

**FINANCIAL SERVICES AND GENERAL GOVERNMENT
APPROPRIATIONS FOR FISCAL YEAR 2023**

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE
ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

ON

H.R. 8254/S. 4685

AN ACT MAKING APPROPRIATIONS FOR FINANCIAL SERVICES AND
GENERAL GOVERNMENT FOR THE FISCAL YEAR ENDING SEPTEMBER
30, 2023, AND FOR OTHER PURPOSES

**Department of the Treasury
Internal Revenue Service**

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FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2023

TUESDAY, MAY 3, 2022

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:43 p.m., in room SD-124, Dirksen Senate Office Building, Hon. Chris Van Hollen, (Chair) presiding.
Present: Senators Van Hollen, Coons, Durbin, Manchin, Hyde-Smith, Moran, Boozman, and Kennedy.

INTERNAL REVENUE SERVICE

OPENING STATEMENT OF SENATOR CHRIS VAN HOLLEN

Senator VAN HOLLEN. Good afternoon. This hearing will come to order. And I want to start by welcoming our witness, IRS Commissioner Charles Rettig.

Commissioner Rettig, thank you for your service. Thank you for being here. And I also want to take this opportunity to thank your staff for their professionalism and partnership, both preparing for the hearing, but throughout this Congress.

The IRS has been consistently receptive to the work of our Committee, and my team and I are grateful to you and your team for your cooperation.

At the outset I would like to highlight your diligent efforts over the past 2 years to implement several new COVID relief programs, especially those we passed under the American Rescue Plan. And because of the American Rescue Plan nearly three million Maryland families received direct relief payments of \$1,400 a person, over one million Maryland children benefited from new tax cuts for families, you know, through the expansion of the Child Tax Credit, and over 250,000 Maryland workers got a tax break through the expansion of the Earned Income Tax Credit.

The IRS played a key role in delivering these funds to Americans across the country. You did that while also working tirelessly to protect your own employees from COVID-19. The obstacles were enormous, but you and your agency delivered. And I want to salute you and the good men and women of the IRS who helped get that vital relief out the door.

We also know that the agency, the IRS, continues to be underfunded and understaffed. And the massive tax return processing

backlog at the IRS is the resultant, you know, we will talk some about that today.

Many of my constituents are frustrated that they are still waiting for their 2021 and 2020 refunds. Just last month I heard from a mother of two in Maryland, who has to move homes, and is counting on her 2021 refund to cover the cost of a security deposit and the first month's rent. Her tax forms are stuck in the backlog, along with millions of others.

Mr. Commissioner, I know you have made it a priority to address that backlog by hiring new staff at your processing centers, and by detailing experienced staff from other parts of the IRS to help with the backlog.

I commend you for these efforts, and I want to make sure that this subcommittee is working with you to address this issue as fast as possible.

As the Chairman of the Committee, I have made IRS funding a top priority, and I want to thank Ranking Member Hyde-Smith, for working together on these issues, so that we can help the IRS replace outdated technology and hire more staff.

Less than 2 months ago, this subcommittee provided the IRS with its biggest funding increase in 20 years to do just that, to help serve our constituents, your clients.

I look forward to seeing that investment improve service for working families, cut down on hold times, and reduce the backlog. As we work to improve customer service, we also need to improve IRS enforcement. Right now, as you, yourself, had pointed out Mr. Commissioner, there is anywhere from \$500 billion to \$1 trillion in taxes, each year, that are owed but not paid, what is commonly referred to as the tax gap.

These are billions of dollars that are legally due and owing under current tax law, while everyday Americans have their taxes withheld, and pay what they owe, we cannot allow the super-wealthy to evade the system. By enhancing the capacity of the IRS to track down wealthy individuals' unpaid taxes, and big businesses who sidestep their tax responsibilities, we can raise more revenue without changing the tax law. Those who refuse to meet their obligations, or avoid their obligations make everybody pay instead.

I am proud of the work we have done to increase the IRS budget to meet these goals, but despite our efforts to prioritize IRS resources in this subcommittee, as a result of the overall caps, the funding we secured this year was less than you requested. And I believe less than you need, and we look forward to working with you this year so you can meet your mission.

I have heard from some of my colleagues who say that the IRS problems we are seeing are not a budget issue at all. They just say that the IRS needs to hire more customer service agents, and upgrade their IT systems, and everything will be fine. Well, that would improve things, but that does cost money. And while money is not the only solution, it is a big part of the answer.

Commissioner Rettig, I know that you understand the IRS' problems, and want to solve them. I will hope that this hearing is an opportunity for us to discuss how we can help the IRS access the tools it needs to delivery topnotch taxpayer services, and beef up

enforcement of the super-wealthy who are not paying their fair share.

But before we move to your testimony, I would like to return to Senator Hyde-Smith, and again thank her for her partnership on this subcommittee, and for her opening statement.

OPENING STATEMENT OF HON. CINDY HYDE-SMITH

Senator HYDE-SMITH. Thank you, Mr. Chairman, for that very kind welcome. And I certainly appreciate the opportunity to serve as the Ranking Member on this very important subcommittee, and I look forward to continuing to work with you in crafting responsible funding legislation for fiscal year 2023.

And I want to welcome the IRS Commissioner to our hearing today. And thank you for your service, and we look forward to your testimony this morning.

The IRS entered this year's tax-filing season with a historically high backlog of unprocessed paper returns, and correspondence. When such issues arise, the IRS usually speaks about the need for more funding. However, the IRS received more than \$3 billion in supplemental funding since 2020. Today, more than \$1 billion of this amount remains unavailable and—I mean available and unobligated.

Moreover, in this current fiscal year the IRS received \$12.6 billion, its largest funding increase in two decades. Despite this robust funding, critical IT modernization projects lag, the tax gap remains wide, the backlogs remain high, and the customer service is at an all-time low.

The IRS requests a total of \$14.1 billion for the upcoming fiscal year. And I believe it is time for these funding increases to be met with fiscally responsible decisionmaking, decisionmaking that prioritizes that everyday taxpayer, and efficiency.

I want to ensure that money appropriated to the IRS is no longer diverted away from measures and programs devoted to improving taxpayer services and enforcement. It is my hope that during today's hearing our priorities align to ensure utmost efficiency and fiscal responsibility with the IRS going forward.

Mr. Commissioner, I know you have made some tough choices in responding to additional responsibilities placed on the agency. I thank you for your service. And I look forward to your testimony today.

Senator VAN HOLLEN. Thank you, Senator.

Our first witness and only witness today is IRS Commissioner, Charles P. Rettig. Prior to his confirmation in September 2018, Commissioner Rettig worked in private practice for 36 years, representing thousands of individuals and businesses before the IRS. The Department of Justice Tax Division, Federal and State Courts, and State taxing authorities.

He received a B.A. in Economics from the University of California, Los Angeles, as well as a JD from Pepperdine University, and an LLM in Taxation from New York University.

Commissioner, thank you for coming back. I know that you have testified in front of a number of committees already this season, but we look forward to your testimony, and hope you can help us

as we work with you to make sure you have the tools you need to do your job, and serve the American people. Commissioner Rettig?

**STATEMENT OF HONORABLE CHARLES P. RETTIG, COMMISSIONER,
INTERNAL REVENUE SERVICE**

Commissioner RETTIG. Yes. We have had a lot of hearings this year, but I should say that my wife appreciates it, because she likes to watch the hearings, so she knows exactly where I am, what I am saying, and it gives us a 3- or 4-hour discussion each evening as she critiques what I said, what I didn't say.

It is an honor and a privilege to be in this role. It is an honor and a privilege to be in front of each of you. And Chairman Van Hollen, Ranking Member Hyde-Smith, and Members of the Subcommittee, thank you for the opportunity to discuss the Internal Revenue Service operations, the current filing season and the fiscal 2023 budget.

As you know fiscal 2021 gross receipts for the Internal Revenue Service were approximately \$4.1 trillion which translates to approximately 96 percent of the gross revenue of the United States of America. I would like to start by indicating the importance of the IRS, not only to Members of Congress, and not only to taxpayers in this country, but really to the rule of law, to the country that we have, and the support of the country.

We don't make decisions as to the expenditure of the funds collected, but the importance of the IRS in supporting this country, from a financial perspective, at 96 percent of the total gross revenue of the country simply cannot be ignored. We need a fully functioning, successful, Internal Revenue Service to have a fully functioning, successful United States of America.

And you know, I am a proud American. You are all proud Americans. That is why we are here. We are willing to give of ourselves to make this country continue as the greatest country on the planet. I believe that, and that is why I came. And I believe in the people of the Internal Revenue Service.

The people of the Internal Revenue Service have given extraordinary efforts during the pandemic, and we look forward to oversight. From my confirmation hearing through today, I have welcomed all types of oversight. We do have oversight in certain lanes. Obviously, we have a Treasury Inspector General for Tax Administration, we have GAO, we have media, we have taxpayers, we have professional associations, we have Members of Congress.

Oversight should not be a concern. We welcome that; I welcome that; I believe every Commissioner after me should welcome that. My term, as you are aware, is a statutory term, and it concludes November 12 of this year. It has been a privilege to be here, a privilege to interact. I want to bring that in because presumably this might be my last appearance before you.

The employees of the Internal Revenue Service are the strength of the Agency, and they will continue to be the strength of the Agency, and collectively, we need to support them in the efforts going forward.

I believe that the President's budget proposal for fiscal 2023, supports the employees of the Internal Revenue Service, supports the mission. Again, we request oversight, because I think that that is

a privilege for the tax administration agency to have people understand what it is, and specifically what it is not, for transparency, for people to see what we do, and what we don't do.

I have read a lot of articles since I have been in this position that I can't wait to contest once I am no longer in this position. We are here, collectively, and I am speaking to both of you, but as well as to everybody else, to get this right so that we can proudly walk out the door and say, we are here supporting the United States of America.

And I say that as a proud member of a military family. As you know, my son is a Major in the United States Army. I couldn't be more proud of his service, of what he does, literally, on a daily basis. And I think that most people should feel like that.

I am more than willing to have discussions with respect to the ARP spend plan. We provided a detailed summary of what we are doing with respect to the spend plan on February 12 and we got an Omnibus Budget on March 15, so we are adjusting our spend plan. We will come back to you with an adjustment to that, so you can see how we are spending the balance of the ARP funds, but we have obligated about \$966 million of those funds to date.

But know that we have been in more than 100 continuing resolutions since 2001. It is impossible to build out a robust, meaningful, technology infrastructure without multi-year, timely, consistent funding. When we get our funding halfway through each fiscal year, it is impossible for us to plan multi-year expenditures.

So with that, and not to go further over my time, I will turn it back to you. I am certainly available for questions. I am also available for meetings individually, with Members of this Committee, or with staffs of this Committee, with or without Members of the Committee.

[The statement follows:]

PREPARED STATEMENT OF CHARLES P. RETTIG COMMISSIONER

INTRODUCTION

Chairman Van Hollen, Ranking Member Hyde-Smith and Members of the Subcommittee, thank you for the opportunity to discuss the filing season and the IRS budget.

Taxpayer service remains the most significant IRS priority, and we have implemented many new, innovative strategies in an effort to improve our overall level of service and processing of our unprecedented current and projected inventories. The pandemic presented the IRS with a confluence of novel and critical demands at a time when we lacked the stable, long-term funding needed to appropriately serve the American people. Given these significant challenges, although we may not have always gotten it right or supported the important priorities of some, our employees have worked extremely hard to respond as best we could to a never-ending string of compounding challenges.

I am pleased to report the 2022 filing season has gone well in terms of tax return processing and the operation of our information technology (IT) systems. Through April 15, the IRS processed more than 118 million individual Federal tax returns and issued more than 78 million refunds totaling more than \$242,000,000,000. We worked diligently to open the filing season earlier this year than last, on January 24, 2022, compared to February 12, 2021. A detailed discussion of the filing season is provided later in this testimony.

While the filing season has presented no major disruptions or surprises, we know we have a great deal of work to do in many other areas of the IRS. The IRS continues to focus on working to reduce paper correspondence inventory and process paper tax returns from 2021 as well as improve our response to an unprecedented level of phone demand—situations that have been compounded by the pandemic and

related issues. For example, in fiscal year 2021, we received more than 15 million individual paper returns. We also had a significantly higher error rate on individual returns due in large part to challenges associated with reconciling funds received through important stimulus programs like Economic Impact Payments (EIPs). We received far more than 10 million returns where the taxpayer did not properly reconcile the two EIPs received in 2020 to the amount of the Recovery Rebate Credit (RRC) stated on their return filed in 2021. Similarly, more than 10 million individuals reported unemployment compensation on their return that was subject to the exclusion enacted during the 2021 filing season. In addition, millions of taxpayers elected to use 2019 rather than 2020 as the base year for determining their EITC (and the legislative change for that was enacted after our IT development for the 2021 filing season had been completed). Each of these returns required a manual review and resolution by an IRS employee.

We will continue to do our best as we face new challenges. Our workforce is strong and remains our most important resource, with substantially all of our employees engaged on a full-time basis. We have taken numerous steps to address these challenges, and we continue to look for other ways so that we can improve these operations and get healthy by the end of the year.

The IRS is serving more people and entities in a global environment than ever before, while handling new and bigger responsibilities. This was the case before the pandemic and has only increased since then. At the same time, we have experienced delays in updating our IT systems, which means the IRS and taxpayers must continue to use certain paper-based processes. This use of paper processes can result in significant delays, contributing to IRS inventories and limiting taxpayers' ability to know the status of their cases.

We are in this position because we have not had the sustained sufficient multi-year investment for IT modernization necessary to improve our technology and operating systems. I am here to tell you today that nothing is more important than having those resources in place to make it possible for us to appropriately serve the American people. Absent consistent, timely, multi-year funding we have largely been a paper-based organization operating in a digital world environment. In 2022, IRS employees should not be transcribing paper returns by hand. Taxpayers should not have to wait and wait on the phone—often to no avail. I want to better serve the American people—and so do the dedicated employees at the IRS. They will finally be able to do so if you, and your colleagues, provide us the stable, multi-year funding we need.

Like all Federal agencies, the IRS is best able to accomplish our mission when we receive the resources necessary to do so. And that mission is vital to the functioning of our government: The fact that the IRS collects approximately \$4.1 trillion in gross revenue per year, representing about 96 percent of the gross revenue of the U.S., clearly shows that the success of our Nation is closely tied to the success of the IRS. The President's fiscal year 2023 budget proposal, which provides \$14.1 billion for the IRS, will allow the agency to take important steps forward in improving taxpayer service, modernizing our systems and ensuring fairness in the tax system. But for the IRS to truly be able to deliver for the American people, it needs stable, multi-year funding to be in place to allow the agency to rebuild.

Over the course of the last decade, the IRS's budget has decreased by more than 15 percent in real terms. Because of this decrease, in fiscal year 2021 we realized less than 79,000 full-time equivalents (FTEs), which is close to 1974 levels. Since 2010, IRS Enforcement FTEs have decreased by 30 percent, while the Nation's real Gross Domestic Product has increased by 29 percent, and the filing population has increased by 14 percent. Over the next 6 years, we estimate we will need to hire 52,000 employees just to maintain our current levels. Every measure that is important to effective tax administration has suffered tremendously in recent years, with profound deficiencies resulting from underinvestment in human capital and information technology.

Although the IRS appreciates the \$675,000,000 increase to our budget in the fiscal year 2022 Omnibus, sufficient funding remains a constraint to addressing the current paper inventory and supporting our IT operations adequately. For example, this year's funding left our Operations Support account, the account that funds all of the hiring, rent, laptops, and telecom for taxpayer services and enforcement employees, \$100,000,000 short of our inflationary cost increases. Without shifting the funds to the appropriate accounts, we are left depleting resources from one less-visible program to pay for another essential program, which causes us to slow or stop work on updates to our systems that must be modernized to provide digital services that citizens expect from us. Mandatory multi-year, consistent funding would help us deliver meaningful services to taxpayers, conduct critical enforcement initiatives

and support long-term modernization efforts to improve both service and compliance for the Nation.

When we are confronted with long-term Continuing Resolutions (CRs), we typically freeze nearly all external hiring. We take this action to ensure we have funds to pay all employees, including any applicable pay raises. Last fall, we increased staffing despite the CR, hiring at risk without the funding in place to support these positions, but assuming future resources would be provided by the eventual enactment of the fiscal year 2022 appropriation, to help address our inventory. The full fiscal year 2022 President’s budget request would have allowed us to maintain current staffing levels and fund 4,200 additional full-time equivalent employees. The Omnibus increased our Taxpayer Services account by \$193,000,000 from fiscal year 2021, which covered the inflationary increases in Taxpayer Services (what we refer to as “maintaining current levels”), and about 42 percent of our requested program increases. We will now be required to use other funding sources to cover our remaining needs, including requesting an inter-appropriation transfer, redirecting user fees, and realigning American Rescue Plan (ARP) funds. Although the Omnibus reflects an important down payment on the necessary investments in the IRS, it is far, far from what the dedicated IRS employees need to serve the American people the way they deserve.

Even with appropriate funding, the IRS continues to experience significant challenges recruiting talent to support the critical work the agency does for taxpayers and our Nation, particularly in the current labor market. With our limited funding, we have been hard at work to do all we can to bring talent on board. For example, we have major processing center operations in Austin, TX, Kansas City, MO, and Ogden, UT, where we are working to attract eligible applicants for more than 5,000 vacant positions. We have been holding both in-person and virtual job fairs in Austin, TX, Kansas City, MO, and Ogden, UT where, using recently received Direct Hiring Authority (DHA), we have been able to make more than 2,500 conditional offers at the conclusion of the interviews.

IRS employees want to do more to help taxpayers. We want to be able to answer the phones and respond to questions. We want to be ready, whenever crisis hits, to deliver economic relief quickly—as our employees demonstrated repeatedly during the current pandemic, working long hours to deliver crucial programs. During this challenging period, the IRS has been operating in an “all-hands-on deck” approach, leaving nothing off the table for consideration to improve overall service.

Our employees continue to expend every effort to balance the confluence of multiple, unprecedented demands—including successfully starting the current filing season and working our inventory of unprocessed tax returns, as well as looking for additional ways to minimize burden for taxpayers, tax professionals and businesses. We will continue to rapidly adapt to changing circumstances when appropriate to do so. We remain committed to ensuring the tax system is administered fairly and impartially and that every American receives the nature and quality of services they deserve.

EFFECTS OF THE COVID-19 PANDEMIC AND THE IRS RESPONSE

This unprecedented pandemic illustrates the significant role that the IRS plays in the overall health of our country. We have been called to provide economic relief during this national crisis while also fulfilling our routine responsibilities of tax administration. The IRS’s response to COVID-19 includes issuing more than \$1.5 trillion in combined historic economic relief and individual refunds over the past 2 years. This effort shows the level of dedication of our workforce and illustrates how important the IRS is to the functioning of our government and the success of the Nation.

IRS employees have worked hard since March 2020 to implement major provisions of the Coronavirus Aid, Relief and Economic Security (CARES) Act, ARP and other COVID-related relief legislation. This work included delivering more than \$800,000,000,000 in EIPs to help Americans cope with the financial effects of COVID-19—which involved creating the internal processes to accomplish this effort. The Treasury Inspector General for Tax Administration (TIGTA) noted in a report released March 21, 2022, that the IRS computed the correct payment amount for more than 99 percent of the 175 million payments issued for the third round of EIPs. Our work also included delivering (and creating the internal processes for) more than 200 million advance payments of the Child Tax Credit totaling \$93,000,000,000 that were made to eligible families between July and December of last year.

Congress provided critical help to support our ability to implement the third round of EIPs and the advance CTC payments by appropriating \$1.86 billion in sup-

plemental funding for the agency under the ARP. These funds represent important 3-year funding (expiring fiscal year 2023) and have provided, and will continue to provide, critical assistance in our effort to better serve taxpayers. As of April 12, 2022, the IRS has obligated \$928,000,000 of the total; we are continuing to use the funds over the remaining 2 years of the expenditure window provided by Congress in ways that are intended to maximize taxpayer service, including responding to taxpayer questions about EIPs and advance CTC payments. As identified in our ARP Spending Projections provided to Congress in February 2022, these funds are allowing us to help taxpayers efficiently obtain the payments they are rightfully due, with additional frontline staffing, systems and technology improvements to create safe and secure platforms, and with investments in long-term modernization enhancements that will pave the way for long-needed system improvements going forward.

For both the third round of EIPs and the advance CTC payments, the IRS made an extensive effort to ensure we reached as many people as possible who might be eligible for these benefits. We worked with thousands of community groups, nonprofits, associations, education groups and anyone else with connections to people with children to share critical information about EIPs, the CTC and other important benefits. As noted above, we are continuing to work this filing season to ensure that anyone eligible who did not receive an EIP understands they can claim the RRC on their return, and we continue reminding recipients of the advance CTC of the need to reconcile those amounts on their returns.

Reducing Inventory of Paper Returns and Correspondence

The combination of the pandemic, new tax laws and numerous other factors led to an unprecedented amount of unprocessed tax returns and correspondence remaining in the IRS inventory during 2021.

The IRS pursued significant actions during the 2021 filing season to address the return and correspondence inventory. But due to resource issues and numerous unique factors tied to new legislation and the pandemic, we have entered the 2022 filing season with a significant inventory of unprocessed returns and correspondence and, to date, the inability to meet our hiring goals. We must continue pursuing innovative strategies to fulfill our commitment to return inventories to a healthy level before entering the 2023 filing season.

To reduce the current and projected inventory, we are taking aggressive actions that include:

- Surge Teams.* We presently have more Customer Service Representatives (CSRs) onboard than ever before. We have retained temporary CSRs on a permanent basis to concentrate on the inventories. We took this risk in the context of an uncertain funding environment, hoping the annual appropriation process would deliver funding; however, this effort has not been sufficient to reduce the current and projected inventories. The IRS is deploying surge teams, which are groups of employees across the agency organized to temporarily assist with urgent issues. For example, we temporarily moved approximately 900 employees with previous relevant experience back into key areas from other organizations. In addition to this accounts management surge team, which is now in place, we have assembled a similar surge team for our submission processing area with 700 employees who started on this critical work in April.
- Direct Hire Authority (DHA).* Working with Treasury, the Office of Personnel Management, and the National Treasury Employees Union, the IRS recently secured direct hiring authority for a total of 10,000 positions—5,000 employees with the goal of onboarding them in the next several months, as well as an additional 5,000 new hires to be made over the course of the next year. Congress also helpfully provided hiring flexibilities in the Omnibus to further expedite hiring in critical positions. Due to the challenges of hiring during the pandemic and competition from other employers for the same talent, this environment is an exceptionally difficult one for hiring. DHA may improve our ability to be competitive in cities where these employees are most needed. We are extremely hopeful to satisfy our hiring goal over the coming months. Also, for the first time, we have partnered with the Military Spouse Employment Program and are engaging contractors while aggressively pursuing our hiring goals. We are grateful for the specific direct hiring authority language included in the recent Omnibus (Consolidated Appropriations Act, fiscal year 2022) that will enable us to bring talent on-board more swiftly in needed locations.
- Mandatory Overtime.* We have implemented mandatory overtime and are offering authorized overtime to certain employees to help with the reduction in inventory, and we are doing so for the first time in certain functions.

- Increased access to online self-service tools.* Over the last several months, more than 10 million individuals have created their individual online account through IRS.gov. Reducing call volumes through increased online service allows us to devote more resources to the inventories.
- EIP/CTC letters.* We sent more than 250 million letters to help taxpayers match IRS records to prevent delays in processing. IRS Letter 6475, *Your Third Economic Impact Payment*, and IRS Letter 6419, *2021 Advance Child Tax Credit*, set forth the amounts that individuals received in 2021. Individuals can also verify these amounts by accessing their individual online account through IRS.gov. Given that more than 10 million returns failed to properly reconcile two EIP payments received in 2020 on their returns filed during the 2021 filing season, it is critical that individuals (and their preparers) verify the possibly six to eight payments received in 2021 before submission of a 2021 return this year.
- Innovating to expedite case closures.* We are employing new tools to help IRS employees review and process tax returns that include errors and manual reviews, a piece that is already helping taxpayers receive refunds quicker in 2022. These efforts have already demonstrated positive results.
- Expanded Saturday openings of certain Taxpayer Assistance Centers (TACs) to assist taxpayers this filing season in more than 90 cities around the country.* TACs provide important front line, in-person taxpayer assistance. We maintain 358 TACs but, due to attrition and resource limitations, 39 are presently not staffed on a full-time basis (24 TACs presently provide a virtual service delivery alternative to an in-person visit). All staffed TACs offer appointments as well as the ability to walk in.
- Enhanced the EITC Assistant tool on IRS.gov to make it more user friendly for individuals to determine their potential eligibility (intended to reduce resources being dedicated to erroneous EITC claims).* This important tool serves taxpayers and reduces erroneous claims, freeing up resources to help process our inventories.
- VITA/TCE.* We are also continuing to notify taxpayers about “Free Tax Return Preparation for Qualifying Taxpayers” by encouraging use of the IRS’s Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs, which offer free basic tax return preparation to qualified individuals.
- Created and expanded self-service portals for taxpayers to implement an Online Payment Agreement, request payment transcripts, request an Identity Protection Personal Identification Number (IP PIN), update their personal information, etc.* These efforts reduce call volume, which releases resources to help process our inventories.
- Expanded “Customer Callback” to approximately 70 percent of our toll-free telephone demand.* During fiscal year 2022, we have offered this option to more than 5.3 million taxpayers with an acceptance rate exceeding 57 percent. We estimate this feature has saved taxpayers more than 1.7 million hours.
- Implemented Online Live Assistance, Voice Bots and Chat Bots (in English and Spanish)* to better enable taxpayers to interact with IRS. Online Live Assistance leverages limited employee resources allowing a single employee to respond to multiple taxpayers at a time. Our Advance CTC Voice Bot launched February 18, 2022 (delivered 6–8 weeks ahead of schedule) and handles the top 27 Advance CTC topics (English only at present, but the Spanish version is coming soon) to assist callers who need help reconciling the credits on their 2021 tax return. The IRS, in recent weeks, has deployed Voice and Chat Bots in English and Spanish for phone lines that assist taxpayers with tax payment issues or understanding an IRS notice they may have received. In addition to the payment lines, Voice Bots help people calling the EIP toll-free line, providing general procedural responses to the most frequently asked questions. Voice Bots are software powered by artificial intelligence (AI) that allow a caller to navigate an interactive voice response (IVR) system with their voice, generally using natural language. Chat Bots simulate human conversation through web-based text interaction, also using AI-powered software to respond to natural language prompts. Taxpayers who request to speak with a CSR are placed in queue for English or Spanish telephone assistance. These efforts reduce call volume, releasing resources to help process our inventories.
- Reduced the percentage of our outdated hardware from more than 60 percent a few years ago to approximately 10 percent at present.* Funding provided by Congress has allowed us to pursue these efforts, reducing the risk associated with an interruption to our delivery of meaningful services.

These steps are making a difference. Refunds for tax returns and amended tax returns in the inventory continue to flow out to taxpayers. We continue to consider

and pursue additional relief measures while balancing the many other demands for our time and limited resources.

We also instituted additional relief measures for taxpayers, such as:

- On January 27, we announced the suspension of notices in situations where we have credited taxpayers for payments but have no record of the tax return being filed. Given that in some situations the return is still waiting to be processed, suspending this notice will help avoid confusion.
- On February 9, we announced the suspension of more than a dozen additional notices, including automated collection notices normally issued when a taxpayer owes additional tax or has no record of filing a tax return. As a result, we have now suspended all known notices that are associated with unprocessed original return inventory. Specifically, any notices that are still being sent to taxpayers are associated with ongoing programs and services that are not associated with the unprocessed returns. Note that many other IRS notices are statutorily required to be issued within a certain timeframe to be legally valid.

We are evaluating penalty relief options; however, we must also determine if systemic programming changes or manual intervention are required for the considered relief. Manual intervention would require re-direction of resources from processing original returns and amended tax returns, which complicates this area.

Other Taxpayer Assistance Offerings

Important Update Information Available at IRS.gov. The IRS workforce is working hard to reduce current and projected inventories, meet taxpayers' continuing needs and provide relief or assistance whenever possible. We have issued various announcements available on IRS.gov outlining important steps we've taken this filing season to assist taxpayers with the aim of reducing current and projected future inventories. On February 14, we issued a news release titled, "IRS launches resource page on IRS.gov with latest details and information for taxpayers during filing season," (IR-2022-32, February 14, 2022) with a link to this important resource page ("Help for taxpayers and tax professionals: Special filing season alerts").

The IRS is continuing to assess other changes and system modifications to assist taxpayers on an array of issues. We have redeployed and reallocated resources throughout the IRS and have implemented innovative strategies in an ongoing effort to provide a meaningful reduction in our inventories. As we make additional adjustments, we will continue to make information available to taxpayers throughout the filing season and beyond.

Important Steps for Current Filers to Get Their Refund as Quickly as Possible. To prevent future inventory problems, the IRS has also worked diligently to encourage people to take extra precautions this year so they can get their refund quickly and avoid processing delays. For this filing season, refunds on error-free electronically filed returns continue to be processed within approximately 21 days. Requesting direct deposit accelerates receipt of the refund by the taxpayer. There are three important steps people can take to get their refund as quickly as possible:

- File electronically;
- File an accurate return (verify amounts reflected as received for the EIP and advance CTC payments), and;
- Request a direct deposit of their refund.

These steps are critical to accelerating delivery of the refunds people deserve and the IRS employees want to get out as quickly as possible. We have engaged in extensive outreach with community-based and professional organizations to reduce the otherwise manual review of returns that fail to reconcile these amounts. We're also encouraging taxpayers with questions to turn first to online resources, since we anticipate a continued high call volume again this year.

Responding to Unprecedented Demand for Phone Assistance

The IRS provides phone service to individuals, businesses, tax professionals and tax-exempt entities. We have specialty lines for the hearing impaired, identity theft victims, the taxpayer protection program, and for making appointments at our TACs. We also offer over-the-phone translation services in 350 languages.

Taxpayer Service Remains Our Top Priority. The long-term erosion of our budget has depleted every function of the IRS. Even though our Wage & Investment division—which is where the current and projected inventories exist—remains the most well-staffed function of the entire IRS, it is well below the levels necessary to deliver the service we aspire to achieve. We have implemented several approaches to reducing current and projected inventories and reducing call volumes which allows us to devote more resources to the inventories.

Our customer service representatives (CSRs) operate from 10 main campus sites and 14 smaller satellite locations across all mainland United States time zones, plus Puerto Rico. The CSRs work 7 a.m. to 7 p.m. shifts staggered nationally according to time zones. When we temporarily closed most of our facilities in March 2020 to protect employees from COVID-19, our IT operation worked rapidly—within weeks—to provide our CSRs with laptops, related equipment and training so they could work remotely in a virtual environment.

Against that backdrop, IRS phone operations have faced an unusually challenging environment over the past year, with an unprecedented level of phone assistance demand. In 2021, we answered four million more taxpayer calls than the year before but had a lower level of service than prior years because demand was so high. In the first half of 2021 alone, we received more than 199 million calls—about 400 percent more calls than we get in an average year. For comparison, we received a total of 42 million calls in all of 2018, 40 million calls in 2019, and 55 million calls in 2020. On March 15, 2021, we received 8.6 million calls on just that one day, which is an average of about 1,500 calls per second. The high call volume has significantly hampered our ability to manage telephone demand.

At the same time, the average duration of each call has also increased due to the complexity of COVID-related tax law changes and because taxpayers have personally endured a great deal throughout the pandemic. Our average time per call was 12 minutes for calendar year 2019. Thus far in 2022 (through April 16) the average time per call is 16 minutes. Spending more time on each call to provide the needed customer service limits the CSRs' ability to handle more calls during a shift.

We attempted to ease these challenges by starting the CSR hiring process for the 2021 filing season months earlier than normal. We repeated this approach for the 2022 filing season. During the pandemic, we transitioned into an entirely virtual recruiting and onboarding process for new employees to speed up the process. While we were able to hire an additional 3,800 CSRs, clerks and other support staff for the 2021 filing season, it was short of our goal of 5,000. While we did slightly better thus far in the 2022 filing season, we still have been able to hire just 4,131 of our overall goal of 5,000. The pandemic caused significant hiring challenges, including low applicant pools in some locations, delays in fingerprinting due to closed facilities, and delays in processing applicants virtually. And we routinely find ourselves being able to offer candidates significantly less than what the private sector can. We are trying innovative training approaches to get new CSRs ready to work the phones in less than the usual 14-week timeframe. Working with NTEU, OPM and Congressional Appropriators, we are also thrilled to have secured direct hire authority, discussed previously, which will allow us to be more successful in recruiting top talent by increasing the speed with which new employees can be onboarded.

UPDATE ON THE 2022 FILING SEASON

The IRS successfully opened the 2022 tax season on January 24—two weeks earlier than the year before—giving taxpayers more time to file returns and delivering more than 1 million refunds in the first days of processing. Getting underway in January has given taxpayers as much time as possible to meet the Federal tax filing deadline, which this year was April 18 for most taxpayers.

Due to many factors, the 2022 tax filing season has been a complex and challenging one for taxpayers, tax professionals and for the IRS as well. During this tax season, taxpayers faced a number of issues resulting from critical tax law changes that took place in 2021, as well as ongoing challenges related to the pandemic. Our dedicated workforce has done everything it can to prepare for the April 18 deadline, and our focus has been on simplifying the taxpayer filing experience by streamlining the process, answering as many questions as possible and reducing the inventories mentioned earlier in this testimony.

Our system that allows electronic filing of returns, Modernized eFile (MeF), took a major step forward this filing season. We made the latest in a series of changes that over time have made MeF more efficient, standardized and robust. This latest change expanded the availability of MeF so that our external partners who transmit returns electronically can access the system 24 hours a day, seven days a week. This upgrade is a win not only for the transmitters and ultimately taxpayers, but also for the IRS, because it allows us to perform MeF maintenance during the week, enabling more rapid deployment of critical updates.

