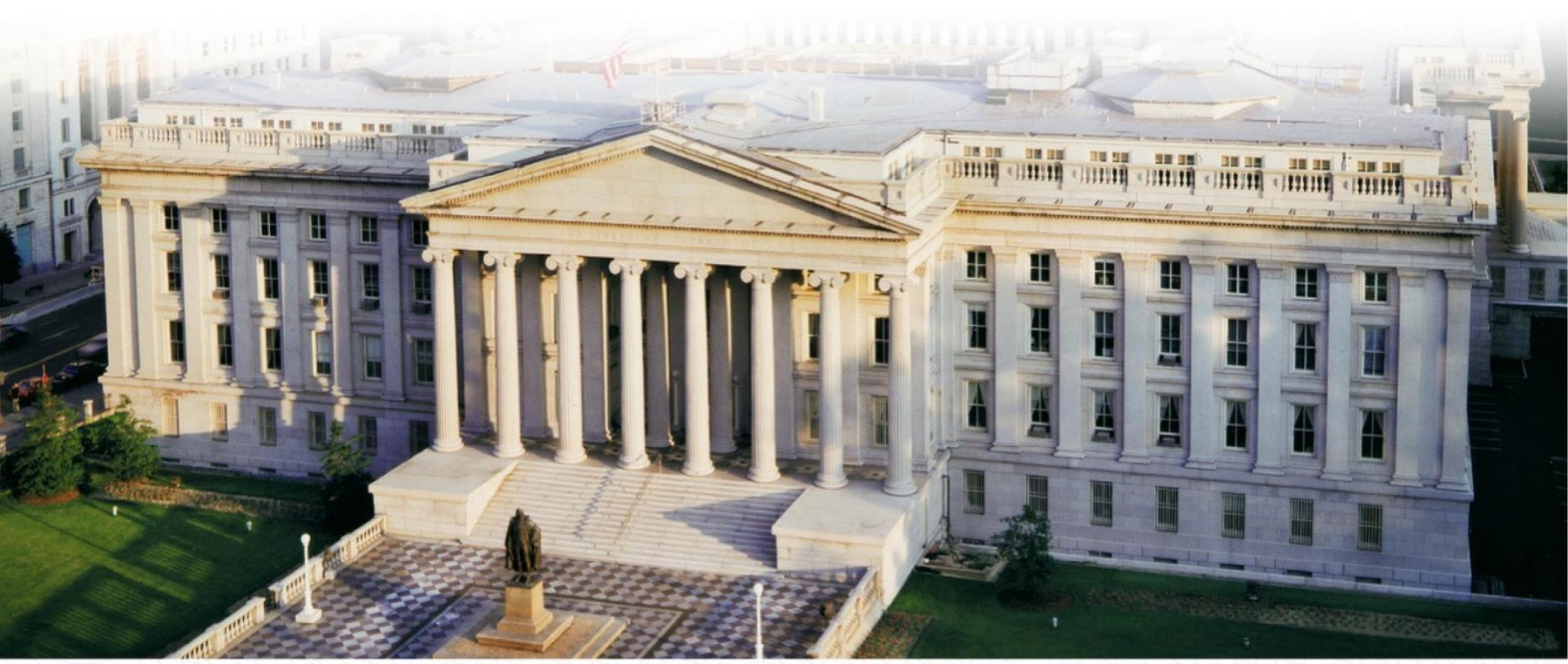
DEPARTMENT OF THE TREASURY

AGENCY FINANCIAL REPORT

FISCAL YEAR 2026



WEBSITE INFORMATION

Treasury ..... www.treasury.gov

Alcohol and Tobacco Tax and Trade Bureau ..... www.ttb.gov

Bureau of Engraving & Printing .... www.bep.gov

Fiscal Service..... www.fiscal.treasury.gov

Community Development Financial Institutions Fund..... www.cdfifund.gov

Financial Crimes Enforcement Network ..... www.fincen.gov

Internal Revenue Service ..... www.irs.gov

Office of the Comptroller of the Currency..... www.occ.gov

U.S. Mint .....www.usmint.gov

Office of Inspector General ..... www.treasury.gov/oig

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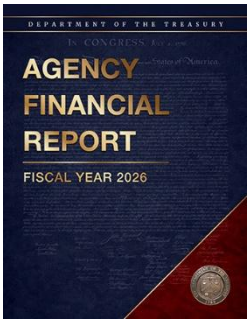
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DEPARTMENT OF THE TREASURY

AGENCY FINANCIAL REPORT

FISCAL YEAR 2026

About This Report



Our *Agency Financial Report* (AFR) for Fiscal Year (FY) 2026 presents the Department of the Treasury's (Treasury, Department, or our) financial information in relation to our mission and the resources entrusted to us. The AFR also highlights our priorities, accomplishments, and challenges implementing programs that promote conditions for sustaining economic growth and stability at home and abroad, protecting the integrity of our nation's financial system, and effectively managing the United States (U.S.) government's finances and resources. In accordance with the Office of Management and Budget's (OMB) Circular A-136, *Financial Reporting Requirements,* we produce the following reports: *(i)* an *AFR* issued on November 16, 2026, and *(ii)* an *Annual Performance Report* (APR) submitted with our congressional budget justification, to be issued by February 1, 2027. The AFR will be available online at *https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/agency-financial-report*. The APR will be available online at *https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/budget-requestannual-performance-plan-and-reports*.

How This Report Is Organized

Our AFR provides financial and performance information for the FY beginning October 1, 2025, and ending on September 30, 2026. The AFR demonstrates our commitment to our mission and accountability to Congress and the American people. This report presents Treasury's operations, accomplishments, and challenges. The AFR begins with a message from the Secretary of the Treasury, Scott Bessent. This introduction is followed by three main sections.



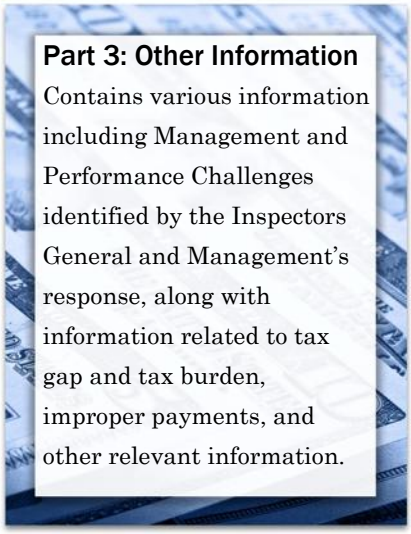
Part 1: Management's Discussion and Analysis

Provides a high-level overview of our organizational structure, strategic framework, programmatic and financial performance, and management assurances related to Treasury's internal controls.



Part 2: Financial Section

Begins with a message from the Assistant Secretary for Management and Deputy Chief Financial Officer, followed by the Independent Auditors' Report, audited financial statements and notes, and supplementary information.



Part 3: Other Information

Contains various information including Management and Performance Challenges identified by the Inspectors General and Management's response, along with information related to tax gap and tax burden, improper payments, and other relevant information.

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MESSAGE FROM THE SECRETARY OF THE TREASURY

MISSION STATEMENT

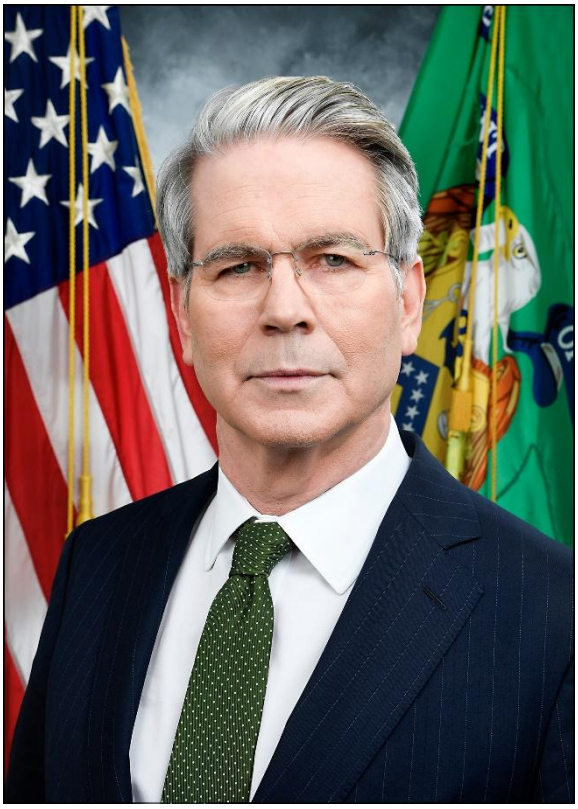
Maintain a strong economy and create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad; strengthen national security by combating threats and protecting the integrity of the financial system; and manage the U.S. government's finances and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

Fiscal Year 2026 marked significant progress in advancing the Department of the Treasury's mission and President Trump's economic agenda. We delivered meaningful tax relief, strengthened stewardship of taxpayer dollars, advanced America's national security interests, and modernized Treasury's operations. These accomplishments reflect a Department focused on expanding economic growth, safeguarding the U.S. financial system, and delivering greater value to the American people.

Driving Main Street Growth and Access to Capital

In FY 2026, Treasury delivered the largest tax relief in history for American families and businesses, reduced unnecessary regulatory burdens, strengthened community banking, and promoted innovation across the financial system. Through coordinated policy, regulatory, and operational reforms, we expanded access to capital, encouraged private-sector investment, and created a more competitive financial environment that supports stronger economic growth and broader opportunity.

Treasury issued nearly 100 items of tax guidance, giving families and businesses greater certainty while implementing key provisions of the President's Working Families Tax Cuts, including No Tax on Tips, No Tax on Overtime, deductions for qualifying car loan interest, and enhanced deductions for seniors. We also laid operational foundation for every eligible child in America to receive a Trump Account, providing the next generation of Americans a new path to build wealth.



Treasury also advanced regulatory reforms to reduce unnecessary compliance burdens while preserving critical financial safeguards. These efforts included modernizing digital asset policy, promoting risk-based anti-money laundering requirements, and better aligning bank supervision with institutional risk. Together, these actions support a more efficient, innovative, and competitive financial sector.

Improving Stewardship of Taxpayer Dollars

In FY 2026, Treasury strengthened its stewardship of taxpayer dollars by expanding government-wide fraud prevention capabilities, improving payment integrity, modernizing federal financial operations, and making tax administration more efficient and effective. Through targeted investments in technology, data analytics, and operational improvements, we enhanced accountability, reduced administrative burdens, and better protected federal resources from waste, fraud, and improper payments.

We dramatically expanded the reach of the Do Not Pay program, increasing access to authorized data sources from approximately 4 percent of programs at large federal agencies in FY 2025 to 99 percent in FY 2026. We also deployed three additional payment verification capabilities and screened more than 1.1 billion payments totaling $3.7 trillion. Those efforts returned over 13,500 potentially improper payments valued at $175 million to agencies for further review before certification.

We continued to modernize tax administration by expanding secure digital services and improving taxpayer assistance. IRS online and self-service capabilities reached about 38 million individuals, nearly 2 million businesses, and 513,000 tax professionals, making it easier than ever for taxpayers to manage their obligations. We also improved access to tax debt resolution tools and live assistance while better aligning staffing resources with taxpayer needs.

Strengthening National Security

In FY 2026, Treasury advanced the Administration's national security priorities by leveraging our unique financial authorities, intelligence capabilities, regulatory tools, and international partnerships to combat illicit finance, disrupt terrorist and criminal networks, and protect the integrity and resilience of the U.S. financial system.

We intensified economic pressure on Iran through Operations Economic Fury and Economic Outcast, targeting the financial networks supporting the Iranian regime, the Islamic Revolutionary Guard Corps, and its terrorist proxies. Through coordinated sanctions, financial intelligence, and international engagement, Treasury disrupted illicit oil sales, sanctions evasion networks, and terrorist financing while strengthening efforts to restrict access to critical revenue streams. Iran has loaded no crude oil onto tankers since the launch of Operation Economic Outcast. Its shadow tanker fleet now stands depleted, and its offshore resources are now exhausted. As President Trump takes action that his predecessors long deferred, the United States is no longer managing the Iranian threat. We are ending it.

Treasury brought that same resolve to combat narcotrafficking, fentanyl trafficking, human smuggling, and transnational organized crime, working with domestic and international partners, particularly Mexico, to identify illicit financial flows and disrupt cartel financing.

Treasury also modernized its approach to combating illicit finance while reducing unnecessary burdens on legitimate businesses. We finalized beneficial ownership reporting reforms that eliminated reporting requirements for more than 33 million domestic businesses, with estimated savings of $85 billion over ten years, and proposed reforms to focus anti-money laundering programs on identifying and mitigating actual risks rather than procedural compliance. We advanced implementation of the GENIUS Act, strengthened financial intelligence capabilities to combat fraud and scams, and supported the 2026 Financial Action Task Force mutual evaluation. We also supported efforts to reintegrate Syria and Venezuela into the international financial system, consistent with U.S. policy objectives and appropriate safeguards.

Finally, we strengthened cybersecurity both across the financial sector and within Treasury. Major initiatives included the launch of a cybersecurity information-sharing program for the digital asset industry, advancing Group of Seven (G7) coordination on cyber preparedness and post-quantum cryptography, and establishing

Treasury's Quantum-Readiness Task Force. Internally, we strengthened identity management, implemented phishing-resistant authentication, expanded network monitoring, and addressed critical vulnerabilities to better protect mission-critical systems.

Improving the Efficiency and Effectiveness of Treasury Operations

In FY 2026, Treasury advanced major reforms to modernize Department-wide operations, strengthen accountability, improve workforce management, and deliver administrative services more efficently.

We improved enterprise data management and performance reporting to support more informed leadership decisions, strengthened workforce planning and hiring oversight, and enhanced internal coordination and accountability. These efforts better aligned staffing, resources, and operational priorities with Treasury's mission and the Trump Administration's Merit Hiring Plan.

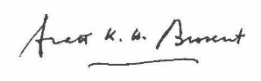
We also made significant investments in emerging technology, establishing an enterprise Super Intelligence (SI) Engineering Service Area with approximately 270 SI engineers to accelerate the development and deployment of SI-enabled solutions across Treasury.

A major milestone was the establishment and expansion of the Treasury Common Services Center, consolidating more than 1,000 employees to provide information technology, human resources, acquisition, and travel services. By bringing these functions together, Treasury is reducing duplication, standardizing processes, strengthening accountability, and delivering higher-quality services at lower cost.

Looking Ahead

As we enter FY 2027, we will build on this progress by strengthening financial safeguards, expanding the use of technology and automation, further integrating enterprise services, and translating our reforms into measurable results. We remain focused on advancing economic prosperity, protecting national security, ensuring responsible stewardship of taxpayer dollars, and delivering an ever more efficient and accountable Department of the Treasury that is worthy of the trust that the American people place in it.

Treasury is pleased to report an unmodified audit opinion on its FY 2026 consolidated financial statements. Our internal review confirms that the Department's financial and performance data have been validated as complete and reliable. These results reflect Treasury's continued commitment to transparency, accountability, and effective stewardship of taxpayer dollars.



Scott Bessent
Secretary of the Treasury
November 16, 2026



PART 1:

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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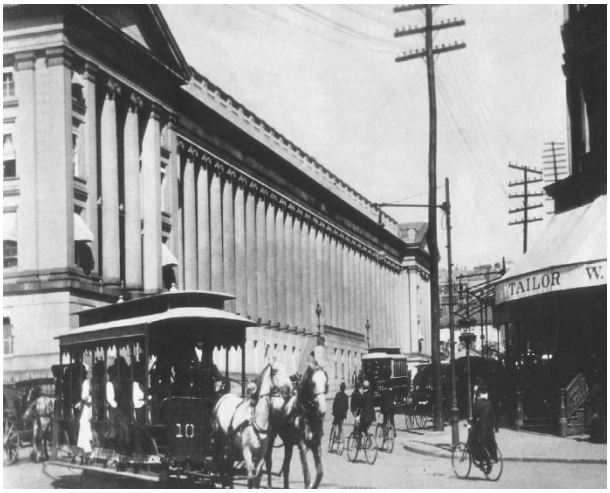


TREASURY AT A GLANCE

FOUNDATION

After the American Revolution, Congress realized that funding a war without proper infrastructure and financial discipline presented an enormous challenge to our country's economic stability. Out of the necessity to levy and collect taxes and manage the U.S. government's finances, Congress established the Department of the Treasury on September 2, 1789. President George Washington appointed Alexander Hamilton as Treasury's first Secretary. Since then, more than 75 Secretaries have led the Department.

Throughout its history, Treasury served as the foundation for other federal agencies. For example, the U.S. Postal Service, U.S. Customs Service, Secret Service, Federal Law Enforcement Training Center, and U.S. Coast Guard were all, at one time, under our jurisdiction.



▲ *The Treasury building in the late 1800s. The Treasury building colonnade from the southeast side shows the bustle of traffic on 15th Street as bicyclists passed in front of the Treasury building.*



▲ *U.S. Department of the Treasury building, Washington, D.C.*

TODAY'S TREASURY AND HOW WE SERVE THE NATION

Treasury is responsible for the nation's debt management, cash production, disbursement of Social Security benefit payments, tax collection, and federal agency financing. We are a trusted policy advisor to the President, formulating and recommending domestic and international financial, economic, and tax policies. Our contributions to policy development shape America's economic health and security.

We also perform a critical and far-reaching role in enhancing national security by targeting rogue regimes, terrorist networks, and other illicit actors. We do this by deploying our national security tools and authorities—including sanctions—to identify, disrupt, and dismantle national security and foreign policy threats, while also protecting the U.S. and international financial system from abuse by illicit actors.

We also leverage our relationships with our federal partners and work closely with the private sector to develop strategies to identify, detect, and prevent threats to our economic stability.

Furthermore, we work to increase opportunities for small businesses, which are the backbone of our economy. Through our efforts to enhance economic growth and promote access to credit, we support job creation to improve the well-being of U.S. citizens and to safeguard and grow our national economy. We also continue to play a key and influential role in the government's service to the American people, adapting to meet the nation's needs.

Globally, Treasury represents the U.S. in important economic forums and international financial institutions, including the Group of Seven (G7) and the Group of Twenty (G20), which hold annual summits with heads of state to discuss global economic and foreign policy issues. We hold significant responsibility promoting stability and growth in the global economy via our leadership roles in the International Monetary Fund, the World Bank, regional development banks, and other multilateral organizations, such as the Financial Stability Board and the Financial Action Task Force.

While Treasury adapts to meet the changing needs of our nation, our core mission remains unchanged since 1789. We remain steadfast in our commitment to promote conditions that enable economic growth and stability at home and abroad, to protect the integrity of the financial system, and to effectively manage the U.S. government's finances and resources. We remain the principal steward of the U.S. economy by collecting revenue, meeting financial obligations, and financing government operations.

ORGANIZATION

Treasury is organized into the Departmental Offices, seven bureaus, and two offices of the Inspectors General. The Departmental Offices are primarily responsible for headquarters operations and formulating policy, while the bureaus are the operating divisions within the organization. Visit our website for a graphical view of our organizational structure: https://home.treasury.gov/about/general-information/organizational-chart.

DEPARTMENTAL OFFICES



Domestic Finance (DF) works to unleash the full potential of the U.S. economy to improve the lives of Americans on every rung of the economic ladder. It seeks to foster economic growth through regulatory reforms that ensure the financial system delivers for both Wall Street and Main Street. Domestic Finance also manages the finances of the U.S. government, including the Treasury's debt management and the collections and disbursement of public monies.



Terrorism and Financial Intelligence (TFI) uses unique policy, intelligence, enforcement, and regulatory tools and authorities to disrupt and disable terrorists, criminals, and other national security threats while also safeguarding the financial system against abuse by illicit actors.



International Affairs (IA) protects economic prosperity and national security by working to foster a most favorable external environment for sustained jobs and economic growth. It also supports open investment policies through the Committee on Foreign Investment in the United States.



Tax Policy (TP) develops and implements tax policies, reviews regulations and guidance to administer the Internal Revenue Code, and provides revenue estimates for proposals and receipt estimates for the President's Budget.



Economic Policy (EP) analyzes economic developments and assists in the determination of appropriate economic policies. It also reviews and analyzes domestic economic policy issues and financial market developments.



The Treasurer of the United States (TREAS) serves as a principal advisor to the Secretary, including coordinating Tribal relations across the Department, directly overseeing the U.S. Mint and the Bureau of Engraving and Printing, and liaising with the Federal Reserve.



The Office of Management and Chief Financial Officer (ASM) manages the Department's financial resources and oversees Treasury-wide programs, including human capital, organizational performance, enterprise risk management, information technology, real property management and emergency preparedness, acquisition, and data.



Other offices within Departmental Offices include General Counsel, Legislative Affairs, and Public Affairs (PA).

INSPECTORS GENERAL

Two Inspectors General—the Office of Inspector General (OIG) and the Treasury Inspector General for Tax Administration (TIGTA)—provide independent audits, investigations, and oversight of Treasury and our programs.

BUREAUS

The Alcohol and Tobacco Tax and Trade Bureau (TTB) collects federal excise taxes on alcohol, tobacco, firearms, and ammunition, while enforcing and administering laws covering the production, use, and distribution of alcohol and tobacco products.

The Bureau of Engraving and Printing (BEP) develops and produces U.S. currency notes (i.e. Federal Reserve Notes).

The Financial Crimes Enforcement Network (FinCEN) safeguards the financial system from illicit activity, combats money laundering and the financing of terrorism, and promotes national security through the strategic use of financial authorities and the collection, analysis, and dissemination of financial intelligence.

The Bureau of the Fiscal Service (BFS) drives financial integrity and operational efficiency by operating the U.S. government's collections and deposit systems and providing central payment services to the American public on behalf of federal agencies. It also manages the collection of delinquent debt, borrows funds needed to operate the U.S. government through the sale of marketable and special-purpose U.S. Treasury securities, and accounts for the resulting debt. Additionally, it delivers shared financial management services to federal agencies and conducts government-wide accounting and reporting.

The Internal Revenue Service (IRS) helps America's taxpayers understand and meet their tax responsibilities and it enforces the law with integrity and fairness for all while aiming to prevent tax related fraud.

The United States Mint (U.S. Mint) designs, mints, and issues U.S. circulating coins, as well as numismatic and bullion coins and strikes, Congressional gold medals, and other medals of national significance. It maintains physical custody and protection of most of the nation's gold and silver assets.

The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks and federal savings associations, as well as federal branches and agencies of foreign banks, to ensure that they operate in a safe and sound manner, provide fair access to financial services, treat customers fairly, and comply with applicable laws and regulations.

TREASURY STRATEGIC MANAGEMENT

FRAMEWORK

The Government Performance and Results Act (GPRA) and the *GPRA Modernization Act of 2010* require agencies to identify goals, report progress against targets, and conduct data-driven reviews. These practices allow stakeholders within and outside the organization to assess the organization's health and impact, as well as promote effective decision-making and improve the execution of its strategies and resource allocations. In this spirit, we developed a framework using best-in-class organizational performance practices to help achieve our strategic goals and objectives.

ORGANIZATIONAL PERFORMANCE REVIEW CYCLE

Our organizational performance reviews provide a regular forum for open dialogue and coordination between the bureaus and the Departmental Offices' management and leadership. We bring together different perspectives to set and align priorities, identify and solve problems, review agency performance, and drive results. We review agency results quarterly to measure progress on our goals. Also, as required by the *Program Management Improvement Accountability Act*, we integrate portfolio reviews of programs within our performance review cycle activities. To satisfy the legal requirement under the *GPRA Modernization Act of 2010,* and the *Federal Agency Performance Act of 2024* that each federal agency conduct an annual review of their strategic objectives, we conduct our Strategic Objective Annual Review (SOAR) process to validate our supporting objectives as well as analyze performance results across Treasury components to identify a set of strategic objectives as priority focus areas for the following year. The *Foundation for Evidence-Based Policy Act* further advances the U.S. government's evidence-building functions. In this past fiscal year, we continued to implement the evidence-building requirements by leveraging our strategic management framework, including the SOAR, and to discuss our evidence-building efforts and learning agenda.

At designated points throughout the fiscal year, we assess annual priorities, evaluate progress against goals and objectives, discuss new strategies to improve program outcomes, and align our available funding to maximize results for the agency. We describe our process and framework for managing our strategic objectives and performance outcomes in Table 1 on the following page.

TABLE 1: TREASURY ANNUAL ORGANIZATIONAL PERFORMANCE REVIEW CYCLE

Sessions	Fall (October – November)	Winter (February – March)	Spring (April – May)	Summer (June – July)
Focus	**Bureau Organizational Health & Priorities**	**Strategic Objective Annual Review (SOAR)**	**Cross-cutting Risks/Challenges; Critical Programs and Projects**	**Budget; Check-In for Critical Program and Projects**
Chair	Deputy Secretary, Assistant Secretary for Management/Performance Improvement Officer (ASM/PIO); Strategic Goal Leads	Strategic Goal Leads	ASM/PIO	ASM/PIO and Budget Officer, Strategic Goal Leads
Goals/Outcomes	• Review prior year's performance at the bureau level • Recognize successes • Set priorities for year ahead • Identify shortfalls and risks; accountability • Assess organizational health	• Evaluate cross-agency progress toward strategic objectives (including progress of critical programs and projects) • Identify/validate Treasury priorities and/or strategic shifts • Outline potential topics for annual review with OMB	• Issue-based sessions: Dive deep on cross-cutting issues identified in the SOAR, identify near-term improvement strategies • Program-based sessions: check in on critical programs identified in the SOAR that need Treasury leadership attention	• Align funding to performance impacts and risk mitigation • Strengthen IT acquisition, budgeting, and accountability • Check-in on critical program and project health and review list of critical programs and projects

FY 2026-2030 Strategic Framework

The strategic framework provides the foundation for our FY 2026 – 2030 strategic goals and objectives. All bureaus and offices align their programs and performance within this framework. Our updated goals and objectives are reflected below.

● Lead Organization ○ Supporting Organization

STRATEGIC PLAN CROSSWALK		DO	BEP	FINCEN	BFS	IRS	MINT	OCC	TTB
Goal 1: Increase Main Street Growth and Access to Capital									
1.1	Grow Economy by Expanding Work, Wealth, and Ownership	●			○	○			○
1.2	Modernize the U.S. Financial System	●		○				○	
1.3	Rebalance Global Trade and End Unfair Practices	●							○
Goal 2: Improve Stewardship of Taxpayer Dollars									
2.1	Improve Fiscal Sustainability	●			○				
2.2	Improve Payment Integrity	●		○	○	○			
2.3	Deliver a Modern Taxpayer Experience to Improve Service, Privacy and Collection					●			○
Goal 3: Enhance National Security									
3.1	Monitor Foreign Transaction Flows to Identify and Curtail Illicit Finance and Terrorist Organizations	●		○					
3.2	Secure the Homeland Through Strategic Use of Treasury Financial Tools	○		●		○			
3.3	Expand Investment Security	●							
3.4	Strengthen Cyber Defense and Accelerate Recovery from Attacks	●	○	○	○	○	○	○	○
Goal 4: Improve the Efficiency and Effectiveness of Treasury Operations									
4.1	Improve Enterprise Problem-solving	●	○	○	○	○	○	○	○
4.2	Improve Processes and Project Management Capability	●	○	○	○	○	○	○	○
4.3	Reshape and Optimize the Workforce	●	○	○	○	○	○	○	○
4.4	Deliver High-quality Common Services to the Treasury Enterprise	●	○	○	○	○	○	○	○
Goal 5: Celebrate American Achievement and Be a Model Host									
		●	○				○		

The following table provides the specific Departmental Offices alignment to our FY 2026-2030 strategic goals and objectives.

