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Dear Treasury TACRE Team -

Felicia and I are pleased to submit the attached TACRE recommendations from the committee's most recent meeting for the Department of Treasury's consideration. Please let us know if you have any questions or concerns.

Michael A. Nutter

**CONSOLIDATED, FULL TEXT OF TACRE RECOMMENDATIONS APPROVED AT
DECEMBER 7TH, 2023 TACRE MEETING**

Internal Staffing & Culture Recommendations: Analyzing all employment transactions

Conducting a baseline talent diagnostic to analyze all employment transactions is critical in assessing the current state of the U.S. Department of the Treasury's Diversity Equity Inclusion and Accessibility efforts. Treasury already collects a large amount of information in its DEI Data Map, with over 600 data points. There is an opportunity to utilize the Data Map to provide a fact-based perspective and generate valuable insights by identifying the current representation and advancement opportunities for employees from underserved communities¹ within the U.S. Treasury and its Bureaus. The gathering and analysis, following the EEOC's MD-715 guidelines, should support the Treasury's organizational effectiveness by improving the experience of current employees and making it an employer of choice for candidates of any demographic profile.

The Talent Diagnostic should be split into four main parts:

1. The **Representation Diagnostic** tracks the racial and gender representation by job level. Key outcomes:
 - a. Figure out where there are gaps and drop-offs.
 - b. Gauge how representation changes over time through consistent monitoring.
 - c. Analyze where some groups have lower representation along the talent management journey.
 - d. Knowing the demographic breakdown across the talent pipeline and how the presence of employees from underserved communities changes will help analyze where certain groups have lower representation and where additional support may be needed.
 - e. Compare the Department's statistics against relevant industry and peer benchmarks.
2. The **Hiring and Turnover Diagnostic** looks at the composition of people entering and leaving the U.S. Department of the Treasury and Bureaus. Key outcomes:
 - a. Having a consistent way to gauge key metrics across the organization's talent pipeline can help the US Treasury monitor changes to representation regularly (e.g.,

¹ Executive Order 13985 defines "underserved communities" as populations sharing a particular characteristic, as well as geographic communities, who have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life. In the context of the federal workforce, this includes individuals who belong to communities of color, such as Black and African American, Hispanic and Latino, Native American, Alaska Native and Indigenous, Asian American, Native Hawaiian and Pacific Islander, Middle Eastern, and North African persons. It also includes individuals who belong to communities that face discrimination based on sex, sexual orientation, and gender identity (including lesbian, gay, bisexual, transgender, queer, gender non-conforming, and non-binary (LGBTQI+) persons); persons who face discrimination based on pregnancy or pregnancy-related conditions; parents; and caregivers. It includes individuals who belong to communities that face discrimination based on their religion or disability; first-generation professionals or first-generation college students; individuals with limited English proficiency; immigrants; individuals who belong to communities that may face employment barriers based on older age or former incarceration; persons who live in rural areas; veterans and military spouses; and persons otherwise adversely affected by persistent poverty, discrimination, or inequality. Individuals may belong to more than one underserved community and face intersecting barriers.

- annually) and address persistent issues such as high turnover rates for specific demographics.
- b. Track the impact of efforts to build a more diverse pipeline, including new recruitment partnerships.
 - c. Compare the Department's statistics against relevant industry and peer benchmarks.
3. The **Performance Management Diagnostic** should disaggregate performance ratings, the assignment of performance improvement plans, access to training and professional development opportunities, and promotions for each level by race and gender.
- a. Compare the US Treasury's averages against relevant data sets.
 - b. Leverage the US Treasury's Inclusion Quotient Questionnaire by administering it to all employees except for the IRS, where it should be administered to a representative sample of a cross-section of at least 25% of all IRS employees (given the size of the IRS workforce).
 - i. The Inclusion Survey provides a longitudinal analysis of employee perceptions of inclusion.
 - ii. The Inclusion Survey is a powerful management tool.
 - c. Use the OPM Federal Employee Viewpoint Survey (FEVS) to supplement the Treasury's Inclusion Survey.
 - d. Track the data to ensure equitable advancement opportunities and promotion practices.
4. **Review Human Resources & DEIA policies** relative to industry standards and peer organizations to benchmark the following documents and initiatives:
- a. Making gender and racial/ethnic diversity a priority in the design of programs and in the communications by leadership
 - b. Clearly and consistently state the reasons why diversity is a priority
 - c. Creating a respectful culture
 - d. Sexual harassment policy
 - e. Non-discrimination policy
 - f. Code of conduct
 - g. Parental leave policies, paid/unpaid and disaggregated by sex/gender identity
 - h. Family and medical leave
 - i. Pay equity policy
 - j. Flexible work schedule policy
 - k. Remote work policy
 - l. Processes for employees to raise concerns or file complaints
 - m. Employee Resource Groups (ERGs)
 - n. Mentorship and sponsorship programs
 - o. Talent development programs
 - p. Management training, including those that foster an inclusive environment and address managing or working with diverse teams
 - q. Bias mitigation training, particularly for managers and evaluators

