



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

September 6, 2024

MEMORANDUM

To: Treasury Advisory Committee on Racial Equity

From: Janis Bowdler, Counselor for Racial Equity

Subject: Update to the U.S. Department of Treasury's Technical Progress Report to the Treasury Advisory Committee on Racial Equity (TACRE), January 2024 – August 2024

Introduction

When the Treasury Advisory Committee on Racial Equity (TACRE) launched in the fall of 2022, it was the first time in Treasury's 233-year history that such a table was convened to consider the consequences of racial inequity for our national economy. By issuing [Executive Order 13985](#), President Biden charged federal agencies with examining steps they could take to reduce barriers to equal opportunity. Secretary Yellen accepted this challenge by outlining a framework for investing in underserved people, places, and infrastructure thereby helping to unlock the unrealized potential of people of color, diverse businesses, rural communities, and other historically marginalized groups. In doing so, Treasury can drive a more inclusive and equitable economy that benefits all Americans.

TACRE has played a central role in Treasury's ongoing efforts to meet this vision. Over the past two years, TACRE has made recommendations to the Treasury on a range of issues such as improving the flow of capital to mission lenders; the fair administration of tax law and regulations; expanding the public understanding of tax policy and improving transparency on the distribution of tax expenditures; fair and equitable implementation of the Inflation Reduction Act; and Treasury's hiring and procurement processes – each aiming to leverage Treasury's authorities to improve economic opportunity for historically underserved populations, including Black, Latino, Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color.

Staff have benefited from members' expertise, networks, and participation in other public processes (such as roundtables and Requests for Information). Collectively, TACRE has provided recommendations on departmental policy priorities, research, internal processes, and administrative actions, much of which was described in the [April 2024 Technical Progress Report](#) (Technical Report).¹ This memorandum provides a high-level update on key actions taken in 2024 to continue progress on TACRE's recommendations.

¹ For a more complete description of TACRE and an update on recommendations received through December 2023, see [Technical Progress Report to the Treasury Advisory Committee on Racial Equity \(TACRE\)](#) and [Treasury Advisory Committee on Racial Equity | U.S. Department of the Treasury](#).

TACRE has transformed the way Treasury thinks about how to drive an equitable economy and tackle the challenges created by past policies, structural racism, and ongoing economic disparities. Many of the committee’s recommendations have already been implemented and others are underway. Although the term of the inaugural cohort of TACRE members is concluding, Treasury will continue to address the challenges and recommendations put forth by the Committee.

Updates Since April 2024

This memo provides an update on recommendations provided by TACRE since the release of the April 2024 Technical Report described above. Updates are organized according to subcommittee.

Research and Data Equity Subcommittee

New TACRE Recommendations

At the April 2024 meeting, TACRE discussed and adopted a recommendation submitted by the Research and Data Equity Subcommittee to conduct additional distributional analyses of tax proposals and include the analyses in the Greenbook.

Treasury Response

Treasury will continue to pursue research at the intersection of tax and racial equity and to build its capacity to conduct distributional and racial equity analyses. Decisions about the contents of the FY2026 Greenbook will be made by the next Administration.

Update on Selected Recommendations

Expand Research on Race and Equity

Expand Census Data Sharing

Treasury and the IRS issued a [Notice of Proposed Rulemaking](#) in March 2024 that would authorize the sharing of additional tax data with the Census Bureau for statistical purposes. Treasury has reviewed comments received through the public process and is developing a final rule informed by those comments. Treasury expects to finalize the rule this year.

Support New Research Opportunities

On June 1, the IRS issued a new call for proposals for its [Joint Statistical Research Program](#). The IRS highlighted several subjects of particular interest to the IRS and the tax research community including tax policy questions pertaining to race and ethnicity, noting that researchers would be able to utilize IRS imputed taxpayer race and ethnicity data in their projects. The call for proposals was published widely and included dedicated outreach to members of the Black Economic Alliance, the Sadie Collective, Equity Scholars at the Urban Institute, TACRE

members, members of the American Society of Hispanic Economists, Institute on Taxation and Economic Policy, foundations promoting equity research, and other researchers with diverse backgrounds. The proposals are under evaluation.

