS is making it very clear that [newly hired auditors] not only need to be ready to audit and investigate your fellow hardworking Americans, your neighbors and friends, you need to be ready and, to use the IRS's words, willing, to kill them."[2]

Republicans think this is how they'll win the November election, but just like the Big Lie in 2020, they're unleashing a violent force they can't control by riling up an army of armed vigilantes.

The truth is, there's no army of 87,000 IRS agents coming for you. Democrats' new *Inflation Reduction Act* will increase IRS funding by $80 billion over 10 years to modernize its technology, improve customer service, and crack down on millionaire and billionaire tax cheats who aren't paying $160 billion in taxes each year that they already owe.[3]

Numerous fact check services have debunked Republican claims about the $80 billion in new funding for the IRS creating a "shadow army of 87,000 IRS agents":

- **AP Fact Check:** "GOP skews budget bill's impact on IRS, taxes"
- **Washington Post Fact Checker:** "Hyperbolic GOP claims about IRS agents and audits"
- **Time:** "Trump Allies Are Attacking Biden For a Plan to Hire 87,000 New IRS Agents That Doesn't Exist"
- **PolitiFact, 3 Pinnochios:** "Kevin McCarthy's mostly false claim about an army of 87,000 IRS agents"

Since 2010, Republican budget cuts have slashed IRS funding by 20% and cut enforcement staff by 30%.[4] **This has resulted in 54% fewer audits of large corporations and 70% fewer audits of millionaires.** Wealthy and corporate tax cheats are getting away scot-free while the rest of us pay what we owe. It needs to stop.

What are Republicans afraid of? Who are they trying to protect? The answer is obvious: their billionaire and corporate donors. So they try to divert the public's focus through lies and fear. It's their usual playbook, but this time they are openly inciting deadly violence.

Sign the petition to demand social media platforms immediately crack down on Republican lies and disinformation about the IRS, which are manipulating and agitating dangerous elements of our society.

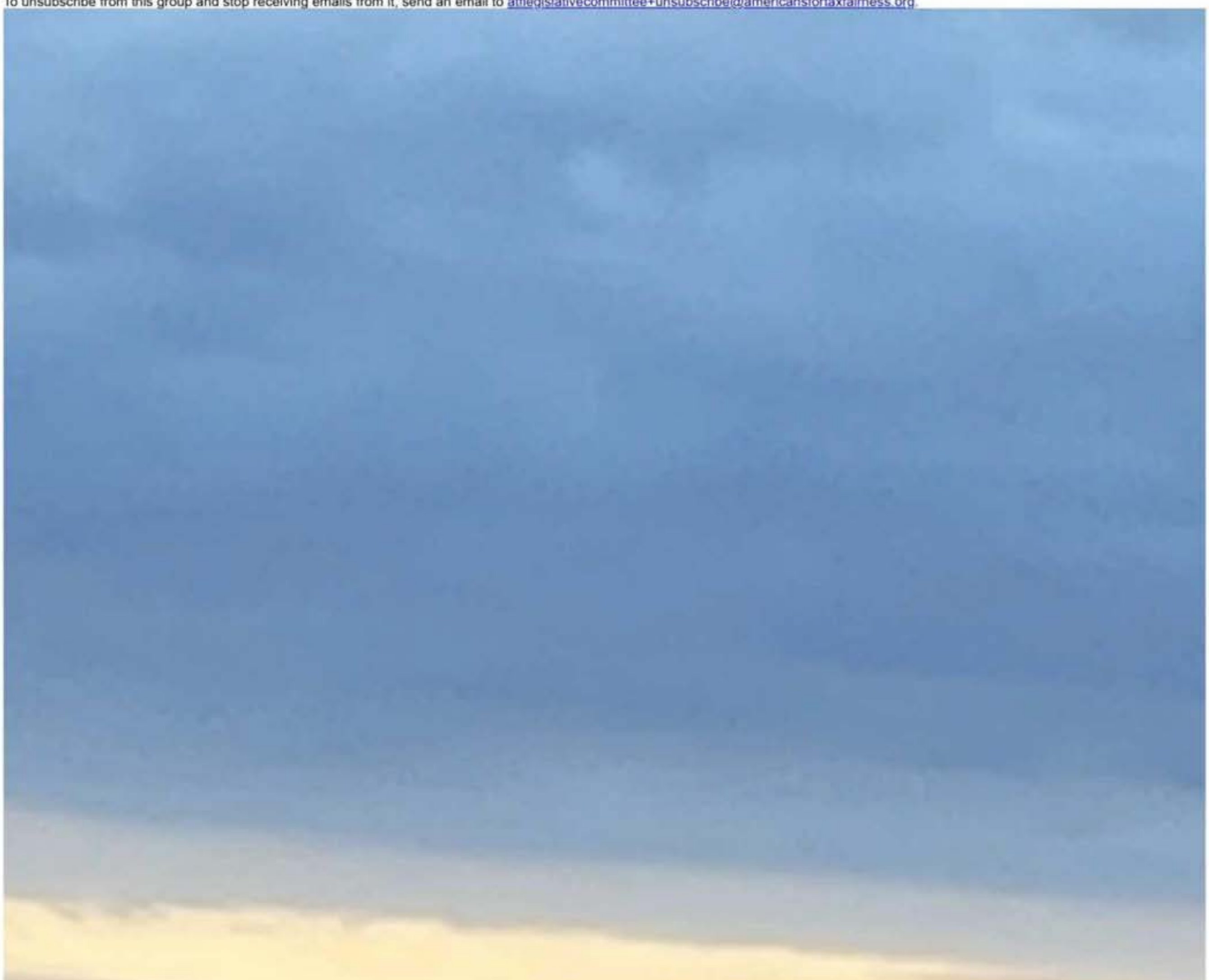
Thank you for defending our democracy and holding wealthy and corporate tax cheats accountable.

Frank Clemente
Executive Director
Americans for Tax Fairness Action Fund

[1] "Chuck Grassley bashed for warning of armed IRS agents 'ready to shoot' business owners," Sioux City Journal, Aug. 17, 2022
[2] "IRS isn't hiring 87,000 agents willing 'to kill' fellow Americans. Sen. Scott, stop trying to scare people | Editorial," Miami Herald, Aug. 25, 2022
[3] "The Case for a Robust Attack on the Tax Gap," U.S. Department of Treasury, Sept. 7, 2021"
[4] "Congress Needs to Take Two Steps to Fund the IRS for the Short and Long Term," Center on Budget and Policy Priorities, Feb. 1, 2022

PAID FOR BY AMERICANS FOR TAX FAIRNESS ACTION FUND

--
Frank Clemente
Executive Director
Americans for Tax Fairness
Americans for Tax Fairness Action Fund
m 202-441-9818
Follow ATF Website | Facebook | Twitter | Instagram | TikTok
Follow ATFAF Website | Facebook | Twitter



FW: CRS: The Distribution of IRS Enforcement Activity Funded by the Inflation Reduction Act of 2022

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Date:	Thu, 08 Sep 2022 21:25:28 -0400
Attachments:	CRS Dist of IRS enforcement Activity from IRA.pdf (733.04 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

You saw?

From: Jason Moreira <moreira@cbpp.org>
Sent: Wednesday, September 7, 2022 9:21 AM
To: Tax <Tax@cbpp.org>
Subject: CRS: The Distribution of IRS Enforcement Activity Funded by the Inflation Reduction Act of 2022

Congressional Research Service
Informing the legislative debate since 1914

INSIGHT

The Distribution of IRS Enforcement Activity Funded by the Inflation Reduction Act of 2022

September 6, 2022

P.L. 117-169, commonly referred to as the Inflation Reduction Act of 2022 (IRA 2022), provides $79.6 billion to the Internal Revenue Service (IRS) and related agencies through FY2031, which is intended to supplement normal annual appropriations. Of that amount, the law dedicates $45.6 billion to bolstering enforcement activities. This funding represents a 69% increase over the amount of funding the Congressional Budget Office (CBO) estimated the IRS would receive for enforcement through annual appropriations for fiscal years 2022-2031. (For more information, see CRS Insight IN11977, *IRS-Related Funding in the Inflation Reduction Act*.)

On August 10, Secretary of the Treasury Janet Yellen directed the IRS not to use any of these additional resources "to increase the share of small business or households below the $400,000 threshold that are audited relative to historical levels." Under such a policy, the share of tax returns subject to audits—also called "examinations"—would not rise "relative to historical levels" for 98-99% of individual income tax filers.

The Tax Gap

Audits are meant to ensure compliance with the tax code. The IRS estimated that the average annual unpaid tax burden from 2011 to 2013 (the most recent estimate)—also known as the "tax gap"—was $381 billion, or 14.2% of the true total tax liability, after accounting for enforcement activity and other late payments. That sum includes $271 billion in individual income taxes, $77 billion in employment taxes, $32 billion in corporate income taxes, and $1 billion in estate taxes.

About 80% of the gross tax gap (before enforcement and late payments) results from misreporting income. The IRS estimates that about 1% of income subject to substantial information reporting and withholding is misreported to the IRS. This category includes wage and salary income, as employers withhold taxes from workers' paychecks and report workers' earnings to the IRS. In contrast, filers misreport about 55% of income that is not subject to withholding or third-party reporting, such as earnings from sole proprietorships, rents, and royalties. Academic research suggests that high-income taxpayers misreport more of their income than lower-income filers, but data limitations make such estimates highly uncertain.

Congressional Research Service
https://crsreports.congress.gov
IN12001

CRS INSIGHT
Prepared for Members and
Committees of Congress

Trends in Audit Rates

In FY2019—the last fiscal year prior to the COVID-19 pandemic—the IRS spent 28% less in inflation-adjusted dollars on enforcing the tax code than it had in FY2010. It also employed 34% fewer enforcement staffers, measured in full-time equivalents. (Between FY2019 and FY2021, inflation-adjusted enforcement spending rose by 3% and staffing by 5%.)

The Government Accountability Office (GAO) determined that the share of individual income tax filers who faced audits fell from 0.9% in calendar year 2010 to 0.25% in 2019, which the IRS attributes to the decline in funding and staffing. Audit rates declined for filers of all income levels. However, the likelihood of an audit fell by 86% for those with positive income over $500,000, 61% for households with income below $25,000, and 58% for filers who claimed the Earned Income Tax Credit (EITC). The likelihood of facing an audit still generally rose with income after these changes, except that predominantly low-income EITC claimants faced a higher audit rate in 2019 (0.77%) than filers with $500,000-$1 million in positive income (0.53%).

GAO found that the revenue raised per work-hour of an audit is lower for most high earners than it is for EITC recipients. This estimate accounts for the revenue collected and the cost of the audit itself, but not for the cost of the collections process or the potential for audits to encourage voluntary compliance.

The IRS told GAO that audits of high-income filers are typically more complex than audits of lower earners. The auditing process for higher-income filers can also take longer, as they are more likely to respond to requests for information than lower earners. Recommended tax bills resulting from audits of high-income filers are often harder to collect and more likely to get abated than for other audits due to their size.

Implementation of the $400,000 Threshold

One question that Secretary Yellen's order poses is how to define the "historical level" of audit rates. Since audit rates have fallen over the past decade, a range of rates could be considered a consistent benchmark.

Another question is whether the $400,000 threshold applies to the amount a filer claims to have earned, or the amount of "true" income the IRS concludes the filer earned after conducting enforcement activity. If taxpayers believe they are less likely to face an audit if they report an income below $400,000, they may have a stronger incentive to do so. However, the IRS could inadvertently fail to comply with this directive if it audits more people reporting less than $400,000 in income and finds less underreporting than expected.

The IRS may struggle to quickly hire and train specialized agents to audit high-income taxpayers. CBO lowered its estimate of the revenue that enforcement spending in IRA 2022 will raise through FY2031 from $204 billion to $180 billion to account for the Secretary's directive and the removal of IRS hiring flexibilities from the law before its passage. The interaction between these two changes had a larger revenue effect than either did individually.

Other Potential Effects on Filers Below the Threshold

Even if the IRS does not increase the rate of audits against those earning less than $400,000, it could increase the amount of nonaudit enforcement actions it performs. These actions include correcting math errors and verifying that filings are timely and match income reported to the IRS by third parties.

Officials have suggested that other funding included in IRA 2022 could make the IRS less likely to audit compliant taxpayers earning under $400,000 per year. IRS Commissioner Charles Rettig recently claimed that funds in the law for taxpayer services and information technology (IT) will help taxpayers comply with the tax code voluntarily, presumably by helping the agency answer taxpayers' questions before filing. Secretary Yellen also suggested investments in the IRS's IT could improve the targeting of audits, making compliant taxpayers less likely to face an examination.

Author Information

Brendan McDermott
Analyst in Public Finance

Disclaimer

CBPP Statement on Census Data: Record Low Child Poverty Rate & Cut to Uninsured Rate

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"undisclosed recipients:;"
Bcc:	"Batchelder, Lily" <lily.batchelder@treasury.gov>
Date:	Tue, 13 Sep 2022 15:31:33 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

In Pandemic's Second Year, Government Policies Helped Drive Child Poverty Rate to a Record Low, Cut Uninsured Rate, New Census Data Show

Statement of Sharon Parrott, President, on 2021 Census Income, Poverty, and Health Insurance Data

Today's Census figures show government policies prevented massively higher financial hardship and lack of health insurance in 2021, as the nation continued to wrestle with the COVID-19 pandemic and recover from the resulting job loss. The expanded Child Tax Credit alone kept 5.3 million people above the annual poverty line and helped drive a stunning reduction in child poverty to a record low. Poverty overall also reached a record low and the uninsured rate dropped substantially, with Medicaid and Affordable Care Act (ACA) marketplace coverage reaching or nearing record highs.

In both 2020 and 2021, the federal government provided large-scale assistance to families and individuals in the face of an unprecedented crisis. Strengthened economic and health security policies coupled with a recovering economy and rising employment resulted in historic declines in poverty and boosted health coverage, despite the economic and health crises caused by the pandemic.

The data for 2021 show that the nation knows how to reduce poverty, broaden opportunity, and expand health coverage. Temporary measures drove progress. Policymakers should build on this experience to address the widespread insecurity and inequities that pre-dated the pandemic and will worsen if temporary relief measures aren't replaced with longer-lasting policy advances.

Poverty and Government Poverty-Reduction Policies

The new data show that due chiefly to the Child Tax Credit, child poverty fell sharply in 2021 and reached a record low of 5.2 percent, as measured by the Supplemental Poverty Measure (SPM), which accounts for taxes and non-cash benefits, among other methodological differences from the official poverty measure, in Census data that start in 2009. Indeed, we find that it is also the lowest back to 1967, analyzing historical data from researchers at Columbia University and adjusting 2021's poverty threshold backward for inflation. As recently as 2018, 13.7 percent of children were below the SPM poverty line, Census tables show. (The pandemic made Census figures for 2019, collected in 2020, less reliable.)

The Child Tax Credit expansion drove the large reduction in child poverty between 2020 and 2021, Census data show. In the absence of the expansion, child poverty would have fallen to 8.1 percent, rather than 5.2 percent, and some 2.1 million more children would have lived in families with incomes below the poverty line.

The year-to-year decline in the child poverty rate was the largest on record (4.5 percentage points). Child poverty rates plunged widely across racial and ethnic groups and percentage-point differences between racial groups narrowed, though substantial inequities in child poverty remain, the SPM showed.

For Black non-Latino children, the poverty rate fell to 8.3 percent in 2021 from 17.2 percent in 2020 and 23.7 percent in 2018. This is stunning progress — in 2018 nearly 1 in 4 Black children lived in families with incomes below the poverty line. In 2021, fewer than 1 in 10 did.

Progress was similarly large among Latino and American Indian and Alaskan Native children, who also had child poverty rates well above the rate for children overall prior to the pandemic. In 2021, poverty among Latino children fell to 8.4 percent and for American Indian and Alaska Native children it fell to 7.4 percent.

In 2021, non-Hispanic white child poverty stood at 2.7 percent and Asian child poverty was 5.1 percent — substantially lower than before the pandemic.

Income supplements such as the Child Tax Credit (which provided families with children under 18 up to $300 per month in the last six months of 2021) have been found to enhance the school performance, health, and future earnings of children in low-income families. After the strains and educational disruptions of the pandemic, this is the kind of support children need, but policymakers allowed last year's temporary expansion of the credit to expire in January. Today's figures on the credit's strong effect on poverty, combined with the timing of the expiration and the phasing out of other relief measures, suggest annual child poverty is likely to rise in 2022 without further federal action. Policymakers should pursue opportunities this year to prevent a sharp rise in child poverty by expanding the Child Tax Credit.

The decline in poverty was helped by rising employment in 2021 as the job market continued to rebound from the sharp drop in employment that occurred early in the pandemic. Today's data show that the number of working-age adults working full-time year-round rose by more than 10 million, to 110.7 million, in 2021, making up about three-fourths of the year-round employment lost in 2020. Annual average employment rates rose for all educational, racial, and ethnic categories, according to previously released Labor Department data.

For all ages combined, poverty declined for almost every racial and ethnic group when the Supplemental Poverty Measure is used. Despite this progress, however, differences in overall poverty rates (and among children) by race and ethnicity were large. The SPM poverty rate stood at 5.7 percent for non-Hispanic white people, 11.2 percent for non-Hispanic Black people, and 11.2 percent for Hispanic people. (The 9.5 percent poverty rate for people who identify as Asian was statistically unchanged.)

Health Coverage

Health insurance coverage also improved in 2021. The uninsured rate fell to 8.3 percent, down from 8.6 percent in 2020 and 8.5 percent in 2018, prior to the pandemic. For Black people, the decline in the uninsured rate was particularly steep, falling from 10.4 percent in 2020 to a record low of 9 percent in 2021.

This drop in the uninsured rate was largely due to the Medicaid continuous coverage provision, enacted in 2020 as part of COVID-19 relief legislation, which required states to keep Medicaid enrollees covered during the public health emergency in exchange for additional federal Medicaid funding. The decline in the uninsured rate was also bolstered by enhanced premium tax credits available to those who enrolled in the ACA marketplaces. On September 15, the Census Bureau will release separate health coverage estimates from its American Community Survey, which are also likely to show a substantial decline in the uninsured rate.

Despite these successes, 27.2 million people lacked health coverage at a time when many were struggling to make ends meet. And large racial and ethnic disparities persisted, with 18.3 and 9.0 percent of Hispanic and Black people lacking coverage, respectively, compared to 5.2 and 6.2 percent of non-Hispanic white and Asian people lacking coverage, respectively.

Looking ahead, analysts have projected that over 15 million people could lose Medicaid coverage when the continuous coverage provision ends (this will happen when the public health emergency ends), highlighting the need for states to minimize coverage losses by taking the administrative steps necessary to keep eligible people enrolled in Medicaid and helping those who are no longer eligible transition to other coverage. The recent extension in the Inflation Reduction Act of the enhanced premium tax credits will make it easier for people to afford ACA marketplace coverage if they no longer qualify for Medicaid, but many people losing Medicaid will need help to understand their coverage options and get enrolled.

To make further progress in expanding coverage, Congress must also close the Medicaid coverage gap, which leaves over 2 million uninsured people — 60 percent of whom are people of color — ineligible for marketplace coverage because their incomes are too low to qualify, yet they are denied Medicaid coverage because they live in the 12 states that have not expanded Medicaid under the ACA.

Income and Official Poverty Trends

Median household income stayed at 2020 levels despite rising employment, due in part to the expiration of unemployment benefits and several months of high inflation that eroded wage gains.

The official (cash-only) poverty rate remained statistically unchanged at 11.6 percent, similar to its pre-pandemic level in 2018. But because it doesn't count non-cash benefits like SNAP benefits, stimulus payments, and tax credits, this rate doesn't provide an accurate picture of poverty. That's especially true for 2021, when the federal government provided substantial help through programs the measure doesn't capture.

Link to full statement: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/press/statements/in-pandemics-second-year-government-policies-helped-drive-child-poverty-rate-to-a

RE: New industry/bank letter on IRS reporting

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Date:	Sun, 17 Oct 2021 23:14:31 -0400
Attachments:	Joint Trades IRS Charge and response 10.14.2021.pdf (175.77 kB)

Hah. Sorry. They made a bunch of claims in their thing (see the PDF attached) and they claimed that the claims were wrong. In reality, the claims (which are all things we have said) are right.

And yes, of course, fine to share.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Sunday, October 17, 2021 10:58 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: New industry/bank letter on IRS reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Sorry, what is this? It's a bit weird – it's like the claims are on our side and you are agreeing w/ this...

Can I share w/ Jack and Chuck?

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Sunday, October 17, 2021 8:20 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: RE: New industry/bank letter on IRS reporting

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Also, in case useful, I did a point-by-point on this trades letter with their ridiculous charges, so sharing that with you here.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Friday, October 15, 2021 1:14 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: FW: New industry/bank letter on IRS reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Diod you line this up?

Subject: RE: New industry/bank letter on IRS reporting

And here's another good fact check piece from AP: https://hyperlink.services.treasury.gov/agency.do?origin=https://apnews.com/article/fact-checking-407849893636?utm_medium=APFactCheck&utm_source=Twitter&utm_campaign=SocialFlow.

From: Samantha Jacoby
Sent: Friday, October 15, 2021 10:13 AM
To: Chuck Marr <marr@cbpp.org>; Ellen Nissenbaum <nissenbaum@cbpp.org>; Seth Hanlon

<shanlon@americanprogress.org>; Chye-Ching Huang <chye.ching.huang@nyu.edu>
Subject: New industry/bank letter on IRS reporting

In case you haven't seen it yet: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.aba.com/-/media/documents/letters-to-congress-and-regulators/joint-trades-letter-on-tax-info-reporting-10142021.pdf?rev=29f1a97b1a1445da8ebd50f1fad8ca14. The signers look like a bunch of trade associations representing mostly pass-through businesses. I can see why they'd be opposed to more reporting…

Samantha Jacoby
Senior Tax Legal Analyst
Center on Budget and Policy Priorities
1275 First Street NE, Suite 1200 | Washington, DC 20002
(202) 408-1080 | sjacoby@cbpp.org
https://hyperlink.services.treasury.gov/agency.do?origin=www.cbpp.org
Pronouns: she/her/hers

Charge and Response

The Issue: The Biden Administration has proposed a sweeping new information reporting requirement on annual gross inflows and outflows of financial accounts. If enacted, this proposal would require financial institutions to report to the IRS account information on nearly every American that has a bank account.

Charge: This proposal will not affect most Americans.

Response: The vast majority of accounts held at financial institutions would be captured by this reporting requirement. The proposal requires reporting on accounts with a gross flow threshold of $600 – both in and out of the account – (e.g., $300 deposit and $300 withdrawal). Therefore, virtually every American who has a bank account would be captured by this new requirement.

Despite claims that this proposal would not require financial institutions to track specific transactions, proposed exemptions to this reporting requirements that have been reported publicly as under consideration by policymakers would in fact complicate the collection process even more by requiring financial institutions to track certain types of exemptions. This requirement would require banks and credit unions to determine whether the money flowing in and out of an account to another account is owned by the same owner, is going into a foreign account or whether the funds moving in and out is in cash.

Charge: This proposal targets wealthy Americans who do not pay what they owe in taxes.

Response: Whether the de minimis threshold is $600, $10,000 or even $100,000, it would capture the accounts of millions of consumers and small businesses. Because the proposal is based on the amount of money that goes in and out of an account over the course of an entire year, an individual making minimum wage would easily be captured at a $10,000 threshold. Further, a consumer or small business that makes $50,000 or more after taxes could be captured by this proposal assuming a $100,000 threshold (roughly $50,000 in and $50,000 out), adding an extra layer of surveillance for the 99% of Americans that pay the taxes they owe. This does not align with the Biden Administration's goal of "targeting enforcement actions where they belong: on higher earners who do not fully report their tax liabilities."[1]

Charge: The IRS reporting requirement would "simply" require financial institutions to add two pieces of information on Form 1099-INT.

Response: This reporting would significantly expand Form 1099 reporting to include millions of accounts not currently subject to reporting. The information reported is more than two new boxes; each Form 1099 contains highly personal information, including the account holder's name, address, and taxpayer identification number.

Additionally, banks and credit unions do not track transactions between accounts with the same owners, to foreign accounts, or in physical cash for tax information reporting purposes. On interest-bearing accounts, banks report to their customers and to the IRS the interest that is

---

[1] https://home.treasury.gov/news/featured-stories/the-case-for-a-robust-attack-on-the-tax-gap

earned or paid if it is at least $10. The interest that is reported on 1099-INT is typically includible in gross income. In contrast, this new reporting requirement would include amounts that are not indicative of income.

Financial institutions, and in particular smaller financial institutions that rely on third-party vendors, would also have to bear significant costs to design and build new systems to aggregate and organize the data that they have on all accounts, no matter the size of the account.

Charge: This proposal would only add costs to financial institutions, not to taxpayers.

Response: Given this new information will be used specifically for audit detection, it is highly likely that new tax preparation procedures will be needed, resulting in additional costs to taxpayers. These new costs will likely hit small business owners hard, as both personal and business transactions are often conducted within the same bank account. Tax preparation professionals would also be required to review this additional information and produce explanations related to the differences between reported income and the bank account information.

Charge: Financial institutions already report financial transactions over $10,000, so setting the reporting threshold at that level would eliminate additional reporting burden and ease privacy concerns.

Response: No similar reporting system to the one proposed by the Administration currently exists. Banks and credit unions currently report deposits, withdrawals, exchange of currency or other payment or transfer in currency over $10,000 in a single day (or over multiple days if conducted to evade reporting requirements) to the Financial Crimes Enforcement Network to help prevent money laundering and other financial crime. There is nothing inherently suspicious about having more than $10,000 move through your financial account over the course of an entire year. That type of general account surveillance is unprecedented and deeply concerning.

Charge: The IRS is well positioned to securely handle this additional data reporting.

Response: The GAO found that the "IRS's ability to process and use information returns is limited by its outdated legacy information technology (IT) systems," and that the "IRS does not have a coordinated approach with cross-agency leadership that strategically considers how information reporting could be improved to promote compliance with the tax code."[2] Further, the IRS experiences 1.4 billion cyberattacks annually, has had multiple data breaches, and continues to deal with the fallout of identity theft and false tax returns. When all is said and done, the IRS is not able to adequately process all the information it already receives, and it has proven that it has issues protecting the data that it already has. Providing the IRS even more information on American taxpayers will only further expose them to cyber attacks and data breaches.

[2] GAO Report to Congress, "Better Coordination Could Improve IRS's Use of Third-Party Information Reporting to Help Reduce the Tax Gap," December 2020. https://www.gao.gov/assets/720/711468.pdf

FW: Top 10 Ways to Get Yourself Surveilled by the IRS

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Chuck Marr <marr@cbpp.org>, charles rossotti (b)(6) [redacted]@gmail.com>, Jack Lew (b)(6) [redacted]gmail.com>
Date: Thu, 21 Oct 2021 13:55:32 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

From: Ways and Means Republicans <pressfromways&means@mail.house.gov>
Sent: Thursday, October 21, 2021 12:53 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: Top 10 Ways to Get Yourself Surveilled by the IRS

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

View this email in your browser

Ways and Means Republicans

Top 10 Ways to Get Yourself Surveilled by the IRS

There's nothing "scaled back" about Democrats' IRS surveillance scheme

October 21, 2021 - PRESS RELEASE

J.P. Freire (202) 226-4774
Jessica Henrichs (202) 870-6316

Under the guise of closing the "tax gap," President Biden wants to turn local banks into chapters of the IRS to report on the gross transactions of your personal and business bank account.

Democrats' IRS surveillance scheme is not about going after high earners and wealthy corporations, but instead is about going after working Americans and Main Street job creators -- who Democrats assume are tax cheats.

Worse -- Democrats plan to use this invasive measure to pay for massive giveaways to wealthy individuals and special interests in blue states.

READ: Myth vs Fact: Opposing Biden's Bank Surveillance Scheme

Here are 10 ways that you could find yourself surveilled by the agency:

1. **Sending your child to college.** You worked hard, you saved, and now that investment in your child's future pull you into the IRS dragnet.
2. **Working as a blue-collar worker.** If you're a local contractor, plumber, or hairdresser -- or simply don't get paid on a W2 -- you will have your bank accounts monitored.
3. **Taking out a loan to buy equipment.** Want to start a new business or invest in your current one? That'll cost you your privacy.
4. **Sending money or loan money to family members.** Have you ever helped a loved one financially who has fallen on tough times? Biden wants the IRS to know.
5. **Providing financial support to elderly parents.** Do you help pay household expenses for your elderly parent or grandparent? If so, their account will be swooped up in the IRS surveillance scheme.
6. **Receiving Democrats' "cash-for-kids" welfare.** If you receive the Child Tax Credit payments by paper check -- you'll have your bank account monitored.
7. **Receiving dependent care flexible savings account reimbursements.** If you pay for childcare using the Democrat's beefed up dependent care flexible spending account (FSA), your account will be reported to the IRS.
8. **Taking up a part-time gig as an Uber driver.** Do you work hard and make $200 or more on nights and weekends driving for Uber? Gas is expensive but it's nothing compared to that IRS audit that will be triggered as part of the Biden bank surveillance scheme.
9. **Selling goods at a farmer's market or Etsy shop.** Do you create something or grow something and sell it directly to a consumer? If you did and deposited those dollars into a bank account, you'll be reported.
10. **Saving for and making a large purchase.** Want to buy a new car? Or do some home renovations? Or take your family on a trip to Disney World? Your bank accounts will wind up in a dragnet.

BONUS:

11. **Purchasing groceries for a family of four.** With the cost of groceries skyrocketing under Bidenflation – your account will be reported to the IRS even sooner.
12. **Going on Democrats' expanded unemployment benefits.** Ironically enough, if you've been receiving Democrats' overly generous unemployment benefits that have paid you more to stay home than to reconnect to work, you'll also qualify to have the IRS monitor your account.

FACT CHECK: Biden's Supercharged IRS Includes Bank Reporting, Hardships for Taxpayers

READ: *[The Numbers in Biden's Invasive Tax Gap Plan Don't Add Up]*

###

Follow on Twitter.	Like on Facebook.	Connect on Instagram.

Unsubscribe from this list

Click Here to view this email in your browser
Click Here to be removed from this list

Fwd: Final letters for Catherine

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>, Chuck Marr <marr@cbpp.org>
Date:	Fri, 22 Oct 2021 07:04:21 -0400
Attachments:	Yellen Neal on Congressional Budget_CLEAN FINAL.pdf (393.37 kB); Yellen to Neal on Information Reporting_CLEAN FINAL.pdf (372.49 kB); 2021-41445 Neal budget letter 091421 v2 FINAL.pdf (768.19 kB); 2021-41442 Neal reporting letter FINAL 091421.pdf (685.18 kB)

Just so you have handy, Mazur on why the right enforcement $$ is still $700B, the lower money for a narrower reporting regime offset by deterrence on the funding dollars.

From: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Date: October 21, 2021 at 2:13:00 PM EDT
To: Rizzo, John <John.Rizzo@treasury.gov>
Subject: Final letters for Catherine

September 14, 2021

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal:

I am writing in enthusiastic support of your efforts to provide the Internal Revenue Service (IRS) the necessary resources to fairly, efficiently, and effectively administer the tax code. The Administration's proposal to provide $80 billion of mandatory funding to the agency over the course of the next decade will be crucial in helping the IRS achieve key goals: raising rates of taxpayer compliance, improving taxpayer service, and modernizing outdated technological infrastructure.

The IRS has been gradually gutted over the better part of the last decade: its budget has declined by around 20 percent in real terms, resulting in an ever-shrinking workforce, and the agency has witnessed deteriorating resources for administering the tax code established by Congress. The consequences of these shortfalls are exacerbated by the fact that Congress has simultaneously tasked the IRS to take on new functions, so that its increased workload spreads limited resources even more thinly. Today's IRS lacks the ability to adequately serve taxpayers. Budget cuts have forced the IRS to scale back taxpayer services, limiting the assistance the agency can provide to those most in need and further reducing the fairness of the tax system.

Further, there are fewer IRS auditors today than at any point since World War II, and workforce losses have been especially pronounced for complex revenue agents with the experience and training necessary to audit sophisticated, high-income taxpayers. As a result, audit rates have declined more for taxpayers making more than $10 million annually than for low-income taxpayers who receive the Earned Income Tax Credit.

Decline in Audit Rates by Filer Category			
Filer Category	Percent Audited		Percent Decline
	2010	2018	
All Filers	0.93%	0.51%	-45.39%
Individuals	1.11%	0.59%	-46.30%
EITC recipients	2.39%	1.41%	-41.10%
With annual income over $1 million	8.36%	3.23%	-61.35%
$1 million - $ 5 million	6.67%	2.21%	-66.87%
$5 million - $ 10 million	11.55%	4.21%	-63.55%
$ 10 million +	18.38%	6.66%	-63.76%
Corporations	1.39%	0.88%	-36.54%
With assets over $20 billion	97.99%	49.29%	-49.70%
Employment	0.21%	0.14%	-33.63%
Estates	10.12%	8.60%	-15.01%
With assets over $5 million	24.31%	18.71%	-23.07%

Source: IRS Statistics of Income Databook. Audit rates by annual income are imputed from Table 9b; all other data are from Table 9a.

Unfortunately, these trends in audit rates mean a relative decline in resources away from the taxpayers most responsible for unpaid taxes. The highest earners are responsible for a disproportionate share of the tax gap: approximately 28 percent of unpaid taxes are attributable to the top one percent (around $160 billion in tax year 2019). It is critical to shift audit scrutiny toward the high-end of the distribution, not just as a matter of equity, but as a matter of revenue collection critical to the nation's fisc. Doing so will require substantial resources to identify, hire, and train field agents to decipher thousands of pages of complex tax returns from high net-worth individuals, large corporations, and complex partnerships. These additional resources will be focused on high-end evasion. In fact, audit rates will not rise relative to recent years for anyone making less than $400,000 annually.

Investing approximately $80 billion in the IRS is estimated to generate around $320 billion in additional tax collections directly. This figure is derived directly from the IRS estimates of the return on investment for different types of enforcement activities. As explained in the enclosed memorandum from Mark Mazur, the Acting Assistant Secretary for Tax Policy, indirect effects have a meaningful impact on the increase in revenue associated with additional IRS resources.

Traditional estimates also ignore the impact of improving outdated technological infrastructure and investing in meaningful taxpayer service, both of which are well-understood to improve tax compliance. Funding for these activities is central to the Administration's compliance efforts. Ensuring that taxpayers have access to the help that they need when filing tax returns is important, and it is also essential to help taxpayers receive the credits and benefits to which they are entitled—including the expanded Child Tax Credit that you have been instrumental in championing.

I am grateful for your efforts in championing this important cause. Today, our estimation is that 15 percent of owed taxes are uncollected, which makes it difficult to fund our nation's priorities. It also creates economic distortions and deep inequities, as taxes are borne disproportionately by the subset of the population who comply with their obligations. Providing the IRS the resources it needs to address the tax gap raises substantial revenue in a progressive and equitable fashion.

Sincerely,

Janet L. Yellen

Janet L. Yellen

Enclosure

DEPARTMENT OF THE TREASURY
OFFICE OF TAX POLICY
WASHINGTON, D.C. 20220

September 14, 2021

MEMORANDUM

FROM: Mark J. Mazur, Assistant Secretary for Tax Policy (Acting)

SUBJECT: The Revenue Impacts of Compliance Proposals

This memo summarizes the Treasury analyses estimating the effects of tax compliance proposals, incorporating the Office of Tax Analysis (OTA) estimates as well as other considerations that would have predictable effects on the revenue potential of possible Congressional compliance proposals. Together, these factors imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window and much larger amounts in subsequent years.

In developing the FY 2022 Budget proposals, OTA (working with Internal Revenue Service staff) analyzed the administration's tax compliance proposals using methods similar to those used previously by OTA and IRS (and, as you know, these methodologies are similar to those used by the Congressional Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO)). However, the Administration proposals were larger in scale than recent proposals and historical experience and therefore the estimating approaches required some adaptation.

Our current understanding is that Congress is considering the adoption of financial reporting proposals that are likely to be narrower in scale and scope than those proposed by the Administration. Clearly, this will lower the estimated revenue raised from the proposed reporting regime relative to earlier Administration estimates.

Conventional revenue estimating approaches incorporate the behavioral responses to legislative changes. For instance, if tax rates change on some economic activities, taxpayers respond by reducing those activities. We see similar results in the information reporting area, where income sources with detailed third-party reporting result in taxpayers reporting 90 percent or more of this income, while income sources without robust third-party reporting generate reporting rates of 50 percent or even lower. In this case, improved information reporting leads taxpayers to increase their voluntary reporting of previously under-reported income sources.

However, when analyzing proposals that provide increased enforcement resources to the IRS, the conventional approach is to merely estimate the increased revenue collected by the IRS through additional audits and additional collection activities, but not to ascribe any changed behavior on the part of taxpayers who potentially would be subject to added enforcement scrutiny. This convention leads to an underestimate of future revenues generated by the proposal.

The revenue potential for the two aspects of the compliance agenda can be analyzed as follows:

<u>IRS Funding Proposals</u>

- Estimates for the effect of IRS resource changes on increased enforcement revenue (revenues associated directly with increased audit or collection activity) come directly from the IRS. IRS estimates the return on investment (ROI) for most of its enforcement activity based on historical enforcement data. The IRS collects this information on an ongoing basis.
    - The expected return is estimated as the increase in the direct enforcement tax revenue, or revenue generated by an examination or a collection activity (or both). Importantly, these estimates do not incorporate a potential deterrence effect from having more IRS personnel undertaking enforcement action in future years.
    - IRS does not provide any ROI estimate associated with non-enforcement functions, such as IT improvements or enhanced taxpayer services, because these activities do not by themselves generate enforcement revenue. However, these investments in services and IT will positively impact tax administration.
- The estimated revenue effects for proposals to increase IRS funding proposals are based on the IRS ROI estimates. In general, new hires are expected to take several years to reach the full ROI potential due to the time needed for hiring and training. IRS also assumes a declining marginal return for its enforcement activity as the level of enforcement function increases.
- The estimated revenues are clearly backloaded. Under the current funding proposal, investments in IRS personnel and fixed assets would be phased-in over a 9-year period, and then remain at that level (in real terms) for the rest of the budget window (and on into the future).
- The estimates for the direct effect of $80 billion in additional resources derived from the IRS's revenue estimation model for budget initiatives is that it raises about $320 billion in additional tax collection over the ten-year budget window. This estimation reflects the additional revenue from enforcement activities; but not the increase in compliance that will result from investment in taxpayer services and IT modernization.
    - This is because the IRS does not calculate a ROI in terms of enforcement revenue for these investments, and as a consequence, neither Treasury nor CBO account for the effects of such spending on revenues. However, there is a large scholarly literature that supports beneficial effects on compliance from investments in service and technology.[1]
- The conventional revenue estimate described above does not include any deterrent effect of the increased IRS resources. Just like have a police officer on the median of an interstate will result in fewer cars excessively speeding, having more IRS agents able to

[1] See, for example, Alm, J., Cherry, T., Jones, M., & McKee, M. 2010. "Taxpayer information assistance services and tax compliance behavior." *Journal of Economic Psychology* 31(4): 577-586.; Feld, L.P., and Frey, B.S. 2002. "Trust Breeds Trust: How Taxpayers are Treated." *Economics of Governance* 3: 87-99.; Torgler, B., Schaffner, M., & Macintyre, A. 2007. "Tax Compliance, Tax Morale, and Governance Quality." Consider also the success of the IRS's Return Review Program, which detects and prevents the disbursement of invalid refunds, using automated, anomaly-detecting analytic techniques. In 2017, this program saved the IRS $4.4 billion, at a cost of $90 million. See "Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement." 2018. GAO-18-544.; "Internal Revenue Service: FY 2019 Capital Investment Plan." 2019.

audit potential tax evaders should increase voluntary compliance with the tax system, or deter tax evasion. Recent academic work speaks to the importance of deterrent effects. DeBacker et al (2018) find that increased income reported in the 5-8 years following a random individual audit is about 1.5 times the revenue generated by the audit itself.[2] Studies in the U.K. and Denmark find similar effects.[3] Boning et al. (2020) find that in-person collection visits raise as much revenue from firms sharing a tax preparer with the visited firm as from the visited firm itself.[4]

- Using the results from the more conservative of these estimates suggests that the deterrent effect from additional IRS resources is about as large as the direct effect of additional revenue collected from enforcement activity. That means that the $320 billion of enforcement revenue generated over a decade from the additional investment in IRS resources would lead to about $640 billion in additional revenue over the budget window if the deterrent effect is incorporated into the revenue estimate (leading to $560 billion over 10 years net of the $80 billion investment).
- The deterrent effect associated with different types of enforcement activities varies, and these effects can be challenging to identify. For example, evidence for the follow-on effects of corporate audits is mixed; as a result, we suggest only including a 50 percent boost for deterrent effects. Conservatively, about $400 billion of additional revenue can be collected (incorporating both the direct and indirect effects of enforcement investment) from the President's proposals, net of the $80 billion investment.

Information Reporting and Interaction Effects of the Proposals

- The Treasury's revenue estimation for a financial information reporting regime begins with an estimate of the tax gap for business income and employment taxes. This includes Schedule C, E, and F income for individual income tax, corporate income tax, and employment taxes (SECA, NIIT, etc.).
- The amounts of business income reporting are estimated using random audit data from the IRS' National Research Program (NRP) for the individual income tax. The additional pass-through entity gap relies on the preliminary results of the NRP S-corporation study. For small corporations, the tax gap comes from IRS tax gap estimates.
- OTA converts the estimated tax gap for business income and employment taxes into a revenue estimate by assuming increased voluntary compliance as taxpayers react to the increased information reporting. This is assumed to be a gradual increase in voluntary compliance that phases in over time.
- OTA estimated the revenue effects of the Administration's financial reporting proposal using these basic steps. That proposal included information on inflows and outflows for a wide range of financial accounts, additional account information including additional information on business accounts, and an annual account threshold of $600.

---

[2] DeBacker, J., Heim, B.T., Tran, A., & Yuskavage, A. 2018. "The Effects of IRS Audits on EITC Claimants." *National Tax Journal* 71(3): 451-484.

[3] See Besley, T., Jensen, A., & Persson, T. 2019. "Norms, Enforcement, and Tax Evasion." NBER Working Paper 25575.; Kleven, H.J., Knudsen, M.B., Kreiner, C.T., Pedersen, S., & Saez, E. 2011. "Unwilling or Unable to Cheat? Evidence from a Tax Audit Experiment in Denmark." *Econometrica* 79(3): 651-692.

[4] Boning, W.C., Guyton, J., Hodge, R., & Slemrod, J. 2020. "Heard it through the grapevine: The direct and network effects of a tax enforcement field experiment on firms." *Journal of Public Economics* 190(3-4): 104261.

- We do not know the exact parameters of Congressional proposals, but we expect that they are likely to incorporate a narrower reporting regime than was the basis of the Administration's information reporting proposal scored by Treasury. Although we have not scored any particular proposal, we suspect the revenue potential of a narrower reporting regime would be lower, perhaps in the range of $200-250 billion over the ten-year budget window. The estimated path of revenues for this proposal is backloaded, and expected revenue generated in the decade after the budget window would be larger than the revenue estimate for the initial ten-year period. This is because information reporting proposals take some time to implement and for the IRS to determine how best to deploy this new information. Moreover, the reactions of taxpayers to this increased visibility into business income also will lead to gradually increase voluntary reporting over time.
- Neither of the estimates of the revenue generation potential for the compliance proposals (increased resources and increased information reporting) reflects the interaction effects of these two major changes to the tax compliance environment. Additional information reporting is valuable to address the tax gap not just because of an increase in voluntary compliance (which is reflected in the OTA scoring approach described above), but also because additional information can help the IRS better target enforcement activities. With the resources to meaningfully pursue tax evasion that is identified through improved information reporting, there will be a meaningful direct effect on additional tax collections. In addition, the IRS investments in IT and enhanced taxpayer services will also increase the efficacy of IRS enforcement resources. While there is not an official estimate of the size of these interaction effects, due to the size of the compliance initiatives outlined here, it is reasonable to expect that the interaction effects would serve to increase revenues by at least $50 billion over the 10-year budget window, with an increase of at least that size in the subsequent decade.

<u>Overhauling the IRS by giving it the information and resources that it needs to pursue tax evasion will create a more equitable tax system. The pieces of this proposal work well together: additional information for the IRS is crucial to its ability to efficiently and effectively select enforcement actions; and additional resources are essential to help the IRS use the information at its disposal. To truly overhaul tax administration, both components of the plan are essential.</u>

The factors detailed above imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window. Much more will be raised in the second decade, and in the decades that follow, because revenue raised from these reforms is backloaded, in part because investments in the IRS often take several years to reach their full potential. Outside estimates are more optimistic.[5] But it is also important to appreciate that this is an area with substantial uncertainty. Therefore, I have been cautious in evaluating the revenue that is likely to accrue from Congressional compliance proposals.

[5] As one example, work by former IRS Commissioner Charles Rossotti suggests that the appropriate estimate for similar proposals to those being advanced is closer to $1.6 trillion. Rossotti, Charles. "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance." Tax Notes Federal, March 2020. Other work also suggests a revenue potential from these proposals in excess of $1 trillion. See also Sarin, Natasha and Lawrence H. Summers. "Shrinking the Tax Gap: Approaches and Revenue Potential." Tax Notes Federal, November 2019.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

September 14, 2021

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal:

I write in enthusiastic support of the financial institution reporting provisions advanced in the President's tax compliance agenda. These information reporting provisions will make use of information financial institutions already know to help shed light on taxpayers who evade their tax obligations.

Today, compliance rates are under 50 percent for opaque sources of income—resulting in a disproportionate tax burden for complying taxpayers and a shortage of necessary funds for key national priorities. The underpayment owing to noncompliance is not evenly distributed across taxpayers. Instead, the tax gap is concentrated at the top of the income distribution, with the one percent of earners with the highest incomes responsible for nearly 30 percent of unpaid taxes: totaling over $160 billion in tax year 2019. This inequity is closely tied to gaps in information reporting, namely the disparity between when information is reported to the IRS by a third-party source to facilitate verifying the accuracy of taxpayer filings, and when it is not.

Specifically, for some categories of income, the Internal Revenue Service (IRS) can crosscheck what taxpayers report on their tax returns with information reported by third parties to ensure tax obligations are properly met. Wage and salary income is reported to the IRS on W-2 reports, and tax obligations are automatically withheld, so compliance rates stand at 99 percent. Third party information reporting already exists for the primary income that accrues to most Americans—including wage, pension, and unemployment income. It is clear that when taxpayers know that this information exchange exists, their voluntary compliance rises. But for certain income streams that accrue disproportionately to upper-income households, there is no information available to the IRS from third parties presently. As a result, underpayment is rampant.

This harmful and inequitable trend in compliance had led the IRS, the Government Accountability Office, and academic experts to conclude that improving information reporting is

one of the best ways to meaningfully improve compliance. Existing empirical evidence confirms that the introduction of third-party reporting regimes is highly effective.[1]

The President's information reporting proposals were designed to ensure that there will be no increase in taxpayer burden associated with this regime. For already compliant taxpayers, the only effect is a distinct benefit—a lowered likelihood of costly and burdensome audits. It is also designed to minimize costs for financial institutions associated with providing this information to the IRS, by building off an existing reporting structure that these institutions already use to convey information about the interest income in taxpayers' bank accounts.

The objective of this reporting regime is to help the IRS pursue high-end noncompliance by providing some information about opaque income streams that disproportionately accrue to the top. In fact, audit rates are not going to rise relative to recent years for anyone with less than $400,000 in income. As you consider specific policy choices in designing an information reporting regime, it is important to ensure that the reporting regime is sufficiently comprehensive, so that tax evaders are not able to structure financial accounts to avoid it. But to be clear: a reporting regime that is broad-based will better assist the IRS in targeting enforcement priorities on the high-end who accrue income in opaque ways. Any suggestion that instead this reporting regime will be used to target enforcement efforts on ordinary Americans is wholly misguided.

The revenue potential of these approaches is substantial. As an Appendix to this letter, I include a memorandum from Mark Mazur, Acting Assistant Secretary for Tax Policy at the Treasury Department, which provides details on the magnitudes to bear in mind when you consider the proposals under consideration in this Congress. The proposals you are advancing will revitalize the agency and give it the information that it needs to identify tax evasion, thereby building a fairer tax system. That will deliver sizable revenue in a progressive way in the next ten years, and in the decades to come.

Sincerely,

Janet L. Yellen

Janet L. Yellen

Enclosure

---

[1] Adhikari, B., Alm, J., Collins, B., Sebastiani, M., & Wilking, E. 2016. "Taxpayer Responses to Third-Party Income Reporting: Evidence From a Natural Experiment in the Taxicab Industry," *IRS Research Bulletin*, 6th Annual Joint Research Conference on Tax Administration, IRS and the Urban-Brookings Tax Policy Center; Johannesen, N. 2014. "Tax Evasion and Swiss Bank Deposits," *Journal of Public Economics* 111: 46-62.; Marchase, C. 2009. "Rewarding the Consumer for Curbing the Evasion of Commodity Taxes," *Public Finance Analysis* 65(4): 383-402.; Naritomi, J. 2019. "Consumers as Tax Auditors." *American Economic Review* 109(9): 3031-3072.; Phillips, M. D. 2014. "Individual Income Tax Compliance and Information Reporting: What Do the US Data Show?" *National Tax Journal* 67(3): 531-568.; Pomeranz, D. 2015. "No Taxation Without Information: Deterrence and Self-Enforcement in the Value Added Tax." *American Economic Review* 105(8): 2539-2569.

DEPARTMENT OF THE TREASURY
OFFICE OF TAX POLICY
WASHINGTON, D.C. 20220

September 14, 2021

MEMORANDUM

FROM: Mark J. Mazur, Assistant Secretary for Tax Policy (Acting)

SUBJECT: The Revenue Impacts of Compliance Proposals

This memo summarizes the Treasury analyses estimating the effects of tax compliance proposals, incorporating the Office of Tax Analysis (OTA) estimates as well as other considerations that would have predictable effects on the revenue potential of possible Congressional compliance proposals. Together, these factors imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window and much larger amounts in subsequent years.

In developing the FY 2022 Budget proposals, OTA (working with Internal Revenue Service staff) analyzed the administration's tax compliance proposals using methods similar to those used previously by OTA and IRS (and, as you know, these methodologies are similar to those used by the Congressional Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO)). However, the Administration proposals were larger in scale than recent proposals and historical experience and therefore the estimating approaches required some adaptation.

Our current understanding is that Congress is considering the adoption of financial reporting proposals that are likely to be narrower in scale and scope than those proposed by the Administration. Clearly, this will lower the estimated revenue raised from the proposed reporting regime relative to earlier Administration estimates.

Conventional revenue estimating approaches incorporate the behavioral responses to legislative changes. For instance, if tax rates change on some economic activities, taxpayers respond by reducing those activities. We see similar results in the information reporting area, where income sources with detailed third-party reporting result in taxpayers reporting 90 percent or more of this income, while income sources without robust third-party reporting generate reporting rates of 50 percent or even lower. In this case, improved information reporting leads taxpayers to increase their voluntary reporting of previously under-reported income sources.

However, when analyzing proposals that provide increased enforcement resources to the IRS, the conventional approach is to merely estimate the increased revenue collected by the IRS through additional audits and additional collection activities, but not to ascribe any changed behavior on the part of taxpayers who potentially would be subject to added enforcement scrutiny. This convention leads to an underestimate of future revenues generated by the proposal.

The revenue potential for the two aspects of the compliance agenda can be analyzed as follows:

IRS Funding Proposals

- Estimates for the effect of IRS resource changes on increased enforcement revenue (revenues associated directly with increased audit or collection activity) come directly from the IRS. IRS estimates the return on investment (ROI) for most of its enforcement activity based on historical enforcement data. The IRS collects this information on an ongoing basis.
    - The expected return is estimated as the increase in the direct enforcement tax revenue, or revenue generated by an examination or a collection activity (or both). Importantly, these estimates do not incorporate a potential deterrence effect from having more IRS personnel undertaking enforcement action in future years.
    - IRS does not provide any ROI estimate associated with non-enforcement functions, such as IT improvements or enhanced taxpayer services, because these activities do not by themselves generate enforcement revenue. However, these investments in services and IT will positively impact tax administration.
- The estimated revenue effects for proposals to increase IRS funding proposals are based on the IRS ROI estimates. In general, new hires are expected to take several years to reach the full ROI potential due to the time needed for hiring and training. IRS also assumes a declining marginal return for its enforcement activity as the level of enforcement function increases.
- The estimated revenues are clearly backloaded. Under the current funding proposal, investments in IRS personnel and fixed assets would be phased-in over a 9-year period, and then remain at that level (in real terms) for the rest of the budget window (and on into the future).
- The estimates for the direct effect of $80 billion in additional resources derived from the IRS's revenue estimation model for budget initiatives is that it raises about $320 billion in additional tax collection over the ten-year budget window. This estimation reflects the additional revenue from enforcement activities; but not the increase in compliance that will result from investment in taxpayer services and IT modernization.
    - This is because the IRS does not calculate a ROI in terms of enforcement revenue for these investments, and as a consequence, neither Treasury nor CBO account for the effects of such spending on revenues. However, there is a large scholarly literature that supports beneficial effects on compliance from investments in service and technology.[1]
- The conventional revenue estimate described above does not include any deterrent effect of the increased IRS resources. Just like have a police officer on the median of an interstate will result in fewer cars excessively speeding, having more IRS agents able to

[1] See, for example, Alm, J., Cherry, T., Jones, M., & McKee, M. 2010. "Taxpayer information assistance services and tax compliance behavior." *Journal of Economic Psychology* 31(4): 577-586.; Feld, L.P., and Frey, B.S. 2002. "Trust Breeds Trust: How Taxpayers are Treated." *Economics of Governance* 3: 87-99.; Torgler, B., Schaffner, M., & Macintyre, A. 2007. "Tax Compliance, Tax Morale, and Governance Quality." Consider also the success of the IRS's Return Review Program, which detects and prevents the disbursement of invalid refunds, using automated, anomaly-detecting analytic techniques. In 2017, this program saved the IRS $4.4 billion, at a cost of $90 million. See "Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement." 2018. GAO-18-544.; "Internal Revenue Service: FY 2019 Capital Investment Plan." 2019.

audit potential tax evaders should increase voluntary compliance with the tax system, or deter tax evasion. Recent academic work speaks to the importance of deterrent effects. DeBacker et al (2018) find that increased income reported in the 5-8 years following a random individual audit is about 1.5 times the revenue generated by the audit itself.[2] Studies in the U.K. and Denmark find similar effects.[3] Boning et al. (2020) find that in-person collection visits raise as much revenue from firms sharing a tax preparer with the visited firm as from the visited firm itself.[4]

- Using the results from the more conservative of these estimates suggests that the deterrent effect from additional IRS resources is about as large as the direct effect of additional revenue collected from enforcement activity. That means that the $320 billion of enforcement revenue generated over a decade from the additional investment in IRS resources would lead to about $640 billion in additional revenue over the budget window if the deterrent effect is incorporated into the revenue estimate (leading to $560 billion over 10 years net of the $80 billion investment).
- The deterrent effect associated with different types of enforcement activities varies, and these effects can be challenging to identify. For example, evidence for the follow-on effects of corporate audits is mixed; as a result, we suggest only including a 50 percent boost for deterrent effects. Conservatively, about $400 billion of additional revenue can be collected (incorporating both the direct and indirect effects of enforcement investment) from the President's proposals, net of the $80 billion investment.

Information Reporting and Interaction Effects of the Proposals

- The Treasury's revenue estimation for a financial information reporting regime begins with an estimate of the tax gap for business income and employment taxes. This includes Schedule C, E, and F income for individual income tax, corporate income tax, and employment taxes (SECA, NIIT, etc.).
- The amounts of business income reporting are estimated using random audit data from the IRS' National Research Program (NRP) for the individual income tax. The additional pass-through entity gap relies on the preliminary results of the NRP S-corporation study. For small corporations, the tax gap comes from IRS tax gap estimates.
- OTA converts the estimated tax gap for business income and employment taxes into a revenue estimate by assuming increased voluntary compliance as taxpayers react to the increased information reporting. This is assumed to be a gradual increase in voluntary compliance that phases in over time.
- OTA estimated the revenue effects of the Administration's financial reporting proposal using these basic steps. That proposal included information on inflows and outflows for a wide range of financial accounts, additional account information including additional information on business accounts, and an annual account threshold of $600.

---

[2] DeBacker, J., Heim, B.T., Tran, A., & Yuskavage, A. 2018. "The Effects of IRS Audits on EITC Claimants." *National Tax Journal* 71(3): 451-484.

[3] See Besley, T., Jensen, A., & Persson, T. 2019. "Norms, Enforcement, and Tax Evasion." NBER Working Paper 25575.; Kleven, H.J., Knudsen, M.B., Kreiner, C.T., Pedersen, S., & Saez, E. 2011. "Unwilling or Unable to Cheat? Evidence from a Tax Audit Experiment in Denmark." *Econometrica* 79(3): 651-692.

[4] Boning, W.C., Guyton, J., Hodge, R., & Slemrod, J. 2020. "Heard it through the grapevine: The direct and network effects of a tax enforcement field experiment on firms." *Journal of Public Economics* 190(3-4): 104261.

- We do not know the exact parameters of Congressional proposals, but we expect that they are likely to incorporate a narrower reporting regime than was the basis of the Administration's information reporting proposal scored by Treasury. Although we have not scored any particular proposal, we suspect the revenue potential of a narrower reporting regime would be lower, perhaps in the range of $200-250 billion over the ten-year budget window. The estimated path of revenues for this proposal is backloaded, and expected revenue generated in the decade after the budget window would be larger than the revenue estimate for the initial ten-year period. This is because information reporting proposals take some time to implement and for the IRS to determine how best to deploy this new information. Moreover, the reactions of taxpayers to this increased visibility into business income also will lead to gradually increase voluntary reporting over time.
- Neither of the estimates of the revenue generation potential for the compliance proposals (increased resources and increased information reporting) reflects the interaction effects of these two major changes to the tax compliance environment. Additional information reporting is valuable to address the tax gap not just because of an increase in voluntary compliance (which is reflected in the OTA scoring approach described above), but also because additional information can help the IRS better target enforcement activities. With the resources to meaningfully pursue tax evasion that is identified through improved information reporting, there will be a meaningful direct effect on additional tax collections. In addition, the IRS investments in IT and enhanced taxpayer services will also increase the efficacy of IRS enforcement resources. While there is not an official estimate of the size of these interaction effects, due to the size of the compliance initiatives outlined here, it is reasonable to expect that the interaction effects would serve to increase revenues by at least $50 billion over the 10-year budget window, with an increase of at least that size in the subsequent decade.

<u>Overhauling the IRS by giving it the information and resources that it needs to pursue tax evasion will create a more equitable tax system. The pieces of this proposal work well together: additional information for the IRS is crucial to its ability to efficiently and effectively select enforcement actions; and additional resources are essential to help the IRS use the information at its disposal. To truly overhaul tax administration, both components of the plan are essential.</u>

The factors detailed above imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window. Much more will be raised in the second decade, and in the decades that follow, because revenue raised from these reforms is backloaded, in part because investments in the IRS often take several years to reach their full potential. Outside estimates are more optimistic.[5] But it is also important to appreciate that this is an area with substantial uncertainty. Therefore, I have been cautious in evaluating the revenue that is likely to accrue from Congressional compliance proposals.

---

[5] As one example, work by former IRS Commissioner Charles Rossotti suggests that the appropriate estimate for similar proposals to those being advanced is closer to $1.6 trillion. Rossotti, Charles. "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance." Tax Notes Federal, March 2020. Other work also suggests a revenue potential from these proposals in excess of $1 trillion. See also Sarin, Natasha and Lawrence H. Summers. "Shrinking the Tax Gap: Approaches and Revenue Potential." Tax Notes Federal, November 2019.

RE: new pieces on bank reporting

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Seth Hanlon <shanlon@americanprogress.org>
Date: Tue, 26 Oct 2021 12:00:07 -0400

BTW: Do you still want to do this Fred/Charles/Jack thing? I canvassed and got a few dates next week and the week after...not sure what makes sense tbh.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Tuesday, October 26, 2021 9:27 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: new pieces on bank reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Yes – 11:30 or 11:45? I've heard not great things.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Tuesday, October 26, 2021 9:15 AM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: Re: new pieces on bank reporting

Thanks for this—can we touch base sometime this am on reporting latest? Anytime 10:30-12 good?

From: Seth Hanlon <shanlon@americanprogress.org>
Date: October 26, 2021 at 9:12:14 AM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: new pieces on bank reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

A couple new pieces on bank reporting:

https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/issues/economy/news/2021/10/26/506624/4-facts-disprove-opponents-claims-bidens-tax-compliance-proposal/

https://hyperlink.services.treasury.gov/agency.do?origin=https://www.marketwatch.com/story/most-taxpayers-would-be-less-likely-to-be-audited-under-bidens-new-irs-enforcement-proposal-11634854551

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

FW: CAP brief on bank reporting

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>, Chuck Marr <marr@cbpp.org>
Date: Thu, 28 Oct 2021 10:23:17 -0400
Attachments: Yellen Neal on Congressional Budget_CLEAN FINAL.pdf (393.37 kB); Yellen to Neal on Information Reporting_CLEAN FINAL.pdf (372.49 kB); 2021-41445 Neal budget letter 091421 v2 FINAL.pdf (768.19 kB); 2021-41442 Neal reporting letter FINAL 091421.pdf (685.18 kB)

Mark's memo attached to these letters explains how you get $400B from just the IRS enforcement money. It's up somewhat from the original OTA number ($320B) because it includes a very conservative deterrence estimate.

From: Sarin, Natasha
Sent: Thursday, September 16, 2021 12:01 PM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: RE: CAP brief on bank reporting

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Wednesday, September 15, 2021 1:42 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: CAP brief on bank reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Also, if you're able to share the letters to Neal I'd love to see them – thanks!

From: Seth Hanlon
Sent: Wednesday, September 15, 2021 1:18 PM
To: Natasha.Sarin@treasury.gov
Subject: CAP brief on bank reporting

I forgot to send this to you yesterday: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/issues/economy/news/2021/09/14/503821/bank-tax-reporting-critical-component-bidens-build-back-better-agenda/

I just tweeted on it: https://hyperlink.services.treasury.gov/agency.do?origin=https://twitter.com/SethHanlon/status/1438189621641416706?s=20

And you probably saw Chuck and Samantha's piece but ICYMI: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/research/federal-tax/reducing-the-tax-gap-5-key-points-on-information-reporting

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

September 14, 2021

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal:

I am writing in enthusiastic support of your efforts to provide the Internal Revenue Service (IRS) the necessary resources to fairly, efficiently, and effectively administer the tax code. The Administration's proposal to provide $80 billion of mandatory funding to the agency over the course of the next decade will be crucial in helping the IRS achieve key goals: raising rates of taxpayer compliance, improving taxpayer service, and modernizing outdated technological infrastructure.

The IRS has been gradually gutted over the better part of the last decade: its budget has declined by around 20 percent in real terms, resulting in an ever-shrinking workforce, and the agency has witnessed deteriorating resources for administering the tax code established by Congress. The consequences of these shortfalls are exacerbated by the fact that Congress has simultaneously tasked the IRS to take on new functions, so that its increased workload spreads limited resources even more thinly. Today's IRS lacks the ability to adequately serve taxpayers. Budget cuts have forced the IRS to scale back taxpayer services, limiting the assistance the agency can provide to those most in need and further reducing the fairness of the tax system.

Further, there are fewer IRS auditors today than at any point since World War II, and workforce losses have been especially pronounced for complex revenue agents with the experience and training necessary to audit sophisticated, high-income taxpayers. As a result, audit rates have declined more for taxpayers making more than $10 million annually than for low-income taxpayers who receive the Earned Income Tax Credit.

Decline in Audit Rates by Filer Category			
Filer Category	**Percent Audited**		**Percent Decline**
	2010	**2018**	
All Filers	0.93%	0.51%	-45.39%
Individuals	1.11%	0.59%	-46.30%
EITC recipients	2.39%	1.41%	-41.10%
With annual income over $1 million	8.36%	3.23%	-61.35%
$1 million - $ 5 million	6.67%	2.21%	-66.87%
$5 million - $ 10 million	11.55%	4.21%	-63.55%
$ 10 million +	18.38%	6.66%	-63.76%
Corporations	1.39%	0.88%	-36.54%
With assets over $20 billion	97.99%	49.29%	-49.70%
Employment	0.21%	0.14%	-33.63%
Estates	10.12%	8.60%	-15.01%
With assets over $5 million	24.31%	18.71%	-23.07%

Source: IRS Statistics of Income Databook. Audit rates by annual income are imputed from Table 9b; all other data are from Table 9a.

Unfortunately, these trends in audit rates mean a relative decline in resources away from the taxpayers most responsible for unpaid taxes. The highest earners are responsible for a disproportionate share of the tax gap: approximately 28 percent of unpaid taxes are attributable to the top one percent (around $160 billion in tax year 2019). It is critical to shift audit scrutiny toward the high-end of the distribution, not just as a matter of equity, but as a matter of revenue collection critical to the nation's fisc. Doing so will require substantial resources to identify, hire, and train field agents to decipher thousands of pages of complex tax returns from high net-worth individuals, large corporations, and complex partnerships. These additional resources will be focused on high-end evasion. In fact, audit rates will not rise relative to recent years for anyone making less than $400,000 annually.

Investing approximately $80 billion in the IRS is estimated to generate around $320 billion in additional tax collections directly. This figure is derived directly from the IRS estimates of the return on investment for different types of enforcement activities. As explained in the enclosed memorandum from Mark Mazur, the Acting Assistant Secretary for Tax Policy, indirect effects have a meaningful impact on the increase in revenue associated with additional IRS resources.

Traditional estimates also ignore the impact of improving outdated technological infrastructure and investing in meaningful taxpayer service, both of which are well-understood to improve tax compliance. Funding for these activities is central to the Administration's compliance efforts. Ensuring that taxpayers have access to the help that they need when filing tax returns is important, and it is also essential to help taxpayers receive the credits and benefits to which they are entitled—including the expanded Child Tax Credit that you have been instrumental in championing.

I am grateful for your efforts in championing this important cause. Today, our estimation is that 15 percent of owed taxes are uncollected, which makes it difficult to fund our nation's priorities. It also creates economic distortions and deep inequities, as taxes are borne disproportionately by the subset of the population who comply with their obligations. Providing the IRS the resources it needs to address the tax gap raises substantial revenue in a progressive and equitable fashion.

Sincerely,

Janet L. Yellen

Janet L. Yellen

Enclosure

DEPARTMENT OF THE TREASURY
OFFICE OF TAX POLICY
WASHINGTON, D.C. 20220

September 14, 2021

MEMORANDUM

FROM: Mark J. Mazur, Assistant Secretary for Tax Policy (Acting)

SUBJECT: The Revenue Impacts of Compliance Proposals

This memo summarizes the Treasury analyses estimating the effects of tax compliance proposals, incorporating the Office of Tax Analysis (OTA) estimates as well as other considerations that would have predictable effects on the revenue potential of possible Congressional compliance proposals. Together, these factors imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window and much larger amounts in subsequent years.

In developing the FY 2022 Budget proposals, OTA (working with Internal Revenue Service staff) analyzed the administration's tax compliance proposals using methods similar to those used previously by OTA and IRS (and, as you know, these methodologies are similar to those used by the Congressional Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO)). However, the Administration proposals were larger in scale than recent proposals and historical experience and therefore the estimating approaches required some adaptation.

Our current understanding is that Congress is considering the adoption of financial reporting proposals that are likely to be narrower in scale and scope than those proposed by the Administration. Clearly, this will lower the estimated revenue raised from the proposed reporting regime relative to earlier Administration estimates.

Conventional revenue estimating approaches incorporate the behavioral responses to legislative changes. For instance, if tax rates change on some economic activities, taxpayers respond by reducing those activities. We see similar results in the information reporting area, where income sources with detailed third-party reporting result in taxpayers reporting 90 percent or more of this income, while income sources without robust third-party reporting generate reporting rates of 50 percent or even lower. In this case, improved information reporting leads taxpayers to increase their voluntary reporting of previously under-reported income sources.

However, when analyzing proposals that provide increased enforcement resources to the IRS, the conventional approach is to merely estimate the increased revenue collected by the IRS through additional audits and additional collection activities, but not to ascribe any changed behavior on the part of taxpayers who potentially would be subject to added enforcement scrutiny. This convention leads to an underestimate of future revenues generated by the proposal.

The revenue potential for the two aspects of the compliance agenda can be analyzed as follows:

IRS Funding Proposals

- Estimates for the effect of IRS resource changes on increased enforcement revenue (revenues associated directly with increased audit or collection activity) come directly from the IRS. IRS estimates the return on investment (ROI) for most of its enforcement activity based on historical enforcement data. The IRS collects this information on an ongoing basis.
  - The expected return is estimated as the increase in the direct enforcement tax revenue, or revenue generated by an examination or a collection activity (or both). Importantly, these estimates do not incorporate a potential deterrence effect from having more IRS personnel undertaking enforcement action in future years.
  - IRS does not provide any ROI estimate associated with non-enforcement functions, such as IT improvements or enhanced taxpayer services, because these activities do not by themselves generate enforcement revenue. However, these investments in services and IT will positively impact tax administration.
- The estimated revenue effects for proposals to increase IRS funding proposals are based on the IRS ROI estimates. In general, new hires are expected to take several years to reach the full ROI potential due to the time needed for hiring and training. IRS also assumes a declining marginal return for its enforcement activity as the level of enforcement function increases.
- The estimated revenues are clearly backloaded. Under the current funding proposal, investments in IRS personnel and fixed assets would be phased-in over a 9-year period, and then remain at that level (in real terms) for the rest of the budget window (and on into the future).
- The estimates for the direct effect of $80 billion in additional resources derived from the IRS's revenue estimation model for budget initiatives is that it raises about $320 billion in additional tax collection over the ten-year budget window. This estimation reflects the additional revenue from enforcement activities; but not the increase in compliance that will result from investment in taxpayer services and IT modernization.
  - This is because the IRS does not calculate a ROI in terms of enforcement revenue for these investments, and as a consequence, neither Treasury nor CBO account for the effects of such spending on revenues. However, there is a large scholarly literature that supports beneficial effects on compliance from investments in service and technology.[1]
- The conventional revenue estimate described above does not include any deterrent effect of the increased IRS resources. Just like have a police officer on the median of an interstate will result in fewer cars excessively speeding, having more IRS agents able to

[1] See, for example, Alm, J., Cherry, T., Jones, M., & McKee, M. 2010. "Taxpayer information assistance services and tax compliance behavior." *Journal of Economic Psychology* 31(4): 577-586.; Feld, L.P., and Frey, B.S. 2002. "Trust Breeds Trust: How Taxpayers are Treated." *Economics of Governance* 3: 87-99.; Torgler, B., Schaffner, M., & Macintyre, A. 2007. "Tax Compliance, Tax Morale, and Governance Quality." Consider also the success of the IRS's Return Review Program, which detects and prevents the disbursement of invalid refunds, using automated, anomaly-detecting analytic techniques. In 2017, this program saved the IRS $4.4 billion, at a cost of $90 million. See "Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement." 2018. GAO-18-544.; "Internal Revenue Service: FY 2019 Capital Investment Plan." 2019.

audit potential tax evaders should increase voluntary compliance with the tax system, or deter tax evasion. Recent academic work speaks to the importance of deterrent effects. DeBacker et al (2018) find that increased income reported in the 5-8 years following a random individual audit is about 1.5 times the revenue generated by the audit itself.[2] Studies in the U.K. and Denmark find similar effects.[3] Boning et al. (2020) find that in-person collection visits raise as much revenue from firms sharing a tax preparer with the visited firm as from the visited firm itself.[4]

- Using the results from the more conservative of these estimates suggests that the deterrent effect from additional IRS resources is about as large as the direct effect of additional revenue collected from enforcement activity. That means that the $320 billion of enforcement revenue generated over a decade from the additional investment in IRS resources would lead to about $640 billion in additional revenue over the budget window if the deterrent effect is incorporated into the revenue estimate (leading to $560 billion over 10 years net of the $80 billion investment).
- The deterrent effect associated with different types of enforcement activities varies, and these effects can be challenging to identify. For example, evidence for the follow-on effects of corporate audits is mixed; as a result, we suggest only including a 50 percent boost for deterrent effects. Conservatively, about $400 billion of additional revenue can be collected (incorporating both the direct and indirect effects of enforcement investment) from the President's proposals, net of the $80 billion investment.

Information Reporting and Interaction Effects of the Proposals

- The Treasury's revenue estimation for a financial information reporting regime begins with an estimate of the tax gap for business income and employment taxes. This includes Schedule C, E, and F income for individual income tax, corporate income tax, and employment taxes (SECA, NIIT, etc.).
- The amounts of business income reporting are estimated using random audit data from the IRS' National Research Program (NRP) for the individual income tax. The additional pass-through entity gap relies on the preliminary results of the NRP S-corporation study. For small corporations, the tax gap comes from IRS tax gap estimates.
- OTA converts the estimated tax gap for business income and employment taxes into a revenue estimate by assuming increased voluntary compliance as taxpayers react to the increased information reporting. This is assumed to be a gradual increase in voluntary compliance that phases in over time.
- OTA estimated the revenue effects of the Administration's financial reporting proposal using these basic steps. That proposal included information on inflows and outflows for a wide range of financial accounts, additional account information including additional information on business accounts, and an annual account threshold of $600.

---

[2] DeBacker, J., Heim, B.T., Tran, A., & Yuskavage, A. 2018. "The Effects of IRS Audits on EITC Claimants." *National Tax Journal* 71(3): 451-484.

[3] See Besley, T., Jensen, A., & Persson, T. 2019. "Norms, Enforcement, and Tax Evasion." NBER Working Paper 25575.; Kleven, H.J., Knudsen, M.B., Kreiner, C.T., Pedersen, S., & Saez, E. 2011. "Unwilling or Unable to Cheat? Evidence from a Tax Audit Experiment in Denmark." *Econometrica* 79(3): 651-692.

[4] Boning, W.C., Guyton, J., Hodge, R., & Slemrod, J. 2020. "Heard it through the grapevine: The direct and network effects of a tax enforcement field experiment on firms." *Journal of Public Economics* 190(3-4): 104261.

- We do not know the exact parameters of Congressional proposals, but we expect that they are likely to incorporate a narrower reporting regime than was the basis of the Administration's information reporting proposal scored by Treasury. Although we have not scored any particular proposal, we suspect the revenue potential of a narrower reporting regime would be lower, perhaps in the range of $200-250 billion over the ten-year budget window. The estimated path of revenues for this proposal is backloaded, and expected revenue generated in the decade after the budget window would be larger than the revenue estimate for the initial ten-year period. This is because information reporting proposals take some time to implement and for the IRS to determine how best to deploy this new information. Moreover, the reactions of taxpayers to this increased visibility into business income also will lead to gradually increase voluntary reporting over time.
- Neither of the estimates of the revenue generation potential for the compliance proposals (increased resources and increased information reporting) reflects the interaction effects of these two major changes to the tax compliance environment. Additional information reporting is valuable to address the tax gap not just because of an increase in voluntary compliance (which is reflected in the OTA scoring approach described above), but also because additional information can help the IRS better target enforcement activities. With the resources to meaningfully pursue tax evasion that is identified through improved information reporting, there will be a meaningful direct effect on additional tax collections. In addition, the IRS investments in IT and enhanced taxpayer services will also increase the efficacy of IRS enforcement resources. While there is not an official estimate of the size of these interaction effects, due to the size of the compliance initiatives outlined here, it is reasonable to expect that the interaction effects would serve to increase revenues by at least $50 billion over the 10-year budget window, with an increase of at least that size in the subsequent decade.

<u>Overhauling the IRS by giving it the information and resources that it needs to pursue tax evasion will create a more equitable tax system. The pieces of this proposal work well together: additional information for the IRS is crucial to its ability to efficiently and effectively select enforcement actions; and additional resources are essential to help the IRS use the information at its disposal. To truly overhaul tax administration, both components of the plan are essential.</u>

The factors detailed above imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window. Much more will be raised in the second decade, and in the decades that follow, because revenue raised from these reforms is backloaded, in part because investments in the IRS often take several years to reach their full potential. Outside estimates are more optimistic.[5] But it is also important to appreciate that this is an area with substantial uncertainty. Therefore, I have been cautious in evaluating the revenue that is likely to accrue from Congressional compliance proposals.

[5] As one example, work by former IRS Commissioner Charles Rossotti suggests that the appropriate estimate for similar proposals to those being advanced is closer to $1.6 trillion. Rossotti, Charles. "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance." Tax Notes Federal, March 2020. Other work also suggests a revenue potential from these proposals in excess of $1 trillion. See also Sarin, Natasha and Lawrence H. Summers. "Shrinking the Tax Gap: Approaches and Revenue Potential." Tax Notes Federal, November 2019.

September 14, 2021

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal:

I write in enthusiastic support of the financial institution reporting provisions advanced in the President's tax compliance agenda. These information reporting provisions will make use of information financial institutions already know to help shed light on taxpayers who evade their tax obligations.

Today, compliance rates are under 50 percent for opaque sources of income—resulting in a disproportionate tax burden for complying taxpayers and a shortage of necessary funds for key national priorities. The underpayment owing to noncompliance is not evenly distributed across taxpayers. Instead, the tax gap is concentrated at the top of the income distribution, with the one percent of earners with the highest incomes responsible for nearly 30 percent of unpaid taxes: totaling over $160 billion in tax year 2019. This inequity is closely tied to gaps in information reporting, namely the disparity between when information is reported to the IRS by a third-party source to facilitate verifying the accuracy of taxpayer filings, and when it is not.

Specifically, for some categories of income, the Internal Revenue Service (IRS) can crosscheck what taxpayers report on their tax returns with information reported by third parties to ensure tax obligations are properly met. Wage and salary income is reported to the IRS on W-2 reports, and tax obligations are automatically withheld, so compliance rates stand at 99 percent. Third party information reporting already exists for the primary income that accrues to most Americans—including wage, pension, and unemployment income. It is clear that when taxpayers know that this information exchange exists, their voluntary compliance rises. But for certain income streams that accrue disproportionately to upper-income households, there is no information available to the IRS from third parties presently. As a result, underpayment is rampant.

