Mission Statement

Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources.

Executive Summary

FY 2014 President's Budget by Function

Dollars in thousands

	FY 2012 Enacted	FY 2013 Annualized CR Rate	FY 2014 Request	FY 2012 to FY 2014 Increase/ Decrease	FY 2012 to FY 2014 Percent Change
Management & Financial	$1,346,631	$1,361,921	$1,315,533	($31,098)	-2.31%
Departmental Offices Salaries and Expenses	$308,388	$310,275	$311,775	$3,387	1.10%
Department-wide Systems and Capital Investments Program	$0	$0	$2,725	$2,725	0.00%
Office of Inspector General	$29,641	$29,822	$31,351	$1,710	5.77%
Treasury Inspector General for Tax Administration	$151,696	$152,624	$149,538	($2,158)	-1.42%
Special Inspector General for TARP	$41,800	$42,056	$34,923	($6,877)	-16.45%
Community Development Financial Institutions Fund	$221,000	$222,353	$224,936	$3,936	1.78%
Financial Crimes Enforcement Network	$110,788	$111,466	$103,909	($6,879)	-6.21%
Alcohol and Tobacco Tax and Trade Bureau	$99,878	$100,489	$101,211	$1,333	1.33%
Program Cap Adjustment Included in IRS Budget Request	$0	$0	($5,000)	($5,000)	0.00%
Net, Alcohol and Tobacco Tax and Trade Bureau	**$99,878**	**$100,489**	**$96,211**	**($3,667)**	**-3.67%**
Bureau of the Fiscal Service	$391,440	$393,836	$360,165	($31,275)	-7.99%
Legacy Treasury Direct User Fees	($8,000)	($1,000)	$0	$8,000	-100.00%
Net, Bureau of the Fiscal Service	**$383,440**	**$392,836**	**$360,165**	**($23,275)**	**-6.07%**
Tax Administration	$11,816,696	$11,887,741	$12,861,033	$1,044,337	8.84%
IRS Taxpayer Services	$2,239,703	$2,253,510	$2,412,576	$172,873	7.72%
IRS Enforcement	$5,299,367	$5,331,000	$5,666,787	$367,420	6.93%
IRS Operations Support	$3,947,416	$3,971,000	$4,480,843	$533,427	13.51%
IRS Business Systems Modernization	$330,210	$332,231	$300,827	($29,383)	-8.90%
Subtotal, Treasury Appropriations Committee	**$13,163,327**	**$13,249,662**	**$14,176,566**	**$1,013,239**	**7.70%**
Treasury Forfeiture Fund	($950,000)	($950,000)	($950,000)	$0	0.00%
Total, Treasury Appropriations Committee	**$12,213,327**	**$12,299,662**	**$13,226,566**	**$1,013,239**	**8.30%**
Treasury International Programs	**$2,661,388**	**$2,677,667**	**$2,899,279**	**$237,891**	**8.94%**
Economic Growth, National Security and Poverty Reduction (MDBs)	$1,958,538	$1,970,525	$2,103,029	$144,491	7.38%
Food Security	$165,000	$166,010	$165,000	$0	0.00%
World Bank Environmental Trust Funds	$324,350	$326,335	$427,450	$103,100	31.79%
Debt Relief	$186,500	$187,641	$175,300	($11,200)	-6.01%
Office of Technical Assistance (OTA)	$27,000	$27,156	$23,500	($3,500)	-12.96%
Middle East Transition Fund	$0	$0	$5,000	$5,000	0.00%
Total	**$14,874,715**	**$14,977,329**	**$16,125,845**	**$1,251,130**	**8.41%**

Overview

The Department of the Treasury's FY 2014 request includes the resources to lead a multitude of actions that help strengthen the U.S. economy, create job opportunities, and improve the housing market by taking important steps to restore confidence in the financial system while reinforcing U.S. international competitiveness. The Department is implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act); taking aggressive actions in the fight against financial crimes, money laundering, and threats to national security; promoting free trade and open markets; continuing its pursuit of comprehensive tax and fiscal reform; and strengthening efforts to improve stewardship over the U.S. Government's financial resources. Treasury is working to encourage lending to small businesses, promote economic prosperity, and monitor risk in the financial system. Treasury is also driving a departmental management agenda focused on governing strategically, working smarter, and leveraging advances in technology to gain greater cost savings for the American public, increase productivity, modernize operations, and support the Administration's management agenda.

Treasury's FY 2014 request reflects the Department's commitment to finding operational savings while including key investments in support of the Administration's goals. The Department proposes $2.9 billion for our International programs in order to promote our national security, open new markets for U.S. exporters, and address key global challenges such as food security and the environment and $14.2 billion for our operating accounts including substantial new investments in improved tax administration.

The FY 2014 Budget request for Treasury's operating bureaus is 2.3 percent below the FY 2012 enacted level, excluding the IRS. The Budget identifies $354 million in efficiency savings and $29 million in program reductions.

The Budget was developed to align with the Department's *FY 2012 to 2015 Strategic Plan*, Agency Priority Goals, and Federal Priority Goals.[1] This submission also serves as the Department's Annual Performance Report and Plan.

Treasury Strategic Goal: Repair and Reform the Financial System and Support Recovery in the Housing Market

Since the fall of 2008, Treasury has executed a range of new programs to help stimulate economic recovery and balanced growth while working to repair the credit and housing markets.

Supporting Small Businesses

The Small Business Jobs Act of 2010 created the Small Business Lending Fund (SBLF) and the State Small Business Credit Initiative (SSBCI). The SBLF helps increase the availability of credit to small businesses by providing capital to community banks and community development loan funds with assets under $10 billion. As of September 30, 2012, SBLF participants have increased their small business lending by $7.4 billion over a $36.5 billion baseline and by $740 million over the prior quarter. Over three-quarters of program participants (78 percent) have increased their small business lending by 10 percent or more. The SSBCI program supports state-level, small-business lending programs. In FY 2012, SSBCI approved $137 million for disbursement to states. SSBCI estimates disbursing cumulative totals of approximately $1.1 billion by the end of FY 2013 and the remaining $360 million by the end of FY 2014.