● Lead Organization ○ Supporting Organization

STRATEGIC PLAN CROSSWALK		DF	IA	TFI	EP	TP	TREAS	PA	ASM
Goal 1: Increase Main Street Growth and Access to Capital									
1.1	Grow Economy by Expanding Work, Wealth, and Ownership	○			●	●			
1.2	Modernize the U.S. Financial System	●	○	○					○
1.3	Rebalance Global Trade and End Unfair Practices		●		○	○			
Goal 2: Improve Stewardship of Taxpayer Dollars									
2.1	Improve Fiscal Sustainability	●			●			○	
2.2	Improve Payment Integrity	●							○
2.3	Deliver a Modern Taxpayer Experience to Improve Service, Privacy and Collection								
Goal 3: Enhance National Security									
3.1	Monitor Foreign Transaction Flows to Identify and Curtail Illicit Finance and Terrorist Organizations		●	●	○				
3.2	Secure the Homeland Through Strategic Use of Treasury Financial Tools	○		○					
3.3	Expand Investment Security		●	○					
3.4	Strengthen Cyber Defense and Accelerate Recovery from Attacks	●		○					●
Goal 4: Improve the Efficiency and Effectiveness of Treasury Operations									
4.1	Improve Enterprise Problem-solving								●
4.2	Improve Processes and Project Management Capability								●
4.3	Reshape and Optimize the Workforce								●
4.4	Deliver High-quality Common Services to the Treasury Enterprise								●
Goal 5: Celebrate American Achievement and Be a Model Host									
			○				●	●	

The following table shows the alignment of our FY 2026-2030 strategic goals and objectives discussed in the following Performance Overview section to the major programs as presented in our Consolidated Statements of Net Cost.

TABLE 2: STRATEGIC GOALS BY MAJOR NET COST PROGRAM SEGMENT

	Strategic Goal	Strategic Objective
Economic	Goal 1: Increase Main Street Growth and Access to Capital	1.1 Grow Economy by Expanding Work, Wealth, and Ownership
		1.2 Modernize the U.S. Financial System
		1.3 Rebalance Global Trade and End Unfair Practices
	Goal 5: Celebrate American Achievement and Be a Model Host	
Financial	Goal 2: Improve Stewardship of Taxpayer Dollars	2.1 Improve Fiscal Sustainability
		2.2 Improve Payment Integrity
		2.3 Deliver a Modernize Taxpayer Experience to Improve Service, Privacy and Collection
Security	Goal 3: Enhance National Security	3.1 Monitor Foreign Transaction Flows to Identify and Curtail Illicit Finance and Terrorist Organizations
		3.2 Secure the Homeland Through Strategic Use of Treasury Financial Tools
		3.3 Expand Investment Security
		3.4 Strengthen Cyber Defense and Accelerate Recovery From Attacks
Management	Goal 4: Improve the Efficiency and Effectiveness of Treasury Operations	4.1 Improve Enterprise Problem-solving
		4.2 Improve Processes and Project Management Capability
		4.3 Reshape and Optimize Workforce
		4.4 Deliver High-quality Common Services to Treasury the Enterprise

PERFORMANCE OVERVIEW

We carry great responsibility for fostering prosperity and security for the American people. We play a critical role in the U.S. economy and globally to meet the needs of the nation. The *Treasury Strategic Plan 2026 – 2030* will chart a course to guide our responsibilities to taxpayers. The following performance overview reflects our accomplishments and challenges in fostering Main Street growth and affordability, stewarding taxpayer dollars, strengthening national security, and improving the efficiency and effectiveness of Treasury operations. It also reflects our role in promoting American achievement and serving as a model host during international events, including the International Federation of Association Football (FIFA) World Cup, the Olympics and Paralympics, and the U.S. presidencies of the G20 and G7, all in service to our country. We advance our strategic goals through programs and activities that Departmental Offices, bureaus, and shared-service functions carry out. Where meaningful information is available, we link key performance results to related costs, budgetary resources, operational efficiencies, cost savings, or other measurable financial effects. Many Department-wide results depend on cross-bureau collaboration, shared services, and policy functions. We present cost and financial impact information at the level most directly supported by available data. This approach connects resources to results while avoiding a level of precision that our current cost data does not support.

Goal 1: Increase Main Street Growth and Access to Capital

Treasury plays an important role in unleashing the full potential of the U.S. economy and improving the lives of Americans on every rung of the economic ladder. We aim to help the Administration increase prosperity and abundance for the American people through implementing policies that contribute to broad-based economic outcomes, such as tax relief for working Americans, sustained three percent Gross Domestic Product (GDP) growth, expanded domestic production, and further gains in small business activity.

OBJECTIVE 1.1: GROW THE ECONOMY BY EXPANDING WORK, WEALTH, AND OWNERSHIP

We continued to implement the Administration's tax priorities, issuing nearly 100 items of tax guidance in FY 2026, including more than 40 items of guidance to implement the *Working Families Tax Cuts* (P.L. 119-21). Our guidance facilitated the timely and effective implementation of provisions, including Trump Accounts, No Tax on Tips, Overtime, Car Loan Interest, as well as the enhanced senior deduction. To put this guidance into practice, the IRS implemented the *Working Families Tax Cuts* by updating hundreds of forms, instructions, and publications; issuing taxpayer guidance; and modifying systems to administer new tax provisions.



Source: Adobe Stock

Our guidance facilitated the timely and effective implementation of provisions, including Trump Accounts, No Tax on Tips, Overtime, Car Loan Interest, as well as the enhanced senior deduction.

In addition to supporting the implementation of the *Working Families Tax Cuts*, we implemented other Administration priorities, including Executive Order (EO) 14219, *Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Deregulatory Initiative*, taking deregulatory action on over 15 unnecessary, obsolete, or superseded items of tax guidance.

Beyond these tax initiatives, we also advanced the Administration's priorities by improving service delivery and reducing regulatory burdens for businesses. The businesses regulated by the TTB depend on timely service to expand product lines and operations, driving job growth and market innovation. After enacting full-year appropriations, TTB quickly restored service levels within weeks for most submissions, and achieved historically low processing times across permitting, labeling, and tax refund programs by year end. In FY 2026, we continued to modernize online services through myTTB, completing development and initial testing of redesigned permit applications within the myTTB system for implementation in FY 2027, including new self-service tools. These changes will streamline interactions with TTB and reduce regulatory burden by eliminating approximately 30 percent of current filing requirements.

We also established processes to administer Trump Accounts beginning July 4, 2026, including issuing guidance and proposed regulations. As an Agency Priority Goal, we will fully implement the program by September 30, 2027, by establishing the policy and operational and technical capabilities required to enable eligible individuals to securely and efficiently open, fund, and manage accounts while ensuring strong financial controls, program integrity, and a high-quality customer experience. This effort includes establishing the financial infrastructure and underlying brokerage platform, as well as launching a new mobile app in May 2026. Leading up to full account functionality on July 4, 2026, nearly seven million individuals elected to open a Trump Account through the tax filing process. In September 2026, we facilitated, for the first time, the transfer of more than $260 million in philanthropic gifts into more than one million beneficiary accounts. We achieved another major milestone during the final week of September, when we successfully created more than 60 million Trump accounts through automatic enrollment, making it easier than ever for families to participate and give their children a jump-start on the American Dream. These efforts bring the total number of Trump Accounts to almost 70 million.

OBJECTIVE 1.2: MODERNIZE THE U.S. FINANCIAL SYSTEM

In FY 2026, we made progress implementing key structural reforms, particularly in advancing digital asset policy, adopting more risk-based Anti-Money Laundering and Countering the Financing of Terrorism and bank supervisory frameworks, and reducing compliance burdens. We must manage execution risks (e.g., workforce capacity, stakeholder outreach, coordination) to avoid slowing implementation.

We engaged with industry, regulators, and technology leaders to better understand how they are deploying SI capabilities and the implications for the financial system. In spring 2026, the Financial Stability Oversight Council, in conjunction with the SI Transformation Office, hosted an SI Innovation Series. We held four roundtables between March and May 2026, convening a variety of financial institutions, technology firms, and regulators for cross-sector dialogue on SI, including high-value use cases, practical approaches to scaling innovation, and regulatory impediments to adoption. Participants highlighted SI's potential to support financial stability and drive economic growth, the need for regulatory approaches to keep pace with technological developments, the importance of greater regulatory clarity and harmonization, as well as continued public-private engagement to support responsible innovation. As SI becomes increasingly embedded in financial services, maintaining trust, resilience, and effective governance will be essential.

In parallel with these modernization efforts, TFI launched a broad initiative to help modernize our sanctions architecture. This included reviewing existing sanctions programs and listings on the Specially Designated Nationals and Blocked Persons List, to ensure sanctions remain effective, impactful, and aligned with U.S. foreign policy and national security objectives while reducing compliance burden on industry.

In the banking sector, the OCC is taking action to address the specific challenges for community banks by rightsizing regulation and tailoring supervisory activities to ensure these vital institutions continue to grow and

meet the needs of the customers and communities they serve. The OCC continues to review applications from new entrants into and conversions within the federal banking system, including those with innovative business models and those that operate at the forefront of digital finance. The OCC has been working to implement the *Guiding and Establishing National Innovation for U.S. Stablecoins Act*, P.L. 119-27 (GENIUS Act), which expanded the OCC's authority to regulate, license, and supervise certain nonbank permitted payment stablecoin issuers and foreign payment stablecoin issuers. The OCC proposed rules implementing the GENIUS Act and expects to finalize those rules this year. The work in this area will continue to help ensure responsible innovation and risk-appropriate oversight in the emerging digital-asset ecosystem for entities and activities within the agency's remit. The OCC created a new Specialty Assets supervision unit focused on digital assets at banks and non-banks and is also considering the development of SI and its implications for the banking system as well as the agency's workforce.

Objective 1.3: Rebalance Global Trade and End Unfair Practices

We made clear progress in reasserting leadership and rebalancing the global financial system, by securing exemption from the global minimum tax and strengthening engagement with international financial institutions and multilateral partners. While these efforts are aligning institutions more closely with U.S. priorities, progress remains largely at the policy and coordination phase. We are also a key participant in discussions with many countries, like China, on addressing unfair trade practices. We also co-lead financial services discussions on reciprocal trade negotiations with various countries. Outcomes, such as reduced trade deficits, increased U.S. procurement at multilateral development banks, and sustained changes in foreign tax practices, are still emerging.

Separately, we secured additional tax certainty in April 2026 with the signing of a protocol amending the bilateral income tax treaty between the United States and Croatia, which was signed on December 7, 2022. The protocol brings the income tax treaty into conformity with aspects of current U.S. law, including changes made by the *Working Families Tax Cuts.* The protocol creates certainty for U.S. cross-border investment, including areas such as relief from double taxation.

Leadership Actions

During Treasury senior leadership's annual review of progress toward the Strategic Plan, it was determined that this goal is on track and no extraordinary measures need to be taken in FY 2027 to continue progress.



Source: Adobe Stock

We made clear progress in reasserting leadership and rebalancing the global financial system, including by securing exemption from the global minimum tax and strengthening engagement with international financial institutions and multilateral partners.

Opportunities and Risks

Opportunity for Economic Growth: Strong, sustained economic growth is the foundation of national strength and the central goal of our economic agenda. Revitalizing domestic production, empowering small businesses, and promoting financial independence are essential.

Opportunity for Financial System Modernization: The United States is home to the largest, most liquid, and most dynamic capital markets in the world. We will support efforts to modernize financial regulations and promote financial sector innovation.

Opportunity for Global Trade: The U.S. can restore equilibrium to the global financial system and the institutions designed to uphold it by expanding U.S. leadership and bringing back fairness to the international economic system.

Risks and Mitigation: This goal may be impacted by the risks of Eroding Mission Capability, Limited Data Accessibility, and Organizational Change Management, as described in the Enterprise Risk Management section of Management's Discussion. We will continue strengthening workforce planning, access to reliable data, and coordination across the Department.

Performance Costs and Financial Impact

Costs related to the execution of the objectives within this goal are primarily reflected in the Economic Program net costs segment of our Consolidated Statements of Net Cost (refer to Part 2, *Financial Section*). Economic Program net costs totaled $30.6 billion in FY 2026 compared to $83.8 billion in FY 2025, a decrease of $53.2 billion (or 63.5 percent), primarily due to the continued maturation and wind-down of costs of the State and Local Fiscal Recovery Fund and Emergency Rental Assistance financial assistance programs associated with the COVID-19 pandemic.

In addition to the philanthropic contributions for the Trump Accounts discussed in Objective 1.1 above, we also established the Trump Accounts Contribution Pilot Program during FY 2026. As of September 30, 2026, we issued approximately $2.0 billion of federal contributions to eligible children under this program. These contributions are included as part of Refunds and Other Payments on our Statements of Custodial Activity (refer to Part 2, *Financial Section*).

KEY SUCCESS CRITERIA

Measure (Responsible Bureau/Office)	FY 21 Actual	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Target	FY 26 Actual	Result vs Target
Number of Trump Accounts Created (in millions) (OFAS) (1)	N/A	N/A	N/A	N/A	N/A	-	68.5	N/A
Permit Applications Processed within Service Standards (TTB) (2)	92	91	86	85	82	85	84	Unmet
Monitor Quality & Enhance Effectiveness of IMF Lending (IA) (3)	100	100	100	100	100	100	100	Met
Monitor Quality & Enhance Effectiveness of MDB Lending/Review MDB Loans (IA) (4)	100	100	100	100	100	100	100	Met

Explanation of Results

[1] This measure represents the total number of Trump Accounts created or organized by the Secretary. This includes those elected by a parent or guardian through Form 4547 and those accounts established through the Secretary's election (auto-enrollment).

[2] This measure represents the overall rate at which TTB is meeting its annual service standard (75 days for FY 2021 – 2026) for all original permit applications and registrations. The measure reflects the efficiency and consistency of TTB's permitting process and supports effective communication with industry members regarding TTB's level of service. In FY 2026, TTB issued 84 percent of applications within its 75-day service standard, falling just short of its target. To restore performance to target levels, TTB is undertaking a major initiative to simplify permit application requirements, streamline internal processes, and migrate its legacy IT system to its modern myTTB platform, with initial releases planned in FY 2027.

[3] This measure tracks efforts by IA staff to monitor the quality of IMF country programs and ensure the application of appropriately high standards for the use of IMF resources. IA met the target (100 percent) in FY 2026.

[4] IA reviews MDB loan and grant proposals to ensure that funded projects meet several key goals, which include supporting long-term U.S. objectives, having a measurable development impact, and being consistent with congressional mandates. IA met the target (100 percent) in FY 2026.

Goal 2: Improve Stewardship of Taxpayer Dollars

We manage the finances of the U.S. government, including raising funding for government programs. We are committed to restoring the U.S. government to a fiscally sustainable trajectory, reducing fraud, waste, and abuse in government payments, and modernizing the systems we use to administer taxes.

Objective 2.1: Improve Fiscal Sustainability

In FY 2026, we drove structural changes to achieve the objective of providing long-term fiscal leadership and improving fiscal sustainability. Operationally, we are executing our role in financing and managing fiscal policy well.

The Administration has made progress in reducing the debt-to-GDP ratio it inherited. The deficit-to-GDP ratio fell from 6.9 percent to 5.4 percent from calendar years 2024 to 2025, and the debt-to-GDP ratio as of FY 2026 remains below the ratio that the Congressional Budget Office projected in January 2025.



Source: Adobe Stock

In FY 2026, the BFS implemented three payment verification capabilities to validate the accuracy and integrity of payments.

We continue to effectively manage our large-scale financing needs, with more than $32 trillion in gross issuance in FY 2026 (raising more than $2 trillion in net new cash) by conducting 436 auctions and supporting market liquidity through regular buybacks. Our debt management continues to be informed by strong engagement with investors and other market participants.

To inform these debt-management efforts, we provided valuable analysis internally on debt management and deficit reduction policies in FY 2026. Within the Office of Economic Policy, the Office of Macroeconomic Analysis has improved its debt and deficit modeling capabilities in both R Studio and Excel. Our work on the Financial Report of the U.S. Government quantifies unsustainable debt and deficits and provides fiscal analysis highly relevant for necessary and thoughtful deficit reduction.

Objective 2.2: Improve Payment Integrity

In FY 2026, the BFS streamlined the Do Not Pay (DNP) onboarding process to help ensure that all large federal agencies could access the DNP portal, and provided technical implementation support and training to federal agencies by establishing a DNP Working Group. Approximately 3,500 federal programs—representing 99 percent of programs from large agencies—can now access all DNP data sources for which they are legally authorized, compared with approximately four percent at the end of FY 2025.

The BFS also increased the value of DNP process by designating or implementing nine new authoritative federal and commercial data sources, providing agencies more effective tools to validate eligibility and detect potential fraud risks.

Building on these data enhancements, in FY 2026, the BFS implemented three payment verification capabilities to validate the accuracy and integrity of payments. These include whether the payee is deceased, Taxpayer Identification Number (TIN) presence and format, and bank account status and ownership. These checks build on work accomplished in FY 2025 to ensure that appropriate business codes are provided to improve accounting traceability, funds availability at the time of obligation, and an award number for contract and financial assistance awards. We screened more than 1.1

billion payments totaling $3.7 trillion and returned over 13,500 potentially improper payments valued at $175 million for agency review prior to certification. The BFS has identified a management challenge due to limitations that constrain its ability to validate payment records using authoritative data from IRS and Social Security Administration to fully achieve the objectives of EO 14249, *Protecting America's Bank Account Against Fraud, Waste, and Abuse*. The BFS continues to work with Congress on the authorities needed to expand these pre-payment verification capabilities while maintaining appropriate privacy, security, and permissible-use safeguards.

Beyond payment verification, the BFS continued to modernize federal payments by expanding electronic payments and reducing the government's reliance on paper checks. In FY 2026, federal paper check disbursements decreased by approximately 31 percent (12.7 million checks) compared to FY 2025, and federal government receipts initiated electronically increased to 91 percent, with check receipt volume decreasing by 27 percent (22.6 million items).

During FY 2026, we worked with the remaining agencies operating under delegated Non-Treasury Disbursing Office authority to transition their disbursing functions to us by FY 2027.

Complementing this payment integrity work, in FY 2026, FinCEN strengthened efforts to protect U.S. taxpayers by leveraging *Bank Secrecy Act* (BSA) data, targeted information sharing, and strategic partnerships to detect, prevent, and disrupt fraud. FinCEN identified emerging fraud trends and typologies, supported payment integrity through collaboration with the BFS's Do Not Pay program and Treasury-sponsored anomaly detection initiatives, and enhanced fraud-focused training for BSA users. FinCEN also strengthened accountability by encouraging reporting of fraud-related BSA and sanctions violations through the FinCEN Whistleblower Program, reinforcing Treasury's broader efforts to combat fraud and safeguard taxpayer resources.

We have established an Agency Priority Goal to implement steps, by September 30, 2027, to prevent fraud and improper payments by expanding the use of Do Not Pay across all eligible Treasury programs to strengthen our stewardship of taxpayer dollars, ensuring compliance with the *Payment Integrity Information Act of 2019*.

Objective 2.3: Deliver a Modern Taxpayer Experience to Improve Service, Privacy, and Collection

In FY 2026, the IRS delivered a successful tax filing season in conjunction with the implementation of the *Working Families Tax Cuts Act*. We achieved this goal while improving taxpayer service, modernizing tax administration, strengthening compliance, and protecting the nation's tax system.

To improve access to taxpayer services, the IRS expanded secure online and self-service options, reaching 38 million individuals, 1.7 million businesses, and 513,000 tax professionals. We launched tools to help taxpayers understand options for resolving tax debt and improved live assistance by adjusting employee scheduling across telephone, correspondence, and webchat services.

Alongside these services improvements, we continued modernizing tax administration through Taxpayer 360, expanded Business Tax Account capabilities, and Zero-Paper initiatives that reduced paper processing. We also expanded the use of advanced analytics and super intelligence to identify noncompliance and fraudulent filings, support enforcement of statutes relating to detecting and investigating criminal tax law violations and other high-risk activity, and better focus of enforcement resources.

Beyond the IRS, we are also improving taxpayer service and reducing administrative burdens across our tax-related bureaus. TTB's taxpayer population has more than doubled over the past decade—up over 100 percent to nearly 45,000 taxpayers—requiring new approaches to maintain service, education, and enforcement. TTB advanced its multi-year tax modernization initiative to improve tax administration and oversight by consolidating existing forms into a single commodity-based submission. This streamlined approach reduces taxpayer burden and improves data quality for analytics-driven oversight. In FY 2026, TTB expanded its pilot of

the new simplified beer form, increasing participation by more than 125 percent across large and small taxpayers. TTB also completed draft wine and distilled spirits forms, incorporating industry feedback and positioning the bureau to launch a wine pilot in FY 2027. In response to additional industry concerns about recordkeeping burdens, TTB also prepared a Request for Information to identify opportunities to eliminate or reduce record requirements in alignment with the new simplified forms. Together, these efforts advance a more modern taxpayer experience by improving service, reducing taxpayer burden, strengthening compliance, and modernizing tax administration.

Leadership Actions

We are focused on strengthening federal debt servicing, addressing legal and operational barriers to data sharing, improving performance monitoring and resourcing for payment-integrity initiatives, and maintaining oversight of major taxpayer-service and tax-system modernization efforts. We continue to align workforce and facilities planning with future service-delivery needs.

Opportunities and Risks

Opportunity for Fiscal Sustainability: We have the opportunity to provide long-term fiscal leadership to improve sustainability of the U.S. government's finances.

Opportunity for Improved Payment Integrity: Through modernized stewardship, we can assist federal agencies to better mitigate fraud and reduce improper payments and otherwise manage taxpayer resources through the increased usage of Do Not Pay tools prior to payment processing.

Opportunity to Modernize Taxpayer Administration: Finishing the modernization of U.S. tax administration is essential to raising revenue, supporting a balanced federal budget, addressing long-term debt ceiling challenges, and delivering a taxpayer experience that meets today's expectations.

Risks and Mitigation: This goal may be impacted by the risks of Eroding Mission Capability, Limited Data Accessibility, Organizational Change Management, Acquisition and Vendor Management, and Treasury Aging Critical Infrastructure, as described in the Enterprise Risk Management section of Management's Discussion. We will continue strengthening workforce planning, access to reliable data, coordination across the Department, and how we monitor contract execution, as well as updating critical infrastructure.

Performance Costs and Financial Impact

Costs related to the execution of the objectives within this goal are primarily reflected in the Financial Program net costs segment of our Consolidated Statements of Net Cost (refer to Part 2, *Financial Section*). Financial Program net costs totaled $10.4 billion in FY 2026 compared to $14.8 billion in FY 2025, a decrease of $4.4 billion (or 29.9 percent), primarily due to the combined impact of reduced staffing levels at the IRS, increased revenues associated with the Mint's silver bullion program, and increased demand for numismatic products (refer to *Goal 5: Celebrate American Achievement and Be a Model Host*).

In connection with Objective 2.1 discussed above, realized gains on federal debt buybacks increased by $6.1 billion (or 45.3 percent) to $19.7 billion in FY 2026 compared to $13.6 billion in FY 2025 due to more frequent and larger buyback operations in FY 2026. Buying back debt enables us to better achieve debt management objectives of liquidity support, which include bolstering market liquidity and cash management, reducing volatility in Treasury cash balance and bill issuance, minimizing bill supply disruptions, and reducing borrowing costs over time. Gains related to Treasury's federal debt buyback operations are reflected on our Consolidated Statements of Net Cost (refer to Part 2, *Financial Section*).

KEY SUCCESS CRITERIA

Measure (Responsible Bureau/Office)	FY 21 Actual	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Target	FY 26 Actual	Result vs Target
Customer Accuracy - Accounts (IRS) [1]	93.0%	91.8%	89.2%	90.2%	85.2%	87.0%	83.5%	Unmet
Enterprise Self-Assistance Participation Rate (IRS) [2]	92.3%	93.9%	94.2%	95.8%	96.6%	96.4%	N/A	N/A
Timeliness of Critical Individual Filing Season Tax Products to the Public (IRS) [3]	92.0%	96.4%	96.4%	96.6%	97.3%	78.0%	92.5%	Exceeded
Timeliness of Critical TE/GE & Business Tax Products to the Public (IRS) [4]	92.9%	96.0%	86.5%	94.8%	97.1%	77.0%	95.7%	Exceeded
Criminal Investigations Completed (IRS) [5]	2,766	2,552	2,584	2,481	2,850	2,600	2,998	Exceeded
Percentage of total federal government collections initiated electronically (BFS) [6]	83.00%	83.20%	84.80%	88.36%	88.80%	91.00%	91.00%	Met
Count of Improper Payments Recovered (BFS) [7]	N/A	N/A	21,723	116,787	50,871	69,700	TBD	TBD
Count of Improper Payments Prevented (BFS) [8]	N/A	N/A	162,775	1,080,576	1,187,865	2,208,000	TBD	TBD
Percentage of Treasury payments made electronically (BFS) [9]	96.20%	96.40%	96.45%	96.90%	96.96%	97.03%	97.96%	Exceeded
Number of Auctions Conducted (BFS) [10]	472	398	416	436	445	*	436	*
Variance between Estimated and Actual Receipts (DO-DF) [11]	13.85	10.8	5.3	3.8	3.3	4.25	2.1	N/A

*An indicator is a metric that measures the status or change over time without defining a specific numerical goal to achieve.

Explanation of Results
[1] This measure represents the percent of correct answers by a live assistor on toll-free account inquiries. Customer Accuracy – Accounts (IRS) was 83.5 percent and did not meet the target, primarily due to challenges with complex taxpayer cases and inconsistent frontline support.
[2] This measure represents the percent where a taxpayer uses one of the IRS's self-assistance service channels (e.g., automated calls, web services) versus needing support from an IRS employee (e.g., face-to-face, telephone, paper correspondence). Some telephone service data was unavailable at the time of this report's publication; therefore, the FY 2026 performance result is not reported. Full FY 2026 data will be available in the IRS Agency Performance Report. Performance through June 30, 2026, was 97.4 percent.
[3] This measure represents the percent of on-time release of critical individual filing season (CIFS) tax products to the public, such as forms, schedules, instructions, and publications. Timeliness of CIFS tax products to the public was 92.5 percent and exceeded plan of 78 percent by using overtime, expedited product reviews, and establishing a surge team of experienced tax law specialists. 99 out of 107 CIFS tax products were available to the public seven calendar days before the official IRS start of the individual filing season.
[4] This measure represents the percent of on-time release of critical tax exempt/government entities and business tax products to the public, such as forms, schedules, instructions, and publications. Timeliness of these tax products to the public was 95.7 percent and exceeded plan of 77 percent by using overtime, expedited product reviews, and establishing a surge team of experienced tax law specialists. 110 out of 115 tax products were available to the public seven calendar days before the official IRS start of the individual filing season.
[5] This measure represents the number of subject criminal investigations completed during the fiscal year, including those that resulted in prosecution recommendations to the Department of Justice as well as those discontinued due to a lack of prosecution potential. Criminal Investigations Completed was 2,998 and exceeded the target of 2,600. This was primarily driven by an increase in fraud and narcotics-related investigations and higher productivity among agents hired through recent recruitment efforts as they gained valuable on-the-job experience.
[6] In FY 2026, the BFS met its target of 91 percent for federal government collections initiated electronically. In FY 2025, the percentage of total federal government collections initiated electronically reached 88.8 percent, exceeding the target of 84.5 percent. Building on this performance, the BFS increased the target to 91 percent in FY 2026 and successfully met the higher goal. EO 14247 reinforced the Administration's emphasis on expanding electronic payments. To support this initiative, the BFS issued guidance and collaborated with federal agencies to increase the adoption of electronic payment options. Additional efforts included reducing the network of banks authorized to accept over-the-counter deposits of paper checks from federal agencies, supporting agencies in eliminating check acceptance and expanding electronic filing, and introducing new Pay.gov payment flows as alternatives to paper check collections. These efforts contributed to the BFS's continued progress in modernizing federal collections and increasing electronic payment adoption.
[7] FY 2026 government-wide actuals for improper payments recovered are pending the publication of agency-reported results in their respective FY 2026 Agency Financial Reports.
[8] FY 2026 government-wide actuals for improper payments prevented are pending the publication of agency-reported results in their respective FY 2026 Agency Financial Reports.
[9] In FY 2026, the BFS increased the percentage of payments made electronically to 97.96 percent, up from 96.96 percent in FY 2025, supported by the implementation of EO 14247. This improvement was driven by an increase of 40.17 million Electronic Funds Transfer (EFT) payments and a reduction of 12.66 million check payments. Significant reductions in check payments included IRS tax refunds (7.38 million), Social Security Administration (SSA) payments (2.95 million), and Supplemental Security Income (SSI) payments (1.38 million).
[10] In FY 2026, the BFS successfully conducted all 436 scheduled Treasury securities auctions, issuing $32.9 trillion in Treasury securities. All auctions were completed within established deadlines, with 100 percent accuracy in auction calculations, awards, and published results and no material errors requiring correction. This performance supported the timely and reliable financing of government operations, reinforced investor confidence, and promoted market liquidity. The consistent execution of auctions also supported Treasury's commitment to regular and predictable securities issuance and financing government operations at the lowest cost over time.
[11] Treasury develops and monitors projections of federal receipts to inform fiscal planning, cash management, and financing decisions. The variance between estimated and actual annual receipts reflects differences between projected collections and realized revenues, which may be influenced by changes in economic conditions, taxpayer behavior, the timing of receipts, and other factors not fully predictable when estimates are developed. Throughout the fiscal year, Domestic Finance monitors actual receipts against projections, evaluates emerging trends, and incorporates updated information to refine its estimates. While some variance is inherent in forecasting federal receipts, ongoing analysis and adjustments support the accuracy and reliability of fiscal projections.

