



DEPARTMENT OF THE TREASURY

Highlights:

- The Department of the Treasury (Treasury) manages the U.S. Government's finances, promotes conditions that enable stable economic growth, protects the integrity of the financial system, and combats financial crimes and terrorist financing.
- The Budget requests the resources necessary to responsibly manage the Nation's debt and efficiently collect revenue while reallocating funding from non-mission critical areas to invest in the financial enforcement tools that would safeguard the financial system and bring maximum economic pressure against North Korea and other national security threats.
- The Budget requests \$12.3 billion in base discretionary resources for Treasury's domestic programs, a \$392 million or 3-percent decrease from the 2017 enacted level. This program level excludes mandatory spending changes involving the Treasury Forfeiture Fund.
- The Budget also proposes a program integrity initiative to narrow the gap between taxes owed and taxes paid that is estimated to reduce the deficit by approximately \$29 billion over the next 10 years.

The President's 2019 Budget:

The Budget capitalizes on Treasury's ongoing drive for efficiencies, and would improve stewardship of taxpayers' dollars, by focusing on the Department's core economic and financial responsibilities. The Budget prioritizes resources to combat terrorist financing, proliferation financing, and other forms of illicit finance and supports Treasury's role as chair of the Committee on Foreign Investment in the United States (CFIUS) to address current and future national security risks. In addition, the Budget maintains Treasury's mission-critical functions as the Federal Government's revenue collector, financial manager, and economic policymaker. The foundation of American prosperity rests with the people, not the Federal Government, and the Budget would ensure that taxpayers, investors, and job-creators operate in an economy that is secure, fair, and free from unnecessary bureaucratic impediments.

Prioritizes Safeguarding Markets and Protecting Financial Data. Treasury's Office of Terrorism and Financial Intelligence (TFI) possesses a unique set of authorities and tools to combat terrorists, rogue regimes, proliferators of weapons of mass destruction, and other illicit actors by denying their access to the financial system, disrupting their revenue streams, and degrading their capabilities. Likewise, the Financial Crimes Enforcement Network's (FinCEN) role in linking the

law enforcement and intelligence communities with financial institutions and regulators helps these entities uncover and prosecute illegal activities and money-laundering schemes. In addition, consistent with the National Security Strategy, the Budget supports Treasury's leading role as chair of the CFIUS. The Administration will work with the Congress to modernize and strengthen this essential national security tool.

The Budget requests \$159 million for TFI, a \$36 million increase from the 2017 enacted level, to continue its critical work safeguarding the financial system from abuse and combatting other national security threats using non-kinetic economic tools. These additional resources would be deployed to economically isolate North Korea, complete the Terrorist Financing Targeting Center in Saudi Arabia, and increase sanctions pressure on Iran, including through the implementation of the Countering America's Adversaries Through Sanctions Act.

The Budget requests \$118 million for FinCEN, a \$3 million increase from the 2017 enacted level, to administer the Bank Secrecy Act and focus on the prevention of terrorist financing, money laundering, and other financial crimes in new sectors and through new pathways. This increase would also enable FinCEN to further utilize its unique authorities—FinCEN would expand investigations into financial institutions that may be facilitating the illicit activities of national security threats such as North Korea, terrorist organizations, and drug trafficking organizations that are fueling the opioid crisis.

The Budget also requests \$25 million to proactively and strategically protect Treasury information technology (IT) systems that carry out these activities as well as those that account for, and process, trillions of dollars in revenue and payments against cybersecurity threats. These funds are requested in addition to bureau-level investments, and would be centrally managed to strengthen the security of Treasury's most critical IT assets and improve Treasury's response and recovery capabilities. The funds would also allow Treasury to leverage enterprise-wide services and capabilities and help the Department nimbly respond to cybersecurity incidents.

Preserves Funding for Essential Revenue Collection Operations. The tax reforms enacted last year were the most significant changes to the Nation's tax code in more than 30 years. They achieved the President's goals of: 1) cutting taxes for middle-income families; 2) simplifying the tax code for individuals; and 3) reducing business taxes so American employers can create jobs, raise wages for their workers, better compete with foreign businesses, and bring back money that is currently held offshore. By investing in the modernization of Internal Revenue Service (IRS) systems, the Budget would help make the implementation of tax reform successful and support the President's vision of making tax filing simpler for hardworking Americans.

The IRS collects approximately \$3.4 trillion in tax revenue annually and processes more than 246 million tax returns and forms resulting in more than \$437 billion in tax refunds. The Budget proposes \$11.1 billion in base funding for the IRS including \$2.3 billion for running key tax filing and compliance IT applications and \$110 million for IT modernization efforts. The Budget also requests additional funds for new and continuing investments to expand and strengthen the enforcement of tax law to ensure that all Americans are paying the taxes they owe. These additional investments proposed over the next 10 years are estimated to generate approximately \$44 billion in additional revenue at a cost of \$15 billion, yielding a net savings of \$29 billion over 10 years.

Approximately 90 percent of individual taxpayers file their tax returns electronically and more than 278 million taxpayers use the Where's My Refund application to check the status of their refunds rather than calling the IRS. However, for many interactions, the IRS relies on antiquated tax processing systems (many of which date back to the 1960s) and handles most of its interactions with

taxpayers, other than tax filing, through the mail. Modernizing IRS systems would allow IRS staff to have up-to-date, accurate information about taxpayer accounts when they work with taxpayers.