Providing Help to Navigate a Challenging Filing Season

We believe the filing season has gone the smoothest for taxpayers who file electronically, file accurate tax returns and request direct deposit of their refund.

In fact, filing electronically with direct deposit has been more important than ever this year, given the additional complexities on many returns, such as those who

were eligible for an EIP but did not receive it and are now claiming the RRC, as well as those who need to reconcile advance CTC payments on their return.

During the filing season we have worked to ensure families who added a dependent—such as a child, a parent, a nephew or niece, or a grandchild—on their 2021 income tax return who was not listed as a dependent on their 2020 income tax return to know they may be eligible to receive a 2021 RRC of up to \$1,400 for this dependent. Additionally, all eligible taxpayers with qualifying children born or welcomed through adoption or foster care in 2021 have been encouraged to claim the CTC—worth up to \$3,600 per child—on their 2021 tax return.

Another important credit we've been highlighting is the Child and Dependent Care Credit, which was expanded for 2021. This means that more taxpayers will qualify this year than ever before, and the credit will be worth more. We've been working to remind people who pay expenses for the care of a qualifying person while working or looking for work that they may qualify for this important tax credit. Depending on their income, taxpayers can get a credit worth 50 percent of their qualifying child care expenses. For tax year 2021, the maximum eligible expense for this credit is \$8,000 for one qualifying person and \$16,000 for two or more.

We realize that taxpayers who are still waiting for their 2020 return to be processed may be wondering whether they should wait to file their 2021 return. Our message to these individuals has been to file their 2021 return when they are ready. If a taxpayer is electronically filing their 2021 tax return and we have not yet processed their 2020 tax return, they should validate their 2021 electronic tax return by entering \$0 (zero dollars) as their prior year adjusted gross income (AGI). If a taxpayer used the Non-filer Sign Up tool in 2021 to register for advance CTC payments or an EIP, they will instead enter \$1 as their prior year AGI.

Given that incredibly high call volume has continued again this tax season, we understand the filing experience has been more difficult for taxpayers who need to interact with us. But we continue to make improvements and are confident this work will have us trending in the right direction. We are also encouraging taxpayers with questions to turn first to online resources. This area has been a huge focus for the IRS, and critical tools are available that people may overlook. These options range from the Where's My Refund online tool to several other automated tools now available through the Online Account on IRS.gov. For many, there are ways to get help without calling.

Improving Service to Diverse Communities

Amid the challenges posed for the agency by the pandemic and new tax law changes, the IRS has continued to focus on improving service to diverse communities. An important way we serve these taxpayers is by communicating with them in their most comfortable language. We are committed to enhancing the experience of all taxpayers, including those who have limited English proficiency. We know that these taxpayers respond to our efforts—as just one example, there were nearly 90 million visits to non-English pages on IRS.gov last year. Already this year, through April 10, there have been about 17.7 million visits to non-English pages.

Since 2021, the IRS has taken important steps to further improve the amount of service we offer in multiple languages:

- Provided the Form 1040 in Spanish during the 2021 filing season for the first time.
- Gave taxpayers the opportunity to indicate on new Schedule LEP (Limited English Proficiency) whether they want to be contacted by us in a language other than English. This schedule, filed with the 1040, allows taxpayers to select one of 20 languages in which to receive communications from the IRS. During calendar year 2021, the IRS received approximately 326,000 Schedule LEPs.
- Made Publication 1, Your Rights as a Taxpayer, available in 20 languages.
- Issued a new, streamlined version of Publication 17, Your Federal Income Tax, that is available in seven languages.

These efforts continue this year. We've completed conversion of 34 Spanish notice inserts to Braille, text, audio and large print as of January. We also recently converted Form 1040 and its main schedules, as well as Form 1040 NR, Form 1040 SR, Form W-4 and six publications, into Spanish Braille, text, and large print. We continue working to increase our communications and outreach materials—including information shared on social media channels—into additional languages. To ensure that taxpayers can easily provide their preferences in this area, we also released new Form 9000, Alternative Media Preference, this filing season. This form allows taxpayers to tell us they want to receive notices in Braille, large print, audio, or text, and can be filed alone or with the 1040.

While those steps are all important, the IRS is continuing to do more to enhance the taxpayer experience for those who are more comfortable using a language other than English. We are, for example:

- Pursuing efforts to translate website applications for these taxpayers. We have already identified 17 of the most frequently used applications for translation into additional languages.
- Exploring opportunities to employ machine translation to help us add more multilingual content. This is a significant challenge, given how complex many tax terms are. We will need to carefully evaluate automated translation tools, so we anticipate this effort will be ongoing for several years.

UPDATE ON MODERNIZATION EFFORTS

One of my highest priorities as Commissioner is ensuring the agency's IT infrastructure remains on a path toward modernization. Modernization is vital to all our core functions: successfully delivering the annual tax filing season, ensuring the health of the Nation's tax system and supporting the Federal Government's financial strength. Today, we do not have the steady, consistent multiyear funding to support these efforts the way we need to in order to deliver appropriately for the American people.

We have long sought levels of funding that would enable necessary IT investments. As noted above, absent consistent, timely, multi-year funding we have largely been a paper-based organization operating in a digital environment. It is difficult to modernize a significant IT portfolio to improve processing and delivery of important taxpayer services when constantly funded through a CR.

Until recently, we were operating under a CR for fiscal year 2022. This year's Omnibus (Public Law 117-103) represents the largest funding increase for the agency in two decades. But the agency's needs are much deeper. Unfortunately, because our budget has fallen so significantly in real terms over the course of the last decade, we have lost foundational staff at the agency and need to rebuild. From a modernization perspective, many of our priorities, including upgrading the Individual Master File, one of the oldest IT systems in the Federal Government, are multi-year efforts. This situation means we have not been able to invest in modernizing and integrating our technological infrastructure, which processes the more than 160 million returns we anticipate receiving this year. The situation also affects other important interests of tax administration. Modernized technology would significantly improve the ability of the IRS to respond to a crisis, pandemic-related or otherwise.

Since the initial release of our Modernization Plan in 2019, our operations and infrastructure have changed significantly. We have received only limited funding for our efforts: from fiscal year 2019 through fiscal year 2021, we received only 57 percent of the planned Business Systems Modernization funding. But within the funding received, we have delivered critical technology improvements and at the same time responded to unprecedented demand due to the pandemic. We accelerated the development of our digital services. We expanded customer callback availability on our toll-free telephone lines. We created new web applications such as "Get My Payment" to track EIPs. We also created the Child Tax Credit Update Portal to help people manage advance CTC payments, a first-of-its-kind endeavor. And in another milestone, we also achieved the long-time goal of making it possible for individuals to e-file their amended tax return.

Another example of modernization at work involved creating a tool last year to help eliminate several steps in the process an IRS employee is required to do to reconcile RRC discrepancies between the two EIPs that were made in 2020 and what the taxpayer reported on their tax return. Prior to the automation, an employee could reconcile about 100 returns per day. Once we completed the modernization improvement, the employee can now process 600 per day. Not only does this improvement speed up the ability for the taxpayer to receive their refund, but it also avoids adding further to the backlog of inventory.

We continue to investigate new ways of doing business to optimize the important work of IRS employees and improve the taxpayer experience; for example, we hope to be able to scan in a paper form and file it electronically later this summer, which will help us identify the potential for this approach to be used for other forms in the future. We are also looking into our ability to leverage an approach that we call Scanning-as-a-Service, where we may be able to significantly increase the availability of digital images for IRS employees to use to perform their work without owning and maintaining expensive equipment or paying to store the paper records. Both efforts seem straightforward on the surface, and although we are cautiously optimistic of their progress to date, it is important to note that they are not a sure

thing, and a significant amount of work remains to confirm the viability of these pilots, as well as their ability to scale to other use cases.

In addition to the above, we continue taking steps to safeguard taxpayer data while modernizing platforms to improve taxpayers' experiences. Investments in cybersecurity are essential. In 2017, IRS was experiencing just over 1 million cyberattacks per day. Today, we sustain more than 1.5 billion attacks each year. While IRS network defenses mitigate threats and keep our core tax processing systems secure, we must continue to advance our cyber capabilities, so we stay one step ahead of the bad actors who are attacking IRS systems.

IRS Online Account

An important focus of our efforts has been the development of IRS Online Account, which allows taxpayers to interact with us online and perform various types of transactions in a secure environment. For example, they can view their payment history, make a payment online or request previous years' tax information. Since the initial launch of IRS Online Account in 2016, we helped taxpayers securely access the information and services they need, with more than 23 million sessions and 8.37 million new users in fiscal year 2021. We are continually working to expand the transactions taxpayers can conduct through the online account.

In July of last year, we launched a new online feature that allows individual taxpayers to authorize their tax practitioner to represent them before the IRS with a Power of Attorney (POA), and to view their tax accounts with a Tax Information Authorization (TIA). Tax professionals can go to the Tax Pro Account on IRS.gov to digitally initiate POAs and TIAs. Over time, we will continue building functionality so that other transactions involving tax professionals can be completed online in a secure digital environment.

As we expand our digital options, security is always an important consideration. For that reason, in February we announced steps to change the way taxpayers authenticate their identities when signing on to their online accounts. Specifically, we began transitioning away from using a third-party service for facial recognition. The IRS is working closely with partners across government to roll out Login.Gov as an authentication tool for us. The General Services Administration is currently working with the IRS to achieve the security standards and scale required of Login.Gov, with the goal of moving toward introducing this option later this year.

EFFORTS TO IMPROVE TAX COMPLIANCE

The IRS remains committed to doing everything we can, with our limited resources, to track down those who willfully refuse to fulfill their tax obligations or who commit tax fraud. We want to maintain a strong, visible, robust tax enforcement presence to appropriately support taxpayers who comply voluntarily. When taxpayers file their returns, they should feel confident others are doing the right thing too.

Our efforts to ensure compliance with the tax laws cover a broad range of groups—individuals, small businesses, tax-exempt organizations and large entities. In our challenging resource environment, large entities are of particular concern because this group includes very sophisticated taxpayers—major U.S. corporations, multinational companies and complex multi-tiered partnerships—all of which require us to have highly trained, highly skilled enforcement personnel with special accounting and tax law skills, who can understand the issues raised by these returns, root out instances of noncompliance and litigate issues where necessary.

We will continue emphasizing a number of special areas in our enforcement activities. This strategy includes keeping a focus on high-income taxpayers engaged in offshore noncompliance, failure to file, unreported and improperly reported virtual currency transactions and abusive tax shelters, such as syndicated conservation easements and micro-captive insurance shelters, as well as monetized installment sales and Malta pension abuses.

In this challenging environment, the IRS continues working to improve coordination of enforcement activities across the agency. In fact, the IRS's Office of Fraud Enforcement (OFE), which we created in March 2020, is actively encouraging and ensuring this coordination across the IRS, promoting compliance, strengthening the IRS' response to fraud and working to mitigate emerging threats. The Office of Promoter Investigations (OPI), created last year, is helping us better identify issues that involve abusive tax shelters as well as individuals promoting abusive tax transactions.

It is vital that we improve our ability to identify and deter promoters, and that we do so more quickly—before they are able to widely market their transactions, as we have seen with syndicated conservation easements and micro-captive insurance. We are seeing many aggressive transactions being promoted on social media

and the Internet, and we continually work to identify and evaluate potentially abusive trends and transactions to determine whether they need further enforcement actions. I have challenged OPI to lead our efforts against not only those who promote abusive tax avoidance transactions we know about, but to find the transactions that are being concocted today, and to coordinate our efforts to stop those promoters quickly and efficiently.

Recent Accomplishments

We have made progress in a number of enforcement areas. For example, over the past 2 years, we have shifted significant examination resources and technology to increase our focus on high-income and high-wealth taxpayers. As a result, examination coverage of the taxpayers in the highest income category (taxpayers with over \$10,000,000 of total positive income) increased to over 8 percent coverage for Tax Year (TY) 2018, the most recent year for which complete statistics are available. This level is the highest coverage rate of this growing population since TY 2014, and we expect the TY 2019 numbers will show this level of coverage continued.

Substantially all experienced examiners—those who are the most highly trained with substantial accounting and tax law skills—are almost entirely focused on tax returns that include complex issues, such as high-income taxpayers, pass-through entities, multi-national taxpayers involving international tax issues, large pension plans, private foundations and the most egregious situations. We also continue to focus on employment tax cases where employers have failed to pay over taxes withheld from employees or have failed to file their employment tax returns.

An IRS initiative announced in 2020 involves improving tax compliance by increasing visits to those generally with incomes above \$100,000 who failed to file tax returns. These Revenue Officer Compliance Sweeps (ROCS) focus on the most egregious non-filers. A partnership between our Field Collection operations, the OFE and our Criminal Investigation (CI) division also worked to identify common attributes of successful fraud referrals resulting in recommendations for criminal investigation for non-filers.

Another example of our accomplishments involves the development of a comprehensive, coordinated enforcement strategy to address abusive syndicated conservation easement transactions, and we have worked closely with the U.S. Department of Justice to shut down the promotion of them. Subsequently, the U.S. Tax Court held in the government's favor in a number of conservation easement cases, supporting the IRS's position on the abusive nature of the underlying deductions in these cases. While continuing to investigate these transactions, the IRS has also made settlement offers to certain taxpayers with docketed cases at the Tax Court involving this type of transaction.

Our efforts have also borne fruit in another important area—employment tax fraud. Non-compliance in this area means employers cheat the system and their employees without consequence. In so doing, they gain an unfair advantage over their honest competitors. We continue to work with the Justice Department's Tax Division to identify opportunities to better address non-compliance. These opportunities include using data analytics to identify egregious noncompliant employers. To cite one instance, we used our Innovation Lab's Data Analytics Program to identify thousands of taxpayers who reported wages on their individual income tax returns where the employer who paid those wages did not file their W-2 forms with the Social Security Administration and neither filed employment tax returns nor remitted taxes withheld from their employees. Seriously noncompliant employers were further investigated by the IRS examination, collection and CI organizations. This agency-wide commitment ensures consistent treatment of taxpayers and fair application of the tax law.

The IRS's enforcement efforts have extended to preserving COVID-related financial relief for those legitimately in need of financial support during this crisis. For example, the IRS has been working diligently to thwart scams related to COVID-19 by alerting taxpayers and tax professionals to these scams—especially calls and email phishing attempts tied to the EIPs. The IRS and our partners throughout the country have been publicizing these scams. Another example involves the OFE's efforts to prevent ineligible claimants from obtaining \$1.2 billion in COVID-related employer credits. The credits were intended to help employers retain employees who would otherwise be unable to work during the pandemic, but bad actors saw an opportunity to exploit the program for their own financial gain. Working collaboratively with teams of seasoned enforcement employees who identified the questionable claims, OFE investigated the suspect claims and either administratively disallowed the claims and/or referred cases for further investigation.

In noting accomplishments on enforcement, I continue to be extremely proud of the investigative work done by CI. To take just one recent example, CI's Cyber

Crimes Unit played a key role in the largest cryptocurrency seizure ever recorded for the Federal Government, valued at more than \$3.6 billion. In February 2022, the Justice Department announced the arrest of two individuals in connection with an alleged conspiracy to launder cryptocurrency stolen during a 2016 hack of Bitfinex, a virtual currency exchange. IRS-CI Cyber Crimes Unit special agents were critical in unraveling a sophisticated laundering technique, enabling them to trace, access and seize the stolen funds. As well as being the largest cryptocurrency seizure, this was also the largest single financial seizure recorded by the Federal Government.

In regard to recent events, CI is prepared to support the U.S. government's efforts to impose sanctions on Russia. CI has a track record of successfully rooting out and stopping illegal kleptocracy money flowing into or through the U.S. CI's special agents expertly target those who launder money, including active investigations involving Russian oligarchs and politicians, as well as those who facilitate the illicit movement of money on behalf of sanctioned individuals or organizations. Agents on the Global Illicit Financial Team and throughout CI are not only experts in tracing assets and understanding the complex global financial world; they also work seamlessly with our domestic and global law enforcement partners to ensure the integrity of the U.S. financial system on behalf of U.S. taxpayers.

Resource Challenges

Despite the progress we have made, our ability to enforce the tax laws against non-compliant taxpayers with complex returns continues to be hampered by a lack of resources. We can no longer audit a respectable percentage of large corporations, and we are often limited in the issues reviewed among those we do audit. These corporations can afford to spend large amounts on legal counsel, drag out proceedings and bury the government in paper. We are, quite simply, "outgunned" in our efforts to assure a high degree of compliance for these taxpayers. It is unacceptable for the Nation's tax administrator to be outgunned when appropriately challenging the return positions of some of the most sophisticated taxpayers. We must receive the resources to hire and train more specialists across a wide range of complex areas to assist with audits of entities (taxable, pass-through and tax-exempt) and individuals (financial products; engineering; digital assets; cross-border activities; estate and gift planning; family offices; foundations; and many others).

A lack of resources also threatens to reduce the effectiveness of our criminal investigative work. Much like other operating divisions in the IRS, CI is close to its lowest staffing level in the past 30 years. With fewer agents, we have fewer cases and fewer successful convictions. A strong, robust criminal tax enforcement presence provides significant deterrence to those willing to evade their lawful obligations to our country. Without adequate resources, we risk sending a much less powerful message to would-be and active tax evaders.

Because of our current funding and staffing limitations across our enforcement functions, we are forced to make difficult decisions regarding priorities, the types of enforcement actions we employ, and the service we offer. Limited IT resources preclude us from building adequate solutions for efficiently matching or reconciling data from multiple sources. As a result, we are often left with manual processes to analyze reporting information we receive. Such is the case with data from the Foreign Account Tax Compliance Act (FATCA). Congress enacted FATCA in 2010, but we have yet to be appropriated any significant funding for its implementation. This situation is compounded by the fact that when we do detect potential non-compliance or fraudulent behavior through manually generated FATCA reports, we seldom have sufficient funding to pursue the information and ensure proper compliance. We have an acute need for additional personnel with specialized training to follow cross-border money flows. They will help ensure tax compliance by improving our capacity to detect unreported accounts and income generated by those accounts, as well as the sources of assets in offshore accounts.

In other programs, we have information but are unable to select all high-risk cases identified due to resource and funding constraints. In these situations, to the detriment of tax administration, we must make difficult enforcement decisions based on resources, return on investment, coverage of all types of taxpayers, and other high priority work. For example, our information document reporting programs are identifying potential discrepancies with taxpayers who have received Form 1099-K, Payment Card and Third-Party Network Transactions (including potential non-filers), but not all of these have been addressed due to resource constraints.

As we make enforcement decisions, we try to balance resource limitations across a number of factors, including evaluating overall compliance effect and focusing resources into special projects. For example, we currently have fewer than 2,000 rev-

enue officers, the lowest number of field collection personnel since the 1970s, and we have over 100,000 collection cases in active inventory. In addition to our active inventory, we have over 1.5 million cases (more than 500,000 of which are considered high priority) awaiting assignment to these same 2,000 revenue officers. We have classified roughly 85 percent of those cases as high priority, many of which involve delinquent business employment taxes.

In discussing our resource situation, another major concern is our ability to investigate and take enforcement actions against abusive transactions. While we are doing our best with the resources available to us, it is important to point out that the lack of funds and staffing makes it increasingly difficult for us to keep up with—much less stay ahead of—those who promote abusive transactions and the tax evaders who engage in them. Shelter promoters continue to innovate and invent new ways of gaming the system. We continue working to find them and identify their methods, but in order to ensure we can take meaningful enforcement actions against them, it is critical that we receive adequate resources.

It is becoming easier for tax shelter promoters to pitch their wares to the wealthy, and we are concerned such pitches are taking hold. While we are doing what we can, we need more resources if we hope to keep these activities in check and continue our efforts to inform taxpayers about the problems with these transactions so they will be dissuaded from participating in them. These activities shift the required funding of our country onto the backs of wage earners. Everyone should pay their fair share, and no one should be able to inappropriately avoid their obligations.

LOOKING TO THE FUTURE: IRS TAXPAYER EXPERIENCE OFFICE

Along with our day-to-day efforts to help taxpayers and enforce the tax laws, our agency is also committed to delivering on the promise of a new IRS. We are continuing the work begun in 2019 with passage of the Taxpayer First Act (TFA) to develop an innovative approach to the future of tax administration that will better serve everyone, including those in underserved communities. The IRS is using the implementation of the TFA to make significant improvements in the way we serve taxpayers, enforce the tax laws in a fair and impartial manner, and ensure our workforce collaborates and is well-trained.

A key driver of these efforts is our Taxpayer Experience Office, launched last year to unify and expand the work being done across the agency to serve taxpayers. The Taxpayer Experience Office sets the strategic direction for improving the taxpayer experience and identifies opportunities to make continuous improvements in real time for taxpayers and the tax professional community.

The Taxpayer Experience Office will identify changing taxpayer expectations and industry trends, focus on customer service best practices, and promote a consistent voice and experience across all taxpayer segments by developing agency-wide taxpayer experience guidelines and expectations. The office will be adding staff in the coming months to help support the effort.

Some of the areas of improvement in the near term include expanding customer callback, expanded payment options, secure two-way messaging and more services for multilingual customers. These activities build on recent improvements such as digital tools to support EIPs and advance CTC payments, online chat and the online tax professional account.

THE PRESIDENT'S FISCAL YEAR 2023 BUDGET

The President's fiscal year 2023 budget proposal for the IRS provides \$14.1 billion, an increase of \$2.2 billion, or 18 percent more than the fiscal year 2022 Annualized Continuing Resolution level of \$11.9 billion, to administer the Nation's tax system fairly, collect more than \$4 trillion in gross taxes to fund the government, and strengthen tax compliance. Because the Administration drafted the fiscal year 2023 budget submission ahead of the enactment of the fiscal year 2022 Omnibus, the submission was not able to reflect the final enacted fiscal year 2022 funding levels. The budget includes initiatives to improve the taxpayer experience that should ultimately lead to increased voluntary tax compliance. The request also aims to ensure we stay current with the paper inventory and improve telephone and in-person service; facilitates better oversight of high-income and corporate tax returns; and accelerates the development of digital tools to enable smarter communication with taxpayers. In addition, the Administration continues to support a multiyear investment in IRS enforcement to increase tax compliance. An appropriate level of funding for the IRS will allow the agency to continue enhancing the taxpayer experience, narrowing the tax gap to ensure equitable administration of the tax code, protecting IRS systems and taxpayer data, and modernizing our information technology systems.

Specific Funding Areas

The fiscal year 2023 budget requests a total program increase of \$1.31 billion, including the following:

- Putting Taxpayers First*: \$320,200,000 to continue implementing the Taxpayer First Act [TFA], which requires the IRS to put in place a Taxpayer Experience Strategy to improve the taxpayer experience with the IRS. The IRS's Taxpayer Experience Office, in partnership with key internal and external stakeholders and subject matter experts, identified certain areas of focus to inform development and implementation. The fiscal year 2023 request focuses on: continuing to protect taxpayer data; increasing outreach and taxpayer education efforts; developing strategies to reach underserved communities; and providing human resources support for implementing the TFA.
- Enhancing Taxpayer Service*: \$389,100,000 for increasing the telephone Level of Service (LOS) and enhancing information technologies to improve taxpayer services. This investment will build on the IRS's efforts to improve telephone services for the underserved, such as those who are deaf or hard of hearing, limited English proficiency communities, and victims of identity theft. This investment provides a projected LOS of 85 percent in fiscal year 2023 assuming phone demand returns to pre-pandemic levels and the IRS can provide in-person services at pre-pandemic levels. The increase in funding also will improve the ways taxpayers interact with the IRS by enhancing and expanding the range of modern, digital tools provided by the IRS to deliver a service experience comparable to that available in the private sector. By empowering taxpayers to address certain needs without requiring live assistance, development of these tools is essential to the IRS's long-term success in satisfying taxpayer expectations and meeting the ongoing growth in demand for assistance.
- Increasing Compliance to Ensure Fairness*: \$469,300,000 to allow the IRS to continue improving upon its compliance strategies and enforcement activities—including examination, collection and investigation—to ensure fairness in the tax system and narrow the tax gap. We continue to develop innovative approaches to understanding, detecting, and resolving potential noncompliance, which helps to maintain taxpayer confidence in the tax system. It is important to note the IRS has an overall enforcement return on investment (ROI) of about \$5 for every \$1 invested compared to the IRS appropriated budget, not including significant deterrence effects.
- Maintaining Critical IT Operations*: \$39,500,000 to sustain these operations to maintain optimum network performance and functionality. The IRS continues to transform its technological landscape, and it has made progress on its modernization journey to provide taxpayers with a seamless customer experience, while empowering employees with the tools and systems needed to provide top quality services and enforce the tax law. These successes have increased the need to sustain critical IT operations to maintain optimum network performance and functionality. The IRS continues to deploy and incorporate new, modernized tools for taxpayers, tax professionals and employees. Taxpayer service improvements (additional digital services, up-to-the-minute account information, etc.), enterprise efficiency advances (automation, artificial intelligence, machine learning, etc.) and new employee tools (case management, collaboration, learning platforms, etc.) all require additional bandwidth to sustain a high volume of users processing digitalized capabilities.
- Fostering Economic Development in Underserved Communities*: \$10,200,000 to allow the IRS to cultivate new opportunities for adults and students in underserved communities. One focus of our efforts is the Mississippi Delta Region, which currently has the highest rate of poverty in the United States, excluding the U.S. territories. As an initial step, we are opening a new Automated Collection System (ACS) call site in Clarksdale, Mississippi, and have announced plans to hire contact representatives to work at the call site. Initiatives in other regions are already underway, including a significant staffing increase for our ACS operation in Puerto Rico. We have increased staff at this site from approximately 79 employees in fiscal year 2020 to more than 400 as of February 2022. We plan to add another ACS call site in Puerto Rico during 2022 that will accommodate an additional 400 employees. The expansion offers employment to Puerto Rico residents and allows for a significant increase in bilingual ACS employees to better serve taxpayers with limited English proficiency.

Structural Changes to IRS Appropriations to Improve Mission Delivery

The President's budget also proposes a change to the appropriations language that would allow Taxpayer Services and Enforcement funding to be used for certain asso-

ciated support costs that are currently reserved for Operations Support funding. Currently, Taxpayer Services and Enforcement funding only pays for an employee's labor cost, not the cost to hire the employee nor the IT equipment and space needed to make them productive. There are significant benefits to this change: By including support costs, future IRS budgets would reflect the full cost of Taxpayer Services and Enforcement. The changes would also prompt IRS business units to be more efficient with their support costs because they would stand to directly benefit from savings.

In addition to the IRS's fiscal year 2023 budget request, stable, multi-year funding for the IRS is necessary to facilitate the types of longer-term investments that the agency needs to make to adequately serve the American people and enforce the tax laws.

LEGISLATIVE PROPOSALS IN THE PRESIDENT'S FISCAL YEAR 2023 BUDGET

Along with the funding requested in the President's fiscal year 2023 budget request, we are also asking for Congress' help legislatively in several important areas that would improve tax administration, including the following:

- Information reporting by financial institutions and digital asset brokers.* Over time, the U.S. has established a broad network of information exchange relationships with other jurisdictions based on established international standards. The information obtained through those relationships has been central to recent successful IRS enforcement efforts against offshore tax evasion. The ability to exchange information reciprocally is particularly important in connection with the implementation of the Foreign Account Tax Compliance Act (FATCA). Currently, however, the U.S. provides less information to foreign governments than we receive from them. The proposal would expand reporting by financial institutions and digital asset brokers in a number of ways—for example, by requiring financial institutions to report the account balance for all financial accounts maintained at a U.S. office and held by foreign persons. These new reporting requirements would enable the IRS to provide equivalent levels of information to cooperative foreign governments in appropriate circumstances to support their efforts to address tax evasion by their residents. The proposal would be effective for returns to be filed after December 31, 2023.
- Require reporting by certain taxpayers on foreign digital asset accounts.* Section 6038D(b) of the Internal Revenue Code contains an annual reporting requirement for individuals in regard to two categories of foreign financial assets, but there is no reporting requirement under this section for digital assets. Against this backdrop, tax compliance and enforcement with respect to digital assets is a rapidly growing problem. The global nature of the digital assets market offers opportunities for U.S. taxpayers to conceal assets and taxable income by using offshore digital asset exchanges and wallet providers. The proposal would amend section 6038D(b) to require reporting with respect to a new third category of asset: that is, any account that holds digital assets maintained by a foreign digital asset exchange or other foreign digital asset service provider. Reporting would be required only for taxpayers that hold an aggregate value of all three categories of assets in excess of \$50,000. The proposal would be effective for returns required to be filed after December 31, 2022.
- Extend the statute of limitations for certain tax assessments.* Section 6501 of the Internal Revenue Code generally requires the IRS to assess a tax within 3 years after the filing of a return. But for complex audits in the largest cases, critical issues may not be identified until late in the process of an examination, and in many cases these issues cannot be pursued further due to time and resource constraints. The proposal would amend section 6501 to extend the 3-year statute of limitations to 6 years if a taxpayer omits from gross income more than \$100,000,000 on a return. This change would give the IRS enhanced agility and flexibility in evaluating and staffing its case inventory and appropriately allocating its limited enforcement resources.
- Increase oversight of paid tax return preparers.* Paid tax return preparers have an important role in tax administration because they assist taxpayers in complying with their obligations under the tax laws. The proposal would amend Title 31, U.S. Code (Money and Finance) to provide the Secretary with explicit authority to regulate all paid preparers of Federal tax returns, including by establishing mandatory minimum competency standards. The proposal would be effective on the date of enactment.
- Expand and increase penalties for return preparation and e-filing.* Inappropriate behavior by paid tax return preparers harms taxpayers through the filing of inaccurate returns, erroneous refunds and credits and personal tax return non-

compliance. Tax return preparer misconduct continues, in part, because the amounts of the penalties under current law do not adequately promote voluntary compliance. The proposal would increase the amount of the tax penalties that apply to paid tax return preparers for willful, reckless or unreasonable understatements, as well as for forms of noncompliance that do not involve an understatement of tax.

—*Expand authority to require electronic filing for forms and returns.* Under this proposal, electronic filing would be required for returns filed by taxpayers reporting larger amounts or that are complex business entities, including: (1) income tax returns of individuals with gross income of \$400,000 or more; (2) income, estate, or gift tax returns of all related individuals, eStates, and trusts with assets or gross income of \$400,000 or more in any of the three preceding years; (3) partnership returns for partnerships with assets or any item of income of more than \$10,000,000 in any of the three preceding years; (4) partnership returns for partnerships with more than 10 partners; (5) returns of real estate investment trusts, real estate mortgage investment conduits, regulated investment companies and all insurance companies; and (6) corporate returns for corporations with \$10,000,000 or more in assets or more than 10 shareholders. Further, electronic filing would be required for the following forms: (1) Forms 8918, “Material Advisor Disclosure Statement”; (2) Forms 8886, “Reportable Transaction Disclosure Statement”; (3) Forms 1042, “Annual Withholding Tax Return for U.S. Source Income of Foreign Persons”; (4) Forms 8038-CP, “Return for Credit Payments to Issuers of Qualified Bonds”; and (5) Forms 8300, “Report of Cash Payments Over \$10,000 Received in a Trade or Business.” Return preparers that expect to prepare more than 10 corporation income tax returns or partnership returns would be required to file such returns electronically. The Secretary would also be authorized to determine which additional returns, statements, and other documents must be filed in electronic form in order to ensure the efficient administration of the internal revenue laws without regard to the number of returns that a person files during a year.

—*Improve reporting for payments subject to backup withholding.* The proposal would treat all information returns subject to backup withholding similarly. Specifically, the IRS would be permitted to require payees of any reportable payments to furnish their TINs to payors under penalty of perjury. The proposal would be effective for payments made after December 31, 2021.

CONCLUSION

Chairman Van Hollen, Ranking Member Hyde-Smith and Members of the Subcommittee, thank you again for the opportunity to update you on the filing season and IRS operations.

We continue to balance multiple unprecedented demands, including continuing the filing season and work on important new tax provisions. We remain focused on numerous taxpayer-related issues, and we have pursued innovative ideas and processes not previously deployed by the IRS in an effort to make improvements to the current inventory and provide meaningful taxpayer services.

The reality at the IRS is that we know we need to do better; we’re committed to doing better, and we are trending in a positive direction. We appreciate your patience and understanding and the many expressions of gratitude we have received for the efforts of our employees, who have consistently stepped forward despite their own health and safety concerns. Our employees are doing everything they can. But we need Congress to help us by providing adequate resources and a sustained, multiyear investment in the agency.

I continue to be extremely proud of our workforce and their dedication to helping American taxpayers fulfill their tax responsibilities and resolve tax issues.

Senator VAN HOLLEN. Thank you. Thank you, Mr. Commissioner. I think we will do 6-minute rounds, and we may have more than one round. I don’t know if other Members of the Committee will be joining us at this point or not. And I want to start my first round of questions, focused on the backlog and customer service issues.

So Mr. Commissioner, you and I were talking a little bit. Can I confirm that it is your goal to eliminate the backlog by the end of this calendar year?

Commissioner RETTIG. It is my commitment to you, individually and as Commissioner of the Internal Revenue Service, for the IRS

to eliminate the backlog, and you will hear us use and see us use in print is “get healthy,” which means through the eyes of the taxpayer, doing what they expect us to do by the end of this year.

Senator VAN HOLLEN. Got it. And one of the tools we gave you, in the last session, was Direct Hire Authority. I know you are using that, right?

Commissioner RETTIG. Absolutely. Congress rescued us. There is no other way for me to say that, with Direct Hiring Authority. It was part of the Omnibus budget, March 15. On March 16, we started with job fairs at our three big processing centers. For the last 2 weeks of March we went out on the ground, held job fairs and they have been extraordinarily successful. We are looking to hire 5,000 people this year and—5,000 people next year, for a total of 10,000.

To give you an example we went to the three processing centers, Ogden, Utah; Kansas City, Missouri, and; Austin, Texas. We went into Austin, Texas and we had 500 people show up with résumés, meaning their package is complete. We made 500 offers on the spot. We have about a 93 percent offer rate to people who show up at our job fairs on the spot.