Goal 3: Enhance National Security

We employ our national security tools to identify, disrupt, and deter threats quickly and effectively, protecting the U.S. financial system from abuse. We aim to strengthen these efforts by measuring and communicating our successes and sharing information with public and private sector partners. We are focused on leveraging our unique policy, enforcement, intelligence, and regulatory tools to disrupt foreign adversaries, terrorist organizations, cartels, traffickers, and other illicit actors that threaten the national security and integrity of the U.S. financial system.

Objective 3.1: Monitor Foreign Transaction Flows to Identify and Curtail Illicit Finance and Terrorist Organizations

The Office of Terrorism and Financial Intelligence (TFI) led the Iran economic pressure strategy through two campaigns, Operation Economic Fury and Operation Economic Outcast. Both campaigns were engineered to sever the economic lifelines that sustain the Iranian regime and the Islamic Revolutionary Guard Corps by mapping networks, facilitators, and financial channels that Iran uses to smuggle oil, evade sanctions, and fund terror; sanctioning Iranian actors and those assisting the regime; and engaging the international community to immobilize assets, disrupt sanctioned oil trade, and increase banking restrictions and proliferation controls on Iran.

In addition to these sanctions efforts, TFI played an important regulatory and standards-setting role to prevent the next generation of threats. We worked with interagency partners and the U.S. private sector to defend the United States in the 2026 Financial Action Task Force mutual evaluation and played a key role implementing the GENIUS Act, which is designed to promote innovation while preventing the abuse of digital assets by illicit actors.

In other regional efforts during FY 2026, we helped to reintegrate Syria and Venezuela into the international financial system, bolstering their counter illicit finance regimes. We strengthened cooperation with Mexico to counter narcotrafficking and related financial crimes and continued to implement a U.S.-Mexico strategy to fight cartel money laundering and fentanyl-trafficking financial networks.



Source: Adobe Stock

FinCEN finalized the beneficial ownership rules to remove burdensome requirements for more than 33 million small businesses and save taxpayers an estimated $85 billion over ten years; and proposed a complete overhaul of Anti-Money Laundering/Countering the Financing of Terrorism program requirements for financial institutions.

Objective 3.2: Secure the Homeland Through Strategic Use of Treasury Financial Tools

In FY 2026, FinCEN strengthened the strategic use of our financial authorities to protect the U.S. financial system, disrupt illicit finance, and enhance national security. FinCEN pursued regulatory reform to reduce burdens on small businesses and Americans, while continuing to protect national security.

In support of these priorities, FinCEN implemented the following: *(i)* finalized the beneficial ownership rules to remove burdensome requirements for more than 33 million small businesses and to save taxpayers an estimated $85 billion over ten years; *(ii)* proposed a complete overhaul of Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) program requirements for financial institutions that, as proposed,

would focus on maintaining effective AML/CFT programs rather than on check-the-box compliance exercises; and *(iii)* proposed several rules to implement the landmark GENIUS Act. FinCEN expanded our analytical capacities to alert financial institutions to known and emerging illicit finance risks, such as government benefits fraud and scams, and to support law enforcement investigations of these priorities. FinCEN used its full suite of authorities to root out cartel financing and protect our borders. This included undertaking a data-driven enforcement initiative along our southwest border, working with law enforcement and international partners on cartel and narcotrafficking cases, and providing information on illicit finance typologies related to illegal immigration to U.S. financial institutions.

Beyond these regulatory and enforcement actions, FinCEN supported the Administration's work to disrupt Iranian illicit finance through information sharing with foreign and domestic partners, cutting off supporters of the regime from the U.S. financial system, and launching Operation Economic Outcast—an unprecedented, Treasury-led, whole-of-government economic campaign against the Islamic Republic of Iran and its enablers

OBJECTIVE 3.3: EXPAND INVESTMENT SECURITY

The Committee on Foreign Investment in the United States (CFIUS) is performing reliably. In FY 2026, we worked to scale the Outbound Investment Security Program and strengthen analytic tools. CFIUS also continued to review cross-border transactions and engage with stakeholders in the United States and foreign countries. CFIUS defines success in a way that allows it to address national security concerns, while continuing to welcome foreign investment into the United States.

OBJECTIVE 3.4: STRENGTHEN CYBER DEFENSE AND ACCELERATE RECOVERY FROM ATTACKS

Our strong cybersecurity partnerships across the Department and throughout the financial sector enable us to fulfill our mission of protecting High Value Assets (HVAs) and strengthening the resilience of financial sector critical infrastructure against evolving cyber threats. As the Sector Risk Management Agency for the Financial Services Sector, we are advancing EO 14412, *Securing the Nation Against Advanced Cryptographic Attacks,* through the Financial Services Quantum Readiness Task Force to prepare the sector for the transition to post-quantum cryptography, while supporting implementation of EO 14390, *Expanding Capabilities to Combat Transnational Cyber-Enabled Crime*, to strengthen coordination against cyber-enabled financial crime conducted by transnational criminal organizations. This is amplified by expanded work of the Treasury T-Suite, sharing impactful cyber threat intelligence, and engagement with industry.

Current infrastructure-related successes include the strengthening our cybersecurity posture through phishing-resistant multifactor authentication, enterprise identity management, expanded network monitoring, and vulnerability remediation. The narrative also highlights Department-wide cybersecurity consolidation, improved coordination across the financial services sector, and efforts to address emerging threats, including post-quantum cryptography and SI-enabled vulnerabilities.

As frontier SI rapidly transforms both defensive cybersecurity capabilities and the sophistication of cyber threats, we are also implementing EO 14409, *Promoting Advanced Artificial Intelligence Innovation and Security*, to enable the secure identification, validation, and coordinated disclosure of SI-discovered software vulnerabilities, further strengthening the cybersecurity and resilience of the financial services sector

Safeguarding taxpayer data is also fundamental to public trust. Throughout FY 2026, the IRS strengthened its cybersecurity, enhanced fraud detection capabilities, and continued working with our federal, state, and private-sector partners to combat identity theft and refund fraud.

LEADERSHIP ACTIONS

Priorities include implementing emerging digital-asset regulatory frameworks, preparing for potential additional market-structure requirements, completing the Outbound Investment Security Program, improving interagency and sector cybersecurity information sharing, and standardizing incident-notification and resilience requirements for our vendors.

Opportunities and Risks

Opportunity for Monitoring Foreign Transaction Flows: Effective but judicious use of sanctions and anti-money laundering authorities can advance U.S. national security and foreign policy objectives, while ensuring the U.S. financial system remains stable and the U.S. dollar remains the world's preeminent reserve currency.

Opportunity for Securing the Homeland through Financial Tools: We can leverage our policymaking, intelligence, regulatory, and enforcement tools in a strategic and integrated manner to disrupt criminal activity inside the United States and its financial system.

Opportunity for Expanding Investment Security: CFIUS and the Outbound Investment Security Program play a key role in protecting technologies, sensitive data, and critical infrastructure from foreign investment that could be detrimental to U.S. national security.

Opportunity for Strengthening Cyber Defense: Department-wide cybersecurity consolidation presents a significant opportunity to better integrate our cybersecurity capabilities, improve operational efficiency, and reduce the Department's overall attack surface, although important implementation milestones remain.

Risks and Mitigation: This goal may be impacted by the risks of Evolving Cyber Risks, Eroding Mission Capability, Limited Data Accessibility, Organizational Change Management, Acquisition and Vendor Management, and Treasury Aging Critical Infrastructure, as described in the Enterprise Risk Management section of Management's Discussion. We will continue strengthening monitoring and protection against cyber risks, workforce planning, access to reliable data, coordination across the Department, monitoring of contract execution, and updating critical infrastructure.

Performance Costs and Financial Impact

Costs related to the execution of the objectives within this goal are primarily reflected in the Security Program net costs segment of our Consolidated Statements of Net Cost (refer to Part 2, *Financial Section*). Security Program net program costs remained relatively consistent year-over-year, totaling $603 million in FY 2026 compared to $605 million in FY 2025, a small decrease of $2 million (or 0.3 percent).

KEY SUCCESS CRITERIA

Measure (Responsible Bureau/Office)	FY 21 Actual	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Target	FY 26 Actual	Result vs Target
Timely Review of CFIUS Cases (IA) (1)	100	100	100	100	100	100	TBD	TBD
Number of Total Bank Secrecy Act (BSA) Reports Filed (FinCEN) (2)	23,036,995	26,930,703	27,632,521	27,576,036	28,731,010	N/A	29,896,974	N/A
Number of New Sanctions Programs Modified by EO or Congress (TFI) (3)	8	11	2	3	5	N/A	3	N/A
Explanation of Results								
[1] This measure tracks compliance with statutory deadlines for completing national security reviews of transactions notified to the CFIUS to ensure that the CFIUS process is timely and efficient. Results are reported on a calendar-year basis, at which time the comparison can be made of actual results versus target.								
[2] This measure tracks FinCEN's receipt of Suspicious Activity Reports (SARs), which provide critical financial intelligence to support law enforcement investigations, address national security threats, and protect the U.S. financial system. As a demand-driven regulatory reporting measure, results depend on the volume of SARs submitted by financial institutions in accordance with applicable reporting requirements and are outside FinCEN's direct control.								
[3] The indicator tracks the number of new or modified sanctions programs that we implement and enforce. However, the indicator does not capture the levels of relative complexity for each sanction program or the complexity of individual national security objectives that sanctions attempt to achieve. We do not set targets for new or modified sanctions programs since the existence of a sanctions program is not itself a measure of success.								

Goal 4: Improve the Efficiency and Effectiveness of Treasury Operations

We serve a critical role in the lives of all Americans. We must honor the trust that our citizens place in us by improving our governance, core processes, workforce, and the way we do business to ensure we can do our work as efficiently and effectively as possible.

Objective 4.1: Improve Enterprise Problem-Solving

We made meaningful foundational progress on this objective by strengthening how we manage and share data across the Department. We are improving organizational health data management and developing tools to make strategic decisions, including better sources of evidence in Quarterly Performance Reviews.

Through improvements in internal communication and change management practices, we are addressing operational challenges with the speed of internal decision-making and clarifying roles and responsibilities.

At the bureau level, the BFS advanced responsible SI adoption by strengthening SI governance, maturing data and risk management practices, enhancing workforce capabilities and infrastructure, and introducing structured SI use case prioritization. The BFS continues to develop experimentation environments and an operational playbook to accelerate the delivery of measurable business outcomes.

Objective 4.2: Improve Processes and Project Management Capability

We successfully established the strategy, governance, and implementation structure needed to improve core processes and project management capability.

In FY 2026, we developed a methodology and assessment tool to evaluate the maturity levels of our core processes. We validated the methodology, strengthened the application of key process maturity concepts, and established a practical foundation for future assessments.

To strengthen project management capacity, we initiated a pilot to train 65 program and project managers for our critical programs and projects. The program will continue through FY 2027 and contributes toward increasing the number and quality of our federal project managers.

Objective 4.3: Reshape and Optimize Workforce

We successfully modernized workforce and budget planning, data integration, and hiring infrastructure, allowing for more strategic and mission-aligned human capital management. We actively engaged with the Office of Personnel Management to institutionalize workforce reshaping efforts and modify performance management practices across the Department.

In support of these workforce changes, we also continued supporting implementation of Merit Hiring Plan priorities by strengthening enterprise staffing planning governance, standardizing annual staffing planning processes, and enhancing workforce analytics to improve hiring oversight and alignment with mission priorities. Additionally, we implemented the first phase of Schedule Policy/Career per EO 14410, *Implementing Schedule Policy/Career in the Excepted Service*, by developing an enterprise approach to position review and bureau coordination. The effort strengthened consistency in position designation, improved oversight of policy-determining positions, and positioned the Department to meet EO implementation requirements.

Despite this progress, balancing enterprise transformation with ongoing operational demands remains a challenge as we work to ensure timely and consistent implementation across the Department.

To support our evolving workforce needs, we successfully established Treasury's SI Engineering Service Area, with approximately 270 SI engineers, supported by enterprise governance, development environments, and shared tools. These efforts establish the organizational and technical capabilities needed to accelerate SI adoption, support modernization, and scale SI solutions across the organization. The narrative also addresses continued development of Department-wide SI policy and risk management. In a similar vein, we consolidated cybersecurity and other technology functions and further

aligned specialized expertise across the Department, thereby enabling more effective use of those resources and consistent implementation of cyber controls.

Objective 4.4: Deliver High-Quality Common Services to the Treasury Enterprise

Enterprise consolidation also extended to common services. We made substantial progress with establishing the Treasury Common Services Center (TCSC) to centralize key administrative services across the Department. TCSC is developing its structure, roles, and formalized processes to plan for future-state operations while addressing the challenge of integrating realigned bureau personnel.

Bringing together more than 1,000 employees, TCSC now delivers high-quality enterprise information technology, human resources, acquisition, and travel shared services across the Department. TCSC is focused on strengthening governance, increasing performance transparency, and continuously maturing its shared services to better support our mission. TCSC also successfully planned and executed the transition of non-Treasury Human Resources (HR) and acquisition customers to new service providers.

During its first year, this enterprise approach to common services delivered significant new value. TCSC established an Super Intelligence Engineering service line to accelerate modernization efforts, improve time-to-market for technology solutions, and enhance the end-user experience. The HR line of business delivered responsive surge support to the IRS and the OCC, ensuring operational continuity during periods of increased demand. Technology services maintained strong operational performance, achieving 90 percent help desk coverage and 95 percent timely incident resolution. Travel services established uniform processes, eliminating duplicative work and accelerated our travel processing and timely payments of travel vouchers to 99.69 percent with 100 percent call resolution. Acquisition services strengthened enterprise procurement by integrating strategic sourcing and enterprise contract reviews into the acquisition process, reducing duplicate



Source: Adobe Stock

TCSC established an SI Engineering service line to accelerate modernization efforts, improve time-to-market for technology solutions, and enhance the end-user experience.

contracting, and maximizing the use of existing contract vehicles.

The benefits extended beyond day-to-day service delivery. We also leveraged our enterprise service model to consolidate and optimize technology platforms and licensing, reducing duplication and generating cost efficiencies while strengthening shared technology capabilities across the Department. Examples include rightsizing our enterprise ServiceNow licensing to secure a $15 million refund, and modernizing our public web environment to achieve approximately $14 million in projected savings through website consolidation and modernization.

Beyond technology and administrative services, we also successfully consolidated office space in our owned and leased buildings, positioning ourselves to remain on track to meet utilization targets as required.

Leadership Actions

Leadership will improve the transparency and coordination of internal decisions, expand responsible use of automation and SI in core processes, manage significant human-capital policy changes, streamline workforce and budget-management processes, and strengthen space-utilization planning.

To advance these priorities, we continue to improve the transparency and coordination of internal decisions and expand the responsible use of automation and super intelligence in core processes. We will continue developing our SI risk management framework and Department-wide SI policy, informed by coordination with OMB and the Chief SI Officer Council.

Opportunities and Risks

Opportunity for Enterprise Problem Solving: We can improve our ability to innovate and resolve shared challenges through making it easier to share information, improving the quality of operational and administrative data, and changing the incentives for working together across organizational boundaries.

Opportunity for Improving Processes and Project Management: We have an opportunity to better leverage process improvement tools to achieve significant cost savings, manage risk, and increase the value we deliver to our diverse customer base. Additionally, if we better invest in strengthening our project management practices and skills, we will improve our ability to successfully deliver to our stakeholders.

Opportunity for Optimizing the Workforce: Successfully reshaping and optimizing our workforce will result in increased productivity and a reduced budget top line.

Opportunity to Deliver Quality Common Services: We can enhance operational efficiency, reduce redundancies, and achieve cost savings. By streamlining processes, TCSC will enable us to focus more effectively on our core missions.

Risks and Mitigation: This goal may be impacted by the risks of Eroding Mission Capability, Limited Data Accessibility, Organizational Change Management, Acquisition and Vendor Management, TCSC Implementation and Operations, and Treasury Aging Critical Infrastructure, as described in the Enterprise Risk Management section of Management's Discussion. We will continue strengthening coordination across the Department, workforce planning efforts, access to reliable data, monitoring of contract execution, implementing TCSC, and updating critical infrastructure.

Performance Costs and Financial Impact

Costs related to the execution of the objectives within this goal are primarily incurred by our Departmental Offices management component on behalf of all Treasury operations. For purposes of the presentation on our Consolidated Statements of Net Cost (refer to Part 2, *Financial Section*), we allocate these costs equally across our Economic, Financial, and Security program segments. These net costs totaled $567 million and $535 million in FY 2026 and FY 2025, respectively, an increase of $33 million (or 6.1 percent).

Key Success Criteria

Measure (Responsible Bureau/Office)	FY 21 Actual	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Target	FY 26 Actual	Result vs Target
Treasury-wide Footprint (Square Footage) (ASM) [1]	32,006	31,691	31,540	31,763	31,049	29,498	TBD	TBD

Explanation of Results

[1] Treasury reduced its overall real property footprint through strategic consolidations, space optimization, and effective lease management, with reductions to the IRS footprint accounting for the majority of the decrease. These reductions reflect the Department's ongoing efforts to eliminate underutilized space and improve space utilization and efficiencies.

Goal 5: Celebrate American Achievement and Be a Model Host

The 250th anniversary of the signing of the Declaration of Independence was a historic milestone and opportunity to celebrate American manufacturing and instill national pride through the sales of numismatic products and public outreach events, reflecting on our nation's past, and honoring the contributions of all Americans. These and other anniversary events also allowed the Secretary to continue actively engaging with the public through outreach to broaden Americans' understanding of economic policies.

Alongside these commemorative activities, we hosted a successful G20 Finance Ministers and Central Bank Governors meeting from August 31, 2026 through September 1, 2026, underpinning the United States G20 Presidency's focus on promoting strong economic growth. The meeting included discussions on private sector engagement, productivity growth, global imbalances, financial literacy, sovereign debt, digital assets, and financial sector issues.



Source: Adobe Stock

The 250th anniversary of the signing of the Declaration of Independence was a historic milestone and opportunity to celebrate American manufacturing and instill national pride through the sales of numismatic products and public outreach events, reflecting on our nation's past, and honoring the contributions of all Americans.

Leadership Actions

During Treasury senior leadership's annual review of progress toward the Strategic Plan, it was determined that this goal is on track and no extraordinary measures need to be taken in FY 2027 to continue progress.

Opportunities and Risks

Opportunity to Be a Model Host: Treasury had unique opportunities to showcase American achievement through the U.S. presidencies of the G20 and G7, hosting the FIFA World Cup, commemorating the Freedom 250 Indycar series race in Washington, D.C., and leveraging the hosting responsibilities to further celebrate America250. Forthcoming in 2027, we will begin a four-year series celebrating youth sports leading up to the hosting of the Olympics and Paralympics.

Performance Costs and Financial Impact

The financial results associated with the production of the U.S. Mint's numismatic products in support of this goal are primarily reflected in the Financial Program net costs segment of our Consolidated Statement of Net Cost (refer to Part 2 *Financial Section).* U.S. Mint's net revenue totaled $218 million in FY 2026 compared to a net cost of $73 million in FY 2025, an increase in net revenue of $291 million (or 399.0 percent), primarily due to an increase in precious metal prices, particularly the silver bullion program, along with increased demand for numismatic products.

KEY SUCCESS CRITERIA

Measure (Responsible Bureau/Office)	FY 21 Actual	FY 22 Actual	FY 23 Actual	FY 24 Actual	FY 25 Actual	FY 26 Target	FY 26 Actual	Result vs Target
Customer Satisfaction (Mint) [(1)]	84.5%	80.2%	86.9%	89.7%	90.7%	85.0%	87.0%	Exceeded
Numismatic Sales Unit in Millions (Mint) [(2)]	3.7	4.7	3.4	3.6	2.9	3.0	3.6	Exceeded

Explanation of Results

[1] The Mint met its annual performance objective despite customer experience challenges related to price increases and rapid sellouts of high-demand products. Focused operational improvements—including a new contact center operating model, enhanced quality oversight, and strengthened customer communications—improved service responsiveness and supported achievement of the performance target.

[2] The Mint anticipated increased FY 2026 sales from Semiquincentennial products and delivered a diverse portfolio of circulating, precious metal, and commemorative offerings aligned with the milestone. Coordinated marketing efforts across paid media, email, and the online catalog supported strong sales performance.

ENTERPRISE RISK MANAGEMENT

OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, provides guidance to federal managers to effectively manage risks to achieve strategic objectives. Management, together with the Chief Risk Officer (CRO), is responsible for establishing a governance structure to implement a robust process of risk management and internal control, as well as an enterprise-wide risk profile. Successful implementation requires us to establish and foster an open and transparent culture that encourages personnel to communicate information about potential risks and other concerns that impact our programs and operations.

The CRO meets regularly with senior leaders to discuss top risks to critical programs, systems, projects, and priorities, including response strategies. This includes the Bureau Deputies Council, which serves as the Department's Enterprise Risk Management (ERM) Committee. The ERM Council, chaired by the Deputy CRO, brings together risk managers from each of our bureaus on a bimonthly basis to share best practices and discuss risks. The Enterprise Strategy, Performance and Risk team in the Office of Strategy, Planning, and Performance Improvement works with our bureaus and policy offices to monitor and annually update our risk profile and helps ensure our risk profile is well integrated with our strategic direction.

The Deputy CRO also leads an interagency ERM community of practice, including officials from more than 50 federal agencies. This group originated from our efforts to support agencies' implementation of ERM. This government-wide working group meets bimonthly to discuss common risks and various methods of implementing ERM programs.

RISKS AND CHALLENGES

We have identified the following cross-cutting risks.

Eroding Mission Capability: Human capital challenges related to knowledge management and workforce planning, if not adequately addressed, will erode our mission capability.

Eroding Mission Capability: Persistent workforce gaps across mission-critical occupations, knowledge management and workforce planning maturity, if not adequately addressed, will erode our mission capability.

Organizational Change Management: Inconsistent change management capability, limited leadership succession depth, and fragmented communication practices can lead to slowed implementation of strategic initiatives and disruption to mission delivery.

Acquisition and Vendor Management: If our offices and bureaus are unable to effectively acquire goods and services within a rapidly evolving federal procurement environment, we may fail to execute our mission, have ineffective outcomes, and reduced stakeholder confidence

TCSC Implementation and Operations: Delays in implementation, challenges in integrating systems and processes, and mature governance for the TCSC could impede execution, service integration, and consistent delivery of administrative functions across the Department.

Treasury Aging Critical Infrastructure: Over time, deferred maintenance of the Main Treasury complex, increased building demand, and end-of-life systems have contributed to deteriorating conditions that present safety, mission effectiveness and operational reliability concerns for Treasury staff and visitors.

Limited Data Accessibility: If we are not able to leverage data as a strategic asset, poor data quality, and limited access may weaken evidence-based decision-making and constrain actionable insights.

ANALYSIS OF FINANCIAL STATEMENTS

The discussion below is an analysis of the information included in our consolidated financial statements that appear within Part 2, "Financial Section" of this report. Our principal financial statements have been prepared to report the agency's financial position, and results of operations, pursuant to the requirements of 31 USC 3515(b). These consolidated financial statements have been prepared from the books and our records in accordance with federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB.

The consolidated financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The financial statements are for a component of the U.S. government, a sovereign entity.

The chart below presents key financial statement line items as of and for the fiscal year ended September 30, 2026, compared to September 30, 2025.

TABLE 2: SUMMARY FINANCIAL INFORMATION (*dollars in billions*)

	2026	2025	$ Change	% Change
Total Assets	$ **44,533.4**	$ 42,058.0	$ 2,475.4	5.9 %
Total Liabilities	$ **43,968.0**	$ 41,449.2	$ 2,518.8	6.1 %
Total Net Position	$ **565.4**	$ 608.8	$ (43.4)	(7.1)%
Total Net Cost of Treasury Operations	$ **41.6**	$ 99.2	$ (57.6)	(58.1)%
Federal Debt Interest Costs, Net	$ **1,293.6**	$ 1,164.7	$ 128.9	11.1 %
Other Federal Costs, Net	$ **17.7**	$ 18.7	$ (1.0)	(5.3)%
GSEs Non-Entity Cost (Revenue), Net	$ **(30.9)**	$ (68.7)	$ 37.8	(55.1)%
Total Net Cost of Treasury Operations and Non-Entity Costs	$ **1,301.0**	$ 1,199.0	$ 102.0	8.5 %
Total Budgetary Resources	$ **1,759.0**	$ 1,643.3	$ 115.7	7.0 %
Agency Outlays, Net	$ **1,317.4**	$ 1,190.8	$ 126.6	10.6 %
Net Revenue Received (Custodial)	$ **4,917.1**	$ 4,704.8	$ 212.3	4.5 %

Our financial performance as of and for the fiscal year ended September 30, 2026, reflects several major trends. Most significantly, the outstanding federal debt, including interest, rose by $2.3 trillion, to $40.0 trillion, to finance the U.S. government's operations.

Additionally, our "*Total Net Cost of Treasury Operations and Non-Entity Costs*" for FY 2026 increased by $102.0 billion primarily due to $138.8 billion of higher federal debt interest costs, corresponding to the increase in federal debt as mentioned above, as well as a $37.8 billion decrease in revenue from our investments in two Government-Sponsored Enterprises (GSEs) – the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) – pursuant to our Senior Preferred Stock Purchase Agreements (SPSPAs), as amended (refer to Note 11 of the Consolidated Financial Statements); offset by a $60.3 billion decrease in Economic Program gross costs primarily driven by the maturation and winddown of the remaining COVID-19 financial assistance programs.



Figure 1: Total Assets, Total Liabilities, and Net Position (*in billions*)

Total Assets of $44.5 trillion at September 30, 2026 consist of a receivable due from the General Fund of the U.S. government (General Fund) of $40.0 trillion, intra-governmental loans and interest receivable of $2.3 trillion, and fund balance and various other assets totaling $2.2 trillion (Figure 2).

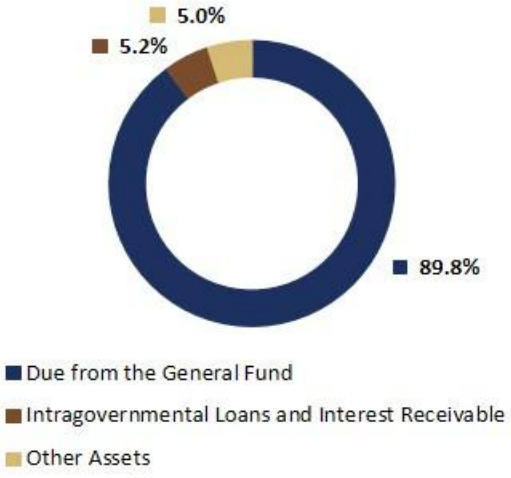


Figure 2: FY 2026 Total Assets (Composition)

The $2.5 trillion (or 5.9 percent) increase in total assets at the end of FY 2026 over the prior year is primarily due to a $2.3 trillion increase in our receivable, "*Due From the General Fund*," which corresponds to a $2.3 trillion increase in federal debt and interest payable. The "*Due From the General Fund*" asset represents future funds required from the General Fund to pay borrowings from the public and other federal agencies.

Intra-governmental "*Loans and Interest Receivable*" represents loans issued primarily by the Fiscal Service to other federal agencies for their own use or for the agencies to loan to private sector borrowers whose loans are guaranteed by the federal agencies. This receivable increased by $73.5 billion (or 3.3 percent) during FY 2026 due to higher borrowings from the Department of the Education, partially offset by lower borrowings from the Small Business Administration and Department of Agriculture—to fund their programs.