This harmful and inequitable trend in compliance had led the IRS, the Government Accountability Office, and academic experts to conclude that improving information reporting is

one of the best ways to meaningfully improve compliance. Existing empirical evidence confirms that the introduction of third-party reporting regimes is highly effective.[1]

The President's information reporting proposals were designed to ensure that there will be no increase in taxpayer burden associated with this regime. For already compliant taxpayers, the only effect is a distinct benefit—a lowered likelihood of costly and burdensome audits. It is also designed to minimize costs for financial institutions associated with providing this information to the IRS, by building off an existing reporting structure that these institutions already use to convey information about the interest income in taxpayers' bank accounts.

The objective of this reporting regime is to help the IRS pursue high-end noncompliance by providing some information about opaque income streams that disproportionately accrue to the top. In fact, audit rates are not going to rise relative to recent years for anyone with less than $400,000 in income. As you consider specific policy choices in designing an information reporting regime, it is important to ensure that the reporting regime is sufficiently comprehensive, so that tax evaders are not able to structure financial accounts to avoid it. But to be clear: a reporting regime that is broad-based will better assist the IRS in targeting enforcement priorities on the high-end who accrue income in opaque ways. Any suggestion that instead this reporting regime will be used to target enforcement efforts on ordinary Americans is wholly misguided.

The revenue potential of these approaches is substantial. As an Appendix to this letter, I include a memorandum from Mark Mazur, Acting Assistant Secretary for Tax Policy at the Treasury Department, which provides details on the magnitudes to bear in mind when you consider the proposals under consideration in this Congress. The proposals you are advancing will revitalize the agency and give it the information that it needs to identify tax evasion, thereby building a fairer tax system. That will deliver sizable revenue in a progressive way in the next ten years, and in the decades to come.

Sincerely,

Janet L. Yellen

Janet L. Yellen

Enclosure

---

[1] Adhikari, B., Alm, J., Collins, B., Sebastiani, M., & Wilking, E. 2016. "Taxpayer Responses to Third-Party Income Reporting: Evidence From a Natural Experiment in the Taxicab Industry," *IRS Research Bulletin*, 6th Annual Joint Research Conference on Tax Administration, IRS and the Urban-Brookings Tax Policy Center; Johannesen, N. 2014. "Tax Evasion and Swiss Bank Deposits," *Journal of Public Economics* 111: 46-62.; Marchase, C. 2009. "Rewarding the Consumer for Curbing the Evasion of Commodity Taxes," *Public Finance Analysis* 65(4): 383-402.; Naritomi, J. 2019. "Consumers as Tax Auditors." *American Economic Review* 109(9): 3031-3072.; Phillips, M. D. 2014. "Individual Income Tax Compliance and Information Reporting: What Do the US Data Show?" *National Tax Journal* 67(3): 531-568.; Pomeranz, D. 2015. "No Taxation Without Information: Deterrence and Self-Enforcement in the Value Added Tax." *American Economic Review* 105(8): 2539-2569.

DEPARTMENT OF THE TREASURY
OFFICE OF TAX POLICY
WASHINGTON, D.C. 20220

September 14, 2021

MEMORANDUM

FROM: Mark J. Mazur, Assistant Secretary for Tax Policy (Acting)

SUBJECT: The Revenue Impacts of Compliance Proposals

This memo summarizes the Treasury analyses estimating the effects of tax compliance proposals, incorporating the Office of Tax Analysis (OTA) estimates as well as other considerations that would have predictable effects on the revenue potential of possible Congressional compliance proposals. Together, these factors imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window and much larger amounts in subsequent years.

In developing the FY 2022 Budget proposals, OTA (working with Internal Revenue Service staff) analyzed the administration's tax compliance proposals using methods similar to those used previously by OTA and IRS (and, as you know, these methodologies are similar to those used by the Congressional Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO)). However, the Administration proposals were larger in scale than recent proposals and historical experience and therefore the estimating approaches required some adaptation.

Our current understanding is that Congress is considering the adoption of financial reporting proposals that are likely to be narrower in scale and scope than those proposed by the Administration. Clearly, this will lower the estimated revenue raised from the proposed reporting regime relative to earlier Administration estimates.

Conventional revenue estimating approaches incorporate the behavioral responses to legislative changes. For instance, if tax rates change on some economic activities, taxpayers respond by reducing those activities. We see similar results in the information reporting area, where income sources with detailed third-party reporting result in taxpayers reporting 90 percent or more of this income, while income sources without robust third-party reporting generate reporting rates of 50 percent or even lower. In this case, improved information reporting leads taxpayers to increase their voluntary reporting of previously under-reported income sources.

However, when analyzing proposals that provide increased enforcement resources to the IRS, the conventional approach is to merely estimate the increased revenue collected by the IRS through additional audits and additional collection activities, but not to ascribe any changed behavior on the part of taxpayers who potentially would be subject to added enforcement scrutiny. This convention leads to an underestimate of future revenues generated by the proposal.

The revenue potential for the two aspects of the compliance agenda can be analyzed as follows:

IRS Funding Proposals

- Estimates for the effect of IRS resource changes on increased enforcement revenue (revenues associated directly with increased audit or collection activity) come directly from the IRS. IRS estimates the return on investment (ROI) for most of its enforcement activity based on historical enforcement data. The IRS collects this information on an ongoing basis.
    - The expected return is estimated as the increase in the direct enforcement tax revenue, or revenue generated by an examination or a collection activity (or both). Importantly, these estimates do not incorporate a potential deterrence effect from having more IRS personnel undertaking enforcement action in future years.
    - IRS does not provide any ROI estimate associated with non-enforcement functions, such as IT improvements or enhanced taxpayer services, because these activities do not by themselves generate enforcement revenue. However, these investments in services and IT will positively impact tax administration.
- The estimated revenue effects for proposals to increase IRS funding proposals are based on the IRS ROI estimates. In general, new hires are expected to take several years to reach the full ROI potential due to the time needed for hiring and training. IRS also assumes a declining marginal return for its enforcement activity as the level of enforcement function increases.
- The estimated revenues are clearly backloaded. Under the current funding proposal, investments in IRS personnel and fixed assets would be phased-in over a 9-year period, and then remain at that level (in real terms) for the rest of the budget window (and on into the future).
- The estimates for the direct effect of $80 billion in additional resources derived from the IRS's revenue estimation model for budget initiatives is that it raises about $320 billion in additional tax collection over the ten-year budget window. This estimation reflects the additional revenue from enforcement activities; but not the increase in compliance that will result from investment in taxpayer services and IT modernization.
    - This is because the IRS does not calculate a ROI in terms of enforcement revenue for these investments, and as a consequence, neither Treasury nor CBO account for the effects of such spending on revenues. However, there is a large scholarly literature that supports beneficial effects on compliance from investments in service and technology.[1]
- The conventional revenue estimate described above does not include any deterrent effect of the increased IRS resources. Just like have a police officer on the median of an interstate will result in fewer cars excessively speeding, having more IRS agents able to

[1] See, for example, Alm, J., Cherry, T., Jones, M., & McKee, M. 2010. "Taxpayer information assistance services and tax compliance behavior." *Journal of Economic Psychology* 31(4): 577-586.; Feld, L.P., and Frey, B.S. 2002. "Trust Breeds Trust: How Taxpayers are Treated." *Economics of Governance* 3: 87-99.; Torgler, B., Schaffner, M., & Macintyre, A. 2007. "Tax Compliance, Tax Morale, and Governance Quality." Consider also the success of the IRS's Return Review Program, which detects and prevents the disbursement of invalid refunds, using automated, anomaly-detecting analytic techniques. In 2017, this program saved the IRS $4.4 billion, at a cost of $90 million. See "Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement." 2018. GAO-18-544.; "Internal Revenue Service: FY 2019 Capital Investment Plan." 2019.

audit potential tax evaders should increase voluntary compliance with the tax system, or deter tax evasion. Recent academic work speaks to the importance of deterrent effects. DeBacker et al (2018) find that increased income reported in the 5-8 years following a random individual audit is about 1.5 times the revenue generated by the audit itself.[2] Studies in the U.K. and Denmark find similar effects.[3] Boning et al. (2020) find that in-person collection visits raise as much revenue from firms sharing a tax preparer with the visited firm as from the visited firm itself.[4]

- Using the results from the more conservative of these estimates suggests that the deterrent effect from additional IRS resources is about as large as the direct effect of additional revenue collected from enforcement activity. That means that the $320 billion of enforcement revenue generated over a decade from the additional investment in IRS resources would lead to about $640 billion in additional revenue over the budget window if the deterrent effect is incorporated into the revenue estimate (leading to $560 billion over 10 years net of the $80 billion investment).
- The deterrent effect associated with different types of enforcement activities varies, and these effects can be challenging to identify. For example, evidence for the follow-on effects of corporate audits is mixed; as a result, we suggest only including a 50 percent boost for deterrent effects. Conservatively, about $400 billion of additional revenue can be collected (incorporating both the direct and indirect effects of enforcement investment) from the President's proposals, net of the $80 billion investment.

Information Reporting and Interaction Effects of the Proposals

- The Treasury's revenue estimation for a financial information reporting regime begins with an estimate of the tax gap for business income and employment taxes. This includes Schedule C, E, and F income for individual income tax, corporate income tax, and employment taxes (SECA, NIIT, etc.).
- The amounts of business income reporting are estimated using random audit data from the IRS' National Research Program (NRP) for the individual income tax. The additional pass-through entity gap relies on the preliminary results of the NRP S-corporation study. For small corporations, the tax gap comes from IRS tax gap estimates.
- OTA converts the estimated tax gap for business income and employment taxes into a revenue estimate by assuming increased voluntary compliance as taxpayers react to the increased information reporting. This is assumed to be a gradual increase in voluntary compliance that phases in over time.
- OTA estimated the revenue effects of the Administration's financial reporting proposal using these basic steps. That proposal included information on inflows and outflows for a wide range of financial accounts, additional account information including additional information on business accounts, and an annual account threshold of $600.

---

[2] DeBacker, J., Heim, B.T., Tran, A., & Yuskavage, A. 2018. "The Effects of IRS Audits on EITC Claimants." *National Tax Journal* 71(3): 451-484.

[3] See Besley, T., Jensen, A., & Persson, T. 2019. "Norms, Enforcement, and Tax Evasion." NBER Working Paper 25575.; Kleven, H.J., Knudsen, M.B., Kreiner, C.T., Pedersen, S., & Saez, E. 2011. "Unwilling or Unable to Cheat? Evidence from a Tax Audit Experiment in Denmark." *Econometrica* 79(3): 651-692.

[4] Boning, W.C., Guyton, J., Hodge, R., & Slemrod, J. 2020. "Heard it through the grapevine: The direct and network effects of a tax enforcement field experiment on firms." *Journal of Public Economics* 190(3-4): 104261.

- We do not know the exact parameters of Congressional proposals, but we expect that they are likely to incorporate a narrower reporting regime than was the basis of the Administration's information reporting proposal scored by Treasury. Although we have not scored any particular proposal, we suspect the revenue potential of a narrower reporting regime would be lower, perhaps in the range of $200-250 billion over the ten-year budget window. The estimated path of revenues for this proposal is backloaded, and expected revenue generated in the decade after the budget window would be larger than the revenue estimate for the initial ten-year period. This is because information reporting proposals take some time to implement and for the IRS to determine how best to deploy this new information. Moreover, the reactions of taxpayers to this increased visibility into business income also will lead to gradually increase voluntary reporting over time.
- Neither of the estimates of the revenue generation potential for the compliance proposals (increased resources and increased information reporting) reflects the interaction effects of these two major changes to the tax compliance environment. Additional information reporting is valuable to address the tax gap not just because of an increase in voluntary compliance (which is reflected in the OTA scoring approach described above), but also because additional information can help the IRS better target enforcement activities. With the resources to meaningfully pursue tax evasion that is identified through improved information reporting, there will be a meaningful direct effect on additional tax collections. In addition, the IRS investments in IT and enhanced taxpayer services will also increase the efficacy of IRS enforcement resources. While there is not an official estimate of the size of these interaction effects, due to the size of the compliance initiatives outlined here, it is reasonable to expect that the interaction effects would serve to increase revenues by at least $50 billion over the 10-year budget window, with an increase of at least that size in the subsequent decade.

Overhauling the IRS by giving it the information and resources that it needs to pursue tax evasion will create a more equitable tax system. The pieces of this proposal work well together: additional information for the IRS is crucial to its ability to efficiently and effectively select enforcement actions; and additional resources are essential to help the IRS use the information at its disposal. To truly overhaul tax administration, both components of the plan are essential.

The factors detailed above imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window. Much more will be raised in the second decade, and in the decades that follow, because revenue raised from these reforms is backloaded, in part because investments in the IRS often take several years to reach their full potential. Outside estimates are more optimistic.[5] But it is also important to appreciate that this is an area with substantial uncertainty. Therefore, I have been cautious in evaluating the revenue that is likely to accrue from Congressional compliance proposals.

---

[5] As one example, work by former IRS Commissioner Charles Rossotti suggests that the appropriate estimate for similar proposals to those being advanced is closer to $1.6 trillion. Rossotti, Charles. "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance." Tax Notes Federal, March 2020. Other work also suggests a revenue potential from these proposals in excess of $1 trillion. See also Sarin, Natasha and Lawrence H. Summers. "Shrinking the Tax Gap: Approaches and Revenue Potential." Tax Notes Federal, November 2019.

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

COMMISSIONER

September 14, 2021

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal,

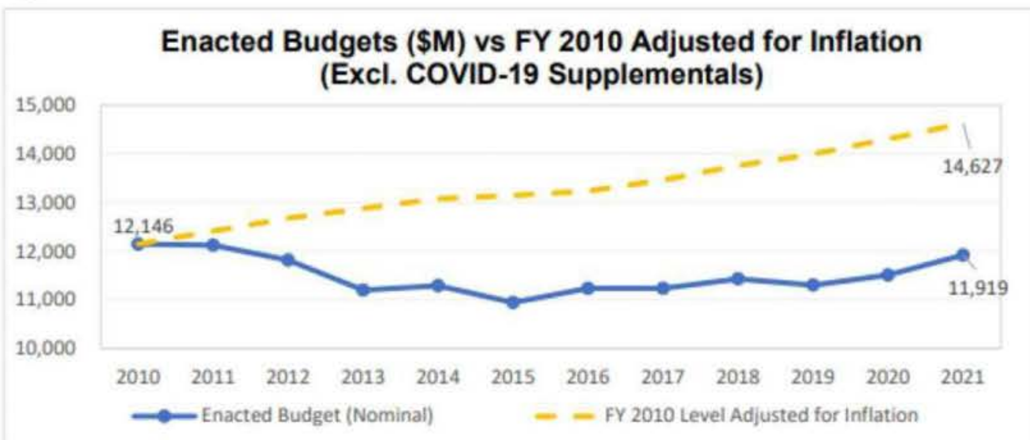
I appreciate this opportunity to confirm my strong, unequivocal support of the Administration's proposal to provide important, necessary funding to the Internal Revenue Service (IRS). Multi-year, consistent, adequate funding would help us deliver meaningful services to taxpayers, conduct important enforcement initiatives, and support critical long-term information technology (IT) modernization efforts. We remain committed to ensuring that the tax system is enforced fairly, Americans receive the nature and quality of services they deserve and that no one feels safe cheating on their taxes.

The annual gross revenue collected by the IRS is approximately 96% of the gross revenue of the United States. As such, the success of the United States in providing meaningful services and benefits—such as infrastructure and education—depends, in large part, upon the success of the IRS. We interact with more Americans than any other public or private organization. Working together, we must build a more modernized IRS, balancing enhanced taxpayer services with appropriate compliance initiatives. We must earn the trust and respect of every American by providing meaningful support and assistance on behalf of compliant taxpayers while effectively pursuing non-compliant taxpayers.

I am extremely proud of the dedication of our workforce toward helping American taxpayers file accurate tax returns and resolve tax issues. I proudly joined the IRS workforce with the intention of helping to improve tax administration for everyone, and especially those in the most vulnerable, underserved communities. Where possible, we redeploy our limited resources to accommodate the demand for assistance. We have made significant strides forward in our multi-lingual outreach efforts. However, these and other efforts are significantly diminished as we continue to face enormous resource and related challenges.

Like all federal agencies, the IRS is best suited to provide the services Americans deserve and appropriately enforce the tax laws in support of compliant taxpayers when it receives the resources it needs to do so. Resource challenges facing tax administration today are not new. At a time when the IRS has faced consequential resource challenges, it has also been called upon to take on new, significant responsibilities. Our overall response to the unprecedented challenges during the COVID-19 pandemic, in which we have so far delivered more than $826 billion in relief to individuals, illustrates the importance of every American to the IRS, and the importance of the IRS to every American.

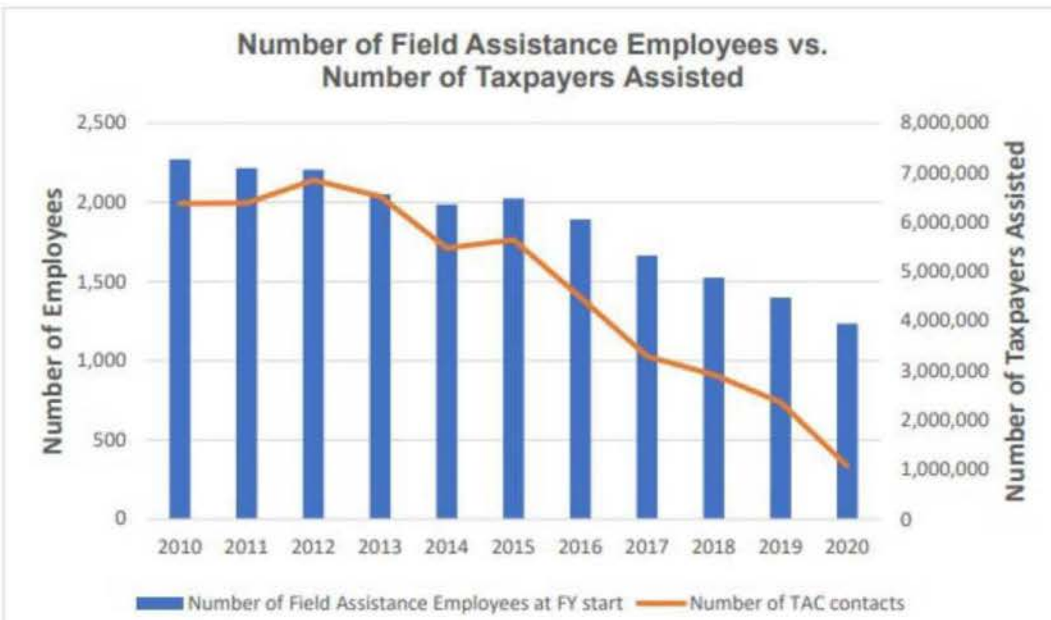
Yet, over the course of the last decade, the IRS's budget has decreased by more than 20% in real terms. Because of this decrease, we only expect to support around 74,200 full-time employees (FTEs) this fiscal year—a staffing level nearly identical to the IRS's staffing level in 1973. Since 2010, real Gross Domestic Product has increased by 23%, and the filing population has increased by 14%, while IRS Taxpayer Service FTEs have decreased by 12%, and Enforcement FTEs have decreased by 32%. Every measure that is important to effective tax administration has suffered tremendously.



Today, the IRS's capacity to deliver meaningful customer service is severely diminished, and the IRS lacks the ability to modernize and reduce the dependency on our legacy systems and facilities. Due to staffing shortfalls, the IRS is simply unable to maintain meaningful examination coverage of high-income individuals and complex business structures, despite their outsized contribution to the tax gap.

The estimate for the direct effect of $80 billion in additional resources derived from the revenue estimation model for budget initiatives determined by Treasury's Office of Tax Analysis (OTA), working with IRS Research, Applied Analytics, and Statistics (RAAS), is that it raises about $320 billion in additional tax collection over the course of the next decade, and more than $1 trillion in the following decade. These estimates are based on historical assessment, collection, and productivity rates for IRS enforcement activities. The estimates account for diminishing returns to additional investments in IRS enforcement. However, because the IRS has been so constrained by a decade of budget cuts, we believe that there are significant positive returns across the budget window, and beyond. These estimates also reflect the time required to hire and train new enforcement agents.

These estimates also exclude deterrent effects of increased enforcement activity. Although it can be challenging to measure, in my decades of tax related experience, deterrence based upon visible, robust enforcement activities is both real and significant. These estimates also exclude the important role that improved taxpayer service and guidance play in enhancing voluntary compliance. Return on investment estimates exist only for enforcement activities—not technology or service investments. Providing the IRS the resources it needs to serve more taxpayers, e.g., through taxpayer assistance centers and real-time telephone and digital assistance, can deliver both increased revenues and improved taxpayer morale.



The IRS is in desperate need of funding across all appropriations—Taxpayer Services, Enforcement, Operations Support, and Business Systems Modernization. These funds will "build-back" and revitalize the agency, providing the resources that it needs to pursue meaningful examination and collection activities with respect to complex transactions and high-income taxpayers.

Our ability to enforce the tax laws against non-compliant taxpayers with complex returns should not be governed by a lack of resources. It is unacceptable for our nation's tax administrator to be "outgunned" when appropriately challenging the return positions of some of the most sophisticated taxpayers. This will be the focus of new enforcement efforts: Indeed, the Administration's proposal specifies that audit rates will not rise relative to recent years for taxpayers under $400,000 in actual income.

The Administration's budget proposal will help the IRS modernize existing systems, develop new technological capabilities to improve compliance, respond to taxpayer issues in real-time, and significantly improve the taxpayer experience. Taxpayers will benefit from new and improved ways to interact with the agency, and the IRS' capacity for serving diverse taxpayers across the country will be expanded.

It is important to point out that failures to comply with tax law often involve unintentional mistakes that are the result of not fully understanding what has come to be an extremely complex tax code. For that reason, efforts to increase overall tax compliance and reduce the tax gap absolutely must include efforts to properly assist taxpayers in meeting their filing, reporting and payment obligations, issuance of timely and clear guidance and programs to educate taxpayers in their tax obligations. As we modernize the IRS, we will maintain traditional means of interacting with taxpayers whether in-person or on the phone, and whenever possible, in the language they prefer. Most Americans try to voluntarily comply with their filing and reporting obligations and every IRS employee is committed to helping them do so.

In sum, I cannot stress enough the importance of the Administration's proposal for the IRS to receive multi-year, consistent, significant funding that would help us deliver meaningful services to every American. As someone involved in tax matters for decades, I can confirm that properly funding the IRS will be an absolute game changer for every American.

The IRS does not presently have the tools and resources it needs to support our country. Greater investments in technology can help us properly assist compliant taxpayers, allow us to make better use of the data we already have and that we may receive in the future. Modernization of our systems coupled with technological advances in artificial intelligence, data and analytics will continue to enhance services to compliant taxpayers and make tax avoidance by others more visible and more difficult.

Resource challenges, retirements, implementation of major new federal tax programs and law changes, and the pandemic have placed additional restraints on our limited resources. However, the entire IRS workforce remains dedicated to delivering a fair and equitable tax system that benefits all Americans. Every IRS employee proudly serves our nation; we want to do more and we are hopeful you will continue to help us help others. Congress is presented with a historic opportunity to create a more equitable and efficient tax system that will benefit every American as well as future generations of Americans. Now is the time….

I hope this information is helpful. If you have questions, please contact me, or a member of your staff may contact Amy Klonsky, Chief, National Congressional Affairs Branch, at 202-317-6985.

Sincerely,

Charles P. Rettig
Digitally signed by Charles P. Rettig
Date: 2021.09.14 18:20:28 -04'00'

Charles P. Rettig

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

COMMISSIONER

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal:

I am writing you regarding the Administration's proposal to provide the Internal Revenue Service (IRS) with additional 3rd party information that would help reduce the tax gap. Our enforcement efforts serve taxpayers generally, the vast majority of whom want to comply with their tax obligations, by legitimizing that choice and giving them comfort that we support them and will aggressively enforce the laws against those who do not pay their fair share. In this regard, our enforcement efforts support compliant taxpayers and a fair and equitable tax system.

We respect and proudly serve *all* taxpayers. We must operate from their perspective, through their eyes, in their communities, enhancing their experiences while striving to provide clear, meaningful guidance and services, in the language of their choice, wherever possible. In support of compliant taxpayers, we must aggressively pursue non-compliant taxpayers by maintaining robust and visible civil and criminal enforcement efforts. We remain committed to ensuring that the tax system is enforced fairly; that taxpayers receive the nature and quality of services they deserve; and that high-income evaders (who cost the federal government hundreds of billions of dollars in unpaid taxes annually)—including high wealth individuals, large corporations and those aggressively utilizing complex multi-tiered partnerships—do not feel safe cheating on their taxes.

We see 3rd party information reporting as providing both a service to compliant taxpayers through accurate and reliable reports that match what the IRS receives and improving fairness as compliance increases and better-informed enforcement actions are possible. Importantly, improved information reporting could result in decreasing audits of compliant taxpayers, saving those taxpayers time and money and increasing efficiency for the IRS.

The reason is simple: the more transparent a taxable event is to the IRS, the more likely the event is to be accurately reported and proper taxes are to be paid. This is in large part because whenever the IRS implements new information reporting requirements, voluntary compliance rises. For example, there is a high level of compliance for wage earners who have taxes withheld from their paychecks (approximately 98%) and a low rate of compliance where there is not meaningful information reporting (approximately 45%).

The combination of additional 3rd party information reporting for cryptocurrency transactions and account inflows and outflows from financial institutions would provide insight on areas where the IRS does not have information today. This additional information will improve our ability to effectively administer the tax code leading to higher rates of compliance—especially those whose sources of income are not currently subject to information reporting. Given the IRS's past experience with information reporting, this is an effective means of increasing the compliance rate.

When the IRS has introduced new technology-enabled compliance programs using multiple sources of income, we have seen tangible and measurable improvement to tax compliance. For example, the IRS began developing the Return Review Program in 2010. The program's purpose is to detect and stop identity theft and other fraudulent activity in individual return filings. Between 2015 and 2019, the number of taxpayers reporting that they were identity theft victims fell 79% from 677,000 in 2015 to 137,000 in 2019. Between 2015 and 2019, the IRS protected a combined $26 billion in fraudulent refunds by stopping confirmed identity theft returns.

Critical to the success of any new information reporting regimes is providing budget support for the IRS to acquire the tools necessary to use the information effectively. These tools include modernized systems intaking, storing, and analyzing data we have and may receive to identify potential cases for examination leading to improved enforcement outcomes, and hiring additional experts to improve our ability to best use these tools. Modernization of our systems coupled with receipt of meaningful information reporting will continue to enhance services to compliant taxpayers and make tax avoidance by others more visible and more difficult.

Reducing the Tax Gap and improving compliance is a central part of the IRS mission. There's no single solution to closing the tax gap. Achieving a meaningful reduction in the tax gap requires a comprehensive, multi-faceted strategy, effectively executed coupled with accountability to taxpayers. Investment in our service, enforcement, and technology efforts is integral to this effort. So too is giving the IRS information on sources of income not currently subject to information reporting. This will improve the efficiency of enforcement efforts, allowing the IRS to focus its audit scrutiny on non-compliant taxpayers while reducing the burden on compliant taxpayers and increasing their confidence the tax system.

I hope this information is helpful. If you have questions, please contact me, or a member of your staff may contact Amy Klonsky, Chief, National Congressional Affairs Branch, at 202-317-6985.

Sincerely,

Charles P. Rettig

Digitally signed by Charles P. Rettig
Date: 2021.09.14 17:35:29 -04'00'

Charles P. Rettig

Re: tax enforcement event 11/3

From: Diane Bui <dbui@americanprogress.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Seth Hanlon <shanlon@americanprogress.org>, Jean Ross <jross@americanprogress.org>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, "White, Antonio" <antonio.white2@treasury.gov>
Date: Fri, 29 Oct 2021 10:28:52 -0400

Thanks Natasha,

We can work with 10am on Wednesday, but I do want to flag 10am isn't great for other time zones. We've been getting viewers from around the country, so I'm hesitant to leave them out of the conversation. I'll defer to you all on final decision, but from an events standpoint, 3pm is preferable.

For our schedule, we are looking at a 4/5pm send today, and it will take some time to build the invite on our end. I'll need the invite language by 12/1pm to get this process going.

Thanks,
Diane

From: "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>
Date: Friday, October 29, 2021 at 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>, Jean Ross <jross@americanprogress.org>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

Re: CAP panel on tax gap

From: Chye-Ching Huang <chye.ching.huang@nyu.edu>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc: shanlon@americanprogress.org
Date: Fri, 29 Oct 2021 11:16:05 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Great, thanks!

On Fri, Oct 29, 2021 at 11:14 AM <Natasha.Sarin@treasury.gov> wrote:

> Wonderful, so glad you can do!!
>
> It's unclear if there is another policy window on the horizon, or not. If there is, CIC, trusts are among what we want to socialize w/ SFC and HWM, Aruna was going to check with Tiffany and Andrew today to try and get sense, but I don't think anyone knows at the moment, process all a bit murky.
>
> Technical nits would also be helpful is my sense, any eyes as this is all moving fast…
>
> ---
>
> **From:** Chye-Ching Huang <chye.ching.huang@nyu.edu>
> **Sent:** Friday, October 29, 2021 11:12 AM
> **To:** Sarin, Natasha <Natasha.Sarin@treasury.gov>
> **Cc:** shanlon@americanprogress.org
> **Subject:** Re: CAP panel on tax gap
>
> ** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **
>
> Sure thing! And agree with all the above. Would be delighted to do it. It's going to be a long game given all the expirations.
>
> What's the status of smaller stuff, if known? (CIC, trusts, etc. etc.? Should we still be pushing, or are these dead, in which case we'll turn to more truly technical nits.)
>
> On Fri, Oct 29, 2021 at 11:07 AM <Natasha.Sarin@treasury.gov> wrote:
>
> > Hi Chye-Ching,

Any chance you can do at 3pm panel next Weds? W/ Jack Lew and me and Goldberg?

The goal is two-fold: First, we want to shore up the IRS dollars side of the world. This is all a pretty volatile process, I think we are in good shape, but you never know. Second, we want to try to continue to make the case for reporting. The mods are still pushing pretty hard (Carper/Warner/King are making a run at Manchin), and even if this isn't the moment for info reporting, think there is value in continuing to socialize its merits as a significant pay-for down the road in future legislative efforts, so it is somewhat of a longer play as well.

Re: tax enforcement event 11/3

From: Seth Hanlon <shanlon@americanprogress.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, Jean Ross <jross@americanprogress.org>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, "White, Antonio" <antonio.white2@treasury.gov>
Date: Fri, 29 Oct 2021 12:42:40 -0400

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue from taxes that are owed but not paid. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and attrition, and the Service lacks the modern technology needed for adequate enforcement and taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers. This untenable status quo has had implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement for wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

Re: tax enforcement event 11/3

From: Jean Ross <jross@americanprogress.org>
To: Seth Hanlon <shanlon@americanprogress.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, "White, Antonio" <antonio.white2@treasury.gov>
Date: Fri, 29 Oct 2021 12:48:34 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

Re: tax enforcement event 11/3

From: Seth Hanlon <shanlon@americanprogress.org>
To: "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>
Date: Fri, 29 Oct 2021 14:52:34 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White
Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss

<apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

Re: tax enforcement event 11/3

From: Diane Bui <dbui@americanprogress.org>
To: Seth Hanlon <shanlon@americanprogress.org>, "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>
Date: Fri, 29 Oct 2021 15:09:47 -0400
Attachments: [TEST] Event_ Toward Stronger and Fairer Tax Enforcement.msg (72.7 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Great, thanks all!

The language has been copyedited. The event page is here: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/ and attached is a copy of our email send. Please note the RSVP page is currently going QA on our end, so it's not fully set up. But will be ready by the end of the day.

One last question on my end:

- Seth, I know you are sending over official titles. If we have bio links for our speakers, please also send them my way. No worries if we don't have them.

Let me know if there are any edits or changes that need to be made by **4pm today**. So we can start promoting and make the event live on our page.

Thank you!
Diane

From: Seth Hanlon <shanlon@americanprogress.org>
Date: Friday, October 29, 2021 at 2:52 PM
To: "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White
Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>,

Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

[TEST] Event: Toward Stronger and Fairer Tax Enforcement

From: Events at Center for American Progress <events@americanprogress.org>
To: dbui@americanprogress.org
Date: Fri, 29 Oct 2021 15:06:12 -0400

Problems viewing this email? View it in your web browser.

Center for American Progress

Toward Stronger and Fairer Tax Enforement

November 3, 2021, 3:00 p.m. - 4:15 p.m. ET

RSVP

Image of the Internal Revenue Service building

Panelists:
Fred Goldberg, former IRS Commissioner
Chye-Ching Huang, Executive Director of the Tax Law Center, New York University
Jack Lew, former U.S. Treasury Secretary
Natasha Sarin, Deputy Assistant Secretary for Economic Policy, U.S. Treasury Department

Moderator:

Jean Ross, Senior Fellow for Economic Policy, Center for American Progress

If you have questions for our panel, please submit them via email to CAPeventquestions@americanprogress.org.

Under the status quo, the United States will lose about $7 trillion in revenue over the next 10 years from taxes that are owed but not paid, largely from the wealthiest Americans. Over the past decade, the IRS' ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the revenue service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, such as those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers, with adverse implications for inequality and racial equity as well as federal revenues.

The Biden administration has proposed a major initiative to strengthen tax enforcement and make it more equitable by shifting enforcement resources in the direction of wealthy Americans and corporations. The key elements of this initiative are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation as well as where we go from here.

November 3, 2021
2:00 p.m. - 3:00 p.m. ET

This event will be live captioned in Zoom.

Closed-captioned-enabled video will be posted following the conclusion of the event.

Re: tax enforcement event 11/3

From: Diane Bui <dbui@americanprogress.org>
To: Seth Hanlon <shanlon@americanprogress.org>, "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>
Date: Fri, 29 Oct 2021 15:14:55 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Also flagging the time on the invite says it ends at 4:15, but I've since changed that to say 4pm. Thank you!

From: Diane Bui <dbui@americanprogress.org>
Date: Friday, October 29, 2021 at 3:09 PM
To: Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Great, thanks all!

The language has been copyedited. The event page is here: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/ and attached is a copy of our email send. Please note the RSVP page is currently going QA on our end, so it's not fully set up. But will be ready by the end of the day.

One last question on my end:

- Seth, I know you are sending over official titles. If we have bio links for our speakers, please also send them my way. No worries if we don't have them.

Let me know if there are any edits or changes that need to be made by **4pm today**. So we can start promoting and make the event live on our page.

Thank you!
Diane

From: Seth Hanlon <shanlon@americanprogress.org>
Date: Friday, October 29, 2021 at 2:52 PM
To: "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White

Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

RE: tax enforcement event 11/3

From: Julia Cusick <jcusick@americanprogress.org>
To: Diane Bui <dbui@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, "White, Antonio" <antonio.white2@treasury.gov>, "Rizzo, John" <john.rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, "LaManna, Alexandra" <alexandra.lamanna@treasury.gov>
Date: Fri, 29 Oct 2021 15:49:07 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi All,

I borrowed the event page language to put together this advisory. Please send me any additional feedback by COB. If it works for everyone, I'll send to press first thing on Monday.

Julia

Center for American Progress

For Immediate Release
October 29, 2021
Contact
Julia Cusick
jcusick@americanprogress.org

EVENT ADVISORY: Toward Stronger and Fairer Tax Enforcement

Washington, D.C.- Under the status quo, the United States will lose about $7 trillion in revenue over the next 10 years from taxes that are owed but not paid, largely from the wealthiest Americans. Over the past decade, the IRS' ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the revenue service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, such as those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers, with adverse implications for inequality and racial equity as well as federal revenues.

The Biden administration has proposed a major initiative to strengthen tax enforcement and make it more equitable by shifting enforcement resources in the direction of wealthy Americans and corporations. The key elements of this initiative are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation as well as where we go from here.

Please submit any questions for our distinguished panel via email at CAPeventquestions@americanprogress.org. Live captioning will be available on Zoom and on the YouTube livestream.

WHO:
Panelists:
Fred Goldberg, Commissioner, Internal Revenue Service, 1989–1991
Chye-Ching Huang, Executive Director of the Tax Law Center, New York University
Jacob J. Lew, U.S. Secretary of the Treasury, 2013–2017
Natasha Sarin, Deputy Assistant Secretary for Economic Policy, U.S. Treasury Department
Moderator:
Jean Ross, Senior Fellow for Economic Policy, Center for American Progress
WHEN:
Wednesday, November 3, 2021, 3:00 pm ET – 04:00 pm ET
WHERE:
You must RSVP at this link to watch the livestream event.
For more information or to speak to an expert, contact Julia Cusick at jcusick@americanprogress.org.

###

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

Julia Cusick | Director, Media Relations | Center for American Progress
(she/her)
jcusick@americanprogress.org
cell: 717.538.3285

From: Diane Bui <dbui@americanprogress.org>
Sent: Friday, October 29, 2021 3:15 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Antonio.White2@treasury.gov; John.Rizzo@treasury.gov; Jean Ross <jross@americanprogress.org>; Natasha.Sarin@treasury.gov; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Alexandra.LaManna@treasury.gov
Subject: Re: tax enforcement event 11/3

Also flagging the time on the invite says it ends at 4:15, but I've since changed that to say 4pm. Thank you!

From: Diane Bui <dbui@americanprogress.org>
Date: Friday, October 29, 2021 at 3:09 PM
To: Seth Hanlon <shanlon@americanprogress.org>, "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Great, thanks all!

The language has been copyedited. The event page is here: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/events/2021/10/29/506746/toward-stronger-fairer-tax-enforcement/ and attached is a copy of our email send. Please note the RSVP page is currently going QA on our end, so it's not fully set up. But will be ready by the end of the day.

One last question on my end:

- Seth, I know you are sending over official titles. If we have bio links for our speakers, please also send them my way. No worries if we don't have them.

Let me know if there are any edits or changes that need to be made by **4pm today**. So we can start promoting and make the event live on our page.

Thank you!
Diane

From: Seth Hanlon <shanlon@americanprogress.org>
Date: Friday, October 29, 2021 at 2:52 PM
To: "Antonio.White2@treasury.gov" <Antonio.White2@treasury.gov>, "John.Rizzo@treasury.gov" <John.Rizzo@treasury.gov>, Jean Ross <jross@americanprogress.org>, "Natasha.Sarin@treasury.gov" <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, "Alexandra.LaManna@treasury.gov" <Alexandra.LaManna@treasury.gov>
Subject: Re: tax enforcement event 11/3

Awesome - thank you!

From: Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Sent: Friday, October 29, 2021 2:47 PM
To: John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Jean Ross <jross@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>
Subject: RE: tax enforcement event 11/3

Clear with me. Thanks, Seth.

Antonio White
Deputy Assistant Secretary
Community Engagement
U.S. Department of the Treasury
Antonio.white2@treasury.gov
202-805-3500

From: Rizzo, John <John.Rizzo@treasury.gov>
Date: October 29, 2021 at 2:39:08 PM EDT
To: Jean Ross <jross@americanprogress.org>, Seth Hanlon <shanlon@americanprogress.org>, Sarin, Natasha <Natasha.Sarin@treasury.gov>, Allison Preiss <apreiss@americanprogress.org>, Julia Cusick <jcusick@americanprogress.org>, Diane Bui <dbui@americanprogress.org>, LaManna, Alexandra <Alexandra.LaManna@treasury.gov>, White, Antonio

<Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Minor tweak in red for consideration

John Rizzo
Senior Spokesperson, Public Affairs
U.S. Department of the Treasury
(m) 202-819-3931

From: Jean Ross <jross@americanprogress.org>
Sent: Friday, October 29, 2021 12:49 PM
To: Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; LaManna, Alexandra <Alexandra.LaManna@treasury.gov>; Rizzo, John <John.Rizzo@treasury.gov>; White, Antonio <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

see below with highlights.

Jean

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 12:42 PM
To: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: Re: tax enforcement event 11/3

Hi all - I wanted to float a first draft of the event invite. Please send feedback ASAP since we're shooting to get this out today. Many thanks!

Seth

Title: Toward Stronger and Fairer Tax Enforcement

Date: Wednesday, Nov. 3, 3pm ET, via Zoom

Blurb:

Under the status quo, the United States will lose about $7 trillion in revenue over the next ten years from taxes that are owed but not paid, largely the wealthiest Americans. Over the last decade, the Internal Revenue Service's ability to enforce the tax laws has been severely diminished by budget cuts and staff attrition, and the Service lacks the modern technology needed for effective enforcement and quality taxpayer service. Lacking enough experienced enforcement personnel to examine complex tax returns, like those of wealthy individuals and large corporations, the IRS has focused a greater share of audits on low-income workers with adverse implications for inequality and racial equity as well as federal revenues.

The Biden Administration has proposed a major initiative to strengthen tax enforcement and to make it more equitable by focusing resources on enforcement on wealthy Americans and corporations. The key elements of which are pending in Congress.

Please join the Center for American Progress and a distinguished panel including current and former Treasury and IRS officials to discuss the status of this initiative in the Build Back Better legislation and where we go from here.

[Natasha]

[Jack]

[Fred]

[Chye-Ching]

[moderator will probably be Jean Ross but we don't need to list here on this invite]

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, October 29, 2021 10:20 AM
To: Seth Hanlon <shanlon@americanprogress.org>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>; Alexandra.LaManna@treasury.gov <Alexandra.LaManna@treasury.gov>; John.Rizzo@treasury.gov <John.Rizzo@treasury.gov>; Antonio.White2@treasury.gov <Antonio.White2@treasury.gov>
Subject: RE: tax enforcement event 11/3

Adding our PA team, Alexandra, Rizzo, Antonio on my end.

For starters: Any chance this can be 10-11 on Wednesday, as it turns out otherwise we can't get Charles. I think is fine to leave as is also, as we'll have Fred and Jack so plenty of voices, but defer to you guys as to what makes sense.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, October 29, 2021 9:55 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Jean Ross <jross@americanprogress.org>; Allison Preiss <apreiss@americanprogress.org>; Julia Cusick <jcusick@americanprogress.org>; Diane Bui <dbui@americanprogress.org>
Subject: tax enforcement event 11/3

Hi – Starting this thread to coordinate on the tax enforcement event we're looking to pull together for next Weds, 11/3, 3-4pm. The hope on our end is to get an invite out today to help build audience.

By way of introduction, Jean is our senior fellow, who can moderate. Allison and Julia are with our press team. Diane is on our events team. Natasha is the Treasury DAS and point person on tax enforcement, who will be on the panel.

Please loop in others who should be on this thread.

Thanks!

Seth

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-741-6266
@SethHanlon
He/him/his

July 28, 2021

The Honorable Charles E. Schumer Democratic Leader U.S. Senate Washington, D.C. 20510	The Honorable Mitch McConnell Republican Leader U.S. Senate Washington, D.C. 20510
The Honorable Nancy Pelosi Speaker U.S. House of Representatives Washington, D.C. 20515	The Honorable Kevin McCarthy Republican Leader U.S. House of Representatives Washington, D.C. 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi, and Leader McCarthy:

We write to express our concerns and opposition to a Treasury Department proposal that would require financial institutions to report to the IRS on the deposits and withdrawals of all business and personal accounts, as well as transfers between accounts of the same owner.[1] We represent small businesses and financial institutions of all sizes and charter types. We support the goal of improving tax compliance to collect appropriate tax revenues due.

We object to the broad, untargeted nature of the Treasury proposal. Collection of comprehensive financial account data to determine tax liability must be narrowly targeted. Treasury's indiscriminate, blanket data collection would be unsupported by any reasonable suspicion of tax evasion. In the past, Congress has passed legislation to address concerns regarding unreasonable Treasury audit techniques. For example, Internal Revenue Code Section 7602(e) prevents the use of 'financial status or economic reality examination techniques to determine the existence of unreported income… unless the Secretary has a reasonable indication that there is a likelihood of such unreported income."[2] The concerns that motivated this statutory provision are as relevant today as they were when it was enacted in 1998. Any use of personal, financial data should be rigorously justified.[3]

Moreover, we are concerned about the IRS's poor record of data security which exposes taxpayers' data, compromises their privacy, and makes them vulnerable to identity theft. In today's environment, privacy and enhanced security of taxpayer data should take precedence over the mass collection of new data.

Further, we fear that new, intrusive account reporting would undermine the important policy goal of reducing the unbanked population. The unbanked often fall prey to predatory lenders and check cashers, incurring exorbitant interest rates and fees. They jeopardize their personal security by carrying cash and keeping it in their homes. In many American communities, there is a high level of distrust of government in general and the IRS in particular. These include certain marginalized communities as well as those recently arrived from authoritarian regimes that spy on their citizens. This distrust is a primary reason why too many Americans opt-out of the banking system. Indiscriminate sharing of financial account data with the IRS will only increase the challenge of reducing the unbanked population.

Finally, we are concerned that the Treasury proposal would create taxpayer complexity and confusion. Taxpayers will likely have to receive new or modified 1099s for every account they hold containing funds flow information that may not be relevant to their tax liability. Giving taxpayers more forms and more

---

[1] "Introduce Comprehensive Account Reporting to Improve Tax Compliance." General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals. U.S. Department of the Treasury. May 2021. Page 88.

[2] This section was added by the Internal Revenue Service Restructuring and Reform Act of 1998.

[3] In contrast to the Greenbook proposal, we note that the 1998 Taxpayer First Act provided for fair and impartial enforcement of tax law, while improving taxpayer service.

data to sort and evaluate will make tax compliance more difficult. For example, in jointly held accounts, a taxpayer may not be responsible for reporting all (or any) inflows reflected in the account. This will be the case when couples divorce or when a taxpayer holds a joint account with an aging parent to assist with money management, among other common scenarios. Tax simplicity is an important goal that promotes tax compliance.

In view of the concerns expressed above, we urge Congress to reject the Treasury proposal and explore less intrusive means of reducing the tax gap.

Thank you for your consideration.

Sincerely,

AICC, The Independent Packaging Association	American Lighting Association
American Supply Association	Community Development Bankers Association
Construction Industry Round Table	Consumer Bankers Association
Credit Union National Association	Energy Marketers of America
Foodservice Consultants Society International, The Americas Division	Foodservice Equipment Distributors Association
Global Cold Chain Alliance	Heating, Air-conditioning, & Refrigeration Distributors International
Independent Community Bankers of America	Independent Electrical Contractors
International Franchise Association	Main Street Employers Coalition
Metals Service Center Institute	Mid-Sized Bank Coalition of America
Mortgage Bankers Association	National Association of Federally-Insured Credit Unions
National Association of the Remodeling Industry	National Association of Wholesaler-Distributors
National Community Pharmacists Association	National Electrical Contractors Association
National Electrical Manufacturers Representatives Association	National Federation of Independent Business (NFIB)
National Grocers Association	National RV Dealers Association
National Small Business Association	Pet Industry Distributors Association
Petroleum Equipment Institute	Promotional Products Association International
S Corporation Association	Saturation Mailers Coalition
Secondary Materials and Recycled Textiles Association	Small Business & Entrepreneurship Council
Small Business Council of America	Specialty Equipment Market Association
Subchapter S Bank Association	Textile Care Allied Trades Association
The Small Business Legislative Council	U.S. Chamber of Commerce
United Veterinary Services Association	

CC: Members of the U.S. Senate, Members of the U.S. House of Representatives

June 22, 2021

The Honorable Ron Wyden Chairman Committee on Finance U.S. Senate Washington, D.C. 20510	The Honorable Mike Crapo Ranking Member Committee on Finance U.S. Senate Washington, D.C. 20510
The Honorable Richard Neal Chairman Committee on Ways and Means U.S. House of Representatives Washington, D.C. 20515	The Honorable Kevin Brady Ranking Member Committee on Ways and Means U.S. House of Representatives Washington, D.C. 20515

Dear Chairman Wyden, Ranking Member Crapo, Chairman Neal, and Ranking Member Brady:

On behalf of the Independent Community Bankers of America (ICBA), the undersigned state banking associations, and the thousands of community banks we represent, we write to express our staunch opposition to proposals to require community banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions. These proposals raise serious concerns with regard to individual privacy and would create an unprecedented, complex and expensive new burden for financial institutions. While we support balanced measures to close the tax gap through improved compliance, onerous new bank reporting proposals are likely to drive many individuals out of the banking system. Revenue estimates associated with these proposals are highly questionable. We ask that Congress reject all such proposals.

On May 28th, the Administration released its fiscal year 2022 budget proposal and accompanying "Green Book" description of revenue proposals. Included is a proposal for comprehensive financial account reporting that would require banks and other financial institutions as well as similar financial accounts to report to the IRS gross inflows and outflows with breakdowns for physical cash, transactions with foreign accounts, and transfers to and from another account with the same owner. The proposal would cover all business and personal accounts, including bank, loan, and investment accounts. The only de minimis exception is for accounts with a balance of less than $600. The proposal would cover the accounts of nearly all Americans, not only the wealthy. The Administration estimates the proposal would increase tax revenues by $463 billion over a period of 10 years, an unreasonably optimistic claim.

Our foremost concern is for the privacy of community bank customers and all Americans. Confidential tax return data has been abused by the IRS in the past and personal tax information was again recently leaked or stolen from the IRS and made public in the media. Certain communities have a high level of distrust in government in general and the IRS in particular. These include immigrants from authoritarian regimes that have no respect for the privacy of their citizens as well as certain marginalized communities that are already reluctant to use the banking system. Banking the unbanked – and keeping them in the banking system – is a policy priority that we fully support. The Administration's proposal would jeopardize this policy goal and likely increase the ranks of the unbanked.

All Americans have a fundamental right to financial privacy. IRS data collection should be tied directly to tax liability and should be no broader than absolutely necessary. The Administration's proposal would equate to a fishing expedition unsupported by reasonable suspicion of tax evasion. This proposed new expansive reporting approach to tax collection is unprecedented and warrants serious Congressional scrutiny.

In addition to privacy concerns, we question the value of a flood of new data to an agency that already collects more data than it can absorb and process, including data reported under the Foreign Accounts Tax Compliance Act (FATCA). The IRS should begin by making better use of the amount of data it already collects. It is unreasonable to require banks to become the policing arm of the IRS, providing information that cannot be used effectively and compromising Americans' privacy in doing so.

Finally, the Administration's proposal would impose a complex and costly burden on community banks. To date, there has been no Administration cost-benefit analysis of this proposed comprehensive reporting regime. Community banks already perform extensive data reporting – effectively acting as uncompensated agents of the government. Current obligations include furnishing Forms 1099 and 1098 to support tax compliance as well as extensive and burdensome reporting under the Bank Secrecy Act to detect tax evasion, money laundering, and expose shell companies used for terrorist financing and other crimes. Banks dedicate significant resources to BSA reporting. More recently, banks are required to collect and report beneficial ownership information on commercial accounts under the new customer due diligence rule. The government has increasingly turned to the banking system to serve a police function. Burdening community banks comes at a cost: It diverts resources and management from their core function of providing credit and other banking services to individuals, families, small businesses, churches and non-profits, and other entities that make up communities.

We urge Congress to give due consideration to the serious concerns outlined above and reject proposals for invasive and costly new account reporting.

Sincerely,

Independent Community Bankers of America
Arkansas Community Bankers
California Community Banking Network
Connecticut Bankers Association
Community Bankers Association of Georgia
Idaho Bankers Association
Indiana Bankers Association
Bluegrass Community Bankers Association
Maine Bankers Association
Massachusetts Bankers Association, Inc.
Independent Community Bankers of Minnesota
Mississippi Bankers Association
North Carolina Bankers Association
Nebraska Independent Community Bankers
New Jersey Bankers Association
Independent Bankers Association of New York State
Community Bankers Association of Oklahoma
Pennsylvania Association of Community Bankers
Independent Community Bankers of South Dakota
Independent Bankers Association of Texas
Vermont Bankers Association
Community Bankers of West Virginia
Wyoming Bankers Association

Alabama Bankers Association
Arizona Bankers Association
Independent Bankers of Colorado
Florida Bankers Association
Community Bankers of Iowa
Community Bankers Association of Illinois
Community Bankers Association of Kansas
Louisiana Bankers Association
Maryland Bankers Association
Community Bankers of Michigan
Missouri Independent Bankers Association
Montana Independent Bankers
Independent Community Banks of North Dakota
New Hampshire Bankers Association
Independent Community Bankers Association of New Mexico
Community Bankers Association of Ohio
Oregon Bankers Association
Independent Banks of South Carolina
Tennessee Bankers Association
Virginia Association of Community Banks
Community Bankers of Washington
Wisconsin Bankers Association

CC: Members of the U.S. Senate, Members of the U.S. House or Representatives

Fwd: Tax Notes Today: Banks, Credit Unions Continue to Blast Reporting Proposal

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: Fri, 10 Sep 2021 11:07:26 -0400

FYI

From: Rettig Charles P <Charles.P.Rettig@irs.gov>
Date: September 10, 2021 at 11:01:51 AM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: Tax Notes Today: Banks, Credit Unions Continue to Blast Reporting Proposal

Tax Notes Today

September 10, 2021

Banks, Credit Unions Continue to Blast Reporting Proposal

Fred Stokeld

Organizations representing banks and credit unions are intensifying efforts to stop a Treasury proposal that would increase taxpayer information reporting requirements for financial institutions.

A provision in the fiscal 2022 budget resolution that would require financial institutions to report to the IRS gross inflows and outflows for all accounts exceeding $600 annually "would create a significant burden on small businesses and community banks and add no discernible value to tax enforcement," Rob Nichols of the American Bankers Association told the Senate Finance and House Ways and Means committees in a September 7 letter.

Under the proposal, significant additional information — including payments on loans and transfers between a taxpayer's various bank accounts — would be captured and reported, Nichols said, adding that the amount of information submitted "would be massive, unmanageable, and of questionable relevance to the calculation of taxable income."

Nichols also raised concerns about possible data breaches by cybercriminals. "It is impractical and ill-advised for the government to put this significant amount of additional sensitive financial data at risk, especially when the IRS does not have the capability to effectively utilize or protect that data," he wrote.

Nichols said he doubts that the proposed reporting requirements would help the IRS identify high-income tax evaders, given the challenges of estimating compliance benefits. While all banks would be affected by the rule, the "massive and expensive effort to provide this data" would be especially burdensome to small community banks, he noted.

"We urge you to think of what this initiative will mean for individual and business taxpayers in your communities as well as the negative impact it will have on local financial institutions asked to carry it out and oppose any efforts to attach this new reporting requirement to the reconciliation process," Nichols concluded.

The Independent Community Bankers of America (ICBA) is also speaking out against the proposed requirement.

"The proposal would be a massive and unprecedented transfer of personal financial data to the IRS, which the agency is unequipped to absorb, make effective use of, or secure against data breach," the ICBA's Rebeca Romero Rainey said in a September 7 letter to Ways and Means Committee leadership. "This amounts to a troubling effort to profile American taxpayers based on account characteristics without grounds for suspicion of tax evasion."

A September 8 letter to Ways and Means leaders from Brad Thaler of the National Association of Federally-Insured Credit Unions reiterates the arguments that the organization made in an August 17 letter to House leaders.

In both letters, Thaler said the proposal could increase costs, compliance burdens, identity theft, and taxpayer privacy concerns. In his September 8 correspondence Thaler urged Ways and Means members to exclude the "troublesome provision" from the committee's portion of the Build Back Better Act and from other bills.

Stopping the enhanced reporting proposal has been a priority of banking and credit union groups in recent months.

The Credit Union National Association in a July 26 letter to Senate Finance Committee ranking member Mike Crapo, R-Idaho, supporting his unsuccessful efforts to block the reporting requirement, raised concerns about the proposed rule's potential effect on privacy and data security, financial burdens on smaller credit unions, accounts commingled with business and personal funds, and jointly held accounts.

The proposal "would amount to an intrusive and indiscriminate fishing expedition unsupported by any reasonable suspicion of tax evasion," the ICBA said in an August 10 letter to senators.

Best,
Chuck

Charles P. Rettig
Commissioner | Internal Revenue Service

RE: passthrough income table

From:	Seth Hanlon <shanlon@americanprogress.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Date:	Fri, 10 Sep 2021 16:33:19 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thank you!

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, September 10, 2021 4:16 PM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: RE: passthrough income table

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, September 10, 2021 12:49 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: passthrough income table

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

great

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, September 10, 2021 12:48 PM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: RE: passthrough income table

Great, will plan on 4ish, maybe a few mins before if this other thing wraps. Look so forward.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Friday, September 10, 2021 12:45 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: passthrough income table

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thank you! Any time after 3:15 would be great. (We have a checkin with Nadiya before that.) Cell is 202-236-1368.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, September 10, 2021 12:43 PM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: Re: passthrough income table

Of course—flexible 2:30-3:30 if good time for you in that window? Also at 4. Let me know best time/number.

From: Seth Hanlon <shanlon@americanprogress.org>

Date: September 10, 2021 at 12:41:41 PM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: Re: passthrough income table

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Great- many thanks. Would you happen to have a few mins to briefly discuss said incoming?

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, September 10, 2021 12:28:55 PM
To: Seth Hanlon <shanlon@americanprogress.org>
Subject: RE: passthrough income table

Hi Seth,

I am so sorry to be slow. You are right: this is the distribution of the tax gap attributed to different types of taxpayers—basically just taking the NRP random audits, and turning unreported income into unreported taxes. In retrospect, table title is not at all clear, so thanks for asking (and for writing on this!!). As I'm sure you've seen from all the bank incoming—we could use a fair bit of help here.

All best,

Natasha

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Thursday, September 9, 2021 8:28 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: passthrough income table

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi Natasha – I'm writing a piece about bank info reporting and wanted to make sure I'm understanding something from your blog. This table – is it showing estimates of the shares of unreported passthrough income? Thx! Seth

Table 2: Distribution of Proprietorship, Partnership, and S-Corporation Income

Corrected Adjusted Gross Income	Proprietorship income[2]	Partnership and S-corporation income[3]
Less than $0	0%	0%
$0 to $50,000	13%	3%
$50,000 to $100,000	20%	14%
$100,000 to $200,000	26%	27%
$200,000 to $500,000	17%	22%
$500,000 and over	24%	35%

[2]From individual income tax returns that report or should have reported Schedule C income.

[3]From individual income tax returns that report or should have reported Schedule E income.

NOTE: The underlying data for the table below is individual audit outcomes based on random audits done by the IRS National Research Program for tax year 2014 (the most recent year available). Income is adjusted for economic growth to current dollars, and the underreported income and self-employment tax is estimated through a tax calculator. Crucially, the table presents results by taxpayers' corrected income, defined as the sum of reported and misreported income. Distributing unreported income in this manner appropriately adjusts for the fact that taxpayers who misreport income will appear to have lower incomes, when in reality they may well be higher-income taxpayers. Indeed, the difference between reported and corrected income is precisely what results in a substantial misreporting tax gap.

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202-(b)(6) [redacted]
@SethHanlon
He/him/his

RE: reporting blog

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Chuck Marr <marr@cbpp.org>
Date:	Sat, 11 Sep 2021 13:16:33 -0400
Attachments:	IRS Reporting - Key Point List -- Natasha Copy _NS.docx (20.24 kB)

Hi Chuck,

Some thoughts in the attached, free disposal of course. Thank you again for doing.

All best,

Natasha

From: Chuck Marr <marr@cbpp.org>
Sent: Friday, September 10, 2021 5:05 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: reporting blog

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thanks!

Crossing emails – here is my initial list – if you get a chance – comment on which to keep, what needs to be added, order, etc

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Friday, September 10, 2021 4:59 PM
To: Chuck Marr <marr@cbpp.org>
Subject: RE: reporting blog

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Hi Chuck,

Thank you for doing. We are very appreciative. Here are a few general points:

1. The big misconception about proposal is we are going to collect every piece of data from your bank account. That is simply not the case, as you well know—just aggregate info on the flows.
2. Another misconception is what we heard from Rico yesterday, that you're using this bank info to go after low-income people. Not at all. You both already know about them (W2 earners) and also the focus of this regime is the high-end.
3. Another is that this is a big taxpayer burden—not at all, designed w/ no requirement for taxpayers whatsoever
4. Another is that this is going to impose all these banks costs—again, not at all, designed w/ ease for banks front of mind, just a bit of addl information on reports they already send the IRS
5. We regularly get the question: Why can't you just report on high earners. That's who you care about catching w/ tax gap proposals. That is true. But you can't use account (or income) thresholds to shrink the proposal. This is both because it is hard to tell who is actually a high income person, and who isn't. 70%+ of tax gap for those above 400K in true income are below 400K in reported income. But also, it creates a lot of structuring opportunities to open lots of accounts to avoid reporting.
6. Another issue people have is—sure, Biden admin won't use this info in nefarious ways, but what about future admins. And there I think it is important to stress that we are investing substantially in better technology/taxpayer privacy sets of issues, and that (and not sure how you say this) once you overhaul agency and make it meaningfully focus on high-end, you've set a course that will be hard to deviate from going forward.
7. For regular taxpayers: the result of these proposals is benefit! Less likelihood of costly/burdensome audits, and an IRS that can answer the phones and actually get you access to the credits and benefits to which you are entitled.

From: Chuck Marr <marr@cbpp.org>
Sent: Friday, September 10, 2021 12:14 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: reporting blog

Hey Natasha – I'm going to draft a 5 to 10 important things to know about the reporting requirement proposal tonight. I'll share a draft – but, if you see this, and have thoughts off top of your head on any key points that should be in there shoot me any email. Thanks, Chuck

An integral component of the tax gap reduction plan

Raises substantial revenue from wealthy people who are not paying all the taxes they owe

Places no new burdens on taxpayers

Relies on information that is readily available to banks

Not collecting every transaction from your bank account—just basic, aggregate account information on flows

A high account exemption level is not in the interest of low and moderate-income people

- More than 70% of the tax gap for those above 400K in true income report income under 400K
- Creates structuring opportunities for high-end to open up a lot of bank accounts and continue evasion

Is strongly in the interests of honest taxpayers and honest business owners

- Less chance of being audited
- A more level playing field
- Resources for taxpayer service, so phones will be answered and taxpayers get access to credits and benefits to which they are entitled

A racial equity step forward

- Corrects the current audit tilt
- Admin focus won't be to use these reports for under $400K: have committed to audit rates not rising relative to recent years for those under $400K in actual income

Has critical privacy protections

- Information only flows in one direction – to the IRS (just like W-2 information and interest income).

- No information flows from the IRS to financial institutions
- There is increased funding to upgrade computer systems with one of the express purposes being to improve information protection.

Relative minor changes to reporting generate a huge return

- This is not surprising, since tax gap is so large: $7T over a decade mean shrinking by 10%, as the Admin proposals would do, generates $700B
- More than twice as much in second decade

Commented [SN1]: Not sure this makes sense in this document since I gather focused very heavily on bank reporting.

Endorsed by bipartisan group of former Treasury Secretaries and group of IRS Commissioners appointed by Presidents from both parties

RE: bullets..

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>, Robert Gordon <rgordon@cbpp.org>, Samantha Jacoby <sjacoby@cbpp.org>, Joel Friedman <friedman@cbpp.org>
Date: Sat, 11 Sep 2021 23:27:09 -0400
Attachments: lew_bullets.docx (17.86 kB)

Attached here, sorry this is a bit rushed but hopefully of some use. And around tomorrow to talk whenever, of course.

All best wishes, and THANK YOU ALL, so much,

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Saturday, September 11, 2021 10:14 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>; Robert Gordon <rgordon@cbpp.org>; Samantha Jacoby <Sjacoby@cbpp.org>; Joel Friedman <friedman@cbpp.org>
Subject: Re: bullets..

I know you had such big crises today..tx for the help

Sent from my Verizon, Samsung Galaxy smartphone

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Saturday, September 11, 2021 9:32:12 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>; Robert Gordon <rgordon@cbpp.org>; Samantha Jacoby <Sjacoby@cbpp.org>; Joel Friedman <friedman@cbpp.org>
Subject: Re: bullets..

Yes absolutely will do—putting together ASAP, so sorry so late.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: September 11, 2021 at 8:05:16 PM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>, Robert Gordon <rgordon@cbpp.org>, Samantha Jacoby <Sjacoby@cbpp.org>, Joel Friedman <friedman@cbpp.org>
Subject: bullets..

Please hit "reply all" w/ the bullets if possible. Tx

- President's compliance proposals include two major components: giving the IRS the information and resources it needs to overhaul tax administration.
- This is first order as a matter of revenue-raising: tax gap is $7T over a decade, at least. Commissioner Rettig estimates $1T annually, so more like $12T over the decade.
- It is also first order as a matter of fairness: Regular wage and salary workers automatically comply w/ their tax obligations, only those who happen to accrue income in opaque ways (disproportionately high earners—at least 28 percent and potentially more than 35 percent of tax gap accrues to top 1%). https://www.taxnotes.com/tax-notes-today-global/tax-avoidance-and-evasion/can-irs-raise-extra-700-billion-high-income-tax-evaders/2021/06/01/67zn8
- One part of robust attack on the tax gap requires giving resources to a gutted IRS to invest in enforcement, also services and IT.
- But increasing funding for the IRS is not enough: also need to shed a light on these opaque income streams, where the absence of any information being reported at all to the IRS on the veracity of taxpayer reporting means that those who want to shirk their tax liabilities easily can.
- When IRS can verify taxpayer filings, income is accurately reported and taxes appropriately paid. In the absence of third-party reporting, compliance rates are below 50%.
- IRS, GAO, academics agree that increasing third-party information available to the IRS is the best way to improve compliance.
- The question is how to do so without increasing taxpayer burden: President's plan is creative, does so by a comprehensive financial reporting regime. Idea is to leverage the information that financial institutions already know about the taxpayers whose accounts they house.
- This proposal has been portrayed as IRS agent in every bank account by wealthy evaders and those who abet them. It is simply not the case that this is about ordinary Americans. It is about giving IRS access to info about opaque business income streams that accrue disproportionately to high-earners.
- If this is about the top, you may ask, why the need for a comprehensive reporting regime? It turns out that it is not that easy to tell a tax evader apart from a compliant taxpayer—that is exactly why this proposal is so important.
    - Estimates suggest that 70% of the tax gap that accrues to those who earn $400K or more annually actually report under $400K—the difference between the picture they portray to the IRS and their true financial position is exactly what this reporting regime is going to address, by bringing opaque income into the light so it is not so easy for those taxpayers that want to obfuscate their true financial position to avoid paying the taxes they owe.
    - Any focus on high-end for a reporting regime is going to create a lot of incentive to try to structure financial accounts to avoid reporting regime—limiting its efficacy.
    - Compliant taxpayers across the income distribution should welcome reporting, not be troubled by it.

    - Remember, there is no change or burden for taxpayers associated with this new reporting regime.
- Important to understand that the new information isn't every transaction in your bank account—and it's not problematic from a taxpayer privacy perspective. This is essentially just aggregate information on account flows. IRS already knows so much more about ordinary workers, even already knows so much about customer bank accounts—because existing reporting requirements in place, e.g. to report interest on your account if totals more than very small amount ($10).
- So why would such aggregate information even be useful at all? Imagine a taxpayer who reports $100K in income to the IRS, but has $1M of inflows and outflows.
    - There may be a benign explanation for this--but it's something the IRS can prioritize looking into in its audit selection.
- A prevailing narrative is that these new reporting requirements are going to lead minorities communities, distrustful of the IRS, to leave financial system all together, become un or under-banked.
    - That stretches credulity, feels like a bad faith attack from the banking community [that knows what will resonate within the Democratic party].
    - Remember for low-income taxpayers the IRS already knows much more than some summary bank info—know exactly what wage and salary income they receive, knows about unemployment insurance, take-up of the CTC.
    - And banks already report to IRS. So a bit of summary information seems unlikely to push $200 billion business tax gap out of the financial system.
- Ironically, those making these claims actually have it completely backward. Compliance proposals from Biden Admin will help minority, low-income communities; not hurt them.
    - Over the course of the last decade, as the IRS has faced resource constraints, enforcement scrutiny has dropped off disproportionately for those at the top of the distribution. As a result, the counties with the highest audit rates today are predominantly African American, rural communities in the Deep South. As IRS Commissioner Rettig has made clear, for the IRS to appropriately balance enforcement scrutiny across the income distribution, it needs resources to be able to pursue high earners with complex returns, which take an average of 300 hours to investigate.
    - It also needs this information. Today, IRS that lacks any info at all about many types of business income is essentially shooting in the dark when it picks taxpayers to audit. That means a lot of costly, no-change audits imposing burdens on taxpayers. And no one to answer questions when taxpayers aren't sure how to respond to IRS. All that will change from this proposal.
    - It is important to note that the President's compliance proposals are designed to ameliorate existing inequities by focusing on high-end evasion. Audit rates will not rise relative to recent years for those with less than $400,000 in actual income. This focus is justified by the composition of the tax gap, which accrues

disproportionately to those at the top of the distribution, who earn income in opaque categories like partnership and proprietorship income, where misreporting rates are high.

could you quickly review?

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc:	Chuck Marr <marr@cbpp.org>
Date:	Mon, 13 Sep 2021 10:58:52 -0400
Attachments:	Jack Lew IRS Enforcement 9.13.21.docx (27.01 kB)

President Biden's Sensible Solution for Reining in Tax Cheats

Imagine you're out to dinner. At the end of the meal, you pay your bill, which helps meet the restaurant's food, rent, and wage costs. But some customers slip out without paying. They disappear into the night with no paper trail, leaving the business to pay the same expenses with a fraction of the revenue.

That's what is happening at the Internal Revenue Service. Each year, $600 billion in taxes owed go unpaid, and this "tax gap" leaves fewer resources to pay our country's bills. Who is not paying? Working people, whose employers deduct taxes and report their incomes are paying their share. So are business owners who report their income and pay their taxes. It is mostly wealthy people and profitable businesses who find creative, and sometimes illegal, ways to slip out that door.

As part of a plan to rebuild the IRS after a decade of decline, President Biden has a sensible solution: provide the resources and information needed to close the tax gap. A key part of the proposal is for Congress to increase financial reporting by financial institutions.

The requirement would be straightforward. On a form that banks already send to the IRS, two new pieces of information would be added: total annual inflows and outflows for each account, simple data points that banks already have. Individual taxpayers would not need to do anything, and no detailed personal or transaction data would be shared.

Reporting inflow and outflow data is so critical because it gives the IRS a heads up when the total amount coming and going is different than what is reported as income. For the wealthiest taxpayers in particular, income often falls outside of existing reporting requirements—especially for "passthrough" entities like partnerships. Since income concentrated among the wealthy is the single largest source of the tax gap—and as much as one third to half of it goes unreported—gaining visibility is essential to closing that shortfall.

The new financial reporting requirement is crucial to revitalizing the IRS. The number of auditors examining the returns of wealthy individuals is at a 50-year low. Out of four million legal partnerships, only 140 were audited last year. President Biden has proposed to increase IRS funding to rebuild audit staffing and upgrade outdated computers. But these investments can only improve accountability if paired with the right information.

The proposal also addresses severe economic and racial inequities in current tax enforcement. Auditing the complex returns of high-income taxpayers takes an average of 300 hours per return. With neither sufficient staff, nor a clue where to look, the IRS now targets its audits on the simpler returns of low-income taxpayers. A low-paid worker who receives the Earned Income Tax Credit is now about as likely to be audited as a person in the top one percent, even as the amount at stake with high-income returns is much larger.

As a result, the counties with the highest audit rate are heavily poor, black, rural, and often in the Deep South. This is an outrage, when the wealthy, who are more likely to avoid tax, too often receive a pass. Improved reporting, together with increased staffing, will allow the IRS to effectively audit high-income taxpayers at appropriately higher rates.

Lobbyists who want to protect that status quo make claims that the proposal would further discourage people of color who don't use the banking system from doing so. These claims are cynical and false. They ignore that the proposal is carefully designed to protect privacy and imposes no burden on individuals. In fact, the President's economic package would create new ways for households of color to become banked. For example, its monthly Child Tax Credit payments can be directly deposited to bank accounts.

Because the central goal is to increase compliance among the wealthiest, some question why the reporting requirement should cover virtually all bank accounts. Limiting the provision to the largest accounts would invite further tax evasion, as wealthy individuals could split their funds into multiple accounts to avoid reporting. Some suggest the requirement only apply to high-income households, but that would require that financial institutions ask personal questions about the income of their customers—information they do not have and do not need. The President's approach is simple, fair, and protects privacy.

Better tax enforcement will advance the interests of honest taxpayers, who deserve to know others are paying the taxes they owe, and honest business owners, who face unfair competition from tax cheats. That is why a bipartisan group of former Treasury Secretaries, including me, endorsed it. Congress should enact it as proposed.

RE: could you quickly review?

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc:	Chuck Marr <marr@cbpp.org>
Date:	Mon, 13 Sep 2021 12:09:28 -0400
Attachments:	Jack Lew IRS Enforcement 9.13.21_NS.docx (32.88 kB)

Some suggestions here attached!

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Monday, September 13, 2021 11:43 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE: could you quickly review?

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Reactions?

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Monday, September 13, 2021 11:01 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE: could you quickly review?

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Yes, reading now.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Monday, September 13, 2021 10:59 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject: could you quickly review?

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

President Biden's Sensible Solution for Reining in Tax Cheats

Imagine you're out to dinner. At the end of the meal, you pay your bill, which helps meet the restaurant's food, rent, and wage costs. But some customers slip out without paying. They disappear into the night with no paper trail, leaving the business to pay the same expenses with a fraction of the revenue.

That's what is happening to the US government. Each year, $600 billion in taxes owed go unpaid, and this "tax gap" leaves fewer resources to pay our country's bills. Who is not paying? Working people, whose employers deduct taxes and report their incomes are paying their share. So are most business owners who report their income and pay what they owe. It is disproportionately very wealthy people and profitable businesses who find creative, and sometimes illegal, ways to slip out that door.

As part of a plan to rebuild the IRS after a decade of decline, President Biden has a sensible solution: provide the IRS resources and information needed to close the tax gap. A key part of the proposal is for Congress to increase information reporting by financial institutions.

The requirement would be straightforward. On a form that banks already send to the IRS, a bit of additional information would be added, essentially detailing total annual inflows and outflows for each account. This is simple information that financial institutions already know about their customers. Individual taxpayers would not need to do anything, and no detailed personal or transaction data would be shared.

Reporting this data is so critical because it gives the IRS a heads up when taxpayers true financial position—as proxied for by the aggregate totals in and out of their bank account—is different than what they report on their tax returns.

Having third-party information available to verify the accuracy of taxpayer filings results in compliance rates above 95%. But in the absence of any third-party reporting, compliance rates are under 50%. For the wealthiest taxpayers in particular, income often falls outside of existing reporting regimes—especially for "passthrough" entities like partnerships. Since income concentrated among the wealthy is the single largest source of the tax gap—and as much as one third to half of it goes unreported—gaining visibility is essential to closing that shortfall.

The new financial reporting regime is crucial to revitalizing the IRS. The number of auditors examining the returns of wealthy individuals is at a 50-year low. Out of four million legal partnerships, only around 7,500 partnership audits were initiated last year. President Biden has proposed to increase IRS funding to rebuild audit staffing and upgrade outdated computers. But these investments can only achieve their full potential if paired with the right information.

The proposal also addresses severe economic and racial inequities in current tax enforcement. Auditing the complex returns of high-income taxpayers takes an average of 300 hours per return. With neither sufficient staff, nor a clue where to look, the IRS now focuses a disproportionate share of audit attention on simpler returns of low-income taxpayers. Today, a low-paid worker who receives the Earned Income Tax Credit is now about as likely to be audited as a person in the top one percent, even as the amount at stake with high-income returns is much larger.

As a result, the counties with the highest audit rate are heavily poor, black, rural, and often in the Deep South. This is an outrage, when the wealthy, who are more likely to avoid tax, too often receive a pass. Improved reporting, together with increased staffing of agents with the training and experience to decipher sophisticated tax returns, will allow the IRS to appropriately ramp up enforcement actions against high-end taxpayers; and decrease audits of low-income taxpayers who are already fully compliant with their tax obligations.

Lobbyists who want to protect that status quo make claims that the proposal would further discourage people of color who don't use the banking system from doing so. These claims are cynical and false. They ignore that the proposal is carefully designed to protect privacy and imposes no burden on individuals. In fact, the President's economic package would create new ways for households of color to become banked. For example, its monthly Child Tax Credit payments can be directly deposited to bank accounts.

Commented [SN1]: Is it new ways? Or new incentives?

Because the central goal is to increase compliance among the wealthiest, some question why the reporting requirement should cover virtually all bank accounts. Limiting the provision to the largest accounts would invite further tax evasion, as wealthy individuals could split their funds into multiple accounts to avoid reporting. Some suggest the requirement only apply to high-income households, but that would require that financial institutions learn personal information about the financial conditions of their customers from the IRS—information they do not have and do not need. The President's approach is simple, fair, and protects privacy.

Better tax enforcement will advance the interests of honest taxpayers, who deserve to know others are paying the taxes they owe, and honest business owners, who face unfair competition from tax cheats. That is why a bipartisan group of former Treasury Secretaries, including me, endorsed it. Congress should embrace this important provision. Doing so will generate substantial revenue in this decade, and even more in future ones. It will also create a more equitable tax system, where all people—not just ordinary American workers—pay what they owe.