[1] Per the GPRA Modernization Act, P.L. 111-352, requirement to address Federal Goals in the agency Strategic Plan and Annual Performance Plan, please refer to Performance.gov for information on Federal Priority Goals and the agency's contributions to those goals, where applicable.

Implementing Financial Reform

During FY 2012, Treasury continued to implement the comprehensive financial reforms included in the Dodd-Frank Act. These reforms place tougher limits on risk-taking by financial institutions in order to stabilize the financial system and protect American taxpayers and consumers.

In FY 2012, full operation of Treasury's new financial regulatory and oversight entities established by the Dodd-Frank Act commenced, including the Financial Stability Oversight Council (FSOC), the Federal Insurance Office (FIO), the Office of Financial Research (OFR), and the Office of Minority and Women Inclusion (OMWI).

The FSOC, chaired by the Secretary of the Treasury, monitors threats to financial stability and facilitates coordination across the financial regulatory community. The Secretary coordinates the federal regulators' risk retention rulemaking process. This rule will help align interests among mortgage originators, securitizers (i.e., firms that create and sell groups of mortgage loans as securities), and other investors that participate in the housing finance market. The Secretary also coordinates the rulemaking to implement the Volcker Rule and is actively engaged in activities to identify risks, promote market discipline, and respond to emerging threats to U.S. financial stability.

Treasury is represented at the international Financial Stability Board (FSB) by the Under Secretary of International Affairs. At the FSB, Treasury supports a leveling up of financial regulatory standards globally. This will decrease the risk of regulatory arbitrage to the global financial system, avoid an undue regulatory burden for U.S. firms, and protect our economy from risks emanating beyond our shores.

The FIO monitors all aspects of the insurance industry and advises the Secretary on insurance matters of national and international importance, as well as representing the United States on prudential aspects of international insurance matters, where, previously, the United States had not been represented by any specifically designated individual, office, or agency. In FY 2012, the FIO Director was elected to serve on the International Association of Insurance Supervisors (IAIS) Executive Committee and as Chair of its Technical Committee. Among other projects, FIO is actively engaged in the FSOC and the IAIS.

OFR provides data and analysis relating to the designation of nonbank financial companies for supervision by the Federal Reserve Board and enhanced prudential standards. The OFR is also continuing to enhance its Financial Stability Monitor—a dashboard of financial stability metrics and indicators—and has played a central role in the international initiative to establish a global Legal Entity Identifier (LEI).

Winding Down the Troubled Asset Relief Program

The actions taken under TARP, along with other emergency measures put in place by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (FDIC) helped prevent the collapse of the U.S. financial system and stabilize the economy. Today, Treasury is focused on winding down TARP by exiting the remaining TARP investments as soon as possible in a manner that maximizes returns to the taxpayer and promotes financial stability.

Taxpayers have realized a significant positive return on TARP's investments in banks. By the end of FY 2012, taxpayers had recovered more than $267 billion in repayments and other income - more than $21.5 billion above the total funds that were invested under TARP's bank programs.

Stabilizing the Housing Market

Using authority granted under the Emergency Economic Stabilization Act (EESA), Treasury established two central housing programs under TARP, the Making Home Affordable (MHA) program and the Hardest Hit Fund (HHF). Treasury also used its authority to support the Federal Housing Administration's (FHA) Short Refinance Program. Combined, Treasury committed $45.6 billion to fund these housing programs under TARP. MHA and HHF have disbursed $5.5 billion from inception through the end of FY 2012. More funds are expected to be disbursed over time as incentive payments are made for current participants and new homeowners entering into the programs.

For the FY 2014 Budget, Treasury has reduced the obligation to the FHA Short Refinance Program by $7 billion, which reduces the overall commitment to housing programs under TARP to $38.6 billion.

Treasury Strategic Goal: Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth

Supporting Economic Growth and Opportunity

In FY 2012, Treasury focused on bolstering economic growth for local communities and small businesses through funding for projects that would encourage job creation and further investment in distressed communities. The FY 2014 Budget of $225 million for the Community Development Financial Institutions (CDFI) Fund provides funding to promote economic development investments in low-income and underserved communities. Of the total request, up to $35 million for the Healthy Food Financing Initiative will support increased availability of affordable, healthy food options, as part of the Administration's goal of eradicating food deserts by 2017.

Treasury proposes to implement Pay for Success, a new program that aims to reward nonprofit and other investors who finance preventive social programs that can post savings to the federal government while achieving better outcomes for their target population. Emerging Pay for Success projects are hampered by an inability to leverage savings across levels of government and a lack of rigorous data that could help investors evaluate the risk associated with these ventures. A Pay for Success Fund will be designed to ensure that taxpayers get the best possible returns for funds expended, government assets are protected, and losses are minimized in relation to social benefits provided by paying exclusively for projects that show measurable outcomes resulting in greater federal savings and programmatic efficiency. In order to qualify, these projects will be required to utilize evidence-based approaches and provide data for program and policy evaluation. The budget proposes $300 million in new capped mandatory funding for this program.

Treasury's FY 2014 budget provides $5 million to administer a Financial Capability Innovation Fund that will support development of financial access and financial capability tools that facilitate and encourage saving among, and improve financial knowledge of, low and moderate-income families. As part of this effort, Federal agencies may partner with state and local governments to conduct pilots and similar activities to develop innovations in these areas.

Encouraging International Economic Growth and Stability

Treasury works bilaterally and multilaterally to foster strong, sustainable, and balanced global growth; to support free trade and open markets; to promote a level playing field for U.S. financial institutions; to maintain stable international financial markets; to encourage foreign investment in the U.S. while protecting national security; and to use our leadership positions in the International Financial Institutions in pursuit of U.S. policy goals. The Budget includes funding for Treasury to continue advancing these economic and national security policy priorities around the world, including those supporting the President's National Export Initiative to double exports by 2014.