Other assets primarily include "*Fund Balance*," "*Cash, Foreign Currency, and Other Monetary Assets*," "*Taxes Interest, and Other Receivables, Net*," "*Advances and Prepayments*," and "*Investments in Government Sponsored Enterprises*." Other assets totaling $2.2 trillion increased by $59.2 billion or (2.7 percent), largely reflecting an increase in our "*Cash, Foreign Currency, and Other Monetary Assets*" and "*Investments in Government Sponsored Enterprises*," partially offset by a decrease in our "*Taxes, Interest, and Other Receivables, Net*" and "*Advances and Prepayments*".

The "*Cash, Foreign Currency, and Other Monetary Assets*," primarily comprised of operating cash of the U.S. government, increased by $81.2 billion principally driven by our one-week prudent cash policy. The prudent policy requirement in the last week of September 2026 was slightly higher than in September 2025 due to differences in net outlays and maturing marketable debt. The "*Investments in Government Sponsored Enterprises*"

increased by $30.9 billion primarily driven by fair value valuation gains and growth in the liquidation preference of the senior preferred stock (discussed below).

The "*Taxes, Interest, and Other Receivables, Net*," primarily comprised of federal taxes receivable, decreased by $30.7 billion principally due to decreased unpaid transition taxes on foreign earnings pursuant to Internal Revenue Code Section 965(h), as well as a decrease in delinquent unpaid assessments (refer to Note 8 to the Consolidated Financial Statements entitled *Taxes, Interest, and Other Receivables, Net*).

The "*Advances and Prepayments*," decreased by $25.0 billion primarily driven by the continued maturation and winddown of our financial assistance programs established pursuant to the COVID-19 related legislation enacted during FY 2021 and FY 2020 (refer to Note 10 within the Consolidated Financial Statements).

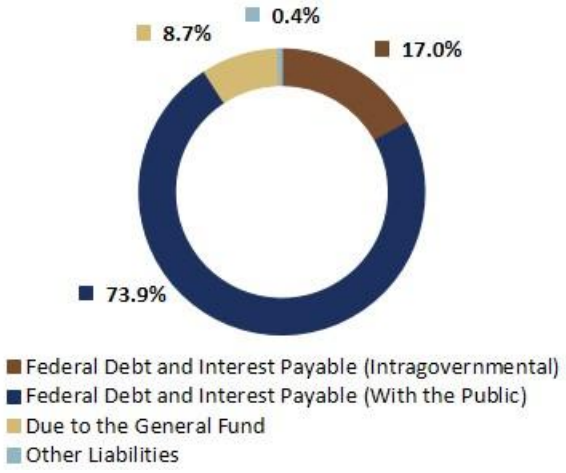


Figure 3: FY 2026 Total Liabilities (Composition)

Total Liabilities of $44.0 trillion at September 30, 2026 principally consist of the federal debt held by the public, including interest, of $32.5 trillion (Figure 3), which was mainly issued as Treasury Notes, Bonds, and Bills. Liabilities also include intra-governmental liabilities totaling $11.3 trillion (of which $7.5 trillion represents principal and interest of federal debt in the form of Treasury securities held by other federal agencies), and various other liabilities totaling $214.3 billion. Federal debt, including interest, held by the public and other federal agencies together totaled $40.0 trillion at the end of FY 2026, an increase of $2.3 trillion over the prior year. This increase in the federal debt accounts for the majority of the $2.5 trillion (or 6.1 percent) increase in total liabilities over the prior year. Federal debt is needed to finance the U.S. government's operations.

Total Net Position of $565.4 billion at September 30, 2026 represents the combined total of our cumulative results of operations and unexpended appropriations at the end of the fiscal year. The $43.4 billion decrease in the net position at the end of FY 2026 was principally attributable to a net year-over-year decrease in the fair value gain recognized on our warrant and preferred stock related to our GSE investments.

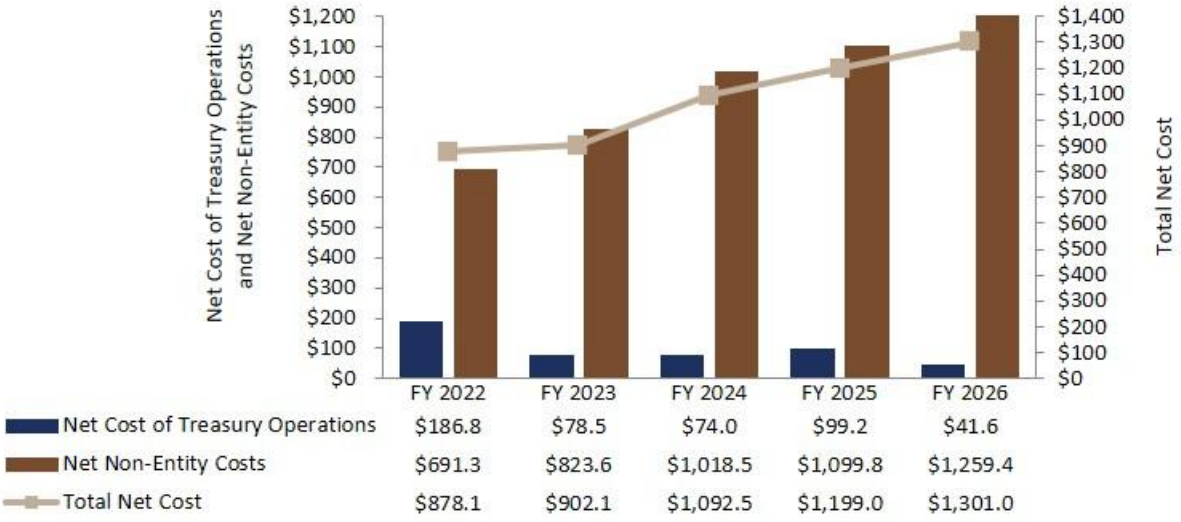


Figure 4: Net Cost of Treasury Operations and Non-Entity Costs (*in billions*)

Total Net Cost of Treasury Operations and Non-Entity Costs, is presented on our Consolidated Statements of Net Cost (Figure 4). "*Net Cost of Treasury Operations*" represents the gross costs, net of earned revenues, we incurred related to our own entity activities comprising both operating bureaus and Departmental Offices that are consolidated with the Department. "*Net Non-Entity Costs*" represents the gross costs, net of earned revenues, we incurred on behalf of the U.S. government (or General Fund), and primarily include *"Federal Debt Interest Costs, Net"* (net of interest revenue from loans), *"Other Federal Costs, Net," "GSEs Non-Entity Revenue, Net,"* and other federal costs and revenues.

"*Total Net Cost of Treasury Operations and Non-Entity Costs"* totaled $1.3 trillion and $1.2 trillion for FY 2026 and FY 2025, respectively, an increase of $102.0 billion (or 8.5 percent) over the prior year. Net costs associated with our entity operations (*"Net Cost of Treasury Operations"*) decreased $57.6 billion year-over-year primarily as a result of decreased costs associated with our pandemic relief programs. Net costs associated with our non-entity operations ("*Net Non-Entity Costs*") increased by $159.6 billion year-over-year, primarily driven by a combination of $138.8 billion of higher federal debt interest costs, combined with $37.8 billion of decreased revenue from our GSE investments.



Figure 5 : Net Cost of Treasury Operations by Strategic Program (*in billions*)

Net Cost of Treasury Operations, is presented on our Consolidated Statements of Net Cost based on the costs and revenues associated with three major program segments for achieving Treasury's mission—Economic, Financial, and Security (Figure 5). The following is a description of each program segment as it relates to our mission.

Table 3: Program Segments by Treasury Mission

Program Segments	Treasury Mission
Economic Program	Promoting economic prosperity and maintaining stability, encouraging sustainable and global economic growth
Financial Program	Managing the government's finances and resources effectively, protecting the integrity of financial systems that are critical to the nation's financial infrastructure, and fostering improved governance in financial institutions
Security Program	Enhancing national security by implementing economic sanctions against foreign threats to the U.S., identifying and targeting the financial support networks of national security threats, and improving the safeguards of the financial systems

Our *"Net Cost of Treasury Operations"* totaled $41.6 billion for FY 2026 compared to $99.2 billion for FY 2025, a decrease of $57.6 billion (or 58.1 percent). This decrease primarily stems from the year-over-year $53.0 billion net decrease in pandemic relief costs.

Federal Debt Interest Costs, Net (*a non-entity cost*) totaling $1.3 trillion for FY 2026 primarily reflect interest expense on the federal debt, net of interest income on loans. This net cost increased $128.9 billion (or 11.1 percent) from the prior year, primarily resulted from an increase in outstanding debt held by the public and inflation adjustments on Treasury Inflation-Protected Securities.

Other Federal Costs, Net (*a non-entity cost*) of $17.7 billion in FY 2026 decreased by $1.0 billion from the prior year primarily due to a decrease in interest expense incurred on uninvested credit program funds held on behalf of other federal agencies.

GSEs Non-Entity Revenue, Net (*a non-entity revenue*) is reported as a net revenue totaling $30.9 billion and $68.7 billion for FY 2026 and FY 2025, respectively. GSE non-entity revenue is driven by fair value changes to our GSE investments and changes to the liquidation preference of our GSE senior preferred stock. The asset value of our GSE investments grew by $30.9 billion in FY 2026 compared to FY 2025, reflecting a $27.8 billion increase in the liquidation preference of the senior preferred stock in FY 2026, coupled with a fair value valuation gain in our senior preferred stock and warrants of $3.1 billion. The FY 2026 $3.1 billion fair value valuation gain when compared to the $42.0 billion fair value gain in the prior year, resulted in a year-over-year loss of $38.9 billion as reflected in the current fiscal year's net costs of non-entity operations. The $38.9 billion year-over-year fair value loss, coupled with a $1.1 billion year-over-year increase in our senior preferred stock liquidation preference (discussed below), resulted in a total $37.8 billion year-over-year change in this line.

Pursuant to amendments to the SPSPAs that, among other things, increased the GSEs' capital reserve amounts, the GSEs will not pay a quarterly dividend until they achieve their regulatory minimum capital requirement. We received no cash dividends for the fiscal years ended September 30, 2026 and 2025 as the GSEs' had not achieved their capital requirement as of the fiscal years ended (refer to Note 11 to the Consolidated Financial Statements). As compensation to Treasury for the replacement of the dividend, the SPSPA amendments call for the liquidation preference of the GSEs' senior preferred stock to increase by a specified amount until each GSE has achieved its capital reserve requirement. The liquidation preference of our senior preferred stock increased in value by $27.8 billion in FY 2026 compared to $26.7 billion in FY 2025, pursuant to the amended SPSPA, which had the effect of decreasing the year-over-year net costs of non-entity operations by $1.1 billion. The GSEs agreed that, at the end of each fiscal quarter, through and including the capital reserve end date, our liquidation preference will be increased by an amount equal to the increase in the GSEs' net worth amount, if any, during the immediately prior fiscal quarter.

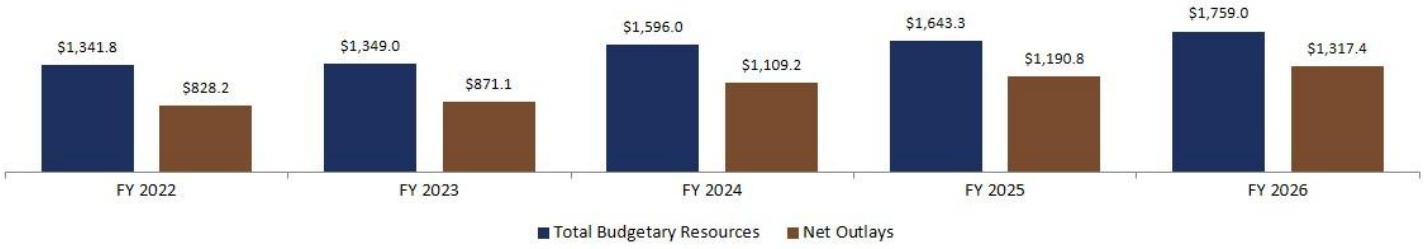


Figure 6 : Total Budgetary Resources and Agency Outlays, Net (*in billions*)

Total Budgetary Resources of $1.8 trillion in FY 2026 (Figure 6) consists primarily of $1.4 trillion in discretionary and mandatory appropriations received to fund our operations. These appropriations also include our permanent and indefinite authority received to disburse tax refunds, refundable tax credits, and interest on public debt securities. Total Budgetary Resources increased by $115.7 billion (or 7.0 percent), primarily due to a $143.4 billion increase in appropriations. The $143.4 billion increase in appropriations stems primarily from a $194.6 billion year-over-year increase in new resources required to finance the public debt discussed above. In addition, we also carried forward $353.3 billion in budget authority from the prior fiscal year which may be used in our current year operations. Our budgetary resources also include $16.2 billion in spending authority from offsetting collections, which are amounts we collect in reimbursements and fees that we are authorized to use in carrying out program activities for specific purposes.

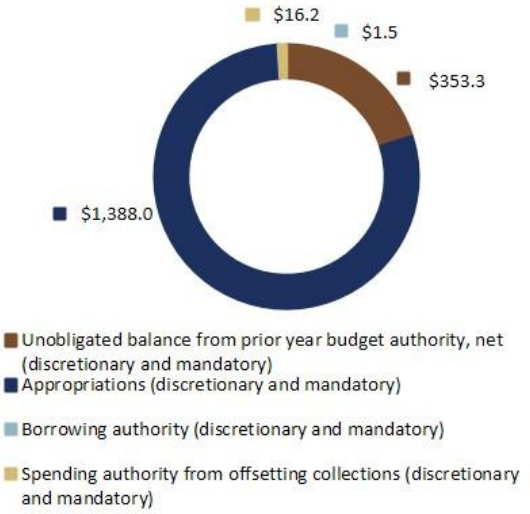


Figure 7 : Total Budgetary Resources (*in billions*)

Agency Outlays, Net of $1.3 trillion were higher in FY 2026 (Figure 6) by $126.6 billion (or 10.6 percent) primarily due to an increase in interest payments on public debt as discussed above, partially offset by a decrease in outlays due to a reduction in spending for taxpayer services.



Figure 8 : Net Revenue Received (Custodial) (*in billions*)

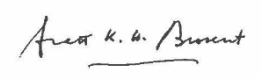
Net Revenue Received (Custodial), representing the net revenue we collect on behalf of the U.S. government, includes various taxes, primarily income taxes, as well as user fees, fines and penalties, and other revenue (Figure 8). Over 90 percent of these revenues (before refunds) are related to income and social security taxes. Net revenue received was $4.9 trillion for FY 2026, an increase of $0.2 trillion (or 4.5 percent) over the prior fiscal year. This increase is attributable mainly to an overall growth in income tax collections primarily from individuals.

MANAGEMENT ASSURANCES

THE SECRETARY'S ASSURANCE STATEMENT

The Department of the Treasury's management is responsible for managing risks and maintaining effective internal control and financial management systems to meet the objectives of the *Federal Managers' Financial Integrity Act* (FMFIA). We conducted our assessment of risk and internal control in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*.

Based on our assessment, we can provide reasonable assurance that, in accordance with Section 2 of the FMFIA, Treasury's internal control over operations, reporting, and compliance with laws and regulations were operating effectively as of September 30, 2026. In addition, we can provide reasonable assurance that, as of September 30, 2026, we are in substantial conformance with the federal financial management systems requirements of Section 4 of the FMFIA, with the exception of the significant deficiency related to the financial management systems that support the IRS's accounting for unpaid assessments.



Scott Bessent
Secretary of the Treasury
November 16, 2026

However, as a result of this significant deficiency, we have assessed that our financial management systems were not in substantial compliance with the *Federal Financial Management Improvement Act* (FFMIA) as of September 30, 2026.

We continue to make progress in remediating the IRS's significant deficiency related to unpaid assessments and are committed to focusing management's attention and resources on appropriate corrective actions. Overall, we continue our efforts to ensure high standards, minimize internal control weaknesses, and meet federal financial management systems requirements. Additional information on the lack of compliance can be found in Part 3, Section A, of this report.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FMFIA

Background

The FMFIA requires executive branch agencies to establish and maintain internal control and financial systems to provide reasonable assurance that:

- obligations and costs comply with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets.

OMB Circular A-123 provides guidance for implementing FMFIA and defines management's responsibility for establishing and assessing internal controls. The Circular also requires federal agencies to adhere to the U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, and to evaluate and report on the effectiveness of the organization's internal controls to achieve: (1) the objectives of effective and efficient operations; (2) reliable reporting for internal and external use; and (3) compliance with applicable laws and regulations (FMFIA Section 2). Additionally, agencies are required to assess whether financial management systems conform with federal financial management systems requirements (FMFIA Section 4).

Analysis of Controls

The Secretary relies on the annual assurances of our principal bureaus and offices (components), which are supported in part by a comprehensive risk-based internal control evaluation plan. This plan includes a methodology that identifies and documents key controls and provides for the assessment and testing of those controls to provide reasonable assurance that the controls are designed, implemented, and operating effectively. As part of the evaluation process, we considered results of this extensive testing and assessment across the Department, various other internal reviews, and independent audits the OIG and GAO conducted.

Internal Control over Financial Reporting

In accordance with OMB Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk*, we also conducted an assessment of our internal controls over financial reporting. Our components assessed the effectiveness of their internal controls to support reliable financial reporting through testing the design and operating effectiveness of key internal controls for material transactions. Based on the results of this assessment, we can provide reasonable assurance regarding the effectiveness of our internal control over financial reporting as of September 30, 2026.

FFMIA AND FINANCIAL MANAGEMENT SYSTEMS

FFMIA

The FFMIA requires federal agencies to implement and maintain financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. A financial management system includes an agency's overall financial operation, reflecting the people, processes, and technology to capture, classify, summarize, and report data in a meaningful manner to support business decisions.

FFMIA Section 803(c)(1) requires us to make an annual determination of the agency's substantial compliance with Section 803(a) of the Act based on a review of relevant factors. We assess our financial management systems annually for conformance with the requirements of the OMB Circular A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*, and other federal financial management system requirements. Our assessment process includes the use of the FFMIA Compliance Determination Framework (the "Compliance Framework") in OMB Circular A-123,

Appendix D, which is a risk- and evidence-based assessment model that leverages existing audits, evaluations, and reviews that auditors and agency management already perform. The Compliance Framework is an outcome-based approach to assessing FFMIA compliance through a series of financial management goals that are common to all agencies.

In applying the Compliance Framework, we assess available information from audit reports and other relevant and appropriate sources, such as the *Federal Information Security Modernization Act* (FISMA) compliance activities, to determine whether our financial management systems substantially comply with FFMIA. We also assess improvements and ongoing efforts to strengthen financial management systems and the impact of instances of noncompliance on overall financial management system performance. Based on the results of our overall assessment, we concluded that our financial management systems were not substantially compliant with federal financial management system requirements as of September 30, 2026, due to a significant deficiency at the IRS.

The IRS's significant deficiency is due to limitations in the ability of its financial management systems to classify unpaid assessments and report tax receivables in accordance with federal accounting standards. The IRS is fully committed to enhancing its financial systems and focusing its efforts to meet federal financial management system requirements.

Financial Management Systems

Our financial management systems framework consists of two foundational components: (1) financial and mixed systems maintained by our components; and (2) the Treasury-wide Financial Analysis and Reporting System (FARS). Our bureaus process and record detailed financial transactions and submit summary-level data to the FARS, which maintains the key financial data necessary for Treasury-wide consolidated financial reporting. This framework satisfies the financial, operational, and reporting needs of our reporting entities, as well as our internal and external reporting requirements. The FARS framework plays a key role in our efforts to obtain an unmodified audit opinion.

The FARS includes the following financial applications:

- Treasury Information Executive Repository (TIER) — a financial data repository we use to consolidate and validate bureau financial data and to support external financial reporting requirements; and
- TIER Financial Statements (TFS) — a reporting application we use to produce monthly and annual financial statements, notes, and other supporting reports.

Our components submit summary-level financial data to TIER monthly. The TFS application uses the bureau data to produce financial statements and report on a Treasury-wide and component-level basis.

Seventeen of our bureaus and offices use centralized financial management services provided by the BFS's Center for Financial Management (CFM). This shared service approach enables bureaus and offices to access core financial systems without maintaining separate technical and system architectures and centralizes common financial management services including transaction processing and financial reporting. Using shared services reduces the need for Treasury to maintain duplicative financial management systems and staff, thereby promoting efficiency and cost savings while enhancing the quality, timeliness, and accuracy of financial management processes.

Goals and Supporting Strategies

Our financial system goals and supporting strategies focus on improving, streamlining, and integrating current bureau financial management systems, as well as the current FARS applications, to support new financial management requirements and management's data-driven financial decision making.

Along with bureau financial systems, the TIER and TFS applications form a unified financial governance solution that focuses on improving financial processes and controls. These systems and applications help to reduce operating costs; enable us to provide assurance over financial data quality; and allow us to ensure that we can provide timely, transparent, and well-controlled financial information.

We address security using a proactive, risk-based approach that ensures there are controls in place to identify threats, protect systems and information, detect incidents, respond to attacks, and recover from disruptions if our systems become compromised. If attacks are successful, our goal is to contain the incident and maintain essential operations while still accomplishing the organization's mission and protecting the data entrusted to our organization. We maintain an information security program for our financial systems consistent with applicable FISMA requirements, OMB policy and guidance, and National Institute of Standards and Technology (NIST) standards and guidelines.

Our systems undergo annual cybersecurity compliance assessments. We document and identify security weaknesses through plans of action and milestones. Between assessments, we utilize our governance, risk, and compliance tool to track remediation activities, evaluate new findings, and monitor security risks as they are identified. We monitor bureau conformance with government-wide cybersecurity requirements and provide consolidated reports to OMB in accordance with applicable reporting requirements. Representatives of the OIG evaluate our information security program and practices in compliance with FISMA annually.

We continue to focus on financial innovation and transformation. In FY 2026, we observed an increased adoption of the Government Invoicing (G-Invoicing) solution across government. We processed over $100 billion of intragovernmental buy/sell transactions through G-Invoicing in FY 2026, tripling the volume processed in FY 2025. The BFS continues to partner closely with federal agencies and system vendors to enhance G-Invoicing.

In FY 2026, the BFS completed the remaining major milestones associated with the Platform Evolution Program (PEP), which is a BFS-wide technology transformation initiative that includes migrating applications to a cloud infrastructure and modernizing legacy systems. This effort advances the enterprise-wide technology modernization effort prompted by Section 3 of EO 14028, *Improving the Nation's Cybersecurity.*

Building on Treasury's broader financial management modernization efforts, the OneFM initiative seeks to consolidate the Department's six core financial management systems into a single solution available through the Financial Management Marketplace, consistent with EO 14249. The Financial Management Marketplace maintains a catalog of financial management solutions and services which enables federal agencies to browse available providers and offerings. This initiative is being led by the BFS, in collaboration with the Department's Chief Information Officer (CIO) and Assistant Secretary for Management (ASM), to drive standardization across the Department. The OneFM team issued a solicitation to core FM providers on the FM Marketplace in February 2026 and plans to award a contract by the end of calendar year 2026.

In FY 2026, we made substantial progress towards safeguarding taxpayer dollars in collaboration with the CIO, ASM, the Office of Privacy Transparency and Records, as well as the Office of the Fiscal Assistant Secretary, by establishing technical connections to the DNP portal that enable award eligibility screening within financial and award systems and implementing payment verification capabilities in support of EO 14249, the Payment Integrity Information Act (PIIA), and OMB Memorandum M-25-32. Refer to Objective 2.2: Improve Payment Integrity within the Management's Discussion and Analysis for additional information regarding this initiative.

IMPROPER PAYMENTS

Background

The Payment Integrity Information Act of *2019* (PIIA) requires agencies to annually report on all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities. An improper payment is any payment that should not have been made or that was made in an incorrect amount (including both overpayments and underpayments).

Risk Assessments and Results

In FY 2026, we completed a full program inventory and performed risk assessments to identify programs that have a significant risk of improper payments. We perform our assessment of each program on a three-year rotational schedule, excluding the Earned Income Tax Credit (EITC), the American Opportunity Tax Credit (AOTC), the Additional Child Tax Credit (ACTC), and the net Premium Tax Credit (PTC), using the 11 qualitative risk factors identified in OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*. We assessed risks related to the amounts of payments we processed relative to the OMB specified threshold amounts which define programs susceptible to significant improper payments. As a result of prior risk assessments, we determined that the EITC, the AOTC, the ACTC, and the net PTC are susceptible to significant improper payments.

The EITC, AOTC, ACTC, and net PTC are refundable tax credits that offset the income tax taxpayers owe. If the credit exceeds the amount of taxes due, the IRS provides a refund payment to those who qualify. The IRS estimates that for FY 2026, 32.2 percent ($22.7 billion) of the total EITC payments of $70.6 billion were improper. For the AOTC, the IRS estimates that for FY 2026, 33.8 percent ($1.7 billion) of the total payments of $4.9 billion were improper. For the ACTC, the IRS estimates that for FY 2026, 15.6 percent ($5.4 billion) of the total payments of $34.3 billion were improper. For net PTC, the IRS estimates that for FY 2026, 33.3 percent ($1.0 billion) of the total payments of $3.0 billion were improper. The IRS has a robust enforcement program for its refundable tax credits, which consists of examinations, math error notices, and document matching.

We are reporting improper payment estimates for these four refundable tax credits in accordance with OMB Circular A-123, Appendix C. However, it is our position that refundable tax credits are more appropriately addressed in the Tax Gap (see Part 3, Section B: *Tax Gap and Tax Burden*, of this report), which is how we manage noncompliance.

Certain COVID-19 pandemic relief programs were determined to be susceptible to significant improper payments. Because of their short-term nature, we did not report estimates of improper payments for these programs. However, these programs continue to conduct risk assessments in accordance with OMB guidelines. In addition, we are actively identifying and attempting to recover those payments deemed to be improper under these programs.

Additional information on refundable tax credits, COVID-19 pandemic relief programs, and improper payment reporting can be found in Part 3, Section D: *Payment Integrity*.

Payment Recapture Audits

The PIIA requires agencies to conduct payment recapture audits (also known as recovery audits) for each program and activity that expends $1 million or more annually, if conducting such audits would be cost-effective. We performed the payment recapture activities in accordance with OMB Circular A-123, Appendix C. Details on our improper payments and recoveries can be found at https://paymentaccuracy.gov/.



PART 2:

FINANCIAL SECTION

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MESSAGE FROM THE ASSISTANT SECRETARY FOR MANAGEMENT AND DEPUTY CHIEF FINANCIAL OFFICER

In fiscal year 2026, Treasury continued to advance the Administration's priorities by strengthening fiscal stewardship, improving operational efficiency, and ensuring the Department delivers results for the American people. Building on the reforms initiated in fiscal year 2025, we focused on translating those efforts into measurable improvements - reducing unnecessary spending, streamlining government operations, modernizing systems, and strengthening accountability for taxpayer dollars. Through disciplined management and a continued focus on results, Treasury worked to ensure that resources are aligned with mission priorities and that our operations are more efficient, effective, and responsive.



Kevin Hennecken
Assistant Secretary
for Management



Carole Y. Banks
Deputy Chief Financial
Officer

Throughout the year, we made meaningful progress in modernizing Treasury's management practices, strengthening financial oversight, and improving how we deliver essential services. We advanced efforts to eliminate duplicative processes, leverage technology and data to inform decision-making, and strengthen oversight of contracts, spending, and other Departmental resources. These initiatives reflect our commitment to building a more agile, accountable, and results-oriented Department capable of meeting the nation's evolving economic and financial challenges.

Our commitment to sound financial management remains a cornerstone of these efforts. In fiscal year 2026, Treasury continued its long-standing record of financial accountability, receiving an unmodified audit opinion on our consolidated financial statements for the 27th consecutive year. This achievement reflects our commitment to transparency, strong internal controls, and responsible stewardship of public resources. While opportunities remain to strengthen financial systems and address deficiencies, we are committed to making sustained progress.

Looking ahead, we will continue to build on the reforms of the past two years, driving greater efficiency, strengthening accountability, and ensuring that every taxpayer dollar is managed responsibly and delivers maximum value to the American people.