RE: 2 new CBPP tax resources (reducing the tax gap & how plan to rebuild IRS would advance racial equity)

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>, "White, Antonio" <antonio.white2@treasury.gov>, "Kalyanam, Aruna" <aruna.kalyanam@treasury.gov>, "Harris, Benjamin" <benjamin.harris@treasury.gov>, "Lebryk, David" <david.lebryk@treasury.gov>, "Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>, "Siegel, Julie" <julia.siegel@treasury.gov>, "Byrd, Kimberly" <kimberly.byrd@treasury.gov>, "Clausing, Kimberly" <kimberly.clausing@treasury.gov>, linda.robertson@treasury.gov, "Mazur, Mark" <mark.mazur2@treasury.gov>, "Schmidt, Michael" <michael.schmidt2@treasury.gov>, "Reimherr, Patrick" <patrick.reimherr@treasury.gov>
Date: Tue, 14 Sep 2021 13:00:50 -0400

Ellen, THANK YOU all for incredibly quick and important work here. We are so, so grateful.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Tuesday, September 14, 2021 12:53 PM
To: White, Antonio <Antonio.White2@treasury.gov>; Kalyanam, Aruna <Aruna.Kalyanam@treasury.gov>; Harris, Benjamin <Benjamin.Harris@treasury.gov>; Lebryk, David <David.Lebryk@treasury.gov>; Leibenluft, Jacob <Jacob.Leibenluft2@treasury.gov>; Siegel, Julie <Julia.Siegel@treasury.gov>; Byrd, Kimberly <Kimberly.Byrd@treasury.gov>; Clausing, Kimberly <Kimberly.Clausing@treasury.gov>; Linda.Robertson@treasury.gov; Mazur, Mark <Mark.Mazur2@treasury.gov>; Schmidt, Michael <Michael.Schmidt2@treasury.gov>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Reimherr, Patrick <Patrick.Reimherr@treasury.gov>
Subject: 2 new CBPP tax resources (reducing the tax gap & how plan to rebuild IRS would advance racial equity)

We've just released two new tax postings: a new paper pushing back against criticisms of the Biden plan to reduce the tax gap and a blog on how the plan to rebuild the IRS would advance racial equity. Hope you find these useful.
Ellen

- (Report) Reducing the Tax Gap: 5 Key Points on Information Reporting
- (Blog) Plan to Rebuild IRS Would Advance Racial Equity

Reducing the Tax Gap: 5 Key Points on Information Reporting

"The major economic recovery legislation Congress is developing will make investments to reduce child poverty, address climate change, and increase economic opportunity and security for families across the country. These investments will be paid for in part by asking wealthy people and profitable corporations to pay a fairer amount of tax. In addition, a key source of revenue will flow from collecting more of the taxes that high-income people and businesses already owe under current law. This "tax gap" — taxes owed but not collected — is now roughly $600 billion annually with fully $160 billion annually just from unpaid taxes of the top 1 percent, as a new Treasury report highlights. Closing the tax gap will require, in part, more robust information the IRS can use to identify and collect those unpaid taxes.

President Biden has developed a comprehensive plan to reduce the tax gap that the Treasury Department estimates would raise $700 billion over ten years. The plan has three interdependent components: people, computer systems, and information. A decade of deep budget cuts has led to a 30 percent reduction in the well-trained IRS audit staff needed to audit the largest corporations and the highest-income filers, leading to a sharp drop in their audit rates. The proposal provides robust funding to rebuild depleted audit staff and upgrade the IRS's antiquated technology systems. Significantly, the House Ways and Means Committee's legislation to raise revenue adopts the full Biden Administration $80 billion funding proposal to rebuild the agency's audit staff and upgrade its computer systems.

Critically, the Biden plan also provides for a set of financial reporting rules that would help the IRS identify unreported income and reduce the likelihood that wealthy households underreport their income in the first place, which the House should add as the legislative process continues. The information reporting component would raise $460 billion — the majority of the revenue in the Biden tax gap plan — according to Treasury.

It is an integral component of the plan. As IRS Commissioner Charles Retting recently wrote to Senator Elizabeth Warren, "increased information reporting targets underreported income, which is the largest category of the tax gap." A group of his predecessors has added: "Research shows that when the IRS has access to third-party reporting, compliance rates top 95 percent. Without third-party information reporting, compliance rates are below 50 percent. Reliable information is critical to an effective and fair tax system."

Contrary to some confusion and misinformation, the information reporting proposal is specifically designed to impose no burdens on taxpayers, to protect privacy, and to shield people with low or moderate incomes from higher audit rates. Here are five key points to understand about the information reporting component of the plan.

1. It places no new burdens on taxpayers and is simple for banks to implement.
2. It is designed to protect privacy.
3. It advances racial equity.
4. Its low account threshold will prevent gaming.
5. More robust information reporting is strongly in the interests of honest taxpayers and business owners."

Read the full (5 pp.): https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/research/federal-tax/reducing-the-tax-gap-5-key-points-on-information-reporting

Plan to Rebuild IRS Would Advance Racial Equity

September 14, 2021, 12:24 pm
By Samantha Jacoby
https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/blog/plan-to-rebuild-irs-would-advance-racial-equity

The economic recovery package Congress is developing should incorporate President Biden's full proposal to rebuild the IRS. That plan, which includes a large, multi-year funding effort and a critical new information reporting proposal, would advance racial equity by providing more resources to audit high-income filers, who are disproportionately white; improving auditors' ability to effectively target those high-income audits; and improving services for honest filers.

Deep cuts in IRS funding after 2010 led to sharp reductions in the number of highly trained audit staff needed to audit the largest corporations and highest-income filers, whose returns are the most complicated. This, in turn, has led to a sharp drop in their audit rates, even though filers in the top 1 percent are responsible for a disproportionate share — more than 25 percent — of the $600 billion annual "tax gap" of taxes owed but not paid. These well-off filers are overwhelmingly white due to historical and continuing racial bias and discrimination, which have systematically reduced economic opportunity for households of color.

Its enforcement capabilities weakened by budget cuts, the IRS has focused instead on the simpler returns of low-income taxpayers, who are disproportionately households of color. Today, a low-income person claiming the Earned Income Tax Credit (EITC) is about as likely to be audited as someone in the top 1 percent, even though EITC claims represent just 6 percent of the tax gap. As a result, the most highly audited counties in the country are predominantly Black, rural counties in the deep South.

The Biden plan is designed to correct this inequity.

Its significant funding boost for IRS enforcement and upgraded computer systems would enable the agency to hire and train audit staff who are equipped to conduct the complicated audits of large corporations and very high-income and high-wealth people. While audit rates for high-income filers would rise, "[a]udit rates will not rise relative to recent years for those with less than $400,000 in actual income," according to the Treasury Department.

The plan also includes another crucial component: new financial reporting rules to help IRS identify unreported income, which would help the agency detect tax evasion and discourage wealthy households and businesses from underreporting their income in the first place. The new rules would require financial institutions to report two new pieces of information — how much money flows into and out of bank accounts held by individuals and companies — on the form they already use to report interest income in these accounts.

The IRS already has income information for people who earn their income through wages and salaries via W-2 forms their employers provide to the IRS. But wealthy people who get the bulk of their income from less transparent sources, such as sales of assets and business transactions, often face no similar third-party reporting on their incomes. The proposal would address that imbalance by providing the IRS with information to help it uncover unreported income for which there is little or no third-party information like a W-2.

Treasury estimates that the Biden Administration's IRS proposal would generate $700 billion over ten years — $460 billion of it from the new reporting requirements alone. This represents significant revenue that people at the top of the income scale already owe under current law.

As Emory University Professor Dorothy Brown has written, "[p]roviding increased funding for the IRS to conduct audits is a necessary step toward a more equitable tax system. Rich white Americans should pay their fair share of taxes." That's why 88 organizations dedicated to promoting social, racial, gender, and economic justice have urged policymakers to "prioritize rebuilding the IRS's enforcement capabilities and dedicating additional enforcement resources to ensuring wealthy Americans and large corporations pay what they owe."

More fundamentally, the revenue from reducing tax evasion by the wealthy would help finance other measures in the recovery legislation to expand economic opportunity and security for people with lower incomes and people of color. Strengthening the IRS is part of an overall plan to reduce racial income and wealth gaps from both ends of the spectrum to advance racial equity.

Other elements of Biden's IRS proposal would also promote racial equity. For example, requiring paid tax preparers, which many low- and middle-income filers use, to meet minimum standards of competency would help ensure that the filers (many of whom are people of color) can access the information and assistance needed to accurately claim tax benefits to which they are entitled.

While some have expressed concern that the information reporting proposal could discourage people of color who are "unbanked" from using financial institutions, that assertion is based on a misleading and incomplete characterization of the proposal, which is designed to protect privacy, to impose no burdens on taxpayers, and to shield low- and moderate-income people from higher audit rates. It further ignores the fact that the economic recovery package creates many new potential pathways for households of color to become banked, including the monthly and fully refundable Child Tax Credit, which can be directly deposited to bank accounts.

Given the relative simplicity and large potential benefits of the Biden Administration's IRS proposal — including how it would advance racial equity — it deserves the support of both lawmakers and the financial industry, and to be included in any final economic recovery package.

RE: CAP brief on bank reporting

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Seth Hanlon <shanlon@americanprogress.org>
Date: Thu, 16 Sep 2021 12:01:27 -0400
Attachments: Yellen Neal on Congressional Budget_CLEAN FINAL.pdf (393.37 kB); Yellen to Neal on Information Reporting_CLEAN FINAL.pdf (372.49 kB); 2021-41445 Neal budget letter 091421 v2 FINAL.pdf (768.19 kB); 2021-41442 Neal reporting letter FINAL 091421.pdf (685.18 kB)

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Wednesday, September 15, 2021 1:42 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: CAP brief on bank reporting

Also, if you're able to share the letters to Neal I'd love to see them – thanks!

From: Seth Hanlon
Sent: Wednesday, September 15, 2021 1:18 PM
To: Natasha.Sarin@treasury.gov
Subject: CAP brief on bank reporting

I forgot to send this to you yesterday: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/issues/economy/news/2021/09/14/503821/bank-tax-reporting-critical-component-bidens-build-back-better-agenda/

I just tweeted on it: https://hyperlink.services.treasury.gov/agency.do?origin=https://twitter.com/SethHanlon/status/1438189621641416706?s=20

And you probably saw Chuck and Samantha's piece but ICYMI: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/research/federal-tax/reducing-the-tax-gap-5-key-points-on-information-reporting

Seth Hanlon
Senior Fellow, Economic Policy
Center for American Progress / CAP Action Fund
shanlon@americanprogress.org
202[redacted]
@SethHanlon
He/him/his

SECRETARY OF THE TREASURY

September 14, 2021

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal:

I am writing in enthusiastic support of your efforts to provide the Internal Revenue Service (IRS) the necessary resources to fairly, efficiently, and effectively administer the tax code. The Administration's proposal to provide $80 billion of mandatory funding to the agency over the course of the next decade will be crucial in helping the IRS achieve key goals: raising rates of taxpayer compliance, improving taxpayer service, and modernizing outdated technological infrastructure.

The IRS has been gradually gutted over the better part of the last decade: its budget has declined by around 20 percent in real terms, resulting in an ever-shrinking workforce, and the agency has witnessed deteriorating resources for administering the tax code established by Congress. The consequences of these shortfalls are exacerbated by the fact that Congress has simultaneously tasked the IRS to take on new functions, so that its increased workload spreads limited resources even more thinly. Today's IRS lacks the ability to adequately serve taxpayers. Budget cuts have forced the IRS to scale back taxpayer services, limiting the assistance the agency can provide to those most in need and further reducing the fairness of the tax system.

Further, there are fewer IRS auditors today than at any point since World War II, and workforce losses have been especially pronounced for complex revenue agents with the experience and training necessary to audit sophisticated, high-income taxpayers. As a result, audit rates have declined more for taxpayers making more than $10 million annually than for low-income taxpayers who receive the Earned Income Tax Credit.

Decline in Audit Rates by Filer Category			
Filer Category	Percent Audited		Percent Decline
	2010	2018	
All Filers	0.93%	0.51%	-45.39%
Individuals	1.11%	0.59%	-46.30%
EITC recipients	2.39%	1.41%	-41.10%
With annual income over $1 million	8.36%	3.23%	-61.35%
$1 million - $ 5 million	6.67%	2.21%	-66.87%
$5 million - $ 10 million	11.55%	4.21%	-63.55%
$ 10 million +	18.38%	6.66%	-63.76%
Corporations	1.39%	0.88%	-36.54%
With assets over $20 billion	97.99%	49.29%	-49.70%
Employment	0.21%	0.14%	-33.63%
Estates	10.12%	8.60%	-15.01%
With assets over $5 million	24.31%	18.71%	-23.07%

Source: IRS Statistics of Income Databook. Audit rates by annual income are imputed from Table 9b; all other data are from Table 9a.

Unfortunately, these trends in audit rates mean a relative decline in resources away from the taxpayers most responsible for unpaid taxes. The highest earners are responsible for a disproportionate share of the tax gap: approximately 28 percent of unpaid taxes are attributable to the top one percent (around $160 billion in tax year 2019). It is critical to shift audit scrutiny toward the high-end of the distribution, not just as a matter of equity, but as a matter of revenue collection critical to the nation's fisc. Doing so will require substantial resources to identify, hire, and train field agents to decipher thousands of pages of complex tax returns from high net-worth individuals, large corporations, and complex partnerships. These additional resources will be focused on high-end evasion. In fact, audit rates will not rise relative to recent years for anyone making less than $400,000 annually.

Investing approximately $80 billion in the IRS is estimated to generate around $320 billion in additional tax collections directly. This figure is derived directly from the IRS estimates of the return on investment for different types of enforcement activities. As explained in the enclosed memorandum from Mark Mazur, the Acting Assistant Secretary for Tax Policy, indirect effects have a meaningful impact on the increase in revenue associated with additional IRS resources.

Traditional estimates also ignore the impact of improving outdated technological infrastructure and investing in meaningful taxpayer service, both of which are well-understood to improve tax compliance. Funding for these activities is central to the Administration's compliance efforts. Ensuring that taxpayers have access to the help that they need when filing tax returns is important, and it is also essential to help taxpayers receive the credits and benefits to which they are entitled—including the expanded Child Tax Credit that you have been instrumental in championing.

I am grateful for your efforts in championing this important cause. Today, our estimation is that 15 percent of owed taxes are uncollected, which makes it difficult to fund our nation's priorities. It also creates economic distortions and deep inequities, as taxes are borne disproportionately by the subset of the population who comply with their obligations. Providing the IRS the resources it needs to address the tax gap raises substantial revenue in a progressive and equitable fashion.

Sincerely,

Janet L. Yellen

Janet L. Yellen

Enclosure

DEPARTMENT OF THE TREASURY
OFFICE OF TAX POLICY
WASHINGTON, D.C. 20220

September 14, 2021

MEMORANDUM

FROM: Mark J. Mazur, Assistant Secretary for Tax Policy (Acting)

SUBJECT: The Revenue Impacts of Compliance Proposals

This memo summarizes the Treasury analyses estimating the effects of tax compliance proposals, incorporating the Office of Tax Analysis (OTA) estimates as well as other considerations that would have predictable effects on the revenue potential of possible Congressional compliance proposals. Together, these factors imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window and much larger amounts in subsequent years.

In developing the FY 2022 Budget proposals, OTA (working with Internal Revenue Service staff) analyzed the administration's tax compliance proposals using methods similar to those used previously by OTA and IRS (and, as you know, these methodologies are similar to those used by the Congressional Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO)). However, the Administration proposals were larger in scale than recent proposals and historical experience and therefore the estimating approaches required some adaptation.

Our current understanding is that Congress is considering the adoption of financial reporting proposals that are likely to be narrower in scale and scope than those proposed by the Administration. Clearly, this will lower the estimated revenue raised from the proposed reporting regime relative to earlier Administration estimates.

Conventional revenue estimating approaches incorporate the behavioral responses to legislative changes. For instance, if tax rates change on some economic activities, taxpayers respond by reducing those activities. We see similar results in the information reporting area, where income sources with detailed third-party reporting result in taxpayers reporting 90 percent or more of this income, while income sources without robust third-party reporting generate reporting rates of 50 percent or even lower. In this case, improved information reporting leads taxpayers to increase their voluntary reporting of previously under-reported income sources.

However, when analyzing proposals that provide increased enforcement resources to the IRS, the conventional approach is to merely estimate the increased revenue collected by the IRS through additional audits and additional collection activities, but not to ascribe any changed behavior on the part of taxpayers who potentially would be subject to added enforcement scrutiny. This convention leads to an underestimate of future revenues generated by the proposal.

The revenue potential for the two aspects of the compliance agenda can be analyzed as follows:

IRS Funding Proposals

- Estimates for the effect of IRS resource changes on increased enforcement revenue (revenues associated directly with increased audit or collection activity) come directly from the IRS. IRS estimates the return on investment (ROI) for most of its enforcement activity based on historical enforcement data. The IRS collects this information on an ongoing basis.
    - The expected return is estimated as the increase in the direct enforcement tax revenue, or revenue generated by an examination or a collection activity (or both). Importantly, these estimates do not incorporate a potential deterrence effect from having more IRS personnel undertaking enforcement action in future years.
    - IRS does not provide any ROI estimate associated with non-enforcement functions, such as IT improvements or enhanced taxpayer services, because these activities do not by themselves generate enforcement revenue. However, these investments in services and IT will positively impact tax administration.
- The estimated revenue effects for proposals to increase IRS funding proposals are based on the IRS ROI estimates. In general, new hires are expected to take several years to reach the full ROI potential due to the time needed for hiring and training. IRS also assumes a declining marginal return for its enforcement activity as the level of enforcement function increases.
- The estimated revenues are clearly backloaded. Under the current funding proposal, investments in IRS personnel and fixed assets would be phased-in over a 9-year period, and then remain at that level (in real terms) for the rest of the budget window (and on into the future).
- The estimates for the direct effect of $80 billion in additional resources derived from the IRS's revenue estimation model for budget initiatives is that it raises about $320 billion in additional tax collection over the ten-year budget window. This estimation reflects the additional revenue from enforcement activities; but not the increase in compliance that will result from investment in taxpayer services and IT modernization.
    - This is because the IRS does not calculate a ROI in terms of enforcement revenue for these investments, and as a consequence, neither Treasury nor CBO account for the effects of such spending on revenues. However, there is a large scholarly literature that supports beneficial effects on compliance from investments in service and technology.[1]
- The conventional revenue estimate described above does not include any deterrent effect of the increased IRS resources. Just like have a police officer on the median of an interstate will result in fewer cars excessively speeding, having more IRS agents able to

[1] See, for example, Alm, J., Cherry, T., Jones, M., & McKee, M. 2010. "Taxpayer information assistance services and tax compliance behavior." *Journal of Economic Psychology* 31(4): 577-586.; Feld, L.P., and Frey, B.S. 2002. "Trust Breeds Trust: How Taxpayers are Treated." *Economics of Governance* 3: 87-99.; Torgler, B., Schaffner, M., & Macintyre, A. 2007. "Tax Compliance, Tax Morale, and Governance Quality." Consider also the success of the IRS's Return Review Program, which detects and prevents the disbursement of invalid refunds, using automated, anomaly-detecting analytic techniques. In 2017, this program saved the IRS $4.4 billion, at a cost of $90 million. See "Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement." 2018. GAO-18-544.; "Internal Revenue Service: FY 2019 Capital Investment Plan." 2019.

audit potential tax evaders should increase voluntary compliance with the tax system, or deter tax evasion. Recent academic work speaks to the importance of deterrent effects. DeBacker et al (2018) find that increased income reported in the 5-8 years following a random individual audit is about 1.5 times the revenue generated by the audit itself.[2] Studies in the U.K. and Denmark find similar effects.[3] Boning et al. (2020) find that in-person collection visits raise as much revenue from firms sharing a tax preparer with the visited firm as from the visited firm itself.[4]

- Using the results from the more conservative of these estimates suggests that the deterrent effect from additional IRS resources is about as large as the direct effect of additional revenue collected from enforcement activity. That means that the $320 billion of enforcement revenue generated over a decade from the additional investment in IRS resources would lead to about $640 billion in additional revenue over the budget window if the deterrent effect is incorporated into the revenue estimate (leading to $560 billion over 10 years net of the $80 billion investment).
- The deterrent effect associated with different types of enforcement activities varies, and these effects can be challenging to identify. For example, evidence for the follow-on effects of corporate audits is mixed; as a result, we suggest only including a 50 percent boost for deterrent effects. Conservatively, about $400 billion of additional revenue can be collected (incorporating both the direct and indirect effects of enforcement investment) from the President's proposals, net of the $80 billion investment.

<u>Information Reporting and Interaction Effects of the Proposals</u>

- The Treasury's revenue estimation for a financial information reporting regime begins with an estimate of the tax gap for business income and employment taxes. This includes Schedule C, E, and F income for individual income tax, corporate income tax, and employment taxes (SECA, NIIT, etc.).
- The amounts of business income reporting are estimated using random audit data from the IRS' National Research Program (NRP) for the individual income tax. The additional pass-through entity gap relies on the preliminary results of the NRP S-corporation study. For small corporations, the tax gap comes from IRS tax gap estimates.
- OTA converts the estimated tax gap for business income and employment taxes into a revenue estimate by assuming increased voluntary compliance as taxpayers react to the increased information reporting. This is assumed to be a gradual increase in voluntary compliance that phases in over time.
- OTA estimated the revenue effects of the Administration's financial reporting proposal using these basic steps. That proposal included information on inflows and outflows for a wide range of financial accounts, additional account information including additional information on business accounts, and an annual account threshold of $600.

---

[2] DeBacker, J., Heim, B.T., Tran, A., & Yuskavage, A. 2018. "The Effects of IRS Audits on EITC Claimants." *National Tax Journal* 71(3): 451-484.

[3] See Besley, T., Jensen, A., & Persson, T. 2019. "Norms, Enforcement, and Tax Evasion." NBER Working Paper 25575.; Kleven, H.J., Knudsen, M.B., Kreiner, C.T., Pedersen, S., & Saez, E. 2011. "Unwilling or Unable to Cheat? Evidence from a Tax Audit Experiment in Denmark." *Econometrica* 79(3): 651-692.

[4] Boning, W.C., Guyton, J., Hodge, R., & Slemrod, J. 2020. "Heard it through the grapevine: The direct and network effects of a tax enforcement field experiment on firms." *Journal of Public Economics* 190(3-4): 104261.

- We do not know the exact parameters of Congressional proposals, but we expect that they are likely to incorporate a narrower reporting regime than was the basis of the Administration's information reporting proposal scored by Treasury. Although we have not scored any particular proposal, we suspect the revenue potential of a narrower reporting regime would be lower, perhaps in the range of $200-250 billion over the ten-year budget window. The estimated path of revenues for this proposal is backloaded, and expected revenue generated in the decade after the budget window would be larger than the revenue estimate for the initial ten-year period. This is because information reporting proposals take some time to implement and for the IRS to determine how best to deploy this new information. Moreover, the reactions of taxpayers to this increased visibility into business income also will lead to gradually increase voluntary reporting over time.
- Neither of the estimates of the revenue generation potential for the compliance proposals (increased resources and increased information reporting) reflects the interaction effects of these two major changes to the tax compliance environment. Additional information reporting is valuable to address the tax gap not just because of an increase in voluntary compliance (which is reflected in the OTA scoring approach described above), but also because additional information can help the IRS better target enforcement activities. With the resources to meaningfully pursue tax evasion that is identified through improved information reporting, there will be a meaningful direct effect on additional tax collections. In addition, the IRS investments in IT and enhanced taxpayer services will also increase the efficacy of IRS enforcement resources. While there is not an official estimate of the size of these interaction effects, due to the size of the compliance initiatives outlined here, it is reasonable to expect that the interaction effects would serve to increase revenues by at least $50 billion over the 10-year budget window, with an increase of at least that size in the subsequent decade.

<u>Overhauling the IRS by giving it the information and resources that it needs to pursue tax evasion will create a more equitable tax system. The pieces of this proposal work well together: additional information for the IRS is crucial to its ability to efficiently and effectively select enforcement actions; and additional resources are essential to help the IRS use the information at its disposal. To truly overhaul tax administration, both components of the plan are essential.</u>

The factors detailed above imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window. Much more will be raised in the second decade, and in the decades that follow, because revenue raised from these reforms is backloaded, in part because investments in the IRS often take several years to reach their full potential. Outside estimates are more optimistic.[5] But it is also important to appreciate that this is an area with substantial uncertainty. Therefore, I have been cautious in evaluating the revenue that is likely to accrue from Congressional compliance proposals.

---

[5] As one example, work by former IRS Commissioner Charles Rossotti suggests that the appropriate estimate for similar proposals to those being advanced is closer to $1.6 trillion. Rossotti, Charles. "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance." Tax Notes Federal, March 2020. Other work also suggests a revenue potential from these proposals in excess of $1 trillion. See also Sarin, Natasha and Lawrence H. Summers. "Shrinking the Tax Gap: Approaches and Revenue Potential." Tax Notes Federal, November 2019.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

September 14, 2021

The Honorable Richard E. Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Neal:

I write in enthusiastic support of the financial institution reporting provisions advanced in the President's tax compliance agenda. These information reporting provisions will make use of information financial institutions already know to help shed light on taxpayers who evade their tax obligations.

Today, compliance rates are under 50 percent for opaque sources of income—resulting in a disproportionate tax burden for complying taxpayers and a shortage of necessary funds for key national priorities. The underpayment owing to noncompliance is not evenly distributed across taxpayers. Instead, the tax gap is concentrated at the top of the income distribution, with the one percent of earners with the highest incomes responsible for nearly 30 percent of unpaid taxes: totaling over $160 billion in tax year 2019. This inequity is closely tied to gaps in information reporting, namely the disparity between when information is reported to the IRS by a third-party source to facilitate verifying the accuracy of taxpayer filings, and when it is not.

Specifically, for some categories of income, the Internal Revenue Service (IRS) can crosscheck what taxpayers report on their tax returns with information reported by third parties to ensure tax obligations are properly met. Wage and salary income is reported to the IRS on W-2 reports, and tax obligations are automatically withheld, so compliance rates stand at 99 percent. Third party information reporting already exists for the primary income that accrues to most Americans—including wage, pension, and unemployment income. It is clear that when taxpayers know that this information exchange exists, their voluntary compliance rises. But for certain income streams that accrue disproportionately to upper-income households, there is no information available to the IRS from third parties presently. As a result, underpayment is rampant.

This harmful and inequitable trend in compliance had led the IRS, the Government Accountability Office, and academic experts to conclude that improving information reporting is

one of the best ways to meaningfully improve compliance. Existing empirical evidence confirms that the introduction of third-party reporting regimes is highly effective.[1]

The President's information reporting proposals were designed to ensure that there will be no increase in taxpayer burden associated with this regime. For already compliant taxpayers, the only effect is a distinct benefit—a lowered likelihood of costly and burdensome audits. It is also designed to minimize costs for financial institutions associated with providing this information to the IRS, by building off an existing reporting structure that these institutions already use to convey information about the interest income in taxpayers' bank accounts.

The objective of this reporting regime is to help the IRS pursue high-end noncompliance by providing some information about opaque income streams that disproportionately accrue to the top. In fact, audit rates are not going to rise relative to recent years for anyone with less than $400,000 in income. As you consider specific policy choices in designing an information reporting regime, it is important to ensure that the reporting regime is sufficiently comprehensive, so that tax evaders are not able to structure financial accounts to avoid it. But to be clear: a reporting regime that is broad-based will better assist the IRS in targeting enforcement priorities on the high-end who accrue income in opaque ways. Any suggestion that instead this reporting regime will be used to target enforcement efforts on ordinary Americans is wholly misguided.

The revenue potential of these approaches is substantial. As an Appendix to this letter, I include a memorandum from Mark Mazur, Acting Assistant Secretary for Tax Policy at the Treasury Department, which provides details on the magnitudes to bear in mind when you consider the proposals under consideration in this Congress. The proposals you are advancing will revitalize the agency and give it the information that it needs to identify tax evasion, thereby building a fairer tax system. That will deliver sizable revenue in a progressive way in the next ten years, and in the decades to come.

Sincerely,

Janet L. Yellen

Janet L. Yellen

Enclosure

---

[1] Adhikari, B., Alm, J., Collins, B., Sebastiani, M., & Wilking, E. 2016. "Taxpayer Responses to Third-Party Income Reporting: Evidence From a Natural Experiment in the Taxicab Industry," *IRS Research Bulletin*, 6th Annual Joint Research Conference on Tax Administration, IRS and the Urban-Brookings Tax Policy Center; Johannesen, N. 2014. "Tax Evasion and Swiss Bank Deposits," *Journal of Public Economics* 111: 46-62.; Marchase, C. 2009. "Rewarding the Consumer for Curbing the Evasion of Commodity Taxes," *Public Finance Analysis* 65(4): 383-402.; Naritomi, J. 2019. "Consumers as Tax Auditors." *American Economic Review* 109(9): 3031-3072.; Phillips, M. D. 2014. "Individual Income Tax Compliance and Information Reporting: What Do the US Data Show?" *National Tax Journal* 67(3): 531-568.; Pomeranz, D. 2015. "No Taxation Without Information: Deterrence and Self-Enforcement in the Value Added Tax." *American Economic Review* 105(8): 2539-2569.

DEPARTMENT OF THE TREASURY
OFFICE OF TAX POLICY
WASHINGTON, D.C. 20220

September 14, 2021

MEMORANDUM

FROM: Mark J. Mazur, Assistant Secretary for Tax Policy (Acting)

SUBJECT: The Revenue Impacts of Compliance Proposals

This memo summarizes the Treasury analyses estimating the effects of tax compliance proposals, incorporating the Office of Tax Analysis (OTA) estimates as well as other considerations that would have predictable effects on the revenue potential of possible Congressional compliance proposals. Together, these factors imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window and much larger amounts in subsequent years.

In developing the FY 2022 Budget proposals, OTA (working with Internal Revenue Service staff) analyzed the administration's tax compliance proposals using methods similar to those used previously by OTA and IRS (and, as you know, these methodologies are similar to those used by the Congressional Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO)). However, the Administration proposals were larger in scale than recent proposals and historical experience and therefore the estimating approaches required some adaptation.

Our current understanding is that Congress is considering the adoption of financial reporting proposals that are likely to be narrower in scale and scope than those proposed by the Administration. Clearly, this will lower the estimated revenue raised from the proposed reporting regime relative to earlier Administration estimates.

Conventional revenue estimating approaches incorporate the behavioral responses to legislative changes. For instance, if tax rates change on some economic activities, taxpayers respond by reducing those activities. We see similar results in the information reporting area, where income sources with detailed third-party reporting result in taxpayers reporting 90 percent or more of this income, while income sources without robust third-party reporting generate reporting rates of 50 percent or even lower. In this case, improved information reporting leads taxpayers to increase their voluntary reporting of previously under-reported income sources.

However, when analyzing proposals that provide increased enforcement resources to the IRS, the conventional approach is to merely estimate the increased revenue collected by the IRS through additional audits and additional collection activities, but not to ascribe any changed behavior on the part of taxpayers who potentially would be subject to added enforcement scrutiny. This convention leads to an underestimate of future revenues generated by the proposal.

The revenue potential for the two aspects of the compliance agenda can be analyzed as follows:

IRS Funding Proposals

- Estimates for the effect of IRS resource changes on increased enforcement revenue (revenues associated directly with increased audit or collection activity) come directly from the IRS. IRS estimates the return on investment (ROI) for most of its enforcement activity based on historical enforcement data. The IRS collects this information on an ongoing basis.
  - The expected return is estimated as the increase in the direct enforcement tax revenue, or revenue generated by an examination or a collection activity (or both). Importantly, these estimates do not incorporate a potential deterrence effect from having more IRS personnel undertaking enforcement action in future years.
  - IRS does not provide any ROI estimate associated with non-enforcement functions, such as IT improvements or enhanced taxpayer services, because these activities do not by themselves generate enforcement revenue. However, these investments in services and IT will positively impact tax administration.
- The estimated revenue effects for proposals to increase IRS funding proposals are based on the IRS ROI estimates. In general, new hires are expected to take several years to reach the full ROI potential due to the time needed for hiring and training. IRS also assumes a declining marginal return for its enforcement activity as the level of enforcement function increases.
- The estimated revenues are clearly backloaded. Under the current funding proposal, investments in IRS personnel and fixed assets would be phased-in over a 9-year period, and then remain at that level (in real terms) for the rest of the budget window (and on into the future).
- The estimates for the direct effect of $80 billion in additional resources derived from the IRS's revenue estimation model for budget initiatives is that it raises about $320 billion in additional tax collection over the ten-year budget window. This estimation reflects the additional revenue from enforcement activities; but not the increase in compliance that will result from investment in taxpayer services and IT modernization.
  - This is because the IRS does not calculate a ROI in terms of enforcement revenue for these investments, and as a consequence, neither Treasury nor CBO account for the effects of such spending on revenues. However, there is a large scholarly literature that supports beneficial effects on compliance from investments in service and technology.[1]
- The conventional revenue estimate described above does not include any deterrent effect of the increased IRS resources. Just like have a police officer on the median of an interstate will result in fewer cars excessively speeding, having more IRS agents able to

[1] See, for example, Alm, J., Cherry, T., Jones, M., & McKee, M. 2010. "Taxpayer information assistance services and tax compliance behavior." *Journal of Economic Psychology* 31(4): 577-586.; Feld, L.P., and Frey, B.S. 2002. "Trust Breeds Trust: How Taxpayers are Treated." *Economics of Governance* 3: 87-99.; Torgler, B., Schaffner, M., & Macintyre, A. 2007. "Tax Compliance, Tax Morale, and Governance Quality." Consider also the success of the IRS's Return Review Program, which detects and prevents the disbursement of invalid refunds, using automated, anomaly-detecting analytic techniques. In 2017, this program saved the IRS $4.4 billion, at a cost of $90 million. See "Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement." 2018. GAO-18-544.; "Internal Revenue Service: FY 2019 Capital Investment Plan." 2019.

audit potential tax evaders should increase voluntary compliance with the tax system, or deter tax evasion. Recent academic work speaks to the importance of deterrent effects. DeBacker et al (2018) find that increased income reported in the 5-8 years following a random individual audit is about 1.5 times the revenue generated by the audit itself.[2] Studies in the U.K. and Denmark find similar effects.[3] Boning et al. (2020) find that in-person collection visits raise as much revenue from firms sharing a tax preparer with the visited firm as from the visited firm itself.[4]

- Using the results from the more conservative of these estimates suggests that the deterrent effect from additional IRS resources is about as large as the direct effect of additional revenue collected from enforcement activity. That means that the $320 billion of enforcement revenue generated over a decade from the additional investment in IRS resources would lead to about $640 billion in additional revenue over the budget window if the deterrent effect is incorporated into the revenue estimate (leading to $560 billion over 10 years net of the $80 billion investment).
- The deterrent effect associated with different types of enforcement activities varies, and these effects can be challenging to identify. For example, evidence for the follow-on effects of corporate audits is mixed; as a result, we suggest only including a 50 percent boost for deterrent effects. Conservatively, about $400 billion of additional revenue can be collected (incorporating both the direct and indirect effects of enforcement investment) from the President's proposals, net of the $80 billion investment.

<u>Information Reporting and Interaction Effects of the Proposals</u>

- The Treasury's revenue estimation for a financial information reporting regime begins with an estimate of the tax gap for business income and employment taxes. This includes Schedule C, E, and F income for individual income tax, corporate income tax, and employment taxes (SECA, NIIT, etc.).
- The amounts of business income reporting are estimated using random audit data from the IRS' National Research Program (NRP) for the individual income tax. The additional pass-through entity gap relies on the preliminary results of the NRP S-corporation study. For small corporations, the tax gap comes from IRS tax gap estimates.
- OTA converts the estimated tax gap for business income and employment taxes into a revenue estimate by assuming increased voluntary compliance as taxpayers react to the increased information reporting. This is assumed to be a gradual increase in voluntary compliance that phases in over time.
- OTA estimated the revenue effects of the Administration's financial reporting proposal using these basic steps. That proposal included information on inflows and outflows for a wide range of financial accounts, additional account information including additional information on business accounts, and an annual account threshold of $600.

---

[2] DeBacker, J., Heim, B.T., Tran, A., & Yuskavage, A. 2018. "The Effects of IRS Audits on EITC Claimants." *National Tax Journal* 71(3): 451-484.

[3] See Besley, T., Jensen, A., & Persson, T. 2019. "Norms, Enforcement, and Tax Evasion." NBER Working Paper 25575.; Kleven, H.J., Knudsen, M.B., Kreiner, C.T., Pedersen, S., & Saez, E. 2011. "Unwilling or Unable to Cheat? Evidence from a Tax Audit Experiment in Denmark." *Econometrica* 79(3): 651-692.

[4] Boning, W.C., Guyton, J., Hodge, R., & Slemrod, J. 2020. "Heard it through the grapevine: The direct and network effects of a tax enforcement field experiment on firms." *Journal of Public Economics* 190(3-4): 104261.

- We do not know the exact parameters of Congressional proposals, but we expect that they are likely to incorporate a narrower reporting regime than was the basis of the Administration's information reporting proposal scored by Treasury. Although we have not scored any particular proposal, we suspect the revenue potential of a narrower reporting regime would be lower, perhaps in the range of $200-250 billion over the ten-year budget window. The estimated path of revenues for this proposal is backloaded, and expected revenue generated in the decade after the budget window would be larger than the revenue estimate for the initial ten-year period. This is because information reporting proposals take some time to implement and for the IRS to determine how best to deploy this new information. Moreover, the reactions of taxpayers to this increased visibility into business income also will lead to gradually increase voluntary reporting over time.
- Neither of the estimates of the revenue generation potential for the compliance proposals (increased resources and increased information reporting) reflects the interaction effects of these two major changes to the tax compliance environment. Additional information reporting is valuable to address the tax gap not just because of an increase in voluntary compliance (which is reflected in the OTA scoring approach described above), but also because additional information can help the IRS better target enforcement activities. With the resources to meaningfully pursue tax evasion that is identified through improved information reporting, there will be a meaningful direct effect on additional tax collections. In addition, the IRS investments in IT and enhanced taxpayer services will also increase the efficacy of IRS enforcement resources. While there is not an official estimate of the size of these interaction effects, due to the size of the compliance initiatives outlined here, it is reasonable to expect that the interaction effects would serve to increase revenues by at least $50 billion over the 10-year budget window, with an increase of at least that size in the subsequent decade.

<u>Overhauling the IRS by giving it the information and resources that it needs to pursue tax evasion will create a more equitable tax system. The pieces of this proposal work well together: additional information for the IRS is crucial to its ability to efficiently and effectively select enforcement actions; and additional resources are essential to help the IRS use the information at its disposal. To truly overhaul tax administration, both components of the plan are essential.</u>

The factors detailed above imply that tax compliance proposals along the lines of those being contemplated by Congress have the potential to raise around $700 billion over the ten-year budget window. Much more will be raised in the second decade, and in the decades that follow, because revenue raised from these reforms is backloaded, in part because investments in the IRS often take several years to reach their full potential. Outside estimates are more optimistic.[5] But it is also important to appreciate that this is an area with substantial uncertainty. Therefore, I have been cautious in evaluating the revenue that is likely to accrue from Congressional compliance proposals.

---

[5] As one example, work by former IRS Commissioner Charles Rossotti suggests that the appropriate estimate for similar proposals to those being advanced is closer to $1.6 trillion. Rossotti, Charles. "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance." Tax Notes Federal, March 2020. Other work also suggests a revenue potential from these proposals in excess of $1 trillion. See also Sarin, Natasha and Lawrence H. Summers. "Shrinking the Tax Gap: Approaches and Revenue Potential." Tax Notes Federal, November 2019.

FW: BRADY: Dems' Dangerous Expansion of the Welfare State Will Kill Jobs, Drive Up Bidenflation

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: Chuck Marr <marr@cbpp.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>, Joel Friedman <friedman@cbpp.org>, Samantha Jacoby <sjacoby@cbpp.org>
Date: Fri, 17 Sep 2021 16:57:59 -0400

From: Ways and Means Republicans <pressfromways&means@mail.house.gov>
Sent: Friday, September 17, 2021 4:57 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: BRADY: Dems' Dangerous Expansion of the Welfare State Will Kill Jobs, Drive Up Bidenflation

View this email in your browser

Ways and Means Republicans

BRADY:
Dems' Dangerous Expansion of the Welfare State Will Kill Jobs, Drive Up Bidenflation

September 17, 2021 -
PRESS RELEASE

J.P. Freire (202) 226-4774
Jessica Henrichs (202) 870-6316
Leo Lutz (202) 897-5098

WASHINGTON, D.C. – Top Republican on the Ways and Means Committee Rep. Kevin Brady (R-TX) joined Fox News and CNBC's "Squawk Box" to warn Democrats are not finished with putting taxes and special carveouts into this bill. He also discussed Democrats' handouts to the wealthy and their push for a more invasive, supercharged IRS.

Rep. Brady said:

> *"This could get worse before it gets better. I don't think we've ever seen a government spend so much money to kill so many jobs, to drive up inflation, and create the greatest expansion of the welfare state in our history."*

CLICK HERE to watch the full interview.

On Democrats' proposal for increased IRS enforcement, Rep. Brady said:

> *"They want to significantly increase their intrusiveness into your privacy. Greater surveillance into activities of not just individuals, but small businesses as well."*

CLICK HERE to watch the full interview.

KEY TAKEAWAYS:

Democrats' crippling tax hikes hit the middle class and Main Street businesses.

- Main Street businesses will be hit with hundreds of billions of dollars in tax increases, while millionaires and well-connected corporations receive hundreds of billions of dollars in loopholes and tax rebates.
- The non-partisan Joint Committee on Taxation (JCT) found that workers will shoulder the burden of the tax hikes and that within 10 years of a corporate tax increase, 66.3 percent of the corporate tax burden would be borne by lower- and middle-income taxpayers.
- It's not just the JCT – analysis from the Left-leaning Tax Policy Center finds that President Biden's overall tax plan will raise taxes on 75 percent of middle-class families next year, rising to 95 percent of middle-class families over the long term.
- The JCT also found that 25 percent of the burden of Democrats' tax hikes would be borne by workers in slashed wages.

READ: Fact Check: Dems Subsidize Millionaires, Attack Main Street & Ordinary Americans

Americans will reject Biden's push for a more invasive, supercharged IRS.

- President Biden's proposal to spend $80 billion on an army of auditors and to turn local banks into chapters of the IRS to report on the gross transactions of your personal and business bank account is unacceptable to the American people.
- The burden of this new reporting will fall on families, small businesses, and on their local banks.
- Every American must pay their taxes, but there's very little evidence suggesting the IRS estimate on unpaid taxes (dubbed the "tax gap") is accurate, given that it may be based on data from seven years ago or wild guesses on foreign transactions, cryptocurrency, concealed income, and other sectors.

READ: Fact Check: Biden's Supercharged IRS Includes Bank Reporting, Hardships for Taxpayers

READ: BRADY: Small Businesses Fear Democrats' Tax Hikes and Washington Mandates

###

RE: going to connect you to Tester's LD

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Date:	Mon, 04 Oct 2021 18:15:19 -0400
Attachments:	bankreporting_detail.pdf (92.03 kB); 9-28 Bank Reporting -- Suggested Messages for Disscussion FINAL (002).docx (20.62 kB)

Rappeport.

I have one on the reporting regime broadly (PDF); and another messaging doc (word) that is close hold bc we aren't yet ready to send around, but if you think is helpful, I can do another turn on this that is less precise on where we think policy will land (part of this issue w/ this document at present is still some sizable House/Senate differences in drafts to resolve).

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Monday, October 4, 2021 6:07 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: going to connect you to Tester's LD

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Alan who? Will do.
Didn't you do one of your famous "white pagers" on privacy?

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Monday, October 4, 2021 5:59 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: RE: going to connect you to Tester's LD

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Hi Ellen,

Thank you for flagging—we just reached out to her (Aruna knows her well). Will report back. Let me know if you hear others where we should do, we are hoping some of the Senate offices who are really enthusiastic (Carper, Warner, etc.) can do Manchin/Sinema/Shaheen/Hassan follow-up touches ASAP.

Alan story is running this week on the banks, Jeff is turning back to this this week. I suggested Chuck and Jack again, I think Alan may have tried Jack already, in case you get a chance to prod.

Look so forward to talking again soon, and THANK YOU,

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Monday, October 4, 2021 4:56 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: going to connect you to Tester's LD

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Just talked to her. She said the IRS enforcement is the SINGLE biggest issue they are hearing about back home.
And she said Tester is far more focused on privacy issues than others.

Chuck and I talked to her a bit, mentioned that you have done a lot of work with individual offices to address concerns and I said you had done a lot on privacy. We also pointed out the tax system just has to rely on people sharing info.

She knows about the revised plan and said she thinks it will get them there.

Anyway, it's Elizabeth Connelly. Presume you don't know her?

Ellen

How does the bank reporting regime work?

- The purpose of the new information reports is to provide a lens into previously opaque income streams.
- This is a piece of information that the IRS can use to try and understand when there are differences between taxpayers' reported financial positions and their true ones.
- Imagine a taxpayer who reports $100K in income to the IRS, but has $1M of inflows and outflows.
    - There may be a benign explanation for this--but it's something the IRS can prioritize looking into in its audit selection.
    - It's also important to emphasize the flip side here: today when the IRS audits those who accrue income in opaque ways, like proprietorships, it is essentially shooting in the dark. Lack of information means auditing many taxpayers who are fully compliant!
    - So honest small business owners, for example, will hugely benefit from this reporting regime, because their chances of a costly and burdensome audit will be decreased once the IRS has a lens into these income streams.
- The tax gap is concentrated on the high-end (the top 1% is responsible for nearly 30% of unpaid taxes; around $160 billion annually).
- But the reporting regime is designed to be comprehensive. The reason for this are several:
    - First, many taxpayers who are actually in the top-end of the income distribution report very little income. 72% of the tax gap for those with true income above $400K is attributable to taxpayers with reported income below $400K. So, reporting on only high-dollar accoutns severely limits the ability of these new reports to be collected and then used for enforcement actions against those with high true income. A narrow reporting regime is not an effective way to address the tax gap.
    - Second, you'd create a lot of potential for leakage out of the reporting regime and implicate privacy concerns. If you use a threshold attached to bank account levels (e.g., reporting only on accounts over some high deposit threshold), then there is an incentive to simply spread deposits across accounts and avoid the new financial reports, and that is fairly straightforward to do. If you instead use an AGI threshold for taxpayers, this becomes immensely cumbersome for financial institutions to implement. It also is a significant infringement on taxpayer privacy, because it requires the IRS to convey information to banks about which of their customers are at the top of the distribution. From the banks' perspective and the taxpayers' perspective, a broader reporting regime is vastly preferable.
- Remember, there is no change or burden for taxpayers associated with this new reporting regime. All that will happen is that taxpayers will benefit from a decreased likelihood of costly audits when the IRS is able to better target enforcement actions and has a more comprehensive understanding of taxpayers' financial positions. Perversely, this means that by limiting the reporting regime you'd actually be harming honest taxpayers, because they will benefit from the IRS having access to this information.

Bank Reporting

How the Proposal Works

- The proposal would require financial institutions and third-party payors to report gross inflows and gross outflows on their accounts one time a year (reporting would be very similar to what is done on interest reporting on the 1099-INT form, but include 2 boxes, one for gross inflows and gross outflows).

- The information collected will include gross receipts and withdrawals for accounts above the $10,000 threshold. It preserves the ability of the Secretary to require additional information in the regulatory project, including cash transactions, transactions between foreign accounts, and transactions for such accounts

<u>Several guardrails in the proposal are aimed at protecting taxpayer privacy and making clear that the IRS' tax gap efforts will be focused on the top 1%.</u>

- Greenbook: Audit rates shall not rise relative to recent years for anyone with less than $400K in actual income. Funding language speaks to this by explicating that nothing in this section is meant to increase taxes for anyone under $400K.

- Exempting wage earners, Social Security income, other federal benefits: Idea here is that banks figure out how to communicate with payroll services providers/federal government to determine which income streams are already part of other reporting regimes. If all your inflows/outflows are, e.g., from W-2 income, then no need for these reports.

    - This would exempt a lot of people from the new bank reporting regime. But it would be challenging for financial institutions to implement, which is why there is value in providing banks the option to do this. They can weigh the concerns about privacy and taxpayer data against the challenge of implementation themselves.

- From an oversight perspective, funding also provided for TIGTA and multi-year operational plan is called for.

    - The IRS funds will also provide for annual tax gap reporting that will include tracking audit rates by actual income to ensure that the IRS delivers on plan to ramp up on partnerships, global high net worth, large corporations. (Note, this piece is not part of the leg text.)

Suggested Messages for Discussion

TOPLINE MESSAGE: The purpose of this new information reporting regime is to provide a lens into previously opaque income streams. When third-party reporting exists on income, compliance rates are above 95%. In the absence of any third-party reporting, compliance rates are under 50%. For income streams like proprietorship and partnership income, which make up the sizable business income tax gap, a bit of additional information from financial institutions to the IRS will improve voluntary compliance substantially, as would-be evaders realize that the probability of their noncompliance being detected increases substantially.

- To understand how this information will be useful, imagine a taxpayer who reports $100K in income to the IRS, but has $1M of inflows and outflows. There may be a benign explanation for this, but it is something that the IRS can prioritize looking into in its audit selection.

- The tax gap is concentrated on the high-end of the distribution (the top 1% are responsible for nearly 30% of unpaid taxes, around $160 billion annually). But, the reporting regime is designed to be quite comprehensive:

    - Greenbook proposal was all accounts with inflows and outflows of more than $600.
    - Current version: $10,000 or more of gross receipts or gross withdrawals.
    - The threshold is increased substantially relative to the GB proposal. But it remains relatively low because without a comprehensive regime, you create a lot of potential for leakage and implicate taxpayer privacy concerns. Using an AGI threshold for taxpayers requires sensitive taxpayer information to flow from the IRS to financial institutions. And using a high account flow threshold creates a very simple way for taxpayers to avoid new third-party reporting: by opening up multiple accounts.

- No change or burden for taxpayers associated with new reporting regime, all that happens is taxpayers benefit from a reduced likelihood of costly audits when IRS is better able to target enforcement actions.

Tax fairness benefits minorities and low-income communities

- Over the last decade, with limited resources, IRS has pulled back from its most complex types of enforcement activity. The result is a disproportionate share of enforcement is currently focused on low-end taxpayers. A concern is that new resources—and new information from a comprehensive reporting regime—will mean more IRS scrutiny for the most vulnerable populations.

- In reality, the exact opposite is true. Compliance proposals are focused on addressing these wrongs, giving the IRS resources it needs to recruit, hire, and train the types of agents who can focus on partnership and global high-net worth audits, which take 300+ hours to complete.

- Service improvements will mean an IRS that responds efficiently and effectively to taxpayer queries, state-of-the-art technology and better information means a *lower* likelihood of a costly and burdensome audit for ordinary Americans.

There have been privacy concerns raised about the breadth of the financial reporting regime. We've heard and responded to these privacy issues in modifications to the proposal

- These concerns have been addressed, as evidenced by the threshold moving up by an order of magnitude.

- Also, plan includes exemption approach for taxpayers who are W-2 earners, those who are above threshold because of SS benefits.

- Perhaps can think about marshalling statistics about share of population who could conceivably be out of this reporting regime as a result of this approach.

- There are also cost concerns raised by financial institutions. (*Note: We have a suggestion for how to cover costs explicitly for smaller institutions. This was raised in the most recent ABA letter and has come up in several bank conversations, so is perhaps worth adopting.*)

Aggressive push against reporting by financial institutions

- Financial institutions are pushing against this proposal with truly bad-faith critiques and distortions of what the proposal will do and what it means for taxpayers.

- There has been fear mongering about the idea that this means an IRS agent on every doorstep, in every bank account, and lots of pushes for narrowing the regime in ways that will ultimately make it ineffectual by creating massive structuring opportunities for evaders.

- The most recent ABA letter suggested that $100K threshold is too low for the reporting regime—quite unreasonable and clear where their interests lie, which is protecting the top 1% who is responsible for 30% of tax gap.

- Pushing to protect wealthy tax cheats under the guise of concern that low-income taxpayers, minorities, will flee the financial sector as a result of a few more boxes on 1099-INT.

    - This is illogical—did anyone leave the financial sector after the 1099-INT was introduced?
    - Does anyone push for exemptions from W-2 reporting, which provides much more information about taxpayers to the IRS than this regime.

- This is not a tax increase; it is not an onerous burden on taxpayers—it is simply a bit of a light on opaque income streams for the IRS.

- Do banks want to facilitate evasion by their customers, in ways that disadvantage the vast majority of those who bank with them that do pay their fair share? As a matter of equity, should be our good governance partners in these efforts.

FW: The banks fight Biden's agenda by claiming the mantle of civil rights warriors

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Date:	Mon, 04 Oct 2021 22:59:52 -0400

The banks fight Biden's agenda by claiming the mantle of civil rights warriors

BY **HAILEY FUCHS** | 10/04/2021 09:57 PM EDT

In August, the Department of Justice filed and settled a lawsuit against Cadence Bank that alleged the company purposefully avoided providing services to individuals in predominantly Black and Hispanic neighborhoods.

Cadence said it believed it had been operating in compliance with lending laws. But it paid an $8.5 million fine nonetheless.

Now, the bank finds itself involved in another political battle, only this time it is part of a larger effort to claim the mantle of defending communities of color.

Cadence's trade association, the powerful American Bankers Association, is waging a war against a key component of the Biden administration's economic agenda: a requirement that financial institutions report to the Internal Revenue Service each year the gross inflows and outflows on accounts at or above a certain threshold. The financial institutions are doing it by insisting that the proposal, if enacted, would be costly and that marginalized communities would pay the disproportionate price.

According to three individuals close to the discussions, financial institutions lobbying the Hill, including minority banks, have stressed that the provision could be problematic for households of color, who have long been disproportionately left out of the banking system. They've emphasized that additional disclosure requirements would create privacy concerns, which in turn would be an additional barrier for marginalized groups or prompt existing customers to leave.

For critics, it's a misleading and whiplash-inducing effort by the finance industry to claim the moral high ground after decades of being accused of discriminatory practices. But there is some indication that the argument is resonating. The Biden administration had advocated for that minimum threshold to be set at $600, but lawmakers have reached a tentative agreement that the new threshold will be $10,000. Under that agreement, the total will not include deposits by payment processors, according to a Democratic aide.

For the banks, that's not enough. They say nearly every American will be subject to the reporting, and they want to eliminate the potential requirements altogether. They are fighting to roll the requirements back even further.

"Banks and other stakeholders have made progress in reducing the number of unbanked in the country, and we are concerned that this proposal could deter individuals who would benefit from a bank account from even applying," said Ian McKendry, a spokesperson for the American Bankers Association, in a statement. "That's not an outcome anyone should want."

Advocates of the disclosure provision say it is intended to ensure that the wealthiest pay their fair share. And experts say the financial institutions' argument is flawed, at best. At worst, said Darrick Hamilton, founding director of the Institute for the Study of Race, Stratification and Political Economy at The New School, the banks are trying to take advantage of a moment of national reckoning over racism and police brutality.

"If banks and financial institutions are concerned about Blacks and Latinx households and Indigenous households being able to access their services, then the foci needs to be on fines, fees and products that are affordable," Hamilton said. "To use race as a mechanism to skirt this requirement, regardless of whether you think this requirement is good or not, becomes disingenuous, and perhaps even a stronger word: just sad. Manipulative, cooptation, those are the words that come to mind."

The disclosure provision that Biden's team had sought to put into the reconciliation bill was considered low-hanging fruit to raise money to pay for the party's social spending and climate agenda, upon which the president's legacy hinges. The administration argues that its plan would raise $460 billion over the next decade, at least in part as a result of increased compliance once taxpayers realize the IRS has more of their information. And it wouldn't be burdensome to implement, they add. New data, the Biden administration postulates, would simply build upon the existing reporting required of financial institutions by the federal government.

In a statement, Sen. Ron Wyden (D-Ore.), chair of the Senate Finance Committee, maintained that the provision was intended to target "extremely wealthy tax cheats who are able to steal from working taxpayers," not the working class.

"For the high fliers who make most of their money through pass-through businesses and the like, there's virtually no reporting at all," he said. "So, they think they can get away with cheating and often do. This proposal is about them and ensuring they pay the taxes they already owe. ... Working folks know the tax system is mandatory for them and optional for the wealthy and they support fixing it."

The banks have marketed their opposition to the measure as a matter of protecting privacy. But opponents have also misconstrued the reach of the provision, arguing that it would require banks to report every transaction over $600. In a hearing earlier this week, Sen. Cynthia Lummis (R-Wyo.) pressed Biden's Treasury Secretary Janet Yellen on what she incorrectly believed to be a provision that required the reporting of transactions $600 or more, like the purchase of a "couch" or a "cow." (The measure does not require the reporting of individual transactions, just cumulative annual totals.)

"This is not a proposal to provide detailed transaction-level data by banks to the IRS," Yellen told lawmakers. "We have a tax gap that's estimated at 7 trillion dollars over the next decade, that is taxes that are due and are not being paid to the government that deprive us of the resources we need to do critical investments to make America more productive and competitive."

She also argued that the $600 figure, though low, was necessary so that individuals could not game the system through multiple accounts.

Both Sen. Mike Crapo (R-Idaho), ranking member on the Senate Finance Committee, and Rep. Kevin Brady (R-Texas), the ranking member on the House Ways and Means Committee, have introduced legislation that would block the new reporting requirements. Democrats in August blocked Crapo's budget bill amendment that opposed the reporting requirement. Brady is retiring. Crapo is not. This year, he received $5,000 from the Mortgage Bankers Association PAC and $2,500 from the Independent Community Bankers of America PAC, which have both opposed the measure.

In addition to those privacy concerns, financial institutions argue that the measures, namely the new infrastructure they would require, would be costly, and could create a security risk for vast quantities of personal financial information.

All told, the new requirements "would almost certainly undermine efforts to reach vulnerable populations and unbanked households," a coalition of business and financial associations wrote to congressional leaders earlier this month.

A household is "unbanked" if no one has a checking or savings account at a bank or credit union, a term often correlated with worse economic outcomes. A 2019 report from the Federal Deposit Insurance Corporation, an independent government agency, found that an estimated 5.4 percent of American households were unbanked that year. But rates varied widely among racial and ethnic groups. Among Black households, that number is 13.8 percent, and among Hispanic households, 12.2 percent.

Some evidence does suggest that skepticism of financial institutions turns away potential banking customers. The FDIC report found that 36 percent of the unbanked respondents said avoiding banks afforded more privacy, and 48.9 percent said they did not have enough money to meet minimum balance requirements.

But 36.3 percent of the unbanked respondents reported that they did not trust the banks, which experts say is a residual impact of the history of banks' discrimination against people of color. As illustrated by the case against Cadence Bank, which declined to comment for this story, there is a long and fraught history of banks refusing to issue loans to Black communities, which contributed to the country's spawning racial wealth gap. A 2018 study from the National Community Reinvestment Coalition found that the legacy of redlining, the practice whereby banks would deny services to certain neighborhoods, persists today.

When asked about the history of financial institutions marginalizing people of color, Ryan Donovan, executive vice president and chief advocacy officer at Credit Union National Association, argued that credit unions had made significant strides in diversity, equity and inclusion in recent years. And, he added, a policy requiring additional reporting and disclosure from financial institutions was not the solution to help.

But Jacob Faber, an associate professor at New York University, said financial institutions have long argued that the cost of new regulations would fall disproportionately on low-income people. Today, communities of color are less likely to have commercial banks, and those relatively few commercial banks are more likely to have higher fees and more stringent requirements for their accounts, he said, maintaining that the financial institutions' arguments about distrust with the system are cyclical.

"The banks are the ones who are stoking this undue fear so that any kind of fear associated with that is just their own fault," he said. He also argued that redlining is far from a dead practice — pointing to the discrimination case against Cadence Bank. "This is something that's kind of persistent across the whole history of the financial services industry."

View this article online.

You received this POLITICO Pro content because your customized settings include: *Taxation*, *Individual Income Tax*. You can customize all of your alert criteria on your settings page.

Rough pass on ABA response

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: Tue, 05 Oct 2021 00:13:30 -0400
Attachments: ABA_myth_fact.docx (20.67 kB); ABA and SBAs Opposition to Tax Information Reporting Proposal 09242021.pdf (140.42 kB)

Hi Ellen ,

Did the attached really quickly, let me know what you think what additional would be helpful to build out. For reference, latest ABA letter attached here as well.

All warmest wishes, and many thanks again,

Natasha

Rebuttal to key ABA points from September 24th letter

- New reporting will be dangerous from a taxpayer privacy perspective
  - Administration has designed this regime with taxpayer privacy concerns front of mind.
  - As opposed to other compliance proposals that have been advocated by outside actors, in the administration's framework, information flows only one way—from financial institutions to the IRS, as is already the case with existing information reports.
  - The proposal also includes significant resources to protect taxpayer information more broadly, giving the IRS the resources that it needs to overhaul antiquated technology and meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually.
  - The way that banks are attacking this proposal, it is as if such reporting by financial institutions is unheard of, and so these reports are a major, novel taxpayer privacy issue.
  - But that is simply not the case. Most financial accounts are already reported on to the IRS, for example banks report when accounts accumulate interest of more than $10.
  - And for ordinary Americans, much more detailed information is reported by employers to the IRS on wage and salary earnings. Result is a compliance rate of 95% for those income streams, and for less than 50% for opaque income streams where a comprehensive financial reporting regime can usefully shed light.

- Cost of implementation
  - The Biden Administration has been engaged in conversations with financial institutions around this proposal since early in the spring. They have spoken to institutions of all sizes, as well as industry groups throughout this process, and they remain in close touch as the proposal is making its way through Congress.
  - Financial institutions have stressed several design features that will lower costs/ease implementation, all of which are incorporated into the proposal, including:
    - A lengthy lead time before the first reports is required to be delivered, as it takes an average of 18 months to institute a new reporting regime, for all institutions. This has been accounted for in the proposal, with first reports covering tax year 2023 (January-December, no reports required until January 2024).
    - A simple reporting regime, building off the existing information reporting ecosystem: New financial reports build off the existing 1099-INT that is already provided by fin institutions to the IRS, adding aggregate information about account inflows and outflows.
    - Note: Despite aggressive misinformation campaign, there is NO transaction information reported to the IRS—the IRS does not care whether you buy a couch, a cow, or anything else. All that is reported is aggregate annual deposits and withdrawals.
    - Institutions also stressed that in an era where they are losing market share, it is imperative that any new reporting apply to nonbanks as well, otherwise creates an incentive to shift to e.g., Venmo and continue evasion out of reach of the reporting regime. Both as a policy matter and to ensure financial institutions are

not at a competitive disadvantage, this requirement extends to payment services providers as well.

- Financial institution executives have called this proposal "simple to enact and virtually cost-free"—banks have stressed to the Biden Administration that the costs of a simple financial reporting regime are manageable. Even so, the Administration is actively working with Congress to reduce any burden for banks, particularly for smaller financial institutions.

- Impact on average Americans
  - Low-income, minority taxpayers are today disadvantaged by a tax system that requires ordinary wage-earners pay their fair share; whereas wealthy taxpayers have significant opportunities to skirt tax laws.
  - The President's proposals will end this two-tiered tax system.
  - Rather than be burdened by a new reporting regime, compliant taxpayers will gain from it: When the IRS determines who to audit today, it is essentially shooting in the dark, since it has no lens into opaque income streams that allow it to ascertain which taxpayers may be skirting their tax liabilities—and which taxpayers are fully compliant.
  - Honest small business owners—who are the vast majority—will benefit from the IRS's ability to better target enforcement actions against those who are evading their tax obligations.
  - Broad compliance agenda includes providing the IRS with the information, and also the resources, that it needs to police top-end evasion. Over the last decade, a 20% budget cut has meant a 20% decline in the IRS' workforce, with losses most pronounced for complex revenue agents who are skillful and able to spend hundreds of hours deciphering thousands of pages of tax returns.
    - IRS lacks these resources today—why audit rate for millionaires has fallen most in the last decade, such that today examined at the same rate as EITC recipients. This must change.

- How would this information be useful to the IRS in targeting high-end tax evasion?
  - The purpose of the new information reports is to provide a lens into previously opaque income streams. This isn't the kind of information that is going to be matched to an individual tax filing—that is absolutely true.
  - But it is a piece of information that the IRS can use to try and understand when there are differences between taxpayers' reported financial positions and their true ones. Imagine a taxpayer who reports $100K in income to the IRS but has $1M of inflows and outflows. There may be a benign explanation for this--but it's something the IRS can prioritize looking into in its audit selection.
  - It's also important to emphasize the flip side here: today when the IRS audits those who accrue income in opaque ways, like proprietorships, it is essentially shooting in the dark. It has no way of trying to disentangle compliant taxpayers from those who are not.
  - This is a piece of evidence that the IRS can usefully deploy in that inquiry. So honest small business owners, for example, will hugely benefit from this reporting regime,

    - because their chances of a costly and burdensome audit will be decreased once the IRS has a lens into these income streams.
    - Imperative to the efficacy of this new regime will be giving the IRS resources to implement it. For reporting to be most useful, the IRS needs the funding to understand and process the information it receives.

- ABA says even $100K threshold is unacceptable, highlighting the unreasonableness of their stance. But if asked why not a higher threshold if you're focused on high-end evasion:

    - The issue with using any income threshold for a new reporting is that it deteriorates the efficacy of the entire regime. The reasons for this are several:
    - First, many taxpayers who are actually in the top-end of the income distribution report very little income. 72% of the tax gap for those with true income above $400K is attributable to taxpayers with reported income below $400K. So, a reported income threshold severely limits the ability of these new reports to be collected and then used for enforcement actions against those with high true income.
    - A narrow reporting regime is not an effective way to address the tax gap.
    - Second (and relevant to future reconciliation efforts), unsurprisingly the revenue estimate associated with any narrow financial reporting proposal is going to be minor.
    - Third, you'd likely create a lot of potential for leakage out of the reporting regime and implicate privacy concerns. If you use a threshold attached to bank account levels (e.g., reporting only on accounts over some high deposit threshold), then there is an incentive to simply spread deposits across accounts and avoid the new financial reports, and that is fairly straightforward to do. If you instead use an AGI threshold for taxpayers, this becomes immensely cumbersome for financial institutions to implement, requiring a determination of which taxpayers are above and below the relevant threshold. It also is a significant infringement on taxpayer privacy, because it requires the IRS to convey information to banks about which of their customers are at the top of the distribution. From the banks' perspective and the taxpayers' perspective, a broader reporting regime is vastly preferable.
    - Remember, there is no change or burden for taxpayers associated with this new reporting regime. All that will happen is that taxpayers will benefit from a decreased likelihood of costly audits when the IRS is able to better target enforcement actions and has a more comprehensive understanding of taxpayers' financial positions. Perversely, this means that by limiting the reporting regime you'd actually be harming honest taxpayers, because they will benefit from the IRS having access to this information.

- This proposal will drive current and potential customers to be under- and unbanked
    - No one has ever sought exemptions to W-2 reporting, or 1099-INT reporting by financial institutions, based on some notion that relaying information to the IRS will prompt taxpayers to leave the traditional financial sector.
    - It is hard to imagine that you will realistically see a bunch of customer exodus because banks are reporting two additional boxes on the 1099-INT.
    - Financial institutions have been stressing that their customers are concerned about this proposal and have complained about it—but taxpayer fears are being stirred up by the financial institutions directly, and they are not hiding their fearmongering.

- Seems hard to imagine that a $200B business tax gap will shift out of financial sector in light of the new reporting regime. Does seems possible that there would be leakage e.g. to crypto, also to Venmo, or structuring incentives across institutions to avoid the reporting regime. But the compliance initiatives address all the above—new crypto reporting in bipar; new reporting applies to Venmo; and also strong anti-structuring provisions, as well as a broad-based regime to identify malfeasance.

September 24, 2021

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Pelosi and Minority Leader McCarthy:

On behalf of our members, the American Bankers Association[1] (ABA) and state bankers associations representing banks in urban, rural, and suburban communities across the country, write to express our strong opposition to the proposed tax information reporting requirement.

Reports suggest that the proposal may be included in a revised reconciliation package. While policymakers insist this provision is aimed at high income earners, it sweeps in almost any American with a bank account. This is bad public policy and should be rejected.

As evidenced by the strong opposition from individual taxpayers, small businesses, and financial institutions, this proposal raises significant concerns regarding the privacy of personal financial information, cost of implementation, and impact on average Americans. Moreover, considering the high level of new information provided to the IRS over the past several years (including foreign account information and credit and debit card inflows to merchants), the Administration has failed to explain how this new information would be utilized to close the tax gap, and why virtually every American should sacrifice their financial privacy to enable closer inspection of the top 1% of taxpayers. Additionally, this proposal will undoubtedly drive current and potential customers, including the under- and unbanked, away from the banking industry.

Regardless of the threshold, financial institutions would be required to develop the necessary technology and processes to identify the accounts, report to the IRS and customers, and educate customers and bank staff on what the information does (and does not) mean. The costs and related process improvements are fixed and will not materially change with threshold changes.

Similarly, the impact on average Americans and the safety and privacy of their financial information would not be mitigated by raising the reporting threshold to $10,000 or even $100,000. The proposal contemplates reporting on gross annual inflows and outflows of customer accounts. Consider a taxpayer who earns $18 an hour, has no other income, and pays rent and other living expenses – the sum of gross inflows and outflows after taxes would be around $60,000. Self-employed contractors who buy materials and install them for customers, will commonly have gross inflows and outflows that far exceed the income they earn. These are

[1] *The American Bankers Association is the voice of the nation's $22.8 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard nearly $19 trillion in deposits and extend $11 trillion in loans.*

simple examples of what likely would be significant amounts of information generated by this new regime and reported to the IRS regarding the accounts of average Americans. In the end, whether it is average workers or self-employed citizens virtually all Americans will be subject to this new reporting. The taxable portions of this activity are already generally captured by existing reporting, and it is unclear how these additional details will help the IRS target tax cheats in the top 1% of reporters.

We again urge policymakers to consider the massive amount of information that will be generated by this proposed regime and its implicit presumption that all taxpayers are not honoring their tax obligations. Please evaluate the proposal at its face: the unprecedented generation of taxpayer information, most of which will be irrelevant to the calculation of taxpayers' taxable income, being transmitted and stored in an uncertain environment, with significant cost to taxpayers and financial institutions.

We strongly support ensuring that everyone pay their fair share of taxes, but we believe that only a more targeted approach aimed at those truly suspected of tax avoidance merits consideration. Creating a dragnet targeted at all taxpayer accounts simply goes too far.

This is bad tax policy. Do not advance this proposal – regardless of the threshold.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association

Mississippi Bankers Association
Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association
North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association

cc: The Honorable Richard Neal
The Honorable Kevin Brady
The Honorable Maxine Waters
The Honorable Patrick McHenry

RE: timely

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>, Anne Steward <asteward@cbpp.org>
Date: Tue, 05 Oct 2021 11:19:45 -0400
Attachments: ABA_myth_fact_v2.docx (22.01 kB)

Hi Ellen,

I think this is great to send if okay to come from you? Checked in with Kim and Aruna, they are good w/ JEC having as well.

I updated slightly to include details related to the revenue potential here, as that was an additional point the (crazy) WSJ editorial made today: https://www.wsj.com/articles/internal-revenue-service-irs-rettig-yellen-brady-bank-account-tax-proposal-revenue-privacy-data-breach-11633287461

SFC is going to put together a myths/facts document, I hope by Friday, to circulate broadly…happy to do a version of this too if you think helpful. It feels somewhat weedsy and long in this form.

All best wishes,

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Tuesday, October 5, 2021 9:48 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>; Anne Steward <asteward@cbpp.org>
Subject: timely
Importance: High

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Natasha,
As you know, JEC is having this revenue hearing tomorrow. The Staff Director, Tamara Fucile, used to work with us at the Center. I talked to her about the new ABA attack and having her Dems ready to respond. OF course Kim will handle any debate on this powerfully. But tamara asked if we had TPs on this. I'll give her Chuck's paper but she really wants short bullets. Natasha, is there any chance I could send what you shared last night. Or I could tell her we don't have TPs but just tell her I think Treasury has them and she should ask Kim?

I have to get back to Tamara quickly given tomorrow's hearing.

And we all know Chye Ching will help here too.

Are you all providing a document we CAN share w/ Dems who want rebuttal to ABA letter?
tx

Ellen Nissenbaum
Senior Vice President for Government Affairs
CBPP
(202)408-1080
(202)[redacted] *(cell)*

Rebuttal to key ABA points from September 24th letter

- New reporting will be dangerous from a taxpayer privacy perspective
  - Administration has designed this regime with taxpayer privacy concerns front of mind.
  - As opposed to other compliance proposals that have been advocated by outside actors, in the administration's framework, information flows only one way—from financial institutions to the IRS, as is already the case with existing information reports.
  - The proposal also includes significant resources to protect taxpayer information more broadly, giving the IRS the resources that it needs to overhaul antiquated technology and meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually.
  - The way that banks are attacking this proposal, it is as if such reporting by financial institutions is unheard of, and so these reports are a major, novel taxpayer privacy issue.
  - But that is simply not the case. Most financial accounts are already reported on to the IRS, for example banks report when accounts accumulate interest of more than $10.
  - And for ordinary Americans, much more detailed information is reported by employers to the IRS on wage and salary earnings. Result is a compliance rate of 95% for those income streams, and for less than 50% for opaque income streams where a comprehensive financial reporting regime can usefully shed light.

- Cost of implementation
  - The Biden Administration has been engaged in conversations with financial institutions around this proposal since early in the spring. They have spoken to institutions of all sizes, as well as industry groups throughout this process, and they remain in close touch as the proposal is making its way through Congress.
  - Financial institutions have stressed several design features that will lower costs/ease implementation, all of which are incorporated into the proposal, including:
    - A lengthy lead time before the first reports is required to be delivered, as it takes an average of 18 months to institute a new reporting regime, for all institutions. This has been accounted for in the proposal, with first reports covering tax year 2023 (January-December, no reports required until January 2024).
    - A simple reporting regime, building off the existing information reporting ecosystem: New financial reports build off the existing 1099-INT that is already provided by fin institutions to the IRS, adding aggregate information about account inflows and outflows.
    - Note: Despite aggressive misinformation campaign, there is NO transaction information reported to the IRS—the IRS does not care whether you buy a couch, a cow, or anything else. All that is reported is aggregate annual deposits and withdrawals.
    - Institutions also stressed that in an era where they are losing market share, it is imperative that any new reporting apply to nonbanks as well, otherwise creates an incentive to shift to e.g., Venmo and continue evasion out of reach of the reporting regime. Both as a policy matter and to ensure financial institutions are

not at a competitive disadvantage, this requirement extends to payment services providers as well.

- Financial institution executives have called this proposal "simple to enact and virtually cost-free"—banks have stressed to the Biden Administration that the costs of a simple financial reporting regime are manageable. Even so, the Administration is actively working with Congress to reduce any burden for banks, particularly for smaller financial institutions.

- Impact on average Americans
  - Low-income, minority taxpayers are today disadvantaged by a tax system that requires ordinary wage-earners pay their fair share; whereas wealthy taxpayers have significant opportunities to skirt tax laws.
  - The President's proposals will end this two-tiered tax system.
  - Rather than be burdened by a new reporting regime, compliant taxpayers will gain from it: When the IRS determines who to audit today, it is essentially shooting in the dark, since it has no lens into opaque income streams that allow it to ascertain which taxpayers may be skirting their tax liabilities—and which taxpayers are fully compliant.
  - Honest small business owners—who are the vast majority—will benefit from the IRS's ability to better target enforcement actions against those who are evading their tax obligations.
  - Broad compliance agenda includes providing the IRS with the information, and also the resources, that it needs to police top-end evasion. Over the last decade, a 20% budget cut has meant a 20% decline in the IRS' workforce, with losses most pronounced for complex revenue agents who are skillful and able to spend hundreds of hours deciphering thousands of pages of tax returns.
    - IRS lacks these resources today—why audit rate for millionaires has fallen most in the last decade, such that today examined at the same rate as EITC recipients. This must change.

- How would this information be useful to the IRS in targeting high-end tax evasion?

  - The purpose of the new information reports is to provide a lens into previously opaque income streams. This isn't the kind of information that is going to be matched to an individual tax filing—that is absolutely true.
  - But it is a piece of information that the IRS can use to try and understand when there are differences between taxpayers' reported financial positions and their true ones. Imagine a taxpayer who reports $100K in income to the IRS but has $1M of inflows and outflows. There may be a benign explanation for this--but it's something the IRS can prioritize looking into in its audit selection.
  - It's also important to emphasize the flip side here: today when the IRS audits those who accrue income in opaque ways, like proprietorships, it is essentially shooting in the dark. It has no way of trying to disentangle compliant taxpayers from those who are not.
  - This is a piece of evidence that the IRS can usefully deploy in that inquiry. So honest small business owners, for example, will hugely benefit from this reporting regime,

because their chances of a costly and burdensome audit will be decreased once the IRS has a lens into these income streams.
    - Imperative to the efficacy of this new regime will be giving the IRS resources to implement it. For reporting to be most useful, the IRS needs the funding to understand and process the information it receives.

- ABA says even $100K threshold is unacceptable, highlighting the unreasonableness of their stance. But if asked why not a higher threshold if you're focused on high-end evasion:
    - The issue with using any income threshold for a new reporting is that it deteriorates the efficacy of the entire regime. The reasons for this are several:
    - First, many taxpayers who are actually in the top-end of the income distribution report very little income. 72% of the tax gap for those with true income above $400K is attributable to taxpayers with reported income below $400K. So, a reported income threshold severely limits the ability of these new reports to be collected and then used for enforcement actions against those with high true income.
    - A narrow reporting regime is not an effective way to address the tax gap.
    - Second (and relevant to future reconciliation efforts), unsurprisingly the revenue estimate associated with any narrow financial reporting proposal is going to be minor.
    - Third, you'd likely create a lot of potential for leakage out of the reporting regime and implicate privacy concerns. If you use a threshold attached to bank account levels (e.g., reporting only on accounts over some high deposit threshold), then there is an incentive to simply spread deposits across accounts and avoid the new financial reports, and that is fairly straightforward to do. If you instead use an AGI threshold for taxpayers, this becomes immensely cumbersome for financial institutions to implement, requiring a determination of which taxpayers are above and below the relevant threshold. It also is a significant infringement on taxpayer privacy, because it requires the IRS to convey information to banks about which of their customers are at the top of the distribution. From the banks' perspective and the taxpayers' perspective, a broader reporting regime is vastly preferable.
    - Remember, there is no change or burden for taxpayers associated with this new reporting regime. All that will happen is that taxpayers will benefit from a decreased likelihood of costly audits when the IRS is able to better target enforcement actions and has a more comprehensive understanding of taxpayers' financial positions. Perversely, this means that by limiting the reporting regime you'd actually be harming honest taxpayers, because they will benefit from the IRS having access to this information.

- This proposal will drive current and potential customers to be under- and unbanked
    - No one has ever sought exemptions to W-2 reporting, or 1099-INT reporting by financial institutions, based on some notion that relaying information to the IRS will prompt taxpayers to leave the traditional financial sector.
    - It is hard to imagine that you will realistically see a bunch of customer exodus because banks are reporting two additional boxes on the 1099-INT.
    - Financial institutions have been stressing that their customers are concerned about this proposal and have complained about it—but taxpayer fears are being stirred up by the financial institutions directly, and they are not hiding their fearmongering.

- Seems hard to imagine that a \$200B business tax gap will shift out of financial sector in light of the new reporting regime. Does seems possible that there would be leakage e.g. to crypto, also to Venmo, or structuring incentives across institutions to avoid the reporting regime. But the compliance initiatives address all the above—new crypto reporting in bipar; new reporting applies to Venmo; and also strong anti-structuring provisions, as well as a broad-based regime to identify malfeasance.