Through Treasury's active and sustained engagement with China, the U.S.: improved market access for U.S. companies in China's financial services market; obtained commitments from China to negotiate and ultimately abide by international rules on export financing to provide a level playing field for U.S. companies; and secured commitments to provide nondiscriminatory treatment to all enterprises in China including state-owned enterprises. In 2012, U.S. exports to China reached historic highs increasing nearly 36 percent over the 2009 levels.

In 2012 Treasury also worked through the Group of Twenty (G-20) to promote strong, sustainable, and balanced growth, including efforts to foster more flexible, market-determined exchanges rates and to boost domestic demand in surplus economies, notably China. China's current account surplus has fallen from a peak of over 10 percent of GDP before this administration took office to under 3 percent as of March 2013. The renminbi has appreciated on a real bilateral basis over 16 percent against the United States dollar since June 2010.

Treasury serves an integral role at the International Monetary Fund (IMF), which is the most important tool for the U.S. in promoting global financial stability. As the leading financial crisis first responder, the IMF promotes growth, reduces poverty, and helps prevent and resolve financial crises. In order to preserve U.S. leadership in the IMF, the Administration seeks legislation for a U.S. quota increase with a corresponding roll back in the U.S. participation in the IMF's New Arrangements to Borrow (NAB), as well as for governance reforms that will preserve the U.S. veto on the IMF's Executive Board. U.S. support for the quota and governance reforms reinforces the central position of the IMF in the international monetary system at a time when emerging economies explore establishing new and parallel financial institutions.

In 2012 financial instability in Europe continued to pose a risk to the strength of the U.S. and global recoveries. Treasury worked with its European counterparts to encourage the establishment of two powerful tools to help stem the contagion to the larger economies in Europe and restore confidence in the European banking system: the European Stability Mechanism and the Outright Monetary Transactions loan facility. Recent turmoil in Cyprus, however, demonstrates the need to remain vigilant.

Treasury's $2.9 billion FY 2014 International Programs budget request provides a cost-effective way to promote our national security, support the next generation of export markets, and address key global challenges like environmental degradation and food security, while fostering private sector development and entrepreneurship.

Of the total, $2.1 billion is requested for General Capital Increases (GCIs) and replenishments at the Multilateral Development Banks (MDB). Our investments in these institutions represent outstanding value for money, leveraging scarce development resources to advance key U.S. national security and economic objectives. Treasury's investments in the MDBs represent roughly $3 billion of the Administration's Function 150 budget request yet they leverage nearly $100 billion in annual development commitments.

The FY 2014 request includes funding for complex global challenges. This includes $135 million for the Global Agriculture and Food Security Program (GAFSP), $30 million for the International Fund for Agricultural Development (IFAD) and $427.5 million for Environmental Trust Funds administered by the World Bank.

The FY 2014 request also includes $23.5 million for the Office of Technical Assistance (OTA). OTA works with finance ministries and central banks of developing countries strengthen their capacity to manage public finances, which encourages stability abroad, supports broad U.S. development, foreign policy, and national security objectives ultimately, reducing these countries' reliance on development assistance.

Finally, the request includes $5 million for a portion of the U.S. contribution to the Deauville Partnership Transition Fund, a multi-donor trust fund administered by the World Bank and created under the U.S. chairmanship of the G-7. This is a new request to assist Arab countries that are members of the Deauville Partnership with Arab Countries in Transition (currently Egypt, Tunisia, Jordan, Morocco, Libya, and Yemen). The fund will help promote a broad reform agenda, to anchor these historic political transitions with an economic foundation that secures inclusive growth.

Treasury Strategic Goal: Protect Our National Security through Targeted Financial Actions

The Department's financial intelligence and enforcement activities have had a significant impact in combating money laundering and terrorist financing.

Successful Implementation of International Sanctions

In 2012, the Office of Foreign Assets Control (OFAC) continued to aggressively pursue investigations of both U.S. and foreign financial institutions that appeared to have violated U.S. economic sanctions. OFAC's $619 million settlement with ING Bank N.V. constituted the U.S. Department of the Treasury's largest sanctions-related enforcement action to date. OFAC also concluded its investigations and entered into settlements with Standard Chartered Bank, HSBC Holdings Plc, and Bank of Tokyo-Mitsubishi UFJ for a combined $515.5 million. Those four cases alone targeted more than 23,840 apparent violations of U.S. sanctions programs involving Burma, Cuba, Sudan, Iran, and Libya. OFAC's enforcement actions, in concert with parallel actions by federal and state prosecutors and domestic and foreign regulators, promoted compliance with the regulations administered by OFAC throughout the global financial industry. Additionally, the Department has engaged in an aggressive international outreach campaign since the passage of Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) involving foreign governments, regulators, and financial institutions throughout the world to warn about the potential consequences of engaging in sanctionable activity. As a result of Treasury's efforts, most foreign financial institutions have chosen to dramatically reduce their business with Iran.

Collection of Major Asset Forfeitures Supports Deficit Reduction

The Treasury Forfeiture Fund received over $1 billion in forfeitures and recoveries in FY 2012 and is projected to collect close to $2 billion in FY 2013. The success of Treasury's asset forfeiture program allows the Department to make priority investments in law enforcement and national security, without requesting additional resources from taxpayers. Further, it enables Treasury to contribute to deficit reduction with a proposed permanent cancellation of $950 million from the Forfeiture Fund's unobligated balances.

Treasury Strategic Goal: Pursue Comprehensive Tax and Fiscal Reform

Treasury is committed to shrinking the deficit over the next decade through a balanced mix of spending reductions and tax reforms.

Agency Priority Goal: Increase Voluntary Tax Compliance

Treasury continues to work to increase voluntary tax compliance through the fair and uniform application of the tax code. Improvement of both service and enforcement, along with reforms to simplify the tax law, are essential to ensure that the U.S. tax system remains the most effective and fairest voluntary compliance system in the world.

The FY 2014 budget supports this goal through targeted investments in taxpayer services and web-based technology that will facilitate self-service transactions and simplify the taxpayer experience. Additionally, the budget requests resources for additional tax law enforcement and implementation of recent tax legislation, including resources to assist taxpayers in understanding the tax law changes included in the Affordable Care Act and other recent tax code changes.