Kevin Hennecken
Assistant Secretary for Management
November 16, 2026

Carole Y. Banks
Deputy Chief Financial Officer
November 16, 2026

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INSPECTOR GENERAL'S TRANSMITTAL LETTER

OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D. C. 20220

November 16, 2026

INFORMATION MEMORANDUM FOR SECRETARY BESSENT

FROM: Loren J. Sciurba /s/
Deputy Inspector General

SUBJECT: Audit of the Department of the Treasury's Consolidated Financial Statements for Fiscal Years 2026 and 2025

INTRODUCTION

The Chief Financial Officer's Act, as amended, requires the Department of the Treasury's (Treasury) Inspector General or an independent auditor, as determined by the Inspector General, to audit Treasury's consolidated financial statements. We contracted with the certified independent public accounting firm KPMG LLP (KPMG) to audit the consolidated financial statements of Treasury as of September 30, 2026 and 2025, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*.

RESULTS OF INDEPENDENT AUDIT

In its audit of Treasury, KPMG reported

- the consolidated financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- a significant deficiency in internal control over financial reporting at the Internal Revenue Service representing a significant deficiency for Treasury as a whole;
- noncompliance with certain requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA) related to federal financial management systems requirements; and
- no instances of reportable noncompliance with laws, regulations, contracts and grant agreements tested.

EVALUATION OF AUDITORS' PERFORMANCE

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Treasury's consolidated financial statements; conclusions about the effectiveness of internal control; whether Treasury's financial management systems substantially complied with FFMIA; and compliance with laws, regulations, contracts, and grant agreements. KPMG is responsible for the attached auditor's report dated November 16, 2026, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

I appreciate the courtesy and cooperation extended to KPMG and my staff during the audit. If you wish to discuss this report, please contact me at (202) 927-5869 or Pauletta Battle, Assistant Inspector General for Audit, at (202) 927-5400.

Attachment

cc: Kevin P. Hennecken
Assistant Secretary for Management

Carole Y. Banks
Deputy Chief Financial Officer

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Deputy Inspector General
Department of the Treasury

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Department of the Treasury (Department), which comprise the consolidated balance sheets as of September 30, 2026 and 2025, and the related consolidated statements of net cost, changes in net position, custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audits and the reports of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2026, and 2025, and its net cost, changes in net position, custodial activity and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the Internal Revenue Service (IRS), a component entity of the Department, which statements reflect total assets constituting 0.21 percent and 0.33 percent, respectively, of the Department's consolidated total assets at September 30, 2026 and 2025; net costs of operations constituting 37.06 percent and 18.82 percent, respectively, of the Department's consolidated net costs of operations for the years then ended; budgetary resources constituting 1.40 percent and 2.64 percent, respectively, of the Department's combined budgetary resources for the years then ended; and custodial revenue constituting 99.30 percent and 99.37 percent, respectively, of the Department's total custodial revenue for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for IRS, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 11, the Department is a participant in transactions with certain entities as part of significant legislation whose purpose is to assist in stabilizing the financial markets. Also as discussed in Note 1AB, the U.S. government's interventions with regards to these entities are not expected to be permanent. Furthermore, as discussed in Notes 1V and 11, the value of certain investments and commitments is based on estimates. These estimates are inherently subject to substantial uncertainty arising from the likelihood of future

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changes in general economic, regulatory, and market conditions. As such, there will likely be differences between the estimated value of these investments and commitments as of September 30, 2026 and 2025, and the amounts that may ultimately be realized from these investments or may be required to settle these commitments. Such differences may be material and will also affect the ultimate cost of these programs. Our opinion is not modified with respect to these matters.

Other Matter - Interactive Data

Management has elected to reference information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We, and the other auditors, have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our, and the other auditors' inquiries, the basic consolidated financial statements, and other knowledge we, and the other auditors obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Table of Contents, Message from the Secretary of the Treasury, the Message from the Assistant Secretary for Management and Deputy Chief Financial Officer, and Part 3: Other Information but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2026, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We, and the other auditors, did not test all internal controls relevant to operating objectives as broadly defined by *the Federal Managers' Financial Integrity Act of 1982.*

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial

statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. The other auditors identified certain deficiencies in internal control, described below, that we and the other auditors consider to be a significant deficiency.

Significant Deficiency in Internal Control Over Financial Reporting at the Internal Revenue Service

IRS continued to take steps to improve internal control over financial reporting to ensure reliable and timely financial information is obtained, maintained, and reported in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. However, the other auditors reported a significant deficiency in internal control over unpaid assessments that we considered a significant deficiency at the Department level.

During fiscal year 2026, the systems IRS used to account for federal taxes receivable and other unpaid assessment balances continued to have limitations. Because of these limitations, IRS's systems were unable to provide the timely, reliable, and complete transaction-level financial information necessary to enable IRS to appropriately classify and report unpaid assessment balances. As in prior years, IRS used a manually driven statistical estimation process to compensate for the effects of its system limitations and other deficiencies on a material portion of its federal taxes receivable balance to help ensure that this balance was free from material misstatement. During fiscal year 2026, IRS recorded summary-level adjustments totaling about $29.8 billion to correct the effects of continued classification errors in its underlying data that it identified during its estimation process.

While using this process to determine a material portion of taxes receivable has enabled IRS to produce reliable related balances for year-end reporting, it does not provide IRS management with readily available, reliable unpaid assessment information daily throughout the year for effectively managing unpaid assessment balances.

Recommendation

The other auditors separately provided IRS management with a report detailing the conditions identified and their recommendations to address the above significant deficiency. We recommend that the Assistant Secretary for Management (ASM) and Deputy Chief Financial Officer (DCFO) ensure that IRS implements corrective actions to resolve the significant deficiency at IRS.

Report on Compliance and Other Matters

This report includes our consideration of the results of the other auditors' testing of compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2026 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors' disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

We also performed tests of the Department's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed an instance described below, in which the Department's financial management systems did not substantially comply with the federal financial management systems requirements. The results of our tests and those of the other auditors disclosed no instances in which the Department's financial management systems did not substantially comply with the applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level.

Noncompliance with Federal Financial Management Improvement Act of 1996

As a result of the deficiency that we and the other auditors consider to be a significant deficiency in internal controls over unpaid assessments, the Department's financial management systems did not substantially comply with the federal financial management systems requirements. Specifically, the IRS did not consistently design, implement, and operate information system controls in accordance with the federal financial management system requirements.

Recommendation

The other auditors separately provided IRS management with recommendations to address the above noncompliance with the federal financial management system requirements. We recommend that the ASM and DCFO ensure that IRS develop and implement remediation plans outlining actions to be taken to resolve the noncompliance with the federal financial management system requirements and the resources and responsible organizational units for such planned actions.

Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described previously. The Department's response to the findings is included in a separate letter immediately following this report. The Department's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 16, 2026

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MANAGEMENT'S RESPONSE TO INDEPENDENT AUDITORS' REPORT

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

November 16, 2026

KPMG LLP
1801 K Street, NW
Washington, DC 20006

To Whom This May Concern:

On behalf of Secretary Bessent, we are responding to your audit report on the Department of the Treasury's fiscal year 2026 consolidated financial statements. Our bureaus and program offices are proud of the Department's success in achieving an unmodified audit opinion on the Department's financial statements for the 27th consecutive year.

The high level of professionalism, technical expertise, and integrity demonstrated by KPMG LLP in conducting this year's audit contributed greatly to Treasury's successful fiscal year 2026 results. We also appreciate the expertise and commitment demonstrated by the other organizations involved in the audit process - the Office of Inspector General, Government Accountability Office, and the firms that audited several of our bureaus.

We acknowledge the one significant deficiency pertaining to unpaid assessments at the IRS, concur with your recommendations, and will maintain our focus on necessary corrective actions to address these issues.

We are very proud of our progress and remain committed to ensuring high standards of integrity and transparency in reporting our financial performance.

Kevin Hennecken
Assistant Secretary for Management

Carole Y. Banks
Deputy Chief Financial Officer

Consolidated Balance Sheets
As of September 30, 2026 and 2025

(in millions)	2026	2025
ASSETS		
Intra-Governmental		
Fund Balance (Note 2)	$ **502,729**	$ 504,700
Loans Receivable:		
Loans and Interest Receivable (Note 3)	**2,277,576**	2,204,079
Advances to Trust Funds (Note 3)	**17,381**	24,291
Other Assets:		
Due From the General Fund (Note 4)	**40,006,922**	37,664,208
Other (Note 15)	**2,929**	2,068
Total Intra-Governmental	**42,807,537**	40,399,346
Other Than Intra-Governmental		
Cash and Other Monetary Assets:		
Cash, Foreign Currency, and Other Monetary Assets (Note 5)	**1,143,808**	1,062,592
Gold and Silver Reserves (Note 6)	**11,062**	11,062
Reserve Position in the International Monetary Fund (Note 7)	**31,445**	30,368
Accounts Receivable, Net:		
Taxes, Interest, and Other Receivables, Net (Note 8)	**63,186**	93,899
Loans Receivable, Net:		
Credit Program Receivables, Net (Note 9)	**16,700**	8,190
Loans and Interest Receivable, Net (Note 9)	**7,674**	10,811
Advances and Prepayments (Note 10)	**13,936**	38,979
Investments in Government Sponsored Enterprises (GSEs) (Note 11)	**405,320**	374,460
Other Investments:		
Investments in Multilateral Development Banks (Note 12)	**9,729**	9,510
Other Investments, Net (Note 13)	**14,291**	9,390
Property, Plant, and Equipment, Net (Note 14)	**4,705**	5,349
Other Assets (Note 15)	**4,016**	4,009
Total Other Than Intra-Governmental	**1,725,872**	1,658,619
Total Assets	$ **44,533,409**	$ 42,057,965
Land and Heritage Assets (Note 14)		

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets
As of September 30, 2026 and 2025

(in millions)	2026	2025
LIABILITIES		
Intra-Governmental		
Federal Debt and Interest Payable:		
Federal Debt and Interest Payable (Notes 4 and 16)	$ **7,489,633**	$ 7,309,752
Other Federal Debt and Interest Payable (Note 17)	**3,613**	4,117
Other Liabilities:		
Due To the General Fund (Note 4)	**3,791,416**	3,609,962
Other (Note 19)	**1,816**	1,699
Total Intra-Governmental	**11,286,478**	10,925,530
Other Than Intra-Governmental		
Federal Debt and Interest Payable (Notes 4 and 16)	**32,467,187**	30,311,830
Accounts Payable:		
Refunds Payable (Note 4)	**8,507**	4,244
Other Payables	**2,152**	2,096
Other Liabilities:		
Special Drawing Right Certificates Issued to the Federal Reserve (Note 5)	**15,200**	15,200
Allocation of Special Drawing Rights (Note 5)	**156,183**	157,472
Gold Certificates Issued to the Federal Reserve Banks (Note 6)	**11,037**	11,037
D.C. Federal Pension and Judicial Retirement Actuarial Liability (Note 18)	**7,711**	8,214
Other (Note 19)	**13,523**	13,541
Total Other Than Intra-Governmental	**32,681,500**	30,523,634
Total Liabilities (Note 19)	**43,967,978**	41,449,164
Commitments and Contingencies (Note 27)		
NET POSITION		
Unexpended Appropriations		
Funds from Dedicated Collections (Note 24)	**200**	200
Funds from Other than Dedicated Collections	**474,807**	519,209
Total Unexpended Appropriations	**475,007**	519,409
Cumulative Results of Operations		
Funds from Dedicated Collections (Note 24)	**58,825**	58,657
Funds from Other than Dedicated Collections	**31,599**	30,735
Total Cumulative Results of Operations	**90,424**	89,392
Total Net Position (Note 20)	**565,431**	608,801
Total Liabilities and Net Position	$ **44,533,409**	$ 42,057,965

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2026 and 2025

(in millions)	2026	2025
COST OF TREASURY OPERATIONS:		
Economic Program		
Gross Cost	**$ 51,802**	$ 112,072
Less Earned Revenue	**(21,224)**	(28,337)
Net Program Cost	**30,578**	83,735
Financial Program		
Gross Cost	**27,403**	30,166
Less Earned Revenue	**(17,012)**	(15,336)
Net Program Cost	**10,391**	14,830
Security Program		
Gross Cost	**617**	616
Less Earned Revenue	**(14)**	(11)
Net Program Cost	**603**	605
Total Program Gross Costs	**79,822**	142,854
Total Program Earned Revenues	**(38,250)**	(43,684)
Total Net Cost of Treasury Operations (Note 21)	**41,572**	99,170
NON-ENTITY COSTS:		
Federal Debt Interest	**1,356,426**	1,217,588
Restoration of Foregone Federal Debt Interest (Note 16)	**(193)**	5,048
Less Interest Revenue from Loans	**(62,606)**	(57,922)
Federal Debt Interest Costs, Net	**1,293,627**	1,164,714
Other Federal Costs, Net (Note 21)	**17,714**	18,715
GSEs Non-Entity Revenue, Net (Note 11)	**(30,860)**	(68,660)
Federal Debt Buyback Gain (Note 16)	**(19,715)**	(13,573)
Other, Net	**(1,321)**	(1,353)
Total Net Non-Entity Costs	**1,259,445**	1,099,843
Total Net Cost of Treasury Operations and Non-Entity Costs	**$ 1,301,017**	$ 1,199,013

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2026

(in millions)	Consolidated Funds from Dedicated Collections	Consolidated Funds from Other than Dedicated Collections	Eliminations	2026 Total
UNEXPENDED APPROPRIATIONS (Notes 20 and 24)				
Beginning Balance	$ 200	$ 519,209	$ -	$ 519,409
Appropriations Received	-	1,377,899	-	1,377,899
Appropriations Transferred In	49	(49)	-	-
Other Adjustments	-	(17,392)	-	(17,392)
Appropriations Used	(49)	(1,404,860)	-	(1,404,909)
Net Change in Unexpended Appropriations	-	(44,402)	-	(44,402)
Total Unexpended Appropriations	200	474,807	-	475,007
CUMULATIVE RESULTS OF OPERATIONS (Notes 20 and 24)				
Beginning Balance	58,657	30,735	-	89,392
Changes in Accounting Principles (Note 1)	(11)	(1)	-	(12)
Beginning Balance, as Adjusted	58,646	30,734	-	89,380
Appropriations Used	49	1,404,860	-	1,404,909
Non-Exchange Revenue	1,063	11	(378)	696
Donations and Forfeitures of Cash/Equivalent	(142)	-	-	(142)
Transfers In/(Out) Without Reimbursement	(1,728)	1,182	-	(546)
Donation/Forfeiture of Property	(188)	-	-	(188)
Accrued Interest and Discount on Debt	-	22,015	-	22,015
Imputed Financing Sources (Note 21)	118	1,170	(9)	1,279
Transfers to the General Fund and Other	1,004	(126,966)	-	(125,962)
Net Cost of Treasury Operations and Non-Entity Costs	3	(1,301,407)	387	(1,301,017)
Net Change in Cumulative Results of Operations	179	865	-	1,044
Total Cumulative Results of Operations	58,825	31,599	-	90,424
Net Position	$ 59,025	$ 506,406	$ -	$ 565,431

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2025

(in millions)	Consolidated Funds from Dedicated Collections	Consolidated Funds from Other than Dedicated Collections	Eliminations	2025 Total
UNEXPENDED APPROPRIATIONS (Notes 20 and 24)				
Beginning Balance	$ 200	$ 637,911	$ -	$ 638,111
Appropriations Received	-	1,245,183	-	1,245,183
Appropriations Transferred In	-	90	-	90
Other Adjustments	-	(36,476)	-	(36,476)
Appropriations Used	-	(1,327,499)	-	(1,327,499)
Net Change in Unexpended Appropriations	-	(118,702)	-	(118,702)
Total Unexpended Appropriations	200	519,209	-	519,409
CUMULATIVE RESULTS OF OPERATIONS (Notes 20 and 24)				
Beginning Balance	53,316	29,575	-	82,891
Appropriations Used	-	1,327,499	-	1,327,499
Non-Exchange Revenue	1,865	-	(409)	1,456
Donations and Forfeitures of Cash/Equivalent	1,375	-	-	1,375
Transfers In/(Out) Without Reimbursement	(1,494)	1,726	-	232
Donation/Forfeiture of Property	993	-	-	993
Accrued Interest and Discount on Debt	-	22,866	-	22,866
Imputed Financing Sources (Note 21)	166	1,642	-	1,808
Transfers to the General Fund and Other	1,117	(151,832)	-	(150,715)
Net Cost of Treasury Operations and Non-Entity Costs	1,319	(1,200,741)	409	(1,199,013)
Net Change in Cumulative Results of Operations	5,341	1,160	-	6,501
Total Cumulative Results of Operations	58,657	30,735	-	89,392
Net Position	$ 58,857	$ 549,944	$ -	$ 608,801

The accompanying notes are an integral part of these financial statements.

Combined Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2026

(in millions)	Budgetary	Non-Budgetary Financing	2026 Total
BUDGETARY RESOURCES			
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 22)	$ **353,156**	$ **151**	$ **353,307**
Appropriations (discretionary and mandatory) (Note 20)	**1,387,966**	**-**	**1,387,966**
Borrowing authority (discretionary and mandatory)	**1,140**	**436**	**1,576**
Spending authority from offsetting collections (discretionary and mandatory)	**15,611**	**555**	**16,166**
Total Budgetary Resources	$ **1,757,873**	$ **1,142**	$ **1,759,015**
STATUS OF BUDGETARY RESOURCES			
New obligations and upward adjustments	$ **1,418,379**	$ **926**	$ **1,419,305**
Unobligated balance, end of year:			
Apportioned, unexpired accounts	**278,886**	**157**	**279,043**
Exempt from apportionment, unexpired accounts	**2,176**	**-**	**2,176**
Unapportioned, unexpired accounts	**57,696**	**59**	**57,755**
Unexpired unobligated balance, end of year	**338,758**	**216**	**338,974**
Expired unobligated balance, end of year	**736**	**-**	**736**
Unobligated balance, end of year	**339,494**	**216**	**339,710**
Total Status of Budgetary Resources	$ **1,757,873**	$ **1,142**	$ **1,759,015**
OUTLAYS, NET, AND DISBURSEMENTS, NET			
Outlays, net (discretionary and mandatory)	$ **1,404,320**	$ **-**	$ **1,404,320**
Distributed offsetting receipts	**(86,879)**	**-**	**(86,879)**
Agency Outlays, Net (Discretionary and Mandatory)	$ **1,317,441**	$ **-**	$ **1,317,441**
Disbursements, net (mandatory)		$ **6,246**	$ **6,246**

The accompanying notes are an integral part of these financial statements.

Combined Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2025

(in millions)	Budgetary	Non-Budgetary Financing	2025 Total
BUDGETARY RESOURCES			
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 22)	$ 379,980	$ 361	$ 380,341
Appropriations (discretionary and mandatory) (Note 20)	1,244,529	-	1,244,529
Borrowing authority (discretionary and mandatory)	-	228	228
Spending authority from offsetting collections (discretionary and mandatory)	17,887	326	18,213
Total Budgetary Resources	$ 1,642,396	$ 915	$ 1,643,311
STATUS OF BUDGETARY RESOURCES			
New obligations and upward adjustments	$ 1,290,413	$ 718	$ 1,291,131
Unobligated balance, end of year:			
Apportioned, unexpired accounts	290,533	130	290,663
Exempt from apportionment, unexpired accounts	2,032	-	2,032
Unapportioned, unexpired accounts	57,979	67	58,046
Unexpired unobligated balance, end of year	350,544	197	350,741
Expired unobligated balance, end of year	1,439	-	1,439
Unobligated balance, end of year	351,983	197	352,180
Total Status of Budgetary Resources	$ 1,642,396	$ 915	$ 1,643,311
OUTLAYS, NET, AND DISBURSEMENTS, NET			
Outlays, net (discretionary and mandatory)	$ 1,269,810	$ -	$ 1,269,810
Distributed offsetting receipts	(79,044)	-	(79,044)
Agency Outlays, Net (Discretionary and Mandatory)	$ 1,190,766	$ -	$ 1,190,766
Disbursements, net (mandatory)		$ 2,762	$ 2,762

The accompanying notes are an integral part of these financial statements.

Statements of Custodial Activity
For the Fiscal Years Ended September 30, 2026 and 2025

(in millions)	2026	2025
SOURCES OF CUSTODIAL REVENUE (Note 23)		
Individual Income and FICA Taxes	$ 4,964,543	$ 4,688,785
Corporate Income Taxes	442,931	486,384
Estate and Gift Taxes	40,032	31,111
Excise Taxes	103,364	106,000
Railroad Retirement Taxes	7,353	7,258
Unemployment Taxes	8,588	8,777
Deposit of Earnings, Federal Reserve System	10,480	5,490
Fines, Penalties, Interest and Other Revenue	10,643	10,580
Total Revenue Received	**5,587,934**	5,344,385
Less Refunds and Other Payments	(670,815)	(639,571)
Net Revenue Received	**4,917,119**	4,704,814
Non-Cash Accrual Adjustment	(34,781)	(48,151)
Total Custodial Revenue	**4,882,338**	4,656,663
DISPOSITION OF CUSTODIAL REVENUE (Note 23)		
Amounts Provided to Fund Non-Federal Entities	412	400
Amounts Provided to Fund the Federal Government	4,916,707	4,704,414
Non-Cash Accrual Adjustment	(34,781)	(48,151)
Total Disposition of Custodial Revenue	**4,882,338**	4,656,663
Custodial Revenue Less Disposition of Collections	$ -	$ -

The accompanying notes are an integral part of these financial statements.

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1. Summary of Significant Accounting Policies

A. Reporting Entity

The accompanying financial statements include the operations of the Department of the Treasury, one of 24 Chief Financial Officers (CFO) Act agencies of the Executive Branch of the United States (U.S.) government, and certain custodial activities the Department manages on behalf of the entire U.S. government. Except where the content clearly indicates otherwise, the use of the terms "Department," "Treasury," "we," "us," or "our" refers to the Department of the Treasury, including its Departmental Offices (DO) and operating bureaus, which are further discussed below. The following paragraphs describe the activities of the reporting entity.

We were established by an Act of Congress approved on September 2, 1789. Many subsequent acts affected our development, delegating new duties to our charge and establishing the numerous bureaus and divisions that now comprise the Department. As a major policy advisor to the President, the Secretary of the Treasury (Secretary) has primary responsibility for formulating and managing the domestic and international tax and financial policies of the U.S. government.

Further, the Secretary is responsible for recommending and implementing U.S. domestic and international economic and fiscal policy; governing the fiscal operations of the U.S. government; maintaining foreign assets control; managing the federal debt; collecting income and excise taxes; representing the U.S. on international monetary, trade, and investment issues; overseeing our overseas operations; and directing the manufacture of coins, currency, and other products for customer agencies and the public.

Our reporting entities include DO and seven operating bureaus. For financial reporting purposes, DO is composed of: Community Development Financial Institutions (CDFI) Fund, Office of D.C. Pensions (ODCP), Exchange Stabilization Fund (ESF), Federal Financing Bank (FFB), Government Sponsored Enterprises (GSEs) Program, International Assistance Programs (IAP), Office of Capital Access (OCA), Office of Financial Research (OFR), Office of Inspector General (OIG), Small Business Lending Fund (SBLF), Treasury Executive Office of Asset Forfeiture (TEOAF), Treasury Inspector General for Tax Administration (TIGTA), and the DO policy offices.

Our seven operating bureaus are: Bureau of Engraving and Printing (BEP), Bureau of the Fiscal Service (BFS), Financial Crimes Enforcement Network (FinCEN), Internal Revenue Service (IRS), U.S. Mint (Mint), Office of the Comptroller of the Currency (OCC), and Alcohol and Tobacco Tax and Trade Bureau (TTB). Our consolidated financial statements reflect the reporting of our entity activities, comprising both our operating bureaus and DO. This includes appropriations received to conduct our operations and revenue generated from those operations. They also reflect the reporting of certain non-entity (custodial) functions we perform on behalf of the U.S. government and others. Non-entity activities include collecting certain federal revenue, servicing the federal debt, disbursing certain federal funds, and maintaining certain assets and liabilities for the U.S. government (refer to Notes 4 and 15), as well as for other federal entities. Our reporting entity does not include the General Fund of the U.S. Government (General Fund), which maintains receipt, disbursement, and appropriation accounts for all federal agencies.

Following U.S. Generally Accepted Accounting Principles (GAAP) for federal entities, we do not consolidate into our financial statements the assets, liabilities, or results of operations of any financial organization or commercial entity in which we hold either a direct or indirect majority equity investment, unless they meet the criteria for consolidation as described in Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*. We have determined that none of our significant equity investments meet such criteria for consolidation. SFFAS 47 also provides criteria for reporting "disclosure

entities" and "related party" relationships of such significance that it would be misleading to exclude information about them (refer to the accounting policy below entitled "*Disclosure Entities and Related Parties*").

B. Basis of Accounting and Presentation

The financial statements have been prepared from our accounting records in conformity with GAAP, and Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements,* as revised. Accounting principles generally accepted for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants recognizes FASAB as the official accounting standards-setting body for the U.S. government. Certain presentations and disclosures may be modified, if needed, to prevent the disclosure of classified information.

These financial statements consist of the Consolidated Balance Sheets, the Consolidated Statements of Net Cost, the Consolidated Statements of Changes in Net Position, the Combined Statements of Budgetary Resources, and the Statements of Custodial Activity. The statements and the related notes are prepared in a comparative form to present both fiscal year (FY) 2026 and 2025 information.

We have eliminated transactions and balances among our entities from the Consolidated Balance Sheets, Consolidated Statements of Net Cost, and Consolidated Statements of Changes in Net Position. We present the Statements of Budgetary Resources on a combined basis; therefore, intra-departmental transactions and balances have not been eliminated from these statements.

While these financial statements have been prepared from our accounting records primarily in accordance with the formats prescribed by OMB, these financial statements are in addition to the financial reports we use to monitor and control budgetary resources, which are prepared from the same accounting records.

Intra-governmental assets and liabilities are those due from or to other federal entities. Intra-governmental earned revenues are collections or accruals of revenue from other federal entities, and intra-governmental costs are payments or accruals of expenditures to other federal entities.

The financial statements should be read with the recognition that we are a component of the U.S. government, a sovereign entity and, accordingly, our liabilities not covered by budgetary resources cannot be liquidated without the legislative enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Liabilities represent the probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events. Liabilities covered by budgetary resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary resources represent amounts owed in excess of available, congressionally appropriated funds or other amounts, and there is no certainty that the appropriations will be enacted. Liabilities not requiring budgetary resources are liabilities that have not in the past required, nor will in the future, require budgetary resources, *e.g.*, liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and unearned revenue.

In connection with our adoption, effective October 1, 2023, of SFFAS 54, *Leases*, we also adopted the provisions of SFFAS 62, *Transitional Amendment to SFFAS 54*, pursuant to which we have elected the accommodation period through the fiscal year ending September 30, 2026, to prospectively apply the provisions of SFFAS 54 to lease components of new or modified contracts or agreements meeting the embedded lease eligibility criteria.

In connection with our adoption, effective October 1, 2025, of SFFAS 59, *Accounting and Reporting of Government Land*, we have written off the acquisition value of land held for operational use. This write-off resulted in a prior-period adjustment due to the change in accounting principle and is reflected on our Consolidated Statements of Changes in Net Position. In FY 2026, we also moved the disclosure of operational land held in FY 2025 from Required Supplementary Information to a disclosure within the footnotes in accordance with this standard (refer to Note 14).

We have reclassified certain FY 2025 activity and balances presented in the notes to the financial statements to conform to the presentation in FY 2026.

There are numerous acronyms used throughout the notes herein as well as other sections of this Agency Financial Report (AFR). Refer to the *"Glossary of Acronyms"* located in the Appendix of this report for a complete listing of these acronyms and their definitions.

C. Fund Balance

"*Fund Balance*" is the aggregate amount of our accounts with the U.S. government's central accounts from which we are authorized to make expenditures and pay liabilities. It is an asset because it represents our claim to the U.S. government's resources. "*Fund Balance*" is not equivalent to unexpended appropriations because it also includes non-appropriated revolving and enterprise funds, suspense accounts, and custodial funds such as deposit funds, special funds, and trust funds.