- r. Transparency and fairness of promotion practices
- s. Candidate pool diversity requirements, including tracking hiring outcomes for bias

Financial Health & Access to Capital Recommendation: BUSINESS DIVERSITY AND ASSET MANAGEMENT PRIORITY

Recommendation:

- Create and distribute a survey from the Treasury Department to all U.S. not-for-profits with over \$50 million in assets under management, asking for voluntary disclosure of firms being awarded contracts noted in the Statement of Functional Expenses for Management, Legal, Accounting, Advertising and Promotion and Information Technology as well as managers being utilized for portfolio asset management, their demographics of ownership and the related dollar amounts awarded.
- Create a process to review, analyze, and report on the data findings, potentially with aligned partners in the corporate and civic sectors; and based on these findings create the actual report.
- Aspirationally work towards a more formalized approach for this disclosure transparency via the 990 reporting process. The State of California’s recent reporting [legislation](#) for venture capital firms may serve as a useful model.
- Using a successful business diversity program as a guide (such as the program at the University of Chicago), create once a quarter “showcase” events at the U.S. Treasury or related entities to identify best practices, highlight success stories and bring MWBEs to the forefront for consideration in both categories (asset management and business contracting).
- Using the Pension Benefit Guaranty Corporation (PBGC) as an example, expand the PBGC Smaller Asset Managers pilot program designed for diversity of asset managers which has been lauded as a success both as to (1) the number of participating and eligible diverse managers and (2) asset classes beyond US Core Fixed Income, such as International Fixed Income. Follow the Biden-Harris administration’s example in its [announced goal](#) of increasing the share of federal contracts going to small disadvantaged businesses to 15% by 2025.² Apply best practices for the nonprofit efforts and further apply the example of PBGC to other industries in which Treasury controls contracting spend (e.g., legal, accounting.)

² <https://www.whitehouse.gov/briefing-room/statements-releases/2022/07/26/fact-sheet-biden-harris-administration-advances-equity-and-economic-opportunity-through-federal-procurement-and-state-and-local-infrastructure-contracting/>

Financial Health and Access to Capital Subcommittee – Recommendation on ITINs

Recommendations

Based on the above evidence of inequity related to ITIN access and usage, we propose the following three recommendations.

For all recommendations, we ask for the creation of safeguards to protect ITIN seekers and holders from internal and external interagency risk to their status.

1. Exploring New Pathways to administering ITINs

Conduct an opportunity assessment and feasibility study to reduce the dependencies between ITIN application and tax filing, and provide a briefing on the opportunities identified. We are seeking opportunities that go beyond ITIN administrative improvements, and focus on new pathways to ITIN distribution that are less dependent on a tax filing obligation. We recognize that the original intent of ITINs are to support tax filing by certain resident and non-resident immigrants, hence requiring a link between a Federal tax return and an ITIN application; However, this has resulted in administrative complexity that hinders ITIN seekers, deters ITIN renewal, and limits the possibility for scaling ITIN access. Furthermore, ITIN seekers and holders currently earning income or set to earn income may not be i) reporting it, ii) accessing capital to earn greater income, or iii) accessing public benefits that they could be eligible for. This recommendation asks to explore new ways to administer ITINs to change these outcomes.

2. Strengthening ITIN administration

A. Ensure that the ITIN Modernization Plan as laid out in the 2023 IRSAC Annual Report (pages 163-167) is enacted and expanded, particularly in the following ways:

- **We recommend prioritizing the pre-fill ITIN application procedure (#1 IRSAC Modernization Plan).** This will reduce errors and administrative burden, which is especially high for ITIN holders who also face barriers to applying due to a lack of multilingual resources and limited access to digital literacy education.
- **We recommend prioritizing the user testing with ITIN holders of the Direct File pilot (#6 IRSAC Modernization Plan).** In addition, we ask for a report on the results with a feasibility assessment to include ITIN holders in the Direct File system.
- **We recommend the testing of digital ITIN application and tax filing (#9-11 IRSAC Modernization Plan).** This will significantly reduce the burden of mailing, and possibility for loss, of original documents as is currently required.

- In addition to what the Modernization Plan lays out, **we recommend creating an easy online tracking system for ITIN tax filers to monitor their file status**, as is currently available for SSN holders.