Enforcement of the Tax Code

The 2014 Budget includes an Enforcement account increase of $367 million from the 2012 enacted level to help close the tax gap through various strategic investments. The enforcement program will protect revenue by identifying fraud and preventing issuance of questionable refunds including tax-related identify theft; increase compliance by addressing offshore tax evasion; make use of new information reporting to reduce underreporting; strengthen examination and collection programs; expand enforcement efforts on noncompliance among corporate and high-wealth taxpayers; and strengthen return preparer compliance. This increase is supported by a $412 million program integrity cap adjustment, including a $5 million transfer to the Alcohol and Tobacco Tax and Trade Bureau (TTB). The IRS investments in these enforcement activities will return $6 for every $1 invested once new hires reach full potential in FY 2016. The 10-year (FYs 2104-2023) tax enforcement program integrity cap adjustment proposal will generate $46.5 billion in additional revenue and cost $13.8 billion for a net deficit savings of $32.7 billion.

Taxpayer Services

The FY 2014 Budget includes a Taxpayer Services account increase of $173 million from the FY 2012 enacted level to support targeted investments in services that help taxpayers understand and meet their tax obligations. Taxpayer Services plays a key role in lowering the tax gap. Activities in IRS Taxpayer Services appropriation support voluntary compliance by addressing millions of taxpayers' questions in their efforts to comply with the law and are an integral component of IRS's compliance activities. For example, during the 2012 tax season, IRS taxpayer service representatives answered over 19 million phone calls and 50 million automated calls. The 2014 Budget also provides $301 million for the Business Systems Modernization Program to invest strategically in state-of-the art capabilities, such as online taxpayer services, that utilize and leverage the database infrastructure that is now in place. The IRS budget request reflects a concerted effort to expand the self-service and alternate service options available to taxpayers, increasing the accuracy of information provided to taxpayers while decreasing taxpayer reliance on expensive in-person and over-the-phone IRS assistance.

Treasury Strategic Goal: Manage the Government's Finances in a Fiscally Responsible Manner

In FY 2014, Treasury will implement a number of initiatives to improve operational efficiency and effectiveness.

Government-wide Financial Management

The FY 2014 Budget includes additional funding for the Office of Financial Innovation and Transformation (FIT) which is working in coordination with the Government-wide CFO Council to improve financial management, reduce costs, increase transparency, and improve delivery of agencies' missions within Treasury and across the federal government. Treasury also proposes to transfer FIT from the Departmental Offices to The Bureau of the Fiscal Service (Fiscal Service) to allow closer collaboration with the bureau that most closely aligns with its mission.

Restoring Gulf Coast Communities

The budget includes resources to administer the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) which established the Gulf Coast Restoration Trust Fund to maintain the civil and administrative penalties arising from the *Deepwater Horizon* oil spill. Treasury will serve oversight, administrative, compliance, and audit roles to help ensure that funds are expended as required by the RESTORE Act, and will work with the newly established Gulf Coast Restoration Council to administer these funds in supporting economic and environmental restoration in the Gulf Coast region.

Agency Priority Goal: Increase Electronic Transactions with the Public to Improve Service, Prevent Fraud, and Reduce Costs

Treasury has implemented a multi-pronged effort to expand the use of electronic transactions in conducting the business of government, including through electronic payroll savings bonds, electronic benefit payments, and electronic tax collection. These efforts have resulted in reduced costs, improved customer service, and decreased susceptibility to fraud. The payroll sale of paper savings bonds and the sale of paper savings bonds at financial institutions have already been discontinued, and businesses are now required to pay taxes electronically rather than by paper coupon. The Department will continue to make progress toward its "Paperless Treasury" initiative by paying benefits electronically and working to increase the electronic filing (e-file) rate. Treasury's paperless initiatives are estimated to save $500 million over five years from FY 2011 to FY 2015. The IRS's e-file program has been highly successful, saving the department millions of dollars every year. For example, in 2012, it costs 23 cents to process an e-filed return—a fraction of the $3.36 it takes to process a paper return. With e-file, taxpayers get their refund faster, with fewer data processing errors. The individual tax e-file rate is now over 80 percent.

The Fiscal Service

In FY 2014, Fiscal Service will continue functional integration of the former Financial Management Service (FMS) and Bureau of the Public Debt (BPD) to include the FIT transfer. This will improve the planning and implementation of FIT's initiatives by more closely aligning strategic direction with operational implementation, which is performed by Fiscal Service. Under this structure, the Fiscal Assistant Secretary will maintain high-level policy guidance and oversight of FIT.

Achieving Small Business Procurement Goals

In FY 2014, the Department will build on its success in achieving small business contracting goals. In FY 2012, Treasury met or exceeded all of its small business contracting goals and exceeded its overall Small Business contracting goal. The Department more than doubled its contracting goals for Women Owned Small Businesses and for Small Disadvantaged Businesses. During FY 2012, Treasury awarded $890 million in contracts to small businesses, which is an increase of $80 million above the FY 2011 total.

Securing Americans Value and Efficiency (SAVE)

The Administration held its fourth SAVE Award contest for federal employees to submit ideas to improve the operations of government. Treasury plans to adopt two ideas: savings in postage from an electronic transcript delivery process, and replacing existing interior lighting with LED technology for energy savings.

Savings Proposals

Treasury's FY 2014 Budget includes efficiency savings of $354 million and program reductions of $29 million. Treasury's bureaus have found savings from: space optimization for the IRS, manufacturing support systems and spoilage reduction for the BEP, payment reorganization for the Fiscal Service, and numerous administrative and personnel efficiencies across multiple bureaus.

ORGANIZATION

The Department of the Treasury is the executive agency responsible for promoting economic prosperity and ensuring the financial security of the United States. The Department is organized into the Departmental Offices, eight operating bureaus, and three inspectors general. The Departmental Offices are primarily responsible for policy formulation, while the bureaus are primarily the operating units of the organization.