D. Loans Receivable – Intra-Governmental

Loans and Interest Receivable

Intra-governmental entity loans and interest receivable from other federal agencies represent the principal and related interest receivable on loans we issue through FFB. We do not record loan loss allowance for credit reform subsidy costs for loans purchased from federal agencies or for guaranteed loans made to non-federal borrowers because those agencies guarantee the outstanding balances (interest and principal).

Intra-governmental non-entity loans and interest receivable from other federal agencies represent the principal and related interest receivable on loans we issue, through the BFS. We act as an intermediary issuing these loans because the agencies receiving these loans lend these funds to third parties to carry out various programs of the U.S. government. Because of our intermediary role in issuing these loans, we do not record a loan loss allowance related to these non-entity intra-governmental loans. Instead, the ultimate lender, the federal agency that issued the loans to the public, recognizes loan loss allowances and subsidy costs. We accrue interest revenue on intra-governmental loans when earned.

Advances to the Unemployment Trust Fund

The General Fund issues advances to the Department of Labor's (DOL) Unemployment Trust Fund for states to pay unemployment benefits. The BFS accounts for the advances issued on behalf of the General Fund. As outlined in 42 United States Code (USC) 1323, *Repayable Advances to Federal Unemployment Account*, these advances bear an interest rate that is computed as the average interest rate as of the end of the calendar month preceding the issuance date of the advance for all interest-bearing obligations of the U.S. that form the public debt, to the nearest lower 1/8 of 1.0 percent. Interest on the advances is due on September 30 of each year. These advances are recorded within the "*Advances to Trust Funds*" line of the Consolidated Balance Sheets. DOL repays advances when the Secretary, in consultation with the Secretary of the DOL, determines that the balance in the Unemployment Trust Fund is adequate to allow repayment.

Advances to the Federal Supplementary Medical Insurance Trust Fund

The General Fund issues advances to the Department of Health and Human Services' (HHS) Federal Supplementary Medical Insurance Trust Fund to temporarily replace the reduction in Medicare Part B participants' premiums. The BFS accounts for the advances issued on behalf of the General Fund. As outlined in 42 USC 1395, *Prohibition Against Any Federal Interference*, these advances do not bear any interest. These advances are recorded within the "*Advances to Trust Funds*" line of the Consolidated Balance Sheets. HHS repays advances over time from amounts collected from certain participants' increase in premiums until the balance due reaches zero.

Advances to the Agricultural Disaster Relief Trust Fund

The General Fund issues advances to the U.S. Department of Agriculture's (USDA) Agricultural Disaster Relief Trust Fund to make payments to farmers and ranchers under disaster relief programs established in accordance with the *Food, Conservation, and Energy Act of 2008,* Public Law (P.L.) 110-246. The BFS accounts for the advances issued on behalf of the General Fund. As outlined in 19 USC 2497a, *Agricultural Disaster Relief Trust Fund*, interest on advances is at a rate determined by the Secretary to be equal to the current average market yield of comparable marketable obligations with similar maturity dates, compounded annually. These advances are recorded within the *"Advances to Trust Funds"* line of the Consolidated Balance Sheets.

E. Cash, Foreign Currency, and Other Monetary Assets

Substantially all our operating cash is non-entity government-wide cash held in depository institutions and Federal Reserve Bank (FRB) accounts. Agencies deposit funds that are submitted to them directly into either a Federal Reserve Treasury General Account (TGA) or a local TGA depositary. We transfer the balances in these TGA accounts into the Federal Reserve Bank of New York's (FRBNY) TGA throughout the day.

Operating cash of the U.S. government represents balances from tax collections, customs duties, other revenue, federal debt receipts, and other various receipts, net of cash outflows for budget outlays and other payments held in the FRBs and in foreign and domestic financial institutions. Outstanding checks net against operating cash until they clear the Federal Reserve System (FR System).

The FRBNY maintains the TGA, which functions as the U.S. government's checking account for deposits and disbursements of public funds. Cash in the TGA is restricted for government-wide operations. We manage our operating cash following a one-week prudent cash policy. Under this policy, we hold a cash level generally sufficient to cover one week of outflows in the TGA.

Foreign currency and Foreign Currency Denominated Assets (FCDAs) represent foreign deposit accounts and securities with original maturities of three months or less.

Special Drawing Rights (SDR) holdings comprise most of the other monetary assets (refer to the accounting policy below entitled "*Special Drawing Rights*").

F. Taxes, Interest, and Other Receivables, Net

We do not accrue federal taxes receivable, net, and the corresponding liability due to the General Fund, until the taxpayer files related tax returns, or the IRS makes assessments and either the taxpayer or the court agrees to them. Additionally,

prepayments are netted against tax liabilities. We make accruals to reflect penalties and interest on taxes receivable through the balance sheet date.

Taxes receivable consist of unpaid assessments (taxes and associated penalties and interest) due from taxpayers. The existence of a receivable is supported by a taxpayer agreement, such as filing of a tax return without sufficient payment, or a court ruling in favor of the IRS. We record an allowance for doubtful accounts to reflect an estimate of the portion of total taxes receivable deemed to be uncollectible. Taxes receivable also consist of unpaid taxes related to Internal Revenue Code (IRC) section 965, which requires taxpayers who are shareholders of certain specified foreign corporations to pay a transition tax on foreign earnings as if those earnings had been repatriated to the U.S. IRC 965(h) allows taxpayers to elect to pay their 965(h) tax on an eight-year installment schedule.

Compliance assessments are unpaid assessments that neither the taxpayer nor a court has affirmed the taxpayer owes to the U.S. government. Examples include assessments resulting from an IRS audit or examination in which the taxpayer does not agree with the results. Write-offs consist of unpaid assessments for which the IRS does not expect further collections due to factors such as taxpayers' bankruptcy, insolvency, or death. We do not report compliance assessments and write-offs on the balance sheet. Statutory provisions require the accounts to be maintained until the statute for collection expires.

G. Loans Receivable, Net – Other Than Intra-Governmental

Credit Program Receivables, Net

We account for all of our credit program receivables under the provisions of credit reform accounting pursuant to the *Federal Credit Reform Act* (FCRA). Credit programs include loans or equity securities associated with our CDFI Fund programs, state and local Housing Finance Agency (HFA) initiative programs, IAP programs, ESF programs, and SBLF program (refer to Note 9).

To account for our credit program receivables, we apply the accounting provisions of SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, as amended. SFFAS 2 requires measurement of the asset or liability at the net present value of the estimated future cash flows. The cash flow estimates for each credit program transaction reflect the actual structure of the instruments. For each of these instruments, we estimate cash inflows and outflows related to the program over the estimated term of the instrument. Further, each cash-flow estimate reflects the specific terms and conditions of the program, technical assumptions regarding the underlying assets, risk of default or other losses, and other factors as appropriate. The measurement of assets within these programs is primarily derived from inputs, which generally represent market data and, when such data is not available, management's best estimate of how a market participant would assess the asset's inherent risk.

The primary purpose of the FCRA is to measure the cost of federal credit programs, and to place the cost of such credit programs on a basis equivalent with other federal spending. FCRA requires that the ultimate costs of a credit program be calculated and the budgetary resources be obtained before incurring the direct loan obligations. To accomplish this, we first predict or estimate the future performance of direct and guaranteed loans when preparing our annual budget. We re-estimate the data we use for these budgetary estimates at the fiscal year-end to reflect changes in actual loan performance and actual interest rates in effect when the loans were issued. The re-estimated data reflect adjustments for market risks, asset performance, and other key variables and economic factors. We then use the re-estimated data to report the cost of the loans disbursed under the direct or guaranteed loan program as a program cost on our Consolidated Statements of Net Cost.

Cash flows associated with our credit programs generally include disbursements, repayments, repurchases, fees, recoveries, interest, dividends, proceeds from sales of instruments, borrowings from Treasury, negative subsidy, and the subsidy cost received from the program accounts. We draw security-level data and assumptions used as the basis for cash flow model forecasts and program performance from widely available market sources, as well as information published by investees. Key inputs and assumptions to the cash flow forecasts include, but are not limited to:

- security characteristics such as unpaid principal balance, coupon rate, weighted-average loan age, issued bond balance, credit rating, maturity date, sinking fund schedules, principal and interest payment schedules, and performance of underlying collateral;
- discount rate;
- observed market prices;
- department actions, as well as changes in legislation;
- forecast dividend payments, late payments, prepayment rates and default rates;
- forward interest rates;
- historical prepayments, market returns, interest rates, and protracted arrears;
- option adjusted spread;
- default and recovery reports from nationally recognized statistical rating organizations;
- modeled asset prices from third-party market sources; and
- forecast and historical Special Purpose Vehicles (SPVs) preferred equity repayments.

The recorded subsidy cost associated with each of our credit programs represents the difference between disbursed amounts and the net present value of future cash flows we anticipate receiving. The subsidy allowance, as initially established by the subsidy cost, takes into consideration projected repayments and defaults, and the projected cost of borrowings. We amortize the allowance to reflect the difference between projected and actual financing costs.

Our actions, as well as changes in legislation, may impact estimated future cash flows and related subsidy costs. We recognize the cost or cost savings of a modification in subsidy costs when the terms of a program are modified. Workouts are actions taken to maximize repayments of existing credit programs, and the expected effects on cash flows are included in the original estimate and re-estimates of the subsidy cost. Subsidy costs are also impacted by re-estimates, which may occur as a result of updates to the original program subsidy cost estimates to reflect actual cash flows experience, as well as changes in forecasts of estimated future cash flows associated with the credit program.

Loans and Interest Receivable, Net

Other than intra-governmental (or public) loans and interest receivable include a supplemental borrowing arrangement between the U.S. and the International Monetary Fund (IMF) (refer to Note 7). These loans are denominated in SDRs and recorded at the equivalent U.S. dollar amount (refer to the accounting policy below entitled "*Special Drawing Rights*"). We periodically adjust the value of these loans, due to fluctuations in the value of the U.S. dollar with respect to the SDR, to maintain the amount of these loans in dollar terms. We do not record a loan loss allowance for these loans as we do not anticipate any defaults on the repayment of these loans.

The Coronavirus Disease 2019 (COVID-19) notes and interest receivable represent the principal and related interest receivable on promissory notes received in connection with providing financial assistance to air carriers, cargo air carriers, and airline contractors to support ongoing employment of their aviation workers under the *Coronavirus Aid, Relief, and Economic Security Act*, P.L. 116-136 (CARES Act), *Consolidated Appropriations Act, 2021*, P.L. 116-260 (CAA), and *American*

Rescue Plan Act of 2021, P.L. 117-2 (ARP) (refer to Note 9). Interest revenue on the promissory notes is accrued as earned over the life of the notes. Certain notes include a Payment-In-Kind (PIK) option in which borrowers may elect to pay the interest in-kind, capitalizing the interest due to the principal amount of the note, instead of paying the interest in cash. We increase the principal balance of the note and reduce interest receivable by the amount of unpaid interest when borrowers make this PIK election. We report the non-entity receivable net of an allowance for loss, which reflects our best estimate of the amount of credit losses experienced within the existing portfolio of promissory notes, within the "*Loans and Interest Receivable, Net"* line of the Consolidated Balance Sheets.

H. Advances and Prepayments

We primarily issued advances to COVID-19 pandemic-related recovery financial assistance programs directed through state, local, territorial, and Tribal governments (refer to Note 10). These advances were issued as direct payments for specified use to cover the recipient's anticipated qualified incurred costs. These advances were initially recorded when disbursed within the "*Advances and Prepayments*" line of the Consolidated Balance Sheets and subsequently recognized as expense within the "*Economic Program*" costs on the Consolidated Statements of Net Cost as the qualified costs are incurred by the recipients.

I. Investments

Investments in GSEs

We hold senior preferred stock and warrants for the purchase of common stock of two GSEs: the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We present these non-federal investment holdings at their fair value—as measured by unobservable and observable inputs—on the Consolidated Balance Sheets (see the discussion below on *"Fair Value Measurement")*. We record changes in the valuation of these investments as non-entity exchange transactions on the Consolidated Statements of Net Cost. We also record dividends related to these investments as non-entity exchange transactions, which are accrued when declared.

The GSE Senior Preferred Stock Purchase Agreements (SPSPAs), which we entered into with each GSE when the GSEs were placed under conservatorship, require that we increase our investment in the GSEs' senior preferred stock if, at the end of any quarter, the Federal Housing Finance Agency (FHFA), acting as the conservator, determines that the liabilities of either GSE exceed its respective assets. Since funding to the GSEs to pay their excess liabilities is appropriated directly to us, we report such payments, as needed, as entity expenses within the "*Economic Program*" on the Consolidated Statements of Net Cost, and in the line item, "*Cumulative Results of Operations*," on the Consolidated Balance Sheets. These payments also result in an increase to the non-entity investment in the GSEs' senior preferred stock, with a corresponding increase to "*Due To the General Fund*," as we hold the investment on behalf of the General Fund.

The annual valuation as of September 30 of the senior preferred stock and warrants incorporates various forecasts, projections, and cash flow analyses to develop an estimate of the assets' fair value. We estimate the value of the senior preferred stock by first estimating the fair value of the total equity of each GSE (which, in addition to the senior preferred stock, is comprised of other equity instruments including common stock, common stock warrants, and junior preferred stock). We base the fair value of the total equity on a discounted cash flow valuation methodology, whereby the primary input is the present value of the projected cash flows to equity holders. The fair value of the GSEs' other equity instruments is then deducted from its total equity, with the remainder representing the fair value of the senior preferred stock. The primary input into the warrants valuation is the market value of the shares of common stock of the GSEs which, along with the junior preferred stock, are traded on the over-the-counter (OTC) market. We evaluate the need for adjusting our OTC

market-based valuation of the warrants for the effects, if any, of significant events occurring after the close of the market but before the end of the measurement date (refer to Note 11).

Investments in Multilateral Development Banks

On behalf of the U.S., we invest in Multilateral Development Banks (MDBs) to support poverty reduction, private sector development, transitions to market economies, and increase economic growth and development, thereby advancing U.S. economic, political, and commercial interests abroad. As a participating member country, we provide a portion of the capital base of the MDBs, through subscriptions to capital, which allows the MDBs to issue loans at market-based rates to middle-income developing countries. These paid-in capital investments are non-marketable equity investments valued at cost on our Consolidated Balance Sheets.

In addition, on behalf of the U.S., we contribute funding to MDBs to finance grants and extend credit to poor countries at below market-based interest rates. We report these U.S. contributions, also referred to as "concessional window" contributions, as an expense within the "*Economic Program*" on our Consolidated Statements of Net Cost.

Other Investments, Net

In connection with our Emergency Capital Investment Program established pursuant to the FY 2021 enactment of the CAA, we hold preferred stock and subordinated debt we received in exchange for our capital disbursed to low- and moderate-income community financial institutions to augment their efforts to support small businesses and consumers in their communities (refer to Note 13). We present these non-federal investment holdings on the Consolidated Balance Sheets at their fair value (see the discussion below on "*Fair Value Measurement*"), and record changes in the valuation of these investments as entity exchange transactions on the Consolidated Statements of Net Cost. We recognize preferred stock dividend income when declared and interest income on subordinated debt when earned.

The annual valuation as of September 30 of the preferred stock and subordinated debt incorporates various forecasts, projections, and cash flow analyses to develop an estimate of the assets' fair value. We estimate the fair value of our preferred stock and subordinated debt based on a discounted cash flow valuation methodology which calculates the present value of the projected annual cash flows associated with these investments. The primary input into our preferred stock is dividend rates; our subordinated debt primarily incorporates interest rates and percentage of deferred interest payments (interest deferral rates). Both our preferred stock and subordinated debt inputs include redemption rates, ratios of deep impact and qualified lending to total lending, likelihood of disposition, issuer credit scores, and market yield discount rates.

The ESF holds most of our foreign currency investments (refer to Note 13). We present the ESF's foreign currency denominated assets and investment securities at fair value (see the discussion below on *"Fair Value Measurement")*. These holdings are normally invested in interest-bearing securities issued or held through foreign governments or monetary authorities. We recognize interest on investments, amortization of premiums, and accretion of discounts on an accrual basis, and amortize or accrete premiums and discounts over the life of the related investment security as an adjustment to yield using the effective interest method.

Pursuant to the CARES Act enacted in FY 2020 in response to the COVID-19 pandemic, as of September 30, 2026, we held a preferred equity investment in an SPV the Board of Governors of the Federal Reserve System (Federal Reserve Board or Board) established through the Federal Reserve Bank of Boston (FRBB) to enhance the liquidity of the U.S. financial system (refer to Note 13). We present this non-federal investment holding on the Consolidated Balance Sheets at fair value (see the

discussion below on *"Fair Value Measurement"),* and record changes in the valuation of this investment as an entity exchange transaction on the Consolidated Statements of Net Cost.

The annual valuation of this investment as of September 30 incorporates various forecasts, projections and cash flow analyses to develop an estimate of the assets' fair value. We estimate the fair value of our SPV preferred equity investment based on a discounted cash flow valuation methodology which calculates the present value of the projected annual cash flows associated with this investment.

Fair Value Measurement

Fair value is a market-based measurement. For certain assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information may not be available. However, the objective of a fair value measurement in both cases is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability between market participants at the measurement date occurs under current market conditions.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes relevant observable inputs and minimizes unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

The measurement of fair value of an asset or a liability is categorized with different levels of fair value hierarchy as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2—Inputs other than quoted prices included within Level 1 inputs that are observable for the asset or liability, either directly or indirectly.
- Level 3—Unobservable inputs for the asset or liability.

The inputs or methodology we use for valuing assets and liabilities are not necessarily indicative of the risks associated with those assets and liabilities.

J. Property, Plant, and Equipment, Net

Property, plant, and equipment (PP&E) is composed of capital assets used in providing goods or services. It also includes assets acquired through leases, which are initially recorded at the amount recognized as a liability for the capitalized lease asset at its inception. PP&E is stated at full cost, including costs related to acquisition, delivery, and installation, less accumulated depreciation and amortization. We capitalize major alterations and renovations, including leasehold and land improvements, while we charge maintenance and repair costs to expense as incurred. We record costs for construction projects as construction-in-progress until completed and value the costs at actual (direct) cost plus applied overhead and other indirect costs.

Internal-use software encompasses software design, development, and testing of projects adding significant new functionality and long-term benefits. We accumulate costs for developing internal-use software in work-in-development until we place a project into service and we successfully complete testing and final acceptances. Once completed, we transfer the costs to depreciable property.

We lease land and buildings from the General Services Administration (GSA) to conduct most of our operations. We have no material GSA leases. GSA charges a standard level user fee, which approximates commercial rental rates for similar properties.

Our bureaus vary in size and operating environment. Accordingly, our capitalization policy provides minimum capitalization thresholds that vary by asset category. Except for the IRS-specific thresholds noted below, minimum capitalization thresholds generally range from $25,000 to $75,000 for property categories other than internal-use software and right-to-use lease assets. Minimum capitalization thresholds for internal-use software generally range from $25,000 to $375,000, while thresholds for right-to-use lease assets generally range from $50,000 to $1.7 million. We also apply capitalization thresholds for bulk purchases, which generally range from $50,000 to $750,000. Bureaus determine the individual items that comprise bulk purchases based on our guidance.

The IRS applies certain capitalization thresholds that differ from these general ranges, including a $750,000 threshold for leasehold improvements and thresholds generally ranging from $50,000 to $10 million for internal-use software.

We expense depreciation and amortization on a straight-line basis over the estimated useful life of the asset except for leasehold improvements and right-to-use lease assets, which we amortize over the term of the lease or the useful life of the improvement or asset, whichever is shorter. Service life ranges (two to 50 years) are wide due to the diversity of our PP&E. We do not depreciate land, construction-in-progress, and internal-use software in development. We record impairment costs related to a significant and permanent decline in the service utility of PP&E and construction-in-progress in the period incurred.

Land and Heritage Assets

Land and permanent land rights are not capitalized, and acquisition costs are expensed when incurred. Heritage assets are of historical significance. Multi-use heritage assets are those heritage assets for which the predominant use is general government operations. We capitalize all acquisition, reconstruction, and betterment costs for our multi-use heritage asset buildings as PP&E and depreciate these costs over their service life.

K. Federal Debt and Interest Payable

We issue federal debt in the form of Treasury securities. This debt relates to monies borrowed from the public and certain other federal agencies to fund the operations of the U.S. government. We issue certain federal debt at a discount or premium. We amortize these discounts and premiums over the term of the security using an interest method for all long-term securities and the straight-line method for short-term securities. We accrue interest costs as an expense as incurred and report the costs on the Consolidated Statements of Net Cost as non-entity costs.

L. Refunds Payable

Refunds payable arise in the normal course of tax administration when we determine that taxpayers have paid more than the actual taxes they owe. We record amounts concluded to be valid refunds owed to taxpayers as a liability entitled "*Refunds Payable*" on the Consolidated Balance Sheets, with a corresponding receivable from the General Fund included in the line entitled "*Due From the General Fund*."

M. Special Drawing Rights

The SDR is an international reserve asset the IMF created to supplement its member countries' official reserves. Under its Articles of Agreement, the IMF may allocate SDRs to member countries in proportion to their IMF quotas. Pursuant to the *Special Drawing Rights Act of 1968*, as amended, the ESF holds all SDRs allocated to or otherwise acquired by the U.S.

Allocations and Holdings

We record the SDR holdings that are permanent resources to the U.S. as part of "*Cash, Foreign Currency, and Other Monetary Assets*," and we record the SDR allocations as a liability entitled "*Allocation of Special Drawing Rights*" when the IMF allocates SDRs to the U.S. The SDR allocations are a liability because the U.S. is obligated to repay the allocation amount to the IMF under specified circumstances. The repayment of the U.S. SDR allocation is conditional on the occurrence of any one of the following extraordinary events in which the U.S. has a substantial or controlling voice: *(i)* withdrawal by the U.S. from IMF membership or termination of the U.S. participation in the SDR Department of the IMF, *(ii)* cancellation of the SDRs by the Board of Governors (pursuant to a decision of an 85 percent majority of the voting power of IMF members), *(iii)* liquidation of the IMF, or *(iv)* liquidation of the SDR Department of the IMF.

SDR holdings increase primarily as a result of IMF SDR allocations and acquisitions of SDRs. The U.S. receives interest on its SDR holdings from the IMF and pays interest on its SDR allocation to the IMF. We record SDR transactions as incurred, and include purchases and sales of SDRs, interest received on SDR holdings, interest charges on SDRs allocations, and valuation adjustments. The U.S. government also receives remuneration in SDRs from the IMF based on the U.S. Reserve Position in the IMF, which is a liquid, interest-bearing claim the U.S. has on the IMF, and loans receivable from the supplemental borrowing arrangement. We credit remuneration to the ESF, which transfers to the TGA account an equivalent amount of dollars plus nominal interest.

On a daily basis, the IMF calculates the value of the SDR using the currency exchange rate in terms of the U.S. dollar from weighted amounts of each of five freely usable currencies, as defined by the IMF. These currencies are the U.S. dollar, the European euro, the Japanese yen, the British pound sterling, and the Chinese renminbi. We revalue the U.S. SDR holdings and allocations from the IMF monthly based on the SDR exchange rate calculated by the IMF, resulting in the recognition of unrealized gains or losses that are reported on the Consolidated Statements of Net Cost.

Certificates Issued to the Federal Reserve

The *Special Drawing Rights Act of 1968*, as amended, authorizes the Secretary to issue certificates, not to exceed the value of SDRs held against the certificates, to the FRBs in return for dollar amounts equal to the face value of certificates issued. We issue certificates to finance the acquisition of SDRs from other countries or to provide U.S. dollar resources to finance other exchange stabilization operations. We redeem certificates issued at such times and in such amounts as the Secretary may determine. The certificates do not bear interest. We report certificates issued to the FRBs at their face value, which approximates their carrying value since, under the terms of the arrangements with the Federal Reserve Board, there is no set repayment date and no interest accrued while certificates remain outstanding.

N. Federal Employee Benefits Payable – FECA Actuarial Liability

The *Federal Employees' Compensation Act* (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, and employees who have incurred a work-related injury or occupational disease. The DOL administers the FECA program, pays valid claims, and subsequently seeks reimbursements from us for these paid claims.

Generally, we reimburse the DOL within two to three years once funds are appropriated. The FECA liability consists of two components. The first component is based on actual claims the DOL paid but which we have not yet reimbursed. The second component is the estimated liability for future workers compensation as a result of past events. We report both components in the *"Other"* line item within "*Other Liabilities*" on the Consolidated Balance Sheets. DOL generates these future workers' compensation estimates by applying actuarial procedures developed to estimate the liability for FECA benefits. The actuarial liability estimates for FECA benefits include the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases.

O. Annual, Sick, and Other Leave

We report annual and compensatory leave employees earn, but have not yet used, as an accrued liability. We adjust the accrued balance annually to reflect current pay rates. Any portion of the accrued leave for which funding is not available is recorded as an unfunded liability and reported in the *"Other"* line item within "*Other Liabilities*" on the Consolidated Balance Sheets. We expense sick and other leave as taken and do not record a liability for such amounts, because employees do not vest in sick and other leave benefits.

P. Pension Costs, Other Retirement Benefits, and Other Post-Employment Benefits

Federal Pension Costs, Other Retirement Benefits, and Other Post-Employment Benefits

We recognize the full cost of our employees' pension benefits, including recognizing imputed cost for the difference between the estimated service cost and the sum of participants' pension benefit withholdings and agency contributions. However, the Office of Personnel Management (OPM) rather than the Department recognizes the assets and liabilities associated with these benefits.

Most of our employees hired prior to January 1, 1984, participate in the Civil Service Retirement System (CSRS), and employees hired between January 1, 1984, and December 31, 1986, are covered under the CSRS Offset System, to which we contribute 7.0 percent and 7.5 percent of pay for regular and law enforcement employees, respectively. On January 1, 1987, the Federal Employees' Retirement System (FERS) went into effect pursuant to the *Federal Employees' Retirement System Act of 1986,* P.L. 99-335. FERS is a three-tiered retirement system consisting of a Basic Benefit Plan, Thrift Savings Plan (TSP), and Social Security benefits. For the FERS Basic Benefit Plan, we contribute between 16.5 percent and 18.4 percent for regular employees, and between 36.4 percent and 38.2 percent for law enforcement officers. The TSP under FERS is a 401(k)-type savings plan in which we automatically contribute one percent of base pay and match any employee contributions up to an additional four percent of base pay. For most employees hired after December 31, 1983, we also contribute the employer's matching share for Social Security.

Similar to federal retirement plans, OPM, rather than the Department, reports the assets and liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) Program. We report the full cost of providing other retirement benefits (ORB). We also recognize an expense and a liability for other post-employment benefits (OPEB), which includes all types of benefits, provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents. Additionally, one of our bureaus, OCC, separately sponsors a postretirement life insurance benefit plan for current and future retired employees. OCC is also a participating employer in the Pentegra Defined Benefit Plan for Financial Institutions, a multiple employer plan that provides benefits for certain retired employees who meet eligibility requirements. In addition, the OCC administers two 401(k) plans. Eligible OFR employees may participate in one of these two plans.

District of Columbia Federal Pension and Judicial Retirement Funds

Pursuant to Title XI of the *Balanced Budget Act of 1997*, as amended, we became responsible for the District of Columbia Judicial Retirement and Survivors Annuity Fund (the Judicial Retirement Fund) and the District of Columbia Teachers, Police Officers, and Firefighters Federal Pension Fund (the D.C. Federal Pension Fund) retirement plans (refer to Note 18). The actuarial cost method we use to determine costs and actuarial liability for the Judicial Retirement Fund is the Individual Entry Age Normal Cost Method, which approximates the methodology specified by the Aggregate Entry Age Normal Actuarial Cost Method. The actuarial cost method we use to determine the cost and actuarial liability for the D.C. Federal Pension Fund is the Projected Unit Credit Cost Method, which recognizes that participants have fully accrued all service and does not generate a normal cost. These methodologies base actuarial liabilities on long-term economic assumptions. The pension benefit costs the plans incur are included within the "*Financial Program*" costs on the Consolidated Statements of Net Cost.