B. **Establish a specialized customer service ITIN Unit** - as a people-centered complement to the existing processing center - with diverse multilingual, multicultural staff that could partner with Taxpayer Assistance Centers and underserved communities (in person and remotely through VITA and Tax Counseling for the Elderly (TCE)) to serve as accessible Certifying Acceptance Agents (CAAs) and Direct File facilitators). Using online access, this Unit could provide remote access to tax services for underserved immigrant communities through local community organizations and partnership. This recommendation was included in the 2023 IRS Advisory Council Public Report (p. 167, recommendation #7).

3. Expanding ITIN Usage

Write a letter to CFPB asking them to use their regulatory power to enforce their [“Joint Statement on Fair Lending and Credit Opportunities for Noncitizen Borrowers”](#) under the Equal Credit Opportunity Act. The letter should implicate CFPB's lack of enforcement of their statement, as demonstrated by the inequitable treatment of ITIN holders by the banks and credit agencies that they regulate. This includes institutions regulated by CFPB blocking ITIN holders from opportunities to access capital, and establish and build credit, ultimately preventing ITIN holders from improving their financial well-being.

Data & Research: Establish Topically Focused Call for Research Proposals in Merged Census-IRS Datasets

In March 2023, TACRE issued a recommendation that Treasury move expeditiously to complete regulatory review to fulfill a request from Census for additional sharing of tax data. Since Census has the broadest individual-level data on race and ethnicity, this step is critical to support research into and broader understanding of racial equity in tax policy and the economy more broadly. Following a briefing at the September 2023 TACRE meeting and further discussions with Treasury officials, we are happy to see Treasury's progress toward accomplishing this goal.

In June 2023, TACRE issued a recommendation that Treasury expand support for external researchers seeking to use tax data to investigate issues of racial equity. Since that time, IRS received proposals from outside researchers through the Joint Statistical Research Program (JSRP), but it does not appear that a substantial number of these proposals focus on issues of racial equity. This is likely due to 1) the lack of reliable information on race and ethnicity within Treasury, and 2) insufficient focus on issues of racial equity in the call for proposals.

Even with the limited tax data that is currently available at Census (where it is merged with individual data on race and ethnicity), research opportunities are sharply limited by the need for IRS (i.e., Title 26) approval of specific projects. Such constraints limit not only the research allowed by researchers with access to Census data but also the interest in obtaining such access in the first place.

The strategic questions that guide the Racial and Data Equity subcommittee provides the following charge:

2. Considering the wide range of data to which Treasury has access, including privacy protected tax data, economic trends, and program reports, what data research projects, consistent with current law, should Treasury undertake in the future, building on either existing or new data and existing or new staff expertise?

The committee therefore seeks to increase the production of research on issues of racial equity by expanding access and streamlining the process for approval of specific projects. Such streamlining is not only important as a determinant of the quantity and quality of research produced, but it is also critical to expanding the set of researchers who can access and conduct research in these data beyond those who already have resources or connections.

The committee therefore recommends that Treasury partner with Census to issue and fund a focused call for research proposals on a range of topics related to racial equity. This call for proposals would specify several areas of focus – for instance, "Policies that Would Address the Racial Wealth Gap," or "Racial disparities in tax administration", or "Racial disparities in Access to Capital and Business Development" – and require that submissions specify how the proposed research related to one or more of these specific areas. Proposals would also state which data

would be required to complete the project; IRS and Census would agree to provide access to the required data for selected projects.

Finally, Treasury would provide support for approved projects through funding for summer salary, research assistants, or other research expenses. Even if Treasury is unable to fund these projects, we believe that a program which streamlined project approval and data access would substantially increase the quantity of research on issues of racial equity. A model for this program is the Social Security Administration's Retirement-Disability Research Consortium, which supports external researchers to work on specified areas of interest. The program organizers each year issue a Focal Area List to guide applicants to the program, including such areas (in the most recent year) as "Disparities by race, age, and sex" or "Addressing Barriers to Disability Program or SSI Program Participation" and a lengthy list of specific topics within these areas. This program supports roughly 70 projects each year, many of which link to projects funded in past years to create multi-year research programs. This program costs approximately \$20 million annually, with most of the funds allocated to support specific research projects (and relatively little for overhead).

The committee further recommends that Treasury begin organizing this program now, so that it can approve the first round of supported projects and grant access to selected researchers by the end of Summer 2024. Treasury officials estimate that this is approximately the time at which the newly expanded set of tax data will be merged into Census, so this timing would allow researchers to "hit the ground running" with the newly available data.