DEPARTMENTAL OFFICES

Domestic Finance advises and assists in areas of domestic finance, banking, and other related economic matters. In addition, this office develops policies and guidance for Treasury Department responsibilities in the areas of financial institutions, federal debt finance, financial regulation, capital markets, financial management, fiscal policy, and cash management decisions. The staffs of the Financial Stability Oversight Council, Office of Financial Research (OFR) and the Federal Insurance Office (FIO), created under the Dodd-Frank Act, reside within Domestic Finance, as does the Office of Financial Stability (OFS), which is responsible for overseeing the Troubled Asset Relief Program (TARP). The Office of Financial Institutions oversees the Community Development Financial Institutions (CDFI) Fund, the Small Business Lending Fund (SBLF), and the State Small Business Credit Initiative (SSBCI) within Domestic Finance.

International Affairs protects and supports U.S. economic prosperity by working bilaterally and multilaterally to foster strong and balanced global growth; to promote stable international financial markets, high-quality financial regulatory standards, and a level playing field for U.S. businesses and financial institutions internationally; to encourage foreign investment in the U.S. while protecting national security; and to enhance U.S. competitiveness and job creation.

Terrorism and Financial Intelligence (TFI) marshals the Department's intelligence, enforcement, and economic sanction functions with the twin aims of safeguarding the financial system against illicit use and combating rogue regimes, terrorist facilitators, weapons of mass destruction (WMD) proliferators, money launderers, drug kingpins, and other national security and foreign policy threats.

Economic Policy reports on current and prospective economic developments and assists in the determination of appropriate economic policies. The office is responsible for the review and analysis of domestic economic issues and developments in the financial markets.

Tax Policy develops and implements tax policies and programs, reviews regulations and rulings to administer the Internal Revenue Code and the tariff laws, negotiates tax treaties, and provides economic and legal policy analysis for domestic and international tax policy decisions. Tax Policy also provides revenue estimates for the President's Budget.

Treasurer of the United States has direct oversight over the United States Mint and the Bureau of Engraving and Printing, and is a key liaison with the Federal Reserve. In addition, the Treasurer serves as a senior advisor to the Secretary in the areas of community development and public engagement.

Other Offices

Internally, Treasury's Departmental Offices are responsible for overall management of the Department. The Office of Management and the Chief Financial Officer is responsible for managing the Department's financial resources and oversees Treasury-wide programs, including human capital, information technology (IT), and minority and women inclusion.

Other support offices include General Counsel, Legislative Affairs, and Public Affairs. Also, three inspectors general—the Office of the Inspector General (OIG), the Treasury Inspector General for Tax Administration (TIGTA), and the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) — provide independent audits, investigations, and oversight of the Department of the Treasury and its programs. While SIGTARP is organizationally placed in Treasury, it is not under the general supervision of the Secretary.

BUREAUS

Bureaus employ 98 percent of Treasury's workforce and are responsible for carrying out specific operations assigned to the Department.

The Alcohol and Tobacco Tax and Trade Bureau (TTB) collects federal excise taxes on alcohol, tobacco, firearms, and ammunition, and assures compliance with tobacco permitting and alcohol permitting, labeling, and marketing requirements to protect consumers.

The Bureau of Engraving and Printing (BEP) develops and produces U.S. currency notes that are trusted worldwide.

The Bureau of the Public Debt (BPD) borrows the money needed to operate the U.S. Government through the sale of marketable, savings, and special purpose U.S. Treasury securities. It accounts for and services the public debt and provides reimbursable administrative support services to federal agencies.

The Financial Management Service (FMS) provides central payment services to federal program agencies, operates the U.S. Government's collections and deposit systems, provides government-wide accounting and reporting services, and manages the collection of delinquent debt owed to the U.S. Government.

Effective October 2012, the BPD and FMS operating bureaus consolidated to form the Bureau of the Fiscal Service. The Department anticipates Congress to enact legislation to fund the new bureau's salaries and expenses through a single appropriation.

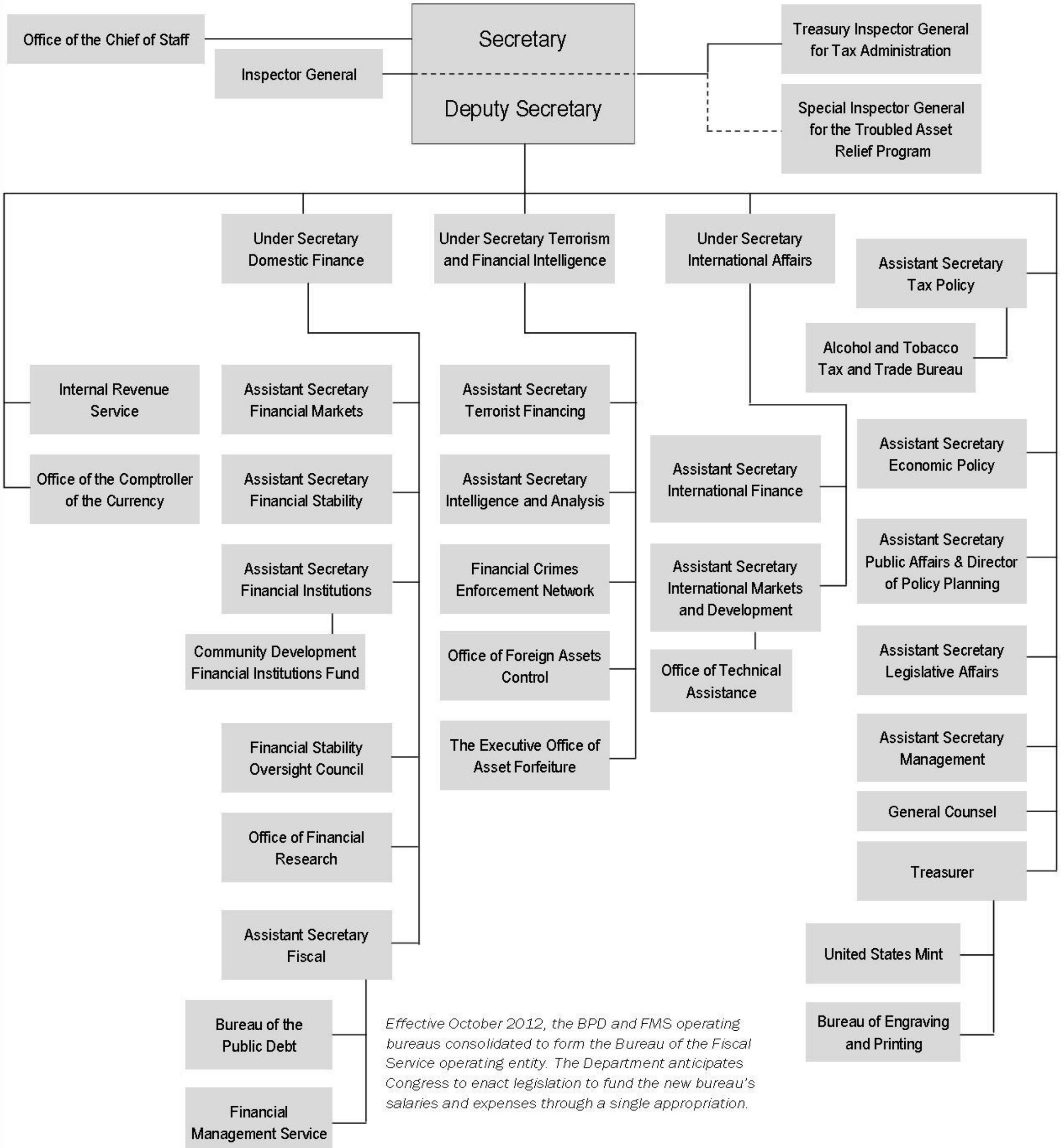
The Financial Crimes Enforcement Network (FinCEN) enhances the integrity of the financial system by facilitating the detection and deterrence of financial crime.