Understand and Reduce Racial Disparities in Audit Selection

TACRE formed a fifth subcommittee at the April meeting focused on audit disparities and fairness in tax administration. The subcommittee will have its first opportunity to submit recommendations for the full committee's consideration at the September meeting.

IRS researchers presented additional analysis of disparate audit selection at the [annual joint conference hosted](#) by the IRS and the Urban Institute-Brookings Institution Tax Policy Center on June 13, 2024. The presentation updated a prior report, summarizing findings on some of the drivers of disparity. The authors discussed some of the methodological research they have conducted to improve the IRS's ability to estimate audit selection by race and ethnicity. Results were presented for Black, Hispanic, Asian-American, and white taxpayers, an expansion of prior research that focused on Black and non-Black taxpayers. This research also described work that had been done to reduce sources of disparate audit treatment which included reducing the frequency of missing parental social security numbers which have contributed to racial disparity in EITC audit rates. The IRS is also piloting two new approaches to EITC case selection in 2024 and will report on the results of those pilots when they are complete.

Financial Health, Inclusion, Access to Capital Subcommittee

The Subcommittee did not transmit new recommendations at the April meeting. Treasury is pleased to provide updates on the actions aligned with prior recommendations that were addressed in the Technical Report.

Update on Selected Recommendations

Require demographic and race-disaggregated data collection, analysis, and reporting for all financial inclusion and capital access programs.

Since the update to the Committee in April, Treasury has released two progress reports including performance data for SSBCI and ECIP programs and held its first-ever [Asian American, and Native Hawaiian and Pacific Islander Economic Summit](#) highlighting the accomplishments and opportunities facing the community, including through collection of demographically detailed data.

- 1) In July, 2024, the State Small Business Credit Initiative (SSBCI) program released a [progress report](#) demonstrating how states, Tribal governments, and territories have expended hundreds of millions of dollars in SSBCI funding to support thousands of SSBCI-supported loans and investments in 2022 and 2023. This funding catalyzed a total of \$3.2 billion in overall new financing supporting more than 3,600 small businesses. The early data show that participating jurisdictions have channeled over \$531 million (69 percent of transactions) to support underserved businesses. Forty-three percent of the

transactions were reported as supporting minority-owned businesses. These results are preliminary, as many jurisdictions were still launching the programs in 2023, and a more comprehensive progress report will be released later in 2024.

- 2) Treasury also released a [progress report](#) on 2023 [Qualified and Deep Impact Lending](#) of community financial institutions participating in ECIP. In approximately 18 months, ECIP participants originated a total of \$58.3 billion in loans. Approximately three quarters, or \$43 billion, of these originations was Qualified Lending. More than one third of these total originations, or \$20.6 billion, was Deep Impact Lending to the most underserved borrowers. Through the end of 2023, ECIP participants reported 2,623 originations totaling \$1.4 billion of lending to minority-owned businesses (not including Hispanic-owned businesses) and 2,266 originations totaling \$1.2 billion of lending to Hispanic-owned businesses. During the same period, ECIP participants provided 8,984 mortgage loans totaling \$2.6 billion to homebuyers of color and other targeted populations and originated \$17.5 billion in lending in minority communities and \$850 million in Indian Reservations and Native Hawaiian Homelands.
- 3) In May 2024 Treasury hosted its first-ever [Asian American, and Native Hawaiian and Pacific Islander Economic Summit](#), including representatives from civil society organizations, the private sector, and government bodies. The event highlighted the important role AA and NHPI communities play in the economy and is part of a broader Treasury effort to build a stronger and more inclusive economy. At the event, Treasury shared an [AA and NHPI fact sheet](#) with an overview of key AA and NHPI communities, where they live, how they contribute to the economic growth of the US, pathways to further prosperity among these communities, and how Treasury is responding to White House Initiatives to support them.