- This proposal will not raise the revenue it promises
  - Compliance agenda estimated to generate at least \$700 billion in the next decade, over twice that in the second decade.
  - That is a large total, but noncompliance is a large problem: The tax gap is estimated from random audit studies, estimate from the IRS is that it totaled \$600 billion next year.
    - Extrapolated for growth over the next decade, that is over \$7 trillion.
  - The Treasury \$700 billion estimate is, if anything, conservative. One can see this in many ways.
    - First, comparing to outside estimates: Sarin and Summers suggest a robust attack on the tax gap can generate over \$1 trillion over the course of a decade. Former IRS Commissioner Charles Rossotti estimates closer to \$1.6 trillion. The Treasury \$700 billion estimate is modest relative to these academic experts.
    - Second, comparing to outside scores: Penn Wharton Budget Model, for example, scored the Administration's compliance initiatives as generating \$480 billion over a decade. The discrepancy between this and Treasury's \$700 billion estimate is entirely about ramp up: Over a 15-year window, there is no difference between the two estimates.
    - Third, considering what is left out of the Treasury estimates: updating 1960s technology and improving customer service will increase compliance. But no ROI figures exist for non-enforcement activities, so these are left out of the revenue totals.
    - So too is the fact that when you introduce financial reporting regime, there will be more efficient enforcement activity that will increase collections directly. All that is accounted for is the effect on voluntary compliance.

follow up

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Connolly, Elizabeth (Tester)" <elizabeth_connolly@tester.senate.gov>, "Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc: Paul Jones <pjones@cbpp.org>
Date: Wed, 06 Oct 2021 09:16:03 -0400

Elizabeth,
Thanks for the chat on Monday. Following up as promised...

On the IRS enforcement issue...

1. Connecting you in this email with Natasha Sarin who leads the work for Treasury Sec. Yellin at Treasury on the IRS funding/enforcement proposal to close the tax gap. Natasha is totally amazing, and has helped a ton of staff address their boss' questions and concerns. I know a lot of staff have relief on her explanations, memos and TPs! Natasha and I have been talking about the Republicans' renewed attacks on this proposal and the best way to respond.
2. Here's our piece taking on a lot of the banking industry's false/misleading claims on the IRS enforcement proposal:

[Reducing the Tax Gap: 5 Key Points on Information Reporting | Center on Budget and Policy Priorities (cbpp.org)]

On the CTC issue – forgive me, but I forgot what you said would be helpful. Was it data on how the CTC expansion disproportionately helps families in rural communities? Native American communities?
And did you need something (TPs? Our analysis?) on why taking away the credit from kids whose parents don't have earnings would be so harmful – and is unnecessary since the vast majority of CTC families who benefit from refundability are working or have parents/caretakers who are elderly, sick/disabled or are in college or caring for a very young child.

Sorry, juggling a million things and didn't write down what you wanted re the CTC.

Holler if you need anything else. You'll love working w/ Natasha!
Thanks,
Ellen
CBPP

RE: New industry/bank letter on IRS reporting

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Date:	Sun, 17 Oct 2021 20:20:20 -0400
Attachments:	irs_compliance_10152021.docx (21.33 kB)

Also, in case useful, I did a point-by-point on this trades letter with their ridiculous charges, so sharing that with you here.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Friday, October 15, 2021 1:14 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: FW: New industry/bank letter on IRS reporting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Diod you line this up?

Subject: RE: New industry/bank letter on IRS reporting

And here's another good fact check piece from AP: https://hyperlink.services.treasury.gov/agency.do?origin=https://apnews.com/article/fact-checking-407849893636?utm_medium=APFactCheck&utm_source=Twitter&utm_campaign=SocialFlow.

From: Samantha Jacoby
Sent: Friday, October 15, 2021 10:13 AM
To: Chuck Marr <marr@cbpp.org>; Ellen Nissenbaum <nissenbaum@cbpp.org>; Seth Hanlon <shanlon@americanprogress.org>; Chye-Ching Huang <chye.ching.huang@nyu.edu>
Subject: New industry/bank letter on IRS reporting

In case you haven't seen it yet: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.aba.com/-/media/documents/letters-to-congress-and-regulators/joint-trades-letter-on-tax-info-reporting-10142021.pdf?rev=29f1a97b1a1445da8ebd50f1fad8ca14. The signers look like a bunch of trade associations representing mostly pass-through businesses. I can see why they'd be opposed to more reporting…

Samantha Jacoby
Senior Tax Legal Analyst
Center on Budget and Policy Priorities
1275 First Street NE, Suite 1200 | Washington, DC 20002
(202) 408-1080 | sjacoby@cbpp.org
https://hyperlink.services.treasury.gov/agency.do?origin=www.cbpp.org
Pronouns: she/her/hers

Response to Joint Trades "Charge and Response", October 14

Charge: This proposal will not affect most Americans.

That is true. The types of income that accrue to American workers (wage income, Social Security benefits, pension income, unemployment benefits, interest income from investments, etc.) is already reported on to the IRS by third parties like financial institutions and employers. The existence of cross-party information is extremely important from a compliance perspective, because when third-party information exists, compliance rates are above 95%. This is because would-be tax evaders realize that there is a high likelihood that there evasion will be detected by the IRS, and so this encourages honesty in tax filing.

The only types of income that are not reported on to the IRS are opaque income sources that accrue disproportionately to high-earners—like proprietorship income and partnership income. The lack of third-party information for the IRS to confirm the veracity of taxpayer filings results in compliance rates that are under 50%.

The Biden Administration's proposal involved reporting on a large swath of financial accounts in the United States. Congress has narrowed the proposal substantially, raising the threshold before reporting occurs on a financial account to $10,000 of flows—building off of an existing information reporting ecosystem. Further, income from non-opaque income streams—like wage income and Social Security benefits—can be excluded by financial institutions. This sort of carve out does not require any new information to be provided by the IRS to financial institutions. Instead, it requires a bit more processing by financial institutions to exclude certain types of depositors from consideration. This will achieve financial institutions' stated goal of narrowing the reporting regime sizably and tailoring it to cover only those taxpayers who earn income in opaque ways.

Charge: This proposal targets wealthy Americans who do not pay what they owe in taxes.

That is true. The concentration of the tax gap is such that its benefits accrue disproportionately to those at the top of the distribution. The top 1% is responsible for 28% of the tax gap, or around $160 billion in unpaid taxes over the course of the last decade. And yet, as the IRS has been deprived of resources, it has shrunk back from audit activity on the high-end, as workforce losses have been most pronounced for complex revenue agents, who are trained to spend 300 hours on challenging complex partnership and global high net-worth returns. The result is that the top 1% is audited today at similar rates as those on the EITC. As a matter of revenue-raising—but even more importantly, as a matter of equity—this is problematic.

The Biden Administration's proposal is focused on addressing this inequity—additional IRS resources will be focused on high-end evaders who do not pay what they owe. In fact, audit rates will not rise relative to recent years for making under $400,000 a year. Moreover, additional IRS information is about providing a lens into opaque income streams that accrue disproportionately to the high-end and drive noncompliance.

A question we hear is why not have reporting requirement apply only to high-earners accounts. The issue with any such income threshold is that it limits the efficacy of any new reporting regime. The reasons for this are several. First, if we were to use an AGI threshold, this would require very detailed information about taxpayers' financial positions to flow from the IRS to financial institutions. Instead, under the congressional proposal, information only flows one way—the way it already does—from the banks, to the IRS. Further, there is no real way to apply an income threshold that is effective in practice, because many taxpayers who are actually in the top-end of the income distribution report very little income. 72% of the tax gap for those with through income above $400,000 is attributable to those with reported income below $400,000.

An alternative in theory would be to apply the reporting only to accounts with flows above a certain very high threshold. But this limits the efficacy of a reporting regime, because it creates a lot of leakage: If you use a threshold attached to bank account levels (e.g., reporting only on accounts over some high deposit threshold), then there is an incentive to simply spread deposits across accounts and avoid the new financial reports.

Remember, there is no change or burden for taxpayers associated with this new reporting regime. All that will happen is that taxpayers will benefit from a decreased likelihood of costly audits when the IRS is able to better target enforcement actions and has a more comprehensive understanding of taxpayers' financial positions.

Perversely, this means that by limiting the reporting regime you'd actually be harming honest taxpayers, because they will benefit from the IRS having access to this information.

Charge: The IRS reporting requirement would simply require financial institutions to add two pieces of information on Form 1099-INT.

That is true. The proposals under consideration built on the existing information reporting that banks already send to the IRS on total interest income for all accounts with more than $10 in interest. Building off of the existing 1099-INT is a way to ensure that the proposal will be easily implementable.

Financial institution complaints about compliance costs are at odds with leading banking experts who have stated publicly that the reporting regime under consideration would be simple to enact and virtually cost-free for banks.[1]

In conversations with Treasury, financial institutions of all sizes—including smaller institutions—have stressed that the simplest form of financial reporting under consideration would be straightforward to implement. They also provided input on several design features that were ultimately adopted (for example, a length lead time before the effective date of this proposal, and that any reporting apply to nonbank payment services providers as well) that were ultimately adopted in order to create a simple, easily implementable, and fair reporting regime.

Charge: This proposal would only add costs to financial institutions, not to taxpayers.

This proposal would add absolutely no costs to taxpayers. There is no reconciliation requirement associated with this information reporting regime whatsoever. Bank account information is not a line

---

[1] Charles Ellis and Alexander Boyle. "Banks are Wrong to Fight Proposed New IRS Disclosure Rule." Bloomberg. September 28, 2021. https://www.bloomberg.com/opinion/articles/2021-09-28/banks-are-wrong-to-fight-proposed-new-irs-disclosure-rule?sref=LPdcbdXL

item on an individual tax return, so it is nonsensical fear-mongering to suggest that taxpayers or business owners would be producing explanations about disparities between the two.

To the extent that there are any costs associated with the proposal, they are for financial institutions, who will have to add two numbers on total dollars into accounts and total dollars out of accounts to existing information reports that they provide to the IRS. The regime was designed to minimize any compliance burden for financial institutions, which it has done by simple, annual reporting that adds to an existing 1099-INT. Finance industry experts have made clear that this regime is "virtually cost-free" for financial institutions.

Charge: Financial institutions already report financial transactions over $10,000, so setting a reporting threshold at that level would eliminate additional reporting burden and ease privacy concerns.

There has been a massive misinformation campaign about this proposal quietly funded by a few wealthy families who have attacked financial reporting on taxpayer privacy grounds. This argument is specious. All financial accounts that earn at least $10 in interest are already reported on to the IRS. And for American workers, much more detailed third-party reporting exists on the wages they earn.

That said, Congress has responded to concerns about the scope of any reporting regime. That is why it has crafted guardrails to tailor the reporting on wealthy tax evaders who accrue income in opaque ways. Specifically, it has designed a carve out for income from wages and federal benefits, like Social Security, from any reporting. Practically, this means no additional reporting from American workers, who accrue income in ways that are already reported on to the IRS, like wages, pension income, and federal benefits—and as such, are already complaint with their tax obligations.

From a privacy perspective, it is important to emphasize that the IRS will receive no information whatsoever, and have no ability whatsoever, to track specific transactions. Any additional reporting will be minor: just total money into accounts and total money out of them. To help further safeguard taxpayer privacy, financial services providers could report these totals to the nearest $1,000.

Charge: The IRS is well-positioned to securely handle this additional reporting.

Protecting taxpayer privacy is at the core of the IRS's mission, and it is a significant focus of this Administration's compliance efforts. Despite running on outdated technological infrastructure, today the IRS works diligently to safeguard the 240 million tax returns it receives each year, which contain much more granular information about financial positions than rounded estimates of the total money flowing into taxpayer accounts, and the total money coming out of them that is at the crux of the financial reporting proposal.

It is true that today the IRS runs on outdated technological infrastructure. Updating these legacy systems is essential to ensure that the technology that undergirds the IRS can keep pace with the technology that undergirds the economy, and the threats that it experiences. That is why the Biden Administration's compliance proposals include significant resources that are focused precisely on protecting taxpayer information, by modernizing technological systems and investing even more in state-of-the-art privacy controls to prepare the agency to meet the 1.4 billion cyberattacks the IRS experiences annually.

The fact that the IRS experiences these threats is a reason to provide it the resources it needs to address them. It is not a reason to push back against provide the IRS the information it needs to pursue wealthy evaders who accrue income in opaque ways.

According to Figure 1, the following is how long it would take to recover approximately $1.4 trillion using each estimate:

Table 2. Estimated Time to Recover Cumulative Total of $1.4 Trillion

Treasury tax compliance plan	14 years
PWBM	15 years
STTG plan	11 years

A closer look at the revenue estimates.

Each of these estimates used different methods to arrive at similar conclusions.

The Treasury estimate has two parts: an estimate of the increased compliance related to the increased information reporting, and a traditional ratio of revenue to cost for the increase in auditing. Although it acknowledges the importance of the investment in technology, it does not ascribe any specific revenue to that aspect of the program.

In their recent editorial supporting the administration's proposed investment in the IRS, five former secretaries of the Treasury explain the difference between our $1.4 trillion, 10-year revenue estimate and Treasury's $700 billion estimate as follows:

> This is because [the STTG's estimates] include, for example, modernizing outdated technological systems and improving taxpayer experiences with the I.R.S. — elements of the Administration's proposal whose revenue impact is not accounted for.[17]

The PWBM is a very detailed microsimulation model that uses a sample of tax returns and demographic data to estimate taxpayer response to tax change. Its model of the administration's proposal shows year-by-year gains in tax revenue. Although it is comprehensive, the model does not include an estimate of revenue gains from passthrough businesses at the business-entity level, which is a component of the other two estimates. In that respect, its estimate is inherently lower.

The STTG plan estimates the revenue gain by calculating how much would be added by moving income from the lowest-visibility category to the next-highest category over a 10-year period. Compliance rates by visibility category are well documented in IRS studies. The STTG estimate builds faster because of the use of technology, but by the 11th year, our estimate of the annual gain is almost identical to that of the PWBM.

Below in figure 2 is the traditional chart on income visibility and how it would change under our proposal[18] — although not reaching the improved level after 10 full years of investment.

One key fact about all these estimates is that the amount of revenue gained builds year by year and does not end after the first 10-year period. Rather, the gain continues to grow in both annual size and cumulative amount. This is very important for federal finances because the key financial problem for the federal government is not a short-term cash problem but rather a growing long-term debt.

Another key fact is that in all three estimates, the cumulative revenue gained exceeds the cumulative cost after only a few years and then produces gains far exceeding the costs.

If three different estimators, each using different methods, arrive at a similar conclusion, are they all wrong, or is their conclusion roughly right?

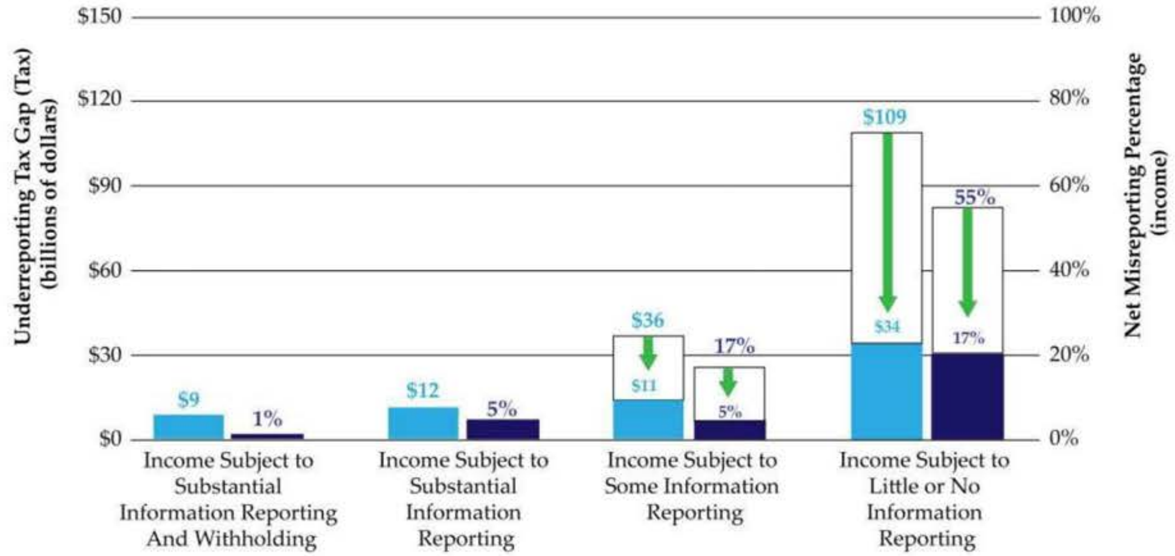
4. Is this program all about money? What about taxpayer service and taxpayer rights?

Helping taxpayers comply with the law and treating taxpayers fairly when there is a dispute are critical components of any program to achieve maximum overall tax compliance. Maximum voluntary compliance is the goal. The easier it is for taxpayers to comply, and the more confidence taxpayers have that others are also paying, the more likely it is to achieve this goal. In both our estimate and the Treasury estimate, most of the revenue gain would come from increased voluntary compliance.

[17] Timothy F. Geithner et al., "We Ran the Treasury Department. This Is How to Fix Tax Evasion," *The New York Times*, June 9, 2021.

[18] IRS, "Federal Tax Compliance," *supra* note 4.

Figure 2. Tax Year 2011-2013 Individual Income Tax Underreporting Tax Gap and Net Misreporting Percentage Estimates by 'Visibility' Category of Income Items



a. Taxpayer service.

The consistent funding for technology and staffing investment provided for in the administration's plan would improve the quality of service to taxpayers in two ways that are most important to taxpayers: prompt and efficient resolution of issues, and avoidance of unnecessary audits.

When a taxpayer receives a letter from the IRS, often stating a problem of some kind with the taxpayer's return, it is an important and sometimes stressful communication that needs to be resolved promptly and fairly.

Today, even a simple examination (called a correspondence exam) is often initiated by a letter from the IRS that is neither clear nor specific about the issue or how to resolve it. Even these simple cases typically take more than six months to resolve.[19] Moreover, lack of adequate staffing and inadequate tools for employees often make it very slow or difficult to reach an IRS employee who can resolve a case, even when the taxpayer wants to comply.

New technology will allow the IRS to make letters more specific and clearer, provide for a wider range of options for IRS employees to communicate with taxpayers, and provide IRS employees better tools to resolve cases. The increased staffing resources will provide for an adequate number of well-trained employees to resolve taxpayer issues promptly.

The technology provided for in the administration's plan will also allow the IRS to reduce the number of so-called false positive audits — namely, audits in which no deficiency is found. Those audits are unnecessary and costly to the taxpayers and the IRS, and today they can be as high as 20 percent for individuals and even higher for businesses. These false positive rates would be even higher if cases in which only immaterial amounts of deficiencies were included. Modern technology that uses all the information available to the IRS before starting an audit will enable a much more effective and accurate way to identify returns and issues on returns with the largest deficiencies.

b. Taxpayer rights.

All taxpayers are entitled to protections that are mandatory for the IRS to observe whenever the agency exercises its authority to audit a return

[19] GAO, "IRS Correspondence Audits," *supra* note 12.

24_053-E1-00000143 PPT-TREAS-000143

or to propose a deficiency. When Congress passes legislation providing authority to the IRS, it often establishes new or clarified taxpayer rights. The following are two of the most important rights relevant to the proposed tax compliance plan:

- *Issue resolution process.* No taxpayer should ever be presented with a notice asserting a deficiency in tax without a prompt opportunity to communicate with a qualified IRS employee who has the skills, tools, and data to explain the basis for the asserted deficiency and how it can be resolved. This commitment could be further clarified by law or regulation.
- *Appeal rights.* Right of appeal of an asserted deficiency to the IRS Independent Office of Appeals (recently strengthened by the Taxpayer First Act).

Although taxpayer rights are established in law, funding is still required to ensure their observance in practice. The right of appeal, for example, is not effective if there are no qualified Appeals officers to hear the appeal in a reasonable time. The administration's funding plan will assure adequate funding to observe taxpayer rights as an integral part of the enforcement process.

Every taxpayer is required by law to file an accurate return and pay the tax due and sometimes must interact with the IRS to resolve problems. Should the IRS have the technology and the resources, as well as the obligation, to perform its part of this process efficiently and fairly, or should the current situation continue?

5. Is an additional Form 1099 information report too much of an invasion of privacy?

The administration's plan proposes additional information reporting on the annual total inflows and outflows of some financial accounts. That report will fill in a current gap in third-party reporting of business income, providing the taxpayer information to help prepare an accurate return and providing the IRS information to check returns.

Here is the way information reporting works today:

- If your grandmother has $1,000 per month in Social Security payments, the Social Security Administration reports that to the IRS.
- If you sell stock worth $10,000, your broker will send a Form 1099 to the IRS saying how much money you received and what you paid for the stock, regardless of how much or little other income you earned.
- If your daughter received $900 from selling her handmade pottery on eBay, the IRS will get a Form 1099 showing how much she received, even if that amount is less than what it cost her more to make the pottery.
- If a grocery clerk received a $500 bonus for working during the pandemic, the IRS will get a Form W-2 reporting that income.
- If a retired couple receives $2,500 from short-term rentals of their home while they are away visiting their grandchildren, the IRS will receive a Form 1099 showing their rental receipts.
- If your grandson has a bank account that earned $50 in interest, the bank will send a Form 1099 to the IRS reporting that interest.

The IRS now receives more than 3.3 billion information reports on 30 different forms.[20] The number of reports will increase significantly because new legislation reduced the reporting threshold from $20,000 to $600 on payments made to individuals by all third-party payers, not only by banks.

Largely because of information reporting, 99.5 percent of tax revenue is received by the IRS without having to do any auditing.[21]

If everyday workers have sources of their income reported to the IRS by a bank or other third party, why should some upper-income earners be exempt from reporting?

Is it an invasion of privacy if the IRS receives a Form 1099 reporting only two annual summary numbers: money in and money out of an account (no transaction details would be disclosed)?

If information is not reported to the IRS by a third party, the agency can get the same

[20] IRS Publication 6961, "Calendar Year Projections of Information and Withholding Documents for the United States and IRS Campuses, 2018 Update" (Aug. 2018).

[21] IRS, "Congressional Budget Justification," *supra* note 10, at 113. Revenue of $15.71 million is 2.7 percent of the tax gap and is 0.4 percent of $3.5 trillion in collections.

information by starting an audit. As a taxpayer, which would you prefer — having the IRS receive a Form 1099 report from a third party or being required to provide the same information to the IRS in an audit?

6. Is producing the additional Form 1099 too much of a burden on banks and other financial service providers?

Banks and other financial service providers already send information reports to the IRS and to millions of customers with accounts, including any account that had more than $10 of interest. The additional Form 1099 would simply add a few more numbers to this type of report. It could be fully automated, requiring a computer program report to be run once a year.

Most smaller banks rely on software vendors that already provide annual updates to meet changing requirements for compliance and other services.

Robert Spicer, a 30-year veteran bank chief information officer recently posted this comment on the STTG website:

> In order to help recover some of the taxes not paid by partnerships and sole proprietor businesses, the shrink the tax gap program recommends a new summary 1099 report of total annual deposits and withdrawals on certain financial accounts. This report is similar to other 1099 reports that banks and other financial providers already produce, such as the report on interest income, and would not pose a major technical challenge or burden for the providers.

Taxpayers who receive these reports would not have to do anything to receive them.

Some financial service providers have expressed concern that this requirement would cause the banks to make subjective judgments, such as they now are required to do with some anti-money-laundering reports. Treasury's proposal makes it clear that this new report is a mechanical summary, like other Forms 1099, and does not require any judgmental decisions by the financial service provider.

Banks have also expressed concern that only regulated banks would have to provide this new report. The Treasury proposal clarifies that "other accounts with characteristics similar to financial institution accounts will be covered under this information reporting regime." It also clarifies that "similar reporting requirements would apply to crypto asset exchanges and custodians."[22]

These requirements have already been applied to non-bank-account providers in the legislation updating the requirements for the Form 1099-K report.

Is running a computer program once a year too great a burden on banks and financial service providers if the resulting report will help taxpayers comply and help the IRS collect billions of dollars efficiently?

7. Can the IRS implement this proposal? Can it manage the technology investment and hire the skilled staff? Can it modernize the way it does business?

The administration's program calls for a major rebuilding of the IRS over a 10-year period. It would require not simply scaling up what the IRS does today but adopting new methods and making more use of modern technology to improve compliance and service. How can you assess the likelihood that this program will achieve its goals?

The only way to make that assessment is to review the long-term history of the agency in executing its main mission. Has it succeeded over time in executing this mission, despite challenges and setbacks along the way?

The IRS's most challenging assignment is its most basic one: efficiently collecting almost all the government's revenue, more than $3.5 trillion per year from more than 160 million filers, based on a complex tax code that changes every year. The IRS has also been given increasing responsibility as a payments agency — dispensing $450 billion annually in tax refunds. Fulfilling those obligations consistently and on time each year requires the IRS to have in place a set of management practices, including technology management, that are geared to executing the requirements embedded in the tax code.

That task is not static. The past two filing years have been especially challenging because the IRS

[22]Treasury, "General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals" (May 28, 2021).

has executed its responsibilities while subject to COVID-19 pandemic restrictions on its workforce and being responsible for disbursing three different economic recovery payments.

a. IRS technology.

i. Electronic filing.

It would have been impossible for the IRS to fulfill its responsibilities in the past two years without the significant improvements it has made in technology. Most importantly, the vast majority of tax returns are now filed electronically, a major transition that required years of work internally and with outside parties such as tax software providers. If most returns were still filed on paper, and if IRS workers could not have worked remotely with technology, the impact of the COVID-19 pandemic on the tax system might have been catastrophic.

ii. Return review program.

The IRS has also used new technology to increase compliance with returns at a much higher rate than traditional auditing. The IRS's current return review program was built as a new system to support a modernized process to detect and hold returns with suspect refund claims. It has been successfully expanded to incorporate new fraud analysis and identity theft models and additional information sources. This system is a modern foundation for steadily adding increasingly effective methods and technology for screening tax returns that claim refunds. According to the Government Accountability Office, the IRS has produced returns on cost of about 15 to 1.[23] In the same report, the GAO recommended that the IRS consider expanding this approach to identifying all forms of underreporting. That approach is the basis for the SSTG plan, which has been largely adopted in the administration's plan.

iii. Criminal Investigation.

In 2017 the IRS Criminal Investigation division began a major initiative, the Nationally Coordinated Investigations Unit (NCIU), to identify, select, and develop the most significant cases that will have the greatest impact on voluntary compliance. The models and algorithms identify potential criminal tax noncompliance, which subject-matter experts then analyze to determine the proper treatment stream.

These algorithms use all available IRS data, including not only tax returns but also FATCA data and other sources. The technology that the NCIU has deployed to develop early models and algorithms consist of internal IRS tools and software provided by leading vendors of analytical software. It uses these off-the-shelf tools to develop and apply the algorithms with IRS data.

In fiscal 2018 the NCIU referred 55 cases to all 25 CI field offices. Demonstrating early success, 32 of 55 field referrals were elevated to full criminal investigations. The estimated average amount of criminal tax deficiency was $2.4 million, and the total criminal tax deficiency was $68 million.

In fiscal 2019 the NCIU referred a total of 106 cases to all 21 CI field offices. The average criminal deficiency for NCIU referrals was approximately $4.6 million, which is noticeably higher than the average deficiency in traditional tax investigations (at approximately $2.9 million).

In fiscal 2020 the NCIU referred 117 cases to field offices across the country.[24]

Because criminal cases are public, it is revealing to read summaries of some of them because they show the many ways some taxpayers try to conceal or reduce their reported income.[25]

These results represent a major increase in the productivity of scarce special agent resources and

[23] GAO, "Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement," GAO-18-544 (July 2018) ("IRS reported that between January 2015 and November 2017, [the Return Review Program] prevented the issuance of more than $6.51 billion in invalid refunds. As of March 30, 2018, IRS reports spending about $419 million developing and operating RRP.").

[24] IRS CI annual reports for 2017-2020.

[25] Here are summaries of three cases that might not have ever been found except for the new technology used by CI: Justice Department, "CEO of Financial Firm Pleads Guilty to Running Multi-Million Dollar Securities and Tax Fraud Scheme, and Operating an Unlicensed Money Services Business" (Oct. 7, 2020); U.S. Attorney's Office, District of New Jersey, "Bergen County Orthopedic Surgeon Charged With Failing to Pay Over Payroll Taxes and Failing to Report a Foreign Bank Account" (Dec. 19, 2019); and Justice Department, "Alabama Salesman Sentenced to Prison for Tax Evasion" (Oct. 28, 2020).

is representative of how technology can increase the productivity of all enforcement activities.

iv. Affordable Care Act.

In 2010 the IRS was assigned responsibility under the Affordable Care Act to administer its 47 tax and insurance subsidy provisions for individuals and businesses (but not its website or enrollment process). The GAO reported that 18 of these provisions *each* affected at least $1 billion of federal revenue or spending and had to be implemented in the first three years after passage. Those provisions also affected millions of individuals and businesses, as well as other state and federal agencies. The IRS developed the new processes and supporting technology under a dedicated program, drawing on executives and subject-matter experts across the IRS, as well as new hires and contractors, at a cost of about $881 million over three fiscal years.[26]

v. GAO review of IRS technology programs.

In 2013 the GAO removed the IRS from its list of high-risk federal programs, stating:

> Internal Revenue Service Business Systems Modernization. The Internal Revenue Service (IRS) made progress in addressing significant weaknesses in information technology and financial management capabilities. IRS delivered the initial phase of its cornerstone tax processing project and began the daily processing and posting of individual taxpayer accounts in January 2012. This enhanced tax administration and improved service by enabling faster refunds for more taxpayers, allowing more timely account updates, and faster issuance of taxpayer notices. In addition, IRS has put in place close to 80 percent of the practices needed for an effective investment management process, including all of the processes needed for effective project oversight.[27]

However, the IRS's technology progress has been restrained by limited and inconsistent funding. IRS technology spending is equal to about 25 percent of that of each of the four largest U.S. banks despite the agency's having many more taxpayers to serve than the banks have customers.[28]

The consistent funding called for in the administration's proposal will provide not only the funding but the consistency needed to fully modernize IRS technology over a 10-year period, with an enormous impact on the quality of service to taxpayers and the effectiveness of IRS compliance activities.

b. IRS workforce.

The IRS's workforce has been steadily declining for a quarter century, dropping about 20 percent in just the last decade. Although the IRS has continued to execute its critical mission of collecting the nation's revenue, its level of service to taxpayers and its enforcement effectiveness have inevitably declined, allowing the tax gap to continue to grow.

Over a 10-year period, the administration's plan would require rebuilding the workforce by adding tens of thousands of new staff members while replacing those in the existing workforce who will be retiring. This plan presents a major opportunity to build the IRS of the future. But it also presents a major challenge to first define the skills and expertise needed in the future IRS and then recruit, train, and integrate substantial numbers of people with those skills.

Can the IRS successfully rebuild a workforce with the skills needed for the future?

Based on our experience, we believe the IRS can attract and retain highly qualified people to lead and staff this IRS program — provided that it is clearly authorized by Congress and established as an important national mission by the administration and that the IRS and has long-term funding.

In our terms of service at the IRS and in later periods when important missions and related

[26] GAO, "Patient Protection and Affordable Care Act: IRS Should Expand Its Strategic Approach to Implementation," GAO-11-719 (June 29, 2011).

[27] GAO, "High-Risk Series: An Update," GAO-13-283 (Feb. 14, 2013).

[28] Ron Shevlin, "How Much Do Banks Spend on Technology? (Hint: It Would Weigh 670 Tons in $100 Bills)," *Forbes*, Apr. 1, 2019. Average technology spending of the four largest banks was $9.5 billion compared with $2.6 billion for the IRS.

programs were established, the IRS was able to attract exceptional people at top levels and for specialized roles. This included people who previously were top executives in major U.S. corporations, top executives in other government agencies, as well as very talented technical architects, program managers, and accounting professionals.

The opportunity to be part of a vital national priority while participating in a serious reform of a basic governmental function and a major technology program is attractive to many people. For those nearing the end of a successful career, it is a satisfying way to use that experience to contribute to a broad public good. For people early in their careers, it is an exciting opportunity to participate in a major project, gain experience, and build credentials.

Some additional authority will be needed for the IRS to streamline hiring because talented people have multiple opportunities. Even if people are attracted to the IRS mission and program, the hiring process needs to be prompt and efficient.

c. Timing.

It will take time to plan and build up the resources needed to execute the administration's program. Investing in technology, hiring skilled people, and, most importantly, planning and testing new methods must be done carefully. And that takes time. That is why the administration's long-term funding program is so important. This funding increase averages about 6 percent per year, over and above inflationary cost increases, which is a manageable level. However, even at this level, it is important to allow for flexibility in the rate of buildup.

The most significant risk in this program is timing. Some parts of the program may not work as planned, and in those cases, it is essential to redesign the work and set a new schedule. Although planning should allow for those contingencies, the overall program may take longer than initially expected. Such situations are manageable risks, not failures.

Given the extremely high returns from the investments in this program, even significant delays will still produce high returns. Using Treasury's estimate, the 10-year return is almost 10 to 1, and the revenue continues to build after the first 10 years. Even a few years' delay in the whole program would still produce a highly attractive financial return.

The IRS has repeatedly been given challenging assignments by Congress and has carried them out — not perfectly, and not without setbacks, but ultimately achieving the key objectives.

Implementing this program will be challenging, but based on our collective decades of managing programs in business and government, we believe it is achievable and clearly outbalances its risks.

Is that a reasonable conclusion? Or would it be better to continue making very limited investments while tolerating declines in service and growth in the tax gap?

8. Can Congress provide effective oversight to this long-term program?

An essential element of the administration's plan is assured long-term funding that will permit the IRS to make investments that take time to implement. This element raises the question of how Congress can provide effective oversight. Effective oversight is essential not only to assure Congress and the public that funds are being spent appropriately but also to ensure that the program is achieving the goals and benefits Congress and the public expect.

We believe an effective oversight process can be established if clear goals for the program are set forth in legislation and if regular reporting and review processes are established. The IRS as an institution is set up by culture and internal process to implement requirements in tax legislation. In addition to its internal processes, frequent audits by the Treasury Inspector General for Tax Administration and the GAO publicly report on how well the IRS is implementing legislation.

If clear goals are set forth by Congress, the IRS will establish its internal processes to meet those goals.

An example of how this process works is the goal set in the Internal Revenue Service Restructuring and Reform Act of 1998 that mandated conversion to electronic filing of 80 percent of specified returns. When this law was passed, electronic filing was at an early stage, but today the tax system could not function without it. The program required major behavioral change by taxpayers and technological change in the IRS, and it had to overcome many obstacles over the next 20 years.

Using the successful Restructuring and Reform Act as a model, the following is an example of how goals could be set for the new program.

It is the policy of Congress that:

1. Compliance
   a. Goal. It should be the goal of the IRS that, by the 10th tax year after the effective date of this statute, the net tax gap, as measured by the fraction of taxes due that are not reported and paid, should be reduced by at least 20 percent, as compared with the fraction estimated in the most recent IRS study before enactment of this statute.
   b. Priorities. Priorities for actions and resources to improve compliance should be guided by the relative dollar amounts of noncompliance.
2. Service
   a. Goal. It should be the goal of the IRS that the quality, timeliness, and accuracy of assistance provided to taxpayers interacting with the IRS be comparable to that provided by leading private financial services institutions.
3. Reporting
   a. Within one year of enactment, the IRS will prepare a plan to achieve the compliance and assistance goals and will define milestones and metrics indicating progress on achieving the goals. Milestones and metrics must be reported at least annually indicating progress in executing the plan.
   b. Further, within three years after the effective date of this statute and every two years thereafter, the IRS shall present a comprehensive quantitative and qualitative report that evaluates progress toward these goals and report changes to the overall plan.

If goals such as these are set and regularly monitored, the IRS and Congress will be able to provide clear direction on the results the IRS is supposed to achieve. Milestones and metrics could be established to monitor results and provide feedback for necessary adjustments.[29]

Because goals are such a powerful tool to guide priorities and actions in the IRS, it is important that they reflect as reliably as possible, the outcomes that Congress seeks. In particular, substantially reducing the tax gap will require an overall increase in compliance by taxpayers, most of which will come from better information reporting, improved technology to analyze taxpayer returns, and the direct — and indirect — effect of well-targeted auditing. The goal should be to get as much compliance as possible with only as much auditing as necessary. For this reason, setting quantitative goals for specific audit levels would be counterproductive.

In addition to the specific goals and reporting mechanisms Congress might establish in connection with the new compliance program, the IRS would, of course, continue to produce numerous reports on its operations, budget expenditures, and other items required by current laws and regulations.

The IRS already has substantial oversight from the executive branch and congressional committees. To support those oversight bodies, TIGTA and the GAO provide frequent and comprehensive independent audits and investigations of all IRS activities.

TIGTA and the GAO identify problems and make specific recommendations, but they do not collaborate with management and generally cannot advise on specific personnel and resource allocation issues. The Portman-Kerry commission, which studied the IRS thoroughly in the 1990s, recommended an IRS oversight board to fulfill this part of the oversight function in a manner intended to be modeled after well-functioning boards of large businesses. Advising on resource allocation and setting of priorities is a particularly important function that a reconstituted IRS oversight board could fulfill. The legislative framework for the board remains in place, and it could be revitalized to provide a

[29]STTG staff, "Goals, Metrics, Taxpayer Rights, and Oversight" (May 4, 2021).

valuable part of the oversight of the IRS reform program.

If Congress sets clear goals and regular reporting mechanisms for the IRS, can that, together with all current reports and oversight, provide an effective means of guiding IRS actions and monitoring its execution of the program that Congress establishes?

9. Can this program be passed with bipartisan support?

An ever-increasing tax gap can be compensated for only by increased burdens on everyone who pays their tax, either by tax increases now or by increased borrowing that will put pressure on future taxes. Inadequate IRS service also increases the burden on taxpayers who are trying to comply. Addressing those problems in a practical, efficient program is a goal we should all agree on.

For this reason, five former Treasury secretaries who served under Presidents Clinton, George W. Bush, and Obama; and five former IRS commissioners who served under Presidents Reagan, George H.W. Bush, Clinton, George W. Bush, and Obama, wrote editorials supporting the administration's proposal.[30] Moreover, 29 government and business leaders from both parties have posted statements of support.[31]

Over the years, major IRS reform proposals have garnered wide bipartisan support. The Restructuring and Reform Act passed the House by 401 to 8 and the Senate by 96 to 2, despite being initially proposed by congressional Republicans during the Clinton administration. More recently, the Taxpayer First Act passed by voice vote in both houses.

Although the current administration has proposed the new tax compliance plan, most of the revenue gain will benefit later administrations.

Should a proposal that will not increase taxes on anyone who is paying their tax and will reduce the need to increase their taxes be supported by representatives of both parties? ■

---

[30] Geithner et al., *supra* note 16. Lawrence B. Gibbs et al., "Five Former IRS Commissioners: Biden's Proposal Would Create a Fairer Tax System," *The Washington Post*, Mar. 4, 2021.

[31] This can be found on the STTG website at shrinkthetaxgap.com.

RE: Article on key questions about tax proproposal

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc:	Chuck Marr <marr@cbpp.org>
Date:	Tue, 17 Aug 2021 23:53:50 -0400
Attachments:	ABA Letter to Senate Amendment to Budget Resolution 08102021.pdf (121.95 kB); icba-letter-in-support-of-senator-crapo's-amendment-regarding-bank-reporting-of-account-information-to-the-irs.pdf (208.38 kB); icba-minority-bank-council-letter-re-bank-account-reporting-proposal109668b051c36d55bb68ff01003634f2.pdf (227.14 kB); joint-letter-opposing-account-reporting-proposal.pdf (103.15 kB); state-sign-on-letter-regarding-account-reporting.pdf (82.59 kB)

Hi Ellen,

I think this is great to get around. Do you and Chuck have time to touch base, maybe late this week or early next week? Would be helpful to touch base on the bank push and your best thoughts as to how to address it for members who feel a little shaky. I'm sure you've seen the attached in support of the Crapo amendment but just sharing it on the off chance you haven't.

Look so forward to talking soon, and all best wishes,

Natasha

-----Original Message-----
From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Tuesday, August 17, 2021 5:34 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject: Article on key questions about tax proproposal

Natasha,
I received the attached from Chuck, who asked me to get it around to key Dem tax staff. Before I send out to the key hill folks, I wanted to flag and mention it to you first. Tx.
Ellen

American Bankers Association

Building Success. Together.

Rob Nichols
President and CEO
202-663-7512
rnichols@aba.com

August 10, 2021

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

RE: Support Senator Crapo's amendment to budget resolution on financial institution income tax reporting

Dear Majority Leader Schumer and Minority Leader McConnell:

On behalf of the members of the American Bankers Association (ABA), we write to express our support for Senator Mike Crapo's amendment to the budget resolution to prevent the Internal Revenue Service (IRS) from establishing a program to extract sensitive and extraneous taxpayer information on individual or business bank accounts with flows of $600 or more.

Senator Crapo's amendment would prevent the IRS from creating a dragnet responsible for collecting the financial information of most Americans and requiring significant resources to build, police, and maintain. Financial institutions already report a tremendous amount of data to the IRS and it is unlikely that the reported information would materially improve the IRS's ability to identify tax evaders or to deter evasion over and above the tools already at the IRS's disposal. The current reporting regime already captures the vast majority of taxable events of the high-income taxpayers that the Administration believes it is targeting, including sales and distributions, and earnings from investments, including brokerage, retirement, trust, S Corporation, and partnership (including offshore) accounts and holdings.

Despite assertions by some that a new reporting regime would be simple to execute and represent a low or even no-cost mechanism to help narrow the tax gap, designing system capabilities to capture account inflows and outflows and other information is complex, expensive, and will take years. Having the raw data somewhere in a bank system does not mean it is easily compiled or produced to government specifications. For example, financial institutions would need to adjust their many customer systems to calculate gross inflows and outflows, account for de minimis protocols, navigate complications associated with joint account ownership, and identify transactions with foreign accounts, cash transactions, and transactions between accounts with the same owner.

The proposed reporting system would apply across most, if not all, bank products – including many that do not currently require any IRS reporting and consequently do not have even the baseline analytical and reporting infrastructure needed to support this type of reporting. This would be a significant operational undertaking, especially for community banks that are often dependent on third-party service providers for their system updates.

Instituting a comprehensive new reporting regime has important data privacy implications, would be significantly more complex than proponents suggest and, more importantly, the costs of instituting such a program likely outweigh the benefits. We appreciate Senator Crapo's efforts on this issue and

we strongly urge Senators to support his amendment to prevent the creation of this new IRS reporting regime.

Sincerely,

Bob Nichols

cc: Members of the United States Senate

August 10, 2021

Members of the United States Senate

Re: Crapo amendment to budget resolution regarding reporting of bank account information to the IRS

Dear Senators:

On behalf of community banks across the country, with more than 50,000 locations, I write to express our strong support for an amendment to be offered by Senator Crapo to the Budget Resolution which would prohibit the Internal Revenue Service from using funds to monitor inflows and outflows of deposits or withdrawals in financial accounts of American taxpayers, as well as other protections to ensure the privacy of taxpayer information.

The Administration's Greenbook proposal to require bank account reporting on all accounts with a gross flow threshold or fair market value of more than $600 is opposed by consumer groups, small business groups, and financial institutions of all charter types and sizes as intrusive and overreaching. (See attached letters from small business and financial trade associations, state community bank associations, and minority banks.)

Collection of financial data to determine tax liability must be targeted and justified. The Administration proposal would amount to an intrusive and indiscriminate fishing expedition unsupported by any reasonable suspicion of tax evasion. It would require financial institutions to perform a police function on behalf of the IRS, an inherently governmental role that is inappropriate for private sector institutions.

Community banks collect financial data for the purpose of serving their customers: to safeguard their funds, provide checking, card, and other payments services, and extend credit. The IRS has no justifiable right to this data. It is not and must not be a public good. This overreaching proposal would fundamentally redefine the relationship among financial institutions, their customers, and the IRS.

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Moreover, we are concerned about the IRS's poor record of data security which exposes taxpayers' data, compromises their privacy, and makes them vulnerable to identity theft. In today's environment, privacy and enhanced security of taxpayer data should take precedence over the mass collection of new data.

For these reasons, ICBA and community banks urge all senators to support Senator Crapo's amendment.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

Attachments: Joint letter from small business and financial trade associations
Joint letter from state community bank trade associations
Letter from ICBA Minority Bank Council

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

July 12, 2021

The Honorable Charles E. Schumer Democratic Leader U.S. Senate Washington, D.C. 20510	The Honorable Mitch McConnell Republican Leader U.S. Senate Washington, D.C. 20510
The Honorable Nancy Pelosi Speaker U.S. House of Representatives Washington, D.C. 20515	The Honorable Kevin McCarthy Republican Leader U.S. House of Representatives Washington, D.C. 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi, and Leader McCarthy:

We are members of ICBA's Minority Bank Advisory Council, a coalition of minority depository institutions (MDIs). We write to convey our concerns and strong opposition to a Biden Administration proposal to require banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions. Our primary concern is that the proposal would undermine the critical relationship of trust we foster within the communities we serve – communities prone to distrust of institutions and government agencies. We fear that invasive and indiscriminate account reporting would undermine the policy priority of bringing more people into the banking system and may drive many of those in the system to leave.

Distrust in government – and obstacles it creates – is a challenge we must acknowledge. As we are currently witnessing, such distrust has made too many skeptical of COVID vaccination, for example, and thereby jeopardized public health. We fear the same effect on consumer participation in the banking system.

Minority Banks Play a Critical Role in Creating Inclusive Prosperity

Minority banks have first-hand experience and understanding of cultural practices, differences, and norms in the communities they serve. Minority bank shareholders, directors, officers and staff know and understand the culture and language of the communities they serve, allowing them to customize products and services that address their needs. For example, serving a community with first- and second-generation Chinese or Cuban immigrants – who come from authoritarian regimes that have no respect for the privacy

of their citizens – requires the ability to overcome issues of trust, language barriers, and customs. When there is distrust, individuals are reluctant to use the banking system.

Trust and cultural understanding is the core value proposition we offer. It allows us to remain responsive and relevant as well as independent and competitive in an era of industry consolidation.

Proposals for Enhanced Financial Account Reporting

The Administration's fiscal year 2022 budget proposal and accompanying "Green Book" description of revenue proposals includes a proposal for comprehensive financial account reporting that would require banks and other financial institutions to report to the IRS gross inflows and outflows with breakdowns for physical cash, transactions with foreign accounts, and transfers to and from another account with the same owner. The proposal would cover all business and personal accounts, including loan and investment accounts. The only de minimis exception is for accounts with a balance of less than $600. The proposal would cover the accounts of nearly all Americans, not only the wealthy.

While we support balanced measures to close the tax gap through improved compliance, onerous new bank reporting proposals are likely to drive many individuals out of the banking system. We are also concerned about the costs associated with implementing an expansive new reporting regime. Capital for our institutions is always a major concern, and we believe it would be better allocated deploying resources to the communities we serve, rather than diverted to implement additional financial reporting. We do not want to see access to capital reduced or jeopardize the trust we have earned with our customers.

Banking the Unbanked Must Be a Priority

According to the FDIC, 7.1 million households, or 5.4 percent of all households, are unbanked. When a significant population remains outside the banking system, predatory practices flourish. These include payday loans and car title loans that are costly and trap borrowers in a cycle of debt. Without bank credit, homeownership rates decline. It becomes harder to build wealth, and the racial and ethnic wealth gap widens. Departure from the banking system would promote an underground cash economy. Unbanked individuals who carry cash on their person or keep it in their homes are vulnerable to violent crime. The issue of the unbanked is a significant hurdle to prosperity in the communities we serve.

Account Reporting Will Increase Taxpayer Complexity, Raise Barriers to Compliance, and Create Erroneous Filings

Financial literacy is a continuing challenge in the communities we serve. "Tax literacy" is a separate but related challenge and source of frustration for many taxpayers. This is why tax filing simplification and

transparency must be an ongoing policy goal. Taxpayers should feel confident in the accuracy of their filings without hiring a professional tax preparer and should not spend undue time completing forms and making calculations. Proposed account reporting would increase tax complexity and create opacity rather than transparency.

Under the Administration's proposal, taxpayers will likely have to receive new 1099s for every account they hold detailing deposit and withdrawal information that is not relevant to their tax liability. Today, the 1099, in its various forms, is used for reporting taxable income, but the proposal would expand the 1099-INT to report all deposits (and withdrawals), in an account, which may or may not represent taxable income, leaving taxpayers uncertain about what to report. They may hire a tax preparer or overreport income. In any case, they may feel uncertain that they've filed an accurate return and frustrated with the process.

Giving taxpayers more forms and more data to sort and evaluate will make tax compliance significantly more complex and confusing. The proposal would create new complexity for taxpayers at all income levels.

In light of the significant concerns expressed above, we urge Congress to reject proposals for invasive and costly new account reporting.

Thank you for your consideration.

Sincerely,

James H. Sills, III
M & F Bank
Durham, NC

Jill Sung
Abacus Federal Savings Bank
New York, NY

James Wang
Asian Bank
Philadelphia, PA

Barry L. Anderson
F & M Bank
Guthrie, OK

George G. Andrews
Unity National Bank
Atlanta, GA

Terrence Hosten
Industrial Bank
Washington, DC

Ramon Looby
Maryland Bankers Association
Baltimore, MD

Todd O. McDonald
Liberty Bank & Trust Co.
New Orleans, LA

Carlos P. Naudon
Ponce Bank
Bronx, NY

CC: Members of the United States Senate
Members of the United States House of Representatives

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

July 28, 2021

The Honorable Charles E. Schumer Democratic Leader U.S. Senate Washington, D.C. 20510	The Honorable Mitch McConnell Republican Leader U.S. Senate Washington, D.C. 20510
The Honorable Nancy Pelosi Speaker U.S. House of Representatives Washington, D.C. 20515	The Honorable Kevin McCarthy Republican Leader U.S. House of Representatives Washington, D.C. 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi, and Leader McCarthy:

We write to express our concerns and opposition to a Treasury Department proposal that would require financial institutions to report to the IRS on the deposits and withdrawals of all business and personal accounts, as well as transfers between accounts of the same owner.[1] We represent small businesses and financial institutions of all sizes and charter types. We support the goal of improving tax compliance to collect appropriate tax revenues due.

We object to the broad, untargeted nature of the Treasury proposal. Collection of comprehensive financial account data to determine tax liability must be narrowly targeted. Treasury's indiscriminate, blanket data collection would be unsupported by any reasonable suspicion of tax evasion. In the past, Congress has passed legislation to address concerns regarding unreasonable Treasury audit techniques. For example, Internal Revenue Code Section 7602(e) prevents the use of 'financial status or economic reality examination techniques to determine the existence of unreported income… unless the Secretary has a reasonable indication that there is a likelihood of such unreported income."[2] The concerns that motivated this statutory provision are as relevant today as they were when it was enacted in 1998. Any use of personal, financial data should be rigorously justified.[3]

Moreover, we are concerned about the IRS's poor record of data security which exposes taxpayers' data, compromises their privacy, and makes them vulnerable to identity theft. In today's environment, privacy and enhanced security of taxpayer data should take precedence over the mass collection of new data.

Further, we fear that new, intrusive account reporting would undermine the important policy goal of reducing the unbanked population. The unbanked often fall prey to predatory lenders and check cashers, incurring exorbitant interest rates and fees. They jeopardize their personal security by carrying cash and keeping it in their homes. In many American communities, there is a high level of distrust of government in general and the IRS in particular. These include certain marginalized communities as well as those recently arrived from authoritarian regimes that spy on their citizens. This distrust is a primary reason why too many Americans opt-out of the banking system. Indiscriminate sharing of financial account data with the IRS will only increase the challenge of reducing the unbanked population.

Finally, we are concerned that the Treasury proposal would create taxpayer complexity and confusion. Taxpayers will likely have to receive new or modified 1099s for every account they hold containing funds flow information that may not be relevant to their tax liability. Giving taxpayers more forms and more

[1] "Introduce Comprehensive Account Reporting to Improve Tax Compliance." General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals. U.S. Department of the Treasury. May 2021. Page 88.
[2] This section was added by the Internal Revenue Service Restructuring and Reform Act of 1998.
[3] In contrast to the Greenbook proposal, we note that the 1998 Taxpayer First Act provided for fair and impartial enforcement of tax law, while improving taxpayer service.

data to sort and evaluate will make tax compliance more difficult. For example, in jointly held accounts, a taxpayer may not be responsible for reporting all (or any) inflows reflected in the account. This will be the case when couples divorce or when a taxpayer holds a joint account with an aging parent to assist with money management, among other common scenarios. Tax simplicity is an important goal that promotes tax compliance.

In view of the concerns expressed above, we urge Congress to reject the Treasury proposal and explore less intrusive means of reducing the tax gap.

Thank you for your consideration.

Sincerely,

AICC, The Independent Packaging Association	American Lighting Association
American Supply Association	Community Development Bankers Association
Construction Industry Round Table	Consumer Bankers Association
Credit Union National Association	Energy Marketers of America
Foodservice Consultants Society International, The Americas Division	Foodservice Equipment Distributors Association
Global Cold Chain Alliance	Heating, Air-conditioning, & Refrigeration Distributors International
Independent Community Bankers of America	Independent Electrical Contractors
International Franchise Association	Main Street Employers Coalition
Metals Service Center Institute	Mid-Sized Bank Coalition of America
Mortgage Bankers Association	National Association of Federally-Insured Credit Unions
National Association of the Remodeling Industry	National Association of Wholesaler-Distributors
National Community Pharmacists Association	National Electrical Contractors Association
National Electrical Manufacturers Representatives Association	National Federation of Independent Business (NFIB)
National Grocers Association	National RV Dealers Association
National Small Business Association	Pet Industry Distributors Association
Petroleum Equipment Institute	Promotional Products Association International
S Corporation Association	Saturation Mailers Coalition
Secondary Materials and Recycled Textiles Association	Small Business & Entrepreneurship Council
Small Business Council of America	Specialty Equipment Market Association
Subchapter S Bank Association	Textile Care Allied Trades Association
The Small Business Legislative Council	U.S. Chamber of Commerce
United Veterinary Services Association	

CC: Members of the U.S. Senate, Members of the U.S. House of Representatives

June 22, 2021

The Honorable Ron Wyden Chairman Committee on Finance U.S. Senate Washington, D.C. 20510	The Honorable Mike Crapo Ranking Member Committee on Finance U.S. Senate Washington, D.C. 20510
The Honorable Richard Neal Chairman Committee on Ways and Means U.S. House of Representatives Washington, D.C. 20515	The Honorable Kevin Brady Ranking Member Committee on Ways and Means U.S. House of Representatives Washington, D.C. 20515

Dear Chairman Wyden, Ranking Member Crapo, Chairman Neal, and Ranking Member Brady:

On behalf of the Independent Community Bankers of America (ICBA), the undersigned state banking associations, and the thousands of community banks we represent, we write to express our staunch opposition to proposals to require community banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions. These proposals raise serious concerns with regard to individual privacy and would create an unprecedented, complex and expensive new burden for financial institutions. While we support balanced measures to close the tax gap through improved compliance, onerous new bank reporting proposals are likely to drive many individuals out of the banking system. Revenue estimates associated with these proposals are highly questionable. We ask that Congress reject all such proposals.

On May 28th, the Administration released its fiscal year 2022 budget proposal and accompanying "Green Book" description of revenue proposals. Included is a proposal for comprehensive financial account reporting that would require banks and other financial institutions as well as similar financial accounts to report to the IRS gross inflows and outflows with breakdowns for physical cash, transactions with foreign accounts, and transfers to and from another account with the same owner. The proposal would cover all business and personal accounts, including bank, loan, and investment accounts. The only de minimis exception is for accounts with a balance of less than $600. The proposal would cover the accounts of nearly all Americans, not only the wealthy. The Administration estimates the proposal would increase tax revenues by $463 billion over a period of 10 years, an unreasonably optimistic claim.

Our foremost concern is for the privacy of community bank customers and all Americans. Confidential tax return data has been abused by the IRS in the past and personal tax information was again recently leaked or stolen from the IRS and made public in the media. Certain communities have a high level of distrust in government in general and the IRS in particular. These include immigrants from authoritarian regimes that have no respect for the privacy of their citizens as well as certain marginalized communities that are already reluctant to use the banking system. Banking the unbanked – and keeping them in the banking system – is a policy priority that we fully support. The Administration's proposal would jeopardize this policy goal and likely increase the ranks of the unbanked.

All Americans have a fundamental right to financial privacy. IRS data collection should be tied directly to tax liability and should be no broader than absolutely necessary. The Administration's proposal would equate to a fishing expedition unsupported by reasonable suspicion of tax evasion. This proposed new expansive reporting approach to tax collection is unprecedented and warrants serious Congressional scrutiny.

In addition to privacy concerns, we question the value of a flood of new data to an agency that already collects more data than it can absorb and process, including data reported under the Foreign Accounts Tax Compliance Act (FATCA). The IRS should begin by making better use of the amount of data it already collects. It is unreasonable to require banks to become the policing arm of the IRS, providing information that cannot be used effectively and compromising Americans' privacy in doing so.

Finally, the Administration's proposal would impose a complex and costly burden on community banks. To date, there has been no Administration cost-benefit analysis of this proposed comprehensive reporting regime. Community banks already perform extensive data reporting – effectively acting as uncompensated agents of the government. Current obligations include furnishing Forms 1099 and 1098 to support tax compliance as well as extensive and burdensome reporting under the Bank Secrecy Act to detect tax evasion, money laundering, and expose shell companies used for terrorist financing and other crimes. Banks dedicate significant resources to BSA reporting. More recently, banks are required to collect and report beneficial ownership information on commercial accounts under the new customer due diligence rule. The government has increasingly turned to the banking system to serve a police function. Burdening community banks comes at a cost: It diverts resources and management from their core function of providing credit and other banking services to individuals, families, small businesses, churches and non-profits, and other entities that make up communities.

We urge Congress to give due consideration to the serious concerns outlined above and reject proposals for invasive and costly new account reporting.

Sincerely,

Independent Community Bankers of America
Arkansas Community Bankers
California Community Banking Network
Connecticut Bankers Association
Community Bankers Association of Georgia
Idaho Bankers Association
Indiana Bankers Association
Bluegrass Community Bankers Association
Maine Bankers Association
Massachusetts Bankers Association, Inc.
Independent Community Bankers of Minnesota
Mississippi Bankers Association
North Carolina Bankers Association
Nebraska Independent Community Bankers
New Jersey Bankers Association
Independent Bankers Association of New York State
Community Bankers Association of Oklahoma
Pennsylvania Association of Community Bankers
Independent Community Bankers of South Dakota
Independent Bankers Association of Texas
Vermont Bankers Association
Community Bankers of West Virginia
Wyoming Bankers Association

Alabama Bankers Association
Arizona Bankers Association
Independent Bankers of Colorado
Florida Bankers Association
Community Bankers of Iowa
Community Bankers Association of Illinois
Community Bankers Association of Kansas
Louisiana Bankers Association
Maryland Bankers Association
Community Bankers of Michigan
Missouri Independent Bankers Association
Montana Independent Bankers
Independent Community Banks of North Dakota
New Hampshire Bankers Association
Independent Community Bankers Association of New Mexico
Community Bankers Association of Ohio
Oregon Bankers Association
Independent Banks of South Carolina
Tennessee Bankers Association
Virginia Association of Community Banks
Community Bankers of Washington
Wisconsin Bankers Association

CC: Members of the U.S. Senate, Members of the U.S. House or Representatives

RE: Compliance

From: "Harris, Benjamin" <benjamin.harris@treasury.gov>
To: William Gale <wgale@brookings.edu>
Cc: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Thu, 26 Aug 2021 14:35:23 -0400

Great; let's say 4:30 tomorrow. We'll send a zoom link.

From: William Gale <WGALE@brookings.edu>
Sent: Thursday, August 26, 2021 2:34 PM
To: Harris, Benjamin <Benjamin.Harris@treasury.gov>
Cc: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: Compliance

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Actually, if we could make it not start till 430 that would work even better

From: William Gale
Sent: Thursday, August 26, 2021 2:33 PM
To: 'Benjamin.Harris@treasury.gov' <Benjamin.Harris@treasury.gov>
Cc: Natasha.Sarin@treasury.gov
Subject: RE: Compliance

4:15 to 5:30 would work great

From: Benjamin.Harris@treasury.gov <Benjamin.Harris@treasury.gov>
Sent: Thursday, August 26, 2021 2:32 PM
To: William Gale <WGALE@brookings.edu>
Cc: Natasha.Sarin@treasury.gov
Subject: RE: Compliance

Thanks Bill. Any chance the 4:00 to 5:30 window works tomorrow?

Ben

From: William Gale <WGALE@brookings.edu>
Sent: Thursday, August 26, 2021 12:45 PM
To: Harris, Benjamin <Benjamin.Harris@treasury.gov>
Cc: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: Compliance

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi -- I would be delighted to talk. Your schedule, is, I am sure, busier than mine, so let me know some times that work.

From: Benjamin.Harris@treasury.gov <Benjamin.Harris@treasury.gov>
Sent: Thursday, August 26, 2021 12:34 PM
To: William Gale <WGALE@brookings.edu>
Cc: Natasha.Sarin@treasury.gov
Subject: Compliance

Hey Bill—

Lots to catch up, but I am writing with an ask about our ongoing push to reform tax enforcement. Any chance you have ~20 minutes to chat over zoom w me and Natasha?

Thanks,
Ben

Following up

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: wgale@brookings.edu
Date: Sat, 28 Aug 2021 12:30:24 -0400
Attachments: ABA Letter to Senate Amendment to Budget Resolution 08102021.pdf (121.95 kB); icba-letter-in-support-of-senator-crapo's-amendment-regarding-bank-reporting-of-account-information-to-the-irs.pdf (208.38 kB); icba-minority-bank-council-letter-re-bank-account-reporting-proposal109668b051c36d55bb68ff01003634f2.pdf (227.14 kB); joint-letter-opposing-account-reporting-proposal.pdf (103.15 kB); state-sign-on-letter-regarding-account-reporting.pdf (82.59 kB); compliance_toughqa_08022021.docx (36.12 kB)

Hi Bill,

Here's a sense of what we've been seeing from the banks, also a tough q&a document we put together. Thank you so much for helping on this—and let me know what more here would be useful. Happy to jump on the phone this weekend at your convenience.

All best wishes,

Natasha

American Bankers Association
Building Success. Together.

Rob Nichols
President and CEO
202-663-7512
rnichols@aba.com

August 10, 2021

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

RE: Support Senator Crapo's amendment to budget resolution on financial institution income tax reporting

Dear Majority Leader Schumer and Minority Leader McConnell:

On behalf of the members of the American Bankers Association (ABA), we write to express our support for Senator Mike Crapo's amendment to the budget resolution to prevent the Internal Revenue Service (IRS) from establishing a program to extract sensitive and extraneous taxpayer information on individual or business bank accounts with flows of $600 or more.

Senator Crapo's amendment would prevent the IRS from creating a dragnet responsible for collecting the financial information of most Americans and requiring significant resources to build, police, and maintain. Financial institutions already report a tremendous amount of data to the IRS and it is unlikely that the reported information would materially improve the IRS's ability to identify tax evaders or to deter evasion over and above the tools already at the IRS's disposal. The current reporting regime already captures the vast majority of taxable events of the high-income taxpayers that the Administration believes it is targeting, including sales and distributions, and earnings from investments, including brokerage, retirement, trust, S Corporation, and partnership (including offshore) accounts and holdings.

Despite assertions by some that a new reporting regime would be simple to execute and represent a low or even no-cost mechanism to help narrow the tax gap, designing system capabilities to capture account inflows and outflows and other information is complex, expensive, and will take years. Having the raw data somewhere in a bank system does not mean it is easily compiled or produced to government specifications. For example, financial institutions would need to adjust their many customer systems to calculate gross inflows and outflows, account for de minimis protocols, navigate complications associated with joint account ownership, and identify transactions with foreign accounts, cash transactions, and transactions between accounts with the same owner.

The proposed reporting system would apply across most, if not all, bank products – including many that do not currently require any IRS reporting and consequently do not have even the baseline analytical and reporting infrastructure needed to support this type of reporting. This would be a significant operational undertaking, especially for community banks that are often dependent on third-party service providers for their system updates.

Instituting a comprehensive new reporting regime has important data privacy implications, would be significantly more complex than proponents suggest and, more importantly, the costs of instituting such a program likely outweigh the benefits. We appreciate Senator Crapo's efforts on this issue and

we strongly urge Senators to support his amendment to prevent the creation of this new IRS reporting regime.

Sincerely,

Bob Nichols

cc: Members of the United States Senate

August 10, 2021

Members of the United States Senate

Re: Crapo amendment to budget resolution regarding reporting of bank account information to the IRS

Dear Senators:

On behalf of community banks across the country, with more than 50,000 locations, I write to express our strong support for an amendment to be offered by Senator Crapo to the Budget Resolution which would prohibit the Internal Revenue Service from using funds to monitor inflows and outflows of deposits or withdrawals in financial accounts of American taxpayers, as well as other protections to ensure the privacy of taxpayer information.

The Administration's Greenbook proposal to require bank account reporting on all accounts with a gross flow threshold or fair market value of more than $600 is opposed by consumer groups, small business groups, and financial institutions of all charter types and sizes as intrusive and overreaching. (See attached letters from small business and financial trade associations, state community bank associations, and minority banks.)

Collection of financial data to determine tax liability must be targeted and justified. The Administration proposal would amount to an intrusive and indiscriminate fishing expedition unsupported by any reasonable suspicion of tax evasion. It would require financial institutions to perform a police function on behalf of the IRS, an inherently governmental role that is inappropriate for private sector institutions.

Community banks collect financial data for the purpose of serving their customers: to safeguard their funds, provide checking, card, and other payments services, and extend credit. The IRS has no justifiable right to this data. It is not and must not be a public good. This overreaching proposal would fundamentally redefine the relationship among financial institutions, their customers, and the IRS.

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Moreover, we are concerned about the IRS's poor record of data security which exposes taxpayers' data, compromises their privacy, and makes them vulnerable to identity theft. In today's environment, privacy and enhanced security of taxpayer data should take precedence over the mass collection of new data.

For these reasons, ICBA and community banks urge all senators to support Senator Crapo's amendment.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

Attachments: Joint letter from small business and financial trade associations
Joint letter from state community bank trade associations
Letter from ICBA Minority Bank Council

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

July 12, 2021

The Honorable Charles E. Schumer
Democratic Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi, and Leader McCarthy:

We are members of ICBA's Minority Bank Advisory Council, a coalition of minority depository institutions (MDIs). We write to convey our concerns and strong opposition to a Biden Administration proposal to require banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions. Our primary concern is that the proposal would undermine the critical relationship of trust we foster within the communities we serve – communities prone to distrust of institutions and government agencies. We fear that invasive and indiscriminate account reporting would undermine the policy priority of bringing more people into the banking system and may drive many of those in the system to leave.

Distrust in government – and obstacles it creates – is a challenge we must acknowledge. As we are currently witnessing, such distrust has made too many skeptical of COVID vaccination, for example, and thereby jeopardized public health. We fear the same effect on consumer participation in the banking system.

Minority Banks Play a Critical Role in Creating Inclusive Prosperity

Minority banks have first-hand experience and understanding of cultural practices, differences, and norms in the communities they serve. Minority bank shareholders, directors, officers and staff know and understand the culture and language of the communities they serve, allowing them to customize products and services that address their needs. For example, serving a community with first- and second-generation Chinese or Cuban immigrants – who come from authoritarian regimes that have no respect for the privacy

of their citizens – requires the ability to overcome issues of trust, language barriers, and customs. When there is distrust, individuals are reluctant to use the banking system.

Trust and cultural understanding is the core value proposition we offer. It allows us to remain responsive and relevant as well as independent and competitive in an era of industry consolidation.

Proposals for Enhanced Financial Account Reporting

The Administration's fiscal year 2022 budget proposal and accompanying "Green Book" description of revenue proposals includes a proposal for comprehensive financial account reporting that would require banks and other financial institutions to report to the IRS gross inflows and outflows with breakdowns for physical cash, transactions with foreign accounts, and transfers to and from another account with the same owner. The proposal would cover all business and personal accounts, including loan and investment accounts. The only de minimis exception is for accounts with a balance of less than $600. The proposal would cover the accounts of nearly all Americans, not only the wealthy.

While we support balanced measures to close the tax gap through improved compliance, onerous new bank reporting proposals are likely to drive many individuals out of the banking system. We are also concerned about the costs associated with implementing an expansive new reporting regime. Capital for our institutions is always a major concern, and we believe it would be better allocated deploying resources to the communities we serve, rather than diverted to implement additional financial reporting. We do not want to see access to capital reduced or jeopardize the trust we have earned with our customers.

Banking the Unbanked Must Be a Priority

According to the FDIC, 7.1 million households, or 5.4 percent of all households, are unbanked. When a significant population remains outside the banking system, predatory practices flourish. These include payday loans and car title loans that are costly and trap borrowers in a cycle of debt. Without bank credit, homeownership rates decline. It becomes harder to build wealth, and the racial and ethnic wealth gap widens. Departure from the banking system would promote an underground cash economy. Unbanked individuals who carry cash on their person or keep it in their homes are vulnerable to violent crime. The issue of the unbanked is a significant hurdle to prosperity in the communities we serve.

Account Reporting Will Increase Taxpayer Complexity, Raise Barriers to Compliance, and Create Erroneous Filings

Financial literacy is a continuing challenge in the communities we serve. "Tax literacy" is a separate but related challenge and source of frustration for many taxpayers. This is why tax filing simplification and

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

transparency must be an ongoing policy goal. Taxpayers should feel confident in the accuracy of their filings without hiring a professional tax preparer and should not spend undue time completing forms and making calculations. Proposed account reporting would increase tax complexity and create opacity rather than transparency.

Under the Administration's proposal, taxpayers will likely have to receive new 1099s for every account they hold detailing deposit and withdrawal information that is not relevant to their tax liability. Today, the 1099, in its various forms, is used for reporting taxable income, but the proposal would expand the 1099-INT to report all deposits (and withdrawals), in an account, which may or may not represent taxable income, leaving taxpayers uncertain about what to report. They may hire a tax preparer or overreport income. In any case, they may feel uncertain that they've filed an accurate return and frustrated with the process.

Giving taxpayers more forms and more data to sort and evaluate will make tax compliance significantly more complex and confusing. The proposal would create new complexity for taxpayers at all income levels.

In light of the significant concerns expressed above, we urge Congress to reject proposals for invasive and costly new account reporting.

Thank you for your consideration.

Sincerely,

James H. Sills, III
M & F Bank
Durham, NC

Jill Sung
Abacus Federal Savings Bank
New York, NY

James Wang
Asian Bank
Philadelphia, PA

Barry L. Anderson
F & M Bank
Guthrie, OK

George G. Andrews
Unity National Bank
Atlanta, GA

Terrence Hosten
Industrial Bank
Washington, DC

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Ramon Looby
Maryland Bankers Association
Baltimore, MD

Todd O. McDonald
Liberty Bank & Trust Co.
New Orleans, LA

Carlos P. Naudon
Ponce Bank
Bronx, NY

CC: Members of the United States Senate
Members of the United States House of Representatives

July 28, 2021

The Honorable Charles E. Schumer
Democratic Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi, and Leader McCarthy:

We write to express our concerns and opposition to a Treasury Department proposal that would require financial institutions to report to the IRS on the deposits and withdrawals of all business and personal accounts, as well as transfers between accounts of the same owner.[1] We represent small businesses and financial institutions of all sizes and charter types. We support the goal of improving tax compliance to collect appropriate tax revenues due.

We object to the broad, untargeted nature of the Treasury proposal. Collection of comprehensive financial account data to determine tax liability must be narrowly targeted. Treasury's indiscriminate, blanket data collection would be unsupported by any reasonable suspicion of tax evasion. In the past, Congress has passed legislation to address concerns regarding unreasonable Treasury audit techniques. For example, Internal Revenue Code Section 7602(e) prevents the use of 'financial status or economic reality examination techniques to determine the existence of unreported income… unless the Secretary has a reasonable indication that there is a likelihood of such unreported income."[2] The concerns that motivated this statutory provision are as relevant today as they were when it was enacted in 1998. Any use of personal, financial data should be rigorously justified.[3]

Moreover, we are concerned about the IRS's poor record of data security which exposes taxpayers' data, compromises their privacy, and makes them vulnerable to identity theft. In today's environment, privacy and enhanced security of taxpayer data should take precedence over the mass collection of new data.

Further, we fear that new, intrusive account reporting would undermine the important policy goal of reducing the unbanked population. The unbanked often fall prey to predatory lenders and check cashers, incurring exorbitant interest rates and fees. They jeopardize their personal security by carrying cash and keeping it in their homes. In many American communities, there is a high level of distrust of government in general and the IRS in particular. These include certain marginalized communities as well as those recently arrived from authoritarian regimes that spy on their citizens. This distrust is a primary reason why too many Americans opt-out of the banking system. Indiscriminate sharing of financial account data with the IRS will only increase the challenge of reducing the unbanked population.

Finally, we are concerned that the Treasury proposal would create taxpayer complexity and confusion. Taxpayers will likely have to receive new or modified 1099s for every account they hold containing funds flow information that may not be relevant to their tax liability. Giving taxpayers more forms and more

---

[1] "Introduce Comprehensive Account Reporting to Improve Tax Compliance." General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals. U.S. Department of the Treasury. May 2021. Page 88.
[2] This section was added by the Internal Revenue Service Restructuring and Reform Act of 1998.
[3] In contrast to the Greenbook proposal, we note that the 1998 Taxpayer First Act provided for fair and impartial enforcement of tax law, while improving taxpayer service.

data to sort and evaluate will make tax compliance more difficult. For example, in jointly held accounts, a taxpayer may not be responsible for reporting all (or any) inflows reflected in the account. This will be the case when couples divorce or when a taxpayer holds a joint account with an aging parent to assist with money management, among other common scenarios. Tax simplicity is an important goal that promotes tax compliance.

In view of the concerns expressed above, we urge Congress to reject the Treasury proposal and explore less intrusive means of reducing the tax gap.

Thank you for your consideration.

Sincerely,

AICC, The Independent Packaging Association	American Lighting Association
American Supply Association	Community Development Bankers Association
Construction Industry Round Table	Consumer Bankers Association
Credit Union National Association	Energy Marketers of America
Foodservice Consultants Society International, The Americas Division	Foodservice Equipment Distributors Association
Global Cold Chain Alliance	Heating, Air-conditioning, & Refrigeration Distributors International
Independent Community Bankers of America	Independent Electrical Contractors
International Franchise Association	Main Street Employers Coalition
Metals Service Center Institute	Mid-Sized Bank Coalition of America
Mortgage Bankers Association	National Association of Federally-Insured Credit Unions
National Association of the Remodeling Industry	National Association of Wholesaler-Distributors
National Community Pharmacists Association	National Electrical Contractors Association
National Electrical Manufacturers Representatives Association	National Federation of Independent Business (NFIB)
National Grocers Association	National RV Dealers Association
National Small Business Association	Pet Industry Distributors Association
Petroleum Equipment Institute	Promotional Products Association International
S Corporation Association	Saturation Mailers Coalition
Secondary Materials and Recycled Textiles Association	Small Business & Entrepreneurship Council
Small Business Council of America	Specialty Equipment Market Association
Subchapter S Bank Association	Textile Care Allied Trades Association
The Small Business Legislative Council	U.S. Chamber of Commerce
United Veterinary Services Association	

CC: Members of the U.S. Senate, Members of the U.S. House of Representatives

June 22, 2021

The Honorable Ron Wyden
Chairman
Committee on Finance
U.S. Senate
Washington, D.C. 20510

The Honorable Mike Crapo
Ranking Member
Committee on Finance
U.S. Senate
Washington, D.C. 20510

The Honorable Richard Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Wyden, Ranking Member Crapo, Chairman Neal, and Ranking Member Brady:

On behalf of the Independent Community Bankers of America (ICBA), the undersigned state banking associations, and the thousands of community banks we represent, we write to express our staunch opposition to proposals to require community banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions. These proposals raise serious concerns with regard to individual privacy and would create an unprecedented, complex and expensive new burden for financial institutions. While we support balanced measures to close the tax gap through improved compliance, onerous new bank reporting proposals are likely to drive many individuals out of the banking system. Revenue estimates associated with these proposals are highly questionable. We ask that Congress reject all such proposals.

On May 28th, the Administration released its fiscal year 2022 budget proposal and accompanying "Green Book" description of revenue proposals. Included is a proposal for comprehensive financial account reporting that would require banks and other financial institutions as well as similar financial accounts to report to the IRS gross inflows and outflows with breakdowns for physical cash, transactions with foreign accounts, and transfers to and from another account with the same owner. The proposal would cover all business and personal accounts, including bank, loan, and investment accounts. The only de minimis exception is for accounts with a balance of less than $600. The proposal would cover the accounts of nearly all Americans, not only the wealthy. The Administration estimates the proposal would increase tax revenues by $463 billion over a period of 10 years, an unreasonably optimistic claim.

Our foremost concern is for the privacy of community bank customers and all Americans. Confidential tax return data has been abused by the IRS in the past and personal tax information was again recently leaked or stolen from the IRS and made public in the media. Certain communities have a high level of distrust in government in general and the IRS in particular. These include immigrants from authoritarian regimes that have no respect for the privacy of their citizens as well as certain marginalized communities that are already reluctant to use the banking system. Banking the unbanked – and keeping them in the banking system – is a policy priority that we fully support. The Administration's proposal would jeopardize this policy goal and likely increase the ranks of the unbanked.

All Americans have a fundamental right to financial privacy. IRS data collection should be tied directly to tax liability and should be no broader than absolutely necessary. The Administration's proposal would equate to a fishing expedition unsupported by reasonable suspicion of tax evasion. This proposed new expansive reporting approach to tax collection is unprecedented and warrants serious Congressional scrutiny.

In addition to privacy concerns, we question the value of a flood of new data to an agency that already collects more data than it can absorb and process, including data reported under the Foreign Accounts Tax Compliance Act (FATCA). The IRS should begin by making better use of the amount of data it already collects. It is unreasonable to require banks to become the policing arm of the IRS, providing information that cannot be used effectively and compromising Americans' privacy in doing so.