The Internal Revenue Service (IRS) is the largest of the Department's bureaus and determines, assesses, and collects tax revenue for the U.S. Government.

The United States Mint designs, mints, and issues circulating and bullion coins, prepares and distributes numismatic coins and other items, and strikes Congressional Gold Medals and other medals of national significance. The United States Mint maintains physical custody and protection of most of the nation's gold and all of its silver reserves.

The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises all national banks and federal savings associations to help ensure that they operate in a safe and sound manner and in compliance with laws requiring fair treatment of their customers and fair access to credit and financial products.

THE DEPARTMENT OF THE TREASURY ORGANIZATIONAL CHART



Effective October 2012, the BPD and FMS operating bureaus consolidated to form the Bureau of the Fiscal Service operating entity. The Department anticipates Congress to enact legislation to fund the new bureau's salaries and expenses through a single appropriation.

Treasury's Fiscal Years 2012-2015 Strategic Framework

The Treasury's Strategic Framework is a summary of the department's goals and objectives. This framework provides the basis for performance planning and continuous improvement.

	Strategic Goals	Strategic Objectives	Indicators and Measures
Economic	**Goal 1** Repair and Reform the Financial System and Support the Recovery of the Housing Market	Lead the Administration's efforts to continue to implement comprehensive regulatory reform to increase stability and strengthen accountability in the financial system Effectively manage and exit emergency programs Reform and strengthen the housing finance system Help prevent avoidable foreclosures and support the availability of affordable mortgage credit	TARP lifetime cost estimate Income received from dividends, interest, warrants, and repayments of TARP investments Rolling percent of investments remaining (overall and bank-only) Monthly mortgage-backed securities statement Housing scorecard indicators
Economic	**Goal 2** Enhance U.S. Competitiveness and Promote International Financial Stability and Balanced Global Growth	Protect global economic and financial stability and encourage market-determined exchange rates Promote strong international financial standards and a level playing field for U.S. financial institutions Pursue free trade and open markets Encourage foreign investment in the U.S. economy Enter into bilateral and multilateral tax agreements that encourage cross-border trade and investment Use leadership positions in the multilateral development banks and the International Monetary Fund to advance U.S. national security and economic interests Provide direct assistance to developing countries working to improve public financial management and strengthen their financial systems	Timely review of Committee on Foreign Investment in the United States (CFIUS) cases Percentage of grant and loan proposals containing performance measures Percentage of timely reviews of Multilateral Development Bank (MDB) grant and loan proposals Percentage of timely reviews of International Monetary Fund (IMF) lending proposals Traction and impact of technical assistance

	Strategic Goals	Strategic Objectives	Indicators and Measures
Security	**Goal 3** Protect our National Security through Targeted Financial Actions	Collect, analyze, and disseminate financial and other information concerning illicit financing and national security threats Disrupt and dismantle the financial networks of those who threaten national security or engage in illicit financing Shape policy, laws, and regulations to safeguard the U.S. and international financial systems Coordinate with partners, both at home and abroad, including the foreign policy, law enforcement, and intelligence communities, to combat illicit finance Assist partner countries in developing and implementing anti-money laundering and counter terrorist financing regimes compliant with international standards	Impact of economic sanctions Impact of policymaking, outreach, and diplomacy Impact of activities to create safer and more transparent financial systems Ability to effectively collect, disseminate, and analyze financial intelligence

	Strategic Goals	Strategic Objectives	Indicators and Measures
Financial	**Goal 4** Pursue Comprehensive Tax and Fiscal Reform	Develop comprehensive proposals to reform and simplify the tax code Increase voluntary tax compliance Promote policies to ensure a sound fiscal footing over the medium term	Voluntary tax compliance Number of tax proposals partially or completely enacted into law Number of administrative initiatives implemented Effects of fiscal policy
Financial	**Goal 5** Manage the Government's Finances in a Fiscally Responsible Manner	Optimize the cash and debt portfolio to manage the Government's borrowing costs effectively Expand the use of electronic transactions Modernize financial systems and standardize accounting practices Continuously improve our operations and processes to generate efficiency savings Attract and retain an exceptional workforce	Percentage of Treasury payments made electronically Percentage of vendor invoices processed electronically by Treasury Percentage of total federal government receipts collected electronically Percentage of individual tax returns filed electronically Amount of delinquent debt collected Mean absolute monthly forecast error on a cumulative basis for budget receipts, outlays, and non-marketable debt and mean absolute daily error in cash balance projections Percentage of small business procurement targets met Best Places to Work ranking Percentage of new hires retained after two years

Treasury's Fiscal Year 2012-2013 Agency Priority Goals And Status

The Treasury Department established two APGs to support improvements in near-term outcomes related to the Strategic Plan.

