



DEPARTMENT OF THE TREASURY

Funding Highlights:

- Provides \$14 billion, a 4 percent increase above the 2010 enacted level. This increase is due to costs associated with implementation of legislation and new investments in IRS tax compliance activities that help reduce the deficit. In all other areas of the Treasury budget, funding remains highly constrained—more than 1 percent below the 2010 enacted level.
- Enables the implementation of critical reforms to the U.S. financial regulatory system through support for the Dodd-Frank Wall Street Reform and Consumer Protection Act, which will create a stronger, fairer financial system and foster continued growth.
- Increases small business lending and responsibly manages Troubled Asset Relief Program investments to protect taxpayer interests while winding down extraordinary interventions in the financial market.
- Expands job-creating investments and access to credit in disadvantaged communities through the Community Development Financial Institutions Fund.
- Saves money for taxpayers through a robust set of administrative savings and efficiencies that will streamline operations and provide considerable savings into the future.
- Ensures high-quality taxpayer services through targeted investments in the IRS, moving forward key technology modernization projects, and continuing sophisticated compliance programs to reduce the deficit and better achieve a tax system that is fair for all.
- Proposes a suite of legislative and administrative debt collection reforms that will yield more than \$5 billion of additional collections over the next 10 years from individuals and businesses that have failed to pay taxes or repay Government loans, a significant portion of which will be returned to States.

The Department of the Treasury is at the forefront of the President's efforts to promote the economic prosperity, fiscal stability, and financial security of the United States. Treasury's core operations include collecting over \$2.94 trillion in revenues and other collections, disbursing over \$2.3 trillion in payments, managing Federal finances, and protecting the financial system

from a variety of threats. Treasury also plays a key role in modernizing the Nation's financial regulatory framework and ensuring effective, transparent administration of critical economic programs, such as the stewardship of the Troubled Asset Relief Program (TARP) investments and consumer financial protection. Further, Treasury has been instrumental in Amer-

ica's economic recovery, fostering growth and job creation. It will continue to administer roughly \$300 billion in critical tax benefits provided through the American Recovery and Reinvestment Act and ensure robust program oversight in 2012 and beyond.

The President's Budget includes \$14 billion for the Department. This is an increase of over 4 percent from the 2010 enacted level, largely to support new investments in Internal Revenue Service (IRS) tax compliance activities that reduce the deficit and to support the implementation of new legislation, such as the Wall Street Reform and Consumer Protection Act, which is critical to protecting American families and our economy from future threats. Aside from these key investments, funding throughout the Department remains highly constrained at over 1 percent below the 2010 enacted level, and cuts are even made to uniquely valuable programs like the Community Development Financial Institution (CDFI) Fund.

Fosters a Stronger, Fairer Financial System for Growth and Competitiveness

Supports Implementation of the Wall Street Reform and Consumer Protection Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on July 21, 2010, was the most sweeping improvement of U.S. financial regulations since the 1930s. The Administration supports regulators' efforts to fully and effectively implement the requirements of the Act to create a more stable and resilient financial system. The Administration also fully supports the oversight and analytic work of the independent Financial Stability Oversight Council and Treasury's Office of Financial Research. The Act also created the landmark Consumer Financial Protection Bureau (CFPB), which will provide citizens with the tools and information they need to make wise financial decisions and will assure their protection in the financial products marketplace. The Treasury Department's interim authority to stand-up the CFPB will terminate on July 21, 2011, and the CFPB will then be established as an independent bureau within the Federal Reserve. Begin-

ning on this date, the CFPB will assume some of the consumer protection authorities currently performed by existing Federal regulators, as well as its new role in overseeing similar authorities for non-bank financial institutions to ensure that all aspects of the American financial system are subject to appropriate oversight. As part of this transition, numerous staff performing these activities now will transfer from the Federal banking regulators and the Department of Housing and Urban Development to the CFPB.

Supports Homeowners and Small Businesses While Winding Down Programs for Large Financial Firms. Treasury's authority to enter into new financial commitments through TARP ended on October 3, 2010, but the Administration supports legacy TARP activities targeted to assisting homeowners threatened by foreclosure and small businesses facing shortages of affordable credit. The enactment of the Small Business Jobs Act of 2010 redoubled Treasury's commitment to facilitate the restoration of credit markets for small businesses. Separate from TARP, Treasury is implementing the Small Business Lending Fund, which is authorized to provide up to \$30 billion in funding to community banks and offers incentives for these institutions to increase their small business lending portfolios, and the \$1.5 billion State Small Business Credit Initiative, which will boost state-sponsored small business loan funds. The President's Budget also emphasizes the effective, transparent, and accountable winding down of TARP programs that have helped stabilize the financial system and restart markets critical to financing American households and businesses. The progressing economic recovery and prudent management of TARP have resulted in an estimated cost of \$48 billion, significantly lower than the \$341 billion cost estimated in the 2010 Budget Mid-Session Review or even the \$114.5 billion cost estimated in the 2011 Budget Mid-Session Review.

Reduces Spending While Continuing to Support Vital Lending in Low-Income Communities. The Administration continues to support robust CDFI investments within a more constrained budget, through activities that

improve the ability of local financial institutions to provide affordable credit in underserved and lower-income communities. In particular, the Administration targets initiatives that will increase the availability of healthy foods in areas now lacking them and improve the financial literacy of disadvantaged populations. Overall, CDFI funding is reduced by \$20 million from the 2010 enacted level.