We are also doing virtual job fairs. And in the next 30 days, we are doing another round of job fairs at these same locations. They have been very successful. They have received a lot of local press, in a good way. The government is coming in and giving jobs, Federal jobs, to the community.

Without the Direct Hiring Authority that we got in the budget I would not be able to report anything really positive. We cannot hire people at \$15- to \$17 an hour in these communities when we are competing with Amazon. We are competing with Target, that is \$20 an hour. Walmart recently announced they are hiring 50,000 people. Walmart recently announced truck driver positions at \$110,000 a year, and we come in \$15 an hour Federal jobs. So we need to be able to hire on the spot.

Senator VAN HOLLEN. Good. Well, thank you for making use of that authority. And now just in terms of the, sort of the—and I know you have made some progress already, but the mountain that we need to tackle in order to achieve your goal, just so we are on the same page, and just quick yes or no answers, if you can, to confirm the numbers I have got. I am looking at a status of unopened mail and backlog inventory issued April 26. So it should be pretty current.

Paper returns waiting to be processed, the calendar year 2021, over 2.5 million; those received in calendar year 2022, just over 8.9 million, for a total of 11.5-plus million, is that the system—

Commissioner RETTIG. The paper returns for 2021, as of April 21, 2022, are at 1.8 million, received in 2022 are 4 million, which somebody might dispute whether those were backlogged or not. We just concluded the April 18 filing date.

Senator VAN HOLLEN. Okay.

Commissioner RETTIG. The total paper returns that we are sitting on as of April 21, 2022 is 5.8 million.

Senator VAN HOLLEN. All right, let me stop you there. So whoever, just whatever information I have got here is obviously incor-

rect, I thought it came from the IRS but—I guess I have got some of the—

Commissioner Rettig: I am reading the individual returns.

Senator VAN HOLLEN. Yes. Yes.

Commissioner RETTIG. And if you went to the right, you might be reading the total returns. It is the side with this—

Senator VAN HOLLEN. Oh. I am sorry. You are right. I am reading—I am reading the total individual in business; you are right. I have got—I guess the document that I have got, Status of Unopened Mail and Backlog Inventory, issued April 26th, 2022, is the most up-to-date information?

Commissioner RETTIG. Correct.

Senator VAN HOLLEN. Yes. I got it. Thank you. So, you know, one of the frustrations, and I know you understand this, that a lot of taxpayers have, is they, if they get a Notice of Deficiency, and they want to get somebody on the line to explain it—let me modify that.

They want to get in contact with somebody quickly, and as you well know, given the volume of phone calls that come in versus the operators and folks you have got answering them, it is really hard to get through by phone. So online, communication seems to be the answer. That is the way most people do a lot of business in the United States. I mean, you can communicate with your bank. You can communicate with other entities that way. When will a taxpayer be able to communicate, in real time, with someone at the IRS online?

Commissioner RETTIG. There are different levels of communication that we have online, but taxpayers can create a taxpayer online account, that they can go in and monitor their account, and they can change information. They can, on their own, without interacting with anybody at the IRS, enter into an installment payment arrangement if they owe less than \$50,000.

But we are also mindful that we live in a country where there are tens of millions of people who do not have broadband access, who cannot go online, who don't have a smartphone. So, it is critical that our resources also be deployed in our Taxpayer Assistance Centers, which are really our frontline retail operations, where somebody can walk in—we prefer by appointment—but even unannounced as well as telephone access.

The driver of the inventories is, for the most part, that people who answer the phones also are responsible for conducting resolution of paper that we are left with. So, we have made various decisions. We leave people on the phones, and then in theory, when the phone volume would come down, they would move to the paper.

We have not had either of those volumes come down in 2 years. We currently have moved people into the paper processing, trying to answer the phones the best we can trying to get people to interact with us, it is just—

Senator VAN HOLLEN. Right, and just—thank you for giving me your commitment and goal in terms of an-end-of-year deadline for the backlog. Can you give us a sense of when I, as a customer, as a, you know, one of my constituents who has a question for the IRS about, you know, their tax return, when they are going to be able to communicate online with the IRS?

Commissioner RETTIG. It depends upon what they are looking for, but we get tens of millions of online contacts currently, and those operate seamlessly and successfully. Where we really want to be, we are about 5 years from being what the Agency should be in terms of the ability of the folks who want to just interact with us online, to do everything with us online, with the exception of filing a return.

We don't have pre-populated returns, but otherwise to provide and interact with us online, I would say that we are about 5 years away from that. It could be a little more, depends upon the funding that we get, and it depends upon technologies that develop.

Senator VAN HOLLEN. Thank you. Ranking Member Hyde-Smith.

Senator HYDE-SMITH. Thank you very much. Mr. Commissioner, we have heard a lot about the historically high backlog, and we have discussed your recent pledge that the backlog would be resolved by the end of 2022, in large part, due to the IRS' ambitious plan to onboard thousands of new employees. How is the challenging labor market affecting that hiring plan for you?

Commissioner RETTIG. Well, thanks to Congress, we got Direct Hiring Authority, so we are in a different world now than we were before March 15 when we received that authority. And what we are talking about is onboarding folks at our Submission Processing and our Accounts Management facilities around the country. Submission Processing is dealing with paper, whether that is mail or paper returns; Accounts Management is resolving a taxpayer issue that they may have with respect to an already-filed return.

We have over 2,500 people coming on board, but we have also done a lot of other things that we have not previously done, to bring these volumes down. And simply, the way I summarize it is to say, we are trending in a good direction. I am comfortable sitting here today telling you that we are committed to—and I am committed to—being healthy by the end of this year.

But obviously, not to play lawyer games, but another COVID or unforeseen circumstances could interrupt that. But where we are today, I am committed to doing that. If we see unforeseen circumstances, some type of a surge, whether it is COVID, or some other non-COVID-related issue that impacts us, I would come back up and let you know that I need to adjust.

This is my reputation with you, our reputation with you, and we want you to see what we are doing. We have also engaged contractors to do what contractors could do, about 2,500 people coming in. I think it is well known, it has been played up a lot that we did surge teams. We brought back employees who have been in these two lanes within the last 2 years. We brought them back in to do that processing.

And now we are going for the employees who left within 3 or 4 years to bring more back in, and all the efforts that we have made show that we are trending in a good direction. And similarly, with respect to the current filing season, which just concluded - without extensions—on April 18.

We did a lot of messaging and have lessons learned from filing season 2021 to filing season 2022, which we are in currently. We did a lot of messaging encouraging people to file electronically, file an accurate return, file for direct deposit. There was one large

transmitter of returns for people that I heard. I am a tax guy, I came in from the tax community—and I heard in a roundabout way that one large transmitter was telling its franchisees to start submitting returns on January 4.

I reached out and I said, do not submit returns on January 4. You need to reconcile the Advanced Child Tax Credits, and the Economic Impact Payment that these folks receive before a return is filed. We sent out 200 million letters telling people what they got for an EIP. We sent out 57 million letters telling people who are under the Advanced Child Tax Credit. We encourage people to look into their online account and verify those amounts, because accurate, electronically filed returns where people requested a direct deposit, those are going seamlessly.

Senator HYDE-SMITH. Okay. And about the employees that you are bringing in, the on board, how many of those you are going to have to train? Because I know it can take several weeks to train people once you get them there. But you are saying the ones you are bringing on are basically already trained?

Commissioner RETTIG. No.

Senator HYDE-SMITH. The fact that they have been out of the system?

Commissioner RETTIG. No. Let me give you sort of a summary. And then if you want me to back it up and give you the individual information that. I think you might be inquiring about. All these efforts, when are you going to see an impact with trained people in these rooms, processing this information? It is going to be in the June range. But we have figured that in. When I am telling you we will be current by the end of this year, we know the process.

And some of the people that we are onboarding are going to need 2 or 3 days to train. Remember, we are opening envelopes. We have people who open envelopes. We have people who monitor electronic accounts. It is a broad range of talent that we are looking at.

But when I tell you the end of the year, it is on the assumption that these people are in, on board, in the June range, and trained. It doesn't help us to put an untrained person in these facilities.

Senator HYDE-SMITH. But our information is telling us it could be 8 weeks to 37 weeks to properly get someone trained.

Commissioner RETTIG. Not at all. I don't know who told you 37 weeks. I would like to meet with that person.

Senator HYDE-SMITH. So you, when you come in by June, I mean, this is being May.

Commissioner RETTIG. Yes.

Senator HYDE-SMITH. You are going to have all of these employees already trained?

Commissioner RETTIG. We don't have 37 weeks left in this year, I believe.

Senator HYDE-SMITH. So they will all be trained by June? Or is that realistic, or?

Commissioner RETTIG. That is where we are with the people coming in. If the people continue to come in at the rates that they are coming in, the June range, having our people in the seats, trained and handling it, is realistic.

Senator HYDE-SMITH. So you can have them—everybody trained in a month?

Commissioner RETTIG. Keep in mind, when we do these surge teams, these are already trained people that are just getting refreshed—that is a matter of days.

Senator HYDE-SMITH. And that is the majority of the ones coming in, there is not newly hired?

Commissioner RETTIG. There is both.

Senator HYDE-SMITH. That has never worked for the IRS before?

Commissioner RETTIG. There is both. We are doing every lane.

Senator HYDE-SMITH. But you feel confident even those who have never worked for the IRS before you can have them trained by June.

Commissioner RETTIG. The person who has never worked for the IRS before is not going to on board and adjust some taxpayer's account because they reported unemployment compensation as non-taxable when it wasn't. That would be a different category. We have a broad category of people that we are bringing in for different levels of work.

And if I may? If it is different, you will hear from me.

Senator HYDE-SMITH. Okay. It is just an aggressive plan for hiring people, and have them all trained and ready to roll.

Commissioner RETTIG. Both of you and this country deserve an aggressive plan. We have done a lot of innovative things behind the scenes to make things work. We have used our ARP and other money for technology that radically improved our ability to process certain things, that in a different world we probably wouldn't have been able to do, or had the support to do it.

We have also considered things that we did not implement because it didn't look like it was going to get us to where we needed to be or was more complex. We cannot add complexity when we are in the situation we are in.

I think we have done as each of you would do if you were in this seat. We entertained and continue to entertain everything that we can to get this right. And we are not done being innovative where it will be helpful. We can't be innovative if it shorts us on what we are trying to do.

Senator HYDE-SMITH. Thank you.

Commissioner RETTIG. Thank you.

Senator VAN HOLLEN. Thank you. Thank you, Mr. Commissioner. I have one final question on the issue of, you know, the backlog and taxpayer service, and then I am going to turn to enforcement issues.

Paper returns, I know your life at the IRS would be made much easier if more taxpayers filed electronically, but we also know that we have to keep open the option for people filing paper returns. If you look at the backlog, as you have indicated, it is essentially those paper returns.

And I am sure you are aware that the Taxpayer Advocate has said that, quote, "Paper is the IRS' kryptonite, and the IRS is buried in it." And the Taxpayer Advocate has recommended that the IRS implement the 2D bar coding, and/or the optical character recognition technology to speed up the processing of paper returns.

What plans, if any, do you have to implement this new technology that the Taxpayer Advocate argues would speed up the process?

Commissioner RETTIG. The technology is not new. We actually requested funding in our Congressional Budget Justification in 2013, and then again in 2014, again in 2015, again in 2016, again in 2017, for 2D bar-coding, and we never got the funding. And so in 2018 the agency shifted to an emphasis on electronic filing.

We are currently running about 95–96 percent—for the current filing season—of the individual returns that we are receiving e-filed. There are some returns and some forms that cannot be electronically filed. We need to get those so the taxpayers have the ability to e-file those. That is a technology draw. And we move our resources to areas that are there.

But we are looking at this, and you will see our response to the Taxpayer Advocate Directive that was issued. This is not new, and it is not new for the agency.

Senator VAN HOLLEN. Right. Let me just ask you, because I agree, and I do appreciate your efforts to move people toward electronic filing for the reasons we have discussed. But do you agree with the Taxpayer Advocate's recommendations? I understand that you have asked for it in past budget requests, this new technology, and you haven't received it.

I don't know if it is in your current request. I don't believe it is. And so I guess my question is: What is your current assessment of the Taxpayer Advocate's recommendation?

Commissioner RETTIG. I appreciate the efforts of the Taxpayer Advocate, and you will see us move in a direction that is expansive in this regard.

Senator VAN HOLLEN. In terms of deploying these technologies?

Commissioner RETTIG. It may not be these technologies. If we were asking for it in 2013, we are 10 years, essentially, technology wise beyond that.

Senator VAN HOLLEN. Right. Okay. So put aside the specific technologies, but I guess the question is, you would be looking for technologies that would allow you to convert a paper return much more quickly, to be processed rather than having to sort of keypunch every item; is that right?

Commissioner RETTIG. Absolutely.

Senator VAN HOLLEN. Okay.

Commissioner RETTIG. We have a digitalization office that is not only doing this—which is outward facing—we are doing it inward-facing too to help our employees.

Senator VAN HOLLEN. Got it.

Commissioner RETTIG. You know, transferring information.

Senator VAN HOLLEN. Good. Let me turn to enforcement, and you have spoken eloquently about the tax gap, and the need to get at it. Some have argued that, you know, we should not provide you with more authority to close the tax gap. And again, I remind people, this is collecting taxes that are doing owing; that we should not give you additional tools to do that because you are going to go after the little guy, you are going to go after small businesses. Is that in your intention, and that if you were given these resources what would you do? And what would the impact be?

Commissioner RETTIG. I note it is National Small Business Week too. I think the Committee should note that I was born and raised into a small business. I'm very respectful, and understand that

small businesses, in my mind, are the backbone of this country. The folks that might not have another opportunity, employment-wise, tend to open a small business. So the respect there is huge.

The resources that we are looking at when we talk about enforcements are at the high-end level. It is the big, and super-big corporations. We have cases where we have \$10- \$15 billion of tax at issue. We get outgunned in those routinely, by the professionals they are able to hire, and the resources we are able to bring in, that it can come down.

And the statistic I use frequently is: last year we had over 4 million partnership returns filed. I have 6,500 frontline Revenue agents all in, and they are all currently, and would remain so, dedicated to the high end, most complex returns that we receive.

And so the concept that we would expand examination resources to small businesses, or lower-income people, and the administration has called for nothing under \$400,000. \$400,000, quite frankly, if you look at where we are, it would be nothing under a number significantly greater than \$400,000. Typically, for taxpayers with up to about a million dollars, we have information reporting; we have either W-2s or 1099s.

When you go to a million dollars plus, you are talking about entrepreneurs that use multiple-layered entities, and that is where we should be. And it is where we are currently.

Senator VAN HOLLEN. Thank you. No, I appreciate that commitment. I just wanted to underscore that point. Let me ask you about conservation easements. These are one mechanism that are, if it is used for very wealthy people to escape their tax obligations. Can you talk about that particular device?

Commissioner RETTIG. There are criminal indictments in the conservation easement cases. There are cases in the United States Tax Court, civil cases, where we have amended petitions to assert civil fraud penalties that should be indicative of what the IRS and Department of Justice believe about the syndicated easements.

We support the intent of Congress with respect to the purpose of conservation easements. The syndicated easements are different. They have been categorized as an abusive transaction. If you read any of the tax court opinions that are out there, you will see why, and notwithstanding, we have put a lot of resources into this space, from a counsel perspective, appeals, and exam perspective.

We have listed this transaction in 2016, giving people notice that we believe this was an abusive transaction and notwithstanding our efforts, we have not had an impact on essentially slowing the volume of these transactions that we receive currently. We need Congressional help. We need a statute to help us curb this activity.

Senator VAN HOLLEN. Well, thank you for that distinction between legitimate and important uses of conservation easements, and the abuses that you mentioned.

I do have some additional questions on enforcement, but my time is up with this round. And I will turn it again to the Ranking Member.

Senator HYDE-SMITH. Thank you, Mr. Chairman.

You had mentioned the 2D barcodes on tax forms, and the efficiencies that are associated with those things. Can you speak about the IRS' progress in implementing that on those tax form bar

codes? Wouldn't the associated cost of implementing these—this technology be largely offset by the savings from no longer having to pay employees to manually enter this data?

Commissioner RETTIG. No, ma'am. 2D bar coding still requires us to receive a paper return that needs to be opened and processed. It is a paper return concept. Also with respect to transmitters and other returns, there is not a system that allows the IRS to seamlessly take the equivalent of a Xerox copy or a fax kind of a concept, that drops it into our system seamlessly, and all the numbers drop in.

We still have a lot of manual provisions that we require, but we did seek funding to get into this arena. And we are going into the direction of being able to automate paper returns. As you indicate, it would help from a staffing perspective, it would help from a cost perspective, and I think it would help across the board in terms of shortening the tail on when we can get these returns processed, and get refunds out.

Senator HYDE-SMITH. But it wouldn't offset the cost that much is what you are saying, although you get the technology?

Commissioner RETTIG. There is not a perfect system that the IRS can buy today without a significant cost, both in terms of human cost and resources to get us to where we need to be. But we are definitely going in that direction.

Senator HYDE-SMITH. Okay. The IRS recently ended the practice of requiring individuals to provide biometric data in order to create an online account, and the IRS changes course by giving taxpayers the option to verify their identity through the biometric verification, or during a live, virtual interview.

What level of confidence do you have that the biometric data that has already been provided, or will be provided, is protected?

Commissioner RETTIG. The biometric data that is provided to ID.me, and our memorandum of understanding, the agreement with ID.me,— I think Congress has copies of those agreements—the information that somebody would provide currently is destroyed within 24 hours.

Information that was provided prior to the time that we shifted was to be destroyed within 30 days. The only pieces that are not are where there—are indications of identity fraud, and there is considerable amount of identity fraud associated in the taxpayer world. We shifted to providing that option also with the recognition that we are looking at other options to provide taxpayers. And there have been a lot of questions as to why the IRS went to ID.me.

We were receiving about a million visits a week, of people trying to create online accounts. The system we had before had about a 40 percent authentication rate. Taxpayers who would try to authenticate that, yes, this is Chuck Rettig. About 60 percent were not getting into the system, and had to walk into a site, or had to call in, which when we are on our heels from an inventory perspective, is not a meaningful thing for the people in this country. They deserve better.

With ID.me, the authentication rate is far in excess of 70 percent, both on the biometrics part, which is facial recognition, but taxpayers have the alternative to get online with a live ID.me per-

son. On the facial recognition, that is offered in eight different languages; the in-person is offered in more than thirty different languages.

And I think you are aware that we have moved significantly from a service perspective, into our multilingual efforts have really been there. The last part is Login.gov can handle about less than 30 transactions per second. We need more, about 1,500 transactions per second. We need a level two authentication that once this person is in, this is the person.

We are looking at other alternatives, but know, as the level of authentication may come down, people that don't want facial recognition or the in-person, what we were hoping to get to, and I think the people in the country would help us to get to is, once I know this is you, that is your account, I can open up a whole list of services that you can do automatically online.

When that authentication level might be different, we have to pull back because of the levels of fraud that we encounter. And some people think fraud is somebody sitting in their backyard, but we are up against nation states. And I think you are aware that we get about a 1.8 billion cyber attacks per year. And so, to protect the data that people trust us with, we have to be at a higher authentication level, or not have so many options available.

And we will explain to you as we get there. These are some of the many difficult choices that have to be made, because I think, collectively, we all want the person who is capable of going online to be able to do 100 percent of their interactions with the IRS, online, seamlessly. If we open it up for one, we end up opening it up for all. So those are some of the decisions that have to be made.

Senator HYDE-SMITH. Okay. Let us talk about the dollar figure. Do you know how much money has been spent to date on the IRS contract with the ID.me, and what is the status of that contract?

Commissioner RETTIG. I could get you the information on that.

Senator HYDE-SMITH. You don't have a—

Commissioner RETTIG. I think the contract provided for up to something like \$88 million, if I am not mistaken, but I can get you the information within a day.

Senator HYDE-SMITH. And you had mentioned the Login.gov.

Commissioner RETTIG. Mm-hmm.

Senator HYDE-SMITH. Of the fiscal year 2023 request seeks \$27 million for user authentication. And how does the IRS plan to spend this increase? Will this funding be used to support that, the Login.gov?

Commissioner RETTIG. Well, we are—

Senator HYDE-SMITH. On the 2023 request?

Commissioner RETTIG. We are where we are with ID.me. There is still facial recognition with an option for the interview. We actually are working with Login.gov to try to get their transaction-per-second rate up, and to try to get their authentication level up to a NIST Standard 2, IAL2 I think is the actual terminology. It is a higher authentication.

And I believe we have the best IT people on the planet, and I have asked our people to coordinate with Login.gov. It is not an IRS agency, it is another agency.

Senator HYDE-SMITH. Mm-hmm.

Commissioner RETTIG. But it would benefit all agencies. And we should bring the best talent there. And if they get to the point, I think that we have already indicated that we would shift. You would want us to shift, and I am not saying you personally, but people of the country want us to have the best system, seamlessly helping the people who want to go in that lane, and provide as many services as we can. And that is our desire as well.

Senator HYDE-MITH. Thank you.

Senator VAN HOLLEN. Thank you. And just to follow up on that. I mean, I understand the authentication challenges you have got, given the fraud situation. I do appreciate your moving to a volunteer system when it comes to facial recognition, but the more people can sort of volunteer into your authentication systems, you know, the better off the overall process, I think, will be.

I want to go back to a couple of enforcement issues, because, we saw from a recent Treasury Department Report that one of the mechanisms that some employers—and I just want to address “some”—use to avoid paying their payroll taxes that are due owing, it is employee misclassification.

They found that, you know, workers being misclassified as independent contractors, contributed to a significant tax gap, and avoidance of paying the Social Security, Medicare, and other payroll taxes.

What role, if any, do you believe the IRS has in addressing, employee misclassification?

Commissioner RETTIG. Well, certainly, people categorized as an employee receive wages through a W-2, that is the information reporting to the IRS that is withholding the accuracy in filing for those folks is typically around 99 percent. When you get into a lack of withholding, and maybe a lack of 1099 type of thing, which gets you into the independent contractor status, it drops down below 50 percent, sometimes significantly below 50 percent.

There is a significant issue here, because these are issues I was aware of on the outside. An employer would like to categorize a worker as a non-employee, so they don't have to pay the employer's portion of the employment tax regime that we have. So it is less expensive for the employer to do that.

They might not be providing certain insurance, et cetera. But the person might actually be an independent contractor, and so that is a determination that the IRS needs to make, through a facts and circumstances test.

There is a form that people can file, the SS-8, and on that form they indicate why they believe somebody is or is not, or a category of employees are or are not, an employee, and we don't get a lot of those forms each year. My reaction is, that employers don't want to hear that somebody is categorized as an employee, and they would probably rather take the risk.

But to give you some numbers, in fiscal year 2021, we received 2,387 SS-8s, which is the request for a determination of employee status. We closed 1,953 of those with an average cycle time of about 240 days, which is exactly the cycle time we had in fiscal year 2018, meaning that those are not backlogged. But quite frankly, in a country the size that we have, and the number of workers that we have 2,387 for a fiscal year.

Senator VAN HOLLEN. Right. So I mean, but right now, and as I understand it, and the only mechanism, at least via the IRS, is this voluntary, mechanism of filing an SS-8 Form. I mean, you don't take other steps to try to resolve this; do you?

Commissioner RETTIG. Well, we do. I get all the statistics around the country, probably a day doesn't go by that I read about somebody either being sentenced or convicted for employment tax-related fraud. And all of those start in-house with our IRS Criminal Investigation Division.

We are very aggressive in that arena. Essentially, in that case, if I withhold from an employee, withhold the payroll that I am supposed to—the taxes I am supposed to pay over to the Government, but I don't, and I go and buy a motor home or whatever, and that employee files a tax return, the government gives that employee credit for the amounts that I stole.

So, we are hugely aggressive in those arenas. And once a person gets indicted, sentenced, and et cetera, those cases become public, and they hit the newspapers in the local communities and, typically, these are the cases where you do see somebody withheld X-dollars, and they have the trips, the motor homes, the houses.

Senator VAN HOLLEN. Right, but you are—these are the wage theft cases you are referring to.

Commissioner RETTIG. Yes.

Senator VAN HOLLEN. I am referring also, though, to these employee misclassifications in it.

Commissioner RETTIG. There are some—

Senator VAN HOLLEN. And I know they are related. Let me move on quickly, because I do want to ask you about the provisions in current law that says that if you want to be a government contractor, you have to be up to date on your tax payments. And I know that we have been working with you, and I know the IRS has initiative to be able to quickly determine whether somebody who is one of your contractors at the IRS, meets the test, that they have made their tax payments on time.

But we want to extend that provision government-wide, and facilitate other agencies of being able to quickly determine whether or not a proposed government contractor that they would do business with, has met these requirements. Where does everything—where do we stand on that?

Commissioner RETTIG. Yes as you know, there is a provision, and Congress gave us the task to do it but there is not a waiver under 6103, which makes every taxpayer's information private and confidential. We created what we believed was a workaround that does not violate 6103, where a company could, essentially, come in and get a certificate from us. And we would issue a certificate that they would then take to the agency where they want to contract. And it would say: This person is current with their tax obligations.

We are still talking to certain other agencies, but there are other agencies that believe that is too much of a burden on the taxpayer who is doing a government contract, to actually have to go into the system, they can do this automatically, and get this certification.

And we cannot violate 6103, so we are working with the other agencies. You know, some Congressional assistance in this space I think would help get through the log jam. This needs to happen.

I mean, I think we all would agree that somebody contracted with the United States Government should not be tax delinquent.

Senator VAN HOLLEN. Yes. And, we appreciate the efforts you are—

Commissioner RETTIG. We actually do it ourselves for our own contractors.

Senator VAN HOLLEN. Right, I know—I know you are dealing with that.

Commissioner RETTIG. And it is effective, so yes.

Senator VAN HOLLEN. We just want to make sure that the benefit of your expertise is shared with the rest of the Federal Government.

And Ranking Member.

Senator HYDE-SMITH. Thank you so much. And going back to the issues that my office gets calls on. You know, the high backlog, all of it. And you know, the call-answer rate that is at 20 percent now, and the customers having to wait an average of 28 minutes to speak to someone. Your budget request includes a \$3.4 billion ask for its taxpayers' services appropriation. How will this money be used differently than in the past to address these customer service failures?

And one of the things is: "Where's My Refund" tool that we hear about. So what is going to be different to address them in spending this money?

Commissioner RETTIG. One, I wouldn't say it is a failure. We did not get in the situation that we are in because of any issue for IRS employees' desire and dedication. We got here with changed legislation on these when we had already done our technology. During tax season confusion for taxpayers on the exclusion of the \$10,200, et cetera, et cetera. And the inability of taxpayers to reconcile, which we have done better this year, and we sent out these letters too.

We have done the best that we could with what we have. But with taxpayer service, what happens is that we have buckets, and part of this provision asks for the ability to change the buckets. I am where you are on what is referred to as an IAT, Inter Account Transfer, not taking money from enforcement every year and supporting taxpayer service or operations support.

If Congress tells us it should be in that lane, that bucket, we have four distinct buckets: Taxpayer service, Operations Support, Modernization, and Enforcement, and Congress tells it should be there. We have an IAT that allows us to transfer, I think, up to 5 percent between those, but we need to be respectful to that.

In the taxpayer service lane, what is going to be different? Where are we going to go? One, if we get our levels current, the taxpayer service funds combined with the modernization funds, this year we added a customer call back to 70 percent of our toll-free lines, which is the lines people call when they have an issue. And they get a call back within the same business day.

When I heard it initially, I thought, okay, so we plugged something into the system. We had to redo our telephone infrastructure to be able to bring that into the system that we have.

There are a lot more complexities to what we have than necessarily just plugging something in. But also adding people, we received phone calls at the rate of 1,500 per second at various points

in time during the year. We receive 400 percent more phone calls this year than any other year.

If the country gets back to normal - and we are not organizing ourselves for normal, we are organizing ourselves that we need to be providing the services that we should be providing in the environment that we are currently in—if we got 10,000 more employees, but these sort of COVID-related issues subsided, I need to find a place to put those 10,000 employees inside the IRS, to be respectful for the funds that we use to hire the people. We are looking at all of that, and that is really what we are talking about.

Bottom line, what you want us to do is to answer the phones, open the mail, have our Taxpayer Assistance Centers open. We have 358 Taxpayer Assistance Centers which are our frontline retail operations. Some of them are in malls; some are associated with other agencies.

You want the ability of any American to walk in and ask a question of somebody at the IRS, and have that person be trained and capable of answering that question there, whether they go into the system or otherwise. So we need to fully staff our Taxpayer Assistance Centers, we need to train the people who are in those. We are a long way from that. Attrition is significant with us. So that is another avenue and there is a whole list of needs.

We need to do better in every lane. I am sure every Commissioner has asked for what I have asked for—but I combine it with oversight. We are not here to spend money and not have people see how we are spending it, or moves that we are thinking and making. But the funding concepts for an agency that touches literally every American, there are significant issues to be able to operate the agency, to the extent that I think you all want, but also that every American deserves.

We touch more Americans than anybody on the planet. And during the pandemic, let it be known that Congress called on us, not the VA, not Social Security, not some other agency, to distribute over \$1.5 trillion during the pandemic in three rounds of Economic Impact Payments, two rounds of Form 1040 refunds, and another \$93 billion in Advanced Child Tax Credit payments, which were distributed over a 6-month period.

We had to create the vehicles to do that during a pandemic and handle the filing season. We are in our third COVID filing season. That is where I come to.

You know I am the end of the runway. It is not my choice to leave, but it is the statutory term, November 12, but the end of the runway is there.

And you will hear from me throughout this year and next year. Employees of the IRS, they are dedicated, they want to do it. And we have all levels. I will close with this. I met a lady my first year, in Covington, 61 years with the Internal Revenue Service. She showed up every single day at 6:30 a.m. to open envelopes. And when I went up and said, hi, I am Chuck. She was crying. She was so proud to be there.

That is the employees that we have. Our employees, we're the front line for the United States Government in touching taxpayers who lost a spouse, who lost a family member, who had somebody in the hospital. One of the issues on phones, people are saying, the

average time, or the difficulty to pick up, but I encouraged our employees to stay on that call.

If somebody called in on an EIP, or a tax issue, stay on that call, because every one of those calls flipped to: I lost my husband. I don't want our employees, being representative of the United States Government saying, I have got ten more calls I have got to go answer.

I want our employees to be human and say you lost your husband. That must be hard and wind that call down. We do this thing, Talk Story, where on Zoom I meet with 100–150 employees—it is scheduled for an hour, and the shortest one we have done is about two-and-a-half hours. And we do them weekly, all around the country. I talk to employees in Guam.

And I see our employees get emotional when they tell me the stories they are getting from taxpayers, but know that it is IRS employees, that we are touching people in their homes suffering from COVID during the pandemic, and it is IRS employees that made these distributions. And Congress asked us to do so as rapidly as possible, three times.

I have told our employees—don't correct me if I am wrong—but I have told our employees, Congress respects you. You only ask people once, twice, three times, four times when you know they can meet that challenge. And I am going to tell you today, and I will tell you after my term, our employees will meet that challenge.

We have people on mandatory overtime. I have 6,000 employees in mandatory overtime for far beyond what we should be asking these people to do. And I have 10,000 employees on authorized overtime. The reason I say "far beyond" is that at some point this creates morale issues.

I am about ready to do a sort of tour to these campuses and go and sit with our employees, a thank you kind of a thing.

I apologize for the long-winded response but we are proud of who we are, and we are going into communities. You are well aware of our initiatives. We are coming down into Mississippi. We went to Puerto Rico. No other agency is going into the communities we are going to. We are going to these communities; it is the right thing to do. We are not brick and mortar, we are not an institution, we are people helping people, but we are going to communities that have three and four generations unemployed, to bring in and train job skills. We are bringing Federal time—

Senator HYDE-SMITH. I am over my time limit.

Commissioner RETTIG. So am I. And I apologize.

Senator VAN HOLLEN. Mr. Commissioner, first of all, I appreciate your initiative in going into underserved communities, I know you have 10 million in the budget specifically for that purpose and, look forward to working with you as you implement that.

I have one last question for you here, I will submit the others for the record, and then I will ask the Ranking Member if she has any final questions, and then we will wrap it up. So my final question relates to cryptocurrency, as you know, in the Bipartisan Infrastructure Bill that we passed last year, we had a provision to raise some funds by extending financial reporting requirements on brokers to include cryptocurrency transactions.

I have heard estimates that the annual tax gap due to non-reporting of cryptocurrency gains is estimated at approximately \$77 billion a year. My question to you Mr. Commissioner is: What steps have you taken to implement the provision from last year's bill? And how would you assess that figure I just gave you with respect to the tax gap in crypto transactions?

Commissioner RETTIG. Let me start by saying that the market cap for virtual currency fluctuates between \$1.5- and \$2.5 trillion, depending upon if it is Wednesday, Thursday, or Friday. Last year there were \$14 trillion in transactions in virtual currencies, if you do a GNP of the United States, of the world's GNP, we are somewhere between 30 and 40 percent of possibly \$14 trillion in transactions.

They are based on affidavits in John Doe summons cases, and we have done about five or six of these, where we have gone for the information, and we received information about taxpayers in certain exchanges that have indicia of U.S. contacts. So, we know there is a very significant compliance issue there.

We need information reporting in the virtual currency space. We got FATCA as legislation, but we never got the funding to implement and modernize the systems to take care of the information that we get. It does not make sense to me to give us information reporting if we don't get the funding to put a system together to do that.

You want it, and we want it, and we should not end up in the same place with virtual currencies. I think we have to have virtual currency reporting. We have to have the ability to use that information in a meaningful manner. And I am not saying, to be able to go after people. If we have the ability to match information, we will not go after people as much as we would go after unreported transactions.

The people who report it don't need to hear from us, and we should be able to check that on our end before we send out a notice. So, it works both ways. Technology helps us know where not to go, as well as to know where to go.