The Budget also includes several proposals to ensure that taxpayers comply with their obligations, that tax refunds are only paid to those taxpayers who are eligible for them, and that taxpayer dollars are protected from criminals seeking to commit fraud:

- Increasing oversight of paid tax preparers—taxpayers are increasingly turning to paid tax return preparers to assist them in meeting their tax filing obligations. Ensuring that these preparers understand the tax code would help taxpayers get higher quality service and prevent unscrupulous tax preparers from exploiting the system and vulnerable taxpayers.
- Giving the IRS the authority to correct more errors on tax returns before refunds are issued—this would keep refunds from being issued to taxpayers who are not eligible. The Budget would also allow the IRS to resolve simple issues quickly without having to direct enforcement resources away from more difficult cases.
- Requiring a valid Social Security Number for work in order to claim the Child Tax Credit and Earned Income Tax Credit—this proposal would ensure that only individuals authorized to work in the United States could claim these credits.

Manages the Nation's Finances More Effectively. The Bureau of the Fiscal Service (Fiscal Service) conducts all Treasury debt financing operations, provides central payment services for Federal agencies, runs Government-wide accounting and reporting services, and manages the collection of delinquent debt. In 2017, the Fiscal Service issued approximately \$8.6 trillion in marketable Treasury securities, processed the collection of more than \$4 trillion in Federal receipts, and distributed more than \$3.4 trillion in payments, including Social Security payments, IRS tax refunds, and veterans' benefits.

The Fiscal Service performs the vast majority of payment and collection transactions electronically, but in 2017, it still issued almost 60 million paper checks and collected more than \$500 billion in payments by mail or in person. The Budget supports Treasury's ongoing digitization of payments that would reduce burden and bureaucracy while increasing options and accessibility for citizens and customers to conduct transactions with the Federal Government in a secure, electronic environment.

As the Federal Government's central payment provider, the Fiscal Service is also responsible for helping agencies identify, prevent, and reduce improper payments. To improve Treasury's efforts to help agencies prevent and detect improper payments, the Budget includes administrative actions and legislative proposals that would:

- remove costly barriers to data sharing across the Government;
- allow for more cost-effective and efficient use of data sources;

Doing More with Less

The Budget proposes \$331 million for Fiscal Service operations, approximately \$100 million less than the 2010 level. This reduction is the result of the successful consolidation of two bureaus and significant administrative actions including the closing or re-purposing of two payments centers, consolidating five data centers into two, and decreasing the Bureau's footprint. During the same period, the Fiscal Service has maintained, and in many cases improved, its performance of core services and taken on a number of new Government-wide initiatives.

- provide centralized access and use of the National Directory of New Hires and the Social Security Administration's full death file;
- create a central repository for death records from Federal agencies; and
- facilitate partnerships with non-Federal partners.

The Budget also includes two legislative proposals that would help to improve these efforts by authorizing an additional mechanism to recover delinquent Federal non-tax debt and streamlining recovery of unclaimed assets owed to the United States.

Rationalizes the Financial Regulatory Framework. The Administration is committed to reforming the Nation's financial system and rolling back the regulatory excesses mandated by the Dodd-Frank Act, as demonstrated by Executive Order 13772, "Core Principles for Regulating the United States Financial System" (Core Principles EO).

Since issuance of the Core Principles EO in February 2017, Treasury has published several reports making numerous recommendations for administrative and statutory reforms. These reviews included evaluation of the Financial Stability Oversight Council (FSOC) and the Office of Financial Research (OFR), both established by the Dodd-Frank Act. The Budget proposes to impose appropriate congressional oversight of these functions by subjecting all Treasury FSOC and OFR activities to the normal appropriations process. The Budget reflects continued reductions in OFR spending commensurate with the renewed fiscal discipline being applied across the Federal Government. Treasury is also working to increase the transparency of FSOC decision-making procedures and to implement more rigorous cost-benefit analysis standards.

Increases Treasury's Efficiency and Effectiveness by Streamlining Operations. The Budget eliminates funding for the Community Development Financial Institutions (CDFI) Fund's discretionary grant and direct loan programs, a savings of \$234 million from the 2017 enacted level. The CDFI Fund was created more than 20 years ago to jump-start a now mature industry. In addition, private institutions should have ready access to the capital needed to extend credit and provide financial services to underserved communities. However, the Budget maintains funding for administrative expenses to support ongoing CDFI Fund program activities, including the New Markets Tax Credit program. The Budget also proposes to extend the CDFI Bond Guarantee Program, which offers CDFIs low-cost, long-term financing at no cost to taxpayers, as the program requires no credit subsidy.

In addition, the Budget proposes to transfer all alcohol and tobacco responsibilities from the Department of Justice's Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) to Treasury's Alcohol and Tobacco Tax and Trade Bureau (TTB). This transfer would leverage TTB's resources and expertise relating to the alcohol and tobacco industries and allow ATF to continue to focus on its firearms and explosives mandates, enabling both agencies to more efficiently and effectively carry out their core mission of protecting the public.

The U.S. Mint and the Bureau of Engraving and Printing (BEP) are responsible for assuring that the Nation retains its status as producing the world's most accepted currency, that U.S. currency is secure against counterfeiting efforts, and that U.S. currency is produced efficiently and at the lowest cost. The Budget includes two legislative proposals that would enable BEP to lower costs and improve the security of official documents issued by States:

- providing BEP with the authority to vacate its aging production facility, purchase land, and construct a new facility in the National Capital Region which would result in estimated 10-year savings of \$579 million in lower project costs, ultimately lowering operating costs; and
- authorizing BEP to offer its specialized printing services to States for a fee which would allow States to leverage the U.S. Government's secure document production capabilities to print birth, marriage, and death certificates. Many States want to use this technology but cannot find an American printing firm to produce the documents and are instead turning to foreign companies or lowering their security standards.

In addition, the U.S. Mint and BEP are consolidating their acquisition and sales activities to share a common sales platform and gain efficiencies from similar procurement needs and expertise.