Increase Voluntary Tax Compliance

Helping taxpayers understand their obligations under the tax law is critical to improving compliance and addressing the tax gap. Therefore, the IRS is committed to making tax law easier to access and understand. The IRS remains committed to improving voluntary compliance and reducing the tax gap through both taxpayer service and enforcement programs.

The IRS continued to increase the amount of tax information and services available to taxpayers online and through social media. IRS.gov provides alternative online and self-help service options. Through September 30, 2012, taxpayers viewed IRS.gov web pages more than 1.7 billion times as they used the website to:

- Get forms and publications. Beginning in fiscal year 2011, the IRS reduced the number of forms and publications that were mailed to taxpayers. For this reason, during the fiscal year 2012 filing season, more than 347 million tax products were downloaded, an increase of 51 percent from fiscal year 2011
- Link to the Electronic Federal Tax Payment System (EFTPS). EFTPS processed more than 132.4 million electronic tax payments totaling $2.1 trillion
- Get answers. More than 1.1 million visits to the Interactive Tax Assistant introduction page where taxpayers can receive answers to tax law questions
- Use "Where's My Refund?" Taxpayers used "Where's My Refund?" more than 132.3 million times to check on the status of their tax refunds

The IRS is increasing communications with taxpayers who may not get their information from traditional sources, such as newspapers and broadcast cable news. By employing social and new media, such as YouTube, Twitter, and iTunes, the IRS can reach these taxpayers and provide important service and compliance messages. In February 2012, the IRS released a new version of IRS2Go, a Smartphone application that lets taxpayers check on the status of their tax refund and obtain tax information including requesting their tax return or account transcripts. Since its February 2012 release, the new features helped attract more than 6.2 million application launches from IRS2GO.

In October 2011, the IRS began a pilot of Virtual Service Delivery (VSD) to test a new means of service delivery in Taxpayer Assistance Centers (TACs) and partner sites. VSD provided face-to-face contact with more than 16,000 taxpayers at 15 IRS locations using video communication technology. Preliminary participant feedback from the survey through December 31, 2011 indicated they were very satisfied with VSD technology and 92 percent reported they would be willing to use video assistance again during a future visit.

During the 2012 filing season, through September 30, 2012, the IRS received more than 147.6 million individual returns (113.8 million electronically filed) and issued more than 121.6 million refunds totaling $333 billion.

In fiscal year 2012, the IRS continued to implement its Return Preparer Initiative, the foundation of which is mandatory registration for all paid tax return preparers. Through September 2012, more than 860,000 preparers requested Preparer Tax Identification numbers (PTINs) using the online registration system. The process gives the

IRS an important and improved view of the return preparer community from which the IRS can leverage information to improve communications, analyze trends, spot anomalies, and detect potential fraud. The IRS also leveraged real time data during the 2012 filing season to improve the compliance of more than 1,400 preparers with high numbers of Earned Income Tax Credit (EITC) errors.

The IRS also launched the Registered Tax Return Preparer (RTRP) competency test in November 2011 for all paid tax return preparers except attorneys, certified public accountants, and enrolled agents. More than 31,000 tests were conducted, and applications from approximately 570 continuing education providers were approved. All RTRPs are also required to complete 15 hours of Continuing Education (CE) courses annually beginning in 2012. To address this requirement, the IRS deployed a registration system for CE providers, issued Revenue Procedures outlining the IRS standards for CE accreditors and providers, and launched a webpage for CE accreditors, providers, and preparers.

In January 2012, the IRS announced a third Offshore Voluntary Disclosure Program due to continued interest from taxpayers after the closure of the 2011 and 2009 programs. As part of an overall strategy to improve offshore compliance, taxpayers who voluntarily come forward and file all original and amended tax returns and pay taxes, interest, and accuracy-related and/or delinquency penalties, can avoid criminal prosecution. The offshore voluntary disclosure programs have resulted in over 38,000 disclosures and the collection of more than $5.5 billion in back taxes, interest, and penalties.

The IRS modernization efforts focus on building and deploying advanced IT systems, processes, and tools to improve efficiency and productivity. In 2012, the IRS delivered the most significant update to its core tax processing system in decades with the deployment of the initial phase of the Customer Account Data Engine 2 (CADE 2), modernizing tax processing. After more than 50 years of posting returns and transactions on a weekly batch cycle, in January 2012, CADE 2 moved the IRS to a daily cycle for tax processing of individual taxpayer accounts. For the first time, the IRS processing systems are accepting all 1040-related schedules and forms electronically through a modernized e-filing capability, which will feed into a single consolidated taxpayer account database, and reduce the handling/mailing of voluminous paper returns. In the coming years CADE 2 will provide the IRS with significantly expanded service and enforcement capabilities that will drive additional voluntary compliance.

Increase Electronic Transactions with the Public to Improve Service, Prevent Fraud, and Reduce Costs

The safety, security, efficiency, and reliability of Treasury transactions are paramount to maintaining public trust. Billions of transactions, including payments to federal benefits recipients, savings bonds purchases, and tax collections, are executed by Treasury each year. The paper processes associated with these transactions can be slow, unsecure, inaccurate, and wasteful. In an effort to improve customer service, decrease the public's vulnerability to fraud, and efficiently manage resources, the Secretary of the

Treasury approved several initiatives to move towards electronic transactions, including discontinuing the sale of paper savings bonds, increasing electronic benefit payments, and increasing electronic tax collection. Treasury has already discontinued the issuance of paper savings bonds through traditional employer-sponsored payroll savings plans, and the sale of over-the-counter paper savings bonds ended on December 31, 2011. Treasury will continue to make progress toward a fully paperless set of processes by paying benefits electronically and encouraging businesses to pay taxes electronically rather than by paper coupon. This priority goal is related to the strategic goal of "Manage the Government's Finances in a Fiscally Responsible Manner."