Support Secondary Markets and Technology for CDFI and MDI-Issued Loans

Treasury continues to work with private sector partners to support mission-driven lenders. In collaboration with Treasury, the Economic Opportunity Coalition has deployed [\\$850 million in deposits to CDFIs and MDIs](#) as of July 2024. They have pledged to reach \$3 billion in deposits commitments by 2025.

Support Business and Asset Management Diversity (Not-for-Profit Survey and Report)

Treasury continues to make progress toward increasing opportunities for asset managers and business owners through the SSBCI program. With about \$3 billion in SSBCI funds allocated by jurisdictions to support equity/venture capital programs, there is an unprecedented opportunity to expand and improve access to venture capital funding for diverse businesses. Preliminary data [show](#) that as of July 2024, 36 of 54 venture capital funds that received an SSBCI capital commitment are either owned or managed by diverse or underserved fund managers or have an investment strategy that includes a focus on supporting companies with underserved founders/leaders.

Through the Initiative for Inclusive Entrepreneurship (IIE), Treasury has collaborated with private companies and philanthropy to support state SSBCI administrators' efforts to onboard investment funds and lenders with strong reach to underserved small businesses. During the 18-month pilot, the IIE [reported](#) helping small businesses secure over \$177 million in loan matches, grants, and private capital and supporting over 3,100 small businesses through training, technical assistance, and outreach.

In addition, to further support the objectives of the recommendation, Treasury plans to collaborate with the Milken Institute and TACRE members to organize a roundtable conversation with leading not-for-profits, including endowment foundations, on best practices to advance business diversity in asset management and procurement.

Inflation Reduction Act Implementation Subcommittee

The Subcommittee did not transmit new recommendations at the April meeting. Treasury is pleased to provide updates on the actions aligned with prior recommendations that were addressed in the Technical Report.

Update on Selected Recommendations

Evaluate the Direct File Pilot and identify potential areas of improvement for low-income filers

Following the 2024 filing season, Treasury and the Tax Equity Funders Network (TEFN) partnered to host a virtual Direct File Data and Research Summit to map data collection and analysis projects underway or planned, identify areas of alignment, identify potential gaps or questions the field is interested in exploring, and share information that can help to inform future programming and strategies.

Over the course of the two-hour summit, nine organizations shared the data and research projects focused on evaluating Direct File user experience and factors that could lead to use and increased uptake, interactions with state systems, and impact on users' perceptions of government.

Help eligible taxpayers claim credits and deductions

In its [update](#) to the original Strategic Operating Plan (SOP) released in May, the IRS outlined a set of principles to guide changes in tax administration necessary to increase the uptake of the credits and deductions for which taxpayers are eligible. Treasury and IRS have hosted briefings to provide stakeholders an overview of the IRS's credit uptake principles, raising awareness of the credit uptake principles with stakeholders who are positioned to inform and support the strategy as it continues to evolve.

Internal Staffing and Culture Subcommittee

The Subcommittee did not transmit new recommendations at the April meeting. Treasury is pleased to provide updates on the actions aligned with prior recommendations that were addressed in the Technical Report.

Update on Selected Recommendations

Treasury's Office of Minority and Women Inclusion (OMWI) has used its FY23 Industry Benchmark Analysis to compare Treasury procurement spend to minority and women-owned businesses (MWOBs) to federal utilization rates and market share by industry. This analysis set a baseline for further discussion and analyses of Treasury MWOB goals and strategy, and highlighted industries where the market would support higher MWOB goals. In Treasury's top five spend categories, the share of dollars going to minority-owned businesses (MOBs) was over 10 percentage points higher than market share in two industries (Custom computer programming services and Administrative management and general management consulting services), and lower than market share in three industries (Computer systems design services, Nonferrous metal production and processing, and Other computer related services).