Senator VAN HOLLEN. No, I appreciate that. I mean, this is not to prevent innovation in this space. This is, as you say, is simply to be able to, you know, collect gains that have been made—that should be taxed like other gains in the economy.

Senator Hyde-Smith, any final questions?

Senator HYDE-SMITH. Yes. I do have a few more. And because I have a few more, if you could be brief with your answers—

Commissioner RETTIG. And I will try.

Senator HYDE-SMITH [continuing]. That will be very much appreciated.

Commissioner RETTIG. And I apologize for—yes.

Senator HYDE-SMITH. The fiscal year 2023 requests \$10.2 million to establish the Mississippi Delta Hiring Initiative. And can you discuss your vision for this initiative, including the benefits it will bring to the Mississippi Delta region?

Commissioner RETTIG. I expect the IRS to be the agency that revamps the Mississippi Delta region. I think you are aware; we are already open to hiring. We did an announcement for 15 positions

in a presently existing facility in Clarksdale. We had a tremendous response, which shows that we are headed in the right direction.

We have people on the ground. I had more than a handful of people who spent the week there meeting with local officials, looking at sites, which GSA would handle. I would love to come to talk to you one-on-one with what we envision for Mississippi.

We tried to hire 2,000 people in Austin, Texas, and we had 100 qualified people. We went into Puerto Rico and did a hiring, and we would look for 500, and we got 600.

So for the Mississippi Delta, your question might be: Well, why did this kid from L.A. running IRS in Washington, D.C., get to the Mississippi Delta? The equation is pretty simple. We looked at the EITC hot map. Where are the most EITC claims that we are dealing with? It is in the Delta. We are going to the Delta to bring Federal jobs into the Delta.

What we are doing is pairing up with 4-year and 2-year universities and colleges, to bring job skills. It is unfair of us to say that every 26-year-old needs a 4-year degree to work for the IRS. You need some job skills, which we will do through these 2- and 4-year schools.

And then somebody said to me, well what about what they think about the IRS?

We have over a hundred high schools in this country that have VITA programs. We are bringing VITA programs to high schools in these communities, so that people understand the benefits of giving back to the community. People understand what IRS does, and then sort of build the pipeline.

It is probably, and there is no magic to this, 6-year project, but my goal is that in the communities that we go into, rather than seeing subsidized housing, where somebody is painting an older building, that we see the developers come in with new housing, because you have got people with Federal jobs. And it is looking like we are going to make this a reality, and we are on the ground there.

Senator HYDE-SMITH. And we appreciate that. And can you tell me the percentage of your workforce that is still working from home?

Commissioner RETTIG. Some of our workforce always works from home. We have people who have been telework eligible forever, but 99 percent of our workforce is working.

Senator HYDE-SMITH. 99 percent of?

Commissioner RETTIG. Is working, but we have taken—

Senator HYDE-SMITH. But you don't know the percentage that is working from home? I mean, what was the normal percentage 3 years ago that was working from home?

Commissioner RETTIG. I would say that we are probably not that far away from where we are today. We have thousands and thousands of employees who are telework eligible, and some—

Senator HYDE-SMITH. I mean, that the information I am getting is 50 percent work from home; is that accurate information?

Commissioner RETTIG. I would say that that is low for where we are.

Senator HYDE-SMITH. It is higher than that who are working from home?

Commissioner RETTIG. You know, our frontline Revenue agents don't need to go into an office. Our frontline Revenue officers, our IT people will stay at home. Those are telework-eligible people. We have a bargaining agreement with the National Treasury Employees Union as to who is telework eligible, and we abide by that agreement. We have all different categories.

Senator HYDE-SMITH. Okay. But it is more than 50 percent is what you are saying? That that is a low number that works from home for the IRS?

Commissioner RETTIG. I would not hesitate to ask you something, but also where somebody is working, the physical location is mostly irrelevant, quite frankly, other than our people who are processing paper.

Senator HYDE-SMITH. That doesn't hinder the process that you are trying to accomplish now?

Commissioner RETTIG. Zero. Those folks were back in June of 2020 socially distanced, working split shifts. The people who process the paperwork split shifts, they have been in their facilities since June of 2020. The people on the phones are telework-eligible. We went into the pandemic with only 3,000 of 15,000 telephone staff being telework eligible, and then, within 2 months, 15,000 of 15,000 people were telework eligible.

Where that helped us was when we had hurricanes, earthquakes, snow, where we would shut down IRS facility, our employees continued to work from home on the phones, who were——

Senator HYDE-SMITH. but that is inaccurate, more than 50 percent are still working at——

Commissioner RETTIG. I don't have that number. We will get you that number.

Senator HYDE-SMITH. Okay.

Commissioner RETTIG. If you want it, either as a question for the record, or we will just get it back to you.

Senator HYDE-SMITH. Yes. When you said that was a low number, that there is—that that concerned me.

Commissioner RETTIG. I just know where the people are, and they are all working.

Senator HYDE-SMITH. And the 2019——

Commissioner RETTIG. If the question is, how many of our people are working, more than 99 percent.

Senator HYDE-SMITH. 2019 Report from the Office of Personnel Management found that the IRS employees spent hundreds of thousands of hours doing taxpayer-funded warrant for their labor union. Are you aware of the hours IRS employees spend on union time now? That was in 2019.

Commissioner RETTIG. I am not. But we just concluded our union contract. We can get you that, but we are locked into that by a contract.

Senator HYDE-SMITH. And the IRS employees that dedicate time to union activities on the job; is that fair, instead of addressing the backlog of returns of unanswered calls? And making sure that that is the best way their time is spent?

Commissioner RETTIG. I would like to have every employee who is capable of answering phones, or opening or processing mail, doing that. I don't know the category of the folks in that. And

again, all I can say is, we have a union contract that I am required to abide by.

Senator HYDE-SMITH. Okay. And the religious freedom is one of the greatest cornerstones of our country. And I am really troubled to learn of Federal agencies, including Treasury and the IRS, tracking Federal employees who request religious exemptions. Can you confirm that the IRS is tracking this information on religious exemptions? Are you tracking that info?

Commissioner RETTIG. This is the first I have heard that we are tracking this. The only reason that we had issues with exemptions was under the mask mandate, or when we had a mandate that people had to be vaccinated or terminated; we had medical and religious exemptions. But I have no more information, and you can ask me a question for the record.

Senator HYDE-SMITH. Okay, but—

Commissioner RETTIG. But you are the first I have heard of it, and I would oppose us tracking any religious information.

Senator HYDE-SMITH. Okay. Well, my time is out again.

Senator VAN HOLLEN. Well, thank you. Thank you, Senator Hyde-Smith.

Mr. Commissioner, thank you for being here today; I want to also take this opportunity to thank you for your service. I don't know if you will appear before this subcommittee again, but I am grateful for your testimony, and for the ongoing partnership with you and your staff.

And believe that you were committed to doing the very best job you can on behalf of the American people in tough times.

ADDITIONAL COMMITTEE QUESTIONS

Our Members will have one week to submit questions for the record. Those are due May 10th. And I would appreciate if you could—and your team—could get back to us as quickly as possible in response to any of those questions.

With that, this subcommittee meeting is adjourned.

[The following questions were not asked at the hearing, but were submitted to the Internal Revenue Service for response subsequent to the hearing:]

No questions were submitted.

Senator VAN HOLLEN. Thank you all.

SUBCOMMITTEE RECESS

[Whereupon, at 3:51 p.m., Tuesday, May 3, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2023

TUESDAY, JUNE 14, 2022

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:37 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Chris Van Hollen (Chairman) presiding.

Present: Senators Van Hollen, Coons, Manchin, Hyde-Smith, and Boozman.

U.S. DEPARTMENT OF TREASURY

OPENING STATEMENT OF SENATOR CHRIS VAN HOLLEN

Senator VAN HOLLEN. All right. Good afternoon. The hearing will come to order. And I want to start by saying I am pleased to be joined by my Ranking Member, Senator Hyde-Smith, also just joined by Senator Manchin, and Senator Coons, I think will be returning soon. I want to welcome our witness, Deputy Secretary of the Treasury, Wally Adeyemo.

And Mr. Deputy Secretary, thank you so much for being here today and for your work at the Department of Treasury. This subcommittee oversees the annual budget for the Department of Treasury, including funding for the IRS.

Just a few months ago, our subcommittee provided the IRS with its largest funding increase in 20 years in order to cut down on the tax return processing backlog, which continues to need to be addressed and to improve service for working families. It was a big step forward.

We know that we need to continue that effort this year. For today's hearing, we are going to zero in on the budgets of two specific agencies within the Department of Treasury to help keep money out of the hands of terrorists, criminals, and other bad actors, and help to keep Americans safe.

The first is the Office of Terrorism and Financial Intelligence, also known as TFI. The second is the Financial Crimes Enforcement Network, also known as FinCEN. At the outset, I would like to cover the special importance of these two agencies to America's safety and security, and to the safety and security around the world.

The Office of Terrorism and Financial Intelligence has been cracking down on terrorist funding and financing for over a decade. The mission of TFI is simple, identify, disrupt, and disable criminals, terrorists, and other National Security threats to the United States and protect the U.S. financial systems from abuse by illicit actors. That work has taken center stage in the wake of Vladimir Putin's brutal invasion of Ukraine.

The men and women of TFI have been leading America's effort to implement our sweeping sanctions against Russia in concert with our allies. Because of the work of TFI and your colleagues at the Department of Commerce and State, we have made significant strides in cutting Russia off from the world financial system.

Hundreds of international companies have left Russia and the IMF projects that Russia's economy will shrink by more than 8 percent in the year 2022. But Mr. Deputy Secretary, we know you know that Vladimir Putin and his cronies will do everything in their power to evade the sanctions and to hold on to their ill-gotten gains, no matter the risk. Which is why the work of the second agency we are here to focus on, FinCEN, is more important than ever.

Since its creation in 1990, FinCEN has been dedicated to combating money laundering and safeguarding our financial system from abuse. That mission has gained fresh urgency as Russian entities and oligarchs attempt to evade America sanctions by laundering money and hiding their assets across the world. FinCEN is one of the main tools we have to stop that from happening.

So we can see how both TFI and FinCEN are working hand-in-hand to hold Russia to account. I am pleased and proud of the actions that Congress has taken to supply these agencies with additional resources that they need to do that job. The omnibus bill from fiscal year 2022 included \$44 million in emergency supplemental funding to help TFI and FinCEN respond to the situation in Ukraine.

And the Ukraine supplemental bill passed this April provided an additional \$23 million for FinCEN. That is on top of the \$20 million increase the subcommittee secured for the annual TFI budget and the \$48 million increase the subcommittee secured for the annual FinCEN budget. With those funds, Congress increased the budgets of TFI and FinCEN over fiscal year 2021 by 26 percent and 76 percent, respectively.

Today, I hope to hear more about how those monies are being put to use. I am proud of the work that the Department is doing and that you are doing, Mr. Deputy Secretary, to push back against Putin's brutal war, and I want to thank you for your leadership. You know as well as anybody that the fight is far from over.

And today, I look forward to discussing how we can strengthen sanctions against Russia, avoid leakage in our current sanctions, and ensure other countries and foreign companies are not taking advantage of the strong sanctions for their own financial gain and windfall. Unfortunately, we continue to see new reports every day of countries and companies that are not just maintaining but actually increasing their trade or economic relations with Russia, including increased imports of Russian oil.

We cannot stand by while these countries and foreign corporations engage in war profiteering that further lines Putin's pockets at the expense of everybody else. I think we need to be doing more in this area.

And as you know, Mr. Deputy Secretary, we are in the process of drafting legislation focused on secondary sanctions to provide additional muscle and ammunition to this effort. And we look forward to any input that you and your team have, not just today, but in the coming days.

These are important topics, and I know Russian sanctions have been front page news recently, but it is also a fact that TFI and FinCEN's work goes beyond Russia, it is worldwide, and I want to thank the men and women at these agencies for the work they are doing.

Just 2 years ago, Congress passed the Anti-Money Laundering Act of 2020, which requires FinCEN to establish uniform beneficial owner reporting requirements for corporations, limited liability companies, and other similar entities, and to develop a database so that information can be easily reported and shared with law enforcement.

The basic goal of that effort is to ensure who the real owners are often behind anonymous shell companies and prevent criminals and others from abusing U.S. corporations to launder their money and hide their ill-gotten gains. It is a major new undertaking, and the subcommittee provided FinCEN with an increase of \$34 million to your annual budget in the omnibus bill for fiscal year 2022 to address these responsibilities.

It was the right thing to do, but we all know our work is not over. We must continue to support funding for these agencies. And I and the Ranking Member have indicated to both TFI and FinCEN that they should let us know when they need additional resources.

And that is true as well for you, Mr. Deputy Secretary, and the Department. We have got a lot of work to do. Look forward to the discussion in this hearing. And let me now turn it over to the Ranking Member, Senator Hyde-Smith, for her opening statement.

OPENING STATEMENT OF SENATOR CINDY HYDE-SMITH

Senator HYDE-SMITH. Thank you, Mr. Chairman. And we are glad to have you back. Also welcome the Treasury Deputy Secretary to our hearing today, and I certainly enjoyed our conversation we had on the telephone. We look forward to your testimony this afternoon. And today, we will review the fiscal year 2023 budget request for the Treasury Department's Office of Terrorism and Financial Intelligence and the Financial Crimes Enforcement Network, two very critical areas that are very important.

Both offices play a crucial role in collecting and analyzing financial intelligence, as well as implementing U.S. sanctions. Treasury is requesting significant increases for these offices in fiscal year 2023 compared to the fiscal year 2022 enacted levels.

This additional funding would be on top of funding received from both of the Ukraine supplemental packages and I hope we hear more today about how these funds are being spent, particularly those that are used to counter Russian aggression. And you have

publicly stated that the overarching goal of the Administration's foreign policy strategy is to end the invasion in Ukraine, but right now it appears to be no end in sight, even after imposing hundreds of sanctions.

Several months after invading Ukraine, Vladimir Putin has not reversed course and even appears to have doubled down. It has become clear that the previously enacted sanctions have failed to make Putin feel the pain and that more must be done. I would like to reiterate my and the Committee's commitment to helping Ukraine and our NATO allies, and I look forward to hearing from you today about the proposed budgets and how we may actually stop Russian aggression that we all thought would only last a few days.

I cannot end without acknowledging record high inflation hard-working Americans are facing and the Treasury Department's repeated denial of the state of the economy. I hope today we can discuss the current economic outlook and the inflationary impacts of this Administration's spending and energy policies. Thank you, Mr. Chairman.

Senator VAN HOLLEN. Thank you, Senator. And as you can see, we don't have a court reporter in the room, but it is been a live stream. And I understand the court reporter is doing their job from offsite. With that, Mr. Deputy Secretary, welcome again and the floor is yours.

STATEMENT OF HON. WALLY ADEYEMO, DEPUTY SECRETARY, DEPARTMENT OF THE TREASURY

Mr. ADEYEMO. Well, let me start out by saying thank you, Mr. Chairman, and also to Senator Hyde-Smith for the time you took to speak with me yesterday, but also for your leadership of the subcommittee.

I recognize that the issues that you deal with in the subcommittee are important. They are both about the domestic economy, but also about our National Security. And I want to thank you and the Members of this Subcommittee for not only your leadership, but your support of the Treasury Department and for the funding that you provided both in the omnibus bill, but also in the supplemental legislation that has been passed over the course of this year.

And as you well know, we meet today at a moment of historic significance, facing the largest land war in Europe since World War II, as well as making progress in our fight against the public health and economic consequences of the most significant pandemic in more than 100 years.

The hardworking men and women of the Treasury Department play a central role in addressing these challenges. I want to thank these dedicated public servants for what they do every day to advance our mission of creating strong economic growth and strengthening our National Security across Administrations.

Over the past 6 months, Treasury has taken swift and bold action to hold Russia accountable for its brutal war of choice. We view sanctions in service of two objectives. First, denying the Kremlin access to the resources needed to prop up Russia's economy or invest in its military.

And second, degrading Russia's ability to project power. Sanctions fundamentally are a tool. They are a part of a larger foreign policy strategy. And as a tool, these sanctions have had an effect on Russia's economy. You need only listen to President Putin, or their central bank governor talk about how degraded their economy is and the fact that they are going to need to transform it in response to the sanctions that we have levied today.

But there isn't—but what we have made very clear is that as long as Russia's aggression continues in Ukraine, we are going to continue to take sanctions actions to further degrade their ability to fight the war in Ukraine, but also to project power into the future, and also trying to take steps that will deny them access to revenues that they can use to prop up their economy going forward or to continue to build out their military industrial complex.

This work is done primarily by individuals at the Treasury Department, both in our TFI unit, which is led by Brian Nelson, but also by the dedicated men of our Office of Foreign Assets Control, as well as FinCEN. In addition to the work that we do at Treasury, we have worked internationally to build up coalitions that have done things to not only implement our sanctions, but also go after sanctions evasion.

Efforts like the multilateral Russian elite's proxies and oligarchs task force have enabled us to identify and seize the assets of those supporting Putin and his war, even where those assets are hidden using novel and complex structures. These new actions and initiatives require substantial resources, from the personnel to conduct the analysis needed to target the right entities, to the technology and systems needed to mount a global response.

It is critical that the Treasury as a whole be properly resourced to carry out these responsibilities, and we are grateful for the funding that you have provided us over the course of the last year. But in order to continue this work into the future, the President's fiscal year 2023 budget request includes a \$49 million increase in funding for FinCEN to add personnel required to implement the Anti-Money Laundering Act and to continue to build the systems we need to track beneficial ownership and leverage that information to pursue critical National Security objectives.

Second, the fiscal year 2023 budget request includes an increase of \$50 million for the Treasury Department offices, and \$135 million for a system wide investment in cybersecurity. The budget also includes an increase of \$17 million for the Office of Terrorism and Financial Intelligence, which oversees our National Security priorities, as well as sanctions.

These funds will be used to add critical staff and make key investments in our classified information systems and other tools we use to execute U.S. sanctions policy. But of course, we know that fiscal resources are finite, and we do not ask for these funds lightly. As the Federal agency tasked with managing our national—Nation's finances, we at Treasury are acutely aware of the need to raise the revenues needed to fund our Government.

That is why we are asking Congress to properly fund the IRS and provide it with the resources needed to enforce our Nation's tax laws, especially against those who use tax shelters, loopholes,

and accounting tricks to starve our country of the fiscal resources needed to pay for our domestic and National Security priorities.

Today, economists estimate that more than \$160 billion is lost every year from taxes the wealthiest 1 percent of Americans choose not to pay. In total, we will lose approximately \$7 trillion in tax revenues over the next decade due to unpaid taxes. Unfortunately, it is easy to see how the situation developed.

The IRS budget has decreased by more than 15 percent in real terms over the last decade, and its workforce is roughly the same size as it was in 1974, even though the U.S. population has grown by 60 percent and the complexity of our economy has increased exponentially. Moreover, the IRS's technology is decades out of date, written in a programming language no longer taught, and incredibly expensive to maintain.

The master file that under-grounds the tax system dates back to the 1960s, when there was no Internet, no cell phones, and no spreadsheets or automatic payments. To begin to remedy this mismatch between the IRS responsibilities and its resources, the President's fiscal year 2023 budget request an increase in the IRS budget of 12 percent from total fiscal year 2022 enacted levels.

We want to thank this Committee for the increase that occurred last year, which was the largest increase in more than 20 years. But we recognize that more needs to be done to bring the IRS into the 21st century going forward.

And we know that working with you, Members of this Committee, we can do that in order to make sure that the money that we collect at the IRS can be used to fund the priorities we have, including our military, our infrastructure, and providing for our children.

I look forward to the conversation and the opportunity to answer your questions and work together to make sure that we address the Treasury Department's needs and our country's needs at large. Thank you.

Senator VAN HOLLEN. Well, thank you, Mr. Deputy Secretary. We are now going to start questions. We will start with 5 minute rounds. We may go to longer rounds later. And we are going to start with Senator Manchin. Senator Manchin.

Senator MANCHIN. Thank you for the consideration, Chairman. I thank you very much. I have to run to another committee meeting, but I would like to ask a question, a couple. The Financial Crimes Enforcement Network or FinCEN was first established by the Bank Secrecy Act in 1970.

Since that time, it has found a careful balance in successfully monitoring, prosecuting, money laundering and other major financial crimes while also maintaining the privacy that we need to feel safe entrusting our money to the American financial system.

Last year, I reintroduced my See Something, Say Something Act with Senator John Cornyn, which requires social media companies to report suspicious activity to law enforcement, similar to the way that the banks are required to report suspicious transactions over \$10,000 or others that might signal criminal activity.

It also creates an Office in the Department—DOJ, to act as a clearinghouse for these reports of major crimes, which is similar to FinCEN. So, given that my bill adopts the same approach as

FinCEN for Internet crime, what are some of the lessons that you have learned in information sharing that we could apply for sharing information about drug trafficking and other major crimes online?

Mr. ADEYEMO. Well Senator, let me start out by saying that we support the goal that you have outlined there. And I think some of the most important lessons that we have learned in terms of FinCEN is one around the idea of, as you put it, maintaining privacy, but also making sure that the information is available to law enforcement widely.

So the FinCEN database is available to more than 400 law enforcement entities throughout the country in order to help them connect the dots. Because ultimately the goal for FinCEN—

Senator MANCHIN. With that, what—sorry to interrupt you. With that, what are you all seeing in regards to terrorist financing through the social media and the dark web? Since you are sharing that information, what are you receiving back?

Mr. ADEYEMO. So, Senator, the place where we have the best insight is probably when it comes to the dark web. And I think that what we are seeing is that both criminals and those who—and terrorists and those who want to use illicit finance are trying to use every means to get around the formal financial system.

So the more that we can shine a light on these activities, the better we are able to protect our citizens against the activities that they are taking there.

Senator MANCHIN. That leads me right into the next one on cryptocurrency. So there is regulations for virtual currency. Many financial regulations can still be evaded if money is converted to crypto, as you know.

So my question would be, in addition to the aforementioned reporting, what is the Treasury doing to help account for the practice and be able to apply current financial regulations on cryptocurrency? And what would be your recommendations on putting guardrails on crypto?

Mr. ADEYEMO. Senator I think this is one of the places where I am increasingly focusing my attention, and I think there are some places where we are going to need to work with you in terms of legislation when it comes to crypto.

When it comes to illicit financing, I do think we have some rule-making authority around things like, how do we make sure that some un-hosted wallets are regulated, and we make sure that we extend a know your customer regime that currently exists for traditional banking sector to cryptocurrency.

In light of what they do, I think it is going to be important for us to think through this carefully, but we are going to need to do it in order—

Senator MANCHIN. But Treasury has always been pretty good at people, you know, find people illegally laundering money. We have had a pretty good network and be able to check that back. FBI has been pretty successful that.

Crypto has an awful lot of illicit applications, if you will, and there are people that have learned to use it very effectively. I am sure you all have been watching that to give us some recommendations on what you would suggest would be just adequate guardrails

that would protect the citizen but also bring it into mainstream currency. Do you believe there is going to be a mainstream currency?

Mr. ADEYEMO. Senator, I have my doubts that it will ever be a mainstream currency, but I do think that it is going to be used by all kinds of actors, including some people who want to illicitly move money. And I think one of the things that we have done so far is that we have sanctioned some of these crypto exchanges.

But I think going beyond sanctions, we do need to make sure that our regulatory rules expand in order to cover them. And where we find that we can expand our rules, we are going to want to work with you to design legislation that gives us more authority.

Senator MANCHIN. Thank you, Mr. Chairman. Appreciate it.

Senator VAN HOLLEN. Senator—Senator Hyde-Smith.

Senator HYDE-SMITH. Thank you, Mr. Chairman. And Mr. Adeyemo, as we have discussed, I remain really concerned about the number of employees on telework status, and it is the utmost importance that we bring these employees back to the office, as we discussed on the phone.

And it really leads from another incident that happened with another agency this week when I realized there are so many people at home and I have constituents tell me that no one is answering the phone in these other agencies. But what percentage of Treasury employees are currently teleworking? Does that include the IRS?

Mr. ADEYEMO. So, Senator, in terms of Treasury employees, at the moment, we have every employee has a plan—every employee at the Departmental offices is required to have a plan in terms of how often they will be in the Treasury Department.

Senator HYDE-SMITH. So how many are teleworking?

Mr. ADEYEMO. So Senator, I can't tell you today how many employees are in the office versus which ones are teleworking. But what I can tell you is that any employee that needs to be in the Department, anyone who works on National Security or anyone who needs to be in the office, is in the office.

What I can say is that before even the pandemic, a number of employees of the Treasury Department either had telework plans or work from alternative locations. For example, if you worked on IT, you didn't necessarily work in the Treasury Department building. Sometimes you worked in an offsite location.

But for example, anyone who is working on any of the National Security issues that we are discussing today, those individuals have to be in the office because you can't do that work from home. So they are there on a regular basis. Even before I came back to the Treasury Department last year, Treasury employees were coming back into the office.

For example, at the IRS, individuals who opened the mail, they came back to work, back to the office in July of 2020, long before we had a vaccine, and since then, they have been ramping up the number of people who have been in IRS offices throughout the country. In addition to those employees, we have employees who have been back since the summer of the pandemic helping to do things like print currency.

And today, our goal is to make sure that we are having every employee who needs to be in the office, in the office, and that we

are making sure that we are monitoring productivity. My goal is to try and optimize what we are getting out of our employees so that the employees we need in the office are in the office—

Senator HYDE-SMITH. Okay, my time is running a little short here, if you don't mind me interrupting you. And what was the pre-pandemic percentage of Treasury employees that teleworked? Before COVID and anybody had the need to do that, what was the percentage of your employees or the employees at the Department that were working from home before the pandemic? Not the ability to, but the ones that were doing it.

Mr. ADEYEMO. So Senator, I can get you that data, but I think that my understanding is less than 20 percent of employees were working from home before the pandemic. And today, I think that you probably find that we are in the same neighborhood in terms of people who full time work from home is probably still less than 20 percent of time.

We do have a number of employees who have hybrid schedules, who come into the office maybe 3 to 4 days a week and work from home maybe 1 day a week. But the thing that we have now that is better than before the pandemic is we have better technology that allows us to both make sure that they are fully engaged in their work, but also allows us to make sure that we don't need to request additional space.

Because one of the challenges we have at Treasury is that we have limited space. So by being able to have a bit of flexibility, we are also able to manage our space better so that we don't have to rent additional space.

Senator HYDE-SMITH. Do you intend for the Department to go full time, no one working from home unless it is absolutely necessary? Or do you continue to plan to have about 20 percent at home?

Mr. ADEYEMO. So, Senator, I don't have a target in terms of the percentage. My goal is to make sure that anyone we need in the office to do their job is in the office full time, and then for other employees to make sure that they are in the office as needed, partially because I think that from my standpoint, that gives us the flexibility to both optimize space, but also to optimize retention.

What we found was in some of the positions when we required them to be full time, for example, in some of the HR operational functions, we were losing some of those employees to places where they would have flexibility in their employment.

So if we had the ability to give flexibility because we don't need the person to be in the office, they are working in HR, they are working in IT and things where they don't need to interact with other employees, we may give them flexibility going forward. But my goal and the thing that I appreciate is making sure that when we need people in the office, we have them in the office full time.

Senator HYDE-SMITH. Well, I just feel the FT, when they fill out that application means full time and in the office for any Federal Government employee unless it is absolutely necessary that they are not there.

Because we just had a lot of issues with constituents in my office dealing with people who are not at work. And I just hope you have

got the controls in place to ensure that they are working when they are teleworking. And how do you monitor that?

Mr. ADEYEMO. So one of the things that we have had to do is do training with managers to make sure that they are monitoring employees who are working from home to ensure that they are working.

But in addition, one of the things that we did when we came into this Administration was we made investments in technologies like Zoom so that instead of just doing conference calls, we would be able to see people to make sure that when we are in meetings, we can see them in order to make sure that they are engaging.

If, Senator, there are issues that your constituents have with regard to Treasury employees, please feel free to bring them to me. But I think one of the things that we have been very focused on is making sure that we are training our managers to supervise employees who may be in the office 1 day, may not be in the office the next day in order to make sure that we are able to do things in a hybrid fashion.

I think that you are right that this is one of the challenges we face, but it is frankly a challenge that private—when I talk to CEOs, all of them are dealing with this as well in terms of how do I have a hybrid workforce, because that is the only way we are going to be able to recruit the talent that we need.

But I want to reassure you that for positions where people need to be in the office, we are requiring them to be in the office full time.

Senator HYDE-SMITH. But does that give the managers extra duty that they are having to spend extra time on it to go to this training and to spend the time to ensure they are working from home? Doesn't that make the manager have more responsibilities throughout the day?

Mr. ADEYEMO. My sense as a manager myself in the institution is that, no, I don't think it increases your duties. What it does is, for example, how do you run a hybrid meeting? And it is something that we have had to do regardless.

You are going to have to learn how to do regardless, because frankly, we never—at Treasury, all of the same people don't work in the same building. So if you are a manager, you may be managing people who work in main Treasury, but they may also have employees who work in West Virginia or work out of State or work in a foreign country if you are working international sections.

So you have had to do this work already in terms of having to deal with some employees who are sitting in front of you, and some employees were sitting in different offices. Now, instead of sitting in a different office, they may be sitting in their home. But ultimately, the type of responsibilities are the same. We have increased the training because now we have new technology that is helping to make that easier to do.

For example, you are not just talking to them on the phone anymore. Now you are able to talk to them on Zoom or use other products. But ultimately, these are the type of responsibilities that if you are a manager in a global business or in a global—in a global Federal agency like the Treasury Department, you are going to need in order to advance.

Senator HYDE-SMITH. Okay. One last thing. So you are telling me that about 20 percent were working from home before the pandemic and you have got about 20 percent that are currently working from home now, is that correct?

Mr. ADEYEMO. So, Senator, I want to get you the precise number. Please give me time to come back to you. That is what I believe—that is where I would estimate it to be. But I want to make sure that I give you precision on that. And I am committed to coming back to you with that after this hearing.

Senator HYDE-SMITH. Thank you.

Senator VAN HOLLEN. Thank you, Senator. And the Ranking Member anticipated the fact I was going to go to 8 minute rounds next. And so we will do that back and forth just so that we can get into some in-depth questioning, which I think is helpful. Mr. Deputy Secretary, as you know, in order to ensure that Putin's invasion of Ukraine is seen as a strategic failure by history, we are going to require a sustained effort.

And that means making sure that Ukrainians have the military support they need, and it also means making sure we have an effective sanctions regime. So I want to cover a couple areas where I am very worried about leakage in sanctions. Some of the—we don't have secondary sanctions in place right now for the most part, but it seems to me we want to explore that option going forward.

So I want to start with military, supporting countries or entities around the world that may be supporting the Russian military. You, at the Department of Treasury, have already applied a list of sanctions. As we gather here today, do you know of any countries or companies, foreign companies that are violating our sanctions regime with respect to support of the Russian military?

Mr. ADEYEMO. Senator, as I sit here in front of you today, I can't speak to any companies that I know of that are wittingly assisting Russia in violating our sanctions regime. But what I do know is that Russia is attempting to find ways around our sanctions regime by setting up trusts and proxy companies that would allow them to purchase the things that they are not allowed to purchase legitimately.

Senator VAN HOLLEN. So as of today, you don't know, for example, whether any Chinese entities are supplying Russia with weapons systems or components that are sanctioned by the United States?

Mr. ADEYEMO. No, I don't.

Senator VAN HOLLEN. And I understand that we need to, you know, track the efforts by the Russian military to set up, you know, front groups and other entities to disguise their efforts. The Department of Commerce, of course, also has a list of components that we are preventing the export to Russia of, and that has a sort of long arm impact.

And I saw in June that they would put together an expanded entities list of companies, countries that would be barred from export of certain U.S. origin items. Does the Department of Commerce have any authorities, or do you have any role in implementing the Department of Commerce's sanctions, or is that done strictly through the Department of Commerce and DOJ?

Mr. ADEYEMO. So, Senator, that is done by the Department of Commerce, and I believe with assistance from DOJ. But in lots of circumstances, what we have done is work together with Commerce to figure out where export controls can play a role and where sanctions can play a complementary role. So if they put something on the export list, we may also go out and sanction companies that produce that thing in order to make sure that we help best address evasion.

Senator VAN HOLLEN. All right. Let me turn now to the energy sector, because, as you know, energy exports represent a large part of the Russian economy. Do you have a ballpark figure of what portion of the Russian economy is reflected in those exports, coal, gas, oil?

Mr. ADEYEMO. So in terms of Russian exports, the vast majority of them come from commodities, Senator.

Senator VAN HOLLEN. So we, of course, in the United States have now, you know, borrowed our—we are not importing Russian oil. We know that the EU is working diligently, I believe, toward trying to phase out their dependence on Russian oil. We need to move on the gas front as well.

But there are countries that are not only continuing to maintain imports of Russian oil at the levels they were before the war but are increasing their overall imports of Russian oil. Can you talk about some of the countries that are at the top of that list?

Mr. ADEYEMO. So, Senator, it is—one of the challenges we have is that we don't have direct data in terms of what this looks like because a great deal of the oil is sent in means that don't allow us to produce it. But we know that the data we have seen is that countries that have traditionally imported a great deal of Russian oil include Europe, but also China, India, Japan, and South Korea, and Turkey.

Senator VAN HOLLEN. Right. But I am looking specifically at countries that have increased their volume of oil imports from Russia. And as I look at the list, China is on the list, India is on the list. Maybe a few other countries are on the list. Do you know of any other countries that have increased their volume of imports of Russian oil since the war began?

Mr. ADEYEMO. No, I don't. Senator.

Senator VAN HOLLEN. Okay. And would you agree that those countries that have increased their volume of imports of Russian oil are, in a sense, engaging in war profiteering? That they are benefiting from the fact that countries like our EU partners have reduced their imports of Russian oil.