PAYMENTS

In support of the goal to increase electronic payments government-wide, the FMS has a number of efforts underway. In December 2010, Treasury announced a final rule to extend the safety and convenience of electronic payments to all Americans receiving federal benefit and non-tax payments. Anyone who applied for benefits on or after May 1, 2011, was required to begin receiving their payments electronically, while those who were already receiving paper checks need to switch to direct deposit by March 1, 2013. This important change will provide significant savings to American taxpayers who will no longer incur the price tag associated with paper checks.

As a result of the final rule, the Go Direct® campaign shifted from a marketing focus to a national public education effort building on previous successes to provide federal benefit recipients with the tools and resources they need to transition to Electronic Funds Transfer payments. The campaign reaches current check recipients as well as people who will apply for federal benefits soon. Benefit checks have declined from 10.3 million per month in January 2011 to 5.5 million as of August 2012, saving millions of dollars for the United States Treasury and taxpayers in the years to come.

A big part of the success of the All-Electronic Treasury is the Direct Express® card. The Direct Express® card offers the convenience and security of receiving benefit payments electronically for those who prefer a debit card or do not have a bank account. Instead of receiving a paper check, the benefit payment is automatically deposited into the recipient's card account on the payment date. It is currently available to Social Security, Supplemental Security Income, Veterans, and other federal benefit types. To date, more than 3.8 million benefit recipients have signed up for the Direct Express® card.

The U.S. Debit Card Program has expanded to 36 separate and distinct uses by federal agencies, including uses in criminal investigations, Native American trust disbursements, and international student per diem reimbursements, since program inception in 2000. At present, the program that has delivered the largest savings to the taxpayer has been the Department of Transportation's TRANServe debit card for the disbursement of federal transit subsidies encouraging federal workers to utilize public transportation. Since Program inception (July 2011) TRANServe has deployed 60,000 cards and has recouped $11.9 million in unspent funds.

The Stored Value Card (SVC) Program is a joint program by the Departments of Treasury and Defense with major goals to enhance security, improve processing of financial transactions, and reduce the float loss associated with the coin and currency in circulation at military bases in the U.S. and overseas, on ships at sea, and at other "closed" Government locations around the world. SVCs reduce the high costs of securing, transporting, and accounting for cash. Through fiscal year 2012, SVCs have replaced more than $6 billion in cash or other paper payment mechanisms used in military environments. Additionally, SVCs streamline and help automate the otherwise manually intensive back end operations that were necessary to support cash and cash equivalents. The SVC Program has saved the Government more than $48 million in operating costs.

Treasury is also exploring the feasibility of extending E-Wallet and mobile payment technology to our payments area. As payment technology advances, Treasury is looking to meet the expectations of citizens in how they wish to interact with the U.S. Government.

Also in support of President Obama's "Campaign to Cut Waste" across the U.S. Government, Treasury has mandated the IPP for all Treasury offices and bureaus. IPP will reduce Treasury's invoice processing costs by 50 percent, saving approximately $7 million annually. Implementation by all Treasury bureaus will be complete by November 2012. OFIT estimates that adopting electronic invoicing across the U.S. Government will reduce the cost of entering invoices and responding to invoice inquiries by $450 million annually. In addition to Treasury, IPP currently supports 45 agencies, with eight additional agencies beginning implementation. The program continues to advocate its cloud-based shared service government-wide to improve government efficiency and cut costs for taxpayers.

COLLECTIONS

As part of this effort to increase electronic collections, FMS has undertaken the Non-Tax Paperless Initiative (NTPI), aimed at moving all collections and remittances processed by FMS to electronic means, resulting in greater efficiencies for FMS and its agency partners and greater convenience for the public. Working with the Federal Reserve Banks and a consultant, cash flows (including both collections and remittances, processes, and remitter databases) will be analyzed to develop a transition strategy. Best practices in government and the private sector and emerging payment technologies (online banking, mobile payments, E-Wallets) will be investigated as part of the project. NTPI also will include a high-level communications strategy.

Debt Collections

FMS collects delinquent Government and child support debt by providing centralized debt collection, oversight, and operational services to Federal Program Agencies (FPAs) and states pursuant to the Debt Collection Improvement Act of 1996 and related legislation. FMS uses two debt collection programs: Treasury Offset Program and Cross Servicing.

In fiscal year 2012, FMS increased debt collections by (1) repurposing the Austin Payment Center as a debt collection center, (2) undertaking three management and administrative reforms, which include improving the offset match process, improving analytic tools, and expanding Administrative Wage Garnishment, (3) enhancing the FedDebt system, and (4) expanding offset services by increasing debt referral, adding new debt types such as unemployment insurance compensation debts and expanding the usage to federal agencies and states.

Finally, FMS, in partnership with OFIT, is developing a CRS Pilot. Treasury's long-term vision is to provide a centralized receivables service to federal agencies that will increase collections on current receivables and delinquent debt.

Government-wide Accounting (GWA) and Reporting

The GWA Program supports the FMS's strategic goal to produce timely and accurate financial information that contributes to the improved quality of financial decision making by operating and overseeing the Government's central accounting and reporting system. The GWA Program also works with FPAs to adopt uniform accounting and reporting standards and systems. It provides support, guidance, and training to assist FPAs in improving their Government-wide accounting and reporting responsibilities. The FMS collects, analyzes, and publishes Government-wide financial information, which is used by the U.S. Government to establish fiscal and debt management policies and by the public and private sectors to monitor the Government's financial status. Publications include the Daily Treasury Statement, the Monthly Treasury Statement, the Treasury Bulletin, the Combined Statement of the United States Government, and the Financial Report of the U.S. Government.