Implements Significant New Tax Legislation and Regulations. The Administration supports effective implementation of a number of recently-passed tax laws, including the Hiring Incentives to Restore Employment Act, the Foreign Account Tax Compliance Act, and the Affordable Care Act. Together, these reforms represent some of the most important changes to the tax code in a generation and will require significant interactions with partner agencies, major regulatory actions, and substantial changes to the way IRS conducts business both organizationally and with taxpayers. Additionally, the Administration supports the implementation of several recent regulatory improvements, such as the IRS' tax return preparer initiative that protects taxpayers from unqualified and/or unethical tax preparers. These efforts also help maintain tax revenue integrity through, for example, the reduction of unscrupulous preparer fraud and abuse.

Reduces Costs to Taxpayer and Improves Service Through Reforms

Achieves Savings through Administrative and Overhead Reductions. The Administration supports Treasury's continued efforts to reduce administrative expenses through streamlining acquisition and procurement operations and by reducing information technology (IT), contracting and other administrative costs. The Budget proposes to consolidate the Financial Management Service and Bureau of Public Debt data centers, streamline management functions

among Treasury's Departmental Offices, and reduce overhead and administrative expenses across the IRS including, for example, \$75 million in savings from improved IT infrastructure investment practices. Together, Treasury's administrative streamlining will save the American taxpayers approximately \$200 million in 2012 and will continue to advance efficiencies, such as Treasury's initiative to "go paperless," generating additional savings in the future.

Improves Debt Collection Activities. The Budget includes several commonsense initiatives through which Treasury can lead partner agencies to maximize collection of unpaid debt from individuals and businesses. These reforms will allow taxpayers to be paid in full before Government contractors and Medicare providers with past-due debt receive a Federal payment, help States collect a portion of the sizable State income tax debt owed by former residents, and implement a number of management improvements. These proposals will increase collections by more than \$5 billion over the next 10 years.

Modernizes the IRS to Improve Customer Service and Boost Tax Collections. The Administration proposes investments in core IRS programs that will improve service to taxpayers through increasing the response rate to taxpayer inquiries, deploying tax enforcement resources in support of high return program integrity activities, and modernizing IT systems to make interactions with the IRS more smooth and effective. The result will be a more nimble, responsive, data-driven IRS that is better able to manage the complex tax administration environment posed by a more global and interconnected economy. The Administration also proposes more than \$240 million for a targeted set of new, revenue-generating tax enforcement initiatives aimed at closing the tax gap—the difference between taxes owed and taxes paid. When fully in place by 2014, these new efforts are expected to yield about \$1.3 billion a year in additional tax revenue.

Department of the Treasury
(In millions of dollars)

	Actual 2010	Estimate 2011	2012
Spending			
Discretionary Budget Authority:			
Internal Revenue Service.....	12,146		13,284
Financial Management Service	244		219
Departmental Offices	315		325
Bureau of the Public Debt	182		166
Department and IRS Inspectors General.....	182		188
Special Inspector General for Troubled Asset Relief Program (TARP).....	23		47
Alcohol and Tobacco Tax and Trade Bureau	103		98
Financial Crimes Enforcement Network.....	111		84
Community Development Financial Institutions Fund	247		227
All Other	-135		-590
Total, Discretionary budget authority.....	13,418	13,935	14,048
<i>Memorandum:</i>			
Budget authority from supplementals	13	—	—
Total, Discretionary outlays	13,238	14,221	14,616
Mandatory Outlays:			
Tax Expenditure Program outlays	110,434	102,097	81,069
Legislative proposals.....	—	137	725
Government Sponsored Enterprise (GSE), Mortgage-Backed Securities (MBS,) and Housing Finance Agencies (HFA) purchases.....	-9,581	2,101	17
GSE Preferred Stock Purchase Agreements and Dividends	40,458	30,008	7,660
Troubled Asset Relief Program (TARP)	9,016	16,814	13,230
TARP Housing.....	543	9,813	13,230
TARP Equity	8,451	4,635	—
TARP Direct Loans.....	22	2,366	—
TARP Downward Reestimate of Subsidies	-116,556	-43,475	—
TARP Equity	-98,211	-35,267	—
TARP Direct Loans.....	-18,345	-8,208	—
Office of Financial Stability.....	239	536	328
Special Inspector General for TARP.....	11	19	4
Internal Revenue Collections for Puerto Rico	378	574	430
Legislative proposal	—	—	80
Terrorism Insurance Program	2	108	241
All Other	3,907	12,101	10,723
Total, Mandatory outlays ¹	38,308	121,020	114,507

Department of the Treasury—Continued
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Total, Outlays	51,546	135,241	129,123
Credit activity			
Direct Loan Disbursements:			
GSE MBS and HFA Purchases.....	45,187	3,125	—
Troubled Asset Relief Program	23,373	31,914	—
Small Business Lending Fund	—	17,399	—
Community Development Financial Institutions Fund	—	—	10
Total, Direct loan disbursements.....	68,560	52,438	10
Guaranteed Loan Commitments:			
Troubled Asset Relief Program	—	60,000	83,681
Total, Guaranteed loan commitments	—	60,000	83,681

¹ Excludes International Affairs Programs.