Q. Commitments and Contingencies

Through FFB, we make loan commitments with federal agencies, or private sector borrowers with loans guaranteed by federal agencies, to extend credit for their own use (refer to the accounting policy above entitled "*Loans and Interest Receivable, Intra-Governmental*"). We establish loan commitments when FFB and other parties fully execute agreements in which we become obligated to issue loans pursuant to the terms and conditions within the agreements. We reduce loan commitments when we issue the loans or when the commitments expire.

On behalf of the U.S., we subscribe to shares of certain MDBs, of which some shares represent capital commitments that are callable under certain limited circumstances to meet the obligations of the respective MDB. The callable capital commitments become binding on the U.S. when we issue instruments of commitment subscribing to the U.S. portion of callable capital.

Additionally, on behalf of the U.S., we have established financial commitments through our participation in the IMF through a quota subscription and a borrowing arrangement that supplements IMF resources. U.S. financial commitments to the IMF become binding when the U.S. consents to an increase in its participation as an IMF member country, and all other conditions to the increase have been met. The outstanding financial commitment in the U.S. quota decreases or increases when the IMF draws upon or repays funding it obtained pursuant to a letter of credit established by the U.S. to make domestic currency available to the IMF as needed. The outstanding financial commitment in the supplemental borrowing arrangement decreases or increases when the IMF borrows and repays loans under the related supplemental funding arrangement (refer to Note 7).

In accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, we recognize material contingent liabilities meeting the following criteria:

- a past event or exchange transaction has occurred;
- a future cash outflow is probable; and
- a future cash outflow is measurable.

The estimated liability we record is either a specific amount or within a range of amounts. If some amount within the range is a better estimate than any other amount within the range, we recognize that amount. If no amount within the range is a better estimate than any other amount, we recognize the minimum amount in the range, and we disclose the range and a description of the nature of the contingency. We follow this policy in recording a contingent liability, if any, related to the

GSE SPSPA program (refer to Note 11), and loss contingencies that may arise from claims, assessments, litigations, fines, penalties, and other sources (refer to Note 27).

If we meet one or more, but not all, of the above criteria for recognition, and there is a reasonable possibility of loss, we will disclose, if material, the nature of the contingent liability, along with a range of possible loss, if estimable, and a description of the nature of the contingency.

R. Revenue and Financing Sources

We finance our activities either through exchange revenue we receive from others or through non-exchange revenue and financing sources (such as appropriations the Congress provides and penalties, fines, and certain user fees we collect). User fees primarily include collections from the public for the IRS costs to process installment agreements, letter ruling and determinations, and income verification. We recognize exchange revenue on the Consolidated Statements of Net Cost when we earn it—that is, when goods are delivered or services are rendered. We also recognize revenue from reimbursable agreements on the Consolidated Statements of Net Cost when the related services are provided. We record non-exchange revenues on the Statements of Changes in Net Position when we receive them or when we accrue revenue based on a legal claim. We recognize appropriations used as financing sources on the Statements of Changes in Net Position when we incur related expenses or purchase assets.

We also incur certain costs paid in total or in part by other federal entities, such as pension costs, the FEHBP, and any un-reimbursed payments made from the Treasury Judgment Fund on our behalf. We recognize these subsidized costs on the Consolidated Statements of Net Cost, and we recognize the imputed financing for these costs on the Consolidated Statements of Changes in Net Position. As a result, there is no effect on net position. We also recognize other non-exchange financing sources, such as donations and transfers of assets without reimbursements, for the period in which they occurred on the Consolidated Statements of Changes in Net Position.

We recognize revenue we receive from disposition of forfeited property as non-exchange revenue on the Consolidated Statements of Changes in Net Position. We report costs related to the Forfeiture Fund program on the Consolidated Statements of Net Cost. The Treasury Forfeiture Fund is the special fund account for depositing non-tax forfeiture proceeds we receive pursuant to laws enforced or administered by law enforcement bureaus that participate in the Treasury Forfeiture Fund. We report forfeited property balances in other than intra-governmental "*Other Assets*" on the Consolidated Balance Sheets.

S. Custodial Revenues

Non-entity revenue reported on our Statements of Custodial Activity includes cash we collected, primarily from taxes. It does not include revenue other federal agencies collect, such as user fees and other receipts, which are remitted for general operating purposes of the U.S. government or are dedicated for certain trust funds. We present the Statements of Custodial Activity on the "modified accrual basis." We recognize revenues as we collect cash, and record a "non-cash accrual adjustment" representing the net increase or decrease during the reporting period in net revenue-related assets and liabilities, mainly taxes receivable.

T. Appropriations and Other Budgetary Activity

Combined Statement of Budgetary Resources Activity

We record appropriations when authorized by legislation. We record incurred obligations of appropriations when we place orders or sign contracts for goods and services, award a grant, or take other actions that require us to make payments to the public or another federal entity. We record outlays when we make disbursements.

Permanent and Indefinite Appropriations

We use permanent and indefinite appropriations to disburse tax refunds, refundable tax credits and related interest. We recognize refund payment funding as we use appropriations. Permanent indefinite authority for refund activity is available for an unlimited period of time in the amount necessary to cover the refund and/or credit. We report tax refunds and credits as a custodial activity of the Department, since they are, in substance, a custodial revenue-related activity resulting from taxpayer overpayments of their tax liabilities.

We have two permanent and indefinite appropriations related to debt activity. We use one permanent and indefinite appropriation to pay interest on the public debt securities, and use the other to redeem securities that are matured, called, or eligible for early redemption. These accounts are not annual appropriations and do not have refunds. We report debt redemption appropriations related to our liability on our Consolidated Balance Sheets. We record interest appropriations at the beginning of the fiscal year and again at mid-year, if necessary, and we return any unused authority to the General Fund at the end of the fiscal year. Permanent indefinite authority for debt redemptions and related interest is available for an unlimited period of time.

We also have permanent and indefinite appropriations to fund increases in the projected subsidy costs of credit programs as determined by the re-estimation process the FCRA requires.

Additionally, we have other permanent and indefinite appropriations to make certain payments on behalf of the U.S. government. We receive these appropriations to make payments to the FRB for fiscal services provided, and to the financial institutions for services provided as financial agents of the U.S. government. They also include appropriations provided to make other disbursements on behalf of the U.S. government, including payments made to various parties as a result of certain claims and judgments rendered against the U.S.

U. Income Taxes

As an agency of the U.S. government, we are exempt from all income taxes any governing body imposes, whether it is a federal, state, territorial, local, or foreign government.

V. Use of Estimates

We have made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare our financial statements. Actual results may differ from these estimates. Adverse changes in the outlook for the key assumptions underlying management's estimates may materially affect the results of our operations, cash flows, and our financial position in future periods. Transactions subject to estimates principally include our GSE and other non-federal investment holdings, loan and credit program receivables, credit reform subsidy costs, tax receivables, impairment to any of our investments and receivables, loan guarantees, depreciation, actuarial liabilities, cost and earned revenue allocations, as well as contingencies and any related recognized liabilities.

Estimation of such complex and long-duration receivables, investments, and contingencies is subject to uncertainty. It is possible that new developments will adversely impact the value of receivables, investments, and contingencies, as well as ultimate amounts we are required to fund. Except as expressly noted herein, we have not revalued or included in our estimates as of September 30, 2026, the effects of any new developments that may have occurred subsequent to September 30, 2026.

We derive credit program receivables using credit reform modeling, which is subject to the use of estimates and forecasts that have inherent uncertainty. Refer to the accounting policy above entitled "*Credit Program Receivables, Net*" and Note 9 for additional discussion related to the estimation of credit program receivables.

We estimate our non-federal investment holdings based on fair value and changes in these asset valuations, including impairment. Since the valuation is an annual process, we deem changes in valuation of our equity investments as usual and recurring. Refer to the accounting policy above entitled "*Investments*" and Notes 11 and 13 for additional discussion related to fair value estimations.

For certain of our liabilities, we perform annual calculations, as of September 30, to assess our need for recording an estimated liability in accordance with SFFAS 5 related to certain liabilities of our CARES Act programs, as well as liabilities related to our funding commitment to the GSEs under the SPSPAs.

As stipulated by the CARES Act, we must remit excess residual proceeds we realize from our SPV capital contributions and direct loans to air carriers and other related businesses to the Federal Old-Age and Survivors Insurance Trust Fund (refer to Note 13). We estimate and record the net present value of this potential liability, if any, based on the probable future occurrence of excess cash flows received above the full recovery of our costs associated with these programs. This calculation is subject to the same sensitivities as those related to our credit reform modeling we discuss above.

Liability to the GSEs recognition is predicated on the probable future occurrence of an excess of liabilities and minimum capital reserve amounts, as defined, over the assets of either GSE at the end of any reporting quarter. The occurrence of future GSE deficits, which ultimately determines our liability to the GSEs, is most sensitive to future changes in the housing price index and, to a lesser extent, future changes in guarantee fees the GSEs receive on single-family mortgages and interest rates (refer to Note 11).

Refer to the accounting policy above entitled "*Pension Costs, Other Retirement Benefits, and Other Post-Employment Benefits*", Notes 8 and 18 for additional discussion related to the estimation of actuarial liabilities and tax receivables.

W. Other-Than-Temporary Impairments

We account for a decline in the market value (either due to credit, price or currency) of any investment below cost that is deemed to be other-than-temporary as an impairment, and reduce the carrying value to fair value for financial reporting purposes. To determine whether an impairment is other-than-temporary, we consider whether we have the ability and intent to hold the investment until a market price recovery, and consider whether evidence indicating that the cost of the investment is recoverable outweighs evidence to the contrary.

X. Credit, Market and Foreign Currency Risk

Credit risk is the potential, no matter how remote, for financial loss from a failure of a borrower or counterparty to perform in accordance with underlying contractual obligations. We take on possible credit risk when we make direct loans or

guarantees to non-federal entities, provide credits to foreign entities, or become exposed to institutions that engage in financial transactions with foreign countries (refer to Note 13). The following programs entail credit risk: monetary assets held, investments, direct loans and other receivables related to our COVID-19, CDFI, ESF, HFA initiative (the New Issue Bond Program), IAP, and SBLF programs, as well as committed but undisbursed direct loans and funding commitments related to our CDFI, IAP, and GSE programs.

Our activities generally focus on the underlying problems in the credit markets. We developed these programs, or provided credit support to the pandemic emergency relief programs of the Federal Reserve Board, to provide credit where borrowers are not able to get access to credit with reasonable terms and conditions. Because these programs attempt to correct for a market imperfection, it can expose us to potential costs and losses. Additional risk of costs and losses could result from terrorist attacks under the Terrorism Risk Insurance Program. We describe the extent of the risk we assumed in more detail in the notes to the financial statements and, where applicable, we factor it into credit reform models and reflect it in fair value measurements (refer to Notes 9, 11, 13, and 27).

We face certain risks and uncertainties as a result of holding securities denominated in foreign currency. The price of holdings of such securities may widely fluctuate as a result of volatility in foreign currency markets and changes in real and perceived credit risk of our counterparties.

Y. Funds from Dedicated Collections

We account for revenues and other financing sources for funds from dedicated collections (FDC) separately from other funds. Such funds are financed by specifically identified revenues provided to the U.S. government by non-federal sources, often supplemented by federal and other financing sources, which remain available over time. Statute requires that we use these specifically identified revenues and other financing sources for designated activities, benefits, or purposes. We apply the following criteria for purposes of designating funds as dedicated collections: *(i)* a statute committing the U.S. government to use specifically identified revenues and/or other financing sources that are originally provided to the U.S. government by a non-federal source only for designated activities, benefits, or purposes; (*ii)* explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; (*iii)* a requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the U.S. government's general revenues; and (*iv)* for funds comprised of both federal and non-federal sources, such funding is predominantly non-federal, or the non-federal funding is material to our financial statements.

Z. Allocation Transfers

We are a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in Treasury as a subset of the parent fund account for tracking and reporting purposes. We credit all allocation transfers of balances to this account, and charge subsequent obligations and outlays the child entity incurs to this allocation account as they execute the delegated activity on behalf of the parent. Parent federal agencies report both the proprietary and budgetary activity and the child agency does not report any financial activity related to budget authority allocated from the parent federal agency to the child federal agency. However, OMB guidance requires Treasury to report the activity when we receive allocation transfers, as the child, from the Executive Office of the President (see Circular No. A-136, II.3.1, *Parent-Child Reporting* for two exceptions).

We allocate funds, as the parent, to the DOL and HHS. Also, we receive allocation transfers, as the child, from HHS, the Department of Transportation, U.S. Agency for International Development, and the Executive Office of the President.

AA. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the U.S. government of cash or other assets in which non-federal individuals or entities have an ownership interest that the U.S. government must uphold. Fiduciary cash and other assets are not assets of the U.S. government. We do not report these activities in our consolidated financial statements, but instead report them in Note 26.

AB. Disclosure Entities and Related Parties

SFFAS 47, *Reporting Entity*, requires that our consolidated financial statements reflect the balances and activities of consolidation entities, including Treasury bureaus and other reporting entities, meeting the following "principles for inclusion" when considered as a whole: *(i)* the entity is included in the Budget of the United States (also known as the President's Budget); *(ii)* the U.S. government holds "majority ownership interest"; *(iii)* the U.S. government has "control with risk of loss or expectation of benefit"; or *(iv)* it would be misleading to exclude such entity. SFFAS 47 also provides guidance for assessing whether we report an organization meeting the inclusion principles as a disclosure entity or related party.

A disclosure entity exists when we determine that an entity meets any of the following SFFAS 47 "inclusion principles" with respect to the U.S. government but does not meet the characteristics of a "consolidation entity." Based on SFFAS 47 criteria, the Federal Reserve System is considered to be a disclosure entity. Additionally, entities the U.S. government owns and/or controls as a result of regulatory actions—such as organizations in receivership or conservatorship—or other U.S. government intervention actions are generally classified as disclosure entities if the relationship with such entities is not expected to be permanent.

A related party exists when one party to an established relationship has the ability to exercise significant influence over another party in making policy decisions. Related parties generally do not meet the SFFAS 47 inclusion principles; however, we report on a relationship that is of such significance that it would be misleading to exclude information about that entity. Disclosure entities and related parties are not considered components of the consolidated Treasury reporting entity and, thus, are only disclosed in the notes to our consolidated financial statements. Using the principles prescribed in SFFAS 47, we identified the following disclosure entities and related parties as of September 30, 2026.

Disclosure Entities

Federal Reserve System

Congress, under the *Federal Reserve Act of 1913* (Federal Reserve Act), created the FR System. The FR System includes the Federal Reserve Board, Federal Reserve Banks (FRB), and the Federal Open Market Committee (FOMC). Collectively, the FR System serves as the nation's central bank and is responsible for formulating and conducting monetary policy, issuing and distributing currency (Federal Reserve Notes), supervising and regulating financial institutions, providing nationwide payments systems (including large-dollar transfers of funds, automated clearinghouse operations, and check collection), providing certain financial services to federal agencies and fiscal principals, and serving as the U.S. government's bank. Monetary policy includes actions the FR System undertakes that influence the availability and cost of money and credit as a means of helping to promote national economic goals. The FR System also conducts operations in foreign markets in order to counter disorderly conditions in exchange markets or to meet other needs specified by the FOMC to carry out its central bank responsibilities.

While we consult with the FR System on matters affecting the economy and certain financial stabilization activities it is considered an independent central bank, and the executive branch of the U.S. government does not ratify its decisions. In accordance with SFFAS 47 criteria, the FR Systems' assets, liabilities, and operations are not consolidated into our consolidated financial statements; however, we account for and disclose our financial activities with the FR System within our consolidated financial statements.

Federal Reserve System Structure

Federal Reserve Board of Governors

The Board is an independent regulatory organization governed by seven members appointed by the President and confirmed by the Senate. The full term of a Board member is 14 years, and the appointments are staggered so that one term expires on January 31 of each even-numbered year. The Board has a number of supervisory and regulatory responsibilities for institutions including, among others, state-chartered banks that are members of the FR System, bank holding companies, and savings and loan holding companies. In addition, the Board has general supervisory responsibilities for the 12 FRBs, and issues currency (Federal Reserve Notes) to the FRBs for distribution. No government appropriation is required to support the operation of the Board. The Board's budget transactions are not included in the President's Budget, nor are they subject to the President's review because of its unique role in conducting monetary policy.

Federal Reserve Banks

The 12 FRBs are chartered under the Federal Reserve Act, which requires each member bank to own the capital stock of its FRB. Each FRB has a board of directors that exercises supervision and control of each FRB, with three members appointed by the Board, and six board members elected by their member banks. The FRBs participate in formulating and conducting monetary policy, distributing currency and coin, and serving as the government's fiscal agent, as well as providing services to financial institutions (*e.g.,* banks and credit unions). Additionally, the FRBs provide short-term loans to depository institutions and loans to participants in programs or facilities with broad-based eligibility in unusual and crucial circumstances when approved by the Board and the Secretary of the Treasury.

We utilize the services of the FRBs to execute a variety of transactions on behalf of the BFS and the ESF. The following are examples of our interaction with the FRBs:

- The FRBs serve as our fiscal agent and depositary, executing banking and other financial transactions on our behalf (refer to Note 5). We reimburse the FRBs for these services, the cost of which is included on the Consolidated Statements of Net Cost.
- The FRBs hold securities issued by Treasury and other federal entities in the FRBs' System Open Market Account (SOMA) for the purpose of conducting monetary policy.
- The FRBs hold gold certificates we issue in which the certificates are collateralized by gold (refer to Note 6).
- The FRBs hold SDR certificates we issue which are collateralized by SDRs (refer to Notes 5 and 7).
- The FRBs are required by Board policy to transfer their excess earnings to us on behalf of the U.S. government (refer to Notes 8 and 23).

Federal Open Market Committee

The FOMC is comprised of the seven Board members and five of the 12 FRB presidents. FOMC formulates and conducts monetary policy primarily through open market operations (the purchase and sale of certain securities in the open market),

the principal tool of national monetary policy. These operations affect the amount of reserve balances available to depository institutions, thereby influencing overall monetary and credit conditions.

Federal Reserve System Assets and Liabilities

The FRBs hold Treasury and other securities in the SOMA for the purpose of conducting monetary policy. These assets are generally subject to the same market conditions as other financial instruments. In the open market, the FR System purchases and sells Treasury securities as a mechanism for controlling the money supply.

The FRBs have deposit liabilities with Treasury and depository institutions. The FRBs issue Federal Reserve Notes, the circulating currency of the U.S., which are collateralized by the Treasury securities and other assets held by the FRBs.

FRB Residual Earnings Transferred to the Department

FRBs generate income from interest earned on securities, reimbursable services provided to federal agencies, and by providing priced services to depository institutions as specified by the *Monetary Control Act of 1980*. Although the FRBs generate earnings from carrying out open market operations, via the earnings on securities held in the SOMA account, their execution of these operations is for the purpose of accomplishing monetary policy rather than generating earnings. Each FRB is required by Board policy to transfer to us its residual (or excess) earnings after providing for the cost of operations, payment of dividends, and surplus funds not to exceed an FRB's allocated portion of an aggregate of $6.8 billion for all FRBs, in accordance with the provisions of the *William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021* (P.L. 116-283).

FRBs' residual earnings may vary due to, among other things, changes in the SOMA balance levels that may occur in conducting monetary policy. Under P.L. 116-283, if an FRB's earnings for the year are not sufficient to provide for the cost of operations, dividend payments, or allocated portion of the $6.8 billion aggregate surplus funds limitation, an FRB will suspend its payments to us until such earnings become sufficient. The FRB's residual earnings of $10.5 billion and $5.5 billion for fiscal years ended September 30, 2026 and 2025, respectively, are reported as custodial revenues on our Statements of Custodial Activity. They constituted 0.2 percent and 0.1 percent of our total custodial revenues collected in FY 2026 and 2025, respectively. "*Taxes, Interest and Other Receivables, Net*" includes a receivable for FRB's residual earnings which represents the earnings due to us as of September 30, but not collected by us until after the end of the month (refer to Note 8).

FRB-Managed Special Purpose Vehicle – Liquidity Lending Facility

We hold an equity investment in a SPV the Federal Reserve Board established through the FRBB to enhance the liquidity of the U.S. financial system. Our involvement in this program represents non-permanent intervention activities designed to help mitigate the economic impacts of the pandemic. Accordingly, our equity interest in this SPV meets the SFFAS 47 criteria for classifying our SPV investment as a disclosure entity. This entity is not consolidated as part of our consolidated financial statements; however, the value of our investment in this entity is presented as an equity investment on our Consolidated Balance Sheets (refer to Note 13).

Government Sponsored Enterprises – Fannie Mae and Freddie Mac

During the FY 2008 financial crisis, the U.S. government placed Fannie Mae and Freddie Mac under conservatorship to help ensure their financial stability. These entities meet the SFFAS 47 criteria for disclosure entities as organizations owned or controlled by the U.S. government as the result of regulatory actions (such as conservatorship). Additionally, the U.S. government's intervention actions with regards to these GSEs are not expected to be permanent. Accordingly, these entities

are not consolidated as part of our consolidated financial statements; however, the value of our investments in these entities is presented as equity investments on our Consolidated Balance Sheets (refer to Note 11).

Related Parties

In accordance with SFFAS 47 determination principles, we currently maintain related party relationships with the IMF and the MDBs. The IMF is an international organization of 191 member countries that works to foster global monetary cooperation, secure financial stability, sustain economic growth, and reduce poverty around the world. The U.S. government holds the largest quota subscription of any member. The U.S. quota subscription serves as the key determinant for our 16.5 percent share of voting rights in various IMF decisions, giving the U.S. government a substantial voice. The Secretary serves as the U.S. Governor to the IMF, and the U.S. Governor nominates and elects the U.S. Executive Director of the IMF, who is one of 25 directors responsible for exercising voting rights over the strategic direction of the institution.

The U.S. commitment to the IMF is in the form of cash and interest-bearing instruments. These transactions constitute an exchange of monetary assets, and historically, the U.S. has not experienced a loss to its commitment in the IMF (refer to accounting policies above entitled "*Loans Receivable, Net – Other Than Intra-Governmental*," "*Commitments and Contingencies*," "*Special Drawing Rights*," and Notes 5 and 7 for a further description of our relationship, financial risk, and activities with the IMF).

Additionally, on behalf of the U.S., we invest in and provide funding to the MDBs to support poverty reduction and promote sustainable economic growth in developing countries. The MDBs provide financial and technical support by means of strengthening institutions, providing assistance that addresses the root causes of instability in fragile and conflict-affected states, responding to global crises, and fostering economic growth and entrepreneurship. U.S. participation in the MDBs is in the form of financial contributions used to ensure the effectiveness and impact of the MDBs' global development agenda. The U.S. has voting power in each of the MDBs to which we contribute, ranging from approximately six percent to 50 percent (refer to accounting policies above entitled "*Investments*," "*Commitments and Contingencies*," and Notes 12 and 27 for a further description of our relationship, financial risk, and activities with the MDBs).

2. FUND BALANCE

Fund Balance increases when we receive appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and when we receive transfers and reimbursements from other federal agencies. Fund Balance can also be increased by amounts borrowed from the BFS, FFB, other federal entities, and by amounts collected and credited to appropriation or fund accounts.

Likewise, Fund Balance is reduced when we make disbursements to pay liabilities or to purchase assets, goods, and services; investments in U.S. securities (securities issued by the BFS or other federal agencies); when expired appropriations are canceled; transfers and reimbursements made to other federal entities, non-federal entities, or the General Fund; and due to sequestration or rescission of appropriations.

STATUS OF FUND BALANCE

As of September 30, 2026 and 2025, the status of the fund balance consisted of the following:

(in millions)	2026	2025
Unobligated Balance	$ **339,710**	$ 352,180
Obligated Balance Not Yet Disbursed	**195,311**	210,755
Subtotal	**535,021**	562,935
Adjustment for ESF	**(215,247)**	(216,094)
Adjustment for Borrowing Authority	**(14,969)**	(23,562)
Adjustment for Intra-Treasury Investments	**(14,783)**	(15,192)
Adjustment for IMF	**158,546**	159,562
Adjustment for Authority Unavailable for Obligations	**4,847**	4,607
Other Adjustments	**49,314**	32,444
Total Status of Fund Balance	$ **502,729**	$ 504,700

Portions of the Unobligated Balance, as shown on the Combined Statements of Budgetary Resources, include amounts appropriated in prior fiscal years that are not available to fund new obligations. However, we may use such amounts for upward and downward adjustments for existing obligations in future years. The Obligated Balance Not Yet Disbursed represents amounts designated for payment of goods and services we ordered but have not received, or goods and services we received but for which payment has not yet been made.

Since the following line items are either a component of Fund Balance or post to budgetary status accounts, the following adjustments are required to reconcile the budgetary status to the non-budgetary Fund Balance as reported on the Consolidated Balance Sheets:

- Adjustments for ESF – ESF investments in Treasury securities (which are eliminated on the Consolidated Balance Sheets), foreign investments, SDR holdings, and related balances that meet the criteria for reporting as part of budgetary resources are reported on the Combined Statements of Budgetary Resources; however, they are not a component of the Fund Balance as they represent invested funds;
- Adjustments for Borrowing Authority – Borrowing authority is in budgetary status reported on the Combined Statements of Budgetary Resources but not in the Fund Balance because we have not received the amounts (refer to Note 22 for changes in the available borrowing authority);
- Adjustments for Intra-Treasury Investments – Budgetary resources include Treasury security investments; however, we have moved the money from the Fund Balance to Investments, which we eliminate on the Consolidated Balance Sheets;

- Adjustments for IMF – We report the funding we receive through appropriation warrants for IMF quota subscription and borrowing arrangement as a component of Fund Balance; however, we do not report the IMF transactions as budgetary resources and uses on the Combined Statements of Budgetary Resources (refer to Note 7);
- Adjustment for Authority Unavailable for Obligations – Resources unavailable for obligations reduced the budgetary resources reported on the Combined Statements of Budgetary Resources; however, they do not impact the Fund Balance; and
- Other Adjustments – Primarily reflect non-budgetary funds such as unavailable receipt accounts, clearing accounts, and non-fiduciary deposit funds. The significant increase is primarily due to federal debt buyback gains (refer to Note 16).

As of September 30, 2026 and 2025, we had no budgetary authority in the Fund Balance that was specifically withheld from apportionment by the OMB. We hold balances in non-entity funds, such as certain deposit funds (*e.g.*, seized cash), for the public or for another federal entity, such as the General Fund. Such funds have an offsetting liability equal to the Fund Balance. Refer to Note 7 regarding restrictions related to the letter of credit held for a portion of the U.S. quota in the IMF.

3. LOANS AND INTEREST RECEIVABLE – INTRA-GOVERNMENTAL

ENTITY INTRA-GOVERNMENTAL

Through FFB, we issue loans to federal agencies for the agencies' own use or for the agencies to loan to private sector borrowers whose loans are guaranteed by the federal agencies. FFB is a wholly owned Government corporation that operates under the general supervision of the Secretary, and has its own broad statutory authority to finance any obligations that federal agencies issue, sell, or guarantee. For agencies that have the statutory authority to borrow in the market, but not from Treasury through the BFS (refer to the Non-Entity Intra-Governmental section below), FFB uses its statutory authority to make these loans directly to federal agencies.

FFB also uses its statutory authority to finance direct or indirect federally guaranteed obligations, which, as a matter of long-standing federal credit policy, is the least expensive and most efficient method of financing these credit-risk obligations when compared to private sector lender financing. When a federal agency has to honor its guarantee because a private-sector borrower defaults, the federal agency that guaranteed the loan must obtain an appropriation or use other resources to repay FFB.

With the exception of loans to the U.S. Postal Service, all principal and interest on FFB loans to federal agencies and loans to private sector borrowers which are guaranteed by federal agencies are, or have a commitment to be, backed by the full faith and credit of the U.S. government. As of September 30, 2026 and 2025, we have not recognized any credit-related losses on its loans, nor have we recorded an allowance for uncollectible intra-governmental loans.