Finally, the Administration's proposal would impose a complex and costly burden on community banks. To date, there has been no Administration cost-benefit analysis of this proposed comprehensive reporting regime. Community banks already perform extensive data reporting – effectively acting as uncompensated agents of the government. Current obligations include furnishing Forms 1099 and 1098 to support tax compliance as well as extensive and burdensome reporting under the Bank Secrecy Act to detect tax evasion, money laundering, and expose shell companies used for terrorist financing and other crimes. Banks dedicate significant resources to BSA reporting. More recently, banks are required to collect and report beneficial ownership information on commercial accounts under the new customer due diligence rule. The government has increasingly turned to the banking system to serve a police function. Burdening community banks comes at a cost: It diverts resources and management from their core function of providing credit and other banking services to individuals, families, small businesses, churches and non-profits, and other entities that make up communities.

We urge Congress to give due consideration to the serious concerns outlined above and reject proposals for invasive and costly new account reporting.

Sincerely,

Independent Community Bankers of America	Alabama Bankers Association
Arkansas Community Bankers	Arizona Bankers Association
California Community Banking Network	Independent Bankers of Colorado
Connecticut Bankers Association	Florida Bankers Association
Community Bankers Association of Georgia	Community Bankers of Iowa
Idaho Bankers Association	Community Bankers Association of Illinois
Indiana Bankers Association	Community Bankers Association of Kansas
Bluegrass Community Bankers Association	Louisiana Bankers Association
Maine Bankers Association	Maryland Bankers Association
Massachusetts Bankers Association, Inc.	Community Bankers of Michigan
Independent Community Bankers of Minnesota	Missouri Independent Bankers Association
Mississippi Bankers Association	Montana Independent Bankers
North Carolina Bankers Association	Independent Community Banks of North Dakota
Nebraska Independent Community Bankers	New Hampshire Bankers Association
New Jersey Bankers Association	Independent Community Bankers Association of New Mexico
Independent Bankers Association of New York State	Community Bankers Association of Ohio
Community Bankers Association of Oklahoma	Oregon Bankers Association
Pennsylvania Association of Community Bankers	Independent Banks of South Carolina
Independent Community Bankers of South Dakota	Tennessee Bankers Association
Independent Bankers Association of Texas	Virginia Association of Community Banks
Vermont Bankers Association	Community Bankers of Washington
Community Bankers of West Virginia	Wisconsin Bankers Association
Wyoming Bankers Association	

CC: Members of the U.S. Senate, Members of the U.S. House or Representatives

The President's tax compliance proposals include two major components. The first step in the President's tax administration efforts is a sustained, multi-year commitment to rebuilding the IRS, including nearly $80 billion in additional resources over the next decade. This funding stream includes two components: a dedicated stream of mandatory funds ($72.5 billion over a decade) and a program integrity allocation ($6.7 billion over a decade). These are estimated by career staff at the Office of Tax Analysis to generate around $320 billion in additional tax collections over the decade ($240 billion net increase) based on ROI estimates provided by the IRS for historical returns to enforcement activities. As a result of these investments, the IRS would grow manageably (no more than around 10% annually) but also have certain funding in place to make investments with large fixed costs—like modernizing information technology, improving data analytic approaches, and hiring and training agents dedicated to complex enforcement activities. This would make up the ground that the IRS has lost over the last decade. During this time, the IRS budget fell by about 20%, leading to a sustained decline in its workforce particularly among specialized auditors who conduct examinations of high-income and global high net worth individuals and complex structures, like partnerships, multi-tier pass-through entities, and multinational corporations.

The second large prong of the proposal is the introduction of a comprehensive financial reporting regime. When the IRS can verify taxpayer filings with third-party reports, compliance rates exceed 95%. Without third-party reporting, compliance rates can fall below 50%. To avoid any increase in taxpayer burden, the President's proposal leverages the information that financial institutions already know about the accounts that they house. The new financial reports will build off of the existing 1099-INT that taxpayers already receive from financial institutions. Banks would report some additional data on financial accounts on these existing information returns, specifically, gross inflows and outflows on accounts. To ensure that this proposal is comprehensive, new requirements extend to payment services providers as well. There are no additional requirements for taxpayers under this proposal.

For already compliant taxpayers, the only effect of this new regime is to decrease the likelihood that they are subject to costly and burdensome audits and to provide easy access to summary information on financial accounts. It is important to note that the President's compliance proposals are designed to ameliorate inequities by focusing on high-end evasion. Audit rates will not rise relative to recent years for those with less than $400,000 in actual income. This is justified both by the distribution of the tax gap (the benefits of which accrue disproportionately to high-income taxpayers) and recent trends in enforcement activity, where decreases have been most pronounced for examinations of global high net worth individuals and the corporation they own.

Q: In the past, the introduction of new information reporting requirements has meant an increase in taxpayer burden. Won't the same be true if the President's proposals are enacted?

- The President's proposals were designed to ensure that there will be no increase in taxpayer burden associated with a new information reporting regime. That is why the proposal calls for leveraging information that financial institutions have easily accessible about the accounts that they house.

- There is <u>no additional reconciliation requirement for taxpayers under this proposal.</u> For already compliant taxpayers, the only effect of this regime is to provide easy access to summary information on financial accounts.
- Further, taxpayers will benefit as the IRS is better able to target enforcement actions, avoiding unnecessary and costly audits of compliant taxpayers.
- *Background*: As part of the Affordable Care Act, a new provision was introduced which would have required businesses to send Form 1099 information returns for all purchases of goods and services over $600. Businesses were already required to report payments of $600 or more annually for services provided. This new requirement extended the reporting to goods as well as services. It was set to go into effect in 2012 but was repealed six months prior to its enactment because of a concern about the burden imposed on small businesses, which the National Taxpayer Advocate warned at the time "may turn out to be disproportionate compared with any resulting improvement in tax compliance."

Q: Over the course of the last decade, with limited resources, the IRS has chosen to pursue low-end taxpayers. Indeed, the counties with the highest audit rates are disproportionately low-income, minority communities. Won't giving the IRS more resources just exacerbate existing inequities in enforcement activity?

- No—in fact, these resources will address them. Over the last decade, the IRS budget has decreased by nearly 20%. The result has been that enforcement scrutiny has dropped off most for high earners, which have fallen by nearly 80%, more than twice as much as EITC audits. This is illogical as a matter of revenue-raising, the benefits of the tax gap accrue disproportionately to high earners. It is also deeply problematic as a matter of fairness.
- The President's compliance proposals are designed to right these wrongs. They are focused on providing the IRS the resources it needs to increase enforcement actions against the top end of the distribution.
- Audit rates for those earning less than $400,000/year would not increase relative to recent years.
- For low-income communities, and particularly minority taxpayers who too often are subject to costly audits, our proposals will improve the way that tax administration works for them. Service improvements will mean an IRS that responds in efficiently and effectively to taxpayer queries. State-of-the-art technology and better information mean that the IRS can target enforcement efforts where they belong—on those who fail to pay their fair share.

Q: Critical to the IRS' success will be the ability to identify and recruit high-skilled enforcement agents capable of complex audits of global high net-worth individuals and complex partnerships. How will this be accomplished?

- First and foremost—it is important to emphasize that today the IRS is struggles to bring enforcement actions against high-end taxpayers and complex structures like partnerships because of a resource constraint.
- The IRS has simply not had the capacity to keep pace: partnership income as a share of total income grew from less than 5% to more than 35% since 1990. More than 4.2 million partnership returns were filed in CY 2018, more than double the number of corporate returns filed the same year; however, the IRS audited only 140 of these returns.
- Examining these returns is resource-intensive for the IRS: auditing a global high-net worth individual or a partnership takes upwards of 300 hours.
- A sea change in enforcement will be accomplished by giving the IRS the resources it needs to pursue the kind of talented workforce that can help overhaul tax administration. This includes human resources staff who can help identify top-flight talent; as well as revenue agents with experience in complicated tax structures.
- It also means having resources in place over a multi-year period to train this new workforce and to overhaul technology to increase the efficiency of enforcement actions.

Q: CBO and JCT estimates of the revenue potential of tax gap proposals are considerably below Treasury's estimates. What explains these differences? Is your belief that prior estimates are incorrect?

- It is difficult to compare the Administration's compliance initiatives to previous estimates because of differences in scale and scope of the comprehensive proposal the President put forth in the American Families Plan.
- Estimates from career economists at the Office of Tax Analysis suggest that providing the IRS the resources it needs to address sophisticated tax evasion and introducing a comprehensive financial reporting regime would raise $700 billion in additional revenue over the course of a decade: $240 billion in net tax revenue from $80 billion in additional IRS resources; and $460 billion from a new financial reporting regime.
- These seem like large sums, and in fact they are. The tax compliance initiatives will pay for much needed investments in American families and workers. But it's important to understand that the reason there is so much revenue potential here is because of the scale of the problem that the IRS is dealing with: 15% of taxes that are owed to the U.S. are uncollected each year. That is more than $600B this year, and over $7 trillion in a decade. We're tackling a large problem here, and that's why the revenue potential is so significant.

Q: Does the IRS have the capacity to absorb all these new resources?

- The Administration's compliance proposal was informed by many discussions with our colleagues at the IRS on exactly this question.
- The design ensures that the IRS is able to absorb and usefully deploy additional resources over the entire 10-year horizon as it keeps budget growth manageable at around 10% per year, and its workforce will grow by no more than a manageable 15%.

- A lot of this increase is about bringing the IRS' resources back to reasonable levels—over the course of the last decade, the agency has been gutted, with its budget shrinking by around 20% in real terms.
- By the end of the decade, the IRS' budget would be roughly 40% above 2011 levels in real terms. That is a sizable increase, but a necessary one given that the IRS' responsibilities have grown over the intervening period. Even with this increase, the IRS would still not return to early 1990s levels as a share of gross collections.
- It is worth noting that the IRS currently has as many full-time employees as it did in the 1970s, despite the U.S. population growing by a third over the intervening period. The agency had 91K employees in the 1990s. It has just over 70K today. The agency has fewer auditors than at any time since World War II. The IRS not only has the capacity to absorb new resources—it has significant needs that these dollars are necessary to support.

Q: Will the Administration's proposals impose undue burden on community banks and small financial institutions?

- It is important to note that this proposal has been designed to minimize any costs for financial institutions associated with providing this information to the IRS.
- Specifically, the new financial reports build off of the existing 1099-INT reports that the IRS already receives from financial institutions when they earn more than $10 in interest from a bank, brokerage, or other financial institution.
- Financial institutions would simply report additional data on the financial accounts of these existing information returns.
- Our hope is financial institutions will be our good governance partners in ensuring there is a tax system that is equitable, efficient, and effective—where everyone pays their fair share, and their customers are not disadvantaged by others who skirt tax laws.
- Importantly, this proposal was designed with potential concerns of community banks in mind. The Administration is seeking ways to reduce any new burden on financial institutions associated with this reporting requirement. Further, in order to ensure that this reporting regime is comprehensive—and that community banks are not at a competitive disadvantage, this requirement extends to payment services providers as well.

Q: Doesn't giving the IRS information about all bank accounts in the United States constitute a significant infringement on taxpayer privacy?

- The Administration has designed this regime with taxpayer privacy concerns front of mind.
- That is why, as opposed to other compliance proposals that have been advocated by outside actors, in the Administration's framework, information is flowing only one way—from financial institutions to the IRS, as is the case with existing information reports. The proposal also includes significant resources to ensure that the IRS will be able to modernize and develop technological infrastructure that allows them to deploy this new information (as well as existing information) effectively in pursuing enforcement actions.

- Further, the proposal includes significant resources to protect taxpayer information more broadly, giving the IRS the resources it needs to invest in overhauling antiquated technology and meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually.

Q: How will giving more resources to the IRS actually help taxpayers [small business owners]? Won't it just mean a greater likelihood of costly and burdensome audits?

- Absolutely not. In fact, the opposite is true.
- The President's proposals are about giving the IRS the resources that it needs to pursue high-end evasion.
- Audit rates will not rise relative to recent years for those with less than $400,000 in actual income.
- This focus is justified by the composition of the tax gap, which accrues disproportionately to those at the top who accrue income in opaque categories like partnership and proprietorship income, where misreporting rates are high.
- All compliant taxpayers will benefit from these proposals from a lower likelihood of costly audits. Today, when the IRS determines who to audit, it is essentially shooting in the dark, since it has no lens into opaque income streams that allow it to ascertain which taxpayers may be skirting their tax liabilities—and which taxpayers are fully compliant. This means that honest small business owners—who are the vast majority—will benefit from this new regime, because the IRS will be able to target enforcement actions against those who are evading their tax obligations.
- These initiatives will also create a more equitable tax system. Today, compliant small business owners are at a disadvantage because they compete against those who are willing to skirt tax laws. The compliance initiatives are about putting all small business owners on a level playing field—rather than having a tax system in place which advantages evaders.

Q: The President's proposal is focused on improving enforcement efforts—but what about taxpayer services? The IRS answered less than 30% of the calls it received in 2019 and did not pick up the phones for months during the pandemic.

- Many people speak about this proposal as about enforcing our tax laws, and in significant ways, it is.
- It is unjust that ordinary wage-earners are compliant with their tax returns, yet for high earners who accrue income in opaque ways, tax compliance is voluntary, and this proposal seeks to address this.
- But it is also about improving the experience of all taxpayers as they interact with the IRS—making sure that customer service representatives stand ready to answer the phones when they call with questions, and that they get access to tax credits, refunds, and other benefits that they are entitled to.

Q: Why would information about account inflows and outflows be useful to the IRS? This information doesn't correspond to income that people owe taxes on.

- The purpose of the new information reports is to provide a lens into previously opaque income streams. This isn't the kind of information that is going to be matched to an individual tax filing—that is absolutely true.
- But it is a piece of information that the IRS can use to try and understand when there are differences between taxpayers' reported financial positions and their true ones. Imagine a taxpayer who reports $100K in income to the IRS, but has $1M of inflows and outflows. There may be a benign explanation for this--but it's something the IRS can prioritize looking into in its audit selection. It's also important to emphasize the flip side here: today when the IRS audits those who accrue income in opaque ways, like proprietorships, it is essentially shooting in the dark. It has no way of trying to disentangle compliant taxpayers from those who are not. This is a piece of evidence that the IRS can usefully deploy in that inquiry. So honest small business owners, for example, will hugely benefit from this reporting regime, because their chances of a costly and burdensome audit will be decreased once the IRS has a lens into these income streams.
- Imperative to the efficacy of this new regime will be giving the IRS resources to implement it. For reporting to be most useful, the IRS needs the funding to understand and process the information it receives.
- It is also important to emphasize that giving the IRS the resources it needs to overhaul its technological infrastructure will be hugely valuable in providing the IRS the capacity to best deploy this new information in its enforcement activities—but also the information that it already collects.
- For example, today the IRS cannot efficiently evaluate information on 40 million K-1 forms, or on 1099-K reports, or on submissions required by FATCA. It is important that the information technology that underlies out tax system can keep pace with the rapid technological developments that are taking place in the economy.

Q: Why is the President's proposal so modest? The tax gap is $7 trillion over a decade, the compliance initiatives are estimated to close just 10% of that. Can't we do more?

- For years, Congressional support for the IRS has been reduced, so the IRS is lacking the resources that it needs to enforce our tax laws efficiently and equitably. The IRS has especially struggled to appropriately bring enforcement actions against high-income/high-wealth taxpayers, large corporations, and complex partnerships, where examination rates have dropped off most in the last decade.
- The Administration's proposal would increase the IRS budget over the coming decade at a pace the IRS says they would be able to absorb and efficiently deploy.
- The Administration's proposal was drafted in close consultation with our colleagues at the IRS to try and best understand both their needs and also their absorption capacity. Our proposal calls for scaling up the IRS' budget over a ten-year horizon, growing by no more than 10% each year. This funding will allow the IRS to address core technology challenges, transform the provision of meaningful taxpayer services, and greatly improve

tax enforcement efforts. It will do so in a manageable way from the perspective of the agency.

- Perhaps also worth noting here that estimates of the revenue potential produced by the Office of Tax Analysis are in a sense conservative.
- Repeated from below: For example, the revenue potential of additional resources is based on IRS return on investment (ROI) estimates that only exist for adjustments detected through current enforcement-related activities. Benefits of other foundational changes in tax administration, like IT and taxpayer service improvements, are not accounted for. Additionally, although revenue estimates for increased information reporting includes the effects of this regime on voluntary compliance, estimates for increased enforcement actions do not account for deterrent effects, which are known to be quite significant.

Q: How will Treasury ensure there is oversight from the IRS from a substantial stream of mandatory funds?

- The importance of a mandatory stream of funds for the IRS cannot be overstated. The agency needs to have certain funding in place to make investments with large fixed costs—like modernizing information technology, improving data analytic approaches, and hiring and training agents dedicated to complex enforcement activities.
- This takes time to do effectively, and it requires that there be funds in place to support overhauling tax administration over a multi-year horizon. There must be a sustained commitment to foundational change.
- Effective management of mandatory funding streams will be crucial to a well-resourced IRS. And frequent reporting on milestones and performance metrics—including a more current tax gap report—will be essential, providing insight into the efficacy of new programs.

Q: Does the Administration also support increasing penalties for tax evasion by high income/high wealth taxpayers?

- Our compliance initiatives are also focused on increasing penalties for those who commit or abet evasion.
- One example to highlight is paid tax preparers, who submit about half of individual income tax returns, but who often make costly mistakes that subject taxpayers to burdensome audits. Some unregulated preparers even enrich themselves by ascribing a portion of taxpayers' refunds to themselves or commit fraud by failing to sign returns. Our proposals call for better regulation of paid tax preparers and significant penalties for these so-called "ghost" preparers.
- Inequities in enforcement are not solely the result of decreasing enforcement scrutiny on high-end taxpayers.
- They are also the result of rules and regulations that can advantage well-resourced and corporate taxpayers. Creating an equitable tax system requires making sure there is one set of rules, no matter how you accrue income or who you are. This means giving the IRS

the resources and information it needs to pursue evasion and also putting in place penalties that appropriately deter misreporting.

Q: The tax gap is disproportionately about high earners and the companies they own. Why not have new reporting requirements apply only to their accounts?

- The issue with using any income threshold for a new reporting is that it deteriorates the efficacy of the entire regime. The reason for this are several:
- First, many taxpayers who are actually in the top-end of the income distribution report very little income. 72% of the tax gap for those with true income above $400K is attributable to taxpayers with reported income below $400K. So, a reported income threshold severely limits the ability of these new reports to be collected and then used for enforcement actions against those with high true income. A narrow reporting regime is not an effective way to address the tax gap.
- Second (and relevant to future reconciliation efforts), unsurprisingly the revenue estimate associated with any narrow financial reporting proposal is going to be miniscule relative to the $460B estimated to be raised from a comprehensive regime. So we'd be massively limiting the true value of this pay-for by deploying it in such a limited way.
- Third, you'd likely create a lot of potential for leakage out of the reporting regime and implicate privacy concerns. If you use a threshold attached to bank account levels (e.g., reporting only on accounts over some high deposit threshold), then there is an incentive to simply spread deposits across accounts and avoid the new financial reports, and that is fairly straightforward to do. If you instead use an AGI threshold for taxpayers, this becomes immensely cumbersome for financial institutions to implement, requiring a determination of which taxpayers are above and below the relevant threshold. It also is a significant infringement on taxpayer privacy, because it requires the IRS to convey information to banks about which of their customers are at the top of the distribution. From the banks' perspective and the taxpayers' perspective, a broader reporting regime is vastly preferable.
- Remember, there is no change or burden for taxpayers associated with this new reporting regime. All that will happen is that taxpayers will benefit from a decreased likelihood of costly audits when the IRS is able to better target enforcement actions and has a more comprehensive understanding of taxpayers' financial positions. Perversely, this means that by limiting the reporting regime you'd actually be harming honest taxpayers, because they will benefit from the IRS having access to this information.

Q: Doesn't the new reporting regime impose significant costs on financial institutions, who have to implement a new reporting regime, and small businesses, who will face greater IRS scrutiny?

- Banks stress the importance of simplicity in a new reporting regime and comprehensiveness in terms of its coverage, so we're sure not to put the banks—and especially the small banks—at any disadvantage vis-à-vis their nonbank competitors.

That's why the new financial reports will build off of the existing 1099 information reports that banks already send the IRS.

- And both to ensure there isn't leakage out of the reporting regime—and to make sure that financial institutions are not going to lose market share to nonbank competitors like Venmo and Square, our vision of this is for these requirements to extend to payment services providers as well.
- Small businesses were concerned about possible burdens associated with a new reporting regime, as there are other versions of bank reporting proposals, that imposed new requirements for taxpayers, like the requirement to reconcile tax filings with financial information reports. None of that is in the Administration's proposal. For taxpayers all that happens is they have easy access to summary information on their financial accounts.
- They also have a lower likelihood of being audited. Right now, when the IRS is auditing proprietorships, it is essentially shooting in the dark—has no way of knowing which taxpayers are compliant, and which taxpayers are not. The idea behind these new reports is the IRS will be equipped with a piece of evidence it can use in its enforcement actions. That means a lower likelihood of a costly and burdensome audit for compliant taxpayers.
- Today honest small business owners are at a competitive disadvantage—they have to compete against tax cheats who are comfortable skirting tax obligations, and that's really difficult to do. So, honest small businesses will benefit from this new regime.

Q: Doesn't the recent ProPublica data leak highlight the dangers of giving the IRS access to even more taxpayer information with a comprehensive financial reporting regime?

- We don't yet know what happened with respect to ProPublica. Unauthorized disclosure of taxpayer information is a crime. The FBI, federal prosecutors, and Treasury Department oversight authorities are all in the process of investigating, and all is being done to get to the bottom of this criminal activity.
- The IRS takes the protection of taxpayer data incredibly seriously. But it's important to understand the scale of the problem that it is dealing with: The IRS estimates that there are more than 2.5 million unauthorized access attempt per day.
- As one of the nation's largest repositories of sensitive data, the IRS has enterprise safeguards it employs to detect and prevent emerging cyber threats. But these safeguards need to be enhanced, and to make these investments, the IRS needs resources.
- The IRS has pointed out that one of the most significant cybersecurity-related challenges that it faces is attracting specialized talent with expertise in data security.
- The President's compliance initiatives will address this deficiency, providing the IRS the resources and authorities it needs to recruit top-flight talent and can overhaul outdated IT systems, finally ensuring that the protections of the tax system keep pace with threats to it.
- It is somewhat puzzling that Rs are using an unauthorized disclosure of taxpayer information as a justification for continuing to gut the IRS. We don't yet know what took place—but if anything, the fact that the IRS does not have the resources it needs to meet the cybersecurity threats of the day is precisely why the President's compliance initiatives are so important.

- With these resources, the IRS will be able to build a 21st century cybersecurity system. Without them, it will be stuck with a 1960s one.

Q: How will additional IRS resources help minority communities?

- Many people speak about this proposal as about enforcing our tax laws, and in significant ways, it is.
- It is unjust that ordinary wage-earners are compliant with their tax returns, yet for high earners who accrue income in opaque ways, tax compliance is voluntary, and this proposal seeks to address this.
- But it is also about improving the experience of all taxpayers as they interact with the IRS—making sure that customer service representatives stand ready to answer the phones when they call with questions, and that they get access to tax credits, refunds, and other benefits that they are entitled to.

Q: Minority communities are disproportionately un- and under-banked. Won't giving the IRS a lens into their bank accounts discourage them from participating in the traditional financial sector because of privacy concerns?

- The Administration has designed this regime with taxpayer privacy concerns front of mind. That is why, as opposed to other compliance proposals that have been advocated by outside actors, in the Administration's framework, information is flowing only one way—from financial institutions to the IRS, as is the case with existing information reports.
- Further, the proposal includes significant resources to protect taxpayer information more broadly, giving the IRS the resources it needs to invest in overhauling antiquated technology and meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually.
- Low-income, minority taxpayers are today disadvantaged by a tax system that requires ordinary wage-earners pay their fair share; whereas wealthy taxpayers have significant opportunities to skirt tax laws. The President's proposals will end this two-tiered tax system.
- Rather than be burdened by a new reporting regime, compliant taxpayers will benefit from it: When the IRS determines who to audit today, it is essentially shooting in the dark, since it has no lens into opaque income streams that allow it to ascertain which taxpayers may be skirting their tax liabilities—and which taxpayers are fully compliant. Honest small business owners—who are the vast majority—will benefit from the IRS's ability to better target enforcement actions against those who are evading their tax obligations.

Q: The new reporting regime will place significant burden on banks and introduce new costs of implementation and oversight. Won't this mean fewer resources for banks to focus on important priorities for minority communities, like ensuring broad-based access to credit and financial services?

- It is important to note that the proposal has been designed to minimize any costs for financial institutions.

- New financial reports build off of the existing 1099-INT reports that the IRS already receives from financial institutions, and they will include just a bit of additional information that financial institutions already know about taxpayers on account inflows and outflows.
- There is no reason why a bank's workforce will have to be diverted in any way to comply with a new reporting regime. In conversations with financial institutions around the contours of the new reporting proposal, they stressed that simply adding some additional information to an existing reporting regime is an approach that could be easily implemented. That is exactly what the Administration's compliance initiatives call for.
- To the extent that there are any fixed costs associated with standing up the regime, the Administration is committed to finding ways to address them, particularly for smaller financial institutions and community banks.

Q: $700 billion is an order of magnitude above the $60 billion CBO has estimated last summer for compliance initiatives. How realistic is this revenue estimate?

- $700 billion is a significant amount of revenue. But it's important to put this into context. Treasury estimates suggest that the IRS will fail to collect $7 trillion in taxes owed over the course of the next decade, absent a course correction. Collecting $700 billion of this total means shrinking the tax gap by around 10%.
- The Treasury $700 billion estimate is, if anything, conservative. One can see this in many ways.
  - First, comparing to outside estimates: Sarin and Summers suggest a robust attack on the tax gap can generate over $1 trillion over the course of a decade. Former IRS Commissioner Charles Rossotti estimates closer to $1.6 trillion. The Treasury $700 billion estimate is modest relative to these academic experts.
  - Second, comparing to outside scores: Penn Wharton Budget Model, for example, scored the Administration's compliance initiatives as generating $480 billion over a decade. The discrepancy between this and Treasury's $700 billion estimate is entirely about ramp up: Over a 15-year window, there is no difference between the two estimates. Note that ramp up is important to our numbers as well—the Treasury estimates are already significantly backloaded, as the official CBO/JCT estimates here will be. This is because the IRS will spend the first several years making investments with high fixed costs (modernizing technology, training new revenue agents, building infrastructure for financial reporting) that will take years to be fully productive. As a result, the Treasury second decade estimate ($1.6 trillion) is more than twice as large as the first decade one.
  - Third, considering what is left out of the Treasury score: On the budget side, revenue estimates come directly from the IRS based on ROIs for historical enforcement activities. That means that the revenue gain associated with overhauling outdated technology or investing in taxpayer service is unaccounted for. Further, the revenue estimate for the $80 billion total (generating $320 billion gross in additional tax collections) is about direct revenue. The deterrence effect associated with increased enforcement activities, which Treasury estimates suggest are at least twice as large, are not included. Additionally, the introduction of a new financial reporting regime will make the IRS enforcement activities more efficient and well-targeted to true evaders. This is left out of the revenue

estimate for financial reporting, which is entirely about an increase in voluntary compliance associated with the IRS' visibility into previously opaque income streams. Finally, the OTA estimates do not consider the interaction between the proposals—that the value of information to the IRS is heightened when the IRS has the resources it needs to deploy that information; or that additional resources can go further when the IRS has information to target audit scrutiny on suspect taxpayers. This interaction is a dimension CBO/JCT have expressed interest in understanding better, and Treasury staff have provided/are in the process of providing additional materials here.

On the distributional tables from JCT

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>, Chuck Marr <marr@cbpp.org>
Date: Mon, 30 Aug 2021 15:18:52 -0400

Very close hold, as we are writing these up now internally. But for your reference:

Distribution of Underreported Schedule C

	Schedule C Income	
Adjusted Gross Income	**Treasury**	**JCT**
Less than $0	0%	5%
$0 to $50,000	11%	52%
$50,000 to $100,000	19%	21%
$100,000 to $200,000	25%	12%
$200,000 to $500,000	18%	6%
$500,000 and over	26%	4%

Note: Corrections made relative to JCT table include: 1) using correct AGI (they used reported AGI, which is a mistake because many taxpayers who appear to be low earners are actually high earners precisely because of evasion), $2) turning 2014 into 2021 dollars; and 3) computing approximate underreported income tax by applying estimated marginal tax rate.

IRS Tax Gap Distribution (based on Guyton et al. 2021)

	IRS Research on Tax Gap Distribution	
Taxpayers ranked by income corrected for estimated unreported income	Percentage of Unpaid Taxes	Estimated Unpaid Tax ($B 2012)
P0-10	0.4%	1
P10-20	0.2%	1
P20-30	0.6%	2
P30-40	1.2%	4
P40-50	1.8%	6
P50-60	2.7%	9
P60-70	4.0%	13
P70-80	6.3%	20
P80-90	10.2%	32
P90-95	10.60%	33
P95-99	25.80%	81
P99-99.5	8.70%	27
P99.5-99.9	15.10%	48
P99.9-P99.95	3.80%	12
P99.95-P99.99	4.60%	14
P99.99-100	4%	13

Top 1%	**36.20%**	**114**

[No Subject]

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Date:	Thu, 09 Sep 2021 00:51:58 -0400
Attachments:	minorities_followupv4.docx (28.13 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Ellen Nissenbaum
Senior Vice President for Government Affairs
CBPP
(202)408-1080
(b)(6) [redacted] *(cell)*

The President's tax compliance proposals include two major components. The first step in the President's tax administration efforts is a sustained, multi-year commitment to rebuilding the IRS, including nearly $80 billion in additional resources over the next decade. This would make up the ground that the IRS has lost over the last decade. During this time, the IRS budget fell by about 20%, leading to a sustained decline in its workforce particularly among specialized auditors who conduct examinations of high-income and global high net worth individuals and complex structures, like partnerships, multi-tier pass-through entities, and multinational corporations.

The second large prong of the proposal is the introduction of a comprehensive financial reporting regime. When the IRS can verify taxpayer filings with third-party reports, compliance rates exceed 95%. Without third-party reporting, compliance rates can fall below 50%. To avoid any increase in taxpayer burden, the President's proposal leverages the information that financial institutions already know about the accounts that they house.

For low-income communities, and particularly minority taxpayers who too often are subject to costly audits, the Administration's proposals will improve the way that tax administration works for them. Service improvements will mean an IRS that responds in efficiently and effectively to taxpayer queries. State-of-the-art technology and better information mean that the IRS can target enforcement efforts where they belong—on those who fail to pay their fair share.

The Biden Administration's commitment to racial equity was a key factor in the design of the current enforcement proposal. Over the course of the last decade, as the IRS has faced resource constraints, enforcement scrutiny has dropped off disproportionately for those at the top of the distribution. As a result, the counties with the highest audit rates today are predominantly African American, rural communities in the Deep South. As IRS Commissioner Rettig has made clear, for the IRS to appropriately balance enforcement scrutiny across the income distribution, it needs resources to be able to pursue high earners with complex returns, which take an average of 300 hours to investigate.

It is important to note that the President's compliance proposals are designed to ameliorate existing inequities by focusing on high-end evasion. Audit rates will not rise relative to recent years for those with less than $400,000 in actual income. This focus is justified by the composition of the tax gap, which accrues disproportionately to those at the top of the distribution, who earn income in opaque categories like partnership and proprietorship income, where misreporting rates are high.

With respect to their impact on low-income, minority communities, a few questions have arisen that it is important to address:

1. Minority communities are already disproportionately audited by the IRS: the ten counties with the highest audit rates are all predominantly African American communities in the South. Won't giving the IRS more resources just exacerbate these inequities?
    a. No—in fact, these resources will address them. Over the last decade, the IRS budget has decreased by nearly 20%. The result has been that enforcement scrutiny has dropped off most for high earners, which have fallen by nearly 80%, more than twice as much as EITC audits. This is illogical as a matter of revenue-

raising, the benefits of the tax gap accrue disproportionately to high earners. It is also deeply problematic as a matter of fairness.

   b. The President's compliance proposals are designed to right these wrongs. They are focused on providing the IRS the resources it needs to increase enforcement actions against the top end of the distribution.
   c. Audit rates for those earning less than \$400,000/year would not increase relative to recent years.

2. How will additional IRS resources help minority communities?
   a. Many people speak about this proposal as about enforcing our tax laws, and in significant ways, it is.
   b. It is unjust that ordinary wage-earners are compliant with their tax returns, yet for high earners who accrue income in opaque ways, tax compliance is voluntary, and this proposal seeks to address this.
   c. But it is also about improving the experience of all taxpayers as they interact with the IRS—making sure that customer service representatives stand ready to answer the phones when they call with questions, and that they get access to tax credits, refunds, and other benefits that they are entitled to.

3. Minority communities are disproportionately un- and under-banked. Won't giving the IRS a lens into their bank accounts discourage them from participating in the traditional financial sector because of privacy concerns?
   a. The Administration has designed this regime with taxpayer privacy concerns front of mind. That is why, as opposed to other compliance proposals that have been advocated by outside actors, in the Administration's framework, information is flowing only one way—from financial institutions to the IRS, as is the case with existing information reports.
   b. Further, the proposal includes significant resources to protect taxpayer information more broadly, giving the IRS the resources it needs to invest in overhauling antiquated technology and meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually.
   c. Low-income, minority taxpayers are today disadvantaged by a tax system that requires ordinary wage-earners pay their fair share; whereas wealthy taxpayers have significant opportunities to skirt tax laws. The President's proposals will end this two-tiered tax system.
   d. Rather than be burdened by a new reporting regime, compliant taxpayers will benefit from it: When the IRS determines who to audit today, it is essentially shooting in the dark, since it has no lens into opaque income streams that allow it to ascertain which taxpayers may be skirting their tax liabilities—and which taxpayers are fully compliant. Honest small business owners—who are the vast majority—will benefit from the IRS's ability to better target enforcement actions against those who are evading their tax obligations.

4. The new reporting regime will place significant burden on banks and introduce new costs of implementation and oversight. Won't this mean fewer resources for banks to focus on

important priorities for minority communities, like ensuring broad-based access to credit and financial services?

a. It is important to note that the proposal has been designed to minimize any costs for financial institutions.
b. New financial reports build off of the existing 1099-INT reports that the IRS already receives from financial institutions, and they will include just a bit of additional information that financial institutions already know about taxpayers on account inflows and outflows.
c. There is no reason why a bank's workforce will have to be diverted in any way to comply with a new reporting regime. In conversations with financial institutions around the contours of the new reporting proposal, they stressed that simply adding some additional information to an existing reporting regime is an approach that could be easily implemented. That is exactly what the Administration's compliance initiatives call for.
d. To the extent that there are any fixed costs associated with standing up the regime, the Administration is committed to finding ways to address them, particularly for smaller financial institutions and community banks.

Fwd: ICYMI: ICBA/ABA Call to Action on Compliance Proposal

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Date:	Thu, 09 Sep 2021 21:22:49 -0400
Attachments:	icba-letter-in-opposition-to-irs-reporting.pdf (764.04 kB)

All-- In case you missed it, sharing an article from American Banker highlighting advocacy against the compliance proposal from groups like the ICBA and the ABA. ICBA issued a call to action today urging members to reach out to Congress and highlighting a letter to the hill released earlier this week. More below.

Banks escalate fight over IRS reporting in Biden budget plan

By Brendan Pedersen, American Banker [09/08/2021]

The financial services sector is girding for an extended battle over a legislative proposal requiring banks and other institutions to report customer account data meant to bring in more federal tax dollars.

The measure is being considered by lawmakers as a source of revenue in the Biden administration's proposed $3.5 trillion budget reconciliation plan. It could result in banks having to report transaction data for any account with at least $600 of inflows or outflows annually.

Bankers and even some consumer advocates have blasted the idea, which first garnered attention this past spring as part of the administration's American Families Plan, as a compliance headache and a privacy nightmare for customers. Financial institutions say they already report reams of data to the Internal Revenue Service.

But the industry's focus on the provision has intensified in recent days with Democratic lawmakers intent on passing one of President Biden's key legislative priorities.

“From a bank perspective, the administrative challenges and complexities of having a $600 annual threshold may not achieve the policy goals of reducing tax avoidance,” said Scott Talbott, senior vice president of government relations at the Electronic Transactions Association.

“At $600, the squeeze may not be worth the juice,” Talbott added.

In search of revenue, the Biden administration has argued that a more robust reporting regime would narrow the so-called “tax gap” and help the IRS identify billions owed to the government by wealthy taxpayers that go unpaid.

The budget plan would enact a bevy of social policy objectives to accompany a separate looming infrastructure overhaul. In search of revenue, the Biden administration has argued that a more robust reporting regime would narrow the so-called tax gap and help the IRS identify billions owed to the government by wealthy taxpayers that go unpaid.

The proposed IRS reporting regime, which would expand the income tax data banks already report on their customers, was included among a list of potential revenue sources in a draft document circulating on Capitol Hill that was obtained by American Banker. The House Ways and Means Committee could consider the tax reporting proposal shortly, according to some sources.

Yet the document also suggested that lawmakers could be flexible about adjusting the $600 threshold for reporting.

Although budget reconciliation is one of the few legislative vehicles that can pass the Congress by a simple majority without the prospect of a Senate filibuster, industry representatives say they still have a chance to stop the IRS reporting measure.

"We certainly don't consider anything a done deal in reconciliation," said James Ballentine, executive vice president of congressional relations and political affairs at the American Bankers Association. "There's a long way to go in this process."

On Tuesday morning, the Independent Community Bankers of America released the results of a survey conducted with Morning Consult that found that 67% of respondents were opposed to "a proposal that would allow the IRS to collect bank account deposit and withdrawal information from American consumers," according to a press release from the trade group.

"A bipartisan supermajority of Americans clearly opposes Washington's plan for the IRS to monitor their bank account information, which Congress is now quickly advancing through a budget reconciliation package that requires only a simple majority to pass," ICBA President and CEO Rebeca Romero Rainey said in a statement accompanying the survey results.

Later that same day, ABA President and CEO Rob Nichols sent a letter addressed to leadership on the House Ways and Means Committee and Senate Finance Committee "to reiterate our strong opposition to a proposal requiring banks to report to the IRS new information on their customers' accounts."

"ABA and its members firmly believe that Americans should honor their tax obligations, but it is far from clear that requiring banks to report on every single customer financial account with gross inflows and outflows above $600 — creating a mountain of new data — will lead to better tax compliance," Nichols wrote in the letter, dated Sept. 7.

Nichols even suggested that the requirement could undercut banks' recent efforts to expand financial access for underserved populations across the U.S.

"Our member banks and policymakers share the common goal of reducing the number of unbanked Americans," Nichols said. "As some interpret this information reporting proposal effectively to require banks to police and report on the accounts of customers, we are very concerned that it will undermine trust in the banking system and erode the progress we have made reducing the number of unbanked and underbanked in the country."

On the ICBA's website, the trade group posted a "consumer alert" raising concerns about privacy issues for customers arising from the proposal. The alert urged consumers to contact members of Congress and featured a video clip of Rainey.

"Mandating broad new bank reporting to the IRS on all business and personal bank accounts would infringe on the privacy of bank customers," Rainey said on video. "It would also push more people away from a banking relationship and overload the IRS with more data than it can possible process or keep safe.

Cracking down on tax avoidance remains a high priority for the Treasury Department. A report published by Treasury on Tuesday estimated that the top 1% of income earners accounted for 28% of the nation's unpaid tax bill annually, for a total of roughly $160 billion.

The report emphasized the need for the IRS to be properly funded and staffed in order to improve tax collection. But it also pointed to a broader lack of reporting data that further hampers the agency's efforts.

"To further ensure that everyone pays their fair share, the Administration also calls for using information that financial institutions already possess — without imposing any burden on taxpayers whatsoever — so the IRS can deploy these additional resources to audit more sophisticated tax evaders," according to the report, which was written by Deputy Assistant Secretary for Economic

Policy Natasha Sarin. "These changes to the third-party information reports are estimated to generate $460 billion over a decade."

In Congress, the prospective IRS reporting requirements last appeared during negotiations for the $1 trillion bipartisan infrastructure package that passed the Senate in August and currently awaits a vote in the House.

Senate Republicans shot down the IRS reporting measure for banks along with other provisions that would have bolstered the IRS's enforcement authority.

One hopeful sign for banks is it remains unclear how large the budget reconciliation bill will be, particularly if more moderate Democratic senators push for a lower figure. A smaller package would require fewer sources of revenue. Earlier in August, conservative Democrat Senator Joe Manchin argued in The Wall Street Journal that $3.5 trillion was simply too large.

But Talbott says expanded reporting to cut down on tax evasion by the wealthy could have political appeal.

"There is clearly an ongoing policy move towards reporting," Talbott said. "We've seen a number of instances where reporting information to the IRS has been politically popular, so the odds of this passing as a 'pay for' — it's high."

If the IRS reporting measure does advance in the later stages of negotiations, the industry is expected push for lawmakers to significantly raise the reporting threshold beyond the current $600 level.

"When you're talking about accounts of $600 or more, you're talking millions and millions of accounts of everyday American taxpayers and small businesses," Ballentine said. "It's almost as if they're trying to create a haystack in order to find the needle."

Antonio J. White

Deputy Assistant Secretary for Community Engagement

U.S. Department of the Treasury

1500 Pennsylvania Avenue NW, Washington, DC 20220

E: Antonio.White2@treasury.gov | P: (202) 805-3500

September 7, 2021

The Honorable Richard Neal
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin Brady
Ranking Member
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Neal and Ranking Member Brady:

As you draft revenue provisions for inclusion in budget reconciliation package this week, ICBA and the nearly 50,000 community bank locations we represent write to reiterate our staunch opposition to any proposal that would require banks and other financial and non-financial institutions to report private bank activity information to the Internal Revenue Service. We are joined in our opposition by consumer groups, small businesses groups, and average American taxpayers. (See attached letters from small business and financial trade associations, state community bank associations, and minority banks.) Any vote on IRS reporting will be a key vote for ICBA.

Fresh polling by Morning Consult shows that two-thirds of voters (67%) oppose a proposal to transfer more banking data to the IRS. Opposition is bipartisan, with more than half of voters (53%) strongly opposed and only 22% supportive. Voter opposition is rooted in at least three concerns:

- **Trust:** More than three in five adults (64%) do not trust the IRS to monitor their deposit and withdrawal information. This includes 50% of Democrats, 73% of Independents, and 75% of Republicans.
- **Data Security:** More than half of adults (54%) do not trust the IRS to keep their financial data safe from data breaches. Distrust is highest among voters over the age of 45, those who make under $100,000 per year, and those in suburban and rural areas.
- **Use of Banks:** 55% of respondents said their banking habits would change if they knew their deposits and withdrawals were being reported to the IRS. Those who would change their habits include 57% of Democrats and Republicans, 61% of voters in urban areas, and 58% of voters in rural areas.

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

The proposal would be a massive and unprecedented transfer of personal financial data to the IRS, which the agency is unequipped to absorb, make effective use of, or secure against data breach. This amounts to a troubling effort to profile American taxpayers based on account characteristics without grounds for suspicion of tax evasion. Such profiling is inappropriate in all law enforcement contexts. It is a broad and indiscriminate approach that would sweep up the personal data of millions of compliant taxpayers. It would foster distrust in the IRS and government in general, jeopardizing efforts to bring more Americans into the banking system.

The proposal should be rejected in favor of more equitable means of reducing the tax gap, including IRS systems enhancements and more effective use of existing data collected under the Bank Secrecy Act, which could be effectively used to identify irregular financial funds flows and possible tax evasion.

We urge you not to compromise Americans' banking privacy in a speculative scheme to increase tax compliance.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

CC: Members of the House Ways and Means Committee

Attachments: Joint letter from small business and financial trade associations
Joint letter from state community bank trade associations
Letter from ICBA Minority Bank Council

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Fwd: Following up

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: Thu, 09 Sep 2021 21:29:20 -0400
Attachments: ABA Letter to Senate Amendment to Budget Resolution 08102021.pdf (121.95 kB); icba-letter-in-support-of-senator-crapo's-amendment-regarding-bank-reporting-of-account-information-to-the-irs.pdf (208.38 kB); icba-minority-bank-council-letter-re-bank-account-reporting-proposal109668b051c36d55bb68ff01003634f2.pdf (227.14 kB); joint-letter-opposing-account-reporting-proposal.pdf (103.15 kB); state-sign-on-letter-regarding-account-reporting.pdf (82.59 kB)

From: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Date: August 17, 2021 at 4:13:00 PM EDT
To: charles rossotti [redacted]@gmail.com>
Subject: Following up

Hi Charles,

So wonderful to talk this morning. Wanted to follow up as promised with some of what we've seen from ICBA/ABA in the last week in support of the Crapo amendment: https://www.crapo.senate.gov/media/newsreleases/crapo-files-amendment-to-protect-americans-privacy-from-intrusive-irs-reporting-regime-#:~:text=My%20amendment%20prevents%20the%20undue,by%20any%20individual%20or%20business.%E2%80%9D&text=Senator%20Crapo%20also%20spoke%20about,remarks%20on%20the%20Senate%20Floor.

American Bankers Association
Building Success. Together.

Rob Nichols
President and CEO
202-663-7512
rnichols@aba.com

August 10, 2021

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

RE: Support Senator Crapo's amendment to budget resolution on financial institution income tax reporting

Dear Majority Leader Schumer and Minority Leader McConnell:

On behalf of the members of the American Bankers Association (ABA), we write to express our support for Senator Mike Crapo's amendment to the budget resolution to prevent the Internal Revenue Service (IRS) from establishing a program to extract sensitive and extraneous taxpayer information on individual or business bank accounts with flows of $600 or more.

Senator Crapo's amendment would prevent the IRS from creating a dragnet responsible for collecting the financial information of most Americans and requiring significant resources to build, police, and maintain. Financial institutions already report a tremendous amount of data to the IRS and it is unlikely that the reported information would materially improve the IRS's ability to identify tax evaders or to deter evasion over and above the tools already at the IRS's disposal. The current reporting regime already captures the vast majority of taxable events of the high-income taxpayers that the Administration believes it is targeting, including sales and distributions, and earnings from investments, including brokerage, retirement, trust, S Corporation, and partnership (including offshore) accounts and holdings.

Despite assertions by some that a new reporting regime would be simple to execute and represent a low or even no-cost mechanism to help narrow the tax gap, designing system capabilities to capture account inflows and outflows and other information is complex, expensive, and will take years. Having the raw data somewhere in a bank system does not mean it is easily compiled or produced to government specifications. For example, financial institutions would need to adjust their many customer systems to calculate gross inflows and outflows, account for de minimis protocols, navigate complications associated with joint account ownership, and identify transactions with foreign accounts, cash transactions, and transactions between accounts with the same owner.

The proposed reporting system would apply across most, if not all, bank products – including many that do not currently require any IRS reporting and consequently do not have even the baseline analytical and reporting infrastructure needed to support this type of reporting. This would be a significant operational undertaking, especially for community banks that are often dependent on third-party service providers for their system updates.

Instituting a comprehensive new reporting regime has important data privacy implications, would be significantly more complex than proponents suggest and, more importantly, the costs of instituting such a program likely outweigh the benefits. We appreciate Senator Crapo's efforts on this issue and

we strongly urge Senators to support his amendment to prevent the creation of this new IRS reporting regime.

Sincerely,

Bob Nichols

cc: Members of the United States Senate

August 10, 2021

Members of the United States Senate

Re: Crapo amendment to budget resolution regarding reporting of bank account information to the IRS

Dear Senators:

On behalf of community banks across the country, with more than 50,000 locations, I write to express our strong support for an amendment to be offered by Senator Crapo to the Budget Resolution which would prohibit the Internal Revenue Service from using funds to monitor inflows and outflows of deposits or withdrawals in financial accounts of American taxpayers, as well as other protections to ensure the privacy of taxpayer information.

The Administration's Greenbook proposal to require bank account reporting on all accounts with a gross flow threshold or fair market value of more than $600 is opposed by consumer groups, small business groups, and financial institutions of all charter types and sizes as intrusive and overreaching. (See attached letters from small business and financial trade associations, state community bank associations, and minority banks.)

Collection of financial data to determine tax liability must be targeted and justified. The Administration proposal would amount to an intrusive and indiscriminate fishing expedition unsupported by any reasonable suspicion of tax evasion. It would require financial institutions to perform a police function on behalf of the IRS, an inherently governmental role that is inappropriate for private sector institutions.

Community banks collect financial data for the purpose of serving their customers: to safeguard their funds, provide checking, card, and other payments services, and extend credit. The IRS has no justifiable right to this data. It is not and must not be a public good. This overreaching proposal would fundamentally redefine the relationship among financial institutions, their customers, and the IRS.

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Moreover, we are concerned about the IRS's poor record of data security which exposes taxpayers' data, compromises their privacy, and makes them vulnerable to identity theft. In today's environment, privacy and enhanced security of taxpayer data should take precedence over the mass collection of new data.

For these reasons, ICBA and community banks urge all senators to support Senator Crapo's amendment.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

Attachments: Joint letter from small business and financial trade associations
Joint letter from state community bank trade associations
Letter from ICBA Minority Bank Council

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

July 12, 2021

The Honorable Charles E. Schumer
Democratic Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Republican Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi, and Leader McCarthy:

We are members of ICBA's Minority Bank Advisory Council, a coalition of minority depository institutions (MDIs). We write to convey our concerns and strong opposition to a Biden Administration proposal to require banks to provide to the Internal Revenue Service (IRS) detailed new information on financial account transactions. Our primary concern is that the proposal would undermine the critical relationship of trust we foster within the communities we serve – communities prone to distrust of institutions and government agencies. We fear that invasive and indiscriminate account reporting would undermine the policy priority of bringing more people into the banking system and may drive many of those in the system to leave.

Distrust in government – and obstacles it creates – is a challenge we must acknowledge. As we are currently witnessing, such distrust has made too many skeptical of COVID vaccination, for example, and thereby jeopardized public health. We fear the same effect on consumer participation in the banking system.

Minority Banks Play a Critical Role in Creating Inclusive Prosperity

Minority banks have first-hand experience and understanding of cultural practices, differences, and norms in the communities they serve. Minority bank shareholders, directors, officers and staff know and understand the culture and language of the communities they serve, allowing them to customize products and services that address their needs. For example, serving a community with first- and second-generation Chinese or Cuban immigrants – who come from authoritarian regimes that have no respect for the privacy

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

of their citizens – requires the ability to overcome issues of trust, language barriers, and customs. When there is distrust, individuals are reluctant to use the banking system.

Trust and cultural understanding is the core value proposition we offer. It allows us to remain responsive and relevant as well as independent and competitive in an era of industry consolidation.

Proposals for Enhanced Financial Account Reporting

The Administration's fiscal year 2022 budget proposal and accompanying "Green Book" description of revenue proposals includes a proposal for comprehensive financial account reporting that would require banks and other financial institutions to report to the IRS gross inflows and outflows with breakdowns for physical cash, transactions with foreign accounts, and transfers to and from another account with the same owner. The proposal would cover all business and personal accounts, including loan and investment accounts. The only de minimis exception is for accounts with a balance of less than $600. The proposal would cover the accounts of nearly all Americans, not only the wealthy.

While we support balanced measures to close the tax gap through improved compliance, onerous new bank reporting proposals are likely to drive many individuals out of the banking system. We are also concerned about the costs associated with implementing an expansive new reporting regime. Capital for our institutions is always a major concern, and we believe it would be better allocated deploying resources to the communities we serve, rather than diverted to implement additional financial reporting. We do not want to see access to capital reduced or jeopardize the trust we have earned with our customers.

Banking the Unbanked Must Be a Priority

According to the FDIC, 7.1 million households, or 5.4 percent of all households, are unbanked. When a significant population remains outside the banking system, predatory practices flourish. These include payday loans and car title loans that are costly and trap borrowers in a cycle of debt. Without bank credit, homeownership rates decline. It becomes harder to build wealth, and the racial and ethnic wealth gap widens. Departure from the banking system would promote an underground cash economy. Unbanked individuals who carry cash on their person or keep it in their homes are vulnerable to violent crime. The issue of the unbanked is a significant hurdle to prosperity in the communities we serve.

Account Reporting Will Increase Taxpayer Complexity, Raise Barriers to Compliance, and Create Erroneous Filings

Financial literacy is a continuing challenge in the communities we serve. "Tax literacy" is a separate but related challenge and source of frustration for many taxpayers. This is why tax filing simplification and

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

transparency must be an ongoing policy goal. Taxpayers should feel confident in the accuracy of their filings without hiring a professional tax preparer and should not spend undue time completing forms and making calculations. Proposed account reporting would increase tax complexity and create opacity rather than transparency.

Under the Administration's proposal, taxpayers will likely have to receive new 1099s for every account they hold detailing deposit and withdrawal information that is not relevant to their tax liability. Today, the 1099, in its various forms, is used for reporting taxable income, but the proposal would expand the 1099-INT to report all deposits (and withdrawals), in an account, which may or may not represent taxable income, leaving taxpayers uncertain about what to report. They may hire a tax preparer or overreport income. In any case, they may feel uncertain that they've filed an accurate return and frustrated with the process.

Giving taxpayers more forms and more data to sort and evaluate will make tax compliance significantly more complex and confusing. The proposal would create new complexity for taxpayers at all income levels.

In light of the significant concerns expressed above, we urge Congress to reject proposals for invasive and costly new account reporting.

Thank you for your consideration.

Sincerely,

James H. Sills, III
M & F Bank
Durham, NC

Jill Sung
Abacus Federal Savings Bank
New York, NY

James Wang
Asian Bank
Philadelphia, PA

Barry L. Anderson
F & M Bank
Guthrie, OK

George G. Andrews
Unity National Bank
Atlanta, GA

Terrence Hosten
Industrial Bank
Washington, DC

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

Ramon Looby
Maryland Bankers Association
Baltimore, MD

Todd O. McDonald
Liberty Bank & Trust Co.
New Orleans, LA

Carlos P. Naudon
Ponce Bank
Bronx, NY

CC: Members of the United States Senate
Members of the United States House of Representatives

revenue progressively and pragmatically: 1) deterring illegal tax evasion, and 2) reducing legal tax avoidance by broadening the tax base and closing loopholes that enable the many of the wealthiest individuals to decrease their tax liabilities.

To deter illegal tax evasion, Sarin, Summers, and Kupferberg propose increasing investments in the Internal Revenue Service (IRS), to be used for greater tax compliance. Specifically, they suggest: providing more resources to increase and better target tax audit efforts, especially towards the very wealthy; investing in information technology infrastructure for the IRS to detect erroneous returns; and encouraging more cross-party reporting to verify that all income is reported and tax liabilities are appropriately assessed. Given that tax noncompliance is more common among the wealthiest filers (since their income sources, such as capital gains income, are most opaque and thus least likely to be honestly reported and taxed, especially when compared to wages and salaries), simply enhancing the IRS's capabilities would have a progressive effect on taxation.

To broaden the tax base and close loopholes that enable the wealthy to reduce their tax liabilities, the authors propose a number of reforms, including: eliminating certain corporate tax shelters by deterring corporations from shifting profits overseas; closing individual tax shelters such as the payroll tax loophole that allows owners of S-corporations to lower or avoid payroll tax liability by categorizing income as "business profits" rather than "wage income"; increasing tax rates on capital gains and dividends to the same level as ordinary income; changing the tax on capital gains in bequests in line with Batchelder's proposal described above; and capping tax deductions for the wealthy.

In total, these reforms would effectively raise taxes for the wealthiest individuals, creating a more efficient and progressive tax system. Using pre-pandemic economic projections, the authors estimated their proposal would raise more than $4 trillion from 2020 to 2029, including $1 trillion in greater revenue from improved tax compliance.

Conclusion

Given rising wealth inequality, exacerbated by the COVID-19 pandemic and various unmet needs, policymakers must find ways to raise more revenue both equitably and efficiently. For more revenue raising proposals on taxing wealth, financial transactions, corporations, and consumption—and for further information on the proposals discussed here—please see The Hamilton Project's March 2020 book *Tackling the Tax Code: Efficient and Equitable Ways to Raise Revenue*.

RE: memo on net tax cut provision

From: Michael Leachman <leachman@cbpp.org>
To: "Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>, "Lee, Sandra" <sandra.lee2@treasury.gov>, "Aks, Matthew" <matthew.aks@treasury.gov>, "O'Connor, Devin" <devin.o'connor@treasury.gov>, "Taverna, Andrea (Contractor)" <andrea.taverna@treasury.gov>
Cc: Ellen Nissenbaum <nissenbaum@cbpp.org>, Nick Johnson <johnson@cbpp.org>, Wesley Tharpe <wtharpe@cbpp.org>
Date: Fri, 07 May 2021 10:25:55 -0400
Attachments: ARP State Implementation notes 5.2021.docx (19.68 kB)

Hi all,

Thought it might be helpful to share the attached, which documents what we know at this point about how states are planning to spend the Fiscal Recovery Funds.

Please let us know if there's anything else we could do to be helpful.

Mike

From: Michael Leachman
Sent: Tuesday, April 20, 2021 9:57 AM
To: Jacob.Leibenluft2@treasury.gov; Sandra.Lee2@treasury.gov; Matthew.Aks@treasury.gov; Devin.O'Connor@treasury.gov; Andrea.Taverna@treasury.gov
Cc: David Super <David.Super@law.georgetown.edu>; Ellen Nissenbaum <nissenbaum@cbpp.org>; Nick Johnson <johnson@cbpp.org>
Subject: memo on net tax cut provision

Hi folks,

Attached is a memo from the excellent David Super on whether states can cut taxes and still receive their full Fiscal Recovery Fund grant. We hope it's helpful to you. David is cc'd here.

Mike

Mike Leachman
(he/him/his) Why pronouns matter
Vice President for State Policy
Center on Budget and Policy Priorities
https://hyperlink.services.treasury.gov/agency.do?origin=www.cbpp.org
202-408-1080
Twitter: @leachma2

Center on Budget and Policy Priorities

ARP State Spending Plans: General Scan

Last updated May 7, 2021

Drafted by Wesley Tharpe, Deputy Director, State Policy Research, CBPP

States that have allocated large chunk or all of ARP funds

Florida – Directed $6.6b of $10.2b state allocation in state budget passed at end of April. Holding $3.5B in reserve, but almost all appropriated going to infrastructure and environmental projects. Very little to families or small businesses, with modest exception of $1,000 bonus to teachers and first responders. *Note – Importantly, state trying to direct $2 billion to their transportation trust fund, which mainly funds roads and bridges and thus is arguably not an allowable use.*

Hawaii – $1.6b allocation fully spent (over two year biennium) with major buckets including $310m to service state debt, $105m to UI trust fund, and $705m for 'general administration' of the state's Labor Department, so not sure without more digging but that could be backfilling UI somehow as well(?). Remaining funds appear spread across the budget in smaller amounts, such as $28m for homeless services and various public health and education investments (such as $31m for libraries, etc.).

Indiana – Appears to have directed most of $3b allotment through state budget; about $1.25 billion for broadband; $500m for UI trust fund; $500m for regional economic development; smaller pots for small business relief; workforce development; also $10m for local police body cameras.

Kentucky – Spent $1.4 billion out of $2.63b in through the budget; big items include $575m to UI trust fund; $300m for broadband; $250m for water and sewer; and $127m for school buildings. *Note: Gov. Beshear proposed spending nearly a half-billion for direct payments to families but R legislature rejected.*

Maryland – Bipartisan agreement directed full $3.9b allocation; major components include $1.1b to UI trust fund, $800m to ongoing pandemic economic relief efforts that "direct stimulus payments to qualifying Marylanders (i.e. those who claim EITC), unemployment insurance grants to qualifying Marylanders, and grants and loans to qualifying small businesses;" $600m for safe school reopening; $500m for transportation; $300m for broadband; and $300m for direct economic relief (including $194m for TANF and $50m for utility assistance).

Montana – Approved budget appears to allocate most of the state's share. Most of the appropriations are for infrastructure: $460 million is set aside for sewer and wastewater improvements, $119 million for state-owned infrastructure projects and $275 million to help expand rural broadband. Funds to house and train Montana workers include $150 million in workforce development grants, $50 million for mortgage assistance, $11.5 million for low-income housing aid and $152 million for emergency rental assistance.

New York – State budget passed in early April included $5.5b of the state's $12.6b allocation. Major buckets include $2.4 billion will go to renters facing eviction because of the COVID-19 shutdown and $800 million in grants to small businesses to help with payroll, rent or mortgage payments, and other expenses. The state also has mandated broadband providers offer service to low-income households for $15 per month and created a $2.1 billion fund to aid workers who lost income during the pandemic but did not qualify for unemployment, such as undocumented immigrants, though it's a bit unclear to what extent these are covered by ARP rather than state funds.

States with Gov. or legislative majority proposals

Alaska – Gov. Dunleavy released plan to spend full \$1b. Includes \$325m for business relief, \$325m for broadband and other infrastructure; \$150m for tourism; \$139m for general fund offset.

Louisiana – Gov. Edwards proposal to spend about half of funds (\$1.6b out of \$3.2b); includes \$400m to UI trust fund; \$230m to paying back UI loan payment; \$400m to infrastructure; \$300m to water and sewer; \$145m to tourism-related businesses. *Note – seems reasonable to assume GOP legislature could go a different direction.*

Maine – Gov. Mills released plan to spend full \$1.1b allocation. Bit of a grab-bag of small-ish investments (tens of millions) across lots of different areas, but main buckets appear to be small business relief, workforce development, and infrastructure. Three largest expenditures include broadband (\$150m), replenish UI trust fund (\$80m), and recovery grants to small biz (\$80m).

Wisconsin – Gov. Evers released plan to spend \$2.5b of \$3.2b allocation. Major buckets include \$600 million to help support businesses; \$200 million investment in infrastructure/broadband; and \$500 million for pandemic response. *Note – bit unclear if finer-grain details within these categories fleshed-out; also, seems likely GOP legislature could go a different direction.*

Vermont – Slightly special case; the legislature spent about \$59 million of the state's \$1 billion allocation through the state budget before adjourning, on a grab-bag of small health and economic pandemic relief measures. Beyond that, Gov. Scott has proposed: \$250 for housing, \$250m for broadband, \$143m for business grants and capital projects, \$170m to water infrastructure including lead-piped in schools, and \$200m for energy and environmental investments to combat climate change.

States with guiding frameworks

Nevada – The state appears poised to spend their \$2.9 billion allocation in May, before adjourning June 1. Gov. Sisolak and the legislature have jointly crafted a set of guiding principles that'll help direct the funds, with seven priorities: increasing access to health care, strengthening public education, supporting disadvantaged communities, strengthening the state's workforce, investing in infrastructure, modernizing government services, and addressing budgetary shortfalls.

Utah – State appears likely to convene special session in May to spend at least part of their \$1.5 billion share. Legislative leaders have released a set of guiding principles, which don't say very much about likely spending buckets but do appear to point toward more one-time, non-duplicative uses, so possibly infrastructure and various short-term pandemic relief.

RE: Compliance roundtable

From: Seth Hanlon <shanlon@americanprogress.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>, chye.ching.huang@nyu.edu, "Clausing, Kimberly" <kimberly.clausing@treasury.gov>
Cc: marr@cbpp.org
Date: Wed, 19 May 2021 13:12:44 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

It would be awesome if you could include my colleague Galen. ghendricks@americanprogress.org.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Wednesday, May 19, 2021 1:08 PM
To: Seth Hanlon <shanlon@americanprogress.org>; chye.ching.huang@nyu.edu; Kimberly.Clausing@treasury.gov
Cc: marr@cbpp.org
Subject: RE: Compliance roundtable

Great, thank you! And are there others at CAP or NYU that you all would like to include? We have a few of the CBPP crowd now on the list.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Wednesday, May 19, 2021 10:01 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; chye.ching.huang@nyu.edu; Clausing, Kimberly <Kimberly.Clausing@treasury.gov>
Cc: marr@cbpp.org
Subject: RE: Compliance roundtable

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Timing sounds great to me. Here are emails:

dana@thehubproject.org
rakeen@groundworkcollaborative.org
garrett.schneider@seiu.org
jnassar@uaw.net
mstockhau@aft.org
gjefferson@aflcio.org
didier@mainstreetalliance.org
asarkash@smallbusinessmajority.org
britz@ppionline.org

Also, CC and I have been engaging with Business Forward – they are fired up on this issue so we'd recommend them too:
Elizabeth Fairchild (Exec Director): efairchild@businessfwd.org
Jim Doyle (President): jdoyle@doylellc.com

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Wednesday, May 19, 2021 12:40 PM
To: chye.ching.huang@nyu.edu; Kimberly.Clausing@treasury.gov
Cc: marr@cbpp.org; Seth Hanlon <shanlon@americanprogress.org>
Subject: RE: Compliance roundtable

Wonderful, I think we are planning Tuesday 12-1, but can push to later in the afternoon if this group thinks better.

Do you all have a few of these addresses? I had most but am missing the below:

Dana Bye
Rakeen Mabud
Garrett Schneider
Josh Nassar
Megan Stockhausen
Greg Jefferson
Didier Trinh
Awesta Sarkash
Ben Ritz

We are targeting to get out invitations later today or maybe tomorrow with the paper. Looking so forward to this—thank you all so much for your help in putting together, and generally!!

All warmest wishes,

Natasha

From: Chye-Ching Huang <chye.ching.huang@nyu.edu>
Sent: Tuesday, May 18, 2021 11:47 AM
To: Clausing, Kimberly <Kimberly.Clausing@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>; Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: Re: Compliance roundtable

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

On timing, I will be flexible around your schedule!

Chye-Ching

On Tue, May 18, 2021 at 2:43 PM <Kimberly.Clausing@treasury.gov> wrote:

> Separate makes sense to me. Happy to do multiple events, and to fold OTA team into the more technical one.
>
> **From:** Chuck Marr <marr@cbpp.org>
> **Sent:** Tuesday, May 18, 2021 10:36 AM
> **To:** Seth Hanlon <shanlon@americanprogress.org>; Sarin, Natasha <Natasha.Sarin@treasury.gov>; Clausing, Kimberly <Kimberly.Clausing@treasury.gov>
> **Cc:** chye.ching.huang@nyu.edu
> **Subject:** RE: Compliance roundtable
>
> ** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **
>
> Yeah, I'd add Janet H, defer to you all on Steve R (fyi and fwiw we conveyed we didn't love their blogs)
>
> **From:** Seth Hanlon <shanlon@americanprogress.org>
> **Sent:** Tuesday, May 18, 2021 1:33 PM
> **To:** Natasha.Sarin@treasury.gov; Kimberly.Clausing@treasury.gov; Chuck Marr <marr@cbpp.org>
> **Cc:** chye.ching.huang@nyu.edu
> **Subject:** RE: Compliance roundtable

I was going to suggest doing TPC/PWBM separately too.

In terms of timing, thank you for asking - the only time that I would have a hard time working around is Monday 2:45-4. The rest of the week I'm totally flexible.

The list below reflects my input, but on further thought:

--Felicia Wong, Roosevelt Institute (or Steph Sterling)
--Vanessa Williamson, Brookings
--Someone from Indivisible

You can also skim the groups that signed the coalition letter.

If you're looking for more conservative-leaning people, Jason Fichtner co-wrote the BPC report a few years ago.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Tuesday, May 18, 2021 1:29 PM
To: Kimberly.Clausing@treasury.gov; marr@cbpp.org
Cc: Seth Hanlon <shanlon@americanprogress.org>; chye.ching.huang@nyu.edu
Subject: RE: Compliance roundtable

I think we maybe do them separately Kim? To do scoring redux once they've seen a whole lot of detail? And with OTA team?

But defer to others here if they feel differently, definitely do not want to spurn our friends.

From: Clausing, Kimberly <Kimberly.Clausing@treasury.gov>
Sent: Tuesday, May 18, 2021 10:26 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>; Chuck Marr <marr@cbpp.org>
Cc: Seth Hanlon <shanlon@americanprogress.org>; Chye-Ching Huang <chye.ching.huang@nyu.edu>
Subject: RE: Compliance roundtable

The list looks good! I like the idea of including a broad group. Should we add TPC/PWBM or is the thought they will be more narrowly technical?

From: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Sent: Tuesday, May 18, 2021 9:46 AM
To: Chuck Marr <marr@cbpp.org>
Cc: Seth Hanlon <shanlon@americanprogress.org>; Chye-Ching Huang <chye.ching.huang@nyu.edu>; Clausing, Kimberly <Kimberly.Clausing@treasury.gov>
Subject: RE: Compliance roundtable

Also looping Kim. I am in favor of doing as broad and large a group as possible, with the goal being that we will have some good amplifying around the proposals. So I think I'd include eg Strain and Maya, but defer if you all feel differently.

Any other thoughts, Seth and Chye-Ching? Also, are there times that don't work for you all early next week? Our outreach team is keen to give people a week to RSVP so maybe will push for Tuesday.

Many, many thanks, as always,

Natasha

From: Chuck Marr <marr@cbpp.org>
Sent: Tuesday, May 18, 2021 9:37 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Seth Hanlon <shanlon@americanprogress.org>; Chye-Ching Huang <chye.ching.huang@nyu.edu>
Subject: RE: Compliance roundtable

Adding Seth and Chye-Ching

Here are some initial thoughts, Natasha:

I'm not sure what size of a group you're looking for but here are some opening thoughts in groupings:

- ATF: Frank
- Matt Socknat NTEU
- AFSCME – Marc Granowitter
- ITEP – start with Amy Hanauer
- Public Citizen – Susan Harley
- Americans for Financial Reform – Alexis Goldstein, Marcus Stanley, or Andrew Park
- Elise Bean (former Levin)

Some others:

- Tax March - Dana Bye
- Groundwork - Rakeen Mabud
- Equitable Growth - Corey Husak or Amanda Fischer
- NWLC – Amy Matsui

Other Possible Unions

- AFL – Damon/Greg Jefferson
- SEIU – Garrett Schneider
- UAW – Josh Nassar
- AFT – Megan Stockhausen

Groups that signed ATF letter but less engaged:

- LCCHR
- National Urban League
- UnidosUS
- Demos

Active Economists

- Reck and Zucman

Small Business

- Main Street Alliance – Didier Trinh
- Small Business Alliance – Awesta Sarkash

If looking for broader ideological group, possibilities include:

- Alex Brill and Michael Strain from AEI
- Maya M
- Bipartisan Policy Center – Shai Akabas
- PPI – Ben Ritz

From: Chuck Marr
Sent: Tuesday, May 18, 2021 10:41 AM
To: Natasha.Sarin@treasury.gov
Subject: RE: Compliance roundtable

Sounds good, Natasha. I think it would be great for Treasury to host it. I'm tracking down our ATF enforcement list as a starting point for a list and will cc Seth and Chye-Ching when I send it along for additional advocate ideas. Thanks, Chuck

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Monday, May 17, 2021 10:35 PM
To: Chuck Marr <marr@cbpp.org>
Subject: Compliance roundtable

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Hi Chuck,

Just wanted to follow up to schedule: do you think we can do something on Monday, the 24th, perhaps in the late morning/early afternoon? The paper will go live late this week.

From an organization standpoint, Treasury outreach team is happy to host, if you think that'll be best? But also happy to congregate virtually at CBPP. For structure we figured would do with Kim and give some broad discussion of the proposal and then do Q&A? What I could use help with is thinking through who should be on the invite list of the advocacy groups. They want it to be closed press.

All warmest wishes,

Natasha

Re: Compliance roundtable

From: Chye-Ching Huang <chye.ching.huang@nyu.edu>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc: Seth Hanlon <shanlon@americanprogress.org>, "Clausing, Kimberly" <kimberly.clausing@treasury.gov>, Chuck Marr <marr@cbpp.org>
Date: Wed, 19 May 2021 13:17:38 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Mike Kaercher please (michael.kaercher@nyu.edu)!
And if room, Emily Shi (Emily.Shi@nyu.edu)

Looking forward to it.

On Wed, May 19, 2021 at 1:07 PM <Natasha.Sarin@treasury.gov> wrote:

> Great, thank you! And are there others at CAP or NYU that you all would like to include? We have a few of the CBPP crowd now on the list.
>
> ---
>
> **From:** Seth Hanlon <shanlon@americanprogress.org>
> **Sent:** Wednesday, May 19, 2021 10:01 AM
> **To:** Sarin, Natasha <Natasha.Sarin@treasury.gov>; chye.ching.huang@nyu.edu; Clausing, Kimberly <Kimberly.Clausing@treasury.gov>
> **Cc:** marr@cbpp.org
> **Subject:** RE: Compliance roundtable
>
> ** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **
>
> Timing sounds great to me. Here are emails:

Duplicate Email String

[redacted]

Duplicate Email String

[redacted]

Duplicate Email String

[redacted]

Duplicate Email String

[redacted]

Duplicate Email String

[redacted]

Duplicate Email String

[redacted]

RE: can you send me the list of people on the IRS enforcement task force?

From: Chuck Marr <marr@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Mon, 24 May 2021 13:25:51 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

They are all set – thanks!

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Monday, May 24, 2021 1:13 PM
To: Chuck Marr <marr@cbpp.org>
Subject: RE: can you send me the list of people on the IRS enforcement task force?

Yes—sorry if they haven't gotten yet, they are on the list I sent, so I will confirm.

From: Chuck Marr <marr@cbpp.org>
Sent: Monday, May 24, 2021 8:38 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: FW: can you send me the list of people on the IRS enforcement task force?

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi Natasha – can someone in your office send Samantha and Sam the invite? Thanks!

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Wednesday, May 19, 2021 12:48 PM
To: Chuck Marr <marr@cbpp.org>
Subject: RE: can you send me the list of people on the IRS enforcement task force?

Of course can and will do.

From: Chuck Marr <marr@cbpp.org>
Sent: Wednesday, May 19, 2021 9:46 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: FW: can you send me the list of people on the IRS enforcement task force?

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Duplicate Email String
[redacted]

Duplicate Email String

[redacted]

(b)(6)

[redacted]

(b)(6)

[redacted]

RE: can you send me the list of people on the IRS enforcement task force?

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Chuck Marr <marr@cbpp.org>
Date: Wed, 26 May 2021 21:45:05 -0400

Hi Chuck,

Thanks to you for organizing! I thought it was a great group and super engaged, which was exciting.

Looking forward to talking again soon—and thank you so much again.

All warmest wishes,

Natasha

From: Chuck Marr <marr@cbpp.org>
Sent: Tuesday, May 25, 2021 10:02 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: RE: can you send me the list of people on the IRS enforcement task force?

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Well done
Also, great to see Bill Hoagland on the call. Good to nurture him on this. So well respected on budget issues, press goes to constantly.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Monday, May 24, 2021 1:13 PM
To: Chuck Marr <marr@cbpp.org>
Subject: RE: can you send me the list of people on the IRS enforcement task force?

Yes—sorry if they haven't gotten yet, they are on the list I sent, so I will confirm.

From: Chuck Marr <marr@cbpp.org>
Sent: Monday, May 24, 2021 8:38 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: FW: can you send me the list of people on the IRS enforcement task force?

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Hi Natasha – can someone in your office send Samantha and Sam the invite? Thanks!

Duplicate Email String

[redacted]

Duplicate Email String

[redacted]

(b)(6)

[redacted]

(b)(6)

[redacted]

NEW CBPP STATEMENT: Parrott: President Biden's Bold Budget Tackles Long-Standing Problems

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "undisclosed recipients:;"
Bcc: "Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>
Date: Fri, 28 May 2021 14:52:16 -0400

CBPP just released this statement from Sharon Parrott, President, on President Biden's budget for fiscal year 2022.

Parrott: President Biden's Bold Budget Tackles Long-Standing Problems

"President Biden's new budget proposal provides our first comprehensive view of the Administration's aggressive agenda for addressing many of the nation's long-standing problems — exposed and exacerbated by the pandemic — and building toward a more equitable economy where everyone can thrive. Its policies are designed to make significant progress in reducing racial and ethnic disparities, rooted in racism and other forms of discrimination, that for generations have resulted in deeply unequal access to jobs, education, housing, and health care.

First, the budget includes a set of investments designed to build toward a strong and equitable recovery — first laid out in the American Jobs Plan and American Families Plan — that would dramatically reduce child poverty and help children thrive; improve our nation's health; expand opportunity in early and higher education; create new workforce development opportunities; bolster households struggling to afford the basics; and allow people to take paid time off from work to meet their own health needs and to provide care for their families. Although bold and broad in scope, these policies are not radical or new. For example, the budget's Pell Grant, tax credit, child care, and nutrition expansions build on established federal policies. Its preschool, free community college, and family and medical leave initiatives would put in place national policies in areas where many states have already moved forward. A growing body of research demonstrates the effectiveness of these investments.

Second, the budget would make critical investments in programs funded through annual appropriations to bolster K-12 education, particularly for disadvantaged students; protect the environment; expand housing assistance; and rebuild basic government functions such as the administration of Social Security and enforcement of revenue systems and civil rights. Many of these investments would begin to address key areas where funding has not kept pace with rising costs, has fallen far short of need, or both — marking an important break from more than a decade of underinvestment caused largely by tight limits on this part of the budget.

Third, the President's budget includes a series of revenue proposals to fund its investments that broaden opportunity — proposals that would build toward the more adequate, sustainable, and equitable tax system we need to support a 21st century economy. It would require wealthy people — whose fortunes have surged over decades, including during the pandemic — to pay a fairer amount of tax on their income, much of which never faces income taxes and benefits from long deferrals of taxation and special low rates. It proposes to increase the corporate income tax rate, undoing just a portion of the huge rate cut corporations received in the 2017 tax law and reducing incentives for U.S. multinational corporations to shift profits and investments overseas. And it boosts funding for the IRS and proposes new reporting requirements on financial institutions to help ensure that wealthy individuals and profitable businesses pay the taxes they owe.

The budget largely reinforces the policies already announced in the American Jobs Plan and American Families Plan that the Administration wants to enact this year. This approach is sensible as the nation emerges from the pandemic, keeping policymakers focused on essential needs for this year. If enacted, the budget would secure landmark achievements in a range of areas.

Policymakers should aggressively pursue the President's agenda. In some cases, they will need to develop details on or strengthen key proposals. For instance, the budget includes a strong commitment to expand health coverage and make it more affordable, including making permanent the American Rescue Plan's enhanced premium tax credits and calling for closing the Medicaid coverage gap, so that 2.2 million uninsured people in states that have refused the Affordable Care Act's Medicaid expansion — nearly 60 percent of whom are people of color — could gain coverage. It also calls for reforms to the nation's unemployment system, to shore up a system in which many unemployed workers get too little or nothing at all, especially low-paid workers and part-time workers, who are disproportionately women and people of color. Congress should include specific policies to address these priorities in recovery legislation this year.