For women-owned businesses (WOBs), the share of Treasury dollars was higher than market share in two industries (Custom computer programming services and Other computer related services) and lower in three industries (Administrative management and general management consulting services, Computer systems design services, and Nonferrous metal production and processing). Notably, Treasury utilization of WOBs in these top five categories meets or exceeds federal government utilization rates in all five categories, indicating that WOBs in the market may not be government contractors. This finding may indicate an opportunity to attract WOBs as new entrants to federal contracting. The below charts show Treasury achievement in MOB and WOB contracting from FY21-FY24, and the results of OMWI's Industry Benchmark Analysis.

Equitable Procurement - Conduct fact finding about the barriers to inform outreach and onboarding strategies.

To improve access for **new entrants**² to Treasury procurement, the office of the Procurement Executive (OPE) held the first New Entrant Roundtable to convene successful new entrants. This roundtable explored barriers to entry, successful methods to overcome barriers, and ways Treasury could lower barriers to attract additional new entrants. Treasury's efforts to lowering barriers to entry and attracting new entrants to Treasury procurement, particularly those from underserved communities, include streamlining application processes, offering dedicated support for first-time vendors, changing procurement practices to disseminate opportunities more widely, reviewing requirements documents for overly restrictive domain specificity, and creating partnerships with local business development centers. These efforts have yielded measurable results, with a greater share of Treasury contracts being awarded to new entrants. Treasury is

² [OMB memo M-23-11](#) (February 17, 2023) established a common definition of "new entrant" and "recent entrant" for Federal acquisition. It also provided guidance on how this data can be used to evaluate progress in achieving diversity and resilience in each agency's supplier base.

performing above the government-wide average for this category, with a notable increase from 16.3% in FY22 to 18.5% in FY23.

To gather additional actionable information on barriers, OPE has constructed a **procurement equity barrier assessment plan**. In FY25, OPE will lead this assessment of procurement practices to identify and understand the motivators, obstacles, and challenges that dissuade small businesses from responding to or pursuing Treasury contracting opportunities. The assessment team will solicit feedback from companies that expressed interest in a recent opportunity and decided not to submit an offer. This feedback will be used to refine procurement practices to lower barriers that dissuade participation by underserved communities and potential new entrants to Treasury procurement.

Talent Diagnostic – Conduct multi-faceted baseline talent diagnostics to analyze all employment transactions.

Treasury has issued its FY 2023 annual [OMWI Report](#) to Congress that provides a comprehensive description of both business utilization and workforce representation across Treasury Departmental Offices. OMWI is continuing to deploy its internally developed diagnostic tool (DEI Data Map) for understanding racial/ethnic and gender representation across the Department at various position levels and in mission critical occupations. In addition, OMWI is beginning work to expand workforce equity assessment to incorporate performance management data.

The annual Inclusion Survey was conducted, which was expanded this year to reach all employees in DO and each Treasury bureau, except for IRS (for which there was a random sample of approximately 12% of its more than 100,000 employees). Results were disaggregated by race/ethnicity, sex, age, disability status, LGBTQ+, and veteran status. The Inclusion survey measures employee perceptions of the workforce environment on five characteristics on inclusion: fairness, openness, cooperativeness, supportiveness, and empowerment. This year, OMWI issued a “DEIA Summer Learning Challenge” for all DO employees. The challenge included taking all courses in the Diversity, Equity, and Inclusion (DEI) 101 curriculum for non-supervisory staff, as well as three courses in the Conscious Inclusion Competencies curriculum and/or Leading Diversity, Equity, Inclusion, and Accessibility (DEIA) for Managers curriculum for supervisors. Several bureaus also participated in the DEIA Summer Challenge. Finally, OMWI continues to provide video mentorship experiences via its “Mentor in a Box” program, which is accessible to all Treasury employees.

Conclusion

As this session and membership cohort of TACRE comes to a close with the public meeting on September 9, 2024, Treasury expresses its gratitude to all TACRE members. Your recommendations have and will continue to inform our work.