Mr. ADEYEMO. So, Senator, I think part of what we—so, I think that what I would say is that right now we are in a place where what our goal has got to be is to find ways to limit the amount of revenue that Russia is making off the sale of its oil, partially because one of the challenges with oil is that you don't always know where it is coming from.

So there may be—some of these countries may be aware that the oil that they are getting is directly from Russia. But what we have seen in the context of other sanctions programs is that countries do, once sanctions extend to energy, they try and disguise where the energy is coming from.

So the thing that I am increasingly focused on is what can we do not only to stop Russian oil from flowing to our country and to other countries that are in our alliance, but as it continues to flow, how do we reduce the revenue that Russia is making?

What we know today is that Russia is selling less oil in terms of per barrel than they were before the invasion. But because of the increase in price, they may be making more profit. So the goal for us is really to reduce that revenue level even as countries may purchase Russian oil going forward.

Senator VAN HOLLEN. So how do you do that, right. I mean, can you talk about your plan? Because, you know, right now we have a situation, whereas I indicated, and there is plenty of public reporting on countries that have increased their imports of Russian oil since the war began, and they are buying it at a discount, right.

So, you know, consumers in that country are benefiting from the discounted oil prices, while consumers in other countries that are not importing as much Russian oil compared to their pre-war levels are seeing higher prices.

How can we make sure that some consumers around the world aren't benefiting getting a windfall from reduced prices of Russian oil while others are paying more? How do we do that?

Mr. ADEYEMO. Yes, I think, Senator, the challenge, of course, is that while they are paying a discount, the truth is that they are paying more today from Russian oil than Russia is making off of their oil before the invasion because the price of oil in general has went up. So one of the things that we need to do is increase production, which is something we have been focused on.

But I think that there are a number of options in terms of reducing Russia's revenue. There are things like introducing a price cap, which has been talked about in the academic literature in terms of a price cap, in terms of how much can be paid for Russian oil. There is also the idea of over time limiting the amount of Russian oil that can be sold.

But all of this from our standpoint, the chief objectives that we have are, one, celebrating the fact that Europe has taken this important step in their six package to limit their dependence on Russian oil. Number two is, what can we do to limit the amount of revenue that Russia is making?

And our final goal is making sure that we don't spike the price of oil overall in order to make sure that our consumers don't bear the cost of what we are doing here. And I think there are ways for us to do that in terms of looking at things like potential capping the price of Russian oil going forward, or over a period of time, reducing the amount of Russian oil that is able to be sold.

But we want to make sure we do that in a manner that is consistent with our allies and partners. I think the fact that Europe is taking this important step over the next several months is going to put us in a position to make sure that Russia can't use oil as a strategic weapon against Europe going forward.

Senator VAN HOLLEN. Thank you. Senator Boozman.

Senator BOOZMAN. Thank you, Mr. Chairman. Thank you, Ranking Member—I got to get situated—Hyde-Smith, for having this hearing. Thank you, Mr. Secretary, for being here. I would like to start by asking you a few questions about beneficial ownership and

FinCEN rulemaking. As I am sure you would agree, complex definitions of beneficial ownership will be hard for small businesses to implement. Is this something FinCEN is considering in its rulemaking?

Mr. ADEYEMO. Senator, yes, it is top of mind for us in the rulemaking is making sure that we in term—we think about the regulatory burden on small businesses all over the country.

Senator BOOZMAN. Very good. Will FinCEN work to more closely align the beneficial ownership definitions with those that currently exist and that businesses already have experience providing information on?

Mr. ADEYEMO. Yes. Yes, Senator. And I know that we, as you know, we put out a proposed rule. And as part of that, we received comments from small businesses and their associations. And we are currently considering those because we want to make sure that the final rule addresses some of these comments that we have received.

Senator BOOZMAN. Very good. Also, will you work to minimize the reporting burdens on small businesses by allowing financial institutions to rely on the registry for their beneficial owner collection and verification requirement?

Mr. ADEYEMO. So, Senator, we share that—we share your goal in terms of reducing the burden. I think that there is one rulemaking that we have already done. The second one is around CCD—CDD.

And I think we want to make sure that we align those as closely as possible, but we are still going through the rulemaking process. But I can tell you that we share the goal in terms of making sure that people don't have to report numerous times the same information or slightly different information going forward.

Senator BOOZMAN. Good. Thank you. Let's talk a little bit about the Treasury market. As you know, the Treasury market has been described as the biggest, deepest, and most essential bond market on the planet.

Historically, investors view treasuries as risk free or near cash assets and safe havens during market crisis. However, the resiliency of the Treasury markets has been called into question by recent disruption events in which market price volatility increased and the amount of available liquidity decreased.

As a result, some market observers have called for structural and regulatory changes to enhance the capacity and resiliency in the market. While the Treasury Department continues to study possible reforms, it is important to ensure that reforms do not harm the market and do not cause unintended ancillary effects.

I believe that any proposals or recommendations on any structural regulatory changes should be vetted and supported by investors. In that light, where is the Department in its review of Treasury market structure? Do you expect to put out reforms or recommendations? And if so, how far are you in the process?

Mr. ADEYEMO. Senator, to your point, I agree that we want to make sure that we consult with stakeholders as we think through these reforms. That is why we announced recently that we are going to put out a request for information which will give the private sector and other stakeholders an opportunity to provide us with advice as we think through our reform agenda going forward.

Late last year, we put out a framework in terms of the areas that we are looking to focus on with regard to reform, with the idea being that you are right, that the Treasury markets are the deepest, most liquid in the world.

The United States takes a great deal of benefit from this. And what we want to do is make sure that the reforms we make will only strengthen those markets. And in order to do that, we want to make sure that we rely on information from market participants as we go forward.

Senator BOOZMAN. Do you have any ideas how you will actually get the views of the investors?

Mr. ADEYEMO. Yes, Senator. I think one of the things we are going to do is that we are going to put out a request for information where they can formally provide us with detailed feedback in terms of how they think we should think about reform through an open process that they can formally use.

But in addition to doing that, we are, of course, speaking to market participants on a regular basis to hear from them in terms of the reform agenda as well, and working closely with the regulators as well.

Senator BOOZMAN. Very good. I also wanted to touch on anti-money laundering, AML. As you know, FinCEN recently issued an RFI reviewing AML regulations and guidance under Section 6216 of the Anti-Money Laundering Act.

What are your intended steps, and can you preview some of the proposals you will be making in your Congressional report to eliminate outdated, redundant, or non-risk based AML expectations?

Mr. ADEYEMO. So, Senator, I think part of our goal here is to implement what U.S. Congress passed as part of the in terms of the anti-money laundering and beneficial ownership laws. But as we do that, to also step back and to think through now that we are building out this regime, which is going to allow us to be comprehensive, what does it allow us to do in terms of eliminating some of the things that we have done previously as stopgaps?

And what we are hoping to do is that as we build—we have at the moment two more—we are going to put out a final rule with regard to the beneficial ownership rule we were talking about earlier. And we are also going to put out information in terms of how we are going to build out the database. And I hope that at that point it will put us in a position where we can look back and say, based on this, how do we think through our regulatory approach going forward?

We look forward to working with you and the Committee on this and providing greater information to industry and to stakeholders in terms of what this will look like going forward once we have completed the rule makings regarding beneficial ownership.

Senator BOOZMAN. Very good. I am also concerned about potential rule makings around artificial intelligence in the insurance industry. As I am sure you know, is used in insurance to price risk, manage operations more efficiently, and detect and predict fraud.

All of these are aimed at inclusivity in the market and work in tandem with the use of actuarial risk based pricing, and ensures all policyholders are paying the lowest possible premium. Further, since AI affects a consumer's insurance coverage, insurers are al-

ready highly regulated and are obligated to explain and justify decisions to customers.

Significantly, the EU is currently in the process of finalizing a regulation designed to harmonize rules on AI. According to the EU, the purpose of the regulation is to improve the functioning of the internal market by laying down a uniform legal framework for the development, marketing, and use of AI in conformity with EU values.

My concern is that creating new regulations for AI used by insurers who are already subject to regulatory frameworks which address the concerns would lead to regulatory duplication that ultimately hurts policyholders. I guess the question is, does Treasury have any plans to engage with the EU on this topic?

Mr. ADEYEMO. So Senator, this is a topic that I am not familiar with, but now that you have raised it, I am committed to going back to my staff and talking about it and finding out where we are with regard to the EU, and then we will follow up with you.

Senator BOOZMAN. Well, based on your answers to the other questions and the good job you have been doing, I am surprised that we caught you in one that you didn't have any knowledge of.

Mr. ADEYEMO. Well, I appreciate you bringing it up to me, because it does sound like an important issue and one that I will pay attention to and come back to you shortly on.

Senator BOOZMAN. No, we appreciate that. Thank you, Mr. Chairman.

Senator VAN HOLLEN. Thank you, Senator. And thank you, Mr. Deputy Secretary. I want to push you a little bit more where we left off in our question with respect to Russian oil revenues. I am looking at a piece that was in The New York Times yesterday titled, Russia's Oil Revenue Soars Despite Sanctions Study Finds.

And they cite a study from the Center for Research on Energy and Clean Air out of Helsinki, Finland, that points out that while the EU reduced its imports of Russian crude by 18 percent in May, that dip was made up by India and the United Arab Emirates, leading to no net change in Russia's oil export volumes.

And they point out that China continues to be the largest importer of Russian fossil fuels overall over the 100 day period they looked at. And as you know, Secretary Yellen has been talking about this idea that you referenced today about essentially, you know, countries forming a bloc that would negotiate, demand a price reduction in Russian oil, because right now we have the totally unfair situation where some countries are getting bargain prices by increasing their volumes and helping offset the pressure on Russia that the EU and others have put in place.

So could you just talk a little bit more about how this design would work? Because we need to figure this out pretty quickly. And if not, we are going to have to be applying secondary sanctions and maybe having to apply secondary sanctions as part of getting more countries on board. Can you just spell out in a little more detail what you are thinking of at the Department?

Mr. ADEYEMO. Yes, I am happy to do that, Senator. I think part of this I will reserve for maybe a classified setting, but I am happy to talk to you about this in detail. But I think part of the goal here

is that fundamentally at the moment, as you know, energy prices are far higher post-invasion than before invasion.

And even if you are buying Russian crude at a discount, the price you are paying for Russian crude today is higher than you paid pre-invasion. So even there, if there is a discount, the truth is that Russia is making more today off of crude than they were pre-invasion.

And our analysis at least tells us this is slightly different than what you have seen in *The New York Times*, that Russia is probably not producing as much crude as they were pre-invasion, but they are potentially making more resources—more revenues because they are selling at a higher price.

So the goal is to make sure that you reduce the price that they are able to gain from selling their crude going forward by working with other countries to agree to a certain level that you will pay for Russian crude going forward.

It really is trying to make sure that you are in a place where Russia is not benefiting from the fact that because of their invasion of Ukraine, prices of not only Russian crude, but crude in general have gone up.

This is something that we are talking about with our allies and partners. And I think I am happy to brief you in more detail about in terms of where those conversations stand in a classified setting.

Senator VAN HOLLEN. Okay. Let me turn to the sanctions that we have imposed on Russian oligarchs who have been complicit with Putin and other corrupt actors. And as you know, this is also an area where sanctions are only as effective as our ability to stop those oligarchs from being able to hide their assets in other places. Sometimes they do it surreptitiously.

Sometimes they do it in countries that are willing to look the other way. Can you talk a little bit more about that effort? To my knowledge, we have not imposed any secondary sanctions on any other countries or entities. I know we have given some warnings, but I continue to read about circumvention.

In fact, you were yourself quoted in the May 13 *New York Times* piece saying that you have seen a number of Russian yachts move from ports in countries that have extended sanctions to countries that haven't.

And that same article mentioned the UAE, especially Dubai, as one of these destination points. What are we doing to make sure that we are having an effective sanctions regime on oligarchs who can, you know, take their yacht from port to port?

Mr. ADEYEMO. And Senator, what I will do is I will make sure we send this to you. But a few weeks ago, we actually put sanctions on a yacht servicing company. So this was us using the material support provision of our sanctions to go after a company that we found that was providing material support to the yachts of those who had already been sanctioned.

So we have actually went after companies in third countries where we have seen them providing material support to those who have been sanctioned, using our—using the sanctions authority that has been given to us by Congress and by the President.

I think what we have been trying to do, in addition to using our material support provision, is building a coalition with other coun-

tries that will not only be in a position to freeze some of these assets, but actually to seize them going forward. And we have seen the seizure of a number of property tied to many of these Russian elites, not only here in the United States, but around the world, which is different in kind than what we have seen in other sanctions programs.

And our goal here is to make sure that we strengthen this coalition so that it is not just our traditional allies, but we also have partners that are joining us in this effort so that these Russian elites know that there is not a place where they can hide their assets outside of the realm of the sanctions that we and 29 other countries have implemented.

So we have already started to take action in third countries. We are planning to take more. Part of our goal is to have conversations with not only financial institutions, because I think what we have found is that financial institutions understand the scope of our sanctions. We haven't largely seen financial institutions that have been willing to do business with individuals or entities that have been sanctioned.

But when it comes to other companies in an economy, be it companies that help service yachts or planes or deal in real estate that aren't as familiar with our sanctions regime, that is the place where we have had to act, and we have had to spend time with authorities and also with those companies to explain to them that ultimately the providing material support to an individual or an entity that has been sanctioned could make you subject to sanction.

And we have used that authority already in third countries, and we think that doing that has sent a clear message to these companies that ultimately, if you provide material support, no matter where you are, we are going to be willing to use our sanctions authority to go after you.

Senator VAN HOLLEN. All right. I look forward to following up with you and your team. I am about to turn to another category of questions, so why don't I—Senator Hyde-Smith, I don't—let me turn it over to you. I don't know if you have another round of—

Senator HYDE-SMITH. I do.

Senator VAN HOLLEN. Absolutely.

Senator HYDE-SMITH. Thank you very much. Let's talk about the Bank Enterprise Program. It is pretty popular in Mississippi, and it is well received by local banks and credit unions because it allows them to leverage their own assets to invest in the small businesses and the startups, which gives them the ability to support job creation and retention in areas that really need it in a lot of States.

But I was really disappointed to see that the budget cuts from the Bank Enterprise Program by \$11 million from the fiscal year 2022 enacted level. What were the reasons for these cuts?

Mr. ADEYEMO. Senator, let me start out by sharing your commitment to these communities where the Bank Enterprise Program has been effective in helping. And I think what we are trying to do is figure out where we can most effectively put the limited dollars that we have available to have the impact that we both care about.

As you know well, in many of these communities, you have CDFIs and MDIs that are also doing business there. And what we have done, based on the funding that Congress provided us, is provide a great deal of capital to these institutions. So more than 9—about \$9 billion of capital through the Emergency Capital Investment Program went to CDFIs over the course of this year that we have placed in them.

In order to make sure that that money is invested well, we have asked for additional money for the CDFI program to help monitor but also provide resources to those institutions. I think I am happy to talk to you about how we are thinking about this, but I think our goal largely is to make sure that we are building up an ecosystem there that is based on providing resources to those lenders, then also ensuring that we have provided support to them.

So it wasn't—our goal is not to step away from these communities, but rather to try to most effectively to provide funding to them going forward.

Senator HYDE-SMITH. So I think he just answered the program is oversubscribed compared to other programs because it is so popular. But how do you intend to support investments in economically distressed areas with reduced funding? I mean, you are saying you are going in another direction and how do you expect that to compensate?

Mr. ADEYEMO. Well, Senator, I think our goal is to make sure that on top of the public money that Congress has provided to these communities, that we attract private money as well. So the—our goal, similar to what we are doing with the Small Business Credit Initiative, is to make sure that we attract private investment into these communities, because we know that that is the sustain—is a sustainable way to make sure that they have the access, the resources they need.

We think that we have a real opportunity to do that, working closely through our CDFI office with the money that you have already provided. And that is what we would want to do here, is to ensure that in areas where there is a need for additional capital because all these programs are oversubscribed, that we would work to attract private capital.

Senator HYDE-SMITH. And what is the status of the 2022 grants right now?

Mr. ADEYEMO. Senator, I would have to get the team to provide you with an update on where we are in the grant making process at the moment, but we haven't completed it. But I am happy to get you—to provide you with an update after this hearing.

Senator HYDE-SMITH. Has it been implemented well, or I mean, do you have any idea if it has been beneficial or—?

Mr. ADEYEMO. So my view is that, as you know well, this is a program that has been very popular and has been implemented well by staff across Administrations, and that continues to be the case. I think my overarching goal is to make sure that across the suite of programs that Congress has authorized, we take your resources, and we try and find creative and interesting ways to try and pull the private sector in as well to crowd in private capital.

Because ultimately, what we know about these communities where we have these programs right now is that they have unfortu-

nately been starved of the type of private capital that is needed to building housing, to starting small businesses, to making sure that those small businesses can thrive.

So a big push from my standpoint, from Secretary Yellen's standpoint, is what can we do to take the resources you have provided and use them in a way that attracts private capital to join them in a way that is sustainable over time?

Senator HYDE-SMITH. And the—one other thing I wanted to talk about was the, in February, Treasury received the \$61 million in the supplemental funding to address the war in Ukraine and the Russian invasion. About a month ago, an additional \$52 million was provided to the Treasury in the second Ukraine supplemental appropriations package. So how much of these funds right now have been obligated?

Mr. ADEYEMO. So, Senator, I don't have the precise number in terms of the obligated amount today, but I am happy to get that to you. But I can tell you that money has been used. We have done really two things with that funding. One, is invest in additional personnel, and two, is invest in technology.

On the personnel front, one of the things that we have needed is additional people to help, not just in the traditional areas where we have dealt with sanctions in the past but given the complexity of Russia's economy and how interconnected it is with the global economy, we need additional staff in places like economic policy to help us do economic analysis on how we can better target Russia's economy while mitigating the impact on our economy.

Given how interconnected Russia is to the financial system, we have needed additional resources in domestic finance so we can understand the interconnections between Russia's financial system and our own financial system.

When it comes to technology, a big deal—a great deal of what we have had to do is invest in technology in places like FinCEN, because one of the things we want to make sure is that the information that we are collecting on Russia and on the illicit behavior that they are conducting is analyzed and provided to law enforcement in our country, but also to our partners around the world.

So we have made huge investments both in personnel and in technology, in order to put us in a position to better address what is happening in Russia, Ukraine, and also in prosecuting some of the criminal enterprises that we are seeing develop around this.

As I mentioned earlier, one of the things that Russians have perfected in terms of evading our sanctions is setting up proxies and trust companies that allow them to get around our sanctions, and that is around the world. So we are doing everything we can to go after those as well.

Senator HYDE-SMITH. So you have done a lot. So would you think that over 50 percent have been allocated—obligated so far?

Mr. ADEYEMO. So, Senator, I think—I want to make sure that I come back to you with a precise number in terms of how much has been obligated. But I do know that one of the things that we have been focused on is both getting the technology in place as fast as possible and hiring people as quickly as possible. In terms of when that has gone from being in the budget to actually being obligated, I want to get you precise numbers.

Senator HYDE-SMITH. Thank you.

Senator VAN HOLLEN. Thank you, Senator. Mr. Deputy Secretary, we have talked a little bit in this hearing about the updated Corporate Transparency Act, as well as the broader Anti-Money Laundering Act, which I think are important authorities and tighten the regime that we have to prevent people from anonymous ownership of different companies in the United States.

But I am concerned about what I see as a loophole in that overall architecture with respect to private investment companies like hedge funds who are exempt from reporting information on the identity of their clients, as we require for banks, mutual funds, and other parts, other segments of the financial sector.

As I understand it in any way, under current law, a hedge fund manager can manage large sums of money without knowing the real identity of their investors, which would allow corrupt actors to evade sanctions.

My understanding is the Department of Treasury has authority to require these private entities to report on the identity of their clients. Let me first ask if that is your understanding. Do you have that authority?

Mr. ADEYEMO. So Senator, my understanding is that in the legislation, Congress did provide an exception for certain businesses. I think the scope of that exemption is something that we are still working through in terms of the rule writing process.

My goal, of course, is to try and cover as much of the world as possible with regard to the beneficial ownership rule, because the last thing we want is to create avenues for illicit money to flow. But I don't want to get ahead of the rulemaking process. What I can commit to you is that we are going to be as expansive as we are legally permitted to do.

And if we find that ultimately we can't get at some of the companies that exist in our ecosystem, and we think that there is—that that is a place where illicit money might flow, we will come back to Congress and request that you take additional action.

Senator VAN HOLLEN. Well, let me ask you, how do we know? Do we have any idea what the magnitude of this loophole might be?

Mr. ADEYEMO. So, I think the real question, Senator, is how broadly can we define—how broadly are we legally permitted to define this? And then the question becomes, how big is the ecosystem that exists outside? It is going to be hard to know how much illegal money is flowing into that part of the economy. And the thing that we also know is that, if there are things that aren't covered by the beneficial ownership rule making, it is more likely that illicit finance will flow in that direction.

So we are going to be in a place where, no matter what, I think we are going to need to come back to you as we see this develop to talk to you about whether we are going to have to further change the rule. And if we don't have the ability to change the law because we lack the legal authority, what additional legal authority that we need.

But what I can say is that because of the legislation that you have passed, we are in a better position to make sure that we root out illicit finance within our country. But we also know based on other countries that have put in place beneficial ownership sys-

tems, is that at the edges where the rulemaking doesn't allow you to go is where illicit finance will start to flow. So we are going to need to think about this in multiple approaches.

One is finalizing the rule based on the authority that Congress has already given us, and then seeing if we have the ability to use other rulemaking authorities to get at places where we see potentially illicit finance flowing. And if we don't, coming back to you and the members in terms of getting additional authorities.

Senator VAN HOLLEN. No, I appreciate that, right. Because you can shut one door and just opens the other door. And as you point out, if you are an illicit actor, you are going to look for the other open door and push on that.

Can you give us an idea, your timeline here in terms of the rule and your determination of the extent of your authorities under existing law and what other authorities, if any, you may need? Your timeline there.

Mr. ADEYEMO. As you would expect, our notice of proposed rulemaking, we got a lot of comments from industry and our goal is to make sure that we carefully consider each one of those as we finish up the rulemaking.

I have asked the staff to complete the rulemaking as soon as possible, with my hope being that before the end of this year that we will finalize the rule. But we also, as you know, have a number of other rule makings tied to setting up the beneficial ownership system. They are also looking to complete as quickly as possible as well.

Senator VAN HOLLEN. Thank you. In December, Secretary Yellen also, as she was discussing the updated CDA—CTA said, and I quote, “we are also ensuring a similar principle applies to real estate because many corrupt actors can hide their money in Miami or Central Park’s skyscrapers the same way they do in shell companies.”

What actions are you taking? Is that part of the rulemaking or is that a separate effort with respect to making sure that real estate companies are not used as conduits for any illicit financing?

Mr. ADEYEMO. So it is both related but also separate in terms of the way we are thinking about this. And I think that our view is that we need to make sure that, and this speaks to the conversation we are just having, that people can't find other avenues for illicitly storing resources.

And we know that real estate is a place where a number of people have bought in the past. And we want to make sure that both in terms of as we are thinking about beneficial ownership at large, we are doing everything we can in terms of rulemaking to prevent that from being a place where illicit finance can live in this country.

Senator VAN HOLLEN. So in this category of questions, there is just one final question, which is that, is there a feedback mechanism between FinCEN and law enforcement that lets you and the folks at FinCEN know the extent to which the information they are providing is being useful and actionable.

Because obviously we are, you know, providing additional resources, as Senator Hyde-Smith mentioned, to—for the reporting mechanism. It would be, I think, important to have some back and

forth so that we can be assured that the information that is being gathered is actually being put to effective use.

Mr. ADEYEMO. And I think, Senator, my—the best example of this, I think, is the repo task force, which I mentioned earlier. The repo task force, as you know, was established both by Secretary Yellen and the Attorney General.

And we work very closely with the Department of Justice with regard to the repo task force and share the data and information that is coming in from FinCEN and from Treasury closely with DOJ. And it has helped in terms of helping take some of the actions that we have already taken, but also in terms of building cases.

So I think the best example of the impact of the funding that you have already provided is some of the law enforcement cases that have already taken place, but also some of the law enforcement cases that are being developed today. Ultimately, the goal for us is to make sure that we have this information in order to both help our National Security agencies, but also our law enforcement agencies going forward.

And I think if you speak to them, they have found the information that FinCEN has provided, as well as OFAC, has provided quite useful in terms of thinking about how we can use our criminal authorities going forward. And the final thing that I mention is that one of the things that we have been able to do through the repo task force is improve information sharing among some of our closest allies.

It had existed long before Russia's invasion of Ukraine, but I think that the attention that Congress has put on this, as well as the importance of this issue, has allowed us to strengthen those information exchanges so that we are in a place where the information we have here in the United States is being shared with our allies and partners.

But in addition to that, we are getting and requesting more information from them in order to get a holistic picture as to how Russian elites and oligarchs are attempting to hide their wealth, not just here in the United States, but around the world.

Senator VAN HOLLEN. Thank you. Senator Hyde-Smith.

Senator HYDE-SMITH. Continuing somewhat on that, can cryptocurrencies like Bitcoin, can that be used to evade Russian sanctions?

Mr. ADEYEMO. So, Senator, I think that what we found is that those who are looking to use any means can find a way to use cash, can use cryptocurrencies to try and evade Russian sanctions. What I can say is to date we haven't seen this to be a main route of evasion.

But what we do know is that Russia itself is a—has been a host to a number of cyber criminals who have been using cryptocurrencies as a means to further their criminal enterprises.

That is why we have used sanctions authorities to go after exchanges that exist in Russia. And we are committed to continuing to do so where we see illicit finance, where people are attempting to use crypto to evade our sanctions.

Senator HYDE-SMITH. Have you seized any crypto assets?

Mr. ADEYEMO. Oh, we have not—we have frozen exchanges and we have went—we have used our sanction authority against exchanges. But in terms of seizure at the Treasury Department, we, of course, have the right to freeze things, Senator, but we don't have the right at Treasury to seize things.

Senator HYDE-SMITH. And are you worried about the overuse of sanctions?

Mr. ADEYEMO. I am, Senator. And I think one of the things that I did before the Russia, Ukraine—Russia invaded Ukraine was Secretary Yellen asked me to do a review of the use of sanctions, and I conducted a review of the sanctions use from after 911 to this year. And I am happy to provide that information to you.

But one of the things—many of the findings of that review have influenced the way that we have used sanctions with regard to Russia, Ukraine. And in the United States alone, we have placed a thousand sanctions on Russian entities and individuals over the course of Russia's invasion.

I think one of the most important things we learned from the review was that sanctions were best placed when we did them in a multilateral fashion for a number of reasons, one being they had much more of an economic effect, and that is what we are seeing in Russia today. But it also meant that by doing it that way, you also had a bigger political effect, and you protected the U.S. economy from taking on—taking this on its own.

So one of the things we have done at the President's direction is make sure that we do everything as much as possible in a multilateral way. The second point was that we wanted to make sure that we did serious analysis before we put sanctions in place, so we understand the economic consequences on the target, but also the economic downsides on the United States.

And I want to thank you and the Members of this Committee for the money you provided in the supplemental, because that has helped us greatly to get the type of people into Treasury that have helped us through from economic policy to international affairs to domestic finance, to do a more robust economic analysis as we have put sanctions in place against Russia.

In addition to doing that, there is a number of other steps that we are taking based on that sanctions review to ensure that we don't, to your point—or we use sanctions in a way that is the most effective without overusing them.

Senator HYDE-SMITH. And can you specifically tell us how Russia's economy, how it has affected it or how it has changed since Treasury's sanctions were imposed? What is the condition of their economy right now because of this?

Mr. ADEYEMO. To put it simply, Senator, the economy is smaller today than when they started the invasion of Ukraine because of our sanctions. And it is getting smaller every day. And it is also becoming harder for Russia to produce the things that it needs for its military, but also for its economy.

Today, Russia—two of Russia's top tank producers, are not operating because of our sanctions and export controls. We know that it is harder for them to produce the missiles that they need to continue the war in Ukraine, but also to project power into the future.

The Kremlin has been forced to introduce economic stimulus to help both their pensioners, but also others in the economy who are suffering.

But the thing that we want to make clear to the Kremlin is that as long as the invasion of Ukraine continues, we are going to continue to use sanctions and export controls to constrain their ability to prop up their economy and to invest in their military going forward. And we continue to have a number of ways to do that in partnership with our allies and partners.

Senator HYDE-SMITH. And as horrible as this invasion has been and as many people that have lost lives there, why has the Treasury and the Administration not imposed a full trade embargo yet to force Putin's hand?

Mr. ADEYEMO. So, Senator, there is actually very little trade between the United States and Russia. We are not a major trading partner of the Russian Federation. The biggest trading partner for Russia is Europe. China is also a major trading partner. So what we have done is that we have taken significant actions here in the United States.

For example, the President announced a ban on Russian energy coming into the United States. Europe is taking the steps to do that as well as they work towards energy independence.

And our goal ultimately is to try and find additional ways to constrain Russia's economy going forward by going after the key inputs to their economy and the things that they need to prop up the economy and also to continue to build out their military industrial complex. And the best way to do that is to do that in collaboration, in coalition with our partners and allies, especially in Europe.

Senator HYDE-SMITH. So you don't think a trade embargo would increase that? That it is not needed?

Mr. ADEYEMO. So I think my—the thing that we are trying to do, Senator, is make sure that any action we take, we take it in concert with our allies and partners in Europe. The biggest economic impacts on Russia are felt by actions that are taken in this way, because Russia's biggest trading partner is Europe.

The United States has very little trade with Russia. And we have taken a number of steps to limit that even further. For example, blocking the import of Russian energy into the United States and preventing many goods and services from coming from Russia to the United States, which leaves us in a place where we can continue to use our sanctions authorities and our export controls, but I do think that a full trade embargo from the United States would have a marginal impact on Russia's economy at best.

Senator HYDE-SMITH. And how do you analyze or how do you measure the effectiveness of that? Is it just truly a dollar amount or another reduction that you see in something? How do you analyze?

Mr. ADEYEMO. The way I think about it, Senator, is what will it do to economic growth, inflation, and Russia's economic future. Those are the things that I look to in terms of the impact.

So the things we have tried to do is take actions that have reduced the amount of revenue that Russia is taking in in order to make sure that we are forcing them to have harder and harder choices to make, choices between whether you invest in propping

up your economy or whether you invest in your military industrial complex.

Every day, because of the sanctions we have already put in place, those choices are harder for the Kremlin, and they know they are going to get harder over time because they don't have key inputs to their economy. When you think about our export controls regime, for example, what we did was we built a regime where we prevented Russia from being able to get access to key technologies that they need to continue to build out their economy.

And these are technologies that China doesn't have, so China can't give it to them. The only people who have these technologies are ourselves and our allies in Europe and our allies in Asia. So ultimately, the thing we are looking to is, how do we further constrain their economy and make their choices harder in terms of where they make investments.

Senator HYDE-SMITH. And my time is up. Thank you.

Senator VAN HOLLEN. Thank you, Senator. So, Mr. Deputy Secretary, just to follow up on that point a little bit. As you said at the outset, sanctions are just one tool among many. And I agree with you entirely. They are more effective when they are put in place multilaterally. Of course, the Iran sanctions was an example where secondary sanctions ended up having a multilateral effect because other countries did comply.

Obviously, Iran is not Russia. But I do think that is an example of where secondary sanctions proved effective in achieving the goal of bringing Iran to the table to negotiate back in the day. And as you have pointed out, we have been working with our European partners. We have gotten—well, they also undertook the effort to reduce their reliance on Russian energy, especially oil, and looking for other sources of gas going forward.

But when other countries increase their overall imports of Russian oil above what they were pre-Ukraine war, that is a pressure reliever on Russia. So I—true, that Russia is still selling that oil at a higher price than before, but it is still a discount to those countries and Russia is able to sell more.

So I look forward to continuing that conversation. I just have about 5 minutes for questions. I want to turn to North Korea. And thank you. You and I got together months and months ago to discuss the sanctions on North Korea. You know, another example, whether they are an imperfect tool, but one of the things that we have available to increase pressure on North Korea.

Thank you for taking a look at the leakage in that sanctions regime and the measures you took with respect to the two Russian banks under the authority of the Otto Warmbier on North Korea Nuclear Sanctions Act of 2019 that was coauthored by myself and Senator Toomey.

So I appreciate your attention to that. As we discussed, the UN panel of experts issues an annual report, I believe, they issued one in March of this year, that documented a number of other entities and categories of entities that contribute to leakage in the North Korea sanctions regime. They pointed specifically to China based entities in shipbuilding and shipping. And so I would encourage you to use that as a guide.

I recognize that in order for us to impose sanctions, that we have to do a lot of due diligence and make sure we dot our I's and cross our T's. But can you assure me that you are continuing to look at that UN report with an eye toward seeing whether they qualify for U.S. sanctions?

Mr. ADEYEMO. Let me say a word of thanks to you, Senator, for providing that authority. That is a mandatory authority. And I can commit to you that our staff is looking very closely at that report, as well as any information we have to see what we can do in terms of imposing additional sanctions on North Korea in light of their destabilizing activity. As you mentioned recently, we did place sanctions on a number of entities that we had discussed previously and the team that continues to do research and work to identify additional targets.

Senator VAN HOLLEN. I appreciate that. I would just ask you to look at the China based entities only because they are front and center and they—in terms of being identified by the UN panel of experts. So my last question relates to something that we have covered a little bit, but in a different form, which is ransomware.

I know you have been very focused on this issue. Can you talk a little bit about what the Department of Treasury is doing specifically? Obviously, we have lots of Federal agencies that are interested in cybersecurity.

But what the Treasury Department is doing, what you are doing to recover funds that have been paid to some of the ransomware attackers, what we are doing to prevent future attacks, and the role of cyber currency in this effort.

Mr. ADEYEMO. So, Senator, I think this is an issue of grave importance to our entire economy, and it is a global issue. And one of the things and something that I have been focused on, I think what we are trying to do is increase the cost to cyber criminals in terms of their criminal activity by taking apart the ecosystem that allows them to operate.