In addition, while the budget includes a significant investment in new housing vouchers for fiscal year 2022, further action is needed to help millions of families with low incomes that are at risk of housing instability and homelessness. The budget states that the President will work with Congress toward the long-term goal of providing Housing Choice Vouchers to all who are eligible. Because the need for housing assistance is urgent, it will be important that recovery legislation advance that goal by providing multi-year, guaranteed funding to make Housing Choice Vouchers available to as many eligible households as possible.

Policymakers should also go beyond the Child Tax Credit provisions in the President's budget. The budget would make permanent the American Rescue Plan's provision that made the full Child Tax Credit available to children whose parents have low or no earnings and the Rescue Plan's expansion of the Earned Income Tax Credit for adults not raising children. But it only extends through 2025 the Rescue Plan's increase in the maximum Child Tax Credit to $3,000 for most children and $3,600 for young children. Recovery legislation should make permanent the full Child Tax Credit expansion rather than leave the future of this landmark policy advance to the political winds several years from now.

The President's budget sets forward a realistic and achievable vision for action this year as the nation emerges from the pandemic and economic crisis — addressing large, long-standing problems with critical investments paid for with reasonable revenue measures that begin to bring our revenue system into the 21st century.

Some critics will claim that the President's agenda costs too much — effectively, that the United States can't afford to ensure that children thrive, that millions more people have health coverage, and that people working for low wages have the support they need. But these policies are commonplace and work well in other wealthy countries.

And the budget demonstrates fiscal stewardship in several ways. By avoiding a premature shift to austerity, it would ensure that the federal government continues to support a robust and sustainable recovery that reaches all corners of our nation, including narrowing racial and ethnic disparities in the labor market. It takes advantage of the fiscal space afforded by current low interest rates to make investments that will strengthen the nation into the future. It also proposes to pay for these investments over time with well-crafted revenue increases on the wealthy and profitable corporations, and strong tax compliance measures. Indeed, by the end of the decade, the President's budget plan would reduce deficits below where they would be under current law.

Some will claim the budget's revenue increases are too large and will harm the economy, but evidence does not support these claims. Recent research and experience show that tax cuts for the affluent overwhelmingly benefit the affluent, not the broader economy, so there is no reason to believe that undoing those cuts to fund high-return investments would slow growth. The budget would use the revenue from raising taxes at the top and from profitable corporations to finance high-return public investments that promote broadly shared growth. Moody's Analytics found that the investment and revenue proposals' combined effects on the economy would be positive, making the economy's long-term outlook "brighter."

The budget takes important steps to bolster the nation's depleted revenue base, but total taxation (federal, state, and local combined) in the United States will remain below levels in most other wealthy countries. In the next four years, while the 2017 tax law remains in full effect, current-law federal revenues would average just 17.4 percent of GDP. Under the budget proposals, revenues would average 18.6 percent of GDP over those four years and would reach 19.9 percent by 2031 (which assumes that expiring tax cuts are allowed to expire or are paid for if extended). At 19.9 percent, revenues would be roughly equal to revenues as a share of GDP in 2000 (when they stood at 20 percent of GDP). To be sure, 2000 represented a peak for revenues as a share of the economy, but it was also a time when the nation was under-investing in key areas that are necessary for opportunity to be more broadly shared. The Biden budget is an important first step to getting to a more responsible revenue system. Basic realities indicate that federal spending and revenues will have to grow in the years ahead. These factors include the aging of the population, rising health care costs, and the continued need to invest in shared prosperity.

Our nation faces significant challenges, which the pandemic has both worsened and laid bare. It is time for an ambitious effort to tackle them. The President's budget meets this moment and Congress should move swiftly to craft legislation that acts on this agenda."

Link to full (3 pp.) statement: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.cbpp.org/press/statements/parrott-president-bidens-bold-budget-tackles-long-standing-problems

here you go

From: Chuck Marr <marr@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Fri, 04 Jun 2021 11:10:09 -0400
Attachments: IRS qs for Michael B-Warner.docx (17.44 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Thanks, Natasha

To: Michael

From: Chuck and Ellen

Date: June 4, 2021

Re: Suggested lines of IRS questions

We suggest that Senator Warner pursue question to elicit Commissioner Rettig's agreement on the following:

- To be effective an effort to reduce the tax gap needs to be comprehensive, i.e. 1) People; 2) Technology, and 3) Information.
- Funding for staff and systems not only needs to be sufficient but it needs to be multi-year and certain, i.e. additional funding needs to be mandatory and flow through the Finance Committee (in partnership with Appropriators)
- Additional information is a critical component and Biden's proposal is good for honest taxpayers: honest business owners over time will not have to compete against as many competitors who cheat on their taxes; honest taxpayers would be less likely to be audited; the proposal doesn't require taxpayers to do anything (reporting comes from financial institutions from information that is readily available to them)

We suggest you consider using this op-ed from five former IRS commissioners to help set up these questions: https://www.washingtonpost.com/opinions/five-former-irs-commissioners-bidens-proposal-would-create-a-fairer-tax-system/2021/05/04/c4ee8346-acfc-11eb-ab4c-986555a1c511_story.html

See below

Questions for IRS Commissioner Rettig

Commissioner Rettig, five of your predecessors recently wrote a joint op-ed in the Washington Post entitled: "Biden's proposal would create a fairer tax system." Much like your testimony today, they lay out the damage done from years of budget cuts – for example, the fewest number of top auditors since World War II – and the challenge we face of this very large cap between taxes that are legally owed but not collected.

These are former IRS Commissioners who served under Presidents from both parties, as you yourself now have done and are doing, one Charles Rossotti is a systems expert – their strong statement is just one sign that the stars are aligning for this Congress to take serious action to address the tax gap.

<u>**Question:**</u>

Do you agree with your predecessors that the way to collect substantially more of the taxes that are legally owed is through a combination of resources, information, and technology?

Multi-year, Certain, Mandatory Funding

<u>**Background:**</u>

Currently, the IRS is funded on an annual basis which seemingly works fine during a steady, status quo period, but after a decade of deep budget cuts this is not such a normal time for the IRS and this year-to-year uncertainty makes it harder to rebuild the IRS workforce and to upgrade its systems.

<u>**Question:**</u>

Commissioner Rettig, do you agree that a crucial part of the structure of an effort to address the tax gap needs to include a high degree of certainty for the IRS – through a multi-year mandatory funding stream so the IRS can over time hire and train staff and make the long-term technology commitments that need to be made?

Additional Information Reporting Requirement

Background:

If one goes back through GAO report after GAO report on the Tax Gap, and same from the Treasury and the IRS, one message is clear in that in the areas where the IRS has third-party information – like with W2s -- tax compliance is high and, by contrast, when the IRS has little or no third-party information then tax compliance is low. The Biden proposal recognizes that and would require financial institutions to provide information on the gross inflows and outflows to bank accounts.

Question:

Commissioner Rettig, do you agree that this is an important part of the proposal and what would the IRS do with this information?

Question:

It strikes me as currently unfair that we have many honest business owners who pay the taxes they owe but may have to compete with some dishonest competitors – Isn't this proposal designed specifically for these honest business owners and other honest taxpayers?

Question:

The former IRS Commissioners make that point that with this new information, the likelihood that honest taxpayers and honest business owners would get audit would go down – do you agree with that?

Question:

And while honest taxpayers would benefit from this proposal, they wouldn't have to do anything additional on their tax returns?

RE: here you go

From:	Chuck Marr <marr@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Date:	Fri, 04 Jun 2021 12:32:47 -0400
Attachments:	IRS - Outgunned - line of questioning.docx (13.66 kB)

And here's a separate one for Brown

From: Chuck Marr
Sent: Friday, June 4, 2021 11:10 AM
To: Natasha.Sarin@treasury.gov
Subject: here you go

Thanks, Natasha

The IRS should not be "Outgunned"

Background:

On one side of the tax compliance table, we now have the fewest amount of auditors who handle the most sophisticated tax returns and they're working with some computer systems which were outdated decades ago.

And then, often on the other side of the tax compliance table there are often large multinational corporations with big tax departments along with outside law and accounting firms and in other circumstances wealthy people with ownership stakes in complex multi-layered partnership structured and back by similarly high-priced lawyers and accountants.

Mr. Commissioner, I believe you have aptly described this situation as the IRS being "outgunned" – which is simply unacceptable and should be unacceptable to every member of this Committee.

Question:

The IRS is backed by the wealthiest country in the world and we know that every dollar spent on enforcement raises multiple dollars in return. Mr. Commissioner, do you agree that the IRS is now often but should never be "outgunned"?

Question:

Do you agree that if on the other side of the compliance table is a wealthy person with very complex finances, multiple partnerships etc, who is trying to evade paying the taxes he or she owes that the IRS needs to have the personnel, the technology, and the information to make sure that the taxes owed are collected?

Question:

And do you agree, that to take the IRS from being outgunned to not be outgunned will require a multi-year, mandatory stream of funding for you to hire and train the needed staff, to commit to and implement computer systems upgrades, and to have additional information so that the IRS can follow the money?

Hopefully not too late

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Chuck Marr <marr@cbpp.org>
Date: Fri, 04 Jun 2021 17:34:56 -0400
Attachments: IRS - Outgunned - line of questioningNS.docx (14.65 kB); IRS qs for Michael B-WarnervNS.docx (18.65 kB)

Hi Chuck,

Sorry the day got away from me a bit, I have some additional edits and suggestions in the attached. I also suggested giving Rettig the opportunity to opine on the need for resources to support service improvements, but perhaps that feels out of place here.

All warmest wishes,

Natasha

The IRS should not be "Outgunned"

Background:

On one side of the tax compliance table, we now have the fewest amount of auditors who handle the most sophisticated tax returns and they're working with some computer systems which were outdated decades ago.

And then, often on the other side of the tax compliance table there are often large multinational corporations with big tax departments along with outside law and accounting firms and in other circumstances wealthy people with ownership stakes in complex multi-layered partnership structured and back by similarly high-priced lawyers and accountants.

Mr. Commissioner, I believe you have aptly described this situation as the IRS being "outgunned" – which is simply unacceptable and should be unacceptable to every member of this Committee.

Question:

The IRS is backed by the wealthiest country in the world and we know that every dollar spent on enforcement raises multiple dollars in return. Mr. Commissioner, do you agree that the IRS is now often but should never be "outgunned"?

Question:

Do you agree that if on the other side of the compliance table is often a wealthy person with very complex finances, multiple partnerships etc, who is trying to evade paying the taxes he or she owes that the IRS needs to have the personnel, the technology, and the information to make sure that the taxes owed are collected?

Question:

And do you agree, that given the hole the IRS finds itself in today, ensuring the IRS is no longer outgunned will require a multi-year, mandatory stream of funding for you to hire and train the needed staff, to commit to and implement computer systems upgrades, and to have additional information and improved data analytics so that the IRS can effectively and efficiently follow the money?

To: Michael

From: Chuck and Ellen

Date: June 4, 2021

Re: Suggested lines of IRS questions

We suggest that Senator Warner pursue question to elicit Commissioner Rettig's agreement on the following:

- To be effective an effort to reduce the tax gap needs to be comprehensive, i.e. 1) People; 2) Technology, and 3) Information.
- Funding for staff and systems not only needs to be sufficient but it needs to be multi-year and certain, i.e. additional funding needs to be mandatory and flow through the Finance Committee (in partnership with Appropriators)
- Additional information is a critical component and Biden's proposal is good for honest taxpayers: honest business owners over time will not have to compete against as many competitors who cheat on their taxes; honest taxpayers would be less likely to be audited; the proposal doesn't require taxpayers to do anything (reporting comes from financial institutions from information that is readily available to them)

We suggest you consider using this op-ed from five former IRS commissioners to help set up these questions: https://www.washingtonpost.com/opinions/five-former-irs-commissioners-bidens-proposal-would-create-a-fairer-tax-system/2021/05/04/c4ee8346-acfc-11eb-ab4c-986555a1c511_story.html

See below

Questions for IRS Commissioner Rettig

Commissioner Rettig, five of your predecessors recently wrote a joint op-ed in the Washington Post entitled: "Biden's proposal would create a fairer tax system." Much like your testimony today, they lay out the damage done from years of budget cuts – for example, the fewest number of top auditors since World War II – and the challenge we face of this very large cap between taxes that are legally owed but not collected.

These are former IRS Commissioners who served under Presidents from both parties, as you yourself now have done and are doing, one Charles Rossotti is a systems expert – their strong statement is just one sign that the stars are aligning for this Congress to take serious action to address the tax gap.

Question:

Do you agree with your predecessors that the way to collect substantially more of the taxes that are legally owed is through a combination of resources, information, and technology?

Multi-year, Certain, Mandatory Funding

Background:

Currently, the IRS is funded on an annual basis which seemingly works fine during a steady, status quo period, but after a decade of deep budget cuts this is not such a normal time for the IRS and this year-to-year uncertainty makes it harder to rebuild the IRS workforce and to upgrade its systems.

Question:

Commissioner Rettig, do you agree that a crucial part of the structure of an effort to address the tax gap needs to include a high degree of certainty for the IRS – through a multi-year mandatory funding stream so the IRS can over time hire and train staff and make the long-term technology commitments that need to be made?

Question:

Commissioner Rettig, do you agree that additional resources will also help the IRS make necessary improvements to taxpayer service?

Additional Information Reporting Requirement

Background:

If one goes back through GAO report after GAO report on the Tax Gap, and same from the Treasury and the IRS, one message is clear in that in the areas where the IRS has third-party information – like with W2s -- tax compliance is high and, by contrast, when the IRS has little or no third-party information then tax compliance is low. The Biden proposal recognizes that and would leverage the information financial institutions have about gross inflows and outflows on bank accounts without any new requirements for taxpayers.

Question:

Commissioner Rettig, do you agree that this is an important part of the proposal and what would the IRS do with this information?

Question:

It strikes me as currently unfair that we have many honest business owners who pay the taxes they owe but may have to compete with some dishonest competitors – Isn't this proposal designed specifically for these honest business owners and other honest taxpayers?

Question:

The former IRS Commissioners make that point that with this new information, the likelihood that honest taxpayers and honest business owners would get audit would go down because the IRS would have information that it can use to better target enforcement actions – do you agree with that?

Question:

And while honest taxpayers would benefit from this proposal, they wouldn't have to do anything additional on their tax returns?

RE: POSTED: Biden's Tax Enforcement Overhaul Would Be A Positive Step Toward Racial Equity by Lorena Roque and Galen Hendricks

From: "Clausing, Kimberly" <kimberly.clausing@treasury.gov>
To: Seth Hanlon <shanlon@americanprogress.org>, "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Thu, 10 Jun 2021 13:40:41 -0400

Thanks; super helpful flag.

From: Seth Hanlon <shanlon@americanprogress.org>
Sent: Thursday, June 10, 2021 8:43 AM
To: Clausing, Kimberly <Kimberly.Clausing@treasury.gov>; Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: FW: POSTED: Biden's Tax Enforcement Overhaul Would Be A Positive Step Toward Racial Equity by Lorena Roque and Galen Hendricks

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

FYI…

From: Will Beaudouin <wbeaudouin@americanprogress.org>
Sent: Thursday, June 10, 2021 11:07 AM
To: Editorial All <editall@americanprogress.org>; External Affairs <ExternalAffairs@americanprogress.org>; Press Team <PressTeam@americanprogress.org>; Digital Strategy Core <digitalstrategycore@americanprogress.org>; War Room Pod <WarRoomPod@americanprogress.org>; Ben Hatt <bhatt@americanprogress.org>; Cheron McNeal <cmcneal@americanprogress.org>
Cc: Galen Hendricks <ghendricks@americanprogress.org>; Seth Hanlon <shanlon@americanprogress.org>; Lorena Roque <lroque@americanprogress.org>
Subject: POSTED: Biden's Tax Enforcement Overhaul Would Be A Positive Step Toward Racial Equity by Lorena Roque and Galen Hendricks

Rebuilding the IRS and directing the agency's focus toward wealthy tax cheats is a fundamental step toward creating a more fair and equitable tax code and an important step in the direction of racial equity.

https://hyperlink.services.treasury.gov/agency.do?origin=https://www.americanprogress.org/issues/economy/news/2021/06/10/500392/bidens-tax-enforcement-overhaul-positive-step-toward-racial-equity/

Despite the fact that the United States is losing an estimated $600 billion per year in unpaid taxes, IRS funding has fallen precipitously over the last decade, forcing the agency to shed a large share of its workforce, including 35 percent of revenue agents responsible for examining complex tax returns and conducting audits. Largely because of this steep drop in funding, the agency has dramatically reduced the audits that it conducts on high-income individuals and large corporations. Those trends have meant that a greater share of audits are of lower-income taxpayers, especially the low-wage workers who claim the Earned Income Tax Credit (EITC). These trends have had negative implications on communities of color, as a disproportionate share of EITC claimants are Black and Hispanic. In particular, some of the most heavily audited places in the country are predominantly Black communities.

For these reasons, many organizations dedicated to social, racial, and gender justice have demanded that the IRS dramatically refocus its audit priorities and that Congress provide it the tools to hold high-income and corporate tax dodgers accountable. President Joe Biden has outlined a plan to do so in his American Families Plan as well as in his budget proposal to Congress. The plan would provide substantial additional resources—about $80 billion over the next decade—to rebuild the IRS' ability to enforce the tax laws; upgrade its computer systems; and provide better taxpayer service. The enforcement resources will be directed toward high-income individuals and corporations, with audit rates not increasing above the level of recent years for those with incomes under $400,000. By directing enforcement resources toward high-income people, business entities, trusts and estates, and large corporations, the Biden plan would take an important step in the direction of tax fairness and racial equity when it comes to tax enforcement.

Investments in IRS enforcement of the rich and corporations can help reverse audit disparities

The audit rates for the rich have fallen so steeply over the last decade that, in recent years, the agency has audited low-income filers who claim the EITC at close to the same rate as it audits the top 1 percent. This is despite the fact that EITC noncompliance or errors represent only a small share of the "tax gap," while the top 1 percent is responsible for an estimated 36 percent of the individual tax gap, or $175 billion per year. The IRS has said bluntly that its recent audit priorities reflect that audits of low-income filers are cheaper and easier for the agency to conduct. Auditing low-income filers requires fewer resources and manpower than audits of wealthy individuals, who are able to employ batteries of tax lawyers and accountants to contest audits and litigate against the government. The IRS also has much more visibility into the incomes of wage earners, whose earnings employers report to the government on W-2 forms. Wealthy individuals, on the other hand, have much more complex tax returns and, often, opaque source of income. They are also able to employ sophisticated tax evasion schemes. In order to properly examine these returns, audits of the ultrawealthy require skilled agents with several years of training. The IRS has shed a very large share of these workers over the past decade due to funding cuts, a recent hiring freeze, and retirements.

The special focus on EITC recipients has created stark disparities in who gets audited. A 2019 study from former Senior IRS Economist Kim Bloomquist found that because of the IRS' focus on the EITC, audit rates tend to be highest in low-income communities of color. And the 10 counties in the country with the highest audit rates were all predominantly African American. The manner of EITC audits also burdens low-income communities of color. Audits of EITC recipients are most often done by mail through correspondence examinations. Such audits are inexpensive for the IRS to conduct but burdensome on low-income taxpayers who often face obstacles in responding to them, including the inability to reach points of contact at the IRS; lack of professional representation; and language barriers. The National Taxpayer Advocate has emphasized that correspondence audits are not effective in improving future compliance, yet families are less likely to claim the EITC after being audited. Together, these problems disproportionately burden communities of color and undermine the anti-poverty goals of the EITC.

Investments in the IRS can provide the agency with the resources to better serve regular taxpayers—and more thoroughly, and more often, audit wealthy taxpayers, the business entities they own, and large corporations. The Biden administration has proposed an additional $80 billion in funding for the IRS over the next decade for enforcement and technology modernization. Crucially, the administration has stated that it will:

… ensur[e] that the additional resources go toward enforcement against those with the highest incomes, rather than Americans with actual income less than $400,000. Additional resources would focus on large corporations, businesses, and estates, and higher-income individuals.

Furthermore, the Department of the Treasury has said that "[a]udit rates will not rise relative to recent years for those with less than $400,000 in actual income." These shifts in priorities would mean a smaller share of overall audits would be of low-income filers, who are disproportionately filers of color, and refocus the agency's efforts on high income individuals—who are disproportionately white—as well as corporations.

In 2019, just 4.9 percent of Black households and 5.3 percent of Hispanic households had more than $200,000 of income, compared to 11.8 percent of non-Hispanic white households. Nine in 10 of the wealthiest 1 percent of households are white. Business owners are also disproportionately white. Among all private employers with 100 or more employees (or federal contractors with 50 or more employees) in 2018, just 3.3 percent of executives or senior officials were Black and just 4.5 percent were Hispanic. Meanwhile, 84.5 percent were white.

Corporations are also disproportionately owned and run by white Americans. The median retirement account value for white households is more than twice that for Black and Hispanic households. Outside of those accounts, white households own three times as much in corporate stock as Black and Hispanic households, on average. More than 90 percent of Fortune 500 chief executive officers are white, while 3.4 percent are Hispanic—and only 1 percent are Black. Over the last decade, the audit rate for large corporations has dropped in half, likely exacerbating the corporate tax gap and the related problem of corporate profit shifting, which costs the United States tens of billions of dollars a year. Biden's plan would invest substantial resources so that the IRS is not wholly overmatched in audits and litigation with large corporations.

The Biden tax enforcement plan will reduce disparities, but the United States also needs better tools to measure progress

On his first day in office, President Biden established an Equitable Data Working Group as part of a broader executive order on advancing racial equity. Currently, not all federal government data is broken down by race and ethnicity, gender, or disability—and tax data provides no information on race. This effort focuses on how federal agencies can better collect data by demographic groups and better inform how the federal government can enact equitable policies. The working group includes the Department of the Treasury, represented by the assistant secretary for tax policy. The Treasury Department recently said that it is "currently undertaking research to study the relationship between the tax code and racial inequities," with "close engagement between federal agencies and those in the research and advocacy communities." That research must ascertain the extent of racial disparities in enforcement, including whether auditing and enforcement actions are disproportionate within income groups.

One challenge is how to collect the necessary data. Asking for racial information on tax forms carries risks, such as deterring people from filing. However, current proposals do not include adding a race question to 1040 tax forms. For example, tax professor Jeremy Bearer-Friend proposes conducting follow-up surveys that include race and ethnicity questions. This survey would be done by the IRS' research division instead of tax administrators. This method would reduce the possibility of tax administrators misusing race and ethnicity data. The Biden administration and Congress must also ensure that enforcement practices are not racially biased. Though shifting enforcement resources toward wealthy Americans and corporations and lowering the share of enforcement resources directed at EITC recipients will reduce disparities, it is incumbent on the IRS to develop metrics to track progress.

More will need to be done to address inequities in the tax code

Appropriately funding the IRS would help reverse some of the inequities in the tax system, but fundamentally changing substantive aspects of the tax code will be needed to address the current disparities. Overall, the United States federal tax code is progressive, but many of its features compound the concentration of wealth in ways that exacerbate the racial wealth gap.

These include the tax expenditures such as qualified retirement accounts and the mortgage interest deduction that are intended to encourage wealth building but are structured to favor those who already have wealth. They also include the favorable rates for capital gains—which benefits those who derive income from wealth—and the giant loophole known as stepped-up basis that allows people to amass wealth and never pay income taxes on those gains. In comparison, people who derive income from work pay income taxes every year on their wages, with taxes withheld directly from each paycheck. These features of the tax code worsen the racial wealth gap because they favor those with existing wealth, and Black Americans systematically have less wealth than white Americans. For example, on average, white college dropouts have more wealth than Black college graduates. Tax law professor Dorothy Brown discusses these and other problematic aspects of the tax code in her new book, *The Whiteness of Wealth*.

The revenue proposals in President Biden's American Families Plan would address several of these problems and, thereby, advance racial equity. His plan would equalize the top tax rates on capital gains and ordinary income while closing the stepped-up basis loophole, addressing the problem that some of the wealthiest people in the country can get away with paying virtually no income taxes for their entire lives and providing more equity between those who derive income from wealth and those who derive income from work. His plan also reforms and expands tax credits that will greatly benefit Black and Hispanic families. For example, before this year, the families of 27 million children did not receive the full benefit of the Child Tax Credit (CTC). Of those children, 9.9 million of were Hispanic and 5.7 million were Black. President Biden's American Rescue Plan Act extended the full credit to families regardless of income while expanding it significantly. His American Families Plan would extend these reforms for four additional years and make a linchpin of them—full refundability—permanent. In a recent brief, the Center for American Progress argued for full permanence for the expanded CTC.

Conclusion

While more must be done, rebuilding the IRS and reprioritizing the agency's focus on wealthy tax cheats is a fundamental step towards creating a more fair and equitable tax code and an important step in the direction of racial equity. Congress now has the chance to seize this opportunity by implementing the changes outlined in President Biden's FY 2022 budget—providing the IRS with a substantial multiyear funding stream and additional information reporting—allowing the agency to crack down on high-income tax evasion as well as corporate tax dodging. Combined with the other important tax reforms laid out in the budget, Congress can raise substantial revenues to help address our nation's most pressing needs while dramatically improving tax fairness.

Lorena Roque is a senior policy analyst for Race and Ethnicity Policy at the Center for American Progress. Galen Hendricks is a research associate of Economic Policy at the Center.

RE: just in case you see this

From:	Chuck Marr <marr@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Date:	Sun, 27 Jun 2021 22:55:05 -0400
Attachments:	Bullets on Cost Basis Reporting Requirement Precedent - Copy for NS.docx (31.26 kB)

Fyi – here is a doc I sent some Senate staff

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Sunday, June 27, 2021 6:22 PM
To: Chuck Marr <marr@cbpp.org>
Subject: RE: just in case you see this

Hi Chuck,

I think that would be hugely helpful, so thank you for doing. I've been trying to point out that we are learning from the issues with the ACA reporting and not doing anything that is burdensome to taxpayers at all, but your example is of course hugely helpful on the industry side. We're doing a bunch of bank-type meetings, they (at least privately) are not at all up in arms about the inflows and outflows reporting. So fingers crossed.

We're going to engage more with Carper and Chu this week as well. Please do let me know if you think of anything else we should be doing on our end.

All best wishes,

Natasha

From: Chuck Marr <marr@cbpp.org>
Sent: Sunday, June 27, 2021 10:50 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: just in case you see this

I'm putting together some bullets to make the point that the basis reporting requirement enacted in 2008 was much more burdensome for industry, they took a constructive approach, worked it through and the 1099-B process has been smooth for years -- this is a good precedent of a much more complex change – the current Biden proposal requires financial institutions to report two pieces of information that are readily available, they should take the same constructive attitude, much revenue is at stake, no burden on taxpayers

A Notable Successful Precedent of Additional Information Reporting:
2008 Enactment of Cost Basis Reporting Requirement

- The Biden Administration has proposed a comprehensive plan to rebuild the IRS and reduce the large tax gap. It includes $80 billion over ten years in mostly mandatory funding to rebuild the IRS workforce and upgrade computer systems, as well as a new reporting requirement for financial institutions. It recognizes that people, systems, and information are essential pieces to reduce the tax gap.

- The proposal has picked up early momentum as a group of Republicans have already embraced half of the funding proposal as part of the bipartisan infrastructure negotiations.

- Republicans, however, have signaled they will strongly oppose the information reporting requirement. Financial institutions – e.g. small and big banks – will likely intensify their lobbying in opposition in the weeks and months ahead.

- It is critical that Congressional Democrats remain steadfast in advancing this proposal both for the integral role it plays in the tax gap plan and for the revenue it will provide to fund important investments in the recovery legislation.

- The case for the information reporting requirement is compelling, in a nutshell:

    - Underreporting of income makes up 80 percent of the tax gap and underreported business income on individual returns is the largest component of this share and such income is subjected to limited information reporting. As Treasury notes:

        - "This is why the tax gap for partnership, S-corporation, and proprietorship income is estimated at around $200 billion annually with the net misreporting percentage for certain income categories exceeding 50%" (https://home.treasury.gov/system/files/136/The-American-Families-Plan-Tax-Compliance-Agenda.pdf)

    - The existing 1099-INT form process would be used to provide the new information which would simply be two new pieces of data for gross inflows and outflows, which is information that is readily available for these institutions.
    - The Treasury estimates this new requirement would raise $460 billion over ten years, i.e. a substantial amount.
    - Taxpayers would not have to do anything and honest business owners would face a lower likelihood of being audited and would know that their competitors who may have been cheating on their taxes will be more likely to pay the taxes they owe in the future – leveling the playing field for honest people.

- Given that Republicans and likely the Banking industry are gearing up to oppose this modest measure, it is instructive to recall a successful precedent of an additional reporting requirement, the 2008 enactment of the Cost Basis Reporting Requirement:
  - It was a far more complex and burdensome requirement for financial institutions.
  - Various sub-sectors of the industry raised concerns, but generally the industry took an constructive approach during the legislative deliberations.
  - The change was smoothly implemented over time – again, across very complex financial instruments and calculations – and the revised 1099-B reporting process became well-ingrained in the reporting system as it remains today.

<u>Background on Cost Basis Reporting Requirement:</u>

- The idea for the requirement had been around for a long time as the use of computers spread over decades. Legislative action eventually was helped trigger by a 2006 GAO report which found:
  - "GAO estimates that 38 percent of individual taxpayers with securities transactions misreported their capital gains or losses in tax year 200."

    https://www.gao.gov/assets/gao-06-603-highlights.pdf

- As CRS summed up in 2008: "On October 3, 2008, President George W. Bush signed H.R. 1424, Emergency Economic Stabilization Act of 2008, into law (P.L. 110-343). This act included Section 403, "Broker Reporting of Customer's Basis in Securities Transactions," which required brokers to report to the IRS customers' adjusted gross basis and whether any capital gain or loss is long-term or shortterm for customers' sales of stock, debt, commodities, derivatives, and any other assets specified by the Treasury. The Joint Committee on Taxation estimated that this reporting provision would raise $6.67 billion in revenue through September 30, 2018."
  - Note that while the burden on financial institutions was greater the revenue generated was much lower, i.e. the bang-for-the-buck of the current proposal is much higher.

- As TPC's Steve Rosenthal, who was deeply involved in the development of the proposal while working at Joint Tax, explained in 2012 on how complex and burdensome this change was for financial institutions:
  - "The demands on brokers, transferors, and issuers to capture, maintain, report, and transmit data are substantial. First they must determine whether a security is covered by the new reporting rules and, if so, how and when.22 Second, if a security is covered, a broker must solicit and then accommodate customer basis choices (for example, FIFO, average basis, or specific identification). They then must capture and maintain the requisite basis information by tracking individual lot purchases, by both cost and holding period. To report basis

correctly, brokers must adjust for wash sales, organizational actions, transfers by gift or death, and other events. Finally, brokers must convey that information to taxpayers, the IRS, and, on transfers, to other brokers. In short, the new reporting regime requires the private sector to design and implement entirely new information exchanges and reporting processes."

https://www.urban.org/sites/default/files/publication/26041/901497-Basis-Reporting-Lessons-Learned-and-Direction-Forward.PDF

- While the proposal was burdensome, various sub-sectors of the financial industry, while raising concerns, adopted a constructive approach to the proposal during the legislative process. The CRS document cited above summarized the perspectives of the mutual fund industry (ICI), investment banks (SIFMA), and the Banks (ABA). For a flavor, here is a summation of the ICI perspective at the time:

  - "First, a mandatory basis-reporting regime will be costly, and the cost ultimately will be borne by fund investors. Second, sufficient time must be provided to ensure that necessary programming and systems challenges are addressed effectively. Finally, the flexibility the current law provides to mutual funds and their shareholders to compute cost basis under any available method (first-in, first-out ("FIFO"), specific identification, and average cost, in the case of fund shareholders) must be maintained. We recognize that allowing this flexibility will limit the use of cost basis information for Internal Revenue Service ("IRS") matching purposes."
    (Page 8 here:
    https://www.everycrsreport.com/files/20081008_RL34216_b79bd0367c1c8ca1b4f91a75a2eb0ccb1465f10c.pdf)

- So again: a complex, burdensome reporting requirement was proposed for financial institutions; industry raised serious concerns but adopted a constructive approach; the expected revenue pay-off was far less; it was enacted and implemented smoothly over time and this 1099-B reporting requirement is remains ingrained in the information reporting process today.

- By contrast, the current information reporting proposal is far less complex; it is basic bank account information that is readily available to financial institutions (simply gross inflows and outflows for a given account); information would be added to the existing 1099-INT forms with just two more boxes needed to be filled in; the expected revenue payoff would he an order of magnitude higher; taxpayers would not have to do anything and honest taxpayers and business owners would gain (lower chance of audit and more level playing field) – the banking industry should be encouraged to adopt a similarly constructive approach and Republicans should be reminded of the bipartisan success story that was the Cost Basis Reporting Requirement signed by President Bush in 2008.

RE: Quick q/point

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Chuck Marr <marr@cbpp.org>
Date:	Fri, 09 Jul 2021 10:33:36 -0400

Yes, let me send you some on the historical examples.

-----Original Message-----
From: Chuck Marr <marr@cbpp.org>
Sent: Friday, July 9, 2021 10:30 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: Re: Quick q/point

** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Also, heard of some precedent where businesses had to divide cash/credit card that was not tied to a line on tax return??

Could be helpful

Sent from my iPhone

> On Jul 9, 2021, at 10:23 AM, Chuck Marr <marr@cbpp.org> wrote:
>
> Excellent, thanks
>
>
> Sent from my iPhone
>
>> On Jul 9, 2021, at 9:40 AM, Natasha.Sarin@treasury.gov wrote:
>>
>> CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.
>>
>>
>>
>> Q: Why would information about account inflows and outflows be useful to the IRS? This information doesn't correspond to income that people owe taxes on.
>> • The purpose of the new information reports is to provide a lens into previously opaque income streams. This isn't the kind of information that is going to be matched to an individual tax filing—that is absolutely true.
>> • But it is a piece of information that the IRS can use to try and understand when there are differences between taxpayers' reported financial positions and their true ones. Imagine a taxpayer who reports $100K in income to the IRS, but has $1M of inflows and outflows. There may be a benign explanation for this--but it's something the IRS can prioritize looking into in its audit selection. It's also important to emphasize the flip side here: today when the IRS audits those who accrue income in opaque ways, like proprietorships, it is essentially shooting in the dark. It has no way of trying to disentangle compliant taxpayers from those who are not. This is a piece of evidence that the IRS can usefully deploy in that inquiry. So honest small business owners, for example, will hugely benefit from this reporting regime, because their chances of a costly and burdensome audit will be decreased once the IRS has a lens into these income streams.
>> • Imperative to the efficacy of this new regime will be giving the IRS resources to implement it. For reporting to be most useful, the IRS needs the funding to understand and process the information it receives.
>> • It is also important to emphasize that giving the IRS the resources it needs to overhaul its technological infrastructure will be hugely valuable in providing the IRS the capacity to best deploy this new information in its enforcement activities—but also the information that it already collects.
>> • For example, today the IRS cannot efficiently evaluate information on 40 million K-1 forms, or on 1099-K reports, or on submissions required by FATCA. It is important that the information technology that underlies out tax system can keep pace with the rapid technological developments that are taking place in the economy.
>>
>> -----Original Message-----
>> From: Chuck Marr <marr@cbpp.org>
>> Sent: Friday, July 9, 2021 8:41 AM
>> To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
>> Subject: Quick q/point
>>
>> ** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **
>>
>>
>>
>>
>> Longer conversation but, in case you have a ready response to: "how do we know the IRS will make good use of the

information?"
>>
>>
>>
>> Sent from my iPhone

RE: Quick q/point

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Chuck Marr <marr@cbpp.org>
Date: Fri, 09 Jul 2021 22:19:22 -0400

I'm going to go through these old exs this weekend, Warner asked for this as well.

-----Original Message-----
From: Chuck Marr <marr@cbpp.org>
Sent: Friday, July 9, 2021 10:30 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: Re: Quick q/point

** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Also, heard of some precedent where businesses had to divide cash/credit card that was not tied to a line on tax return??

Could be helpful

Sent from my iPhone

> On Jul 9, 2021, at 10:23 AM, Chuck Marr <marr@cbpp.org> wrote:
>
> Excellent, thanks
>
>
> Sent from my iPhone
>
>> On Jul 9, 2021, at 9:40 AM, Natasha.Sarin@treasury.gov wrote:
>>
>> CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.
>>
>>
>>
>> Q: Why would information about account inflows and outflows be useful to the IRS? This information doesn't correspond to income that people owe taxes on.
>> • The purpose of the new information reports is to provide a lens into previously opaque income streams. This isn't the kind of information that is going to be matched to an individual tax filing—that is absolutely true.
>> • But it is a piece of information that the IRS can use to try and understand when there are differences between taxpayers' reported financial positions and their true ones. Imagine a taxpayer who reports $100K in income to the IRS, but has $1M of inflows and outflows. There may be a benign explanation for this--but it's something the IRS can prioritize looking into in its audit selection. It's also important to emphasize the flip side here: today when the IRS audits those who accrue income in opaque ways, like proprietorships, it is essentially shooting in the dark. It has no way of trying to disentangle compliant taxpayers from those who are not. This is a piece of evidence that the IRS can usefully deploy in that inquiry. So honest small business owners, for example, will hugely benefit from this reporting regime, because their chances of a costly and burdensome audit will be decreased once the IRS has a lens into these income streams.
>> • Imperative to the efficacy of this new regime will be giving the IRS resources to implement it. For reporting to be most useful, the IRS needs the funding to understand and process the information it receives.
>> • It is also important to emphasize that giving the IRS the resources it needs to overhaul its technological infrastructure will be hugely valuable in providing the IRS the capacity to best deploy this new information in its enforcement activities—but also the information that it already collects.
>> • For example, today the IRS cannot efficiently evaluate information on 40 million K-1 forms, or on 1099-K reports, or on submissions required by FATCA. It is important that the information technology that underlies out tax system can keep pace with the rapid technological developments that are taking place in the economy.
>>
>> -----Original Message-----
>> From: Chuck Marr <marr@cbpp.org>
>> Sent: Friday, July 9, 2021 8:41 AM
>> To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
>> Subject: Quick q/point
>>
>> ** Caution: External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **
>>
>>
>>
>>
>> Longer conversation but, in case you have a ready response to: "how do we know the IRS will make good use of the

information?"
>>
>>
>>
>> Sent from my iPhone

Current version here

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Date:	Tue, 13 Jul 2021 13:02:17 -0400
Attachments:	compliance_toughqa_07132021.docx (29.89 kB)

The President's tax compliance proposals include two major components. The first step in the President's tax administration efforts is a sustained, multi-year commitment to rebuilding the IRS, including nearly $80 billion in additional resources over the next decade. This funding stream includes two components: a dedicated stream of mandatory funds ($72.5 billion over a decade) and a program integrity allocation ($6.7 billion over a decade). These are estimated by career staff at the Office of Tax Analysis to generate around $320 billion in additional tax collections over the decade ($240 billion net increase) based on ROI estimates provided by the IRS for historical returns to enforcement activities. As a result of these investments, the IRS would grow manageably (no more than around 10% annually) but also have certain funding in place to make investments with large fixed costs—like modernizing information technology, improving data analytic approaches, and hiring and training agents dedicated to complex enforcement activities. This would make up the ground that the IRS has lost over the last decade. During this time, the IRS budget fell by about 20%, leading to a sustained decline in its workforce particularly among specialized auditors who conduct examinations of high-income and global high net worth individuals and complex structures, like partnerships, multi-tier pass-through entities, and multinational corporations.

The second large prong of the proposal is the introduction of a comprehensive financial reporting regime. When the IRS can verify taxpayer filings with third-party reports, compliance rates exceed 95%. Without third-party reporting, compliance rates can fall below 50%. To avoid any increase in taxpayer burden, the President's proposal leverages the information that financial institutions already know about the accounts that they house. The new financial reports will build off of the existing 1099-INT that taxpayers already receive from financial institutions. Banks would report some additional data on financial accounts on these existing information returns, specifically, gross inflows and outflows on accounts. To ensure that this proposal is comprehensive, new requirements extend to payment services providers as well. There are no additional requirements for taxpayers under this proposal.

For already compliant taxpayers, the only effect of this new regime is to decrease the likelihood that they are subject to costly and burdensome audits and to provide easy access to summary information on financial accounts. It is important to note that the President's compliance proposals are designed to ameliorate inequities by focusing on high-end evasion. Audit rates will not rise relative to recent years for those with less than $400,000 in actual income. This is justified both by the distribution of the tax gap (the benefits of which accrue disproportionately to high-income taxpayers) and recent trends in enforcement activity, where decreases have been most pronounced for examinations of global high net worth individuals and the corporation they own.

Q: In the past, the introduction of new information reporting requirements has meant an increase in taxpayer burden. Won't the same be true if the President's proposals are enacted?

- The President's proposals were designed to ensure that there will be no increase in taxpayer burden associated with a new information reporting regime. That is why the proposal calls for leveraging information that financial institutions have easily accessible about the accounts that they house.

- There is no additional reconciliation requirement for taxpayers under this proposal. For already compliant taxpayers, the only effect of this regime is to provide easy access to summary information on financial accounts.
- Further, taxpayers will benefit as the IRS is better able to target enforcement actions, avoiding unnecessary and costly audits of compliant taxpayers.
- *Background*: As part of the Affordable Care Act, a new provision was introduced which would have required businesses to send Form 1099 information returns for all purchases of goods and services over $600. Businesses were already required to report payments of $600 or more annually for services provided. This new requirement extended the reporting to goods as well as services. It was set to go into effect in 2012 but was repealed six months prior to its enactment because of a concern about the burden imposed on small businesses, which the National Taxpayer Advocate warned at the time "may turn out to be disproportionate compared with any resulting improvement in tax compliance."

Q: Over the course of the last decade, with limited resources, the IRS has chosen to pursue low-end taxpayers. Indeed, the counties with the highest audit rates are disproportionately low-income, minority communities. Won't giving the IRS more resources just exacerbate existing inequities in enforcement activity?

- No—in fact, these resources will address them. Over the last decade, the IRS budget has decreased by nearly 20%. The result has been that enforcement scrutiny has dropped off most for high earners, which have fallen by nearly 80%, more than twice as much as EITC audits. This is illogical as a matter of revenue-raising, the benefits of the tax gap accrue disproportionately to high earners. It is also deeply problematic as a matter of fairness.
- The President's compliance proposals are designed to right these wrongs. They are focused on providing the IRS the resources it needs to increase enforcement actions against the top end of the distribution.
- Audit rates for those earning less than $400,000/year would not increase relative to recent years.

Q: Critical to the IRS' success will be the ability to identify and recruit high-skilled enforcement agents capable of complex audits of global high net-worth individuals and complex partnerships. How will this be accomplished?

- First and foremost—it is important to emphasize that today the IRS is struggles to bring enforcement actions against high-end taxpayers and complex structures like partnerships because of a resource constraint.
- The IRS has simply not had the capacity to keep pace: partnership income as a share of total income grew from less than 5% to more than 35% since 1990. More than 4.2 million

partnership returns were filed in CY 2018, more than double the number of corporate returns filed the same year; however, the IRS audited only 140 of these returns.

- Examining these returns is resource-intensive for the IRS: auditing a global high-net worth individual or a partnership takes upwards of 300 hours.
- A sea change in enforcement will be accomplished by giving the IRS the resources it needs to pursue the kind of talented workforce that can help overhaul tax administration. This includes human resources staff who can help identify top-flight talent; as well as revenue agents with experience in complicated tax structures.
- It also means having resources in place over a multi-year period to train this new workforce and to overhaul technology to increase the efficiency of enforcement actions.

Q: CBO and JCT estimates of the revenue potential of tax gap proposals are considerably below Treasury's estimates. What explains these differences? Is your belief that prior estimates are incorrect?

- It is difficult to compare the Administration's compliance initiatives to previous estimates because of differences in scale and scope of the comprehensive proposal the President put forth in the American Families Plan.
- Estimates from career economists at the Office of Tax Analysis suggest that providing the IRS the resources it needs to address sophisticated tax evasion and introducing a comprehensive financial reporting regime would raise $700 billion in additional revenue over the course of a decade: $240 billion in net tax revenue from $80 billion in additional IRS resources; and $460 billion from a new financial reporting regime.
- These seem like large sums, and in fact they are. The tax compliance initiatives will pay for much needed investments in American families and workers. But it's important to understand that the reason there is so much revenue potential here is because of the scale of the problem that the IRS is dealing with: 15% of taxes that are owed to the U.S. are uncollected each year. That is more than $600B this year, and over $7 trillion in a decade. We're tackling a large problem here, and that's why the revenue potential is so significant.

Q: Does the IRS have the capacity to absorb all these new resources?

- The Administration's compliance proposal was informed by many discussions with our colleagues at the IRS on exactly this question.
- The design ensures that the IRS is able to absorb and usefully deploy additional resources over the entire 10-year horizon as it keeps budget growth manageable at around 10% per year, and its workforce will grow by no more than a manageable 15%.
- A lot of this increase is about bringing the IRS' resources back to reasonable levels—over the course of the last decade, the agency has been gutted, with its budget shrinking by around 20% in real terms.
- By the end of the decade, the IRS' budget would be roughly 40% above 2011 levels in real terms. That is a sizable increase, but a necessary one given that the IRS'

responsibilities have grown over the intervening period. Even with this increase, the IRS would still not return to early 1990s levels as a share of gross collections.

- It is worth noting that the IRS currently has as many full-time employees as it did in the 1970s, despite the U.S. population growing by a third over the intervening period. The agency had 91K employees in the 1990s. It has just over 70K today. The agency has fewer auditors than at any time since World War II. The IRS not only has the capacity to absorb new resources—it has significant needs that these dollars are necessary to support.

Q: Will the Administration's proposals impose undue burden on community banks and small financial institutions?

- It is important to note that this proposal has been designed to minimize any costs for financial institutions associated with providing this information to the IRS.
- Specifically, the new financial reports build off of the existing 1099-INT reports that the IRS already receives from financial institutions when they earn more than $10 in interest from a bank, brokerage, or other financial institution.
- Financial institutions would simply report additional data on the financial accounts of these existing information returns.
- Our hope is financial institutions will be our good governance partners in ensuring there is a tax system that is equitable, efficient, and effective—where everyone pays their fair share, and their customers are not disadvantaged by others who skirt tax laws.
- Importantly, this proposal was designed with potential concerns of community banks in mind. The Administration is seeking ways to reduce any new burden on financial institutions associated with this reporting requirement. Further, in order to ensure that this reporting regime is comprehensive—and that community banks are not at a competitive disadvantage, this requirement extends to payment services providers as well.

Q: Doesn't giving the IRS information about all bank accounts in the United States constitute a significant infringement on taxpayer privacy?

- The Administration has designed this regime with taxpayer privacy concerns front of mind.
- That is why, as opposed to other compliance proposals that have been advocated by outside actors, in the Administration's framework, information is flowing only one way—from financial institutions to the IRS, as is the case with existing information reports. The proposal also includes significant resources to ensure that the IRS will be able to modernize and develop technological infrastructure that allows them to deploy this new information (as well as existing information) effectively in pursuing enforcement actions.
- Further, the proposal includes significant resources to protect taxpayer information more broadly, giving the IRS the resources it needs to invest in overhauling antiquated technology and meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually.

Q: How will giving more resources to the IRS actually help taxpayers [small business owners]? Won't it just mean a greater likelihood of costly and burdensome audits?

- Absolutely not. In fact, the opposite is true.
- The President's proposals are about giving the IRS the resources that it needs to pursue high-end evasion.
- Audit rates will not rise relative to recent years for those with less than $400,000 in actual income.
- This focus is justified by the composition of the tax gap, which accrues disproportionately to those at the top who accrue income in opaque categories like partnership and proprietorship income, where misreporting rates are high.
- All compliant taxpayers will benefit from these proposals from a lower likelihood of costly audits. Today, when the IRS determines who to audit, it is essentially shooting in the dark, since it has no lens into opaque income streams that allow it to ascertain which taxpayers may be skirting their tax liabilities—and which taxpayers are fully compliant. This means that honest small business owners—who are the vast majority—will benefit from this new regime, because the IRS will be able to target enforcement actions against those who are evading their tax obligations.
- These initiatives will also create a more equitable tax system. Today, compliant small business owners are at a disadvantage because they compete against those who are willing to skirt tax laws. The compliance initiatives are about putting all small business owners on a level playing field—rather than having a tax system in place which advantages evaders.

Q: The President's proposal is focused on improving enforcement efforts—but what about taxpayer services? The IRS answered less than 30% of the calls it received in 2019 and did not pick up the phones for months during the pandemic.

- Many people speak about this proposal as about enforcing our tax laws, and in significant ways, it is.
- It is unjust that ordinary wage-earners are compliant with their tax returns, yet for high earners who accrue income in opaque ways, tax compliance is voluntary, and this proposal seeks to address this.
- But it is also about improving the experience of all taxpayers as they interact with the IRS—making sure that customer service representatives stand ready to answer the phones when they call with questions, and that they get access to tax credits, refunds, and other benefits that they are entitled to.

Q: Why would information about account inflows and outflows be useful to the IRS? This information doesn't correspond to income that people owe taxes on.

- The purpose of the new information reports is to provide a lens into previously opaque income streams. This isn't the kind of information that is going to be matched to an individual tax filing—that is absolutely true.

- But it is a piece of information that the IRS can use to try and understand when there are differences between taxpayers' reported financial positions and their true ones. Imagine a taxpayer who reports $100K in income to the IRS, but has $1M of inflows and outflows. There may be a benign explanation for this--but it's something the IRS can prioritize looking into in its audit selection. It's also important to emphasize the flip side here: today when the IRS audits those who accrue income in opaque ways, like proprietorships, it is essentially shooting in the dark. It has no way of trying to disentangle compliant taxpayers from those who are not. This is a piece of evidence that the IRS can usefully deploy in that inquiry. So honest small business owners, for example, will hugely benefit from this reporting regime, because their chances of a costly and burdensome audit will be decreased once the IRS has a lens into these income streams.
- Imperative to the efficacy of this new regime will be giving the IRS resources to implement it. For reporting to be most useful, the IRS needs the funding to understand and process the information it receives.
- It is also important to emphasize that giving the IRS the resources it needs to overhaul its technological infrastructure will be hugely valuable in providing the IRS the capacity to best deploy this new information in its enforcement activities—but also the information that it already collects.
- For example, today the IRS cannot efficiently evaluate information on 40 million K-1 forms, or on 1099-K reports, or on submissions required by FATCA. It is important that the information technology that underlies out tax system can keep pace with the rapid technological developments that are taking place in the economy.

Q: Why is the President's proposal so modest? The tax gap is $7 trillion over a decade, the compliance initiatives are estimated to close just 10% of that. Can't we do more?

- For years, Congressional support for the IRS has been reduced, so the IRS is lacking the resources that it needs to enforce our tax laws efficiently and equitably. The IRS has especially struggled to appropriately bring enforcement actions against high-income/high-wealth taxpayers, large corporations, and complex partnerships, where examination rates have dropped off most in the last decade.
- The Administration's proposal would increase the IRS budget over the coming decade at a pace the IRS says they would be able to absorb and efficiently deploy.
- The Administration's proposal was drafted in close consultation with our colleagues at the IRS to try and best understand both their needs and also their absorption capacity. Our proposal calls for scaling up the IRS' budget over a ten-year horizon, growing by no more than 10% each year. This funding will allow the IRS to address core technology challenges, transform the provision of meaningful taxpayer services, and greatly improve tax enforcement efforts. It will do so in a manageable way from the perspective of the agency.
- Perhaps also worth noting here that estimates of the revenue potential produced by the Office of Tax Analysis are in a sense conservative.

- Repeated from below: For example, the revenue potential of additional resources is based on IRS return on investment (ROI) estimates that only exist for adjustments detected through current enforcement-related activities. Benefits of other foundational changes in tax administration, like IT and taxpayer service improvements, are not accounted for. Additionally, although revenue estimates for increased information reporting includes the effects of this regime on voluntary compliance, estimates for increased enforcement actions do not account for deterrent effects, which are known to be quite significant.

Q: How will Treasury ensure there is oversight from the IRS from a substantial stream of mandatory funds?

- The importance of a mandatory stream of funds for the IRS cannot be overstated. The agency needs to have certain funding in place to make investments with large fixed costs—like modernizing information technology, improving data analytic approaches, and hiring and training agents dedicated to complex enforcement activities.
- This takes time to do effectively, and it requires that there be funds in place to support overhauling tax administration over a multi-year horizon. There must be a sustained commitment to foundational change.
- Effective management of mandatory funding streams will be crucial to a well-resourced IRS. And frequent reporting on milestones and performance metrics—including a more current tax gap report—will be essential, providing insight into the efficacy of new programs.

Q: Does the Administration also support increasing penalties for tax evasion by high income/high wealth taxpayers?

- Our compliance initiatives are also focused on increasing penalties for those who commit or abet evasion.
- One example to highlight is paid tax preparers, who submit about half of individual income tax returns, but who often make costly mistakes that subject taxpayers to burdensome audits. Some unregulated preparers even enrich themselves by ascribing a portion of taxpayers' refunds to themselves or commit fraud by failing to sign returns. Our proposals call for better regulation of paid tax preparers and significant penalties for these so-called "ghost" preparers.
- Inequities in enforcement are not solely the result of decreasing enforcement scrutiny on high-end taxpayers.
- They are also the result of rules and regulations that can advantage well-resourced and corporate taxpayers. Creating an equitable tax system requires making sure there is one set of rules, no matter how you accrue income or who you are. This means giving the IRS the resources and information it needs to pursue evasion and also putting in place penalties that appropriately deter misreporting.

Q: The tax gap is disproportionately about high earners and the companies they own. Why not have new reporting requirements apply only to their accounts?

- The issue with using any income threshold for a new reporting is that it deteriorates the efficacy of the entire regime. The reason for this are several:
- First, many taxpayers who are actually in the top-end of the income distribution report very little income. 72% of the tax gap for those with true income above $400K is attributable to taxpayers with reported income below $400K. So, a reported income threshold severely limits the ability of these new reports to be collected and then used for enforcement actions against those with high true income. A narrow reporting regime is not an effective way to address the tax gap.
- Second (and relevant to future reconciliation efforts), unsurprisingly the revenue estimate associated with any narrow financial reporting proposal is going to be miniscule relative to the $460B estimated to be raised from a comprehensive regime. So we'd be massively limiting the true value of this pay-for by deploying it in such a limited way.
- Third, you'd likely create a lot of potential for leakage out of the reporting regime and implicate privacy concerns. If you use a threshold attached to bank account levels (e.g., reporting only on accounts over some high deposit threshold), then there is an incentive to simply spread deposits across accounts and avoid the new financial reports, and that is fairly straightforward to do. If you instead use an AGI threshold for taxpayers, this becomes immensely cumbersome for financial institutions to implement, requiring a determination of which taxpayers are above and below the relevant threshold. It also is a significant infringement on taxpayer privacy, because it requires the IRS to convey information to banks about which of their customers are at the top of the distribution. From the banks' perspective and the taxpayers' perspective, a broader reporting regime is vastly preferable.
- Remember, there is no change or burden for taxpayers associated with this new reporting regime. All that will happen is that taxpayers will benefit from a decreased likelihood of costly audits when the IRS is able to better target enforcement actions and has a more comprehensive understanding of taxpayers' financial positions. Perversely, this means that by limiting the reporting regime you'd actually be harming honest taxpayers, because they will benefit from the IRS having access to this information.

Q: Doesn't the new reporting regime impose significant costs on financial institutions, who have to implement a new reporting regime, and small businesses, who will face greater IRS scrutiny?

- Banks stress the importance of simplicity in a new reporting regime and comprehensiveness in terms of its coverage, so we're sure not to put the banks—and especially the small banks—at any disadvantage vis-à-vis their nonbank competitors. That's why the new financial reports will build off of the existing 1099 information reports that banks already send the IRS.
- And both to ensure there isn't leakage out of the reporting regime—and to make sure that financial institutions are not going to lose market share to nonbank competitors like Venmo and Square, our vision of this is for these requirements to extend to payment services providers as well.

- Small businesses were concerned about possible burdens associated with a new reporting regime, as there are other versions of bank reporting proposals, that imposed new requirements for taxpayers, like the requirement to reconcile tax filings with financial information reports. <u>None of that is in the Administration's proposal.</u> For taxpayers all that happens is they have easy access to summary information on their financial accounts.
- They also have a lower likelihood of being audited. Right now, when the IRS is auditing proprietorships, it is essentially shooting in the dark—has no way of knowing which taxpayers are compliant, and which taxpayers are not. The idea behind these new reports is the IRS will be equipped with a piece of evidence it can use in its enforcement actions. That means a lower likelihood of a costly and burdensome audit for compliant taxpayers.
- Today honest small business owners are at a competitive disadvantage—they have to compete against tax cheats who are comfortable skirting tax obligations, and that's really difficult to do. So, honest small businesses will <u>benefit</u> from this new regime.

FW: WaPo: Schumer sets new infrastructure deal deadline as IRS provision faces strong blowback

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Thu, 15 Jul 2021 18:28:07 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

From: Jacob Kaufman-Waldron <jkaufmanwaldron@cbpp.org>
Sent: Thursday, July 15, 2021 6:20 PM
To: Economic/Virus Policy Response <economicviruspolicyresponse@cbpp.org>
Subject: WaPo: Schumer sets new infrastructure deal deadline as IRS provision faces strong blowback

Flagging the Post's updated reporting on the two track process: https://hyperlink.services.treasury.gov/agency.do?origin=https://www.washingtonpost.com/us-policy/2021/07/15/senate-infrastructure-budget/

Schumer sets new infrastructure deal deadline as IRS provision faces strong blowback

Conservatives want to block new funding for tax agency; vote on bipartisan infrastructure package could come as soon as Wednesday

By Tony Romm and Seung Min Kim

July 15, 2021 | Updated today at 5:15 p.m. EDT

Senate Majority Leader Charles E. Schumer (D-N.Y.) on Thursday sought to move lawmakers one step closer to debating and potentially passing roughly $4 trillion in new federal spending, announcing his plans to hold a key chamber vote on a still-forming infrastructure deal next week.
The announcement essentially doubled as a major new deadline for a group of roughly two dozen Democrats and Republicans, who for the past few months have been hammering out a proposal to invest close to $1 trillion in the country's roads, bridges, pipes, ports and Internet connections.
Schumer delivered the new timetable on a day when negotiating lawmakers struggled to reconcile their many policy differences, particularly over how to pay for the level of spending they support. The schisms bore out over the course of a roughly three-hour meeting with top White House aides, highlighting the challenges that Senate leaders face in finishing their work ahead of Schumer's scheduled Wednesday vote to start debate on infrastructure legislation.

"The good news is we are all still talking. The good news-bad news is we've got a pretty tight time frame," Sen. Lisa Murkowski (R-Alaska) said as she exited the private gathering. "There are details we have to resolve, and those details involve things like [paying for it]."
One of the key components financing their tentative legislation — increased federal efforts to collect unpaid taxes — seemed in particular political peril Thursday amid sustained GOP opposition. Its potential absence from the final package left lawmakers scrambling to find other ways to cover the costs of their long-sought infrastructure investments, because some senators from both sides have maintained they are not willing to support an agreement that adds to the deficit.

"You've got to pay for it. We're not going to pass it unless we do," acknowledged Sen. Bill Cassidy (R-La.), another participants in the talks.

In calling for the early infrastructure vote next week, Schumer on Thursday also issued a similar edict to his own caucus, telling Democrats they need to come to a full agreement on a second package that includes additional spending to enact President Biden's fuller economic agenda.

Democrats announced on Tuesday the outlines of that deal — a $3.5 trillion budget measure that proffers major changes to health care, housing, climate policy and the tax code — after weeks of haggling. The proposal is expected to fund programs left out of the emerging infrastructure measure because they do not garner support from Republicans.

Democrats intend to sidestep that GOP opposition on their budget deal by forging ahead with the package using a process known as reconciliation, which requires only a simple majority, not the usual 60 votes in the Senate, to pass. Schumer has described this as a key element of a two-track process to deliver on the White House's economic priorities, stressing Thursday that the caucus needed to "agree to move forward" with the budget, the first step in what is sure to be a lengthy policy battle.

The two deadlines injected fresh uncertainty into what already has been a fragile congressional debate. Even though lawmakers in both parties agree on the need to invest anew in the nation's infrastructure, they remain divided over how, exactly, to do it — including how much to spend and the ways in which they should finance it.

But Democratic leaders still maintain they hope to secure passage of an infrastructure bill as well as a budget agreement before departing for their usual summer recess. They set their ambitious timetable in motion a day after Biden visited Democratic lawmakers in the Capitol and implored them to work together to adopt spending that many party leaders see as transformational.

Speaking on the Senate floor, Schumer echoed the president's vision, describing the two endeavors as the "most significant legislation to expand support for Americans families since the era of the New Deal and the Great Society."

"It's important to keep the two-track process moving," he said.

First, though, lawmakers need to actually craft an infrastructure bill.

In the hours after Schumer spoke, Senate Democrats and Republicans resumed huddling in private over their plan, the latest in a line of frenetic meetings this week to transform an outline for $1 trillion in spending from June into actual policy. The Democratic leader's announcement immediately added new uncertainty to the talks, prompting some lawmakers, including Sen. Mike Rounds (R-S.D.), to fret the new "artificial deadlines."

While the Senate essentially can start debate before it finishes writing a bill, some Republicans expressed deep misgivings about advancing the process prematurely. In the meantime, lawmakers from both parties acknowledged they had considerable differences still to resolve — including immense political hurdles over the financing in their nascent deal.

One of the key mechanisms to pay for it had been heightened IRS enforcement of federal tax laws. The idea generally has garnered support in the Capitol, as lawmakers look to recoup as much as $1 trillion in unpaid taxes. But the agency and its track record historically has left even some participating Republicans uneasy — though lawmakers crafting the deal said they hoped to put strong safeguards in place to prevent abuse.

Those safeguards still seemed insufficient by Thursday, prompting Senate aides, who spoke on the condition of anonymity to describe the private talks, to say it is likely to be removed from the final legislative package. Lawmakers including Sen. Jon Tester (D-Mont.), who joined the talks Thursday, acknowledged the IRS reforms remain unsettled — and noted that work continues to identify potential alternatives that senators as well as the White House would support equally.

The impasse meant lawmakers departed the Capitol in the early afternoon with no final agreement in hand — and no guarantee they would resolve their disputes in the weekend, either. Yet Democrats and Republicans alike still said they were committed to reach consensus.
"I don't know if we'll make anybody's arbitrary timeline," said Sen. Rob Portman (R-Ohio), who left the gathering well after White House aides and other lawmakers departed. "But that's not the point — the point is to get it right."

FW: connecting you

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Date: Tue, 20 Jul 2021 23:16:07 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Go for it!!!

From: Xiao, Lucy (Carper) <Lucy_Xiao@carper.senate.gov>
Sent: Tuesday, July 20, 2021 8:18 PM
To: Natasha.Sarin@treasury.gov; Kimberly.Clausing@treasury.gov; Giesemann, Evan (Carper) <Evan_Giesemann@carper.senate.gov>
Subject: RE: connecting you

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Thanks so much for this introduction, Ellen! I'll email you separately about the briefing. Moving you and Chuck to bcc.

Hi Natasha and Kim, hope you're both well and thank you for your work on this third party reporting requirement. (Kim – as a side note, I previously handled the trade portfolio and have been making my way through your book Open.)

Increased IRS enforcement funding and closing the tax gap are two issues that are near and dear to Senator Carper's heart – he has been working on these issues for decades. As Ellen mentioned, we are very interested in this reporting proposal and want to run down some of the concerns we've been hearing from the community banks. Would also love to talk through why OTA scoring and CBO scoring might be different – I'm sure we'll get that question from the Senator.

Looks like Evan and I are both clear this Thursday 9-11 am and 12-2 pm, Friday 1:30-2:30 pm and 3-4 pm, and next Tuesday 12-4 pm. Would any of these times work on your end?

Best,
Lucy

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Tuesday, July 20, 2021 7:59 PM
To: Xiao, Lucy (Carper) <Lucy_Xiao@carper.senate.gov>; Giesemann, Evan (Carper) <Evan_Giesemann@carper.senate.gov>; Natasha.Sarin@treasury.gov; Kimberly.Clausing@treasury.gov
Cc: Chuck Marr <marr@cbpp.org>
Subject: connecting you

Lucy and Evan,
Meet the incredible "dynamic duo" IRS compliance experts from Treasury, our friends Natasha Sarin and Kim Clausing. They are doing yeoman's work to help Dem senators and staff understand the intricacies of the IRS reporting requirement – and help respond to the generally misleading attacks on the Admin's proposal. Lucy and I spoke late today. (I'm confident Secretaries Lew and Rubin would feel comfortable, Natasha and Kim, with my telling you that they asked me to connect them w/ Sen. Carper's staff and they spoke w/ the Senator, Lucy and Evan today.) Lucy mentioned various concerns, including the argument put forward by the community banks that the expanded reporting requirements will hurt people of color and low-income people. I noted that we (CBPP and Treasury) have been hearing this concern, and suggested that it would be good for Natasha and Kim to talk directly with Lucy and Evan. (Beyond that, I think it might be good for a high-level Treasury official to talk to Sen. Carper as well to address his concerns, but I defer to you all on this.)

Natasha and Kim, Lucy is Sen. Carper's LD and Evan, as I think you know, is his tax counsel. Both are very focused on the IRS tax compliance issue.

I'll let you all take it from here. Lucy, if you decide to pursue the idea we discussed (Secs Lew and Rubin briefing a small set of senators organized by Sen. Carper), let me know and I'll talk to both of them about that if it's helpful. I'm sure they would do it.

Lucy and Evan, thanks for all you are doing. As we discussed late today, Lucy, securing the strongest IRS reporting requirement – AND USING THE OTA scoring one way or the other – is key to the goal of offsetting the cost of the reconciliation package.

Tx

Ellen Nissenbaum
CBPP
(202)[redacted] *(cell)*

RE:

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc:	Chuck Marr <marr@cbpp.org>
Date:	Wed, 21 Jul 2021 00:36:55 -0400

Wonderful, thank youx1000 for doing!!

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: July 21, 2021 at 12:34:34 AM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE:

Just found emails from CHC director and already emailed. Draft email to CBC guy will go in a.m.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Wednesday, July 21, 2021 12:24 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE:

Hi Ellen,

Wonderful re CBC and CHC. That will be very helpful. I also wrote to Antonio again that I'll loop us all in the morning, just to flag for him.

I haven't seen anything in writing from community banks on this, but we heard versions in some of the briefings that we did. Have you seen anything?

Here are some q&as that I had drafted for a roundtable Wally did on equity issues. I think that I can do more here on the unbanked/financial inclusion critique, so will put in one document but sending these now in case of use:

- For low-income communities, and particularly minority taxpayers who too often are subject to costly audits, our proposals will improve the way that tax administration works for them. Service improvements will mean an IRS that responds in efficiently and effectively to taxpayer queries. State-of-the-art technology and better information mean that the IRS can target enforcement efforts where they belong—on those who fail to pay their fair share.
- The Biden Administration's commitment to racial equity was a key factor in the design of the current enforcement proposal.

1. Minority communities are already disproportionately audited by the IRS: the ten counties with the highest audit rates are all predominantly African American communities in the South. Won't giving the IRS more resources just exacerbate these inequities?

a. No—in fact, these resources will address them. Over the last decade, the IRS budget has decreased by nearly 20%. The result has been that enforcement scrutiny has dropped off most for high earners, which have fallen by nearly 80%, more than twice as much as EITC audits. This is illogical as a matter of revenue-raising, the benefits of the tax gap accrue disproportionately to high earners. It is also deeply problematic as a matter of fairness.
b. The President's compliance proposals are designed to right these wrongs. They are focused on providing the IRS the resources it needs to increase enforcement actions against the top end of the distribution.
c. Audit rates for those earning less than $400,000/year would not increase relative to recent years.

- How will additional IRS resources help minority communities?

a. Many people speak about this proposal as about enforcing our tax laws, and in significant ways, it is.
b. It is unjust that ordinary wage-earners are compliant with their tax returns, yet for high earners who accrue income in opaque ways, tax compliance is voluntary, and this proposal seeks to address this.
c. But it is also about improving the experience of all taxpayers as they interact with the IRS—making sure that customer service representatives stand ready to answer the phones when they call with questions, and that they get access to tax

credits, refunds, and other benefits that they are entitled to.

That's great on Rosen. And Aruna knows we are in very close touch broadly, though I don't relay any specific details that feel sensitive.

All warmest wishes, and THANKS again,

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Wednesday, July 21, 2021 12:03 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE:

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

I know the policy director for the CBC well and the head of the CHC. I can email them tomorrow (today) and warn them they may be hearing from the community banks and they need to keep their powder dry. I coud suggest they get you all on the phone for a CBC/CHC staff briefing. I can send whatever you give me on this point.

Have we seen anything in WRITING from the community banks on this theme?

Lucy emailed me separately to say Sen, Rosen organizes the Dem mods and offered to see if they want Jack/Bob. I'll follow up with Rosen's LD.

Does Aruna know how closely we're working w/ you on this, Natasha?

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Wednesday, July 21, 2021 12:00 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE:

Hi Ellen,

He is very tight with them—I wrote to him tonight. Agree that I should loop you so we can divide and conquer, I will let him know I'm doing that and send in the am. It may end up being faster for you to touch if it seems will take him a while...

Will call you tomorrow to strategize if good time for you on Warnock and CM? We are slated to do Carpers on Friday, Aruna said she talked to Evan tonight, and Carper keen to take prominent role pushing forward, so looks like Lew and Rubin touch SUPER helpful.

Thank you so, so much—for everything.

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: July 20, 2021 at 11:14:08 PM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE:

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Do you think Antonio is tight w/ the CBC and CHC?
We are SUPER tight with them and can quickly give them a "don't fall for this" pitch if that's useful. Maybe you, Antonio and I can email about this re who should do what?

But I'd worry about Warnock and C-Masto on Banking Committee hearing from the banks!! Again, we can get to them quickly if you guys can't move fast on this.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Tuesday, July 20, 2021 9:39 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>
Subject: RE:

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

Hi Ellen,

I'll send you more on this, and on ProPublica so you have one-pagers to deploy.

We've been hearing two sets of things:

1. When you give the IRS resources, they go after EITC recipients (that's Carper's thing about how the highest audit rate counties are all in the South). So if you give them more, they'll pursue minorities most aggressively.
2. On the reporting side, these communities are already less likely to be banked, and distrustful of the IRS, if the IRS is in their bank accounts, then they'll be more likely to choose to leave/not be in traditional financial system.

There is a baseline distrust of the IRS, but like Bob said: That is exactly what this proposal is *****not***** doing—we are targeting these audit resources on precisely the top of the distribution. And for compliant taxpayers, all these proposals mean is a lower chance of being audited and not being at a competitive disadvantage.

I agree with you that we should make the case affirmatively to this group. I'll flag for Aruna. And will also raise to Antonio on CBC and CHC. I said to him and he said they weren't really engaged on this yet, but feels like touch coming from us would probably be valuable.

Thank you SO much,

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Tuesday, July 20, 2021 8:39 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>
Subject:

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Given banks' saying reporting hurts Blacks/Hispanics... seem imperative to get to Warnock, Booker, Menendez and C-Masto on this. We can reach out and try to respond, but you all should too. AND TO THE CBC and CHC!!!
Do you know the banks' particular arguments re why this would hurt people of color/the poor? And have you written anything on that?
Tx
Ellen

(202) [redacted] *(cell)*

RE: great news!

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
To: "Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>, Paul Jones <pjones@cbpp.org>
Date: Wed, 21 Jul 2021 21:42:54 -0400

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Breaux and Lott? I'd pay $ to see that one. He should talk to Warner and Carper,.
I'm trying to get Rosen (who leads the mod Dem meetings) to invite Jack and Bob. I think that would be better.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Wednesday, July 21, 2021 6:04 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>; Paul Jones <pjones@cbpp.org>
Subject: RE: great news!

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

That is great news!! And yes, I will think on paper. I think this may be a good opportunity to get something out there, but will have to be thoughtful on what we say. Maybe positive case rather than tough q&a style.

Also: I talked to former Senator Breaux today. He is very close with Manchin, and they have been talking at length on the tax gap. He's keen to be helpful, and asked who else we wanted him to reach out to. I mentioned some of the mods and he knows them all and is happy to call. Do you have thoughts on where to concentrate his efforts?

I also think we can get him and Trent Lott to write an op-ed in favor of compliance, both on mandatory money and reporting.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Wednesday, July 21, 2021 5:58 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>; Paul Jones <pjones@cbpp.org>
Subject: great news!

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

(Paul, 2:30 Monday for 3 mon. Details to come from Alma.)

Chuck doesn't even know this yet but guess what!? I just got myself and Chuck invited to brief (just 5-10 min as a "preliminary 'heads up'") the staff of all CHC members on MONDAY about the IRS reporting. I'm going to say "You may be hearing criticisms/s concerns, but let us allay them for you." We won't have time for indepth, but can get 2-3 key points across the bow here.

I'm working on the CBC. Also wil focus on how this will finance big investments.

So, Natasha, let's think about whether we would hand out a one-pager – or not, knowing whatever I give them (on white paper) would leak.

Either way, we're getting out in front of this!

I'll probably ping Booker, Warnock, C-M and Menendez staff.

Ellen Nissenbaum
Senior Vice President for Government Affairs

CBPP
(202)408-1080
(202)[redacted] *(cell)*

RE: Monday CHC 2:30 staff meeting

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc:	Paul Jones <pjones@cbpp.org>, Chuck Marr <marr@cbpp.org>
Date:	Thu, 22 Jul 2021 14:53:43 -0400
Attachments:	minorities_followupv4.docx (19.13 kB)

Hi Ellen,

Added a q&a to the earlier doc per our conversation this afternoon, let me know what you think.

All best, and many, many thanks,

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Thursday, July 22, 2021 12:47 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Paul Jones <pjones@cbpp.org>; Chuck Marr <marr@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

I would send it around Monday afternoon AFTER the session.
Then I would try to do the same with CBC folks.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, July 22, 2021 12:38 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Paul Jones <pjones@cbpp.org>; Chuck Marr <marr@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

In consultation is easy—but let me work on getting official document cleared tomorrow. And thank youx1000!!

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: July 22, 2021 at 12:35:37 AM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Paul Jones <pjones@cbpp.org>, Chuck Marr <marr@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

This is great. Ideally, we'd be able to hand out a Treasury document.
If that's not possible, we could say this was prepared "in consultation w/ the top experts at Treasury?"

Tx!

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, July 22, 2021 12:11 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

This is GREAT. Do we want to do a one-pager for them coming from you? I drafted the attached briefly as a follow-up for you, does it seem along the right lines?

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Wednesday, July 21, 2021 11:42 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: FW: Monday CHC 2:30 staff meeting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Your eyes only.

From: Ellen Nissenbaum
Sent: Wednesday, July 21, 2021 11:42 PM
To: Alma.Acosta@mail.house.gov
Cc: Chuck Marr <marr@cbpp.org>; Paul Jones <pjones@cbpp.org>
Subject: Monday CHC 2:30 staff meeting

Alma,
Thanks for inviting Chuck and me to speak very briefly (10 -15 min? shorter or longer?) to the staff of CHC members Monday at 2:30 on the CRITICAL IRS reporting requirement proposed by Biden to close the tax gap (ensuring corps and wealthy pay the taxes they owe), and use the significant revenues raised by this to help finance the important investments in the BUILD BACK BETTER forthcoming reconciliation bill. We understand that some in the banking industry have argued this will hurt low-income people of color, especially the "unbanked." This is not an accurate assessment of the proposal. In fact, the proposal will help honest taxpayers and shift the IRS' audit focus to higher income people and corporations who cheat on their taxes. We can briefly describe the Biden proposal and explain why this criticism is unfounded.

Thanks,
Ellen

Ellen Nissenbaum
Senior Vice President for Government Affairs
CBPP
(202)408-1080
(202)(b)(6) [redacted] *(cell)*

The President's tax compliance proposals include two major components. The first step in the President's tax administration efforts is a sustained, multi-year commitment to rebuilding the IRS, including nearly $80 billion in additional resources over the next decade. This would make up the ground that the IRS has lost over the last decade. During this time, the IRS budget fell by about 20%, leading to a sustained decline in its workforce particularly among specialized auditors who conduct examinations of high-income and global high net worth individuals and complex structures, like partnerships, multi-tier pass-through entities, and multinational corporations.

The second large prong of the proposal is the introduction of a comprehensive financial reporting regime. When the IRS can verify taxpayer filings with third-party reports, compliance rates exceed 95%. Without third-party reporting, compliance rates can fall below 50%. To avoid any increase in taxpayer burden, the President's proposal leverages the information that financial institutions already know about the accounts that they house.

For low-income communities, and particularly minority taxpayers who too often are subject to costly audits, the Administration's proposals will improve the way that tax administration works for them. Service improvements will mean an IRS that responds in efficiently and effectively to taxpayer queries. State-of-the-art technology and better information mean that the IRS can target enforcement efforts where they belong—on those who fail to pay their fair share.

The Biden Administration's commitment to racial equity was a key factor in the design of the current enforcement proposal. Over the course of the last decade, as the IRS has faced resource constraints, enforcement scrutiny has dropped off disproportionately for those at the top of the distribution. As a result, the counties with the highest audit rates today are predominantly African American, rural communities in the Deep South. As IRS Commissioner Rettig has made clear, for the IRS to appropriately balance enforcement scrutiny across the income distribution, it needs resources to be able to pursue high earners with complex returns, which take an average of 300 hours to investigate.

It is important to note that the President's compliance proposals are designed to ameliorate existing inequities by focusing on high-end evasion. Audit rates will not rise relative to recent years for those with less than $400,000 in actual income. This focus is justified by the composition of the tax gap, which accrues disproportionately to those at the top of the distribution, who earn income in opaque categories like partnership and proprietorship income, where misreporting rates are high.