In some of those cases, that ecosystem does flow through cryptocurrency exchanges. We have taken action against some of those exchanges in particular, some of them that exist in Russia by sanctioning them, but also by thinking through what we can do to better make sure that companies that are subject to these cyber criminals are reporting the information to us, so we better understand the typologies of the attacks that are taking place and that we are in a position to best inform others in industry of what is happening.

So a big piece of this for us is both working with the DOJ and with the other agencies in the Federal Government to make sure that we are taking actions with our relevant authorities, which includes sanctions at Treasury, but also in terms of providing guidance both from OFAC and FinCEN and collecting information.

So at FinCEN, as we have talked about previously, they are doing a great deal in order to collect information from industries that have been targeted by cyber criminals, especially those using ransomware, in order to put us in a position to go after those criminals, but also to go after the networks and ecosystems that allow them to conduct these crimes going forward.

I think this is a challenge that we feel as if the goal will be—the goal has to be working in partnership with the private sector. And the thing that we need to get the private sector to do is to work with us in order to improve the cybersecurity of their systems.

As you know, Treasury is tasked with being the agency that works closely with the financial services sector. And this is not just our biggest institutions, but it is small institutions all over the country as well.

And I am spending a great deal of time with these institutions, making sure that they are taking the steps to protect themselves from ransomware attacks, but also to make sure that we are sharing information, because ultimately the goal has got to be to better understand where these criminals are coming from so that we can go after them.

So it is a holistic strategy at Treasury that we have developed that includes enforcement, information sharing, working closely with not only our partners here in the United States Government, but also with our allies abroad in order to make sure that we are protecting the system.

Senator VAN HOLLEN. I appreciate, and I agree that we have to have partnerships with the private sector as well as others overseas. Thank you. Senator Hyde-Smith.

Senator HYDE-SMITH. I want to talk about the FinCEN's beneficial ownership database. We have gotten a few calls about this because the new regulation means that the banks, credit unions, and all the financial institutions, they have to gather this information and verify this information about the individuals who run a business before a new account can be opened, any new account.

You know, even if it is a new account for a current customer. So there is a lot of concern out there about this. But Treasury estimates the proposed rules to implement this Act, the Corporate Transparency Act, will require more than 25 million existing small businesses to spend an aggregate amount of more than \$4 billion to submit their reports on the beneficial owners to the Financial Crimes Enforcement Network.

Is this an accurate estimate of the cost of the compliance for small businesses? And being that small businesses are the backbone of the economy, is it really wise to place more mandates on them at a time when we are just on the verge of a major recession? So do you think that is accurate?

Mr. ADEYEMO. So Senator, my understanding is that the costs to the average small business will be quite modest. You are right that those numbers in terms of total small businesses in our country is quite large, which I think is something that we want to grow at the Treasury Department.

We want to create room for more small businesses in the country rather than less. And what we are going to do is make sure that we set up this regulatory regime in a way that is as scaled to the challenge as possible, so that small businesses reporting requirements are as modest as possible in light of the requirements that Congress has provided us with.

Our goal is not to create a regime that will ask for more information than is needed, but rather to be in a position where we are

able to protect the National Security for those small business—all the small businesses in this country as well.

So we are happy to—we are going to continue to work with small businesses who submitted a great deal of comments to make sure that we set up a regime that is best suited to the challenges that they face going forward. And we are not looking to set up something that is overly robust.

Senator HYDE-SMITH. When do you think that they will have to start complying with this rule?

Mr. ADEYEMO. So Senator, I think we are going to continue to work through that. I don't want to—I don't have a sense at the moment as to when compliance will be required. But our goal is to try and put out the final rule as soon as possible and to build a database that is useful, frankly, to law enforcement going forward.

Ultimately, I know that the thing that small businesses that I have talked to about this rulemaking but about regulation in general that they view is, they want to make sure that they can do what they can to help protect our country as well. But they want to make sure that the information they provide is actually going to be useful to helping to protect people in their community and around the country.

So in addition to putting out the rule, we want to make sure that we create a database that is going to be useful to law enforcement in their communities, but around the country, and also to our National Security community. So we want to make sure that whatever we are collecting is going to be used and it is going to be used effectively going forward.

Senator HYDE-SMITH. Can you talk about any exceptions?

Mr. ADEYEMO. Exceptions to the rule—

Senator HYDE-SMITH. That they would not have to comply? Is there any exceptions that a business would not have to comply?

Mr. ADEYEMO. So, Senator, I think the goal for us is to make sure that we build a database that is inclusive of as many companies as possible in order to protect the National Security. To the conversation I was having with Senator Van Hollen, the challenge we have is that when we create exceptions, what then happens is that those who want to illicitly move money than simply create companies that fit within that exception.

So our goal really is to try and find a way to make something that is comprehensive, but in which the reporting requirements are as modest as possible in order to make it as easy as possible for companies to comply and for us to have a holistic database in this country.

Senator HYDE-SMITH. A lot of people really see this just as an extra mandate and as extra work. So I hope that it does prove to be a very beneficial tool in addressing this issue because it will be extremely burdensome for a lot of people. Thank you.

Mr. ADEYEMO. So Senator, our goal is to take your feedback and the feedback of countless people to mind in terms of how we design this to make sure that we reduce the burden as much as possible.

Because we know that ultimately the reason a bipartisan majority of Congress passed this legislation was because they cared deeply about our National Security. But they also want to make sure that we don't overly burden our small businesses. And we have

kept those two things in mind as we think about the design of this regulation.

ADDITIONAL COMMITTEE QUESTIONS

Senator VAN HOLLEN. Well, thank you, Senator. Thank you, Deputy Secretary Adeyemo. Thank you for your service. Thank you for being here today, for this hearing. Our Members, the Members of this Subcommittee will have one week to submit questions for the record. They are due June 21.

Mr. Deputy Secretary, appreciate it if your office could respond to those questions once they are submitted as soon as possible. Again, thank you for being here.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

No questions were submitted.

Senator VAN HOLLEN. Thanks for your service and the subcommittee meeting is adjourned.

SUBCOMMITTEE RECESS

[Whereupon, at 4:06 p.m., Tuesday, June 14, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

FINANCIAL SERVICES AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 2023

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

NONDEPARTMENTAL WITNESSES

[CLERK'S NOTE.—The subcommittee was unable to hold hearings on nondepartmental witnesses. The statements and letters of those submitting written testimony are as follows:]

PREPARED STATEMENT OF THE AMERICAN FRIENDS SERVICE COMMITTEE (AFSC)

Chairman Van Hollen, Ranking Member Hyde-Smith, and Members of the Committee, thank you for the opportunity to submit testimony. My name is Daniel Jasper and I am the Asia Public Education and Advocacy Coordinator for the American Friends Service Committee (AFSC). We are a peace and social justice organization that has worked for over a hundred years to address the root causes of violence and conflict throughout the world. We appreciate the opportunity to address the use of sanctions before the subcommittee today, as this foreign policy tool now serves as a primary response to geopolitical conflict. Specifically, my testimony addresses (1) report language addressing the need for the Government Accountability Office (GAO) to conduct impact assessments on comprehensive sanctions regimes, and (2) the need for the Treasury Department's Office of Foreign Assets Control (OFAC) to conduct regular and comprehensive reporting on licensing procedures.

The urgency and importance of conducting impact assessments on comprehensive sanctions regimes cannot be understated. In 2021, The Treasury Department's sanctions review found that sanctions designations have risen from 912 to 9,421 in the last two decades, representing an increase of 933%.¹ However, despite this accelerating rate of usage, government agencies have indicated that the impact of sanctions is often unclear.

According to a 2019 GAO report, implementing and relevant agencies only conduct ad hoc assessments and do not monitor "the overall effectiveness of existing sanctions programs in achieving broad policy goals." The report found that officials only "informally" evaluate the overall efficacy of these measures. However, given the immense impact of sanctions on ordinary civilians and the global economy, informal evaluations are grossly insufficient. Notably, officials indicated that one major reason for the lack of comprehensive assessments is that "there is no policy or requirement" for this type of analysis.² It's clear, then, that until Congress enacts such a policy, the executive branch is unlikely to undertake such critical assessments on its own accord.

Throughout AFSC's more than one hundred-year history, the organization has accompanied countless communities under sanctions regimes and borne witness to the varied impacts of these measures. Our organization, for instance, was among the first to support South Africans in their call to sanction the apartheid regime. While

¹ 2021 Sanctions Review. U.S. Department of Treasury, Oct. 2021, <https://home.treasury.gov/system/files/136/Treasury-2021-sanctions-review.pdf>.

² Economic Sanctions: Agencies Assess Impacts on Targets, and Studies Suggest Several Factors Contribute to Sanctions' Effectiveness. U.S. Government Accountability Office, Oct. 2019, <https://www.gao.gov/assets/gao-20-145.pdf>.

the case of South Africa has been considered a success, we have found that critical to that success was that it was led by the impacted communities themselves.

Conversely, we have seen that the impacts of these measures are far more damaging when implemented unilaterally and without the support of the local population. In recent decades, the U.S.' propensity to unilaterally impose comprehensive sanctions without the support of local civil society efforts has created large pockets of vulnerable communities throughout the world.

These communities—in many cases entire nations like the Democratic People's Republic of Korea (or "North Korea"), Iran, Venezuela, and Cuba—are left in a State of arrested and reversing development. Given the mounting global challenges such as the COVID-19 pandemic and global food supply chain disruptions, these communities represent an open wound on the collective body of humanity. It is in these conditions that viruses mutate, conflict arises, human rights are violated, humanitarian crises develop, and violent ideologies take root. It is, therefore, imperative that the subcommittee act to fill this immense gap in monitoring and evaluation as policymakers must understand the true impacts of these widespread tools.

Here, I would like to stress that while administration officials have stated that there are humanitarian exemptions for comprehensive sanctions regimes, in practice these exemptions are insufficient for aid operations and peacebuilding initiatives.

For instance, AFSC has operated the longest-standing NGO program in North Korea since 1980. Prior to the pandemic, our program worked to improve conservation agricultural techniques in four cooperative farms outside of the capital city of Pyongyang. These activities had over 84,000 direct and indirect beneficiaries as we worked to improve food access for local communities.

We have witnessed many impacts of sanctions in our work on the ground in places like North Korea such as a chronic shortage of basic supplies, increases in manual labor, decreases in the availability of transportation and fuel, and a general attitude of resentment toward the U.S. government. A recent and dramatic example of the impact of sanctions was the increasingly restricted space for the delivery of humanitarian assistance since 2017.

As a consequence of the U.S.' "maximum pressure" campaign and a U.S.-led UN sanctions resolution, we witnessed deeply disturbing situations where lifesaving assistance to North Korea was delayed or denied by bureaucratic procedures. In at least 42 instances, aid operations were severely disrupted even in cases where agencies obtained the correct paperwork. This resulted in patients undergoing surgery without anesthesia, children going without nutritional assistance, and increased mortality risks for a population already on the margins. While some of these issues have been resolved, the damage to key humanitarian channels had been done; relationships and operations were largely unable to recover in the years leading up to the pandemic.³

As the COVID-19 outbreak erupted in China in early 2020, North Korea largely closed its borders to incoming travel and cargo and has continued these border closures throughout the first half of 2022. Despite a "maximum pressure" campaign and over 2 years of a self-imposed embargo, North Korea's missile and weapons development programs—a primary target of sanctions measures—continue unabated. Instead, AFSC has witnessed that it is the ordinary people, who have no say in their government's actions, that often bear the true cost of sanctions.

In 2019, Korea Peace Now, a global movement of women mobilizing to end the Korean War, commissioned one of the few assessments of the impact of sanctions on citizens. The study found that "[s]anctions destabilize North Korean society in ways that have a disproportionate impact on women, resonating with patterns observed in other sanctioned countries. The resulting economic pressure tends to exacerbate rates of domestic violence, sexual violence, and the trafficking and prostitution of women."⁴ These types of impacts on the human rights and humanitarian situations of local communities are seldom captured by the "informal" impact assessments offered by administration officials.

At the beginning of the Biden administration, 55 nongovernmental organizations—representing over 65 million supporters—sent a letter to the President outlining urgently needed sanctions reforms. Among the key recommendations included

³ Jasper, Daniel. "Why the World Should Care about the COVID Outbreak in North Korea—38 North: Informed Analysis of North Korea." 38 North, 27 May 2022, <https://www.38north.org/2022/05/why-the-world-should-care-about-the-covid-outbreak-in-north-korea/>.

⁴ "The Human Cost and Gendered Impact of Sanctions on North Korea." Korea Peace Now. Oct. 2019, <https://koreapeacenow.org/wp-content/uploads/2019/10/human-costs-and-gendered-impact-of-sanctions-on-north-korea.pdf>.

in the letter was the need to institute “ongoing reporting protocols that monitor the impact and human cost of sanctions.”⁵

The administration has not taken action on these reforms to date, and with millions of lives in the balance, Congress must champion the voice of civil society and institute common sense monitoring policies. We strongly urge the subcommittee to adopt report language requesting impact assessments on all comprehensive sanctions regimes from the GAO.

In many heavily sanctioned contexts such as North Korea, it is now routine for aid operations to go through extensive OFAC licensing procedures to send aid shipments. Throughout my tenure at AFSC, I have seen this process take anywhere from 9 months to 2 years.

The application process is strenuous—often filled with vague guidance on high-stakes procedures. Communication and status updates are typically infrequent from OFAC and the process requires the aid of expensive legal counsel. Further, OFAC staff turnover and/or the sheer volume of applications mean that we are continuously educating policymakers and bureaucrats about our work. This means that in moments of humanitarian crisis (and sometimes in moments of geopolitical opportunity), aid workers are spending precious moments navigating red tape and rehashing the most basic elements of longstanding programs instead of responding to critical situations.

Consistent with the Treasury Department’s commitment to “modernizing” sanction regimes and supporting legitimate humanitarian actors,⁶ OFAC must begin regular and transparent reporting on licensing procedures. Moreover, making this data publicly available would improve the speed and consistency of these processes, reduce humanitarian response time, and improve our collective understanding of the impacts of sanctions on civilians.

Amid increasing global security challenges, sanctions have emerged as a primary tool of the U.S. in dealing with its adversaries. These tools are sometimes enacted with an alarmingly cavalier attitude toward their potentially devastating human impact, and with a severe lack of oversight. Given the widespread nature of these instruments, their impact on the global economy, and the hundreds of millions of lives they impact, we urge you to support these proposals in order for the U.S. government and public to fully understand the consequences of these policies.

PREPARED STATEMENT OF COALITION FOR A PROSPEROUS AMERICA (CPA)

Dear Chairman Van Hollen and Ranking Member Hyde-Smith:

For the reasons outlined below, the Coalition for a Prosperous America (CPA) strongly urges the subcommittee on Financial Services and General Government to approve an increased appropriation for the Financial Crimes Enforcement Network (FinCEN) to \$210.3 million for the Fiscal Year 2023. CPA is concerned the Corporate Transparency Act (CTA) will not be implemented promptly without these resources. The CTA prioritized our National security by denying the most egregious means of obscuring the actual owners of different types of property.

The Coalition for a Prosperous America is a nonprofit, nonpartisan organization that represents the interests of domestic producers across the country engaged in agricultural production, agribusiness, and many manufacturing supply chains. We are concerned about foreign intellectual property theft, offshoring of industry, and the decline of the quality of jobs in the US due to the loss of supply chains.¹

FINCEN NEEDS TO IMPLEMENT THE CORPORATE TRANSPARENCY ACT

The FinCEN, tasked with codifying and implementing the CTA, has already missed deadlines due to resource shortages.² Therefore, CPA strongly supports the subcommittee on Financial Services and General Government approving increased appropriations for the Financial Crimes Enforcement Network (FinCEN) to \$210.3 million for the Fiscal Year 2023.

⁵“Civil Society Groups Call on Biden to Provide Immediate Sanctions Relief and Legal Reform.” American Friends Service Committee, 26 Mar. 2021, <https://www.afsc.org/newsroom/civil-society-groups-call-biden-to-provide-immediate-sanctions-relief-and-legal-reform>.

⁶2021 Sanctions Review. U.S. Department of Treasury, Oct. 2021, <https://home.treasury.gov/system/files/136/Treasury-2021-sanctions-review.pdf>.

¹About page Coalition for a Prosperous America. <https://prosperousamerica.org/about/>.

²Das, Himamauli, US Treasury FinCEN Acting Director, Statement before U.S. House of Representatives Financial Services Committee. April 28, 2022. <https://financialservices.house.gov/uploadedfiles/hhrg-117-ba00-wstate-dash-20220428.pdf>.

Congress passed the Corporate Transparency Act in 2020 as part of the Anti-Money Laundering Act. This bipartisan landmark legislation sought to improve anti-money laundering laws and deny the benefits of anonymous shell companies.

Hidden 'beneficial' owners include foreign kleptocrats and criminals who pose a grave security threat to the United States. Our recent attempts to hold Russian kleptocrats accountable for the invasion of Ukraine exposed our vulnerability and our need to strengthen our economic borders. American producers need information regarding the competition they face from autocratic non-market foreign owners.

KLEPTOCRACY THREATENS AMERICA'S FINANCIAL INDEPENDENCE

The FinCEN advisory on Kleptocracy and Foreign Public Corruption (FIN-2002-A001), released on April 14, 2022, specified that "Kleptocratic regimes and corrupt public officials may engage in bribery, embezzlement, extortion, or the misappropriation of public assets, among other forms of corrupt behavior, to advance their strategic, financial, and personal goals."³

These behaviors are not limited to the country of the foreign kleptocrats. Once a US financial enterprise becomes involved with these tainted funds, the enterprise has a vested interest in promoting a continued relationship for the sake of management of this "property." The vested self-interest divides the financial enterprises' allegiance from the United States' competitive economy, moral values, and even the Nation's national security interests.

Consider the problems concerning London's enmeshing with Russian kleptocrats. A former Russian correspondent, Oliver Bullough, gives "kleptocracy tours" in the capital of the United Kingdom, showing how illicit funds affected the city.⁴ Despite criminal activities, including the 2018 poisoning of Sergei Skripal and his daughter on United Kingdom soil by Russia's leader Putin, British elected officials took few actions against the Russian kleptocrats until the invasion of Ukraine. In effect, London's political class was a willing hostage because it had become dependent on kleptocrat money.

With a GDP of over £500 Billion (just under \$650 billion) in 2020,⁵ London's economic size did not guarantee protection against this form of foreign political manipulation. In 2020, only 10 of our 50 American States had a greater GDP than London.⁶ It is no small leap to assume entire American States are vulnerable when we do not know the identities of the beneficial owners of investments in the United States.

Meanwhile, our intended sanctions revealed how ill-prepared the US financial system is to respond to actions like Russian aggression. When the White House announced its comprehensive legislative package to hold the Russian government and oligarchs accountable for President Putin's war against Ukraine, Russian forces had invaded Ukraine for over 2 months.

The White House proposal had to take time to streamline specific ways to enable the seizure and implementation of the sanctions because they had been playing a game of whack-a-mole with Russian kleptocrat funds. In the future, these mechanisms should be easy to implement and clearly outlined against any hostile power. FinCEN's work is essential to simplifying the knowledge of foreign-based beneficial ownership in the United States.

Despite the successful bipartisan efforts to pass the Corporate Transparency Act, its implementation must be accelerated, not restricted. FinCEN is too underfunded to be effective in its current funding state, and that weakness in our economic infrastructure must end.

Russian kleptocrats are not the final concern as a price for our lack of financial transparency. Any autocratic government seeking to manipulate the United States would have good reason to use their wealthy kleptocrats to invest in it. Chinese "greenfield" investments have already been a significant concern to members of the

³ Advisory on Kleptocracy and Foreign Public Corruption. US Treasury, FinCEN April 14th, 2022. <https://www.fincen.gov/resources/advisories/fincen-advisory-fin-2022-a001>.

⁴ Keefe, Patrick Radden. How Putin's Oligarchs Bought London. *New Yorker Magazine*. March 28th, 2022. <https://www.newyorker.com/magazine/2022/03/28/how-putins-oligarchs-bought-london>.

⁵ Gross domestic product of the United Kingdom in 2020, by region (in million GBP). Statista. <https://www.statista.com/statistics/1004135/uk-gdp-by-region/>.

⁶ Gross Domestic Product by State, 4th Quarter 2020 and Annual 2020 (Preliminary). US Commerce, Bureau of Economic Analysis. <https://www.bea.gov/sites/default/files/2021-03/qdpstate0321.pdf>.

Senate.⁷ These Chinese-held subsidiary investments can use corporate anonymity to disguise non-market intent.

The Coalition for a Prosperous America contends that the US underestimates our National producers' competition with non-market firms that sacrifice market-based results in exchange for future monopoly dominance or illicit political capital due to a lack of information.

The Coalition for a Prosperous America does not directly oppose foreign financial investment. But it is crucial to know which foreign citizens of autocratic regimes own what property, how much is held, for what purpose, and how much wealth ends up in foreign jurisdictions.

Therefore, the Coalition for a Prosperous America urges the subcommittee on Financial Services and General Government to approve an increased appropriation for the Financial Crimes Enforcement Network (FinCEN) to \$210.3 million for the Fiscal Year 2023. The Corporate Transparency Act (CTA) prioritized our National security, but the necessary regulation and enforcement need these resources to implement the will of Congress as soon as possible.

Sincerely,
David Morse, Tax Policy Director
Coalition for a Prosperous America

PREPARED STATEMENT OF COALITION FOR INTEGRITY

Dear Chairman Van Hollen and Ranking Member Hyde-Smith:

We at Coalition for Integrity support and encourage the subcommittee on Financial Services and General Government to approve increased appropriations for Financial Crimes Enforcement Network (FinCEN) in line with the President's budget request for the 2023 fiscal year.¹

Coalition for Integrity is a non-profit, non-partisan 501(c)(3) organization. We work in coalition with a wide range of individuals and organizations to combat corruption and promote integrity in the public and private sectors both in the United States and internationally. An important area of focus for us is ending impunity for corrupt public officials and oligarchs around the world. We have previously submitted comments to FinCEN on a proposed rule that would address the vulnerability of the U.S. real estate market to money laundering and other illicit activity.² We have also submitted comments on notice of proposed rulemaking (NPRM) to implement the beneficial ownership reporting requirements in the Corporate Transparency Act (CTA).³

FinCEN remains one of the leaders entrusted with combatting illicit finance and addressing deficiencies in the anti-money laundering regime in the first U.S. Strategy on Countering Corruption.⁴ FinCEN's work is critical to keep the proceeds of corruption and other crimes from being laundered through the U.S. financial system. Deputy Secretary of the Treasury Wally Adeyemo expressed during his testimony before the subcommittee on Financial Services and General Government, the U.S. Treasury has "taken unprecedented measures . . . [but] these new actions and initiatives require substantial resources" to conduct the necessary analysis and produce a global response.⁵ These remarks echo FinCEN Acting Director Himamauli

⁷ Senator John Kennedy. Kennedy introduces bill to increase scrutiny over Chinese investments on U.S. soil. Press Release. October 21, 2021. <https://www.kennedy.senate.gov/public/2021/10/kennedy-introduces-bill-to-increase-scrutiny-over-chinese-investments-on-u-s-soil>.

¹ The White House, Budget of the U.S. Government: Fiscal Year 2023, Feb. 2022, https://www.whitehouse.gov/wp-content/uploads/2022/03/budget_fy2023.pdf.

² The letter was written in response to FinCEN's request for comment. See Letter from Shruti Shah, President & CEO, Coalition for Integrity, to Himamauli Das, Acting Dir., FinCEN, U.S. Department of the Treasury (Feb. 21, 2022), <https://www.coalitionforintegrity.org/wp-content/uploads/2022/02/C4I-FinCEN-Comments-Feb-21-Real-Estate-Final.pdf>; see also FinCEN, 86 Fed. Reg. 69, 589 (Dec. 8, 2021), <https://www.govinfo.gov/content/pkg/FR-2021-12-08/pdf/2021-26549.pdf>.

³ See Letter from Shruti Shah, President & CEO, Coalition for Integrity, to Himamauli Das, Acting Dir., FinCEN, U.S. Department of the Treasury (Feb. 7, 2022), <https://www.coalitionforintegrity.org/wp-content/uploads/2022/02/FinCEN-Comments-Feb-7-Final.pdf>.

⁴ The White House, U.S. Strategy on Countering Corruption, Dec. 2021, <https://www.whitehouse.gov/wp-content/uploads/2021/12/United-States-Strategy-on-Countering-Corruption.pdf>.

⁵ U.S. Department of the Treasury, Testimony of Deputy Secretary of the Treasury Wally Adeyemo before the subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate, June 14, 2022, <https://home.treasury.gov/news/press-releases/jy0815>.

Das' testimony before the House Financial Services Committee where he explained that "while the AML Act made significant improvements to the AML/CFT framework, these improvements come at a cost. FinCEN employs a team of about 300 dedicated employees, including intelligence analysts, investigators, AML/CFT policy strategists, enforcement and compliance officers, outreach specialists, data analysts, regulators, and economists . . . [yet] FinCEN has significant staffing requests that remain unfunded."⁶

The Strategy on Countering Corruption recognizes the real estate and private investment sectors are vulnerable to abuse by illicit actors seeking to launder the criminal proceeds.⁷ FinCEN is responsible for rulemaking in these sectors as well as implementing the beneficial ownership transparency rule of the CTA.⁸ FinCEN's role continues to grow as it follows the money.⁹

The Coalition for Integrity urges the subcommittee on Financial Services and General Government to approve the full \$210.3 million in order for FinCEN to fulfill its duties to combat money laundering and its related crimes such as terrorism and promote national security.¹⁰ Coalition for Integrity also endorses FACT Coalition's letter in support of increased FY 2023 appropriations for FinCEN.

Thank you for your time and consideration. Please contact me with any questions at sshah@coalitionforintegrity.org.

Sincerely, Shruti Shah
President & CEO Coalition for Integrity

⁶Statement by Himamauli Das Acting Director Financial Crimes Enforcement Network U.S. Department of the Treasury before Committee on Financial Services, U.S. House of Representatives, 12 (April 28, 2022), <https://financialservices.house.gov/uploadedfiles/hhrg-117-ba00-wstate-dash-20220428.pdf>.

⁷Supra note 4 at 22.

⁸FinCEN, 86 Fed. Reg. 69, 589 (Dec. 8, 2021), <https://www.govinfo.gov/content/pkg/FR-2021-12-08/pdf/2021-26549.pdf>.

⁹FinCEN, What We Do, <https://www.fincen.gov/what-we-do>.

¹⁰FinCEN, Mission, <https://www.fincen.gov/about/mission>.

PREPARED STATEMENT OF CONGRESSIONAL FIRE SERVICES INSTITUTE

Dear Chairman Van Hollen and Ranking Member Hyde-Smith:

On behalf of the Nation's fire and emergency services, we write to urge your support for vital funding to enhance life safety across the country by preventing illness and death related to carbon monoxide exposure. As you consider the Fiscal Year (FY) 2023 Financial Services and General Government (FSGG) Appropriations bill, we urge you to provide \$10 million to the Consumer Product Safety Commission (CPSC) for grants required by section 204 of the Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act of 2022 (Public Law 117-103).

Carbon monoxide (CO) poisoning is a proven threat to Americans across the country, claiming at least 430 lives annually. Additionally, approximately 50,000 people are sent to emergency rooms every year due to unintentional poisonings, according to the Centers for Disease Control and Prevention (CDC).¹ Since CO is an odorless, tasteless, and colorless gas, many people are initially unaware they are even being poisoned.

Carbon monoxide poisoning can result in death, but it can also cause lifelong neurological and cardiac issues, in addition to other harmful, long-term health conditions. While anyone can be harmed by exposure to CO, it is especially dangerous for babies, children, elderly individuals, and individuals with preexisting chronic health conditions, such as cardiovascular disease, anemia, and respiratory issues.

The Nicholas and Zachary Burt Memorial Carbon Monoxide Poisoning Prevention Act established a grant program at CPSC to help States and local governments implement CO alarm installation programs and ensure that families across America are protected from CO poisoning. It is critical that this program is adequately funded to help mitigate the harmful—and even fatal—effects of CO poisoning.

Our organizations look forward to working with you on funding this important public safety grant program.

Sincerely,

Congressional Fire Services Institute
International Association of Fire Chiefs
International Association of Fire Fighters
International Code Council
National Association of State Fire Marshals
National Fallen Firefighters Foundation
National Fire Protection Association
National Volunteer Fire Council

[This statement was submitted by Michaela Campbell, Director of Government Affairs for the Congressional Fire Services Institute]

PREPARED STATEMENT OF DEMAND PROGRESS

Dear Chairman Van Hollen, Ranking Member Hyde-Smith, and Members of the subcommittee:

Thank you for the opportunity to submit written testimony regarding the FY 2023 Financial Services and General Government Appropriations Bill. My organization, Demand Progress, conducts research and engages in advocacy focused on strengthening Congress's ability to legislate and conduct oversight. In furtherance of this mission, I urge the Committee to direct the public disclosure of in-person and virtual visitors to the White House and the Vice President's residence, which would further Congress's oversight role and greater governmental accountability.

DISCLOSURE OF WHITE HOUSE VISITOR LOGS

Disclosure of White House visitor logs—records of in-person visitors to the White House—is an important element of government accountability and serves as a proxy for disclosure of meetings by lobbyists and special interests with government officials. These records of in-person meetings are generated by the activity of the United States Secret Service, which monitors visitors and clears them to the White

¹ <https://www.cdc.gov/nceh/features/copoinsoning/index.html>.

House complex using records from two automated systems.¹ These records track visitors from the initiation of a request that they be cleared for access until the point that they exit the White House complex.

On September 15, 2009, the Obama administration began voluntarily disclosing the majority of the information in the White House visitor logs to settle then-ongoing litigation brought by civil society organizations over the issue of public access to these records under the Freedom of Information Act.² In doing so, the White House recognized the “right” of “Americans” to “know whose voices are being heard in the policymaking process.” As implemented, the posted records included names of visitors, the dates and times they entered and exited the White House compound, and the names of the White House staff requesting that they be cleared for access. (Ultimately, the Federal courts held the records are not legally Secret Service property, but rather White House records, and are thus covered by the Presidential Records Act and not the Freedom of Information Act.)

Under its disclosure policy, the Obama administration released nearly 6,000,000 records, which opened a new window into the functioning of the White House and helped inform the public, directly and through countless news stories, about who was going into the White House to meet with administration officials. This also offered opportunities for civil society groups to analyze the data in an effort to hold the administration accountable.

Experience under the Obama administration’s voluntary disclosure policy demonstrates how important these records are for public accountability. The Washington Post reported that the visitor records released by the Obama administration included “scores of lobbyists.”³ For example, one news report examining records from an “unremarkable” day in January 2012 revealed the “regular presence” of lobbyists at the White House, with “lobbyists with personal connections to the White House enjoy[ing] the easiest access.”⁴ At the same time, the Obama disclosure policy protected the interests of the president, his family, and the Nation by excluding purely personal guests of the president’s family, records implicating national security interests, and records of particularly time-sensitive meetings that were temporarily withheld.

Eight years later, President Trump closed that window when he came into the White House, leaving the public in the dark about who was going into “the people’s house” and fueling multiple lawsuits. Regardless of who is president, information about White House visitors should continue to be publicly available. These records help inform Congress and the public about those individuals and entities that seek to influence presidential decision-making and Executive branch policies, and the basic day-to-day workings of our government—the information the FOIA was designed to access and the voluntary disclosure policy was meant to address.

The Biden administration has chosen to reverse the Trump administration’s decision to discontinue the voluntary disclosure policy. This is a welcome development, but one granted at the sufferance of the current administration and liable to reversal at any time. Congress must step in to guarantee access for itself and the American people.

To that point, the House of Representatives included language in the Protecting Our Democracy Act, Section 2203 of H.R. 5314 (117th Congress), which establishes “not later than 90 days after the date of enactment of this act, the President shall establish and update, every 90 days thereafter, a publicly available database that contains covered records for the preceding 90-day period, on a publicly available website in an easily searchable and downloadable format.” While the House passed H.R. 5315 on December 9, 2021, it has yet to see any action in the Senate. The measure paralleled legislation introduced by Rep. Mike Quigley in section 602 of the Transparency in Government Act over multiple Congresses.⁵

Appropriators routinely require the administration to provide to Congress records appropriate for legislative oversight of Executive branch activities, including requiring the public disclosure of these records. White House visitor logs are quintessential oversight records. The House has already given its blessing for requiring White

¹ 18 U.S.C. §§ 3056, 3056A.

² Peter Baker, *The White House Will Disclose Visitor Logs*, *New York Times*, Sept. 4, 2009, available at <https://thecaucus.blogs.nytimes.com/2009/09/04/the-white-house-will-disclose-visitor-logs/>.

³ John Wagner, *Trump will keep list of White House visitors secret*, *Washington Post*, Apr. 14, 2017, available at <https://www.washingtonpost.com/news/post-politics/wp/2017/04/14/trump-to-discontinue-obama-policy-of-voluntarily-releasing-white-house-visitor-logs/>.

⁴ T.W. Farnam, *White House Visitor Logs Show Lobbying Going Strong*, *Washington Post*, May 20, 2012, available at https://www.washingtonpost.com/politics/2012/05/20/g1QA2ok4dU_story.html.

⁵ See, e.g., H.R. 2055 (117th Congress).

House visitor log disclosure and the Appropriations Committee is best positioned to vindicate Congress's will. I urge you to ensure uninterrupted congressional and public visibility into visitors to the White House and the Vice President's residence regardless of who occupies the White House. The policy adopted by the White House with respect to which records to disclose and which ones may be withheld is reasonable, by and large, and should be put into law. To that end, I recommend the following bill language that codifies the current White House policy and vindicates Congress's oversight needs and the public's right to know:

White House Visitor Logs.—Not later than 30 days after the date of enactment of this act and updated every 30 days thereafter, the White House Office of Administration shall report to the Congress, the Senate Homeland Security and Governmental Affairs Committee, the House Committee on Oversight, and make contemporaneously available online, a searchable, sortable, downloadable database of visitors to the White House and the Vice President's residence compiled in the White House Worker and Visitor Entry System that includes the name of each visitor, the name of the individual who requested clearance for each visitor, and the date and time of entry for each visitor. Notwithstanding this requirement, the White House Office of Administration, after consultation with the United States Secret Service and the President or his designee, may exclude from the database any information that would (1) implicate personal privacy or law enforcement concerns or threaten national security, or (2) relate to a purely personal guest. In addition, with respect to a particular sensitive meeting, the White House Office of Administration shall disclose each month the number of records withheld on this basis and post the applicable records no later than 365 days later.

DISCLOSURE OF WHITE HOUSE VIRTUAL VISITOR LOGS

As described above, the Biden Administration reinstated the Obama administration's policy to disclose the vast majority of records of visitors to the White House. However, many White House meetings are taking place virtually and are not covered under that policy. The move from in-person to virtual meetings in response to COVID-19 could not have been anticipated when the disclosure policy was first implemented in 2009.

The Financial Services and General Government FY 2022 Appropriations Bill Report (H. Rept. 117-79, p. 37) requested “[t]he Executive Office of the President to explore the feasibility of disclosing ‘virtual’ visitors to the Executive Office of the President in a manner that provides similar information as provided for other visitors and that is retroactive to January 20, 2021” and “directs EOP to provide a briefing on this topic no later than 120 days after enactment of this act.”

I applaud this action from the Committee and believe access to “virtual” visitor disclosures should become a permanent practice. I encourage the Committee to move forward to direct the Executive Office of the President to provide a report on the cost and implementation of making “virtual” visitor log disclosures permanent. To that end, I recommend the following bill language:

White House Virtual Visitor Logs.—The White House Executive Office of the President, within 60 days of enactment of this legislation, shall provide a report to Congress on how it recommends implementing a requirement to make contemporaneously available online on at least a biweekly basis a searchable, sortable, downloadable database of “virtual visitors” to the White House and the Vice President's residence. A virtual visitor is a person who meets with Executive branch office staff whose normal place of work is at the White House or the Vice President's residence. This list should include the name of each visitor, the name of each person they met with, and the date and time of each meeting. This is intended to be an analogue for disclosure of White House Visitor Logs.

As part of its report to Congress, the Executive office of the President may evaluate whether to include a provision that would exclude from the biweekly public disclosure any information that would (1) implicate personal privacy or law enforcement concerns or threaten national security, or (2) relate to a purely personal guest. In those instances, the Executive Office of the President shall still disclose the total number of records on a biweekly basis, but withhold the applicable record for no more than 365 days.

The report shall also address the costs of implementing such a system.
 Thank you again for the opportunity to submit written testimony.
 [This statement was submitted by Hajar Hammado, Policy Advisor]

PREPARED STATEMENT OF HARBOR BANKSHARES CORPORATION

Chairman Van Hollen, Ranking Member Hyde-Smith, and members of the subcommittee, good afternoon. Thank you for inviting me to discuss the important work of Community Development Financial Institutions (CDFIs).

My name is Joseph Haskins. I am a founding Director, Chairman and CEO of Harbor Bankshares Corporation, headquartered in Baltimore, Maryland.

BANK HISTORY

The Harbor Bank of Maryland (Harbor Bank) opened its door for business in September of 1982. The Bank had its origin dating back to the early 1970s when Baltimore's African American leadership was seeking ways to enhance economic opportunities for minority communities in Baltimore City.

One of the major issues identified as limiting economic opportunities was the lack of access to capital and more importantly access to banking. To address these issues Harbor Bank was found.

Harbor Bank focused on providing banking services in the following areas:

- Minority Business/Commercial Lending
- Faith Based (Church Financing)
- Residential Mortgages

Increased demands for financial services coupled with increasing bank regulations required and expanded operations.

In 1992, Harbor Bank formed a holding company, Harbor Bankshares Corporation (The Corporation), allowing for additional financial services.

Establishing the holding company led to the formation of three (3) subsidiaries and a non-profit Community Development Corporation (CDC).

Today, The Corporation oversees a \$350 million Bank and subsidiaries that directly and indirectly control another \$300 million. While the Bank remains the primary subsidiary, the other operations provide the Baltimore community with access to more diverse capital and financial services.

Some of the expanded services include:

- Lower priced loans
- Equity investment support
- Financial literacy programs
- Real estate development programs
- Specialized tax benefits

Over the past thirty-nine (39) years, the significance of the Corporation and Bank to the development/revitalization of communities is evidenced by:

- The development of the Inner Harbor East where Harbor Bank was the first money to help build a hotel, office building, and residential housing.
- The Canton Community where Harbor Bank was the first money to support a residential housing project and the converting of old warehouses to office and retail space.
- East Baltimore Development Inc. (EBDI), a non-profit, was aided by Harbor Bank's seed money to help an 88-acre community known for poverty and crime to be revitalized and become livable. Johns Hopkins Science Park is a part of this community's revitalization. This community is now a national model.
- University of Maryland at Baltimore (UMAB) Science Park where Harbor Bank was the first money to support land and project development West of Martin Luther King Boulevard.

As a corporation in the financial services space, our role evolved to that of being a catalyst and advocate for revitalizing and restoring abandoned, forgotten, and disregarded communities in Baltimore.

THE HARBOR BANKSHARES CORPORATION

Harbor Bank of Maryland (CDFI)

- Founded in 1982
- MD Chartered Commercial Bank
- Minority Depository Institution
- 7 Full-Service Branches
- Broad Product Offerings for Businesses and Individuals
- SBA 7(a) Lender
- 13x Bank Enterprise Award ("BEA") Winner for Demonstrated Lending and Investment in Low-Income Communities
- Locally Owned and Managed
- \$350 Million in Assets
- FDIC designated MDI

Harbor Bank of Maryland Community Development Corporation (CDFI)

- Founded in 2001
- 509(a)(2) Public Charity
- Emerging Developer Technical Assistance Program
- 2x US SBA PRIME Awardee
- JPMorgan partner and regional leader on Entrepreneurs of Color Fund
- Minority Pre-Seed Venture Capital fund with TEDCO
- EB-5 Immigrant Investor Regional Center subsidiary with MD, DC, VA, WV, and PA footprint
- Operating 2 business accelerator programs annually within our coworking center
- Advising development across Baltimore

Harbor Bankshares Community Development Entity (CDE)

- Founded in 2001
- 9x Winner of \$384 Million Total In New Market Tax Credit Allocations
- Manager of 30+ Funds with Flawless Track Record
- Catalyzing 4,000+ Jobs and \$.0Bn in leveraged investment in Low-Income Census Tracts

Harbor Bankshares Capital Corporation

- Founded in 2018
- Private Equity Financial Advisory
- Asset Management
- \$92 Million in leveraged lending originations in Q4'20
- Specialized Small Business Investment Company ("SSBIC") Rights
- Opportunity Zone Advisory Practice awarded by the US MBDA.

THE CDFI ROLE

The Corporation and Bank seeking to enhance financial services and bring more resources to the Baltimore Community applied over 20 years ago to become certified Community Development Financial Institutions (CDFI). Today, the Corporation and two of its subsidiaries are CDFIs. Also, The Corporation's non-profit CDC is a certified CDFI.

Under the Department of Treasury's CDFI Program, the Corporation and its subsidiaries have participated in several of funds programs and have successfully won/earned:

- 13 Bank Enterprise Awards (BEA) totaling \$3,893,753 which helped to increase lending in lower income communities. The BEA Award is important to CDFI Banks because of its leverage capacity. Records show that 90 percent of BEA monies go to the lowest income census tracts.
- Financial Assistance (FA) award totaling \$649,000. (\$500,000 was for loans and \$149,000 persistent poverty).
- Nine rounds of New Market Tax Credit (NMTC) awards totaling \$384 million helping to leverage over \$3 billion of development and create 4,000 jobs. Projects include science buildings, community schools, and healthcare facilities.

Many projects involve multiple level of participation from The Corporation. A project could include New Market Tax Credit (NMTC), Harbor Bank loan and advisory services.

MARYLAND PROFILE

- The programs of the CDFI Fund are very important to the state of Maryland. Maryland is home to 15 CDFIs, two of which are banks or bank holding companies, while two additional CDFI banks based in the District of Columbia provide significant services within the state.
- In 2020, Maryland-based CDFIs and CDFI banks serving Maryland (Maryland and D.C. based) received \$6.7 million in CDFI Financial Assistance (FA) and Technical Assistance (TA) awards. CDFI banks serving Maryland received \$202,898 in BEA funds.
- In the past 3 years Maryland-based CDFIs and CDFI banks serving Maryland have received \$31.4 million in FA and TA awards, while CDFI banks serving Maryland have received \$1.15 million in BEA funds.
- Since the CDFI Fund's inception in 1996, Maryland-based CDFIs and CDFI banks serving Maryland have received \$119.5 million in total awards. In that same period, CDFI banks serving Maryland have received \$14.5 million in BEA funds.
- Maryland is among the poorest States in the Nation. Like other States with persistent poverty, Maryland has a lot to lose if the CDFI Fund and BEA Program do not have adequate funding.
- Approximately 9.1 percent of all Marylanders live in poverty—with the poverty rate in 8 counties (Somerset, Baltimore, Dorchester, Allegany, Wicomico, Garrett, Kent and Washington) equal to or exceeding the 12.3 percent United States total.
- Baltimore City, Maryland's USDA designated persistent poverty county, has a poverty rate 160 percent higher than the United States total. Somerset County has a poverty rate 190 percent higher than the United States total.

COVID-19 PANDEMIC

The crisis of COVID-19 highlighted the importance of CDFI banks and other community based financial institutions. CDFI banks reached and helped the businesses that required loans to survive, the ones disproportionately operating in low to moderate income communities and desperate for banking services and in particular financial assistance. The government offered stimulus programs—especially the Paycheck Protection Program (PPP) proved to be a lifeline to many of these businesses, especially in the distressed communities.

Harbor Bank stepped to the front of the line providing assistance through the PPP program. Harbor Bank met and assisted over 1,000 potential PPP applicants and processed 674 applications totaling \$67.5 million. Adjusting out the 10 largest borrowers, the average size of Harbor's PPP loan was \$52,000.

The government met the economic call from the community and Harbor Bank was a part of the delivering channel.

In summary, the Treasury's CDFI Program is vital to the growth and restoration of the communities that have been depressed or deprived for years. It is difficult

to provide the capital that these communities need without a CDFI Program. My fear today is that the absence of the PPP Program will render businesses incapable of continuing on the survival path.

I urge the members of the subcommittee to recognize the significant economic benefits of funding the CDFI Fund programs. Not only do these programs provide access to capital in historically disadvantaged regions of the country, but they do so by leveraging private investment. The CDFI Fund programs are a market-based strategy for addressing chronic economic challenges.

I thank Chairman Van Hollen, Ranking Member Hyde-Smith, and the members of the Committee for the opportunity to tell you the story of Bank of Anguilla, the work we do, and the communities that we serve.

[This statement was submitted by Joseph Haskins, Jr., Chairman and Chief Executive Officer]

PREPARED STATEMENT OF LEADERSHIP ENGAGEMENT OF THE NATIONAL CONGRESS OF AMERICAN INDIANS

On behalf of the National Congress of American Indians (NCAI), thank you for this opportunity to provide testimony on FY 2023 funding for the Office of Management and Budget (OMB), Department of the Treasury (Treasury), the Small Business Administration (SBA), and the Federal Communications Commission (FCC). A brief history of Native American policy in the United States contextualizes the need for increased and improved financial services in Indian Country and greater representation in OMB. Specifically, the U.S. legacies of genocide, isolation, forced assimilation, complete termination of Tribal government recognition, revocation of Tribal government jurisdictional authority, and forced conversion of Tribal lands, contribute to the systemic negative socio-economic conditions in Tribal communities, including a lack of access to deposit and credit services in Indian Country. Policies failing to consider that Tribal Nations and their citizens do not have the same capital equity as other American governments and citizens cause Federal programs and initiatives to be less successful than intended. Federal spending policy for programs that benefit Native Americans must be considered holistically across appropriations subcommittee jurisdictions and recognize the unique historical and political position that was forced upon Tribal Nations by the United States.

For example, other governments in this country can raise revenue through tax-exempt debt. The issuance of tax-exempt bonds are a valuable tool to raise capital because they have a longer payback period and lower interest, in general. Tribal Nations do not have parity in access to issuance of tax-exempt bonds because of the “essential government function” test, which requires a Tribal Nation to prove that it is going to use the money for an essential government function. However, the Department of the Treasury (Treasury) has not defined what it means, nor has the Internal Revenue Service (IRS). Tax-exempt debt used to be a market in Indian Country, but without an essential government function definition, banks backed out of those sort of activities. So, when Tribal governments raise capital for economic purposes, the same purposes we are uniquely reliant on to generate revenue, we are not able to use tax-exempt debt. Tribal governments are not able to use it for housing and other activities that, again, have other collateralized asset barriers when they take place on Trust lands. Indian Country needs patient capital. Changing this discriminatory practice around the issuance of tax-exempt debt would free up a lot of capital that other governments take for granted.

Another example can be found in alignment of a banking and credit deserts map with a map of Tribal communities, which reveals a crisis for Tribal citizens and governments attempting to access cost-effective capital and banking services.¹ Unbanked and underbanked areas in the United States are known as “banking deserts.”² According to a 2013 national survey of unbanked and underbanked households by the FDIC, 16.9 percent of American Indian/Alaskan Native households did not have an account at an insured institution (unbanked) and 25.5 percent with an account also had to obtain financial services and products from non-banks,

¹ Native American Finance Officers Association (NAFOA), Comments Re: Community Reinvestment Act Modernization, Docket ID: OCC-2018-0008, 2.

² Donald P. Morgan, Maxin L. Pinkovskiy, and Bryan Yang, Banking Deserts, Branch Closings, and Soft Information, March 7, 2016, <https://libertystreeteconomics.newyorkfed.org/2016/03/banking-deserts-branch-closings-and-soft-information.html>.

alternative financial services providers, in the prior 12 months (underbanked).³ The general U.S. population is unbanked at about 7.7 percent and underbanked at about 20 percent.⁴ Access to credit, especially for small businesses, declines as the distance between the bank and borrower increases.⁵

The President's FY 2023 Budget Request to Congress calls for a historic shift in the paradigm of Nation-to-Nation relations that seeks to restore the promises made between our ancestors and the United States in several key programs. It includes requesting mandatory funding for: Indian Health Service, Department of the Interior Contract Support Costs and Section 105(l) Tribal Leases, and water settlements operations and maintenance; along with a myriad of investments in Indian healthcare, education, public safety, natural resource management, and infrastructure. The Biden-Harris request represents the most revolutionary presidential budget and policy proposals for Tribal programs ever, which have long been advocated for by Tribal leaders, are long overdue, and are prepaid for by our ancestors. The President's FY 2023 Budget for Federal agencies within this subcommittee's jurisdiction is largely a continuation of the status quo that results in Native Americans ranking near the bottom of all Americans in terms of health, education, and employment⁶ and the persistence of banking deserts that inhibit economic development, but this subcommittee can make a substantial difference by providing critical funding for programs beyond the norm.

Cross-referencing OMB Native American Crosscut data with Appropriations Committee reports reveals that FY 2022 spending for Native American programs represents approximately 0.43% of total regular appropriations budget authority within this subcommittee's jurisdiction. With Federal investment metrics such as these, it is no surprise that Indian Country is in a State of catastrophe by national standards. Despite this chronic underinvestment, Indian Country is an important economic driver in the U.S. Economy.⁷ Collectively, Tribal Nations comprise the 13 largest employers in the United States, with Tribal businesses employing more than 700,000 employees, providing economic opportunity for both Native and non-Native workers.⁸ Evidence indicates that where Tribal Nations are successful with economic development that poverty rates, arrest rates, and health issue rates are lower, while educational outcomes and real per capita income are higher. Further, revenue generated on Tribal lands results in a spillover effect that supports local workforces and generates tax revenue.⁹ Ultimately, prosperity for Indian Country increases market penetration across sectors and productivity in the American labor market, as well as improves outcomes associated with other Federal spending that maximize value ratios of Federal input to desired output—in simple terms, good governance. As such, an investment in Indian Country is an investment in America for all Americans.

OFFICE OF MANAGEMENT AND BUDGET

The United States has a unique legal relationship with Tribal governments—a Nation-to-Nation relationship that extends to all Federal agencies. On April 26, 2021, OMB released its Tribal Consultation Plan of Actions to: improve executive branch compliance with Executive Order 13175; consider establishment of a Tribal affairs advisor; conduct regular consultations with Tribal Nations and Tribal officials; develop an OMB Consultation Policy; consider providing additional information on Tribal funding; review its policies and procedures; and identify legislation of potential interest to Tribal Nations. Yet, OMB reports zero Federal funding for programs that benefit Native Americans in its FY 2015 through FY 2023 Native American Funding Crosscuts. Dedicated offices to promote and fulfill the Federal Government's trust and treaty obligations are a proven policy mechanism to reduce programmatic inefficiencies and improve outcomes, making government work better with and for Tribal Nations. Congress must provide OMB the resources to establish this ongoing expertise and must break down the historic institutions of discrimina-

³Federal Deposit Insurance Corporation, 2013 Federal Deposit Insurance Corporation National Survey of Unbanked and Underbanked Households, 16, <https://www.fdic.gov/householdsurvey/2013report.pdf>.

⁴Id.

⁵Id.

⁶U.S. Commission on Civil Rights, Broken Promises: Continuing Federal Funding Shortfall for Native Americans, 1, available at: <https://www.usccr.gov/files/pubs/2018/12-20-Broken-Promises.pdf>, accessed on: May 25, 2022.

⁷Patrice H. Kunesh, Getting real about Indian Country—surprising progress in the heartland, <https://indiancountrytoday.com/opinion/getting-real-about-indian-country-surprising-progress-in-the-heartland>, Accessed: April 6, 2022.

⁸Id.

⁹Id.

tory gatekeeping that harm Tribal Nations. It is a matter of fulfilling its trust responsibility. Congress can promote this government-wide efficiency by providing \$2.5 million to OMB for an Office of Tribal Affairs to be bureaucratically located within and report directly to the OMB Director. The crosscutting nature of Tribal spending and policy throughout the Federal Government necessitates that this expertise be within the Office of the OMB Director.

DEPARTMENT OF THE TREASURY

Treasury maintains a long standing and significant role in matters that substantively impact the sovereignty and welfare of Tribal Nations. Treasury invests in economic development and financial services for Indian Country, primarily through funding and technical assistance for Community Development Financial Institutions (CDFIs). However, Treasury has other programs that make decisions affecting Tribal Nations and their citizens, such as the Internal Revenue Service, the Office of the Comptroller of the Currency (OCC), and the Office of Recovery Programs. The Native American Community Development Financial Institutions Fund Assistance Program (the NACA Program) has been successful and effective in infusing desperately needed financial capital into low-income Tribal communities through technical and financial assistance grants; however, the CDFI bond guarantee program, and the New Market Tax Credits program have not had the same success. Native CDFIs provide a wide range of loans to microenterprises, small businesses, consumers, and homeowners; financial education and entrepreneurial development training; small business planning and homebuyer education; and counseling on credit, foreclosure prevention, debt relief, and other ways to improve financial capacity. Due to limited funding, far fewer Native CDFI applications are approved than submitted. Barriers to capital access, aggravated by the COVID pandemic, necessitate greater funding for existing Native CDFIs and awards to more grant applicants to generate more loans, financial literacy, and entrepreneurial development counseling in Indian communities.

Although regular appropriations funding levels for Treasury programs increased in FY 2021 for the first time in more than a decade, the increase has not kept pace with CDFI and Native CDFI growth during that same period, resulting in lost economic opportunities throughout Indian Country. Even with the increase in FY 2021 (which was flat-funded for FY 2022), cross-referencing OMB Native American Cross-cut data with Appropriations Committee reports reveals that FY 2022 spending for Native American programs represents approximately 0.15% of total regular appropriations budget authority provided for Treasury within this subcommittee's jurisdiction. The subcommittee should provide at least \$30 million to the CDFI Fund Program Account for Native CDFIs and \$2.5 million for an Office of Tribal Affairs within the Office of the Secretary of the Treasury. Establishment of a permanent Office of Tribal Affairs within the Office of the Secretary of the Treasury will promote institutional expertise and guidance across Treasury policy and activity. Congress and Treasury should welcome this opportunity to reduce costs and increase efficiencies associated with necessary operations of the agency, while simultaneously maximizing the American taxpayer's investment in this country and growing local, regional, and national economic productivity.

SMALL BUSINESS ADMINISTRATION

SBA focuses on capital access, contracting, and entrepreneurial development. The SBA's Entrepreneurial Development budget includes a small line item for Native American Outreach that funds the Office of Native American Affairs (ONAA) which coordinates all SBA program activities to help Tribal Nations and Native-owned businesses navigate SBA contracting, business assistance and lending programs. In the COVID pandemic's wake, the ONAA needs more outreach funding to engage in multi-agency workshops and Native supplier initiative events, encourage greater use of SBA loan guarantees, assist Native recipients of Paycheck Protection Program loans and disaster loans, and strengthen Native contractors' participation in the SBA's 8(a), HUB Zone, and other small business contracting programs. In order to provide meaningful services, outreach, and education that is national in scope to Tribal Nations and Native-owned businesses, this subcommittee should provide at least \$5 million for the SBA's ONAA.

FEDERAL COMMUNICATIONS COMMISSION

Tribal lands experience lower rates of both fixed and mobile broadband deployment as compared to non-Tribal areas of the United States, particularly in rural

areas.¹⁰ The FCC Office of Native Affairs and Policy (FCC-ONAP) States that, “[u]nderstanding the complexity of the digital divide in Indian Country requires an appreciation of the unique challenges facing Tribal Nations, which include deployment, adoption, affordability, and access to spectrum, as well as lack of investment dollars and access to credit and start-up or gap financing.” Through this Tribal engagement, the FCC has revamped regulations to assist in bridging the digital divide on Tribal lands. However, the FCC-ONAP office was created without dedicated funding, and it was not until passage of the FY 2014 Omnibus that the Office received \$300,000 to support its Tribal consultation and training directives, an amount that is not commensurate with the scope of the mission tasked. This subcommittee should expressly provide \$2.5 million to FCC-ONAP to promote an office with the resources to address barriers that exacerbate the digital divide in Indian Country.

CONCLUSION

Our people have paid for every penny obligated to Indian Country hundreds of times over by providing this nation with our land. In order to uphold this Nation’s promises to its people, it must first uphold its promise to this land’s First People. We expect to continue to be treated as sovereign nations and with governmental parity. When we work together we can achieve so much. We must now continue down that path of Nation-to-Nation growth, and only then will all of our people be able to fully flourish.

[This statement was submitted by Larry Wright, Jr., Director]

PREPARED STATEMENT OF LINCOLN NETWORK

Chairman Van Hollen, Ranking Member Hyde-Smith, and Members of the subcommittee:

We are writing on behalf of Lincoln Network to encourage this subcommittee to provide additional funding to the Federal Trade Commission (FTC) and to direct funds for the hiring of additional staff technologists.

In March, Congress passed the Consolidated Appropriations Act that appropriated \$376.5 million to the FTC for FY 2022.¹ The FTC requested that this subcommittee appropriate \$490 million for FY 2023, an increase of \$139 million.²

The report language from the House Appropriations Committee for FY 2023 recommended fully funding the FTC’s requested budget at \$490 million.³ This report also encourages the Commission to address several concerns related to the technology industry, including deceptive data collection practices, fraud related to cryptocurrencies, online misinformation, and online privacy for children. Addressing these concerns requires deep technical expertise that is currently lacking at the FTC.

In its own appropriations bill, the subcommittee should fully fund the FTC’s FY 2023 budget request and specify that a significant portion of this funding should go toward bolstering technical expertise at the Commission.

BACKGROUND

The FTC, in conjunction with the Department of Justice Antitrust Division, is primarily responsible for enforcing laws related to unfair and deceptive business practices and other anticompetitive activity. Over the past few decades, the Commission has increasingly exercised its authority over the technology industry. The Commission regularly scrutinizes the business practices of tech firms and reviews mergers and acquisitions in the technology sector. As the size and complexity of the tech industry have grown, it is essential that the FTC has sufficient technical expertise to properly evaluate consumer impacts in this sector.

¹⁰ See FCC, Fixed Broadband Deployment Data from FCC Form 477, available at <https://www.fcc.gov/general/broadband-deployment-data-fcc-form-477>; FCC, Mobile Deployment Form 477 Data, available at <https://www.fcc.gov/mobile-deployment-form-477-data>.

¹ Consolidated Appropriations Act, 2022, Public Law 117-103 (2022).

² Federal Trade Commission, Federal Trade Commission Fiscal Year 2023 Congressional Budget Justification (March 2022), p. 8, https://content.mlex.com/Attachments/2022-04-04_X75ZUQW17T5GT2LS/FTC%20-%20FY23%20CBI.pdf.

³ Financial Services and General Government Appropriations Bill, 2023, p. 69-72, (2022), <https://docs.house.gov/meetings/AP/AP00/20220624/114951/HMKP-117-AP00-20220624-SD002.pdf>.

Recently, the FTC has taken dozens of enforcement actions against tech firms, particularly regarding user privacy and data security practices.⁴ The Commission has settled cases against Google, Facebook, Twitter, and several other tech companies recently for privacy violations and for violating previous orders. Perhaps most significantly, the FTC is currently engaged in litigation against Facebook (now Meta), alleging that the company has abused its “monopoly power” to implement “an anticompetitive scheme that prevented differentiated and innovative firms from gaining scale, thus enabling Facebook to maintain its dominance.”⁵ All of these actions require the Commission to have a firm grasp of the technical issues at play in addition to legal and economic factors.

The FTC’s technical expertise, while great, tends to lag behind other global enforcement agencies. For example, the FTC’s Division of Privacy and Identity Protection has 40–45 employees. The United Kingdom’s and Ireland’s enforcement agencies have over 700 and 150 employees, respectively.⁶ While this comparison is imperfect, comparing one Division to entire foreign agencies, this analysis highlights that the FTC’s technical staff deserves to be fully funded.

Increasing technical expertise at the FTC will not necessarily result in more cases being brought against tech firms. The primary value-add for investing in technical expertise at the Commission is to help its lawyers and economists more accurately evaluate potential consumer harms, establish enforcement priorities, and develop technological solutions to operational challenges.

THE NEED FOR TECHNICAL EXPERTISE AT THE FTC

The FTC has long recognized the need for expanded technical capacity, both for enforcement and general operations. In its FY 2023 budget request, the Commission asked Congress to increase its appropriation by \$65.4 million to hire 300 additional full-time equivalent employees. Among other areas, this increase would go to support increasing technology enforcement capacity and developing technological solutions to casework and litigation challenges.⁷ With regard to enforcement, the Commission further explained:

In FY 2020, the Commission established the Bureau of Competition’s Technology Enforcement Division (TED) to reinvigorate and refocus BC’s commitment to identifying and challenging anticompetitive mergers and conduct in complex and increasingly pervasive technology markets. While pursuing this work, FTC staff are severely outmatched by the resources that dominant technology firms can deploy, such that the number of attorneys and experts working for defendants can outmatch FTC by ten to one.⁸

Federal agencies are often outgunned when engaging in enforcement actions against tech firms. Giving the FTC the resources it needs to hire more technical experts for the TED and other tech-focused departments would undoubtedly help it more effectively and efficiently police anticompetitive activity in tech markets.

THE NEED FOR QUALIFIED ECONOMISTS AT THE FTC

The Bureau of Economics is crucial to the Commission’s antitrust and consumer protection missions. It “helps . . . evaluate the economic impact of . . . actions by providing economic analysis for competition and consumer protection investigations and rulemakings.”⁹ The Bureau employs numerous Ph.D. economists, research analysts, accountants, and other staff necessary to support the analysis it provides to the Commission.¹⁰ Throughout the decades, the Bureau’s responsibilities have increased to include analysis supporting antitrust investigations, merger review, and support for other types of investigations and cases.

⁴Federal Trade Commission, FTC Report to Congress on Privacy and Security, (Sept. 13, 2021), p. 2 (focusing on efforts on health apps; accuracy of data for housing, employment, and credit; videoconferencing; and education technology, https://www.ftc.gov/system/files/documents/reports/ftc-report-congress-privacy-security/report_to_congress_on_privacy_and_data_security_2021.pdf).

⁵Federal Trade Commission v. Facebook, Inc., 1:20-cv-03590–JEB (2021).

⁶Ibid., p. 7.

⁷Federal Trade Commission, Federal Trade Commission Fiscal Year 2023 Congressional Budget Justification (March 2022), p. 10, https://content.mlex.com/Attachments/2022-04-04_X75ZUQW17T5GT2LS/FTC%-%FY23%CBJ.pdf.

⁸Ibid.

⁹Federal Trade Commission, “Bureau of Economics,” <https://www.ftc.gov/about-ftc/bureau-offices/bureau-economics>.

¹⁰Michael Salinger and Paul Pautler, “The Bureau of Economics at the US Federal Trade Commission,” Federal Trade Commission, April 2006, <https://www.ftc.gov/sites/default/files/attachments/careers-bureau-economics/06beover.pdf>.

In addition to increased technical staffing levels, the FTC's budget justification requests that Congress provide funding for 20 full-time employees to "provide increased support and economic analysis . . . and to increase the amount of economic analysis that guides the Commission's consumer protection and competition policies and enforcement."¹¹ Within the justification document, the Commission expresses a desire for the prospective full-time employees to be economists focused on antitrust, including "merger and nonmerger enforcement investigations and litigation, and research to help the FTC focus antitrust enforcement to maximize the agency's ability to maintain competitive markets."¹²

The Commission's primary role is protecting consumers, not solely competition. Even the competition model should ask the question of whether the presence or absence of competition harms consumers. The Commission and Bureau should be focused on ensuring that government practices do not harm consumers by restricting entry, limiting competition, chilling innovation, or restricting choices.¹³

Given the Bureau's nature supporting the Commission's work, the core request seems appropriate. However, this subcommittee should focus on the Bureau and Commission's broader work. While additional staff should help the Commission's antitrust efforts, this subcommittee should make it clear that any new staff should be used to support the Bureau's broader mission of protecting consumers.

RECOMMENDATIONS

This subcommittee should fully fund the FTC's FY 2023 Budget Request.

As we have argued previously, complex technical challenges and increased workloads at the FTC necessitate additional resources.¹⁴ Just as their House counterparts did, this subcommittee should fully fund the FTC's FY 2023 budget request of \$490 million. While funding alone is insufficient, granting the Commission the resources to expand its technical capacity would result in more effective supervision of tech markets and more efficient operations at the FTC.

This subcommittee should include language in the FY 2023 appropriations bill that directs funds toward hiring additional technical staff.

The need for additional technical capacity at the FTC is clear and immediate, and it is incumbent upon appropriators to ensure that the Commission has the resources it needs to address this challenge. Specifically, this subcommittee should direct the necessary funds of the \$65.4 million requested for additional, full-time employees toward hiring individuals with technical or economics expertise. These new roles could help close capacity gaps within the Technology Enforcement Division, Division of Privacy and Identity Protection, Office of Technology Research and Investigation, Bureau of Economics, regional offices, and other relevant parts of the FTC. In all cases, this subcommittee should also ensure that the Commission remains committed to its original and statutory purposes of protecting consumers, with a focus both on government practices and private sector practices that harm consumers.

[This statement was submitted by Jonathon Hauenschield, M.A., J.D., Policy Counsel and Luke Hogg, Policy Manager]

PREPARED STATEMENT OF THE NATIONAL ASSOCIATION OF DRUG COURT PROFESSIONALS

Chairman Van Hollen, Ranking Member Hyde-Smith, and distinguished members of the subcommittee, I am Meg Kaiser, prevention associate with the Harford County Office of Drug Control Policy in Maryland. I am honored to have the opportunity to submit my testimony on behalf of 40,000 treatment court professionals working in adult drug courts, family treatment courts, juvenile drug treatment courts, Tribal healing to wellness courts, impaired-driving courts, and veterans treatment courts. I am requesting Congress provide level funding of \$3 million to the authorized Drug Court Training and Technical Assistance Program (Public Law 115-271) at the Office of National Drug Control Policy for fiscal year 2023.

Across the country and in my home state of Maryland, treatment courts are on the front lines of saving lives, reuniting families, cutting crime, and saving money. They unite public health and public safety to transform the justice system's re-

¹¹ See 2023 Budget Justification, p. 9-10.

¹² *Ibid.*, p. 13.

¹³ Paul A. Pautler, "A History of the FTC's Bureau of Economics," September 8, 2015, p. 82, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2657330.

¹⁴ "Providing Resources for the Federal Trade Commission to Promote Healthy Digital Markets and U.S. Leadership in Technology Governance" (2021), <https://lincolnpolicy.org/wp-content/uploads/2021/02/FTC-approps-letter-final.pdf>.

sponse to substance use and mental health disorders by offering an evidence-based alternative to incarceration that combines individualized, evidence-based treatment with accountability. Continued education and training for the multidisciplinary court team (which includes the judge, treatment providers, defense, prosecution, law enforcement, community supervision, and others) is vital to ensuring fidelity to the successful treatment court model. In fact, research shows treatment courts whose teams participate in training see a 55% reduction in recidivism among program graduates.

I know firsthand the importance of training and technical assistance (TTA) for treatment courts. Prior to becoming a prevention associate, I served as drug court case manager. In my current role, I work closely with the Harford County Drug Court and see how training and technical assistance (TTA) at the local and national level pays off in ensuring fidelity to the treatment court model. Our participants come from different backgrounds and face unique barriers to recovery when they enter the program. From incentives and sanctions to medication for addiction treatment and so many other relevant topics, training is fundamental to enabling the court team to effectively serve the unique needs of program participants.