With respect to their impact on low-income, minority communities, a few questions have arisen that it is important to address:

1. Minority communities are already disproportionately audited by the IRS: the ten counties with the highest audit rates are all predominantly African American communities in the South. Won't giving the IRS more resources just exacerbate these inequities?
    a. No—in fact, these resources will address them. Over the last decade, the IRS budget has decreased by nearly 20%. The result has been that enforcement scrutiny has dropped off most for high earners, which have fallen by nearly 80%, more than twice as much as EITC audits. This is illogical as a matter of revenue-

raising, the benefits of the tax gap accrue disproportionately to high earners. It is also deeply problematic as a matter of fairness.

   b. The President's compliance proposals are designed to right these wrongs. They are focused on providing the IRS the resources it needs to increase enforcement actions against the top end of the distribution.
   c. Audit rates for those earning less than $400,000/year would not increase relative to recent years.

2. How will additional IRS resources help minority communities?
   a. Many people speak about this proposal as about enforcing our tax laws, and in significant ways, it is.
   b. It is unjust that ordinary wage-earners are compliant with their tax returns, yet for high earners who accrue income in opaque ways, tax compliance is voluntary, and this proposal seeks to address this.
   c. But it is also about improving the experience of all taxpayers as they interact with the IRS—making sure that customer service representatives stand ready to answer the phones when they call with questions, and that they get access to tax credits, refunds, and other benefits that they are entitled to.

3. Minority communities are disproportionately un- and under-banked. Won't giving the IRS a lens into their bank accounts discourage them from participating in the traditional financial sector because of privacy concerns?
   a. The Administration has designed this regime with taxpayer privacy concerns front of mind. That is why, as opposed to other compliance proposals that have been advocated by outside actors, in the Administration's framework, information is flowing only one way—from financial institutions to the IRS, as is the case with existing information reports.
   b. Further, the proposal includes significant resources to protect taxpayer information more broadly, giving the IRS the resources it needs to invest in overhauling antiquated technology and meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually.
   c. Low-income, minority taxpayers are today disadvantaged by a tax system that requires ordinary wage-earners pay their fair share; whereas wealthy taxpayers have significant opportunities to skirt tax laws. The President's proposals will end this two-tiered tax system.
   d. Rather than be burdened by a new reporting regime, compliant taxpayers will benefit from it: When the IRS determines who to audit today, it is essentially shooting in the dark, since it has no lens into opaque income streams that allow it to ascertain which taxpayers may be skirting their tax liabilities—and which taxpayers are fully compliant. Honest small business owners—who are the vast majority—will benefit from the IRS's ability to better target enforcement actions against those who are evading their tax obligations.

4. The new reporting regime will place significant burden on banks and introduce new costs of implementation and oversight. Won't this mean fewer resources for banks to focus on

important priorities for minority communities, like ensuring broad-based access to credit and financial services?

a. It is important to note that the proposal has been designed to minimize any costs for financial institutions.
b. New financial reports build off of the existing 1099-INT reports that the IRS already receives from financial institutions, and they will include just a bit of additional information that financial institutions already know about taxpayers on account inflows and outflows.
c. There is no reason why a bank's workforce will have to be diverted in any way to comply with a new reporting regime. In conversations with financial institutions around the contours of the new reporting proposal, they stressed that simply adding some additional information to an existing reporting regime is an approach that could be easily implemented. That is exactly what the Administration's compliance initiatives call for.
d. To the extent that there are any fixed costs associated with standing up the regime, the Administration is committed to finding ways to address them, particularly for smaller financial institutions and community banks.

RE: just confirming

From: "Sarin, Natasha" <natasha.sarin@treasury.gov>
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>, Jason Moreira <moreira@cbpp.org>
Date: Wed, 28 Jul 2021 01:24:03 -0400

Yes great, makes total sense.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: July 28, 2021 at 1:22:46 AM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>, Jason Moreira <moreira@cbpp.org>
Subject: RE: just confirming

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Yes, not that I think they'll "buy" the banks' false claims, but just so they are prepared when Repubs attack this, etc.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Wednesday, July 28, 2021 1:15 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Chuck Marr <marr@cbpp.org>; Jason Moreira <moreira@cbpp.org>
Subject: Re: just confirming

We think paper will be helpful in making case here, right? Think that's great. Thanks, Ellen.

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: July 28, 2021 at 1:10:57 AM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Chuck Marr <marr@cbpp.org>, Jason Moreira <moreira@cbpp.org>
Subject: just confirming
Importance: High

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

… that I can send this document you sent me to the Black/Hispanic members of the W/M Committee to make sure they know not to "buy" arguments that reporting requirements will hurt people of color/unbanked. Will say, as we did Friday, this was "developed in consultation with Trasury experts."

Ok? tx

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, July 22, 2021 2:54 PM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Paul Jones <pjones@cbpp.org>; Chuck Marr <marr@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

Hi Ellen,

Added a q&a to the earlier doc per our conversation this afternoon, let me know what you think.

All best, and many, many thanks,

Natasha

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Thursday, July 22, 2021 12:47 AM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Paul Jones <pjones@cbpp.org>; Chuck Marr <marr@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

I would send it around Monday afternoon AFTER the session.
Then I would try to do the same with CBC folks.

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, July 22, 2021 12:38 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Cc: Paul Jones <pjones@cbpp.org>; Chuck Marr <marr@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

In consultation is easy—but let me work on getting official document cleared tomorrow. And thank youx1000!!

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Date: July 22, 2021 at 12:35:37 AM EDT
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Cc: Paul Jones <pjones@cbpp.org>, Chuck Marr <marr@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

This is great. Ideally, we'd be able to hand out a Treasury document.
If that's not possible, we could say this was prepared "in consultation w/ the top experts at Treasury?"

Tx!

From: Natasha.Sarin@treasury.gov <Natasha.Sarin@treasury.gov>
Sent: Thursday, July 22, 2021 12:11 AM
To: Ellen Nissenbaum <nissenbaum@cbpp.org>
Subject: RE: Monday CHC 2:30 staff meeting

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you know the content is safe.

This is GREAT. Do we want to do a one-pager for them coming from you? I drafted the attached briefly as a follow-up for you, does it seem along the right lines?

From: Ellen Nissenbaum <nissenbaum@cbpp.org>
Sent: Wednesday, July 21, 2021 11:42 PM
To: Sarin, Natasha <Natasha.Sarin@treasury.gov>
Subject: FW: Monday CHC 2:30 staff meeting

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Your eyes only.

From: Ellen Nissenbaum
Sent: Wednesday, July 21, 2021 11:42 PM
To: Alma.Acosta@mail.house.gov
Cc: Chuck Marr <marr@cbpp.org>; Paul Jones <pjones@cbpp.org>
Subject: Monday CHC 2:30 staff meeting

Alma,
Thanks for inviting Chuck and me to speak very briefly (10 -15 min? shorter or longer?) to the staff of CHC members Monday at 2:30 on the CRITICAL IRS reporting requirement proposed by Biden to close the tax gap (ensuring corps and wealthy pay the taxes they owe), and use the significant revenues raised by this to help finance the important investments in the BUILD BACK BETTER forthcoming reconciliation bill. We understand that some in the banking industry have argued this will hurt low-income people of color, especially the "unbanked." This is not an accurate assessment of the proposal. In fact, the proposal will help honest taxpayers and shift the IRS' audit focus to higher income people and corporations who cheat on their taxes. We can briefly describe the Biden proposal and explain why this criticism is unfounded.

Thanks,
Ellen

Ellen Nissenbaum
Senior Vice President for Government Affairs
CBPP
(202)408-1080
(202)(b)(6) [redacted] *(cell)*

How's this on Crapo?

From:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
To:	Ellen Nissenbaum <nissenbaum@cbpp.org>, Chuck Marr <marr@cbpp.org>
Date:	Tue, 10 Aug 2021 14:11:57 -0400
Attachments:	talkers_crapo_08102021.docx (147.83 kB)

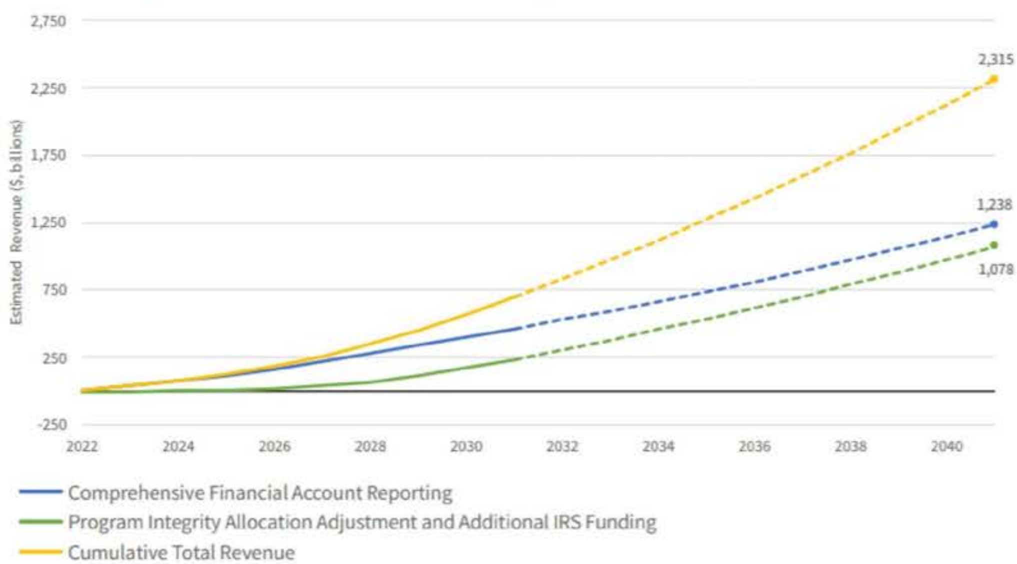
I know it's likely much longer than of use, so please condense away.

- Senator Crapo's amendment would seek to take a $460B pay-for off the table for the reconciliation process. This offset is essential to our funding important policy priorities.
- It does so in the name of helping taxpayers. But perversely, working against new information reporting hurts ordinary Americans, while protecting rich tax evaders.
    - Ordinary Americans are already fully compliant with their tax obligations. This is because their tax liabilities are automatically withheld, it is also because their wages are reported on directly to the IRS.
    - Opaque income streams without third-party reporting: like rental income, proprietorship income, partnership income—have compliance rates under 50%.
    - These income streams accrue disproportionately to high-earners: Academic evidence suggests that the top 1% is responsible for at least 30% of unpaid taxes.
    - The IRS, GAO, and academic experts all agree that introducing information reporting is the best way to improve tax compliance.
    - It would also remove the evasion advantage that certain unscrupulous taxpayers currently experience. For example, honest small business owners today are forced to compete against those who misreport their tax liabilities and fail to pay what they owe. This puts them at a competitive disadvantage vis-à-vis evaders. Shedding a light on opaque income streams will create a more equitable tax code, ending the two-tiered nature of tax administration today, where the vast majority of Americans pay what they owe to finance the needs facing the economy today
- It will also decrease the likelihood that compliant taxpayers are subject to costly and burdensome audits.
    - Today, when the IRS audits a small business, it is essentially shooting in the dark, without an understanding of whether taxpayers are misreporting.
    - This means significant burden for those who are already fully compliant—but just happen to get swept up by audit activities.
    - What the IRS needs is more information, and a financial reporting regime would provide just that. It would help the IRS disentangle compliant taxpayers from those who aren't paying their fair share, helping to ensure that the vast majority of taxpayers who are honest and make good on their tax obligations are not audited.
- It would provide this information without increasing burdens on taxpayers at all. There are no new requirements for taxpayers from the Administration's reporting requirements. Instead, all that changes from their perspective is a lower likelihood of being audited and access to some summary information on account inflows and outflows.
- This reporting regime is simple and easily implementable from the perspective of financial institutions. Specifically, the new financial reports build off of the existing 1099-INT reports that the IRS already receives from financial institutions when they earn more than $10 in interest from a bank, brokerage, or other financial institution. Financial institutions would simply report additional data on the financial accounts of these existing information returns.
- Further, the Administration has worked closely with financial institutions to design this proposal in such a way as to limit any compliance costs of a new reporting regime and is actively working with small financial institutions to find ways to alleviate the burden of implementing changes to the existing reporting framework. Its hope is that financial institutions will be our good governance

partners in ensuring that there is a tax system that is equitable, efficient, and effective, where everyone pays what they owe.

- This proposal has also been designed with taxpayer privacy concerns front of mind. As opposed to compliance proposals advocated by others, here information is flowing only one way—from financial institutions to the IRS, as is already the case with financial institution information reports. Further, there are significant resources to protect taxpayer information, ensuring that IRS technology is modernized so that it is able to meet threats to the security of the tax system, like the 1.4 billion cyberattacks the IRS experiences annually.
- In addition to a new reporting regime, the Administration has also proposed a substantial increase in IRS resources, of around $80 billion in additional funding over the decade. This will help rebuild the IRS, especially in terms of high-end audit scrutiny, which has dropped off so significantly that those in the top 1% are as likely to be audited as those on the EITC.
    - It will also ensure that the IRS has the resources that it needs to imbibe and then deploy the information that it collects; modernize and develop technological infrastructure; and improve taxpayer service.
- A comprehensive financial reporting regime will increase tax collection substantially. Treasury estimates suggest that the reporting proposals will generate $460B in the first decade. This revenue is backloaded, because it will take time for the reporting regime to be stood up and for its benefits to be fully realized. In the second decade, the revenue estimate is more than twice as much.

Figure 1: Revenue Raised from Compliance Initiatives, 2022–2040



NOTE: Estimates outside the 10-year budget window are subject to greater uncertainty which is reflected by the dotted line.

Article on key questions about tax proproposal

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc:	Chuck Marr <marr@cbpp.org>
Date:	Tue, 17 Aug 2021 17:33:39 -0400
Attachments:	tax notes pubished article aug 2021.pdf (722.35 kB)

Natasha,
I received the attached from Chuck, who asked me to get it around to key Dem tax staff. Before I send out to the key hill folks, I wanted to flag and mention it to you first. Tx.
Ellen

taxnotes federal

Volume 172, Number 5 ■ August 2, 2021

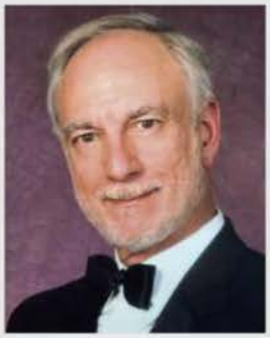
How to Evaluate the Biden Administration's Tax Compliance Plan

by Fred L. Forman, Fred T. Goldberg Jr., and Charles O. Rossotti

Reprinted from *Tax Notes Federal*, Aug. 2, 2021, p. 759

How to Evaluate the Biden Administration's Tax Compliance Plan

by Fred L. Forman, Fred T. Goldberg Jr., and Charles O. Rossotti



Fred L. Forman

Fred T. Goldberg Jr.

Charles O. Rossotti

Fred L. Forman was executive vice president and senior technology officer at American Management Systems from 1971 until 1997, when he became its general manager for Europe. In 2000 he joined the IRS as the associate commissioner for business systems modernization, serving until 2004, after which he did strategic technology consulting in the private and public sectors. Over the last several years, he has served as an officer and board member for several nonprofit organizations.

Fred T. Goldberg Jr. was appointed by President George H.W. Bush to serve as IRS commissioner from 1989 to 1991 and Treasury assistant secretary for tax policy in 1992. And he was appointed by President Reagan to serve as IRS chief counsel from 1984 to 1986. He is currently of counsel in the Washington office of Skadden, Arps, Slate, Meagher & Flom LLP. Charles O. Rossotti co-founded American Management Systems in 1970. He led the company for 27 years until he was appointed IRS commissioner in 1997 by President Clinton. He served five years as commissioner and was later appointed by President George W. Bush to a panel to recommend reform of the tax code. Since then, he has resumed his business activities.

In this article, Forman, Goldberg, and Rossotti examine the recently proposed comprehensive tax compliance plan under the Biden administration's American Families Plan and present a guide on how to evaluate the proposal.

Treasury recently proposed a comprehensive tax compliance plan under the administration's American Families Plan that would include third-party reporting on summary inflows and outflows of financial accounts and long-term funding to rebuild the IRS's technology and workforce. Treasury estimated that this proposal would produce a revenue gain of $778 billion over 10 years and an additional $1.3 trillion over the following 10 years.[1]

Some skepticism about the amount of revenue such a program would produce is understandable. And questions about how it would affect taxpayers, how it would be implemented, and how Congress could monitor its progress are reasonable and need to be answered. In due course, administration officials will undoubtedly be testifying before Congress about those issues.

The Treasury plan closely mirrors a plan that we have spent the last two years developing. Our "Shrink the Tax Gap" (STTG) plan[2] has been documented in published articles and numerous presentations, congressional testimony, and public commentary.[3] We believe this background provides a solid basis for explaining the reasoning that underlies the administration's proposal.

In this article, we present a guide on how to evaluate the administration's proposal, posing and suggesting answers to nine key questions people have about it.

---

[1]Treasury, "The American Families Plan Tax Compliance Agenda" (May 2021).

[2]Charles O. Rossotti, "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance," *Tax Notes Federal*, Mar. 2, 2020, p. 1411; Rossotti and Fred L. Forman, "Recover $1.6 Trillion, Modernize Tax Compliance and Assistance: The How-To," *Tax Notes Federal*, Sept. 14, 2020, p. 1961; and Rossotti, Natasha Sarin, and Lawrence H. Summers, "Shrinking the Tax Gap: A Comprehensive Approach," *Tax Notes Federal*, Nov. 30, 2020, p. 1467.

[3]All of which are available at www.shrinkthetaxgap.com.

1. What's the problem, and is it real?

The tax gap is real, enormous, and getting worse by the year. The tax gap is the amount of tax that is legally owed under the tax code and is not paid each year. It is an actual cash loss to the fisc. That loss will have to be paid by others, either through higher taxes now or higher taxes later if the loss is made up by borrowing.

The tax gap has been measured carefully by the IRS in detailed published studies over the years. The most recent study, covering tax years 2011-2013, showed a gross gap of $441 billion.[4] Simply extrapolating that for the growth in the economy would have increased that gap to $574 billion in 2019. Other recent studies indicate that number may be even larger. Barry Johnson, acting chief of IRS research and analytics, testified on May 11 at a Senate Finance subcommittee public hearing that the number is likely now more than $600 billion.[5]

Although the estimates of the tax gap vary, all the estimates are enormous. By comparison, the tax gap is more than all the income taxes paid by the lower 90 percent of individual filers — about 135 million people.[6] Approximately 85 percent of that gap is attributable to the top 25 percent of taxpayers.[7]

Is that a problem worth trying to solve? Put another way, is doing nothing about it fair to people who already pay all their taxes? If the government needs revenue, would it be better to simply raise taxes on those already paying?

2. Can we really do something practical about the tax gap?

Old hands in Washington have heard about the tax gap for decades and, despite periodic studies, nothing effective has been done to reduce it. It just keeps growing as the economy grows. Some people may conclude that nothing can be done about it. In the past, there has been some reason for that sentiment of resignation because the causes of the tax gap have not been easy to address.

Most tax revenue comes in because the income of taxpayers is reported on documents like Forms W-2 for wages or 1099 for interest and dividends. When income is reported and easily checked by IRS computers, compliance is 95 to 99 percent. Even when the IRS has some but not all information, the compliance rate is 83 percent. But most of the tax gap is from more complex sources of income that are not reported and not easily checked. When the IRS has little or no third-party reporting, such as on much business income, compliance is as low as 50 percent.[8]

About 85 percent of this less visible income is earned by taxpayers in the top 25 percent of the income bracket.[9]

a. Just scaling up auditing is not a good solution, nor is it what the plan is all about.

When the IRS cannot use technology to check returns, it must use manual auditing, which is essential but inefficient for both taxpayers and the IRS. All the auditing the IRS does today recovers only 2.5 percent of the tax gap.[10] One of the reasons many old tax hands are skeptical about a program to substantially reduce the tax gap is that simply scaling up auditing will not produce the desired results.

Revenue gains from traditional auditing are low because the IRS does not use all available information to select returns for audit and to analyze data about the return before starting the audit. When the exam starts, the examiner has only slow and inefficient means to communicate with taxpayers and preparers during the exam. The result is that 20 to 40 percent of expensive exams produce nothing,[11] and even simple "correspondence exams" take more than six

---

[4] IRS, "Federal Tax Compliance Research: Tax Gap Estimates for Tax Years 2011-2013" (Sept. 2019).

[5] Subcommittee on Taxation and IRS Oversight, "Closing the Tax Gap: Lost Revenue From Noncompliance and the Role of Offshore Tax Evasion," May 11, 2021.

[6] Forman, "Exhibit 1: Projections of Gains From TCAM," STTG (Apr. 9, 2021).

[7] Shrinkthetaxgap.com, "Exhibit 12: Backup for Information Reporting" (Nov. 24, 2020). Exhibit 12 shows that approximately 62 percent of underreported income is from returns in the top 25 percent of adjusted gross income. Applying estimated tax rates to this income, STTG estimates that 86 percent of the underreported tax is from the top 25 percent of returns.

[8] IRS, "Federal Tax Compliance Research," *supra* note 4.

[9] "Exhibit 12," *supra* note 7.

[10] IRS, "Congressional Budget Justification and Annual Performance Report and Plan, FY 2021," at 113 (undated). Revenue of $15.71 million is 2.7 percent of the tax gap and is 0.4 percent of $3.5 trillion in collections.

[11] IRS Data Books for 2010, 2015, and 2019, "Audit No Change Rates" (Table 9a for 2010 and 2015, and Table 17b for 2019).

months to complete.[12] Starting an audit by gathering information from a taxpayer, only to find out months later that there was no problem in the first place, is not good for anyone.

But scaling up that traditional process is not what the administration's proposal is about.

b. What is different now?

What is different today is that technology can do more of the work to find likely deficiencies in returns and increase the efficiency of the follow-up process. When the IRS has applied technology to analyzing its information to find and resolve deficiencies, the results have been far greater than from traditional auditing, as shown in Table 1:

Table 1. Return on Investment (ROI) for Major IRS Enforcement Programs

Enforcement Program 2018 (dollars in millions)	Cost	Revenue	ROI
Examination[a]	$3,716	$15,017	**4.0**
Automated Underreporter (AUR)[a]	$208	$5,364	**25.8**
Return Review Program (Refund Screenings)[b]	$419	$6,510	**15.5**

[a]*Source*: IRS FY2020 Budget and Performance Plan.

[b]GAO "Tax Fraud and Noncompliance: IRS Could Further Leverage the Return Review Program to Strengthen Tax Enforcement," GAO-18-544 (July 2018), covers three-year period.

The IRS already has a lot of information that it cannot effectively use to identify deficiencies. For example, the IRS cannot efficiently evaluate information on 40 million Schedules K-1, on the Form 1099-K reports from payers, or on submissions required by the Foreign Account Tax Compliance Act.

But the IRS also lacks information on some sources of income, such as much business income earned by individuals and passthrough businesses such as partnerships. This is like a hole in a large bucket — the water will find the hole.

The solution that we and the administration proposed will leverage information and technology to increase voluntary compliance and make the enforcement process more efficient.

By adding third-party reporting that can help identify underreported income, more income will move from the low-visibility category to higher visibility. That is what the additional report proposed by the administration on financial accounts will do. Just like plugging the existing hole in the bucket, this additional information will increase voluntary compliance and help pinpoint deficiencies.

Upgrading IRS technology will also allow the agency to make full use of all its information to increase the effectiveness and efficiency of all IRS enforcement activities when deficiencies are found.

The combination of these elements builds on what works today — providing taxpayers and the IRS the same information for more accuracy in tax return preparation, and providing the IRS the technology to check returns efficiently and to resolve cases promptly and fairly.

Would any large business that was owed billions in uncollected amounts fail to upgrade its technology to find out as soon and precisely as possible which customers are not paying what they owe? Would they just let the losses continue if they could be more effective in collecting by investing in technology?

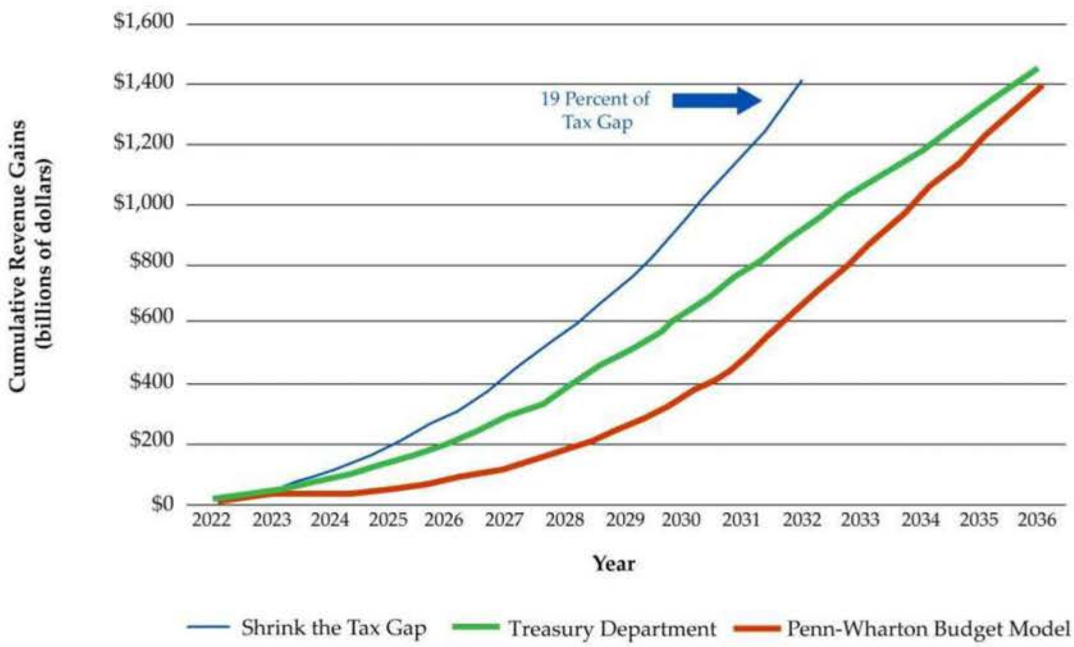
Is there any successful business that is not investing in new technology and skilled employees to change the way it deals with its customers?

3. How much revenue can this program really produce?

We understand the skepticism about revenue estimates. And there is always a range of uncertainty about any future revenue. In this case, three independent estimates have been made of the revenue that can be gained from a comprehensive program that includes enhanced

[12]Government Accountability Office, "IRS Correspondence Audits: Better Management Could Improve Tax Compliance and Reduce Taxpayer Burden," GAO-14-479, at Appendix II, "Profile of IRS Correspondence Audits" (June 2014).

Figure 1. Tax Gap Revenue Gain From Different Models



information reporting and consistent 10-year funding for technology and workforce:

- Treasury estimated a gain of $778 billion over 10 years and an additional $1.6 trillion over the next 10 years;[13]
- the Penn Wharton Budget Model (PWBM) projects a gain of $480 billion in 10 years and $1.4 trillion in 15 years;[14] and
- our STTG plan estimates a gain of $1.4 trillion over the first 11 years.[15]

All three estimates project meaningful increases in revenue, differing mainly in timing, but none assume recovery of a big fraction of the enormous tax gap. Our STTG estimate would recover only 19 percent of the tax gap over 11 years, and the Treasury estimate would recover less than 10 percent of the tax gap in 10 years.

The Congressional Budget Office is another important estimator, and it has not yet provided an estimate of the administration's plan. In 2020 the CBO conducted an analysis,[16] limited to traditional auditing, but simply scaling up traditional auditing is not what the administration proposed, and that alone would not produce a major reduction in the tax gap.

Does it seem reasonable that a serious effort over 10 years, using modern technology, could recover at least 10 percent of the taxes that are legally owed but not paid?

Each of these independent estimates used different methods, and it is understandable that timing of revenue gains would differ. But the magnitude of the gains over time are similar, as shown in Figure 1.

[13] Treasury, *supra* note 1.

[14] PWBM, "President Biden's American Families Plan: Budgetary and Macroeconomic Effects" (May 5, 2021). PWBM's tax module is a microsimulation model with detailed tax calculators for individual income taxes, payroll taxes, corporate taxes, and estate taxes. It simulates behavioral responses to tax policy changes and calculates effective tax rates used in the PWBM dynamic OLG model. It begins with representative samples of individual income tax and business tax returns, which provide more than 100 variables on income sources, deductions, credits, and other taxpayer characteristics. These returns are statistically matched with records from the current population survey and are projected forward in accordance with forecasts from PWBM's microsimulation model. This process informs how the population of tax units evolves over time, accounting for changes in demographics and incomes.

[15] Forman, "Appendix A: Shrink the Tax Gap (STTG) Plan: Calculating the Revenue Impact, Revision 4," STTG (May 24, 2021).

[16] CBO, "Trends in Internal Revenue Service's Funding and Enforcement" (July 2020).

CBPP recommendations for Recovery package

From:	Ellen Nissenbaum <nissenbaum@cbpp.org>
To:	"Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>, "Harris, Benjamin" <benjamin.harris@treasury.gov>
Cc:	Chuck Marr <marr@cbpp.org>
Date:	Fri, 29 Jan 2021 09:42:03 -0500
Attachments:	Consolidated Recovery Memo 2021.docx (92.39 kB)

Jacob and Ben,
Hope you are well and hanging in there in these intense times. I know you're focused on COVID implementation and related issues, but wanted to share our CBPP recommendations for the Biden "recovery" package. The attached memo outlines a series of policy priorities which we believe would address the negative long-term effects of this pandemic by helping struggling families and workers, creating jobs, promoting racial equity, and expanding opportunity. These policies build on the proposals included in the American Rescue Plan and the Build Back Better plan.

In particular, we recommend:

- **A sizable expansion of the housing choice voucher program** that can either help move toward or (if resources permit) achieve an entitlement to housing assistance for low-income households that qualify.
- The importance of **making the Child Tax Credit and EITC expansions included in the Biden emergency response package permanent**, or at least long-lasting.
- Critical **expansions in health coverage** that would substantially reduce the number of people without coverage and reduce costs for many who are covered but struggle with high premiums, as well as needed investments to help meet the Administration's goals on expanding home and community-based services and improving care worker's wages and working conditions.
- A **subsidized job program** that will help groups that will face high unemployment rates for longer periods following the current crisis secure jobs and gain work experience.
- An **extension and expansion of the Health Profession Opportunity Grant (HPOG) Program,** which has shown strong positive impacts in helping low-income adults secure good health care jobs.
- Two **infrastructure-related proposals, one on school construction and one on housing investments**.
- A **proposal to invest in IRS enforcement** and ensure that the additional revenue raised can be used to offset the cost of other investments.
- **Food assistance proposals** to improve SNAP's role as an automatic stabilizer and ensure that replacement school meal benefits are available to children when schools close due to disasters.

Hope this is helpful to you all. Please know we are also sharing this with the NEC and DPC teams.
Best,
Ellen
(b)(6) [redacted]

Center on Budget and Policy Priorities

1275 First Street NE, Suite 1200
Washington, DC 20002
Tel: 202-408-1080
Fax: 202-408-1056
center@cbpp.org
www.cbpp.org

To: Biden-Harris Administration

From: Center on Budget and Policy Priorities

Date: January 27, 2021

RE: Recovery Package recommendations

When President Biden released the American Rescue Plan, he made clear that the relief package was only the first step to address worsening economic conditions. President Biden indicated that he would announce additional measures needed to combat the economic fallout and give the recovery added momentum to relieve continuing hardship.

This memo lays out a number of key proposals that will address the negative long-term effects of this pandemic by helping struggling families and workers, creating jobs, promoting racial equity, and expanding opportunity.

The policies cover areas that will help adults and children alike, but we wanted to highlight the large positive impact of these proposals on children and young adults. In particular, the proposals would:

- reduce homelessness and housing instability, and the frequent school moves that come with those conditions;
- raise incomes and reduce poverty, which research shows improves long-term outcomes;
- improve K-12 education directly by investing in school buildings in ways that enhance learning;
- improve health care, including for younger adults as well as parents, critical to ensuring that parents can both work and care for their children;
- improve incomes for young adults in low-paid jobs just starting out; and
- ensure that food assistance programs automatically respond to future downturns, protecting children from the sharp rise in food hardship among households with children we saw during this crisis.

This package could also be a vehicle for putting in place stronger automatic stabilizer provisions that would better protect the nation during the next economic downturn, including automatically providing increased resources in Medicaid during downturns, to protect coverage and provide fiscal relief.

Specifically, this memo recommends:

- A sizable expansion of the **housing choice voucher program** that can either help move toward or (if resources permit) achieve an entitlement to housing assistance for low-income households that qualify.
- The importance of making **the Child Tax Credit and EITC expansions** included in the Biden emergency response package permanent, or at least long-lasting.
- Critical expansions in **health coverage** that would substantially reduce the number of people without coverage and reduce costs for many who are covered but struggle with high premiums, as well as needed investments to help meet the Administration's goals on expanding home and community-based services and improving care worker's wages and working conditions.
- A **subsidized jobs program** that will help groups that will face high unemployment rates for longer periods following the current crisis secure jobs and gain work experience.
- An extension and expansion of the **Health Profession Opportunity Grant (HPOG) Program**, which has shown strong positive impacts in helping low-income adults secure good health care jobs.
- Two **infrastructure-related proposals**, one on school construction and one on housing investments.
- A proposal to invest in **IRS enforcement** and ensure that the additional revenue raised can be used to offset the cost of other investments.
- **Food assistance proposals** to improve SNAP's role as an automatic stabilizer and ensure that replacement school meal benefits are available to children when schools close due to disasters.

Some of the proposals in this memo would ideally be permanent. We understand that if, as is likely, these policies are enacted through reconciliation, they must be paid for outside of the budget window. We strongly support efforts to raise revenues from wealthy households and profitable corporations and such tax increases outside the budget window could offset out-year costs of various proposals; but if out-year savings are not sufficient, some provisions could be sunset.

This memo covers areas in which the Center has expertise. A complete package designed to invest in and honor workers and ensure that the recovery works for them should also include a sizable investment in child care and expanded paid leave, to name just two areas. Those are areas in which other groups play the lead analytic role and so we have not included specific recommendations here. This memo also does not provide information on broadband investments as we trust you have better sources for specific proposals in that area.

Finally, this memo does not cover the challenging question of what to include in the package on unemployment insurance. An equitable recovery requires a more robust unemployment system that provides help to a far larger share of jobless workers, provides adequate benefits, and automatically adjusts to provide additional weeks and supplemental benefits when the labor market is weak. Achieving these goals, however, may require reform to the way UI is financed, which is currently through a tax on employers determined at the individual state level. Pressure to keep taxes low from employers, who perceive that they pay the cost of the program (though these costs likely come out of workers' wages ultimately), is an impediment to improved programs, but restructuring the UI financing system may be beyond what is achievable this year. Given this, one option would be to include some long talked about reforms in the recovery package — so-called "modernization" proposals that expand eligibility to some low-paid workers, improved automatic stabilizer mechanisms, and IT investments — and commit to studying longer-term reforms, as it seems unlikely that more far-reaching programmatic changes could be agreed to this year without more groundwork having been laid. We are happy to talk through pros and cons of such an approach.

Housing Voucher Expansion

As part of the recovery package, we recommend that the Administration propose legislation phasing in a universal housing voucher program, or coming as close to that goal as possible. The Build Back Better plan proposed to provide housing vouchers to all eligible households, a transformational measure that evidence shows would do more than any available option to reduce homelessness, housing instability, and overcrowding. It would do much to reduce poverty and racial inequity as well: a recent Columbia University study found that if vouchers reached all eligible households, they would lift 9.3 million people out of poverty, narrow the gap in poverty rates between white and Black households by over a third, and reduce the child poverty rate by one third.

To be sure, more vouchers aren't the only measure needed to address the nation's housing needs. Especially in tight markets where housing supply is limited, policymakers should subsidize construction of additional affordable housing (including through the affordable housing infrastructure investments outlined in this memo) and ease regulatory barriers to building more homes. And steps such as robust fair housing enforcement and other reforms are needed to enable voucher holders and others to choose among homes in a wide range of neighborhoods. But those other policies on their own aren't enough to make housing affordable to the lowest-income families. Providing more vouchers is by far the best way to accomplish that goal.

The most effective approach to achieving universal voucher assistance would be through legislation with three main components: (1) an individual entitlement to a voucher that would become effective in a specified future year, such as 2027 (or later if fiscal considerations require); (2) transfer of existing vouchers and the accompanying administrative funding from discretionary to mandatory funding; and (3) a schedule of mandatory funding increases that would steadily raise the number of vouchers available each year until the entitlement becomes effective. This legislation could be enacted through budget reconciliation.

A voucher entitlement with mandatory funding would be far likelier to achieve universal rental assistance than relying solely on discretionary appropriations for new "incremental" vouchers (although we also recommend requesting a sizable number of incremental vouchers in 2022 appropriations as part of the transition to an entitlement). In addition, an entitlement would better prepare the nation for future economic crises, since an entitlement could respond automatically to help additional families when more are in need.

To be sure, a housing entitlement will require substantial additional resources, even if it is phased in. In 2015 CBO estimated that a universal voucher program phased in over ten years would cost $410 billion over that ten-year period, and the amount would be higher today due to inflation and other factors. It may not be possible to secure the resources necessary to reach an entitlement within the budget window of a reconciliation bill this year. In this case, the bill could provide a steadily increasing level of funding for vouchers within the budget window (ideally with these funds continuing in the baseline beyond the budget window, offset by revenue raisers that continue outside the budget window, while setting a goal of reaching an entitlement at some point in the future.

(Note that even if resources were available, there would be a need to phase in an entitlement. The phase-in period is necessary for several reasons: it would allow housing agencies to build administrative capacity, give rental markets time to absorb the added vouchers, and cost much less over a ten-year budget window.)

Legislation providing a steadily increasing level of resources for vouchers could target those vouchers in several ways. The simplest to administer would be to provide a fixed number of new vouchers each year (such as 1 or 1.5 million a year) until the entitlement takes effect, direct HUD to allocate them to state and local agencies by formula, and allow agencies to target them based on local needs and priorities — subject to the voucher program's requirement that at least 75 percent of voucher holders an agency admits each year have extremely low incomes (i.e., at or below the federal poverty line or 30 percent of the local median, whichever is higher). The Administration could, however, also opt to set priorities in a manner that will achieve universal assistance for targeted groups within the budget window:

- **People with the lowest incomes.** Legislation could target vouchers on the lowest-income households first, for example by establishing an entitlement for all households with incomes up to 10 percent of the local median income in 2023, 15 percent in 2024, and so forth until it reaches the program's overall limit of 80 percent of median income (even though that might not occur until after the budget window).
- **Families with children.** An expansion that first targeted the lowest-income families with children could end homelessness and other severe housing hardship for families with children within the budget window. (We'd note that an expansion that seeks to reach all extremely low-income families first would carry tradeoffs, since prioritizing this large group would delay assistance for populations such as seniors and people with disabilities who do not have children.)
- **Veterans.** A targeted entitlement for veterans, which could be implemented relatively quickly, would finish the job of ending veteran homelessness and ensure that veterans don't have to choose between paying the rent and meeting other basic needs.

Refundable Credits

The Administration's American Rescue Plan included an historic expansion of the Child Tax Credit that was quickly recognized. Our analysis of the Child Tax Credit proposal shows that it would lift 9.9 million children above or closer to the poverty line including 2.3 million Black children, 4.1 million Latino children, and 441,000 Asian American children. It also would lift 1.1 million children out of "deep poverty." While the relief package calls for a temporary expansion, the next package should prioritize turning this expansion into a permanent, landmark achievement in reducing child poverty.

If this historic Biden proposal were to lapse after one year, the powerful impacts would reverse course and child poverty would rise during the economic "recovery" — setting back the goal of ensuring an equitable recovery.

Growing up in poverty can have devastating effects on children. A recent National Academy of Science study observed that many studies show significant associations between poverty and harmful child outcomes such as "maltreatment, material hardship, impaired physical health, low birthweight, structural changes in brain development, and mental health problems." This expert panel concluded that "the weight of the causal evidence indicates that income poverty itself causes negative child outcomes, especially when it begins in early childhood and/or persists throughout a large share of a child's life."

Similarly, the Biden American Rescue Plan includes a critical **expansion of the EITC for adults not raising minor children in their homes** and we also strongly recommend that the next package make this vital proposal permanent. Today, in part because their EITC is so paltry, some 5.8 million such adults aged 19-65 — including 1.5 million Latino and over 1 million Black childless adults — are taxed into or deeper into poverty. The Biden proposal effectively eliminates this glaring tax code flaw and would benefit 17.4 million working childless adults across the country, including 4.0 million Latino, 3.0 million Black, and 746,000 Asian American childless workers. If the proposed EITC expansion lapses, however, then we will return to taxing millions of individuals into poverty. Many essential workers receive low-pay and don't have access to a significant EITC because they don't have children; one way to make the recovery work for these and other low paid workers is to supplement their pay so they can better make ends meet.

We also recommend that the next package make children in Puerto Rico and other U.S. territories eligible for the expanded Child Tax Credit on the same basis as children in the 50 states and provide a needed federal boost to Puerto Rico's locally funded EITC alongside analogous EITC benefit expansions to other U.S. territories. (Currently, for instance, due to a quirk in federal law, only families with three or more children in Puerto Rico may claim the Child Tax Credit.) Both provisions recognize that the U.S. territories' high poverty rates—as high as 57 percent for children and 43 percent for the population as a whole in Puerto Rico—far exceed the overall U.S. figures. Our expectation is that these provisions will be part of the relief package on a temporary basis, and we recommend that they be made permanent in the recovery package.

While better than only extending the credit expansions for a year or two, there are significant risks if these landmark credit expansions are only extended until 2025. While this would "sync" the sunset to the expiration of many of the GOP's 2017 tax cut provisions, there is a substantial likelihood that Democrats will be in a weaker political position in 2025 than today. A significant number of House Republicans are hostile to both the expansion of the EITC for adults without minor children at home and making the full Child Tax Credit available to poor and low-income children. A few Republican Senators are supportive of expanding the Child Tax Credit (though less so for making the full Child Tax Credit available to families regardless of their earnings) but this is not a widely shared view in their Caucus. In 2025, Republicans could well be in a position to block the continuation of these expansions or demand a steep price. Recall in 2012 in the Biden-McConnell tax negotiation, in return for a *temporary* extension of improvements to the Child Tax Credit and EITC, McConnell extracted a permanent increase in tax-free inheritances for wealthy heirs.

The Child Tax Credit expansion is substantially more costly than the other two components. If the cost of extending the full Child Tax Credit expansion is too high to be made permanent given the overall construct of the package, we would urge you to ensure that the provision making the full Child Tax Credit available to poor and low-income children be made permanent and only sunset the increase in the credit amount. We would stand a better chance in securing the continuation of the Child Tax Credit amount that middle- and upper-income families receive in a political environment where Republicans hold more power than holding onto the full availability of the credit for poor and low-income people. (We recognize that this could face opposition from some on the Hill, but preserving the policy that the full Child Tax Credit is available to poor and low-income children is the part of the proposal with the largest impact on the lowest income children.)

Health

Many low-wage workers have jobs that don't provide health coverage, or they have an offer of coverage that's unaffordable. Strengthening Medicaid and subsidized marketplace coverage needs to be part of a recovery package that focuses on good jobs and how to make the economy work better for everyone. Even with an increase in the minimum wage and productivity-enhancing investments (which will take time to pay off), millions of people in low-paid jobs will struggle to afford health coverage. A key way to honor those workers and ensure that the recovery is one that improves their well-being, their health, and their economic security is to make health care more accessible and affordable. At the same time, we applaud the Administration's commitment to expand access to home- and community-based services (HCBS) and make caregiving jobs into good jobs. To realize this goal, it is critical that states receive additional Medicaid funding to help cover the costs associated with these goals.

Expanding Coverage

A major reason people, especially people with low incomes, remain uninsured is that they cannot afford coverage. Reducing net premiums increases coverage significantly, research shows. For those who are insured, premiums often take up a large share of their income. Among people in families with job-based coverage, those with incomes below 200 percent of the poverty line spend 14 percent of their income on premiums and out-of-pocket costs. Meanwhile, roughly 2.7 million workers and family members with incomes below 400 percent of poverty are uninsured but "firewalled" from accessing subsidized marketplace coverage because they have an offer of employer coverage that isn't affordable for them. And Medicaid is a crucial source of health coverage for workers in essential or front-line industries, such as hospital workers, home health aides, food manufacturers, grocery store workers, pharmaceutical manufacturers and pharmacy workers, bus and truck drivers, and warehouse workers. Yet 4 million uninsured people fall into the coverage gap, because they live in one of the 12 states that are still refusing to expand Medicaid.

To ensure that the recovery provides workers and others with access to comprehensive, affordable coverage, the recovery package should:

- **Enhance premium tax credits and cost-sharing reductions.** The Biden rescue plan includes a temporary increase in premium tax credits based on H.R. 1425; in a recovery package, these improvements need to be made permanent (or long lasting) to ensure that a feature of the recovery is expanding, not shrinking, health coverage.

  Taking House-passed H.R. 1425 as a starting point, we recommend increasing premium tax credits by making everyone with incomes below 200 percent of the poverty line eligible for a $0 premium benchmark plan with an increased actuarial value (95 percent for people with incomes below 150 percent of poverty and 90 percent for those with incomes between 150 and 200 percent). We would also increase subsidies for those with incomes between 200 and 400 percent of the poverty line and eliminate the cliff at 400 percent by making people with incomes above 400 percent of poverty eligible for assistance to the extent benchmark premiums exceed 8.5 percent of their incomes. This would especially help older people whose premiums are higher than for younger people.

- **Eliminate the firewall.** Eliminating the firewall would give workers a choice of employer coverage or subsidized marketplace coverage. If the costs of this policy are too high, fallbacks would include allowing family members to enroll in subsidized coverage when the cost of employer *family* coverage is above the affordability threshold (this is sometimes described as fixing the "family glitch") and lowering the affordability threshold (9.83 percent of income in 2021) used to determine whether people can enroll in subsidized coverage.

- **Lower the repayment caps.** To protect people with fluctuating incomes or changing family situations from having to pay back large amounts of advance premium tax credits, set the repayment caps at 1 percent of income up to 400 percent of poverty and 5 percent of income above 500 percent of poverty and eliminate the requirement to reconcile advance credits for people with incomes below the income tax filing threshold.

- **Include incentives for states to expand Medicaid and provide a fallback option allowing people in the coverage gap to enroll in subsidized marketplace coverage.** In the short-term a temporary, across-the-board increase in states' federal matching rates (known as FMAP) could move some states into the expansion column given the strains on state budgets due to the pandemic. But it's not likely that all states would respond to a temporary incentive, so to close the coverage gap the recovery package should allow people to enroll in subsidized marketplace coverage. This could occur regardless of whether a public plan is part of the package, but either way coverage should be aligned with Medicaid to allow people to enroll all year and make sure coverage is affordable. Moreover, expansion states should receive an increase in their base FMAPs to keep them from giving up expansion and relying on the federal fallback.

- **Decrease churn through Medicaid continuous eligibility.** Many Medicaid enrollees whose incomes rise modestly or who fail to return paperwork exit the program only to regain eligibility within months. Many of these individuals are eligible when they lose coverage. This "churn" disrupts access to medication and other care and is burdensome for states and health plans. About half the states have taken up the Medicaid option to allow children to remain eligible for 12-months and New York and Montana provide continuous eligibility for adults through a Medicaid demonstration project. 2021 offers a unique opportunity to extend the reach of continuous eligibility, because a more expansive policy is currently in place nationwide for all enrollees. Under the Families First Coronavirus Response Act, states can't terminate Medicaid coverage for any enrollee during the public health emergency. This presents an opportunity to put states on a glidepath to 12-month continuous eligibility, while actually saving states and the federal government money in the near term (compared to the continuous coverage provision in current law).

- **State fiscal relief to prevent Medicaid cuts.** The ongoing state budget crisis threatens both Medicaid and other state health programs. The 6.2 percentage point FMAP increase adopted in Families First has helped states weather the rising need for Medicaid coverage, and the maintenance of effort (MOE) provisions (both the continuous coverage requirement and the prohibition on new eligibility restrictions) have been critical for protecting beneficiaries, especially people of color. But the Families First FMAP increase and state aid provided in subsequent legislation have not been enough to close states' overall budget shortfalls. The best approach to fiscal relief would be to put in place a permanent mechanism to increase states' FMAPs when their unemployment rates are above normal levels. Proposals with this structure have been introduced in the House, including as part of House Democrats' April COVID relief proposal (H.R. 6379) and in the Senate, in a bill with 19 sponsors/cosponsors (S. 4108). Under these bills, a state's FMAP would increase by a given amount for each percentage point of excess unemployment. This would be an important long-term reform that would pay dividends during the next recession.

In addition to making coverage available to low-wage workers, more is needed to broaden the availability of HCBS. President Biden's caregiving plan would increase Medicaid funding to pay the full cost of getting 800,000 people off the waiting list for HCBS and give states a choice to convert their HCBS waivers to a state plan option with an enhanced federal match. This would presumably eliminate future waiting lists and make HCBS available to all who need them. Increasing the availability of HCBS can't be done without an expansion in the caregiving workforce, as the Biden plan also contemplates. Expanding the workforce to ensure all people who need HCBS can receive ongoing, reliable, quality care means caregivers need better training and working conditions and higher pay. This will require ongoing increases in federal funds for state Medicaid programs, as the increased costs will be passed on to states. Moreover, 26 percent of direct care workers rely on Medicaid for their health coverage, according to a recent report.

Subsidized Jobs

The recovery package will still need to focus on both reducing hardship and laying the groundwork for a strong recovery. Providing $10 billion in funding for subsidized jobs for use over at least two years — an effective approach during the Great Recession of a decade ago — could help address both goals. (The funding level is scalable.) A significant investment in subsidized employment would be especially valuable to people of color, who face high unemployment rates, longer periods of joblessness following recessions, and labor market discrimination. Higher unemployment in recessions and slower recoveries for Black workers widen racial gaps, reducing racial equity and hurting the economy as a whole. A plan for subsidized employment would do the opposite, advancing racial equity and boosting the economic recovery.

While it may not be feasible to put a significant subsidized employment program in place on the ground until the pandemic is under control, states can begin to put structures in place and launch smaller subsidized employment programs now that include jobs where people can work remotely. Some cities and states already have successfully implemented programs during the pandemic: the Baltimore Health Corps will employ more than 300 residents in public health positions; Hawai'i has employed hundreds in outdoor conservation jobs, and the Birmingham Service Corps has employed more than 300 residents to carry out a variety of projects meeting immediate needs, such as screening public housing residents for viral symptoms, making lunches for school children, and setting up and staffing test centers. Many computer and administrative support, customer service, and pandemic-response jobs can be done remotely. These and other jobs could be combined with paid training opportunities to prepare participants for good-quality jobs that will be in demand once the economy reopens. With sufficient funds and lead time, states could rapidly get people back to work when it is safe for more people to be working.

The 260,000 subsidized employment opportunities created during the Great Recession through the TANF Emergency Fund were a bright spot during another time of crisis. A key hallmark of that fund was that it allowed states to make most decisions about how to structure their programs, allowing them to get their programs up and running relatively quickly and to design them based on existing infrastructure and labor market needs. While this approach worked relatively well, we would recommend including language to ensure the jobs are targeted to individuals with the greatest need, including TANF and SNAP recipients and individuals who have been unemployed for six months or longer. We would also recommend that the target population include adults without children at home as well as parents and young adults (the two target populations in the Great Recession program). Many states worked closely with the workforce agencies to develop their programs, but we recommend that states be required to pass through half of their funds to local agencies, though states could be given the flexibility to decide the best strategy for doing that. A key benefit of this approach is that it allows local areas to design programs that fit the needs of their communities; it could also allow for quicker implementation.

The Jobs for Economic Recovery Act introduced last year by Senator Wyden and co-sponsored by Senators Baldwin, Van Hollen, Bennet, and Booker provides a starting point for designing a subsidized jobs program, although it was developed before the pandemic reached its crisis levels and will need to be refined to respond to current circumstances. This bill incorporates lasting structural and countercyclical features into its approach, including technical assistance to support planning and implementation.

Building on HPOG

The Health Profession Opportunity Grant (HPOG) program, created in 2010, funds programs to connect TANF recipients and other people with low incomes with education, training, and support services to achieve jobs in high-paying and in-demand health care jobs. These programs connect workers with high quality employment and ensure employers have skilled staff to provide high quality health care. With 10 years of evidence for its success in connecting participants to education and employment, the program is poised to meet the needs of the moment and should be expanded and made permanent as part of a comprehensive economic recovery package.

Programs to connect workers with the education and training needed to achieve health care employment are a good investment. Even before the pandemic, employers reported struggling to find enough skilled health care workers to fill the growing need for skilled staff. At the same time, TANF recipients and other people with low incomes report that they desire these health care jobs but don't feel they have the education and training to succeed. People leaving TANF typically work in unstable and low-paying jobs, but health care jobs are an exception: one study found that health care-related occupations provided the highest earnings for parents who had left Maryland's TANF program.

Ten years of evidence on HPOG programs have found significant impacts for participants. An evaluation of HPOG 1.0 programs found they increased the duration of participants' enrollment and completion of training, including a 13 percentage-point increase in training completion, with stronger improvements for those with lower levels of education and barriers to employment. HPOG programs increased health care employment by 12 percentage points – and improved "career progress," a measure combining training completion and earnings growth, by 7 percentage points. And participants in the program were less likely to report financial hardship.

A program like HPOG, which connects workers with the education and training they need for health care jobs, is critically needed, and it should be expanded and made permanent. In 2010, Congress created HPOG in the ACA, which authorized HPOG through 2014; since then, the program has been reauthorized eight times, most recently in the Consolidated Appropriations Act of 2021. The Pathways to Health Careers Act (introduced by Congressman Danny Davis as H.R. 3398 in the 116th Congress) would reauthorize HPOG through 2025, greatly expand its reach, and increase its annual funding to $425 million. We strongly recommend using H.R. 3398 as the starting point for expanding HPOG's reach and making it permanent.

Infrastructure

School Repair to Boost Student Achievement

The nation is not devoting adequate resources to building and repairing K-12 schools, with particularly harmful impacts on low-income children and on children who are Black, Indigenous, Latino, and other people of color. Investing in school construction would create jobs and have an important impact on educational outcomes, especially for low-income students and students of color.

State cuts to K-12 education over the past decade have affected more than school operating budgets for teacher salaries, textbooks, and classroom needs. Capital spending — for example, to build new schools, renovate and expand facilities, and equip schools with more modern technologies — has also fallen sharply in most states. And state and local spending on infrastructure in general is at a historic low as a share of the economy. States have been restoring K-12 education funding in recent years, but progress has been slow and uneven and public schools still have serious needs — elementary and secondary schools spent $12 billion or 15 less on capital projects in 2018 (the latest year for which we have data) than they did a decade earlier, after adjusting for inflation, even as school enrollment grew by 1.4 million students. According to a 2014 study by the U.S. Department of Education, it would cost $197 billion to bring all K-12 school buildings into good overall condition, and according to a 2016 report, the nation is $46 billion *a year* behind what it should spend to provide healthy and safe modern facilities.

Correcting this neglect would likely boost students' health and school performance. Research "strongly suggest[s] that building and classroom improvements to subpar facilities," characterized by poor lighting, bad air quality, and noise, can increase student achievement. Some 43 percent of school districts, serving 35 million students, have tested positive for lead in their drinking water, GAO reports; elevated blood lead levels have been linked to anemia, kidney and brain damage, learning disabilities, and decreased growth.

Schools in high-poverty areas, which disproportionately educate children of color, are most in need of the repairs that correlate with improved achievement. Schools with high concentrations of poor children are more likely to be in fair or poor condition than other schools, according to the 2014 Department of Education survey. Schools funded through the Interior Department's Bureau of Indian Education (BIE) tend to be geographically isolated and face various challenges. Many BIE-funded tribal schools are deteriorating, and construction funding remains insufficient to address maintenance backlogs.

While the cost of funding K-12 schools has traditionally fallen primarily on states and localities, the federal government plays an important role, especially in evening out disparities in opportunity based on income and for students with disabilities. There are many ways that the federal government could help address this need to build and repair the nation's schools. For example, the Jobs & Infrastructure Plan for America's Workers, which Senate Democrats proposed in 2018, included $40 billion for public schools. The plan would have targeted funding for school buildings and other infrastructure to areas that need it most and where there's a lack of local resources.[17] Similarly, H.R. 865 (the Rebuild America's Schools Act of 2019) includes a $70 billion grant program over ten years and a $30 billion bond program over three years targeted at high-poverty schools in poor condition.[18] Both plans specifically include resources for BIE-funded schools. The current pandemic has shown the importance of adequate ventilation systems. The Learning Policy Institute estimates the cost of bringing school ventilation systems to the level necessary to ensure healthy air quality – of critical importance in controlling the spread of COVID and future pathogens, among other health implications – at roughly $72 billion. Investing now in ventilation systems could help make it easier to keep schools open during future disease outbreaks.

Affordable Housing Infrastructure

The infrastructure component of the recovery package should place a high priority on investments in renovation and construction of affordable housing. These investments can make rents more affordable for struggling low-income families, reduce homelessness, improve living conditions and health outcomes for residents, reduce racial inequity, generate jobs and construction activity, and lower greenhouse-gas emissions by making developments more energy efficient or providing housing accessible to public transit. We recommend prioritizing the following investments:

- **Public Housing Capital Fund - $70 billion.** Public housing provides stable, affordable homes to close to 2 million low-income people, but due to inadequate federal funding over many years, it faces a large backlog of unmet renovation needs that expose residents to unsafe or unhealthy conditions and could lead to developments being lost as affordable housing. The available data suggest that the amount needed is close to or above the $70 billion included in the Moving Forward Act infrastructure package that the House approved in 2020. Policymakers could target some of these funds through competitive grants for certain priorities — such as improving energy efficiency, removing lead hazards, improving accessibility for seniors and people with disabilities, and extending broadband access.

- **Capital Investments for People Experiencing Homelessness - $44 Billion.** People experiencing homelessness have suffered severe hardship due to of COVID-19.

Communities across the country report higher unsheltered homelessness due to shelter de-concentration and increased inflow into homelessness. At the same time, hotels and motels hard hit by the pandemic may be for sale, providing a relatively low-cost opportunity to purchase and develop badly needed supportive and affordable housing and non-congregate shelter for people experiencing homelessness. The Corporation for Supportive Housing estimates that 105,000 units of supportive housing are required nationwide to meet pre-COVID needs, and an additional 100,000 units of affordable or emergency non-congregate housing could serve people in shelters or living unsheltered and begin the process of re-imagining the country's unhealthy and outdated congregate shelter system. (The rescue bill now under consideration could provide some funds for this purpose, reducing the need in the recovery package.)

- **Indian Housing Block Grant - $1 billion.** Tribal areas have been hard hit by COVID-19 and the economic downturn. Due in part to decades of underfunding, American Indians and Alaska Natives living in those areas face a severe shortage of affordable housing, and families often share cramped homes, making social distancing and quarantining difficult or impossible. The main funding source for tribal housing, the Indian Housing Block Grant (IHBG), has been largely flat funded since it was created in 1998. We recommend a total of $1 billion for IHBG (provided both through the formula and competitively) to help tribes build new homes and provide additional housing assistance to reduce overcrowding and homelessness.

- **National Housing Trust Fund – at $5 billion.** Because it focuses on housing affordable to extremely low-income households, the National Housing Trust Fund (NHTF) should be a higher priority than programs that target higher up the income ladder, such as HOME and the Low-Income Housing Tax Credit. The Administration should seek sustained funding for the NHTF of $5 billion or more per year (potentially through housing finance legislation), but should propose to provide at least the first year of that funding through the recovery package.

Raising Revenue through a Mandatory Spending Stream for IRS Enforcement

The Biden-Harris campaign recognized the depleted state of the IRS, particularly its enforcement function. To rebuild and modernize, the IRS needs a predictable, multi-year funding stream that will allow it to hire and train new audit staff and to make and honor long-term technology commitments. To rebuild the IRS and help pay for critical long-term priorities, we recommend that the recovery bill provide a mandatory funding stream for IRS enforcement modeled after the successful Health Care Fraud and Abuse Control (HCFAC) program. We have previously sent a separate, more detailed memo on this recommendation that includes an illustrative roughly $70 billion mandatory funding path, drawing from proposals from Charles Rossotti, Natasha Sarin, and Larry Summers.

In this broader overview memo, we just want to flag one technical budget issue. If additional funding is provided through reconciliation, it is very important that the reconciliation bill be credited with the resulting revenue gain. Otherwise, the increased funding would simply be charged as a cost to the bill and compete with other priorities, even though all key stakeholders – including CBO, Treasury, OMB, and GAO – recognize that every $1 in additional IRS enforcement funding generates a multiple of dollars in revenue. Current scorekeeping rules preclude CBO from taking account of such effects in preparing official cost estimates for budget enforcement purposes, but CBO can and does provide estimates of the revenue effects of enforcement and other "program integrity" funding to inform Congress and others.

One approach would be for the Chairs of the House and Senate Budget Committees to use their scorekeeping authority under the Budget Act to take account of revenue gain from increased enforcement in determining compliance with relevant reconciliation directives. Or, if the Budget Committees prefer, both the enforcement funding and any intended uses of the resulting revenue could be incorporated into the reconciliation instructions to the tax writing committees, in a way that the committees would be in compliance even without counting any anticipated revenue gains. This second approach, however, would make the reconciliation bill appear more expensive than it really is.

Nutrition

The recovery package may need to include further extensions of the temporary provisions now in effect, such as the 15 percent increase in SNAP allotments and the provision of P-EBT benefits, among others. This will depend on the nature of the economy, what was included in the relief package, and whether schools are universally open in the fall.

We also recommend that the recovery package permanently (or on a long-lasting basis) improve the SNAP program's role as an automatic stabilizer, so that in a future economic downturn additional SNAP benefits are provided automatically to SNAP households. Because of the Census Bureau's Pulse Household Survey, we were able to see just how quickly serious food hardship rose in response to the health and economic crisis. Given this, the SNAP program should respond automatically with higher SNAP benefits when the nation's economy begins to decline without the need for congressional action, both to help mitigate hardship and provide almost immediate economic stimulus.

In previous versions of an automatic stabilizer SNAP proposal, we had envisioned SNAP benefits increasing by 15 percent when unemployment rose substantially and that the increase would remain in effect until it is clear a robust recovery is underway. But given the much larger increase in food assistance provided during the current crisis, this level of investment no longer feels adequate. The SNAP emergency allotments enacted in Families First increased SNAP benefits by about 40 percent, though, to be sure, those resources were poorly targeted given the Trump Administration's implementation decisions. Thus, we are re-thinking the precise proposal and will send you a separate memo in the next few days; in part, how far SNAP benefits should increase depends in part on how adequate the revised Thrifty Food Plan will be under the President's recent executive order, but we currently think an increase more in the range of 30 percent is a better place to start the discussion.

We recommend the SNAP automatic stabilizer proposal also include an automatic suspension of work requirement sanctions. This would include suspending SNAP's harsh three-month limit for adults ages 18-50 who are not employed or in training 20 hours per week and are not raising children at home, as well as other optional sanctions related to states' employment and training program, as was included in the House's two Heroes bills. This change also could remain in effect until the economy has recovered sufficiently, though the program's underlying time-limit policy causes substantial harm even when the economy is strong. Finally, as is included in the Biden Administration's American Rescue Plan, we recommend adding resources for state administrative expenses to help states manage the increased demand for services.

While we appreciate the challenges, we would recommend eliminating the three-month time limit on SNAP in the recovery package. The time limit disproportionately affects people of color. Many adults, especially those without a college education, face serious labor-market challenges even in good times. Moreover, experience shows that states struggle to make nuanced determinations about whether someone has a "good reason" for not having a job, and many who lose food assistance actually meet exemption criteria that have not been applied. More fundamentally, the policy essentially endorses withholding food as a punishment for not having a job, which we believe to be inconsistent with our nation's values.

Finally, if a permanent version of the P-EBT program — a standing program that can be activated during emergency situations where schools or child care programs must be closed for an extended period of time — is not enacted as part of the relief package now being considered by Congress, we recommend including it in the recovery package. This would build on the P-EBT structure that states have built over the last year and would ensure that, in future disasters that result in lengthy school closures, whether they are natural disasters or other kinds of crises, there is a standing mechanism that can be turned on without further congressional action to get food assistance to children losing school meal benefits. Key to ensuring that states would be ready to deploy benefits quickly during a school shutdown would be federal action to require state education departments to develop a statewide roster of students with information on which school they attend and whether they have been approved for free or reduced-price school meals. Surprisingly, many states do not have such lists and instead have left tracking students to school districts.

Re: Memo + Paper Implementation EIP, EITC, CTC

From: Tara McGuinness <mcguinness@newamerica.org>
To: "Mazur, Mark" <mark.mazur2@treasury.gov>
Cc: Gabriel Zucker <zucker@newamerica.org>, Cassandra Lyn Robertson <robertson@newamerica.org>, "Leibenluft, Jacob" <jacob.leibenluft2@treasury.gov>
Date: Mon, 15 Mar 2021 09:23:03 -0400
Attachments: March2021IRSPaper.pdf (522.95 kB); Memo.EITC.EIP.CTC.3.14.2021.pdf (67.58 kB)

** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Mark,

Sorry for the inconvenience. Here are pdfs.

Warm regards,

Tara

On Mon, Mar 15, 2021 at 7:57 AM <Mark.Mazur2@treasury.gov> wrote:

> Tara,
>
> Could you please send us the PDF versions of these papers. The Treasury Department IT security setting generally do not allow us to access documents housed on other websites. Sorry for the inconvenience,
>
> Mark
>
> ---
>
> **From:** Tara McGuinness <mcguinness@newamerica.org>
> **Sent:** Sunday, March 14, 2021 9:08 PM
> **To:** Mazur, Mark <Mark.Mazur2@treasury.gov>
> **Cc:** Leibenluft, Jacob <Jacob.Leibenluft2@treasury.gov>; Cassandra Lyn Robertson <robertson@newamerica.org>; Gabriel Zucker <zucker@newamerica.org>
> **Subject:** Memo + Paper Implementation EIP, EITC, CTC
>
> ** **Caution:** External email. Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **
>
> Dear Mark,
>
> With the passage of the American Rescue Plan you all have your hands full.
>
> Our team at New America pulled together a **memo on short term ideas to improve the delivery of EIPs**, we are also **sharing a soon-to-be-published paper** on short and long-term ideas to improve the implementation of the third round of EIPs, EITC and the CTC and to simplify the process overall (something we know you have been focused on for years.)
>
> Please let us know if there is anything we can do to help you and the team. We would be happy to set up a time to chat, if you have further questions. We are working with several states right now and doing a lot of user-testing with nonfilers around

state EICs this Spring. We are happy to brief on that work or tackle any key questions you might have in our ongoing field research.

Best,

Tarar=

Tara Dawson McGuinness

New America | **Twitter:** **@taradmcguinness** **Cell** (202) 841- 2454| **Email** mcguinness@newamerica.org

--

Tara Dawson McGuinness

New America | **Twitter:** **@taradmcguinness** **Cell** (202) 841- 2454| **Email** mcguinness@newamerica.org

The IRS as a Benefits Administrator: An Agenda to Transform the Delivery of EIP, EITC, and CTC

by Gabriel Zucker, Cassandra Robertson, and Nina Olson

ABSTRACT: With its responsibility for the earned income tax credit (EITC), the now-expanded child tax credit (CTC), and, during the pandemic, three rounds of economic impact payments (EIPs), the IRS today is arguably the single most critical benefits administrator in the nation for workers and families. And yet despite these programs' incredible progress in reducing poverty, and despite great strides by the IRS to implement them successfully, accessing IRS benefits remains too difficult for many low-income families. Millions of eligible households go without assistance they urgently need, and millions more struggle to navigate byzantine bureaucratic processes or lose large portions of their payments to intermediaries. This report presents a comprehensive agenda to increase benefit coverage rates, simplify Americans' interactions with the IRS, and decrease the portion of IRS benefits diverted to third parties. Recommendations are split into four sections: (1) near-term fixes in 2021, (2) a medium-term agenda to simplify filing, especially for low-income EITC/CTC beneficiaries, (3) statutory simplifications to clarify the programs' structure, and (4) considerations around monthly or quarterly disbursement of the EITC/CTC. Taken together, these recommendations would forge the 21st century IRS the nation deserves.

Table of Contents

Introduction

Over the last several decades, the tax code has become an essential component of the federal social safety net. The earned income tax credit (EITC)[1] disburses over $60 billion each year and is the country's largest anti-poverty program for working families; the child tax credit (CTC)[2], if the American Rescue Plan's expansions are made permanent, is poised to become the most significant new expansion of federal assistance since at least the Affordable Care Act, cutting deep poverty among children in half; and when Congress sought to urgently send families money throughout the COVID crisis, it tasked the IRS to distribute three stimulus checks, formally known as economic impact payments (EIPs). The IRS today is arguably the single most critical benefits administrator in the nation for workers and families.

But as with so many government programs, there is a gap between policy and reality. When it comes to delivery, these tax code safety net programs — and the IRS, which was not created as a benefits administrator and has never explicitly adopted a benefits administration mission — fall short in several ways.

First, the coverage of these broadly available benefits is far from universal. The EITC, despite its incredible success, reaches only 80% of eligible households, a rate stubbornly constant over the years — leaving 5-7 million unserved,[3] with lower-income, less-educated, Latinx, and non-English-speaking households more likely to be left out.[4] Closing this participation gap would send millions of American families an annual check as big as or larger than last year's stimulus checks.[5] The IRS does not publicly estimate CTC coverage rates at all, but several million households are likely left out.[6] And while the IRS made great efforts to get EIPs out in the midst of the pandemic throughout 2020, it is likely that over 5 million eligible households — predominantly from low-income households who most needed it — did not get the first two payments, and can

[1] For basic information on the structure and operation of the EITC, see the Center on Budget and Policy Priorities' brief: https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit

[2] For basic information on the structure and operation of the CTC, see the Center on Budget and Policy Priorities' brief: https://www.cbpp.org/research/federal-tax/the-child-tax-credit

[3] The number of unserved EITC households — usually calculated by linking Census American Community Survey (ACS) data to tax records — is subject to some dispute. The IRS reports that 25 million households get the EITC annually, comprising 78% of those eligible, which suggests a gap of 7 million households. However, the most granular data on the breakdown of the participation gap households comes from the Treasury Inspector General for Tax Administration, which reports only 5 million households in the gap.

[4] Regarding income, education, and race, see Table 7 of Jones (2014) on EITC participation rates circa 2009. Note that households in the 'phase-in' range are inherently lower income than those in the 'plateau' or 'phase-out' ranges. Regarding English speakers, see IRS's information page about EITC.

[5] The average EITC payment is $2,461; the average EITC payment among eligible non-claimants is lower, as childless families with more modest EITC payments are more disproportionately included in this group. TIGTA's research suggests the figure among missing households is $1,460 ($7.3 billion / 5 million households.) EIP #1 paid $1,200 per adult and $500 per child.

[6] In percentage terms, CTC coverage is likely higher than EITC because more higher-income families — who are more likely to file taxes — are eligible. But the same dynamics that lead EITC-eligible families not to claim that credit surely lead a similar number of families not to claim CTC.

only access them now if they claim a so-called Recovery Rebate Credit (RRC) on their 2020 taxes.[7] In a country where 40% of households could not afford a $400 unexpected expense, the millions of families unserved by these programs are missing assistance they desperately need.

Second, IRS benefits are governed by a tax code that has grown increasingly complex and difficult for its beneficiaries to understand. This not only makes interactions with the government complex and tedious, limiting the purported incentive effects of the credits,[8] but it also actively impedes benefit delivery. The programs' arcane rules (especially those governing the definition of a qualifying child) make it difficult or impossible for the government to automatically detect eligibility from other data sources, and are sometimes so opaque and misaligned with lived reality that families accidentally run afoul of them, subjecting themselves to onerous audits. The complexity further drives families to use private tax preparation services, who often charge a hefty fee for the service of translating the government's rules into plain English.

Third, not all of the money actually gets to beneficiaries. Tax preparation services take advantage of program complexity to insert themselves as middlemen between the IRS and low-income families, and then take a large cut from the benefit, with workers eligible for the EITC paying on average $400 — 13-22% of their refund[9] — to tax preparers. Still worse, because the IRS does not have the authority to establish baseline competency standards for unregulated tax preparers, some preparers submit fraudulent tax returns and even steal their clients' payments altogether. The government itself also lessens the impact of these programs by garnishing IRS benefits — unlike all other federal anti-poverty benefits — to offset other government debts like student loans or outstanding tax bills. Meanwhile, predatory financial services charge hefty fees for unbanked families to deposit benefits they currently can only receive via check. Finally, because the benefits only come once a year at tax time, and because families do not know in advance how much they will receive, the effective value of the benefit is reduced.

With the Biden Administration expanding the IRS's benefits portfolio still further, it is essential that the IRS become a modern, effective, and user-focused benefits administrator, responsive to its taxpayers and beneficiaries.

This report envisions a short- and long-term agenda of delivery and design fixes to get there. The ideas detailed here would ensure that low-income Americans get the full assistance they deserve,

---

[7] The first two EIPs were structured as credits on 2020 taxes which could be paid in advance by the IRS. If the IRS did not pay the credit in advance during 2020, then taxpayers are permitted to claim the credit on their normal 2020 tax filings.

[8] The EITC is frequently described by its supporters as "incentivizing work," since it increases with income (up to a limit). But the power of such an incentive is surely compromised if taxpayers do not even understand it is there, or how it operates.

[9] Tax refunds are the total payments taxpayers receive from the IRS during filing season, which include any EITC/CTC, as well as the net difference between tax withheld (or paid via estimated tax) during the year and tax owed.

and that all taxpayers, especially low-income families, have simple, transparent, and painless interactions with the agency. Specifically, we envision:

- Better uptake of existing policies:
    - o At least 90% of EITC-eligible households get the credit, up from the current rate of 80%.
    - o At least 98% of EIP-eligible households get their EIP, up from a current rate of roughly 95%.[10]
    - o At least 95% of CTC-eligible households get the credit (current rate not known).
- Simplicity and transparency:
    - o Most taxpayers have a simple, easy, and truly free method to file taxes directly with the IRS, with as much of the process automated as possible.
    - o The tax code — and specifically its low-income credits — is clear and transparent, aligned to the realities of modern families, and simple enough to accommodate automation.
- Full access to benefits for low-income households:
    - o Few low-income households — and far fewer than under existing rules and procedures — face invasive audits, especially over technicalities, like whether the "right" parent has claimed a child.
    - o Low-income taxpayers do not lose large fractions of their refunds to tax preparers, predatory financial institutions, or the government.
    - o Low-income households can elect to receive a portion of their benefits in advance, over the course of the year, rather than in a lump sum — via a simple process that puts the onus on the government to make the payment process seamless and easy.

Recommendations are split into four categories:

1. **Ten immediate administrative fixes** — short-term adjustments primarily to improve the implementation of EIPs, but also the implementation of the EITC and CTC. All of these items can be largely implemented without any Congressional action,[11] and most can be fully implemented in 2021.
2. **Medium-term filing reforms** — a program to create a modern, government-run tax filing option, building on the important progress the IRS made with the EIP portal for non-filers in 2020. This is a 2-3-year roadmap to improve the interactions tens of millions of citizens have with the IRS.
3. **Structural program changes** — outlines a legislative package to simplify the credits, making them more transparent to citizens and better mapped to the lived experience of

[10] Public data suggest that around 160-165 million EIPs have been paid. The total number eligible is not precisely known, but it is likely approximately 170 million, given that the IRS identified 9 million eligible non-recipients as of September 2020, at which point 160.9 million EIPs had been paid.
[11] A few of the items require additional Congressional action for full implementation, but can be partially implemented without Congress.

modern families, and making it easier to infer eligibility from external sources. Such reform is critical to the long-term viability of these benefits.

4. **Advance periodic payments of EITC/CTC** — outlines the implementation challenges inherent in proposals to periodically pay advances on EITC/CTC, and recommendations about how a successful implementation could be structured. While advance periodic payments are critical to truly make these credits work for low-income families, there is work to be done to ensure that such a program does more good than harm.

1. Immediate Technical Fixes

The IRS can undertake a series of immediate administrative reforms to automate certain benefit payments, improve outreach to nonfilers, and optimize the nuts-and-bolts delivery of IRS benefits. These commonsense items can be partially or entirely implemented in 2021, to increase coverage of EITC, CTC, and EIP; and to increase the portion of the benefits that actually reach their intended beneficiaries. Many, to the IRS's credit, were partially implemented during EIP distribution in 2020.

Theme	Item	Programs impacted
Non-filers	1. Improved outreach to non-filers	EIP, EITC, CTC
	2. Expanded and improved Expedited Filing Portal[12]	EIP, EITC, CTC
	3. Automation, direct outreach, and expedited processing for incarcerated people accessing EIPs	EIP
	4. Updated SSA/VA data sync for EIP automation	EIP #3
	5. EIP automation for non-filers using IRS data	EIP #3
Non-claimant filers	6. EITC/CTC auto-payment for some taxpayers	EITC, CTC
	7. Improved outreach to non-claimant filers	EITC, CTC
	8. EITC lookback optimization	EITC (TY2020)
Delivery / optimization	9. Offset exemption	EITC, CTC
	10. Improved option of payments via debit card	EIP, EITC, CTC

The ten items can be considered in three broad categories. Items 1-5 get non-filers into the system, in some cases specifically for claiming EIPs. Items 6-7 ensure that those who file get all of the credits that they deserve. Items 8-10 are delivery/optimization recommendations.

Reaching non-filers (Items 1.1-1.5)

For all IRS benefits, the most likely households to be underserved are those who do not file taxes at all (so-called "non-filers"). Around 30 million households — including nearly 10 million with earned income — do not file taxes each year,[13] largely because their income is low enough that they are not by law required to do so.[14] With the EIP, nearly all distribution challenges have stemmed from trying to reach this population. With the EITC, two thirds of eligible non-recipients are

[12] We use 'Expedited Filing Portal' to refer to the 'Non-Filers: Enter Payment Info Here' tool introduced by the IRS in April 2020 and more commonly called the 'Non-Filer Portal.' 'Expedited Filing Portal' better describes the purpose of this tool and its potential future enhancements.
[13] Cilke (2011) estimates around 30 million non-filer households, of whom one quarter have earned income.
[14] The federal filing minimum is $12,400 for single filers and $24,800 for married filers. Around half of non-filers are senior citizens whose only source of income is Social Security benefits.

non-filers, representing 3-4.5 million households.[15] Historically, this population has been more or less invisible to the IRS, existing outside its core tax-return-driven system. But it is important to keep in mind that the IRS actually has considerable information about non-filers. Most have some income reported to the IRS via information returns like Forms W-2 and 1099. It is estimated that, between information returns and tax returns, the IRS has data on 99.5% of American adults, meaning that over 90% of non-filers are in fact known to the IRS (though the precision and accuracy of that data may vary).