I not only attest to the importance of TTA in my professional capacity but also in my personal capacity. In 2018, I graduated from the Harford County Drug Court. I had casually and sporadically used substances in college but spiraled into heavy substance use in 2012 after I was sexually assaulted. I became dependent on opiates as I self-medicated my trauma, and my life unraveled. I was dismissed from the University of Maryland right before my senior year, and I began stealing to support my addiction. For a long time, I managed to conceal the trauma of my sexual assault and my substance use disorder from my family, but eventually I could not hide my struggle. While in treatment, I resumed use after receiving news that a dear friend had overdosed. I don't like to think about where my downward trajectory could have landed me. Had my parents not turned me in, and the drug court program not accepted me, I'm confident I wouldn't be here today.

I'm grateful every day for the redirection my life took once I got into drug court. The treatment, supervision, coaching, and recovery support from the multidisciplinary treatment court team helped turn my life around. The court team was highly functional and well trained. They worked together seamlessly to respond to every bump in the road and ensure I had the tools I needed to find and sustain recovery. The treatment providers developed an individualized treatment plan for me that included medication for opioid use disorder to help stabilize me in early recovery. More than 3 years after graduating, I'm in long-term recovery without medication, and I'm once again a proud daughter, sister, friend, taxpayer, and employee. I have dedicated my career to helping people turn their lives around and stay in recovery.

Now more than ever, TTA are needed to educate treatment courts on critical issues such as medication for addiction treatment, overdose prevention, and equity and inclusion. Understanding and implementing best practices improves service delivery and outcomes and helps treatment courts address the most pressing issues facing our justice system.

I am one of 1.5 million people who have found long-term recovery through treatment courts. Supporting TTA for treatment courts is critical to ensuring these programs continue providing quality, evidence-based care to participants struggling with mental health and substance use disorders. I encourage this committee to provide level funding of \$3 million for the Drug Court Training and Technical Assistance Program at the Office of National Drug Control Policy.

[This statement was submitted by Margaret "Meg" Kaiser, Prevention Associate, Harford County Office of Drug Control Policy, Maryland]

PREPARED STATEMENT OF THE NATIONAL COALITION FOR HISTORY

The National Coalition for History (NCH) supports the Biden administration's recommended funding level of \$426.5 million for the National Archives and Records Administration's (NARA) Operating Expenses (OE) budget in fiscal year (FY) 2023, which is an increase of \$38.2 million from the FY 22 level of \$388.3 million.

NCH also supports the Administration's base funding level of \$9.5 million in FY 23 for the National Historical Publications and Records Commission (NHPRC) grants program. That represents an increase of \$2.5 million over the FY 22 base level of \$7 million. The NHPRC received a total of \$12.3 million in funding in FY 22. However, \$5.3 million of that was the result of congressionally directed funding which we expect will fluctuate from year to year.

The National Coalition for History (NCH) is a consortium of 43 organizations that advocates and educates on Federal legislative and regulatory issues affecting histo-

rians, archivists, political scientists, documentary editors, teachers, students, genealogists, and other stakeholders. As researchers, teachers, and conservators of American history and culture, we care deeply about the programs and activities of NARA and the NHPRC.

NARA has reached an inflection point. Recently, David S. Ferriero retired after 12 years as Archivist of the United States (AOTUS). We want to recognize and thank him for his leadership, dedication, and integrity during what have been challenging times for NARA.

The new Archivist will face tremendous challenges in both the short and long term. For far too long, NARA has been neglected and underfunded. NARA has made progress but continues to struggle with the transition from paper to electronic records. As the quantity of material increases exponentially, NARA will have difficulty keeping up with Federal records generated each year, let alone tackling the massive backlog of older, historically important paper records that should be digitized. Perhaps most importantly, the quality and quantity of services provided to our citizens will further deteriorate if not addressed in this budget cycle. There are indications that NARA may be unable to manage these important responsibilities, a trend that has only been exacerbated by the pandemic, the ensuing shut-down and delayed restoration of on-site services. This limitation owes less to management issues than to inadequate funding.

NARA's operating expenses (OE) budget has remained stagnant for more than a decade at a time when the transition to use of electronic records by Federal agencies is well underway. Investment in human capital, including professional archivists, is vital for providing an elevated level of service to the public. For too long Congress and the administrations of both parties have, unfortunately, viewed NARA as a mere housekeeping agency, rather than as a vital agency that ensures transparency, efficiency, and historical documentation for the Nation.

NARA's FY 22 operating expenses budget is \$388 million, which is only \$3 million more than the FY 18 level of \$385 million. NARA requires a level of appropriations commensurate with its vastly expanded responsibilities. This chart provides a summary of the NARA OE and NHPRC budgets over the past decade.

NARA and NHPRC Appropriations, FY 2012 to Present (in millions of dollars)

	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY18	FY 19	FY 20	FY 21	FY 22
NARA	\$373	\$353	\$370	\$365	\$372	\$381	\$385	\$373	\$359	\$377	\$388
NHPRC	\$5	\$4.75	\$4.5	\$5	\$5	\$5	\$6	\$6	\$6.5	\$6.5	\$12.3

In inflation-adjusted dollars, NARA's OE budget has declined for more than a decade.—No Federal agency can absorb such significant reduction in funding without concomitant decreases in public services. Even before the pandemic, NARA had to reduce hours at its research rooms.

We fully understand, and agree, that NARA must prioritize the safety of its staff, researchers, and visitors and we realize they are doing the best they can under unusual and trying circumstances. Currently, customers must make appointments in advance to visit NARA's research rooms and the wait time varies from location to location. In a vast number of cases, researchers working on a project cannot complete their work in a single visit, thus increasing the time required to conduct research.

Researchers may be coming from some distance to use the records at, for example, a presidential library, and being unable to conduct research on consecutive days is not merely an inconvenience. It may make it impossible to do the research at all. To its credit, NARA has tried to enhance the customer experience by allowing the

researcher to request the records to be pulled in advance. However, the current system simply cannot be allowed to continue indefinitely.

We appreciate the additional funds you provided to address the backlog of over 500,000 requests for veteran's records at the National Personnel Records Center (NPRC). However, these are not the only category of NARA's holdings that are experiencing delays. There are tremendous backlogs in responding to Freedom of Information Act (FOIA) requests. In addition, NARA is also facing backlogs in the declassification of records hampering the ability of historians and others to perform research. Delays in the processing of records and responses to records requests at presidential libraries have also increased.

In recent years Congress and the executive branch have placed additional responsibilities on the agency without providing the funding necessary to assume these functions. These include transitioning from the preservation and storage of paper records to the preservation and storage of electronic records. NARA also faces the continued addition of presidential libraries. Each new presidential library created and placed under NARA's care adds additional costs for staff, maintenance, and records management.

The Federal Government's transition to electronic records, including email, has exponentially increased the number of records that NARA must process and catalog. In 2019, NARA and the Office of Management and Budget (OMB) announced that the agency will no longer accept paper records from Federal agencies as of December 31, 2022. We are concerned that with diminished resources and the impact the pandemic had on its ability to perform even its most basic functions, NARA will not be prepared to continue this transition without serious disruptions. We doubt that this deadline can be met without additional resources, both human and technological.

Despite the additional appropriations you provided for this purpose in the FY 22 budget, NARA lacks the funding needed to meet the imperative for digitization and accessibility. This need was made even more obvious during the pandemic which showed the public's expectation that the Federal Government's records can be easily found on the internet. In addition, the need to manage large volumes of textual records is not diminishing. Proactively funding NARA's records management programs ensures that agencies operate more efficiently and that permanent records are preserved. We urge you to provide NARA the additional funding necessary to ensure a seamless transition to all digital recordkeeping in the coming years.

While not an issue that can be addressed in the appropriations process, we urge you to press the authorizers on the House Committee on Oversight and Reform to pass legislation strengthening and clarifying the Presidential Records Act (PRA). Events of the past few years have shown how woefully inadequate the statute has proven in ensuring that the complete historical record of an administration is preserved. Increased accountability and oversight are necessary.

NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION (NHPRC)

The National Historical Publications and Records Commission (NHPRC) is the grant-making arm of NARA. It enables the National Archives to activate resources that connect the American people with archival and historical materials of deep significance to the present. Archive-specific work includes the preservation and access of electronic records and disaster preparedness for vulnerable collections. Historical grants provide for the creation of documentary collections (websites, podcasts, books, databases, transcripts, and audio resources) of nationally significant groups and individuals. Some examples include the documentary histories of people like George Washington, Willa Cather, Thomas Edison, Frederick Douglass, Walt Whitman, Albert Einstein, Martin Luther King, Jr., and Eleanor Roosevelt. NHPRC grants also fund the curation of content pertaining to noteworthy institutions like the early Supreme Court, the First Federal Congress, and the Freedmen's Bureau. In addition, the NHPRC has funded an ongoing project to make the papers of the Founding Fathers available for free online.

NCH supports the Administration's minimum base funding level of \$9.5 million in FY 23 for the NHPRC. That represents an increase of \$2.5 million over FY 22 base level of \$7 million. The NHPRC received a total of \$12.3 million in funding in FY 22. However, \$5.3 million of that was congressionally directed pass-thru funding, an amount which we expect will fluctuate from year to year. \$9.5 million would enable continued support of ongoing programs and modest investment in new ones.

Thank you for the opportunity to present our views on the FY 23 budgets of NARA and the NHPRC.

[This statement was submitted by Lee White, Executive Director]

PREPARED STATEMENT OF NATIONAL SECURITY COUNSELORS

Chairman Van Hollen, Ranking Member Hyde-Smith, and members of the Financial Services and General Government Appropriations subcommittee, thank you for the opportunity to provide this testimony.

This testimony will discuss an area where I believe that Congressional action is needed to address a subtle issue which nonetheless has significant deleterious effects for transparency and accountability, namely, agencies' expansive use of secret filings in Freedom of Information Act ("FOIA") cases and the resulting inability of journalists, academics, and members of the public to access these court filings years or even decades later.¹

FOIA cases are somewhat unique in civil litigation, due to the fact that the agency being sued must demonstrate through admissible evidence that information must be withheld from disclosure without disclosing the information in question. Agencies generally do so by submitting sworn declarations from FOIA officers which "must prove that each document that falls within the class requested either has been produced, is unidentifiable, or is wholly exempt from the act's inspection requirements."² These declarations "must be 'relatively detailed' and nonconclusory,"³ but "would not have to contain factual descriptions that if made public would compromise the secret nature of the information."⁴ In some cases, an agency will assert that it cannot meet its burden on the public record, and in such cases it generally attempts to file a declaration in camera and ex parte so that only the judge and not the plaintiff or their attorney—sees it. This mechanism is an imperfect compromise at best, but it is increasingly overused and abused by agencies with the passive acquiescence of judges, who cite the presumption of good faith that they must afford to agency declarations and virtually never refuse to accept such filings.

It is not unheard of for a judge to grant summary judgment to an agency solely on the basis of an in camera declaration, in which the agency kept from public view not only the facts which would support its case but even the legal arguments. In such cases, the actual legal brief for the agency's motion includes little more than boilerplate language about the burden of proof and the proper conduct of FOIA litigation, and then refers the judge to the in camera declaration for all the relevant analysis. For instance, one of the FOIA cases involving the memos written by former Federal Bureau of Investigation ("FBI") Director James Comey about his meetings with former President Trump was decided solely on the basis of in camera testimony, where even the arguments were kept secret from the plaintiffs (although the judge in that case did agree to review the memos themselves in camera, which is very much the exception to the general practice).⁵ In another such case, the judge found not only that the declaration filed in camera by the FBI was proper, but that the plaintiff did not even deserve a chance to file an opposition brief because "the evidence presented in camera was so conclusive as to the questions presented that further briefing and argument was clearly unnecessary."⁶ Bizarrely, that same judge had the following to say about this purportedly incontrovertible proof:

Nonetheless, the court must state that Hardy's unredacted declaration is the quintessence of bureaucratic obfuscation. While attempting to decipher its meaning, I recalled one of Orwell's observations when confronted with such writing:

As soon as certain topics are raised, the concrete melts into the abstract and no one seems able to think of turns of speech that are not hackneyed: prose consists less and less of words chosen for the sake of their meaning, and more and more of phrases tacked together like the sections of a prefabricated henhouse.

George Orwell, "Politics and the English Language," in *A Collection of Essays* 162, 165 (Anchor Books 1954). Which begs the question, why did the government resort to hackwork here? Orwell again:

The inflated style is itself a kind of euphemism. A mass of Latin words falls upon the facts like soft snow, blurring the outlines and covering up all the details. The great enemy of clear language is insincerity. When there is a gap between one's real and one's declared aims, [the writer] turns, as it

¹ NSC's Deputy Executive Director Bradley Moss provided oral testimony elaborating on this topic as part of the 30 April 2021 Demand Progress Webinar on fiscal Year 2022 Appropriations Public Witness Testimony, at <https://www.youtube.com/watch?v=qsUc5nLcZDk> (testimony begins at 43:56).

² Nat'l Cable Television Ass'n. v. FCC, 479 F.2d 183, 186 (D.C. Cir. 1973).

³ *Goland v. CIA*, 607 F.2d 339, 350 (D.C. Cir. 1978).

⁴ *Vaughn v. Rosen*, 484 F.2d 820, 826–27 (D.C. Cir. 1973).

⁵ *CNN, Inc. v. FBI*, 293 F. Supp. 3d 59, 66–67 (D.D.C. 2018).

⁶ *Truthout v. DOJ*, 20 F. Supp. 3d 760, 770 (E.D. Cal. 2014).

were, instinctively to long words and exhausted idioms, like a cuttlefish squirting out ink.⁷

My research has determined that the number of such filings has shown a slow increase over time, from approximately 15 instances in 1994 to the high-water mark of approximately 56 in 2017.⁸ I was only able to identify three instances of a judge denying an agency's request to file an in camera declaration since 1993. My personal litigation experience has suggested an increase in the expansiveness of agencies' claims that information must remain secret. In the past, I have occasionally received redacted versions of such declarations through FOIA or similar means, despite the fact that the agency insisted they could not possibly be filed on the public record without serious consequences.⁹ Some of the newly released information has been mundane, and some has been of significant historical importance. For example, in the landmark FOIA case *Weberman v. NSA*, the National Security Agency ("NSA") argued that it could neither confirm nor deny the existence of records about a telegram that Jack Ruby was alleged to have sent to Havana the year before the assassination of President Kennedy.¹⁰ The district court and the 2nd Circuit granted summary judgment to NSA on the basis of an in camera classified declaration, and it was not publicly revealed whether NSA had intercepted such a telegram. However, in 2011, I obtained a redacted version of the classified declaration from NSA, which revealed for the first time that NSA had not intercepted the alleged telegram because it had lacked the technical capacity at the time.¹¹ This was historically important information which would never have seen the light of day but for my efforts, but the public's access to such information should not depend on people like me pursuing it.

It is for these reasons that I bring this issue to the subcommittee's attention. It is arguably beyond the jurisdiction of this subcommittee, or even of the Appropriations Committee as a whole, to make a significant change to the way in which in camera declarations are handled in FOIA cases, but such an effort should not be undertaken without hard data. It will be important for legislators to understand how prevalent this practice truly is and under what circumstances these filings are made by agencies and accepted by courts. To this end, I ask that the subcommittee appropriate sufficient funds from within the Administrative Office for U.S. Courts account (Salaries and Expenses) directing to that office to conduct a comprehensive survey of all in camera agency declarations filed in FOIA cases within the past 10 years (or another reasonable time period), specifically for the purpose of: (1) identifying with certainty the number of such filings; (2) identifying any geographic or temporal trends; (3) specifying whether the agency sought leave for the filings or simply filed them without asking; (4) indicating the depth of the court's discussion of the appropriateness of the in camera filings; (5) indicating the nature of the claims being supported by the in camera filings; and (6) providing any other relevant data.

I also ask the subcommittee to appropriate sufficient funds to the Administrative Office to perform a feasibility study for a process in which all agency declarations filed in camera in FOIA cases would automatically be filed on the public record after 5 years (or another reasonable time period). This study would allow Congress to intelligently decide whether it would be appropriate to legislate such a proposal, so that these important court records would ultimately become accessible to journalists, academics, and the general public without relying on individual persons to pursue their release as I did. If any type of sealed court filings should be presumptively open after a period of time, it would most assuredly be filings made in litigation over government transparency.

[This statement was submitted by Kel McClanahan, Executive Director]

⁷ *Id.* at 768–69.

⁸ This research was performed by searching court dockets from 1993–2018 for the term “in camera” and then parsing out the appropriate entries. These dockets were provided by the Transactional Records Access Clearinghouse's FOIA Project. The degree to which these dockets accurately reflect court filings during this time period cannot be ascertained at this time, and so these figures may not represent the totality of the practice. Detailed information about this analysis and my bases for making any other claim in this testimony is available upon request.

⁹ However, as of the last few years, agencies have resisted releasing such in camera declarations through FOIA or Mandatory Declassification Review (“MDR”), taking the position that because they were sealed by a court the agency is powerless to release them. The result of this shift in many cases is that courts will not unseal them because they remain classified, while agencies will not declassify them because they remain sealed, making it literally impossible for them to be made publicly available except when the agency voluntarily decides to release them.

¹⁰ 668 F.2d 676, 677 (2d Cir. 1982).

¹¹ I obtained this record by filing an MDR request with the NSA pursuant to Executive Order 13,526. MDR is a different mechanism than FOIA which is limited to classified documents.

PREPARED STATEMENT OF NEVER AGAIN COALITION

Dear Chair Van Hollen and Ranking Member Hyde-Smith:

We are writing to urge you to support increased funding for the Financial Crimes Enforcement Network (FinCEN) in FY2023 FSGG Appropriations. Today, the House Appropriations FSGG subcommittee has approved \$210.33 million in FinCEN funding in their FY2023 bill¹.

The Never Again Coalition is an organization dedicated to the prevention and cessation of genocide and mass atrocities everywhere by focusing on five core areas: Sudan, South Sudan, Democratic Republic of Congo, Burma and Bangladesh. We seek to empower those affected by mass violence through community-led initiatives, awareness building, partnerships, and advocacy. The United States government is our most powerful ally in these goals and that is why we are urging increased funding for FinCEN, to allow them to enact and enforce effective laws that will disrupt the cycle of corruption that enable genocide and mass atrocities to occur.

Effective laws, and their enforcement, are part of the infrastructure that is necessary for a healthy society. Without them the financial system loses integrity, threatening common goals of the United States and its allies: basic human rights, democracy, sustainable development, and peace. Congress recognized this and passed the Corporate Transparency Act in December 2020, in a bipartisan vote. Thus directed, Congress must now provide the tools to FinCEN to make this act reality. The absence of integrity in our financial system has been made stark by the war in Ukraine. When they were most in need, the tools were not sufficient. We can do better, and we must.

It isn't just Russian oligarchs and corrupt government officials that we must safeguard our financial system from. It is the duty of the U.S., as the leading economy in the world, to prevent bad actors, wherever they are, from using and manipulating U.S. laws and financial infrastructure for illegal activities. The \$210.3 million dollars FinCEN is requesting, and the House FSGG subcommittee approved, to implement and enforce the CTA, is nearly imperceptible in the scheme of costs associated with corruption. In Africa alone, "Every year, an estimated \$88.6 billion, equivalent to 3.7% of Africa's GDP, leaves the continent as illicit capital flight, according to UNCTAD's Economic Development in Africa Report 2020, almost double the amount it receives through international development assistance."²

This begs the question—is it more effective to systemically fight corruption with laws and enforcement, or deal with the resulting famine and mass displacement that stems from corruption and kleptocracy?

The U.S. is wasting resources through development aid if corruption isn't stopped and missing opportunities for affected communities around the globe to live fulfilling and productive lives when they are not reaping any of the benefits from development aid and investment. For the U.S. to fulfill its vision of basic human rights for all, there must be a commitment to invest in the tools needed to stop illicit financial flows. According to a recent report from Transparency International, "Up to the Task"³, the U.S. financial system generates thousands of suspicious activity reports (SAR) each year, but we staff our enforcement team to only investigate a small fraction of these: 10,000 SARs for each staff person, per year. In Germany and France the equivalent ratio is 600:1. Without robust and sustained resources, ours is a system bound to fail.

The U.S. can lead on anti-corruption, and the world needs this leadership. FinCEN is the correct agency to work with the financial system, law enforcement, domestic and international governments to effectively implement and enforce these critical laws. We urge you to support increased funding for FinCEN, in line with FinCEN's request and the House FSGG approved \$210.33 million, in your FY2023 budget.

Thank you,
Kelly McDermott
Financial Accountability Analyst
Never Again Coalition

¹ <https://docs.house.gov/meetings/AP/AP23/20220616/114911/BILLS-117-SC-AP-FY2023-FServices.pdf>.

² All-Party Parliamentary Groups (APPG) on Anti-Corruption & Responsible Tax and the APPG on Fair Business Banking, "Economic Crime Manifesto", <https://www.appgbanking.org.uk/wp-content/uploads/2022/05/Economic-Crime-Manifesto-1.pdf>.

³ Vincent Freigang and Maira Martini, "Up to the Task?", Transparency International, <https://images.transparencycdn.org/images/2022-Report-Up-to-the-task.pdf>, May 13, 2022.

PREPARED STATEMENT OF THE SENTRY

On behalf of The Sentry, we urge the subcommittee on Financial Services and General Government to approve increased appropriations for the Financial Crimes Enforcement Network (FinCEN) to \$210.3 million, in alignment with the President's fiscal year 2023 budget request.

FINCEN'S CRITICAL ROLE

The Sentry is an investigative and policy organization that seeks to disable multinational predatory networks that benefit from violent conflict, repression, and kleptocracy. Launched in 2016, The Sentry produces hard-hitting investigative reports and dossiers on individuals and entities connected to grand corruption and violence. We advocate for the use of tools of financial and legal pressure, including anti-money laundering and illicit finance measures, targeted network sanctions, criminal prosecutions, compliance actions by banks and other private companies, and asset recovery. As a result of our work, money laundering routes have been exposed and shut down, assets have been frozen, travel has been banned, and corrupt networks have been cut off from the international financial system.

One of the principal agencies The Sentry collaborates with to achieve these objectives is FinCEN. Since The Sentry's launch, we have worked closely with FinCEN leadership and staff to take action against the money laundering that underlies violent kleptocracies, particularly in East and Central Africa. In 2017 and 2018, FinCEN issued important Advisories on illicit finance in South Sudan and on the connection between serious human rights abuse and corruption, which helped to elevate the risk profile of these concerns for the banking community. More recently, FinCEN released an Advisory focused on the risks from kleptocracies, highlighting Russia in particular.

FinCEN plays a crucial role in protecting the U.S. economy from the threat of money laundering and illicit finance, from both domestic and foreign sources. From the current threats posed by the Russian government and network of oligarchs (some of whose wealth comes via exploitation of natural resources in sub-Saharan Africa) and their gatekeepers to regimes such as Iran and Venezuela to more general concerns such as money laundering through real estate and cryptocurrency, FinCEN's mandate and scope is uniquely local and international at the same time, given that the U.S. financial system is itself at once both local and international.

In the years ahead, FinCEN's role will only grow more important to the ability of U.S. regulatory and law enforcement to catch up with and even get ahead of the array of risks the financial system faces. FinCEN plays a central role in implementing the U.S. Strategy on Countering Corruption, as well as several critical new proposed rules and initiatives, and in tracking new and emerging threats, including the impact of the ongoing crisis in Russia and Ukraine.

STRONG CTA IMPLEMENTATION

At the top of the list of FinCEN's priorities is implementation of the bi-partisan Anti-Money Laundering Act and the Corporate Transparency Act (CTA)—landmark pieces of legislation. If robustly implemented, the provisions of both laws will be cornerstones in FinCEN's ability to address current and emerging risks.

The CTA in particular needs swift and strong attention. In February, The Sentry was pleased to lead a coalition of 23 human rights organizations from around the globe in urging implementation of the initial proposed rule focused on the CTA's required establishment of a corporate registry of beneficial owners. This registry will help bring transparency and accountability to human rights abusers who have been benefiting financially from their malign activities, and it will begin to address the problem of anonymous corporate ownership that has been widely reported, including in the blockbuster "Pandora Papers" series that firmly pointed the finger at U.S. financial secrecy.

FinCEN is unfortunately behind in its rulemaking and implementation efforts. FinCEN must be given the resources it needs so that it is able to satisfy congressionally mandated timelines. Given that implementation of the CTA is also a priority related to the Summit for Democracy and that the United States will serve as host to the next International Anti-Corruption Conference, FinCEN's delivery of final products for these events in December would prove U.S. commitment and provide encouragement to other countries.

ADDRESSING MONEY LAUNDERING IN REAL ESTATE

A recent study by Global Financial Integrity found that at least \$2.3 billion has been laundered through the U.S. real estate market in the past 5 years. In Novem-

ber 2021 as part of a massive reporting project connected to a leak of banking documents, The Sentry reported on money laundering scandals involving Congolese officials moving illicitly obtained funds into the U.S. real estate market, including in Rockville, MD—Congress’ backyard—and receiving tens of millions of dollars in bribery payments related to massive mining and infrastructure deals from Chinese companies and middlemen. These are just two of the myriad money laundering schemes routing through the U.S. financial system from networks like those of former Congolese President Joseph Kabila. Such schemes threaten not only the potential for peace and good governance in foreign countries, but also the integrity and soundness of the U.S. economy.

Though the Treasury Department and national security officials identified the US real estate market as a money laundering vulnerability more than 20 years ago, real estate professionals have had a “temporary exemption” from having to fulfill anti-money laundering obligations similar to those required of other financial institutions, thereby offering a gateway to the U.S. financial system. In December, FinCEN initiated a rulemaking to update U.S. anti-money laundering safeguards for the U.S. real estate sector.

FinCEN must have the necessary resources to deliver a timely proposed rule instituting safeguards for the U.S. real estate sector, as another demonstration of U.S. commitment to combat corruption and illicit finance.

CONCLUSION

To implement the CTA, tackle money laundering in real estate, track Russian oligarchs’ assets and target their enablers, as well as continue to deliver on the agency’s baseline priorities, FinCEN requires high-level and trained professionals to keep up with both the financial institutions the agency partners with and the criminal networks they seek to disrupt and penalize. As the “FinCEN Files” showed in 2020, in many potential money laundering investigations, banks are fulfilling their end of the bargain by submitting the Suspicious Activity Reports required of them; the issue is that FinCEN lacks the staff and resources to follow up on these leads.

FinCEN serves a crucial function to uphold U.S. national security and, by extension, to protect human rights. This has been made ever clearer by Russia’s invasion of Ukraine. The Sentry encourages the Senate Appropriations Committee to approve the full \$210.3 million for FinCEN.

PREPARED STATEMENT OF TRANSPARENCY INTERNATIONAL

Dear Chairman Leahy and Vice Chairman Shelby:

On behalf of Transparency International U.S., we write to urge you to support increased funding in the amount of \$210.3 million for the Financial Crimes Enforcement Network (“FinCEN”) in the FY2023 appropriations process. This is the amount that FinCEN has requested¹ in order to effectively fulfill its mission.

Transparency International U.S. is a U.S.-based nonprofit organization that is part of the largest global network of organizations dedicated to combating corruption. One of our top priorities is stemming the flow of corrupt and other criminal funds into and through the U.S. financial system.

Corruption causes serious and widespread harm. The wealth drain from victimized countries robs people of access to healthcare² and basic public services. It drives away private investment and economic development opportunities³ that are necessary for sustainable economies. It props up authoritarian regimes⁴ that engage in human rights abuses and undermine democratic values, institutions, and prac-

¹The Office of Management and Budget, “Budget of the U.S. Government Fiscal Year 2023,” the White House, March 2022, available at https://www.whitehouse.gov/wp-content/uploads/2022/03/budget_fy2023.pdf.

²Karen Hussmann, “Health Sector Corruption,” U4 Anti-Corruption Resource Center, June 2020, available at <https://www.u4.no/publications/health-sector-corruption.pdf>.

³Shamim Adam, Laurence Arnold and Yudith Ho, “How Malaysia’s 1MDB Scandal Shook the Financial World,” The Washington Post, July 28, 2020 available at https://www.washingtonpost.com/business/energy/how-malysias-1mdb-scandal-shook-the-financial-world/2020/07/28/dade64d6-d094-11ea-826b-cc394d824e35_story.html.

⁴Natasha Hall, Karam Shaar, and Munqeth Othman Agha, “How the Assad Regime Systematically Diverts Tens of Millions in Aid,” Center for Strategic & International Studies, October 20, 2021, available at <https://www.csis.org/analysis/how-assad-regime-systematically-diverts-tens-millions-aid>.

tices. And, as demonstrated in the current crisis in Ukraine, corruption has played a central role⁵ in emboldening Russian leadership to threaten global security.

Our collective understanding of transnational corruption has been enhanced in recent years through a series of blockbuster reports⁶ by teams of investigative journalists and others who've exposed the global architecture of illicit financial flows. We now know that effective enforcement of our anticorruption laws—the ability to “follow the money”—is nearly impossible without a well-resourced financial intelligence unit.

In the U.S. that entity is FinCEN. In a new report, *Up to the Task*, released on May 24, 2022, Transparency International U.S., in collaboration with our global network, wrote that:

Financial intelligence units (FIUs) are one of the most important government agencies tasked with combatting financial crime. Their core function is to receive and analyze suspicious [activity] reports (SARs) and produce financial intelligence for further investigation by law enforcement and other authorities, where relevant. They also support and coordinate the exchange of information with foreign FIU counterparts. In some countries, FIUs have additional responsibilities as they function as the primary regulators and/or anti-money laundering supervisory bodies.

A key finding of the report is that compared to several financial intelligence counterparts that have joined the U.S. to form the Russian Elites, Proxies, and Oligarchs (“REPO”) Task Force, FinCEN resources are woefully insufficient to address the current crisis in Ukraine and to meet the longer-term mission of protecting the U.S. financial system from abuse by corrupt officials and other criminals. As a proxy for the relative size of the covered financial sectors among REPO participating countries, consider the following: Germany and France’s financial intelligence agencies each receive fewer than 600 suspicious activity reports per staff person, per year. In contrast, FinCEN, even with an additional allocation this past year, receives more than 10,000 such reports per staff person, per year.

FinCEN’s ability to work with federal, state, territorial, Tribal, and local law enforcement agencies and to respond to Congress and financial institutions with anti-money laundering obligations is clearly hampered by a lack of resources.⁷ The bureau we ask to safeguard our \$20- plus trillion economy has a staff that is smaller than the staff of the financial intelligence unit of Australia. Additionally, the bureau has outdated equipment and software, and limited funds for licenses to access other data to do proper and necessary analysis—frustrating partners in law enforcement and the private sector.

The invasion of Ukraine and the subsequent search for sanctioned funds is a stark reminder of why a robust financial intelligence bureau is so important. The bipartisan call for an effective response to the crisis has led to an important bipartisan agreement⁸ to increase funding for asset tracing and other improvements to our defenses against financial crime. We urge your continued support for increasing the FinCEN budget to a level at which the bureau can effectively and efficiently manage the data analysis, legally mandated rulemakings, and timely support to public and private sector partners.

Thank you for your consideration of our views. If you have questions, please contact Scott Greytak, Director of Advocacy for Transparency International U.S., at sgreytak@transparency.org.

Sincerely,
Gary Kalman, Executive Director

⁵ Amanda Taub, “To Keep Putin and His Oligarchs Afloat, It Takes a System,” *The New York Times*, May 11, 2022, available at <https://www.nytimes.com/2022/05/11/world/europe/putin-russia-corruption.html>.

⁶ Michael Hudson, et al., “Offshore havens and hidden riches of world leaders and billionaires exposed in unprecedented leak,” the International Consortium of Investigative Journalists, October 3, 2021, available at <https://www.icij.org/investigations/pandora-papers/global-investigation-tax-havens-offshore/>.

⁷ Himamauli Das, “Statement by Himamauli Das Acting Director Financial Crimes Enforcement Network United States Department of the Treasury before the Committee on Financial Services U.S. House of Representatives,” Financial Crimes Enforcement Network, April 28, 2022, available at <https://financialservices.house.gov/uploadedfiles/hhrg-117-ba00-wstate-dash-20220428.pdf>.

⁸ Senator Sheldon Whitehouse and Senator Charles Grassley, “Whitehouse, Grassley Lead Senators in Call to Fully Fund FinCEN’s Anti-Money Laundering Operations,” the office of Senator Sheldon Whitehouse, May 17, 2022, available at <https://www.whitehouse.senate.gov/newsroom/record/whitehouse-grassley-lead-senators-in-call-to-fully-fund-fincens-anti-money-laundering-operations>.

PREPARED STATEMENT OF ZERO EMISSION TRANSPORTATION ASSOCIATION (ZETA)

The Zero Emission Transportation Association is a public interest non-profit of over 50 member companies advocating for 100 percent electric vehicle sales by 2030. Our membership spans the entire electric vehicle (EV) supply chain and includes critical materials, charging companies, utilities, vehicle manufacturers, and battery recyclers.

We request the Senate Appropriations subcommittee on Financial Services and General Government fully fund the General Services Administration (GSA)'s Electric Vehicle Fund, as proposed in the Fiscal Year (FY) 2022 White House budget. Additionally, we request that the Committee include language in its FY 2022 appropriations report that directs GSA to implement policies that will help achieve the President's stated goal to rapidly electrify the Federal fleet.

We offer the following report language suggestions:

- The Committee directs the General Services Administration to rescind delegated authorities for agency vehicle ownership and unify fleet management and acquisition under a single updated, government-wide fleet management and acquisition system.
- The Committee directs the General Services Administration to use a Total Cost of Ownership (TCO) procurement model that accounts for vehicle operating costs, including fuel/charging, maintenance, and public health savings.
- The Committee directs the General Services Administration to work with the U.S. Department of Energy to develop a TCO model which uses statewide variables, regional variables, and inventory variables to estimate the cost of electrifying the Federal fleet and accounts for the social cost of carbon.

[This statement was submitted by Joe Britton, Executive Director]

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