The goal regarding non-filers is to get them the benefits they deserve — a process which may or may not require them to file taxes. In the short term, neither EITC nor CTC can be reasonably paid out without a tax return; both are heavily dependent on family composition and income data that taxpayers must formally attest to. (In the longer run, it is possible to imagine a significantly amended CTC that does not require a return,[16] but a credit anything like the EITC will always require some sort of income confirmation.[17]) For EIP on the other hand, the IRS can impute eligibility using data on hand with high precision,[18] and indeed in 2020 paid large numbers of EIPs in the absence of explicit tax returns. **For EIP #1 and #2, under current law, the IRS is no longer authorized to pay the credits as advances outside the normal tax return process, so filing is a necessary step.[19] But for a prospective EIP #3, however, the IRS may again pursue steps to issue payments to non-filers without any type of return.**

---

[15] The estimate of two thirds comes from TIGTA (2018). As noted earlier, there is uncertainty as to the total number of households in the EITC participation gap, which may be anywhere between 5 and 7 million.
[16] If the CTC were to transition to a universal child allowance with no income limitations, and the definition of a child were changed to be detectable via other means, then it could in principle be paid out without a tax return. That said, such a change would require significant statutory changes, and perhaps even the transition of the program to the Social Security Administration. Further detail in Section 3.
[17] The magnitude of the EITC changes radically according to income, and absent a wholesale overhaul of the American economy and tax system, the IRS cannot be confident it knows the entirety of a household's income without the household's input and confirmation.
[18] Because the EIP is relatively insensitive to income changes, the IRS can be fairly confident that its own income records do not misrepresent a household's eligibility. The contrast with EITC is significant. Consider a single mother with one child, with $30,000 in W-2 income reported to the IRS and $10,000 in additional business income. Under the EITC, in 2019, she would have been due $1,769 based on what the IRS knows alone, but only $171 with the additional $10,000 factored in. Under EIP, on the other hand, the additional $10,000 makes no difference to her eligibility whatsoever; she remains far under the $75,000 income level where the phase-out begins.
[19] The CARES act specified that EIP #1 had to be "allowed" — that is, the IRS had to determine eligibility and make the payment — by December 31, 2020 to be issued as an advance. The December COVID bill specified that EIP #2 had to be allowed by January 15, 2021. (Any EIPs #1 and #2 that were not paid as advances can be paid as RRCs on a 2020 tax return filed in 2021.) Legislating a fix to this issue so that the IRS can continue to auto-pay EIPs #1 and #2 would be difficult. The law structures these payments as advances on 2020 taxes. Auto-paying them now, in the middle of the 2020 tax season, would be logistically and legally complicated.

Non-filers exist because filing taxes is hard, millions of households earn so little they are not required to file,[20] and existing interventions have proven insufficient to make tax filing easy and free for all Americans. In the long run, this core issue must be systemically addressed. (See Section 2 for such a solution.) In the short run, though, there is much the IRS can do to bring more non-filers into the system.

1.1 Improved outreach to non-filers *(for EIP, EITC, CTC)*

Over the course of 2020, the IRS ran an unprecedented outreach campaign to non-filers, encouraging them to file and thus claim the EIP. The work began in the spring, with the IRS making detailed publicity materials available to community organizations and other partners. Then, in September, for the first time, the IRS put its W-2 and 1099 data to direct use, identifying nearly 10 million EIP-eligible non-filers and sending them letters inviting them to file[21] and claim the EIP.

This program was an important proof of concept, that the IRS can use its vast trove of information return data to directly encourage benefit take-up. Moreover, it could be significantly improved. The IRS could send multiple rounds of letters, conduct extensive user-testing of messages and design (including plain-language rewrites), and collaborate with states (via their tax departments, with which the IRS can exchange data) to implement additional methods of direct outreach. The IRS could also build on federal government outreach efforts for other programs with high reach, for example the Census, which used trusted messengers and multiple modalities to contact hard to reach groups.

Meanwhile, the agency could continue to more actively partner with community organizations and other partners doing their own outreach. The IRS could provide summary statistics about which eligible non-filer households are still outstanding — including zip codes,[22] age ranges,[23] and industries[24] with high rates of eligible non-filers. And the agency could solicit additional feedback about what informational materials or other support would be beneficial to partners.

Additional research on the optimal design of these outreach efforts will be released in coming weeks.

---

[20] The federal filing minimum is $12,400 for single filers and $24,800 for married filers. It is likely that nearly 10 million households fall into this category. Census data suggests 3.2 million households of married couples have money income under $25,000, and 5.5 million other households have money income under $10,000.
[21] Specifically, the letters encouraged non-filers to file using the Expedited Filing Portal.
[22] Zip codes are available on information returns themselves. The IRS quietly released zip code level counts of non-filer letters sent in September 2020, which proved critical for some advocates and outreach organizations. Zip code level data was also a hallmark of the Economic Stimulus Rebates of 2008, when Social Security recipients (unlike in 2020) were *not* automatically paid, and the IRS released data on the counts of SSA recipients by zip code who had not yet received checks.
[23] The IRS can easily determine the ages of non-filers by matching SSNs to SSA data.
[24] The IRS can easily determine the industries in which non-filers work by matching employers from information returns to NAICS codes via the employer's EIN.

In future years, when there is no EIP, this outreach program would encourage non-filers to file so as to claim EITC and perhaps CTC.[25]

1.2 Expanded and improved Expedited Filing Portal *(for EIP, EITC, CTC)*

Outreach to non-filers is not enough on its own, however. In fact, a host of recent experiments on EITC take-up have found that direct outreach to non-filers alone yielded minimal or zero impact on their tax filing rates (see Elizabeth Linos et al (2020), Jacob Goldin et al (2021), John Guyton et al (2016)). Direct outreach might be sufficient if non-filers were simply unaware of the benefits of filing; but the overwhelming majority of non-filers *have* filed at some point in the past[26] and know the benefits of doing so. Lack of awareness is simply not the principal barrier to filing. Rather, non-filers see tax filing as a significant burden, even overwhelming, and are afraid of making mistakes in doing so, which dissuades them from seeing the process through. A team led by Nicole Rappin at Code for America interviewed many such non-filers, documenting this dynamic; in the words of one of them: "I was always worried I was going to make a mistake. I was always like 'oh my gosh, I'm going to make a mistake, and the IRS is going to come after me.'"[27] Outreach alone amounts to inviting non-filers into the house through a locked door. Alongside better outreach, the IRS needs to unlock the door: the agency needs to make filing easier and more straightforward for non-filers.[28]

In 2020, to facilitate access to EIPs, the IRS did just this: the agency launched the Expedited Filing Portal,[29] by which households who are not required to file taxes could "register" for the EIP without filing a complete tax return. The portal generated a simplified tax return, containing just enough information for the IRS to calculate and issue the EIP. At least 7 million households used the portal, likely an outright majority of the population who were eligible to use it.[30] **The portal proved that a simple filing experience breaks down a relevant barrier for many households.** (The tool was also especially critical for SSA and VA beneficiaries who automatically received payments for themselves, but needed a simple way to declare their dependents and receive supplemental

[25] It would be easier from information returns to identify non-filers with low enough income to qualify for EITC than to identify non-filers with children who have CTC eligibility. User testing should determine whether and how to refer to both programs or just one.
[26] See Table 1 of Guyton et al (2016).
[27] Code for America's principal conclusions are in this blog post. The findings cited here are also based on additional CfA research that has not been publicly released.
[28] Elizabeth Linos and Jesse Rothstein, two of the researchers behind the 2020 California study showing no effect from EITC outreach, drew much the same conclusion from the failure of their outreach nudges, surmising that over-complicated filing processes prevent outreach alone from working.
[29] Again, a.k.a. the Non-Filer Portal.
[30] In a June 30 hearing, Commissioner Rettig confirmed that 6.1 million households had used the portal to date, as referenced in Senator Michael Bennet's July letter to the IRS. Congressional staff later reported that the IRS had confirmed at least 1 million more users, although the full number is not publicly known. New America estimated in April 2020 that around 10 million households were eligible to use it. That said, it is likely that some of the households who used the portal were not in the primary intended user base, either because they were Social Security beneficiaries whose payments were automated, or because they did indeed have a filing obligation and used the tool erroneously.

payments, as Senators Ron Wyden and Ben Cardin forcefully — and ultimately successfully — advocated throughout 2020.)

In Section 2, we argue that this precedent should serve as the basis for far-ranging filing reforms over the course of the next several years. Such lofty goals cannot be accomplished during the 2020 filing season, however. In the near term, the IRS should maintain the 2020 edition of the portal, and examine the feasibility of quickly executing the following improvements:

- Plain language on all landing pages. (Language on forms likely cannot be legally changed in short order.)
- Clarifying edits to the Spanish-language edition of the portal, which users report is even more impenetrable than the English version.
- Mobile responsiveness, for users accessing the form via smartphone. (This item may not be possible with the existing front-end.)
- Limited expansion of front-end functionality allowing users to affirmatively claim EIP #1 and #2 as Recovery Rebate Credits. (In short, the addition of Line 30 from the 2020 Form 1040 to the Portal.)
- Limited expansion of front-end functionality, including collecting sufficient data to pay EITC and CTC for most eligible taxpayers. (In June 2020, the IRS committed to such a step, telling Senator Sherrod Brown that it would be "the future of the IRS.")

This last point is critical. While the 2020 Expedited Filing Portal was overwhelmingly successful, it had one unintended consequence: many taxpayers used it to claim the EIP without realizing that it prevented them from e-filing a later complete 2019 tax return to claim other credits, and thus forewent their (sometimes larger) EITC payment in favor of the EIP.[31] (See this article for the problem's impact on one such taxpayer, and Senator Michael Bennet's letter to the IRS on the issue for further context.) The IRS must ensure this does not happen in 2020. The agency can do so via some combination of: (a) asking enough information to simply pay the EITC and CTC, (b) asking enough information to determine likely eligibility and following up with simple worksheets (called CP-09 and CP-27; see Section 1.7 for more detail) to confirm further eligibility details, (c) waiting to launch the portal until the vast majority of EITC claims have already been submitted, and there is less competition between divergent filing processes, and (d) providing very clear warnings on the landing page about the tradeoffs of using the portal vis-a-vis access to other credits.

1.3 Automation, direct outreach, and expedited processing for incarcerated people accessing EIPs *(for EIP)*[32]

[31] This occurred since, unbeknownst to its users, the Portal filed a tax return for those who used it; and, as a fraud prevention measure, the IRS does not allow taxpayers to e-file two returns in the same year. More detail on this so-called "filing trap" in New America's July 2020 report.
[32] Lieff Cabraser Heimann & Bernstein, the firm that brought the EIP class-action suit on behalf of incarcerated people, provided significant input and guidance on this section.

It is likely that at least one million eligible incarcerated people did not receive EIPs #1 and #2, and, if no significant action is taken, will not receive the third. This group may represent as much as 20% of the still-unserved EIP-eligible population. Reaching this population is the fastest way for the IRS to dramatically increase EIP coverage rates.

The incarcerated population — nearly all of whom have income below the filing threshold and are thus by definition non-filers[33] — represents a special case in the distribution of EIPs. People who are incarcerated cannot reliably be reached by outreach letters to their previous known address, and they generally do not have access to the internet to use a simplified filing portal. Moreover, this population was the subject of litigation and changing policies over the course of 2020. Early in the year, the IRS paid EIPs to incarcerated people like anyone else. Then, the agency decided these payments should not be allowed, halting their distribution, and even attempting to claw back those that had been issued. A class-action suit was brought on behalf of a nationwide class of incarcerated people, and a federal court held on September 24 that the IRS's policy of denying these EIPs was unlawful. Rather than quickly issue the payments, the IRS appealed and lost again in mid-October, when the court also ordered the IRS to undertake outreach steps to incarcerated people, and extend the postmark deadline for 2019 returns. With these delays, the agency's website did not state incarcerated people's likely eligibility until October 8[34] and did not provide clear instructions for incarcerated people until October 29, less than a week before the court-ordered extended November 4 deadline for paper returns.[35] The court-ordered outreach mailings to incarcerated people likewise did not reach correctional institutions until late October, leaving their recipients just days to take action. And yet even many of those who managed to meet this deadline did not receive EIPs, as many of the 1040s filed by incarcerated people in the aftermath of the ruling were not processed before the December 15 deadline for allowing payments.[36]

To make matters still worse, prison rules have gotten in the way of payments and filing processes. Payments arriving on debit cards were confiscated in many correctional institutions, which

---

[33] Some incarcerated people may technically be filers depending on when they were first incarcerated. In the case of EIPs, an individual who filed taxes in, for example, March 2019 and then was incarcerated in September 2019 would not be considered a non-filer, since EIP #1 and #2 could have been issued on the basis of the 2018 return.

[34] On October 5, the page was amended (see Question A7) to clarify that information on incarcerated individuals' eligibility was being updated, and on October 8, to state their eligibility, but even then the page — written in dense legalese — noted that the government was appealing the decision, leaving ambiguity about the true status.

[35] See Question B13: https://web.archive.org/web/20201106115841/https://www.irs.gov/newsroom/economic-impact-payment-information-center-topic-b-requesting-my-economic-impact-payment#collapseCollapsible1603990276907. While the online portal remained open for 17 days after November 4, few incarcerated people have access to the internet to use the portal. Note that even the current version of the EIP FAQ page (as of March 2020) remains unclear in its instructions to incarcerated people, referring to the November 4, 2020 deadline as if it were still in the future.

[36] Lieff Cabraser heard widespread reports of incarcerated people having filed in late October and never receiving their payments. EIPs not processed and allowed by December 31 cannot be issued.

generally have no method to apply them to prisoners' accounts. And, some institutions have dutifully confiscated tax forms sent in or out of prisons because, historically, the IRS advised that incarcerated Americans filing taxes were committing fraud, and urged correctional facilities to crack down on the circulation of any tax materials.[37]

As a result, there are likely around a million incarcerated Americans who never filed to claim EIP at all, and likely many tens of thousands who tried to file after the September 2020 court order but never had their claims processed. Still others allegedly received payments via a debit card that never reached them, and do not know what to do next.

The IRS can undertake the following steps now to reach the incarcerated population:

- *Automate payment of EIP #3 to all incarcerated people*, using the same processes the IRS followed for SSA and VA beneficiaries. The IRS receives yearly data from correctional institutions under 26 USC 6116 on 2.3 million incarcerated people, including their Social Security Number, release date, and institution. This is more than enough data to issue checks to all incarcerated people who have not received EIPs.[38]
- *Mail copies of the 2020 Form 1040 to every correctional institution*, since filing a 2020 tax return via Form 1040 is now the only way for incarcerated individuals to access EIPs #1 and #2 as Recovery Rebate Credits, and to ensure they receive EIP #3 as an advance payment if automated payments fail. (Via the aforementioned correctional data sync, the IRS has the address of every institution in the country, and already implemented a similar process in October 2020 under court order, but does not appear to have done anything similar in 2021.[39]) The mailings should include: (1) two copies of the Form 1040 per incarcerated person, so they can keep one for their own records without accessing a copier, (2) one sheet of clear, plain-language instructions per inmate, clarifying what information must be provided, and how to claim EIPs #1 and #2 as Recovery Rebate Credits,[40] (3) critically, guidance to the correctional facilities that incarcerated people are

[37] For example, in a 2005 Congressional hearing on tax fraud perpetrated by inmates, the Chief of IRS Criminal Investigation testified: "In an effort to prevent prisoner refund fraud, we have developed a close working relationship with many states and with individual prison officials. In some instances, tax forms have been removed from prison law libraries, and some states have declared tax materials found in prison cells to be contraband."

[38] The data shared under 26 USC 6116 is current as of each September, raising the prospect — as the IRS has pointed out — that some records will be outdated by the time such a policy is implemented. But the potential fallout from any such error is low. If an inmate has moved between institutions, the old institution will forward the check to the new one. If an inmate has been released entirely, the check will simply not be deposited, with the IRS wasting only the relatively negligible cost of printing the check.

[39] Also, according to some incarcerated people and advocates who have reached out to IRS support lines, the IRS has stated its position is not to distribute any more Forms 1040 to correctional institutions, encouraging incarcerated people instead to consult with their institution's librarian. Of course, as noted above, correctional institution librarians have been historically encouraged not to make tax forms available.

[40] The Notice 1444-D that the IRS distributed to incarcerated people in 2020, is reasonably clear, but could likely be somewhat streamlined. Notice 1446, which IRS also distributed, is less clear, and may have caused confusion.

permitted (and indeed should be encouraged) to fill out these forms, despite previous guidance that IRS forms in prisons were contraband — and explicit instructions to provide this updated guidance to correctional officers. The mailing should also be accompanied by public announcements underscoring the permissibility of the forms in prisons.

- *Provide a single mailbox for Forms 1040 filed by incarcerated people, and a dedicated team to process them.* Having all incarcerated people file their returns to a single dedicated office within the IRS — rather than filing to disparate local offices across the country — makes it easy for the IRS to identify this group of returns, and allows the administration to assess progress in serving this population. (The IRS in late 2020 set up just such a dedicated address in Austin for these claims.) Dedicating a single team to processing these returns will ensure that any unique issues affecting returns from incarcerated people will be quickly identified and addressed.
- *Issue any payments to incarcerated people in the form of checks rather than debit cards.* While some institutions — especially federal institutions — have managed to accommodate debit cards, checks are a lower bar, and all correctional institutions have experience accepting checks on behalf of incarcerated people and depositing them into commissary accounts.
- *Re-issue via paper check any EIPs #1 and #2 that were originally issued to incarcerated people via debit card but were not received.* Many debit cards were intercepted by correctional institutions and did not reach the intended recipients. The IRS can easily identify these payments by determining which debit cards were never activated, and the agency has authority to reissue such payments per an internal IRS Chief Counsel memorandum dated July 9, 2009, "Replacement Checks for 2008 Economic Stimulus Payments."

1.4 Updated SSA/VA data sync for EIP automation *(for EIP #3)*

In April 2020, the IRS issued payments to about 20 million SSA and VA beneficiaries who had not filed taxes, using payment data from those agencies to issue EIPs.[41] As noted above, for EIP #1 and #2, absent an act of Congress, such automation is no longer possible, as households must file returns to claim the EIP as a Recovery Rebate Credit. But, for purposes of a prospective EIP #3 in the Rescue Plan, the IRS will again be free to automate payments without a tax return, and it is critical to repeat the process for SSA/VA beneficiaries.

But importantly, in early/mid-2021, many new beneficiaries will have joined the rolls since April 2020; in an average year, 5.6 million people begin receiving Social Security alone. If and when the IRS uses SSA and VA beneficiary data to auto-pay EIP #3 to non-filers, it must perform a new data sync with those agencies, to ensure that automation includes any new beneficiaries.

---

[41] IRS announced automated payments for OASDI, SSI, and VA beneficiaries over the course of April 2020. Cilke (2011) estimates that just over half of non-filers, or around 17 million people, are Social Security beneficiaries. New America estimated in April 2020 that there were an additional 3 million SSI/VA beneficiary non-filers.

1.5 EIP automation for non-filers using IRS data *(for EIP #3)*

As with Item 1.4, this recommendation under current law applies to prospective EIP #3 only, as EIPs #1 and #2 can no longer be auto-paid as advances.

Via W-2 and 1099 data (so-called "information returns"), the IRS knows a good deal about non-filers who cannot be identified using SSA, VA, or Corrections data, including their addresses and Social Security Numbers. It is possible that this data may be sufficient to automatically issue EIPs via paper check, to the person's last known address. The most significant hurdle for such a plan is the unknown reliability of address data on potentially somewhat-outdated information returns. A 1099 issued for a one-time gig in early 2020, for example, may record an address where the recipient no longer lives, especially for a low-income population that is less likely to have a stable address. The IRS may consider restricting auto-payments to people with relatively recent information returns, and relatively stable addresses over the last several years. The IRS may also cross-reference its address data with other address datasets (from other federal agencies, from state departments of revenue, or from commercial datasets) to identify and remove families who may have moved.[42]

If practicable, at least in some cases, this measure would *partially* obviate the need for items 1.1, 1.2, and 1.4 for purposes of EIP #3. That said, those measures would still be necessary for other credits and, under existing law, for EIPs #1 and #2. Moreover, even a robust program to automate checks on the basis of wage data would probably miss a meaningful portion of non-filers who have moved or who did not have reliable and recent information returns in the first place. As such, this item complements other items more than it replaces them.

Payments to non-claimant filers (Items 1.6-1.7)

Tax forms are complicated, and filers generally have to explicitly claim the credits they qualify for. Unsurprisingly, they often fail to do so. Each year, 1.5-2 million EITC-eligible households file taxes but fail to claim the EITC they are entitled to — about a third of the EITC participation gap.[43] (The IRS does not publish similar numbers for the CTC, and EIP has no such analogue since all known eligible households were automatically paid.) In the long run, as with non-fiers, a better tax filing system would solve this problem, collecting necessary data items by default so that eligible filers do not slip through the cracks (see Section 2). In the short run, the IRS can get money to these households through a combination of automatic payments and outreach.

1.6 EITC/CTC auto-payment for some taxpayers *(for EITC, CTC)*

[42] Additionally, IRS counsel may cite regulatory barriers to this effort, although it is not clear what precisely they would be.
[43] The one third estimate comes from TIGTA (2018). As noted earlier, there is uncertainty as to the total number of households in the EITC participation gap, which may be anywhere between 5 and 7 million.

Automatic payments were the keystone of the EIP program. For the most part, rather than wait for in-need households to proactively navigate byzantine tax forms to request an EIP, the IRS simply paid them using the best information on hand. The IRS should generally do the same automation for EITC- and CTC-eligible households.

The simpler case pertains to childless families accessing the EITC. As one of us previously argued at greater length, the IRS has sufficient data from a standard tax return to automatically pay the EITC to childless households who do not claim it. The sole data element not clearly available to the IRS is affirmation that the taxpayer lived in the United States for six months of the tax year.[44] But the IRS can infer this from data provided on information returns, and can accept the risk of mild overpayments in a few edge cases. That the six-month residency requirement is the only true sticking point has been made abundantly clear from a 2018 Treasury Inspector General for Tax Administration (TIGTA) report and follow-on correspondence between the IRS and Senators Sherrod Brown and Catherine Cortez Masto.[45]

While significantly more complex, the IRS also has enough information on families with children to pay out the EITC in some cases. On top of the six-month residency requirement described above, the IRS also needs to determine how many qualifying children the taxpayer has. But most EITC qualifying children can be inferred from the dependent listing on Form 1040. Form 1040 includes dependents' Social Security Numbers, and their relationship to the taxpayer. Any dependent with a valid SSN, whose relationship type falls into certain categories, should be a qualifying child under EITC. (Note the converse is not true; some EITC qualifying children will be missing from the dependents listing.) Minor exceptions can apply in cases where two different taxpayers may claim the child, and tiebreaker rules come into effect. But the IRS should be able to identify at least some cases with stable historical data on family structure, in which there are very unlikely to be competing claims,[46] and the credit can be paid without meaningful risk of error.

For CTC, the story is much the same as for with-child EITC; in many cases, the needed data can be inferred from the dependent listing on Form 1040.

In this way, the IRS should use its discretion to infer EITC and CTC eligibility from tax filings for households who do claim them, and increase refund payments accordingly.

1.7 Improved outreach to non-claimant filers *(for EITC, CTC)*

Depending on how aggressive the IRS is in taking the above automation steps, there are likely to be some EITC- and CTC-eligible households who slip through the cracks of automation before tax forms can be improved — those who file taxes, fail to claim the credits, and cannot have their

[44] The other requirements — primarily earned and investment income totals — are already reported on any tax return.
[45] Letter from Senators to IRS. *Procedurally Taxing* blog post describing IRS response to Senators' letter.
[46] As well as, of course, no competing claims on different returns in practice.

payment automated. Direct outreach to this population can help them access the benefits they deserve.

In fact, the IRS already does some such outreach: each year, the IRS sends several hundred thousand notices to likely EITC-eligible households, called the CP-09 for households with children, and the CP-27 for households without. (The IRS does not appear to have a similar program for CTC, but all of the recommendations here apply with equal strength to a potential analogous CTC program; or a combined program regarding both credits.) The notices alert taxpayers that they may be eligible for EITC, and allow them to claim it by filling out and returning an enclosed form. This program is a powerful proof of concept, but could be very meaningfully improved with clearer forms, more comprehensive outreach, better customer service, and more expansive targeting.

First, according to TIGTA estimates, the IRS only sends these letters to about 20 percent of non-claimant filers, sending 360,000 letters while nearly 2 million households are in the potential universe.[47] The IRS skips some households out of an abundance of caution (i.e., if the agency is not very confident of a household's eligibility, it sends no worksheet[48]) and others for procedural reasons (e.g., the tax return was filed on paper instead of electronically).[49] This outreach should be conducted to every household more likely than not to be eligible; notices are cheap, and households that are not eligible will simply not respond.

Second, as with the proposed letters to non-filers, the outreach campaign should consist of more than a single letter. Experimental evidence shows that even sending a second wave of *exactly the same letter* solicits additional claims, boosting the overall response rate of the entire CP-09/CP-27 program by 30-35%.[50] But, moreover, the IRS has detailed data on non-claimant filers from their tax returns, including addresses and other personally identifiable information. It should prioritize making contact with them via mail, text, and email if possible, and collaborate with local or state actors in a position to do more direct outreach.[51]

Third, and perhaps most importantly, the IRS must do a better job of designing, user testing, and proofreading the CP-09 and CP-27 letters. The greatest irony here is that the IRS has been

[47] Note that Manoli and Bhargava (2015) report a larger number of notices sent, approximately 600,000.
[48] This policy means, for example, that families with college-age children are not included. A twenty-year-old full-time student is a qualifying child under EITC, but a twenty-year-old non-student is not, and the IRS cannot confirm the school enrollment of those children. Erring on the side of caution, IRS policy is to not send a CP-09 notice to such a family.
[49] Manoli and Bhargava (2015) cite Plueger (2009) in explaining the large portion of returns that do not trigger the notices.
[50] Manoli and Bhargava (2015).
[51] The privacy of IRS data is of utmost importance, and preserving it raises some challenges for such a program, including limits on how much information the IRS can share with certain outside partners, and what information can be included in direct outreach notices to taxpayers. But, none of these challenges are insurmountable. The IRS can determine which data it is able to share with which partners, and can craft outreach messages that are in line with privacy rules.

through several recent high-profile rounds of scrutiny and improvement with these notices, but still they contain messes of legalese and highly misleading language, if not outright errors.

In 2018, TIGTA found that the CP-09 sent out in 2015 and 2016 contained fundamental errors regarding the eligibility rules, which implied hundreds of thousands of eligible recipient households were not in fact eligible for the credit. Moreover, IRS leadership knew about these errors for two years before taking action to correct them. And yet, despite TIGTA's reprimands, the 2019 versions of the CP-09 and CP-27 also contain serious errors. First, the 2019 form, covering tax year 2018, erroneously refers in its eligibility criteria to 2016 rather than 2018. Still worse, the eligibility criteria that TIGTA criticized in 2018 were still written incorrectly. The third page contains a list of four statements; if any of them *do* apply to the taxpayer then the taxpayer is *not* eligible. The second reads: "I did not have earned income or excess investment income in 2016 [sic]." The first half of this is correct; someone without earned income in the year is not eligible. But the second half is inverted; someone who did have excess investment income is ineligible. The sentence should read: "I did not have earned income in 2016; or I did have excess investment income in 2016." (Of course, better yet, the sentence should be divided into two different criteria.) Additionally, the form refers taxpayers to Publication 596 to define "excess investment income." But that phrase is nowhere to be found in Publication 596.

Meanwhile, in 2010, Saurabh Bhargava and Dayanand Manoli ran a high-profile experiment in partnership with the IRS about ways to improve the notices and increase take-up. Their results, published in 2015, found that including information about benefit amounts and simplifying the forms significantly increased response rates, and the IRS took both recommendations. Yet while the benefit amount remains in the latest version of the notices, the simplification has significantly eroded over time, with the notices today nearly as complex as during the experiment.[52]

Despite all these drawbacks, the CP-09 and CP-27 programs are incredibly successful, leading nearly half of their recipients to claim the EITC in an average year.[53] If the letters were written correctly and clearly, sent to more households, and paired with additional outreach, this follow-up campaign could easily sweep up the vast majority of non-claimant filers.

1.8 EITC lookback optimization *(for EITC in TY 2020)*

---

[52] The original baseline notices, and the simplified ones, are available in Bhargava and Manoli's paper. Compare these to the 2019 notice.

[53] TIGTA reports 360,400 notices and 171,320 claims on average in TY2013-2015; 47.5% of notices lead to a successful claim. TIGTA also reports that up to 20% of notices are returned as undeliverable, meaning that the true response rate among notices received is higher still, closer to 60%. Note that, given the small number of notices sent, the program only increases overall participation by about 1 percent point. Bhargava and Manoli (2015) report response rates ranging from 41 to 52 percent in TY2006-2009. (They also report a larger number of CP notices sent overall, with 608,233 total recipients. It is not clear if measurements differ for one or more reasons, or if the number sent declined after their research and before TIGTA's report.)

The December 2020 relief bill included an EITC lookback provision, allowing families to use either their 2019 or 2020 income to claim the credit, whichever maximizes the payment amount. The provision was originally intended to ensure families' pandemic-induced financial losses are not compounded by a smaller EITC — although some advocates have pushed for the measure to be made permanent, accounting for similar income fluctuations in future years.

The lookback choice should be automated: taxpayers should automatically receive the higher EITC payment, even if they do not explicitly elect the year that generates the larger payment. The IRS has the general authority to identify errors on returns and make adjustments like this one; there is no statutory requirement that a taxpayer file a refund claim in order for the IRS to correct a return and issue a refund.

Delivery/Optimization (Items 1.9-1.10)

1.9 Offset exemption *(for EITC, CTC)*

The Treasury Offset Program allows state, local, and federal agencies to garnish government payments to indebted individuals. For example, federal student loan debts can be deducted from an individual's tax refund check, or tax debts can be deducted from Social Security benefits. Given the urgent need to get funds to the poor, most anti-poverty programs and entitlement programs — including, importantly, EIP — are exempt from most offset, although the details of the offset vary by program.[54] But the EITC and CTC, like other tax returns, *are* subject to offset, meaning some indebted families do not receive their checks at all. In recognition of the EITC's role as a critical anti-poverty program and the CTC's role as child assistance, both should be exempted from offset, like Social Security benefits or EIPs. As a rule of thumb, exempting 85% of EITC/CTC from all debt offset — with the possibility for more generous exemptions in the case of extreme hardship — would bring EITC and CTC offsets roughly in line with standard policy for Social Security offsets.

Under 26 USC 6402, the IRS does not have the discretion to waive offset for non-tax debts, and so Congress would need to act to exempt the EITC and CTC from offset more broadly.[55] However, the IRS *does* have the discretion to exempt tax debts from offset, and indeed does so on a case-by-case basis using so-called Offset Bypass Refunds. By automating the existing OBR process to apply to

[54] Offset policies vary by both the types of creditors that may garnish funds, and the portion of the benefit that creditors may garnish. EIP #1 waived 100% of all offset except child support; EIP #2 and EIP #3 waive 100% of all offset, including child support. Social Security and Railroad Retirement benefits are generally exempt from 85% of offset regardless of the creditor, although there are exceptions; for tax debts, for example, the IRS sometimes garnishes less than 15% (for low-income beneficiaries) or more than 15% (if an IRS agent becomes involved and authorizes a so-called "manual levy").

[55] 26 USC 6402, which authorizes the program, says that the Secretary "shall" apply offset to refund payments for nontax debts, but the Secretary "may" do so for tax debts. As Barbara Heggie notes in *Procedurally Taxing*: "The choice of the word 'may,' rather than 'shall,' means that Congress left an 'out' for taxpayers; the Secretary doesn't have to offset the refund."

EITC-eligible and CTC-eligible households, the IRS can quickly implement the offset exemption for tax debts this year.[56]

1.10 Improved option of payments via debit card *(for EIP, EITC, CTC)*

At the beginning of the EIP program, payments were available only via paper check and direct deposit, much like normal tax returns—but, in May 2020, the IRS announced that 4 million households would receive their payments on prepaid debit cards, and many more received payments this way for EIP #2 beginning in December 2020. Providing payments on debit cards is a critical accessibility step for the 5.4 percent of American households (over 7 million households) who are unbanked. These families cannot receive direct deposits, and generally must pay high fees to cash checks at predatory businesses. To receive their tax refunds, many of these households rely on Refund Anticipation Checks (RACs), in which tax preparers open temporary bank accounts to receive the refund, charging handsome fees for doing so. Debit cards are a simple way around this issue, and the IRS should make them available as an option for delivering refund payments (including the EITC and CTC) in general: taxpayers would elect when they file to receive their funds via direct deposit, check, or debit card. Given that the filing season is well underway, this is a recommendation that will likely have to wait until the 2022 filing season.

However, there are several implementation lessons learned from the EIP that the IRS should take into account for any future use of debit cards. First, as noted above, the method should be the taxpayer's choice; sending some households debit cards at random confuses recipients and does more harm than good. Second, if the taxpayer already has a Direct Express federal debit card (from, e.g., the Social Security Administration), the IRS should offer the option of paying the EITC to this card rather than issuing a new one. Third, the IRS must improve the mailings that deliver cards to households. The EIP #1 debit cards arrived in unmarked envelopes for security reasons, leading large numbers of households to unintentionally discard them, as flagged by Representative James Clyburn and House COVID Oversight Committee. Mailers were improved for EIP #2, with a Treasury logo on the envelope, but there is still room for improvement. The IRS should test the card mailers with actual users, and find a strategy that balances security and usability. Finally, the IRS should negotiate cardholder terms on par with — if not more favorable than — those offered for Direct Express cards. While terms did appear to improve from EIP #1 to EIP #2, the EIP card terms still lag behind those offered for Direct Express.[57] These details matter for families living paycheck to paycheck.

[56] The IRS has publicly stated that such a move is unworkable for this tax year, but officials appeared to be commenting on a relatively complex version of the proposal, which would involve significant coding to disentangle different portions of taxpayers' refund payments. It remains plausible that the IRS could make the change this year were the rules simplified.

[57] The debit card terms should match those provided to federal beneficiaries who receive payments via Direct Express. While the EIP card terms have improved since first launched (including removing a low cap on daily transfers), they remain inferior to the federal standard Direct Express terms. For example, EIP cards charge $5 for teller withdrawals, which are free for Direct Express; and ATM withdrawals after the first withdrawal are $2 for EIP, versus $.85 for Direct Express.

Depending on the timing of EIP #3 delivery and the flexibility of the IRS's contract with Metabank, some of these delivery adjustments may be possible for EIP mailers this year.

2. Create A Modern, Government-Run Tax Filing Option, Starting With "The Portal"

Many of the near-term items presented in the previous section — especially those around non-filers and non-claimant filers — are stopgap measures. They are steps to work around the prevalence of non-filing and the frequency with which filers commit errors on their tax forms and so fail to claim credits. In an ideal world, though, it would simply be far easier to file and far harder to make mistakes when doing so than it is now. This section describes a potential roadmap to get to that world.

2.1 Vision, principles, and political considerations

Many advocates have long envisioned a world in which doing taxes is far less painful for all taxpayers, with the IRS even automating the entire process in simple cases, saving much of the $11 billion Americans spend annually on tax prep services. The IRS would calculate taxpayers' refund based on existing wage data, and then offer a simple and free tool for taxpayers to make corrections, provide additional information, review calculations, and finally file taxes. Such a system is commonplace in many countries, including Spain, Chile, Sweden, Estonia, and Iceland, and a proposal to create it has been repeatedly introduced in Congress by Senator Elizabeth Warren and other Senate Democrats.[58] Not only would such a process bring more non-filers in the door and sharply reduce the number of filers who neglect to claim valuable credits, but it would be a bold step toward federal government responsiveness, building a 21st-century experience with the federal agency that has the most direct and intimate involvement in Americans' lives.

There have been two main barriers to implementing this vision: first, a pledge in the Free File agreement (which governs the IRS partnership with private industry to provide limited free tax prep services for low-income families) that precluded the government from developing such a product,[59] and, second, the sheer magnitude of the project itself, which seemed overwhelming and intractable. But recent developments have made both changes newly surmountable. First, in 2019, after an exposé of predatory practices by tax prep companies, the non-compete pledge was removed from the Free File agreement, explicitly freeing the government to provide tax prep services to low-income people directly. Second, in early 2020, the IRS launched the EIP Expedited Filing Portal (also known as the Non-Filer Portal), which allowed users to file a simplified tax return so as to claim the EIP; and, despite serious usability issues, nearly 10 million did so, a majority of the eligible population. The portal was a powerful proof of concept: The IRS *can* provide a simplified filing experience for low-income people, and this simpler process, marketed as

[58] See Vox's 2017 overview for more details on existing proposals and international context.
[59] While the non-compete language was technically a pledge rather than a requirement of the contract, it was often seen as binding. Specifically, the agreement read: "In recognition of this commitment, the federal government has pledged to not enter the tax preparation software and e-filing services marketplace" (8th Free File MOU).

a method to access generous benefits, can break down relevant barriers for many households. Moreover, it highlighted a straightforward way to begin to iteratively develop the needed functionality for an expanded portal, starting with high-need households and simple use cases.

With these barriers removed, the government — internally with an expanded team at the IRS or with the assistance of the U.S. Digital Service or 18F — can and should build this tool in the coming years. Such a tool would save tens of millions of households from much of the administrative burden of tax filing, putting an average of $400 annually into the pockets of EITC-eligible families who currently use tax preparation services — and could facilitate getting up to $10 billion in unclaimed EITC/CTC to families who critically need it.

Three important principles must guide the development process and sequencing:

- Development should be **sequenced to help the lowest-income people first**, and those who have the most to gain from filing — specifically, EITC- and CTC-eligible households who do not usually file taxes.
- The tool should be **as simple as possible for every use case**, so the entire project does not collapse into traditional tax filing.
- The IRS should **proceed iteratively and lock-in short term gains** before expanding to more complex use cases. Not only is this a best practice in modern tech development, but it helps build support for the program and reduces the risk of the project becoming a political football before it has delivered actual value.

2.2 Revamped EIP portal as minimum viable product (MVP)

The minimum viable product (the MVP — the simplest possible version of a new tool that can be made available to users) for this project should be a new and improved version of the EIP Expedited Filing Portal. The portal: (1) serves non-filers only, thus avoiding direct competition with private industry,[60] (2) inherently serves very low-income people, and (3) by collecting only a limited set of information to file a lightweight return, enshrines the precedent of keeping the tool as simple as possible, and eschewing functionality that is not strictly necessary.

This proposal anticipates replacing the existing portal, and launching a new one as the MVP of a broader filing reform. The IRS did impressive and powerful work launching the Expedited Filing Portal in 2020 on an incredibly short timeline amid a pandemic — but, given more time, the IRS can do better still. Built on Free File software,[61] the existing portal is not written in plain language,[62] is not mobile responsive, and is simply not very user-friendly. Moreover, as part of Free File, it is not a

[60] All users of the Expedited Filing Portal are eligible for Free File.
[61] Specifically, the portal is built on Free File Fillable Forms, which is a Free File product created by Intuit.
[62] The deficit in plain language is extreme enough that the IRS reported over the summer that significant numbers of households *not actually eligible to use the tool* were using it.

government-owned product, and cannot form the basis for a broader reform. A tool like the portal is the first step on the road to broader filing reform, but the current portal is not on that path.

The initial development required for this relaunch of the portal is limited, and it is likely — if a development team began work in early/mid-2021 — that the product could be available in time to help eligible families claim EIP #3 before the December 31 deadline.[63]

2.3 Iterative development roadmap

We envision several iterative phases of development, lasting a total of two to three years. For all programs but EIP, the nature of the IRS's work is that development generally must occur between filing seasons, with new functionality launching in January, for that year's filing season.[64] As such, we provide estimates of which filing season it might be plausible to launch each enhancement, given reasonable research, development, and testing time.

- *Phase 1: EIP Portal for non-filers.* The MVP, again, is a new version of the EIP Portal: EIP-eligible households without a tax filing obligation use the tool to register for EIP. The potential user base is likely around 10 million households. On the front end, this means collecting relatively limited data from users, and a relatively simple warning about who can or cannot use it. The significant work is the backend connection to the IRS return processing system, which will be the core of the tool over time. Still, such a backend connection should be relatively simple to establish compared to other government technology, since the IRS already provides e-file functionality to myriad external actors. If a team began work in early/mid-2021, at normal development speeds, this new portal should be able to launch this calendar year.
- *Phase 2: EITC/CTC/EIP Portal for non-filers.* The portal expands to allow households without a filing obligation to claim the EITC and CTC as well. (This expands the functionality, but not the user base.) Notably, the IRS has already agreed to this step in principle, telling Senator Sherrod Brown in a June 2020 hearing that expanding the portal to cover other IRS benefits is indeed "the future of the IRS." For simplicity, the IRS may elect to restrict this release to households with W-2 income only. This enhancement means confirming slightly more data about family structure and other requirements (e.g., 6 months' residency in the U.S.), and, possibly, some income data.[65] These are front-end elaborations, but no new

[63] Such a development timeline would be notably more relaxed than that Congress has required of the new Advance CTC portal mandated in the American Rescue Plan, which is significantly more complex, and is expected to be launched in July.

[64] Such a yearly development cadence has precedent in the federal government. The team working on Healthcare.gov had to triage fixes to their consumer facing site around the health care open enrollment periods, and had limited windows between open enrollments, similar to the policy timelines of tax season. https://www.theatlantic.com/technology/archive/2015/07/the-secret-startup-saved-healthcare-gov-the-worst-website-in-america/397784/

[65] How much income must be confirmed is an open question. Because of the plateaus of both credits, and because the IRS already has significant income data on most of these filers, it is possible that existing data is

backend connections are required. Given that, as of this writing, the 2021 filing season is already underway and most EITC/CTC returns will be filed within weeks, it is not reasonable to launch this version of the portal this year; rather, this improved version of the portal could be ready in time for the 2022 filing season.

- *Phase 3: Tax filing software for simple tax situations.* The portal becomes full-fledged tax filing software for households with simple taxes: W-2 income only, and no itemized deductions. This expands the user base to tens of millions of taxpayers — disproportionately low-income taxpayers who currently may rely on unscrupulous or even fraudulent return preparers.[66] These are again front-end elaborations only, with minimal new backend;[67] in this version, users still enter their own income data. This version of the tool should be able to launch either in the 2022 or 2023 filing seasons.
- *Phase 4: Tax filing software that "does taxes for you" in simple situations.* This release downloads tax data from IRS systems and calculates tax liability for the user. The user has to enter only limited data about family structure, and add any missing income. The major workload here is setting up a backend connection to IRS income datasets. This version of the tool would likely launch in the 2023 filing season. Note that, to accommodate this enhancement, the IRS may have to either delay the tax filing deadline, or find a way to process income data earlier in the year; under the status quo, the IRS may not have income data ready to support the tool until after the filing deadline has passed. That said, recent updates to the income reporting system, including the new 1099-NEC, have accelerated data reporting to the IRS, such that more income data is processed earlier in the year.[68] And processing income data faster still is not at all out of the question; states like California already do so.
- *Phase 5: Additional data sources and complexity.* Future releases would: (a) accommodate data on family structure submitted by state governments, so that the tool pre-fills family data as well as income data, (b) accommodate more complex tax situations, and (c) provide functionality in languages other than English and Spanish.[69]

2.4 Creating a non-online option

The web application envisioned here will of course provide little benefit to households with no or limited internet access. And, even incorporating best practices in accessibility, the application may

---

sufficient to pay the credits with low error rates. By attesting their eligibility to use the tool, users would be effectively attesting that they have no other significant unreported income.

[66] Only 31% of tax filers itemize deductions, and these are disproportionately high-income taxpayers; low-income households tend to use the standard deduction. While systematic data is not clearly available, it is likely that W-2-only filers also skew lower income, with wealthier taxpayers more frequently reporting business and investment income.

[67] This phase may require limited new backend development to process payments from households that have a net tax liability.

[68] Specifically, with the 1099-NEC, and now-daily IRS and SSA data updates, the IRS may have the vast majority of income data in hand by February 15, the earliest date it can legally pay EITC/CTC refunds.

[69] The IRS should at least provide full functionality in its seven priority languages, and consider translation to its broader list of 20 languages. (More on IRS translation.)

— like many online tools — exclude some people with disabilities.[70] Alongside its primary work developing a modern and user-friendly web application, the project team should do intensive user research to determine the best way for the IRS to offer a non-online option. This may take the form of phone-based filing (like TeleFile, the 1992-2005 program that allowed taxpayers to file a return via telephone and was used by 4 million filers per year) or a paper solution — provided such paper returns do not go to the back of the IRS processing queue.

2.5 Immediate implications for 2021 Expedited Filing Portal

A new, USG-built expedited filing portal for EIP claims will not be ready for several months at the very earliest, but there is a benefit to having some version of the portal available immediately. As such, the IRS should consider making the existing Free File expedited filing portal available for the next several months, until the new portal can replace it. Possible near-term improvements to the existing portal are discussed in Section 1.2.

2.6 Implications for Free File agreement

Free File is set to be renewed in late 2021, and the IRS should renew it, as no alternative will be ready by that time. One point is critical however: the IRS must ensure that the non-compete pledge — removed since 2019 — does *not* reappear in the renewed agreement.

[70] These two populations — people with disabilities and people with limited internet access — are also likely to overlap.

3. Statutory Simplification: Restructure EITC/CTC and Redefine Child

The structure of the EITC and CTC today is arguably more the product of historical flukes and path dependence than reasoned policy design. Both credits have been periodically and independently expanded over the decades, while remaining grounded in the basic and unchanging framework of IRS tax filing. The result is a confusing tangle of different rates and phaseouts, and an arcane and dense set of family and income rules that is hard enough for policymakers to wrap their minds around, let alone average families.[71] This submerged state hides government policy from its own citizens, drives families scared of making mistakes to use predatory tax preparation services, leads families to commit unintentional fraud and become subjected to invasive audits (which themselves discourage families from claiming credits in future years), and sometimes even fails to allocate benefits to the right recipients.

The complexity of the rules also makes it difficult to take popular steps to improve administration. Advocates of late have made a particular priority of advancing periodic payments of the CTC (and, to a lesser degree, the EITC) throughout the year, a pilot version of which is in the Rescue Plan. But advance periodic payments require either a daunting amount of paperwork from overburdened low-income families, or a reliable process to automatically detect eligibility levels throughout the year — and the latter is significantly stymied by the rules' complexity. The first step towards an automated and timely benefit disbursement system is a simplified code.

This section only gestures to two of the major changes that would be required, both of which have long been endorsed by scholars and advocates. Further research is needed to solidify the details of these proposals. Moreover, these fixes require significant and complex legislation. But the effort would pay dividends in clarifying the tax code and streamlining the data required to disburse payments, thus making possible aggressive implementation measures.

3.1 Harmonize and improve the definition of "child" across tax code provisions

[71] Robert Greenstein, John Wancheck, and Chuck Marr at the Center on Budget and Policy Priorities write that the "EITC is one of the most complex elements of the tax code that individual taxpayers face," while the Tax Foundation writes that it is "bogged down with some of the most complicated eligibility requirements in the tax code." Mark Mazur, then at the Tax Policy Center, testified to Congress in 2017 that: "There is a sense among taxpayers and tax policy observers that the tax code is too complex for ordinary Americans to understand their tax obligations and comply with them. This sense of extreme complexity is evidenced by the robust tax preparation and tax software industries, as well as a belief among taxpayers that they are missing out on benefits being claimed by others... Congress...is complicit in this sense of growing complexity; over the past three decades,increasing amounts of social policy have been run through the tax code. While this can be an efficient way to deliver benefits to particular taxpayers, every one of these provisions carries with it eligibility rules and benefit calculations that can overwhelm taxpayers. This proliferation of tax expenditures itself fosters complexity."
(https://www.taxpolicycenter.org/publications/comprehensive-tax-reform/full)

Currently, different tax provisions use slightly different definitions of child, needlessly complicating the code and allowing taxpayers to accidentally claim one credit and not another. Elaine Maag et al (2016) summarize the current status quo in the below table. Because of the misaligned definitions, taxpayers must separately claim each relevant credit, and read all the associated instructions, rather than defining once and for all which children they have.

TABLE 2

Summary of Tests for Qualifying Child

TPC

	EITC	CTC	Dependent exemption[1]	Head of household[1]	Child care credit
Relationship	Yes	Yes	Yes	Yes	Yes
Age	Under 19 or 19–23 and in school full time for at least 5 months of the year	Under 17	Under 19 or 19–23 and in school full time for at least 5 months of the year	Under 19 or 19–23 and in school full time for at least 5 months of the year	Under 13 or disabled
Residency	Yes	Yes	Yes	Yes	Yes
Support	No	Yes	Yes	Yes	Yes

Note: EITC = earned income tax credit; CTC = child tax credit. Citizenship and country of residence can also affect whether a child is a qualifying child. Those issues are beyond the scope of this report.

[1] In the case of head-of-household filing status and the dependent exemption, people who do not meet the qualifying child rules may qualify for benefits as a "qualifying relative." Qualifying relatives do not have age tests but must meet tests related to gross income. They must meet either the relationship test or a "member of household" test.

Still worse, though, these complex and opaque definitions tend to fall apart when faced with the realities of non-traditional modern family structures, with the vagaries of the law denying taxpayers EITC eligibility for minors who are, for all intents and purposes, their children. This misalignment was illustrated by *Cowan v Commissioner*. Jean Cowan, the plaintiff, had effectively claimed her son's son — her grandson, who lived in her home and whom she supported — as a qualifying child for EITC purposes. But Cowan had never legally adopted her son, whose guardian and de facto parent she had been from the time he was six weeks old. As such, the grandson was technically not her blood relative, and the IRS disallowed the credit. The court agreed. (See Leslie Book's 2015 article in *Procedurally Taxing* for further detail on the case.)

Zooming out, it is clear that American families have a clear common understanding of whose children are whose; only around half of 1% of dependents are actually doubly claimed under EITC.[72] But the IRS estimates that 15% of all EITC claims improperly claim a child[73] — that is, the IRS frequently purports to know that a given child does not belong to a given taxpayer, when real

[72] See NTA (2019), p. 18, Footnote 82.

[73] The 2014 IRS EITC Compliance Report, which is based on audits of a representative sample of returns, concludes that 50.2% of EITC returns (11.9 out of 23.7 million) have an overpayment (Table 1), and that 30% of EITC returns with known errors have a qualifying child error (Table 4).

families rarely dispute whose child is whose. The program's byzantine rules essentially manage to invent custody disputes where none actually exist.

The best solution is to move to a commonsense "primary caregiver" standard, in which families are given latitude to determine who claims a given child, and the IRS investigates only when multiple taxpayers claim the same child (or there is some other clear indication of fraud). (See the National Taxpayer Advocate's 2016 report for details on the primary carer proposal.) The benefit should, in effect, follow the child, with the government needing no particular role in determining whose child it is except to resolve disputes. This international best practice[74] would simplify the code and better reflect the lived experiences of taxpayers. Moreover, it would greatly reduce alleged "fraud," thus easing alarm from the Government Accountability Office (GAO) and the Treasury Inspector General, reducing low-income families' subjection to costly and invasive audits, and eliminating those audits' follow-on impact in dissuading future tax filing and credit claiming.

This change would also set the stage for greater automatic detection of tax credit eligibility from other data sources. Unlike the current arcane set of rules, a 'primary caregiver' test would bring the tax programs roughly in line with the definition used by other anti-poverty programs like SNAP and Medicaid, raising the possibility that the IRS could solicit data from state social service agencies to determine child relationships, saving families from doing such paperwork. Such data sharing could prove especially critical if efforts move forward to automate advance periodic payments of the CTC.

3.2 Transfer the child-based portion of the EITC to the CTC

At present, the IRS administers one program based on the number of children you have (CTC), and one program based both on the number of children you have and the amount you earn (EITC). This makes the EITC a conceptually confusing composite. A better approach would move the child-based portion of the EITC to the CTC, yielding one Worker Credit (what is currently roughly the childless worker EITC, based solely on income) and one Child Credit (an expanded version of what is currently the CTC, based solely — or primarily — on family size). Under this new regime, each credit would serve one purpose, clearly and transparently. Note that harmonizing the child definition across the two credits, as discussed above, is a necessary prerequisite for this reform.

This reform has been regularly advocated for years, appearing annually as a highlighted recommendation of the National Taxpayer Advocate (see for example 2016, 2019, and 2020 reports). There has historically been one major barrier to its implementation: holding all families harmless under such a restructuring would be challenging, and advocates are loath to leave poor households worse off after the change.[75] The current political moment offers a reprieve from this

[74] Both Canada and Australia, among others, use this type of standard.

[75] Specifically, any reasonable level of the new worker credit would be higher than the current childless worker EITC, and would thus require taking money *from* somewhere else — presumably from single parents with one child, whose benefits are comparatively generous under the existing regime.

bind: the Biden Administration seeks to greatly expand the generosity of all of these credits, regardless. The American Rescue Plan will, for one year, increase the maximum childless worker EITC to $1,502 from $343, and the maximum CTC to $3,000 (or $3,600 for children under 6) from $2,000.[76] With all that extra funding in the mix, it is significantly easier to move some funds around without hurting any particular group compared to what they would have received last year.

The change would pay dividends in a simpler and more rational tax code, which achieves clear purposes and which taxpayers can understand, and which does not, for example, impose astronomical effective marginal tax rates on middle-income families due to the confluence of multiple different phase-outs. More importantly, however, it would facilitate easier delivery of the now greatly streamlined worker credit, and could simplify periodic payments. In the new regime, the worker credit (formerly childless EITC) would be based exclusively on income, with no need to collect more complex household structure data. As the IRS has detailed income data already, the realignment would free the agency to make payments based on information it already has on hand. And it would mean that, to the degree the IRS has to wait until later in the filing season to reconcile child claims under the new child definition, the worker credit would not be subject to any such delay, and could be paid as soon as wage data are confirmed.

Finally, the realignment would enshrine the family credit more clearly as what many advocates believe it should be: a true child allowance, not one of two tax arcane credits geared towards making it more affordable to raise children. Congress may even consider transferring administration of this new Family Credit from the IRS to the Social Security Administration, making explicit the program's role as a (nearly) universal entitlement. The IRS, meanwhile, would continue administering the Worker Credit, given that credit's more precise reliance on income data.

* * *

Lawmakers and advocates — rightly — tend to focus on program expansion rather than restructuring when there is political will to make changes. But, confusing programs exact costs over time, and, as multiple programs seek to serve the same population, poor design can diminish their reach and impact. If policymakers agree that the current EITC/CTC structure is misaligned and outdated, and is not one that anyone would choose if starting from scratch — then perhaps it is an opportune moment to right that wrong.

[76] https://www.americanactionforum.org/insight/the-american-rescue-plans-major-tax-policy-changes/

4. Advance Period Payments: A Critical Step that Requires Careful Implementation

Advocates have argued for years[77] that the annual lump sum distribution of low-income tax credits undercuts their mission, denying working families support when they need it throughout the year, and leading to perverse financial choices, like families taking out high-interest loans in January against the EITC they expect to collect in March or April. Properly speaking, there are two aspects to this argument: (1) annual lump sum distributions constitute forced savings throughout the year, when families would rather spread out their consumption, and (2) for families with volatile incomes, the delayed disbursement guarantees that they will not see their benefits until they may no longer need them as urgently; the program design borrows from needy families today to pay their potentially-less-needy selves later. The first principle has its benefits; helping families save can be a feature, not a bug, and policymakers would be well-advised to find ways to maintain some of this functionality. The second, though, is pure deadweight loss.

The clear solution is for Congress to authorize the IRS[78] to advance portions of the credits on a monthly or quarterly basis throughout the year. In fact, such a measure was included in the American Rescue Plan, with the IRS being tasked to issue monthly advance payments on the 2021 CTC between July and December of 2021, based on TY2020 eligibility.

The appeal of such an approach is obvious, and it is heartening to see it gain traction in Washington. However, advance periodic payments will likely prove more complex to implement than some advocates anticipate, at least publicly, and Congress would be well-advised to move carefully. Unlike in other sections of this paper, we outline first some of the reasons for caution, before sketching the outline of a reasonable way to advance this commonsense policy.

4.1 The challenges of advance periodic payments

IRS eligibility rules, application (that is, filing) procedures, and processing are all fundamentally annual; but periodic payments are monthly or quarterly. Broadly, this contradiction creates two sets of challenges: (1) non-linearities in eligibility, and (2) gaps in information-gathering.[79]

4.1.1 Annual eligibility rules and monthly payments

Consider a single mother of two, who has always lived with and cared for her children. In a given year, she continues to live with and care for them until May 31. On June 1, however, she is checked into the hospital for medical issues, and the children stay with their grandparents. Throughout the

[77] See Steve Holt, Kali Grant, and Funke Aderonmu (2020) for an overview of the issue.
[78] Or, of course, the SSA, in a world where the child credit is transferred to that agency.
[79] For a more colorful account of these issues, see Matt Bruenig's article on the advance CTC proposal.

year, her medical issues persist, such that the grandchildren wind up essentially staying with their grandparents the rest of the year.

Properly speaking, the grandparents can claim the two children under EITC, as they lived with them and cared for them for more than six months. The mother cannot; she lived with them for less than six months. She can only claim (insofar as she is eligible) the childless EITC.

But how would this play out under advance periodic payments? For the first five months of the year, she would presumably receive the EITC with two qualifying children, adding up to, at certain income levels, nearly $2,500.[80] But at the end of the year, it would be clear she had no qualifying children under EITC, and would be eligible for no more than a few hundred dollars of childless EITC at most. When she finally did her taxes the following February, it would be clear she received a ~$2000 overpayment from the IRS, and she would owe the IRS that money. And this would occur even if the IRS was informed promptly on June 1 of the change in family circumstances — which is a big if, and suggests the second, larger issue.

4.1.2 Collecting information on changing circumstances

Suppose that somehow the laws were written such that eligibility were proportional to the portion of the year that a given family structure existed. In such a world, the above illustration would pose no particular problem; the mother would be entitled to the first $2500 of EITC for the year, and the grandparents to the remainder for the next seven months. But there would still remain the tricky question of how the IRS is supposed to know that the children essentially changed custody on June 1, and adjust payments accordingly.

Most advance payment proposals — including the Rescue Plan version — envision an online tool via which beneficiary families would periodically log in to advise the IRS of changes to their circumstances. On June 1 — or at least by June 30 — both the mother in the hospital and the grandparents newly taking care of their two grandchildren would log into some web application and advise the IRS that they, respectively, now had zero (mother), or two (grandparents), qualifying children. That is, this overburdened low-income family (who may well be in the 20% of EITC-eligible families who do not even manage to file annual taxes to claim the EITC in the spring) would proactively log in to a government website promptly to describe their changed circumstances — and have the foresight to know that this at-first temporary arrangement was going to prove durable enough to justify doing so. (Note while this example illustrates the case of a change in family structure, the same principle applies to a change income. And while changes in income may be easier to recognize and report in the case of a salaried worker getting a raise or a new job, freelancers and gig workers may not have clear visibility into the stability — or lack thereof — of their income month to month.)

---

[80] The maximum EITC for a single parent with two children is $5828. $5828*5/12 = $2428.33.

One does not need to guess how unrealistic this assumption is; one need merely look at payments of the Advance Premium Tax Credit (APTC) created as part of the Affordable Care Act to defray the cost of private health insurance for low-income families. The APTC, like the theoretical advance EITC or CTC, is paid monthly (though in the APTC's case directly to insurers rather than to families), and families are expected to log in to their healthcare marketplace to update their information when a life change event impacts the amount of APTC they are entitled to. But, empirically, families do not do so. In tax year 2016,[81] according to the IRS, 58% of APTC claimants had an overpayment (that is, net owed the IRS PTC at tax time); half of these (29% overall) owed over $500, and 25% of these (14% overall) owed over $1000. Not to mention, as discussed at length throughout this paper, the government historically does not have the best track record in quickly providing simple and accessible software to low-income families. The notion that the IRS would be able to deliver an excellent, modern, and easy-to-use piece of relatively complex software to track life change events before it can roll out a more basic tool to file simple taxes seems hopeful at best.

The APTC, like the proposed advance CTC in the Rescue Plan, contains a robust safe harbor provision, limiting the amount of money low-income families owe back to the IRS if it turns out their advance payments were too generous, and such a provision is critical in any such implementation. But policymakers and the IRS would have to be ready to start accepting large amounts of *actual* overpayments from families who, critics will allege, "willfully broke the rules" by neglecting to proactively report their life changes. It seems far more likely that members of Congress and inspectors general will, instead, raise alarms about alleged waste and fraud.

A second option, of course, is to find some way to determine the relevant data without requesting it directly from already overburdened low-income families. In the case of income data, this is not unreasonable, as the IRS already receives quarterly wage and earnings data from businesses, although there remains the trickier point of self-employment income which may not be regularly reported to the IRS. But the situation is far more complex still in the case of qualifying children, where the IRS — at least without significant statutory reforms — has no plausible third-party data source to suggest when a child has moved across households.

Moreover, all of this coexists uneasily with the recommendation above that the definition of qualifying child be simplified to a commonsense standard that the government does not interrogate except in the case of conflicts. Suppose one household claims a child all year in advance payments, but another household claims the child at tax time the following February, and the IRS must reconcile the claims. At this point it either would have to defer to the earlier-claiming family, which may be incorrect and unjust, or risk clawing back the *entire* payment to that family.

[81] More recent detailed data on APTC payments does not appear to be readily available. Moreover, even if it were, data from the early years of APTC implementation is likely a more reliable guide to the prospective early years of ACTC or AEITC.

4.2 Recommendations for implementation

All told, the implementation challenges for advance periodic payments are non-trivial, especially for an already resource-constrained IRS. More details will be forthcoming in future publications, but the following recommendations may help policymakers as they plan out possible nearer-term implementations:

- *As much as possible, rely on automatic detection of eligibility, rather than counting on low-income families to file still more data with the federal government.* The IRS should be moving in a direction of more automation, not less, and the IRS should design the entirety of the advance payments system with the goal of minimizing burden on families.
    - Relying on automatic eligibility detection means that advance payments could not be fully implemented until after significant statutory simplifications (see Section 3), which would make it simpler to detect and calculate eligibility.
    - In the case of family structure data, the IRS should examine whether states can share SNAP/Medicaid data on dependents, which is determined and updated by case managers. (Similarly, consider whether APTC data can be shared within the IRS.) Pending the adoption of a simplified "primary caregiver" definition for qualifying children (see Section 3.1), those programs' records on dependents should closely approximate those of the IRS, and changes recorded in those programs can be taken as a sign that family structure has likely changed.
    - Consider starting with advance payments that are based solely on income rather than family structure, since income is easier to detect throughout the year. To address the unknown of self-employment income, consider restricting eligibility — at least at first — to households that historically have had W-2 income only, for at least several years.
- *If there must be a new portal to update data throughout the year, it should be built in-house by the government, not outsourced to the Free File Alliance or private industry.* The tool should follow best practices in modern web design, including extensive user testing and plain language. High-quality government tech teams like the U.S. Digital Service of 18F would be good candidates for developing such an application.
- *Prevent mid-year life events from causing huge overpayments.* Either eliminate the six-month minimum for program eligibility, transitioning programs to a by-month credit schedule, or postpone all affected advance payments until after July 1 of a given year, when six months of cohabitation with a child can be confirmed.
- *Create a generous enough safe harbor provision and/or restrict advance payments to a small enough portion of the expected total benefits that clawbacks are incredibly rare or non-existent.* Especially early on in the program, widespread unexpected clawbacks could discredit the advance payment program — and perhaps refundable tax credits like EITC and CTC entirely — in the eyes of beneficiaries and skeptical policymakers.
- *At least at first, run the advance payment program on an opt-in basis*, with households choosing to receive advance payments for a given year on the prior year's tax return.

Conclusion

The Biden Administration has already shown its ambitious intentions to update the American social contract, and to build a government that truly takes care of those in need and plays a central role in breaking down inequities. In a country where an enormous portion of the social safety net runs through the tax code, building the IRS into a world-class benefits administrator is critical to these efforts.

As much as the IRS has gone to great lengths to get benefits to people who need them, and as successful as low-income tax credits have been over the years in reducing poverty, the government can do still more. In the short term, it can reach out aggressively to non-filers and especially those who are incarcerated, and create simplified ways for them to claim credits; it can automate economic impact payments to federal beneficiaries, incarcerated people, and workers with stable addresses; it can use automation and targeted outreach to ensure tax filers get all the credits they deserve; and it can ensure a larger portion of funds get to their recipients by using accessible payment methods and opting not to garnish anti-poverty benefits. In the medium term, it can create a truly free and painless modern tax filing experience, bypassing tax preparers and saving low-income families hundreds of dollars. And in the slightly longer term, Congress can restructure these programs, making them comprehensible to everyday families, consistent with lived experience, and amenable to still greater automation.

Taken together, such measures would be transformative, getting billions of dollars in benefits to millions of families who deserve them, delivering the full value of benefits to tens of millions more who today receive only a portion of what they are entitled to, and making tax filing — a stressful and often expensive experience — essentially painless for tens of millions of Americans. This is the responsive, 21st century IRS the nation deserves.

About the New Practice Lab

New America's New Practice Lab (NPL) works at the intersection of ideas and on-the-ground experimentation to improve the design and delivery of policies focused on family economic security and wellbeing. We practice a new form of public problem-solving, embracing human-centered design, data analysis, and rapid sprints that allow us to quickly iterate to solve policy problems.

Beginning in April 2020, the lab — working closely with former Taxpayer Advocate Nina Olson — carefully tracked the rollout of Economic Impact Payments, highlighting problems with delivery, identifying solutions, and working closely with Congressional allies to advance critical fixes.[82] This work led directly to several important IRS reforms and commitments over the summer and fall. The team also began to highlight how lessons learned from the EIP rollout have direct implications for annual delivery of low-income tax credits like the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC).

[82] April 2020 report on expected delivery issues / June 2020 report on reported issues / July 2020 human impact story #1 / July 2020 human impact story #2 / July 2020 comprehensive report on EIP fixes.

From: New America (Gabriel Zucker, zucker@newamerica.org; Cassandra Robertson, robertson@newamerica.org; Tara McGuinness, mcguinness@newamerica.org)
To: Treasury and IRS officials
Re: Immediate items to improve delivery of IRS benefits (EIP, EITC, and CTC)
Date: March 14, 2021

With the passage of the American Rescue Plan last week, the IRS will play an ever more central role in the economic recovery. The new round of Economic Impact Payments (EIPs) and the vastly expanded Earned Income Tax Credit (EITC) and Child Tax Credit (CTC) are all primary drivers of the projection that the law could lift 12 million Americans out of poverty. But **that impact relies on excellent implementation, ensuring that these benefits are easily accessible** — especially for low-income families and non-filers who have been historically hard to reach.

While the IRS has many competing programs to implement, there is an opportunity to align work across benefits (EIP, EITC, CTC), as **the primary delivery challenges for most of these programs overlap**. Two thirds of the EITC participation gap and 100% of the EIP participation gap *consist of households who do not file taxes* (largely because they are not required to, and because it is complex and daunting to do so). Much of the work to reach non-filers with EIPs will also help address persistent challenges the IRS faces annually in reaching non-filers with EITC and CTC.

Our team at New America has been working on short-term, medium-term, and long-term steps to improve the delivery of these programs. We also have partnerships underway with two states to help improve the delivery of tax benefits. The attached unpublished paper outlines a comprehensive reform agenda; and this memo summarizes **key immediate opportunities** to get funds to those who most critically need them.

1. Immediately improve and relaunch the existing Non-Filer Portal — and develop a new USG-built version to launch later this year

- The EIP Non-Filer Portal — which allowed non-filers to file a simplified tax return to receive EIPs — was an incredible success, proving that a streamlined filing experience, advertised as a way to get benefits, can get millions of households in the door. With over 7 million users, the Portal was the keystone of the 2020 campaign to increase EIP take-up. (The Portal would more accurately be called the *Expedited Filing Portal*, as we do in the attached report.)
- The 2020 Portal left room for improvement, however. A modern tech team prioritizing user experience could relatively easily build a better and more accessible portal in 2021, potentially reaching millions of households who could not use the 2020 version. The new Portal could launch well in advance of the December 31, 2021 deadline to claim EIP #3.
- The new portal could also serve as the launching point for a multi-year effort to provide a truly free, painless, government-run filing process, which would drastically increase EITC and CTC participation rates in the long run.
- While building out the new tool, the IRS could re-launch the 2020 Portal with modest improvements — including plain-language edits, functionality to claim EIP #1 and #2 as Recovery Rebate Credits, and measures to issue EITC and CTC to eligible users.

For more detail on modest improvements to existing Portal, see Section 1.2 of attached report.
For more detail on creating a new Portal, see Section 2 of attached report.

2. Automate EIP #3 payments to the largest remaining unserved group: incarcerated people

- The largest single group of eligible Americans who have not received EIPs are incarcerated individuals, comprising as much as 20% of the unserved.
- Using Corrections data received yearly under 26 USC 6116, the IRS can automate EIP #3 payments to this population using the same processes used for SSA and VA beneficiaries.
- Payments to incarcerated people must be issued by check rather than debit card.

For more detail, see Section 1.3 of attached report.

3. Automate EITC payments to eligible childless tax filers

- One in five EITC-eligible households does not receive the credit, of whom one third (1.5-2 million) file taxes but simply fail to claim EITC on their return.
- The IRS can use its discretion to determine likely eligibility for childless taxpayers in this group (up to 1 million people), and automatically issue payments to eligible non-claimants. This measure is the fastest way to drastically increase the EITC participation rate, and has been recommended by the Treasury Inspector General and members of Congress for years.
- Given the American Rescue Plan's significant one-year increase in the childless EITC, the average payment to this group would likely be nearly $1000.

For more detail, see Section 1.6 of attached report.

4. Improve outreach to — and public data on — non-filers

- Via Forms W-2 and 1099, the IRS knows a lot about benefit-eligible households who do not file taxes and so do not receive EIP/EITC/CTC.
- The IRS could improve its outreach efforts to these households through improved user-tested notices, and more points of contact.[1] The agency could also better support community organizations making similar efforts by regularly releasing detailed data on non-filers, including breakdowns by zip code, age, and industry.

For more detail, see Section 1.1 of attached report.

Finally, **we offer a note of caution about another item on the IRS implementation agenda: advance CTC payments.** The American Rescue Plan contains a one-year program to issue the 2021 CTC in monthly payments over the second half of this year. This commonsense proposal, while good policy, has the potential to increase the burden on low-income families due to its short execution timeline. A significantly better monthly payments scheme would be greatly facilitated by simplified program rules that would allow automatic detection of eligibility. The IRS could consider treating this year's monthly payments program as a pilot, prioritizing seamlessness for low-income taxpayers, restricting new technology development to the minimum possible level, and providing time to test what works before it is scaled to serve millions of families. *For more detail, see Section 4 of attached report.*

[1] Research suggests that improved IRS mailers significantly increase uptake. New America is currently fielding a team to test existing outreach notices (including, principally, Form 1444-A) with users, and identify any feasible improvements.

Hamilton Project tax blog

From:	Wendy Edelberg <wedelberg@brookings.edu>
To:	"Sarin, Natasha" <natasha.sarin@treasury.gov>
Cc:	Lauren Bauer <lbauer@brookings.edu>
Date:	Thu, 22 Apr 2021 17:09:53 -0400
Attachments:	Taxtext_clean_422.docx (44.76 kB)

Dear Natasha –

I hope you are well and congratulations on the new position!

I am writing to flag that The Hamilton Project has written a short piece for tax day (coming out between April 15 and the new deadline in May…) that, in part, summarizes your 2020 policy proposal from Tackling the Tax Code. We plan to publish the blog on April 28. You'll see in the attached piece that in addition to noting your affiliation at the time of publication, we also note your current role.

Could you let us know if you have any comments or concerns? If you have anything big, it would be great to hear from you by Monday 4/26. And as always, I and THP are happy to serve as a resource to you.

Take care,
Wendy

Wendy Edelberg
Director
The Hamilton Project

Tax Reforms to Raise Revenue Efficiently and Equitably

By Wendy Edelberg, Elizabeth Lee, Sara Estep, Madison Bober

Intro

As the United States rebuilds its economy following the pandemic, policymakers are considering various tax reforms that would raise revenues, reduce inequality, and minimize avoidance and evasion. In this blog, we highlight a selection of policy proposals from The Hamilton Project's 2020 book titled *Tackling the Tax Code: Efficient and Equitable Ways to Raise Revenue*. These proposed reforms tackle several broad areas of our tax code, including transfers and gifts, individual income, multinational business income, and tax enforcement.

Leveling the Playing Field between Inherited Income and Income from Work through an Inheritance Tax by Lily Batchelder

In the last few decades, economic inequality—whether measured by income or wealth—has grown in the United States. In addition, among high-income countries, the U.S. has comparatively lower levels of intergenerational economic mobility, and some aspects of the country's tax code play a key role in perpetuating this trend. For example, inherited income is a substantial determinant of a child's economic future, yet such income is taxed at less than one-seventh the average tax rate on income from work and savings. To address these disparities, Lily Batchelder (now Assistant Secretary for Tax Policy at the Treasury Department, previously at New York University) proposes several reforms to the current taxation of estates and gifts.

Specifically, Batchelder proposes repealing the current estate and gift taxes and instead taxing as regular income the inheritances an heir receives that exceed a lifetime exemption level; the proposal shows estimates for exemption levels ranging from $500,000 to $2.5 million per heir. In addition, if the gift or bequest includes any assets that reflect capital gains, Batchelder proposes taxes on all accrued gains above an exemption level. In contrast, under current law, both the donor and the heir can avoid paying tax on the capital gains earned as of the date of transfer. The asset is essentially treated as new (a tax rule called stepped up basis) and the transfer is subject solely to the estate tax, which has diminished markedly in scope in recent decades, and only if a decedent's overall estate exceeds very high threshold amounts.

By only taxing individuals who receive inheritances that exceed very high exemption levels, the proposal would both raise revenue and result in a more equitable allocation of taxes. Moreover, by curtailing unproductive tax planning and reducing distortions to labor markets and capital allocation, the proposal also promotes efficiency and economic growth. In 2019, the Urban-Brookings Tax Policy Center estimated that the proposal would raise $1.4 trillion over the next decade if the lifetime exemption were set at $500,000 and $340 billion if the exemption were $2.5 million.

Taxing Multinational Companies in the 21st Century by Kimberly Clausing

Current tax law raises too little corporate tax revenue and creates incentives for multinational corporations to legally avoid paying U.S. taxes on their profits. Changes under Public Law 115-97, enacted in 2017 and commonly known as the Tax Cuts and Jobs Act (TCJA), lowered the corporate tax rate to 21 percent and widened existing loopholes in the tax code that allow corporations to shift their profits to other countries. The result was hundreds of billions of dollars in lost corporate tax revenue. Kimberly Clausing (now Deputy Assistant Secretary for Tax Analysis at the Treasury Department, previously at the University of California, Los Angeles) proposed several changes that would raise corporate tax revenue and limit the ability of corporations to engage in shifting profits overseas, while maintaining U.S. competitiveness. Using pre-pandemic economic projections, these reforms would raise an estimated $1.4 trillion in tax revenue from 2021 to 2030.

First, Clausing's proposal would increase the corporate rate from 21 percent to 28 percent. That change would raise substantial revenue but keep the U.S. an attractive location for investment. As evidence of that, Clausing points out that in 2017, when the corporate tax rate was even higher at 35 percent, the largest corporations across the world were disproportionately located in the U.S.

Second, Clausing's proposal would make several changes to increase taxes on profits that firms have, under current law, endeavored to shift abroad. In particular, profits on intangible assets, such as patents, trademarks, and copyrights, are relatively easy to shift because the assets themselves are highly mobile. The proposal would move to taxing those profits, called global intangible low-taxed income (GILTI), on a per-country basis at a rate of 21 percent. Under current law, GILTI is taxed on a global basis. That means multinational corporations can minimize their tax burden by optimizing the mix of where they report income (in low tax countries or in tax advantaged—high tax but with a large credit offset—countries). In addition, the proposal would eliminate the provision under current law that allows the first 10 percent return on foreign assets to be tax free. The result would greatly reduce profit shifting and raise substantial revenue. As an alternative to the per-country basis, Clausing offers another option that would raise the GILTI tax rate so that it is equal to the domestic corporate rate.

The third proposal repeals the deduction for foreign-derived intangible income, which acted as a tax preference for profits from export sales. Under current law this deduction, in conjunction with the GILTI, incentivizes offshoring and does little to encourage multinationals to move assets to the U.S.

Tax Reform for Progressivity: A Pragmatic Approach by Natasha Sarin, Lawrence Summers, and Joe Kupferberg

Federal spending needs will grow as a result of government policy and underlying economic forces such as an aging population, the growing cost of certain government-funded services such as health care, and inequality. To match these needs, authors Natasha Sarin (now Deputy Assistant Secretary for Economic Policy at the Treasury Department, previously at the University of Pennsylvania), Lawrence Summers (Harvard University), and Joe Kupferberg (Harvard University and University of Pennsylvania) propose a two-fold approach to raising

U.S. Department of Justice

Tax Division
Civil Trial Section, Eastern Region

DAH:DSM:SASasarak
DJ 5-16-5308
CMN 2024101025

P.O. Box 227
Washington, D.C. 20044

Telephone: 202-307-2089
Telecopier: 202-514-6866

November 25, 2024

Via Email
Gary M. Lawkowski
Email: GLawkowski@Dhillonlaw.com
Jacob William Roth
Email: JRoth@Dhillonlaw.com

Re: *Protect the Public's Trust v. Dep't of the Treas.*
No. 1:24-cv-02442-JMC (D.D.C.)

Dear Mr. Lawkowski and Mr. Roth:

The Department of Treasury has instructed me to release documents to you through JEFS. The documents being released bear control numbers PPT-TREAS-000001 through PPT-TREAS-000535. Some pages have been withheld in full or in part. The basis for the withholding appears on the document.

If you have any questions, please contact me via email, or by phone at 202-598-3701.

Sincerely yours,

/s/ Stephanie Sasarak
STEPHANIE SASARAK
Trial Attorney
Civil Trial Section, Eastern Region

CC: Brian Townsend, Department of Treasury, Office of the General Counsel