As of September 30, 2026 and 2025, entity intra-governmental loans (issued by FFB) and interest receivable consisted of the following:

	2026			2025		
(in millions)	**Loans Receivable**	**Interest Receivable**	**Total**	Loans Receivable	Interest Receivable	Total
Federal Deposit Insurance Corporation	**$ 98,331**	**$ 1,003**	**$ 99,334**	$ 96,396	$ 992	$ 97,388
Department of Agriculture	**54,327**	**36**	**54,363**	54,866	43	54,909
Department of Energy	**32,801**	**294**	**33,095**	28,988	260	29,248
Agency for International Development	**19,902**	**90**	**19,992**	20,093	79	20,172
United States Postal Service[1]	**15,000**	**98**	**15,098**	15,000	97	15,097
Department of Housing & Urban Development	**3,618**	**12**	**3,630**	3,136	8	3,144
Department of Education	**1,213**	**16**	**1,229**	830	9	839
Other Agencies	**246**	**1**	**247**	304	2	306
Total Entity Intra-Governmental	**$ 225,438**	**$ 1,550**	**$ 226,988**	$ 219,613	$ 1,490	$ 221,103

(1) Given the operating deficit experienced by the United States Postal Service (USPS) in prior fiscal years, we will continue to monitor their progress toward a sound financial position.

NON-ENTITY INTRA-GOVERNMENTAL

Through the BFS, we account for and report on the principal borrowings from and repayments to the General Fund for various funds other federal agencies manage, as well as the related interest due to the General Fund. These federal agencies are statutorily authorized to borrow from the General Fund, through the BFS, to make loans for a broad range of purposes, such as education, housing, farming, and small business support. The information below reflects amounts borrowed under the federal agency's statutory authorization, and does not include unused available borrowing authority.

As of September 30, 2026 and 2025, non-entity intra-governmental loans (issued by the BFS) and interest receivable that were due to the General Fund consisted of the following:

	2026			2025		
(in millions)	**Loans Receivable**	**Interest Receivable**	**Total**	Loans Receivable	Interest Receivable	Total
Department of Education	**$ 1,437,125**	**$ -**	**$ 1,437,125**	$ 1,344,921	$ -	$ 1,344,921
Small Business Administration	**224,296**	**-**	**224,296**	249,336	-	249,336
Department of Housing and Urban Development	**150,894**	**-**	**150,894**	144,356	-	144,356
Department of Agriculture	**108,009**	**-**	**108,009**	119,085	-	119,085
Department of Transportation	**30,670**	**-**	**30,670**	28,430	-	28,430
Department of Homeland Security	**22,556**	**-**	**22,556**	22,533	-	22,533
US International Development Finance Corporation	**13,177**	**-**	**13,177**	12,678	-	12,678
Environmental Protection Agency	**12,284**	**-**	**12,284**	9,721	-	9,721
Export Import Bank of the U.S.	**10,559**	**-**	**10,559**	9,236	-	9,236
Department of Veterans Affairs	**8,863**	**-**	**8,863**	9,047	-	9,047
Executive Office of the President/ Security Assistance Accounts	**7,852**	**-**	**7,852**	7,852	-	7,852
Department of Energy	**7,810**	**22**	**7,832**	7,173	28	7,201
Department of Labor	**7,384**	**-**	**7,384**	7,148	-	7,148
Railroad Retirement Board	**4,707**	**76**	**4,783**	4,748	75	4,823
Department of Defense	**3,147**	**-**	**3,147**	2,043	-	2,043
Other Agencies	**1,157**	**-**	**1,157**	4,492	74	4,566
Total Non-Entity Intra-Governmental	**$ 2,050,490**	**$ 98**	**$ 2,050,588**	$ 1,982,799	$ 177	$ 1,982,976
Total Intra-Governmental Loans and Interest Receivable (Entity and Non-Entity)	**$ 2,275,928**	**$ 1,648**	**$ 2,277,576**	$ 2,202,412	$ 1,667	$ 2,204,079

ADVANCES TO TRUST FUNDS

Advances to Trust Funds consists of Advances to the Unemployment Trust Fund, Advances to the Agricultural Disaster Relief Trust Fund, and Advances to the Federal Supplementary Medical Insurance Trust Fund. The General Fund issues advances to the DOL's Unemployment Trust Fund to disburse to states for unemployment benefits. The General Fund also issues advances to USDA's Agricultural Disaster Relief Trust Fund to make crop and livestock feed disaster assistance payments to farmers and ranchers. The *Bipartisan Budget Act of 2015*, P.L. 114-74, authorized a transfer from the General Fund to HHS' Federal Supplementary Medical Insurance Trust Fund to temporarily replace the reduction in Medicare Part B participants' premiums. We transfer DOL's and HHS's repayment of these advances to the General Fund.

As of September 30, 2026 and 2025, Advances to Trust Funds consisted of the following:

	2026			2025		
(in millions)	**Loans Receivable**	**Interest Receivable**	**Total**	Loans Receivable	Interest Receivable	Total
Advances to the Unemployment Trust Fund	**$ 14,000**	**$ 19**	**14,019**	$ 21,000	$ 27	$ 21,027
Advances to the Agricultural Disaster Relief Trust Fund	**3,292**	**-**	**3,292**	3,170	-	3,170
Advances to the Federal Supplementary Medical Insurance Trust Fund	**70**	**-**	**70**	94	-	94
Total Advances to Trust Funds	**$ 17,362**	**$ 19**	**17,381**	$ 24,264	$ 27	$ 24,291

Advances to the Unemployment Trust Fund decreased by $7.0 billion from the prior fiscal year, primarily due to repayments of outstanding advances by DOL.

4. DUE FROM THE GENERAL FUND AND DUE TO THE GENERAL FUND

The General Fund consists of assets and liabilities used to finance the daily and long-term operations of the U.S. government, as a whole. It also includes accounts used in the management of the Budget of the U.S. Government.

We hold and manage General Fund assets, such as loans and interest receivable, cash, and investments in the GSEs on behalf of the U.S. government. General Fund assets constitute resources available to meet the operating needs of the U.S. government. We report these managed assets separately on the Consolidated Balance Sheets, with a corresponding amount reported as *"Due To the General Fund*" that represents a liability to reflect assets we owed to the General Fund.

General Fund liabilities, primarily federal debt and interest payable and liability for restoration of federal debt principal and interest, are obligations of the U.S. government. We report these Department-managed liabilities separately on the Consolidated Balance Sheets, with a corresponding amount reported as *"Due From the General Fund"* that represents a receivable, or future funds required of the General Fund to repay borrowings from the public and other federal agencies.

As of September 30, 2026 and 2025, the General Fund liabilities we owed exceeded the assets we hold on behalf of the General Fund by $36.2 trillion and $34.1 trillion, respectively. This represents the amount the U.S. government needs, through a combination of future tax collections or continued borrowing from the public and federal agencies to meet its obligations.

As of September 30, 2026 and 2025, Due From the General Fund included the following non-entity liabilities:

Liabilities Requiring Funding from the General Fund (in millions)		2026		2025
Federal Debt and Interest Payable - Held by the Public (Note 16)	$	**32,467,187**	$	30,311,830
Federal Debt and Interest Payable - Intra-Governmental (Note 16)		**7,489,633**		7,309,752
Refunds Payable		**8,507**		4,244
Adjustment for Eliminated Liabilities		**41,595**		38,382
Total Due From the General Fund	**$**	**40,006,922**	$	37,664,208

The Adjustment for Eliminated Liabilities principally represents investments in U.S. government securities our reporting entities hold that are eliminated against Federal Debt and Interest Payable Intra-governmental.

As of September 30, 2026 and 2025, Due To the General Fund included the following non-entity assets:

Assets to be Distributed to the General Fund (in millions)	2026	2025
Fund Balance	$ **42,143**	$ 24,876
Loans and Interest Receivable - Intra-Governmental (Note 3)	**2,050,588**	1,982,976
Advances to Trust Funds (Note 3)	**17,381**	24,291
Cash Due To the General Fund (Held by the Department) (Note 5)	**964,299**	872,025
Taxes and Other Non-Entity Receivables Due To the General Fund	**62,873**	93,686
Loans and Interest Receivable, Net (Note 9)	**7,674**	10,811
Investments in Government Sponsored Enterprises (Note 11)	**405,320**	374,460
Adjustment for Eliminated Assets	**238,006**	224,556
Other	**3,132**	2,281
Total Due To the General Fund	**$ 3,791,416**	$ 3,609,962

The assets to be distributed to the General Fund do not represent all of the non-entity assets we manage. Refer to Note 15 for all of our non-entity assets held.

The Fund Balance reported above represents the non-entity funds we hold on behalf of the General Fund. We use it to administer programs such as the Presidential Election Campaign and payments for Legal Services Corporation and thus it is not available for our general use.

Taxes and Other Non-Entity Receivables Due To the General Fund primarily represents IRS-related federal taxes receivable (refer to Note 8).

The Adjustment for Eliminated Assets principally represents loans and interest payable our Treasury reporting entities owe, which are eliminated against Loans and Interest Receivable Intra-governmental the BFS holds.

5. Cash, Foreign Currency, and Other Monetary Assets

Cash, Foreign Currency, and Other Monetary Assets held as of September 30, 2026 and 2025 were as follows:

(in millions)	2026	2025
Entity:		
Cash	**$ 51**	$ 65
Foreign Currency and Foreign Currency Denominated Assets	**6,396**	14,213
Other Monetary Assets:		
Special Drawing Right Holdings	**172,506**	175,572
U.S. Dollars Held in Cash by the IMF	**284**	286
Total Entity	**179,237**	190,136
Non-Entity:		
Operating Cash of the U.S. government	**964,208**	871,899
Foreign Currency	**151**	137
Miscellaneous Cash Held by All Treasury Reporting Entities	**212**	420
Total Non-Entity	**964,571**	872,456
Total Cash, Foreign Currency, and Other Monetary Assets	**$ 1,143,808**	$ 1,062,592

We hold non-entity operating and other miscellaneous cash due to the General Fund which consisted of the following as of September 30, 2026 and 2025:

(in millions)	2026	2025
Operating Cash - FRB Account	**$ 984,046**	$ 890,825
Outstanding Checks	**(19,838)**	(18,926)
Total Operating Cash of the U.S. government	**964,208**	871,899
Miscellaneous Cash	**102**	127
Subtotal	**964,310**	872,026
Amounts Due to the Public	**(11)**	(1)
Total Cash Due to the General Fund (Note 4)	**$ 964,299**	$ 872,025

Entity

Entity cash, foreign currency, and other monetary assets principally include foreign currency, foreign currency denominated assets (FCDAs), and SDRs. These assets were valued as of September 30, 2026 and 2025 using current exchange rates plus accrued interest. The decrease was primarily due to the annual portfolio rebalancing and changes in the timing of investment maturities.

Special Drawing Rights

The SDR is an international reserve asset the IMF created to supplement existing reserve assets (refer to Note 1M). The SDR derives its value as a reserve asset from the commitments of participants to hold and accept SDRs and to honor various obligations connected with their proper functioning as a reserve asset. The IMF has had four general allocations of SDRs to all members in proportion to their quota shares, to boost global liquidity. The most recent general allocation was in 2021. Treasury participates in the Voluntary Transaction Arrangements, agreeing to buy and sell SDRs from other holders under certain conditions. During FY 2026 and FY 2025, we purchased 57 million SDRs (valued at $77 million) and 200 million SDRs (valued at $265 million), respectively, from other IMF participants. During FY 2026 and 2025 we sold 2.2 billion SDRs (valued at $3.0 billion) and 1.3 billion SDRs (valued at $1.7 billion), respectively, to other IMF participants. Our

participation in these transactions helps to provide liquidity to the global economic system and supplement member countries' foreign exchange reserves.

As of September 30, 2026 and 2025, the total amount of SDR holdings of the U.S. (including interest receivable) was the equivalent of $172.5 billion and $175.6 billion, respectively, and the total value of SDR allocations to the U.S. was the equivalent of $156.2 billion and $157.5 billion, respectively. The outstanding SDR certificates issued to the Federal Reserve are valued at $15.2 billion which we reported as a liability on the Consolidated Balance Sheets as of September 30, 2026 and 2025. In FY 2025, we issued $5.0 billion of SDR certificates to the Federal Reserve to maintain sufficient ESF dollar holdings for SDR purchases or potential emergencies. No SDR certificates were issued in FY 2026.

NON-ENTITY

We manage the non-entity cash, foreign currency, and other monetary assets which principally included Operating Cash of the U.S. government. Also included is foreign currency maintained by various U.S. disbursing offices, miscellaneous cash such as seized monetary instruments, undistributed cash, and offers in compromises which are maintained as a result of our tax collecting responsibilities.

6. Gold and Silver Reserves, and Gold Certificates Issued to the Federal Reserve Banks

Through the Mint, we are responsible for safeguarding most of the U.S. government's gold and all of the silver reserves in accordance with 31 USC 5117; a smaller portion of the gold is in the custody of the FRBs.

The gold reserves we hold are partially offset by a liability for gold certificates the Secretary issued to the FRBs at the statutory rate, as provided in 31 USC 5117. Since 1934, we have issued Gold Certificates in non-definitive or book-entry form to the FRBs. Our liability incurred by issuing the Gold Certificates, as reported on the Consolidated Balance Sheets, is limited to the gold we hold at the statutory value. Upon issuance of Gold Certificates to the FRBs, we deposit the proceeds from the certificates into the operating cash of the U.S. government. All of our certificates issued are payable to the FRBs. The Mint also holds 100,000 fine troy ounces (FTO) ($4 million at the statutory carrying value) of gold reserves without certificates.

The U.S. Mint and the FRBs hold the gold and silver bullion reserves. We report these reserves on the consolidated financial statements at the values stated in 31 USC 5116 – 5117 (statutory rates) which are $42.2222 per FTO of gold and no less than $1.292929292 per FTO of silver. Accordingly, the silver is valued at $1.292929292 per FTO. The market values of the gold and silver reserves we disclose below are based on the London Gold Fixing. As of September 30, 2026 and 2025, the values of gold and silver reserves consisted of the following:

			2026		
	FTOs	Statutory Rate	Statutory Carrying Value (in millions)	Market Rate Per FTO	Market Value (in millions)
Gold Held by U.S. Mint	**248,046,116**	**$ 42.2222**	**$ 10,473**	**$ 4,176.30**	**$ 1,035,915**
Gold Held by Federal Reserve Banks	**13,452,811**	**$ 42.2222**	**$ 568**	**$ 4,176.30**	**56,183**
Total Gold	**261,498,927**		**11,041**		**1,092,098**
Silver	**16,000,000**	**$ 1.2929**	**$ 21**	**$ 60.73**	**972**
Total Gold and Silver Reserves		**$**	**11,062**	**$**	**1,093,070**

			2025		
	FTOs	Statutory Rate	Statutory Carrying Value (in millions)	Market Rate Per FTO	Market Value (in millions)
Gold Held by U.S. Mint	248,046,116	$ 42.2222	$ 10,473	$ 3,825.30	$ 948,851
Gold Held by Federal Reserve Banks	13,452,811	$ 42.2222	$ 568	$ 3,825.30	51,461
Total Gold	261,498,927		11,041		1,000,312
Silver	16,000,000	$ 1.2929	$ 21	$ 46.18	739
Total Gold and Silver Reserves		$	11,062	$	1,001,051

7. Reserve Position in the International Monetary Fund and Related Borrowing Arrangements

The U.S. participates in the IMF through a quota subscription and a separate borrowing arrangement—the New Arrangements to Borrow (NAB)—that supplements IMF resources.

As a result of the *Consolidated Appropriations Act, 2016*, P.L. 114-113, we obtained appropriation warrants to cover the full amount of the commitment made to the IMF and received current indefinite authority to maintain the U.S. dollar equivalent of the SDR funding commitment levels. The IMF transactions—other than related interest earnings and cost estimates for U.S. quota and NAB adjustments—are not reported as budgetary resources and uses on our Combined Statement of Budgetary Resources.

Reserve Position in the International Monetary Fund

We pay quota subscriptions partly through the transfer of reserve assets—such as foreign currencies or SDRs, which are international reserve assets the IMF created—and partly by making domestic currency available as needed through a non-interest-bearing letter of credit. This letter of credit, which we issue and the FRBNY maintains, represents our available commitment to the IMF, which may be drawn upon by the IMF.

Transfers to the IMF under the U.S. quota do not result in net budgetary outlays as they constitute an exchange of monetary assets in which the U.S. receives an equal offsetting claim on the IMF in the form of an increase in the U.S. reserve position in the IMF. Similarly, when the IMF repays SDRs or dollars to the U.S., no net budgetary receipt results because the U.S. reserve position declines concurrently in an equal amount. The U.S. reserve position is an interest-bearing asset, like other international reserve assets the U.S. holds, and is available at any time to meet U.S. funding needs.

The U.S. quota is denominated in SDRs. As of September 30, 2026 and 2025, the U.S. quota in the IMF was SDR 83.0 billion. The equivalent U.S. dollar value of the U.S. quota consisted of the following:

(in millions)	2026	2025
Letter of Credit [1]	$ **81,260**	$ 83,269
Reserve Position [2]	**31,445**	30,368
Total U.S. Quota in the IMF	$ **112,705**	$ 113,637

(1) We include Letter of Credit amounts as part of the "Fund Balance" as reported on the Consolidated Balance Sheets. Amounts also include approximately 0.25 percent of the U.S. quota held in cash in an IMF account at the FRBNY.

(2) *We report the Reserve Position amounts as "Reserve Position in the IMF" on the Consolidated Balance Sheets.*

Fluctuations in the value of the U.S. dollar with respect to the SDR result in valuation changes in dollar terms for the U.S. quota. We periodically adjust this balance to maintain the SDR value of the U.S. quota as required by the IMF Articles of Agreement. The U.S. quota reflects a net downward adjustment in value of $0.9 billion as of September 30, 2026, when compared to 2025, and a net upward adjustment in value of $1.2 billion as of September 30, 2025, when compared to 2024, due to the appreciation and depreciation of the U.S. dollar against the SDR, respectively.

IMF Borrowing Arrangements

In addition to quota subscriptions, the IMF maintains borrowing arrangements to supplement its resources to forestall or cope with an impairment of the international monetary system when IMF liquidity is low. The U.S. has the authority to

participate in the NAB. When the U.S. transfers funds to the IMF under the NAB, the U.S. receives in exchange a liquid and interest-bearing claim on the IMF.

The U.S. participation in the NAB as of September 30, 2026 and 2025 was SDR 56.4 billion, which was equivalent to $76.7 billion and $77.3 billion, respectively. There were no loans outstanding under the U.S. NAB arrangement with the IMF as of September 30, 2026 and 2025.

8. TAXES, INTEREST, AND OTHER RECEIVABLES, NET

As of September 30, 2026 and 2025, Taxes, Interest, and Other Receivables, Net consisted of the following:

(in millions)	2026	2025
Non-Entity		
Federal Taxes Receivable, Gross	**$ 339,762**	$ 361,619
Less Allowance on Taxes Receivable	**(279,182)**	(270,120)
Receivable on FRB Deposits of Earnings	**340**	217
Other Receivables	**2,207**	2,184
Less Allowance on Other Receivables	**(225)**	(196)
Total Non-Entity (Note 15)	**62,902**	93,704
Entity		
Miscellaneous Entity Receivables and Related Interest	**284**	195
Total Taxes, Interest, and Other Receivables, Net	**$ 63,186**	$ 93,899

Federal taxes receivable constitutes the largest portion of these receivables, with IRS-related federal taxes receivable representing the majority of the balance. IRS federal taxes receivable consists of delinquent tax assessments, penalties, and interest, which were not paid or abated, and which were agreed to by either the taxpayer and IRS, or the courts. These receivables also include non-delinquent IRC 965(h) amounts. The decrease in the net federal taxes receivable is largely due to payments that reduced non-delinquent IRC 965(h) amounts.

The portion of taxes receivable estimated to be collectible and the allowance for doubtful accounts are based on projections of collectability from a statistical sample of taxes receivable (refer to the section entitled *Required Supplementary Information (unaudited)* for additional discussion on IRS Federal Taxes Receivable, Net).

In addition to amounts attributed to taxes, these receivables also include accrued interest income due on funds deposited in FRBs. We do not establish an allowance for the receivable on deposits of FRB earnings because weekly deposits are required by the Federal Reserve Act, as amended, and there has been no history of uncollectible accounts.

9. LOANS RECEIVABLE, NET

CREDIT PROGRAM RECEIVABLES, NET

We administer a number of programs designed to stabilize the nation's financial system and restore the flow of credit to consumers, businesses, and homeowners. As of September 30, 2026 and 2025, Credit Program Receivables, Net consisted of the following:

(in millions)	2026	2025
Poverty Reduction & Growth Trust (IMF sponsored)	$ 13,699	$ 4,993
CDFI Fund's Bond Guarantee Program (BGP)	1,523	1,553
State and Local Housing Finance Agency Program (GSE sponsored)	811	890
Other[1]	667	754
Total Credit Program Receivables, Net	$ 16,700	$ 8,190

(1) Includes IAP, other CDFI, SBLF, and ESF credit program receivables valued at $582 million, $42 million, $33 million, and $10 million, respectively, as of September 30, 2026, and $592 million, $48 million, $35 million, and $79 million, respectively, as of September 30, 2025.

Poverty Reduction & Growth Trust (IMF sponsored)

The *Further Consolidated Appropriations Act, 2024*, P.L. 118-47, authorized the U.S. to provide a loan to the IMF's Poverty Reduction and Growth Trust (PRGT). Through the PRGT, the IMF provides loans to low-income countries facing macroeconomic instability. These loans are extended through the IMF arrangements that support well-designed economic programs to help countries stabilize their economies, boost growth, and improve debt sustainability, while also helping to generate additional financing from other sources. Under a bilateral loan agreement with the IMF, Treasury committed $21.0 billion to the PRGT through a revolving credit facility. The IMF draws funds from the facility as needed to support its concessional lending operations, with the United States earning interest at the SDR rate for these lent resources. Treasury began disbursing resources to the IMF under this credit facility in FY 2025. As of September 30, 2026 and 2025, the PRGT's net credit program receivable of $13.7 billion and $5.0 billion, respectively, included a negative subsidy allowance of $48 million and $128 million, respectively, which reflects our projection that the program will result in a net revenue to us after accounting for repayments, interest, and fees.

We performed a financial statement re-estimate of the program's cost as of September 30, 2026 and 2025. These re-estimates resulted in an upward re-estimate, or an increase in the cost of the program, of $84 million and a downward re-estimate, or decrease in the cost of the program, of $100 million as of September 30, 2026 and 2025, respectively. The upward and downward re-estimates in FY 2026 and 2025 were primarily driven by changes in the valuation of the U.S. dollar against the SDR.

CDFI Fund's Bond Guarantee Program (BGP)

The *Small Business Jobs Act of 2010*, P.L. 111-240, created the CDFI-BGP. The CDFI Fund issues guarantees for the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes. The bonds support CDFI lending and investment by providing a source of long-term capital to CDFIs. As of September 30, 2026 and 2025, the CDFI-BGP net credit program receivable of $1.5 billion and $1.6 billion, respectively, included a negative subsidy allowance of $61 million and $64 million, respectively, which reflects our projection that the program will result in a net revenue to us after accounting for repayments, interest, and fees.

We performed a financial statement re-estimate of the program's cost as of September 30, 2026 and 2025. These re-estimates resulted in a downward re-estimate, or a decrease in the cost of the program, of $4 million and $12 million as of September 30, 2026 and 2025, respectively. The downward re-estimates in FY 2026 and 2025 were driven by changes in performance assumptions, actual performance to date, and actual program funding cost.

State and Local Housing Finance Agency Program (GSE sponsored)

Under the *Housing and Economic Recovery Act of 2008*, P.L. 110-289 (HERA), we, together with the FHFA, Fannie Mae, and Freddie Mac, created a program in October 2009 to provide support to HFAs. The HFA Program is comprised of the New Issue Bond Program (NIBP) that is designed to support low mortgage rates and expand resources for low- and middle-income borrowers to purchase or rent homes, making them more affordable over the long term. Under the terms of the NIBP, we purchased securities of Fannie Mae and Freddie Mac backed by new mortgage revenue bonds HFAs issued. As of September 30, 2026 and 2025, the HFA net credit program receivable of $811 million and $890 million, respectively, included a positive subsidy allowance of $107 million and $119 million, respectively, which reflects our projection that the HFA program will result in a net cost to us after accounting for repayments, interest, and fees.

We performed a financial statement re-estimate of the NIBP program's cost as of September 30, 2026 and 2025. These re-estimates resulted in a downward re-estimate, or a decrease in the cost of the program, of $3 million and an upward re-estimate, or an increase in the cost of the program, of $6 million as of September 30, 2026 and 2025, respectively. The downward re-estimate in FY 2026 was primary driven by changes in performance assumptions. The upward re-estimates in FY 2025 was primarily driven by changes in performance assumptions and lower than estimated principal and interest collections.

Loans and Interest Receivable, Net

Disruption to economic activity caused by the spread of COVID-19 in FY 2020 placed significant pressure on U.S. airlines and the aviation industry as a whole. In FY 2020 and 2021, Congress took steps to limit the damage caused by the pandemic in the U.S. by passing several key statutes, including the CARES Act, CAA, and ARP. Authorized by these statutes, we established three payroll support programs (PSPs) to provide relief to this industry by helping to preserve aviation jobs and compensate air carrier industry workers. Specifically, the PSPs provided financial assistance to passenger air carriers, cargo air carriers, and certain contractors to be used exclusively for the continuation of payment of employee salaries, wages, and benefits.

These statutes further authorized the Secretary to receive from PSP recipients, among other things, debt securities and other financial instruments to provide appropriate compensation to the federal government for providing financial assistance. We received no promissory notes during the fiscal years ended September 30, 2026 and 2025. The recipients repaid an aggregate total of $3.1 billion and $2.8 billion of principal on the promissory notes during the fiscal years ended September 30, 2026 and 2025, respectively.

Our promissory notes totaling $7.7 billion and $10.8 billion as of September 30, 2026 and 2025, respectively, are presented net of an allowance for doubtful accounts estimated at $926 million and $893 million, respectively, within the "*Loans and Interest Receivable, Net,*" on the Consolidated Balance Sheets. Interest on the notes is payable semi-annually on March 31 and September 30 of each year. For the fiscal years ended September 30, 2026 and 2025, we recognized interest revenue of $428 million and $247 million, respectively.

10. ADVANCES AND PREPAYMENTS

The global spread of the COVID-19 resulted in a severe global health and economic crisis. The relief funding provided by the CARES Act, CAA, and ARP primarily between fiscal years 2020 and 2023 helped reduce the financial burden on individuals and their families, minimized business and employment losses, and enhanced the liquidity of the U.S. financial system.

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF), established in FY 2021 in accordance with the ARP, provided a combined $350.0 billion, remained available through December 31, 2024, to state, local, territorial, and Tribal governments to reduce the fiscal effects stemming from COVID-19, and laid the foundation for a strong recovery. Of the $350.0 billion appropriated in FY 2021 for this program, by September 30, 2023, we disbursed an aggregate cumulative total of $349.9 billion. We have made no additional disbursements since that date. As of September 30, 2026 and 2025, the outstanding Advances and Prepayments reported on the Consolidated Balance Sheets totaled $13.9 billion and $39.0 billion, respectively, of which $13.2 billion and $38.3 billion, respectively was associated with the SLFRF program.

11. INVESTMENTS IN GOVERNMENT SPONSORED ENTERPRISES

Congress established Fannie Mae and Freddie Mac as GSEs to provide stability and increase liquidity in the secondary mortgage market and to promote access to mortgage credit throughout the nation. A key function of the GSEs is to purchase mortgages, package those mortgages into securities, which are subsequently sold to investors, and guarantee the timely payment of principal and interest on these securities.

Congress passed HERA (P.L. 110-289) in July 2008 in response to the financial crisis that year and the increasingly difficult conditions in the housing market, which challenged the soundness and profitability of the GSEs and thereby threatened to undermine the entire housing market. This act created FHFA, with enhanced regulatory authority over the GSEs, and provided the Secretary with certain authorities intended to ensure the solvency of the GSEs, if necessary. In 2008, FHFA placed the GSEs under conservatorship, and we invested in the GSEs by entering into a Senior Preferred Stock Purchase Agreement (SPSPA) with each GSE. We took these actions to preserve the GSEs' assets, ensure a sound and solvent financial condition, and mitigate systemic risks that contributed to market instability. The purpose of such actions is to maintain the solvency of the GSEs so they can continue to fulfill their vital roles in the mortgage market while the Administration and Congress determine what structural changes should be made to the housing finance system. Draws under the SPSPAs would result in an increased investment in the GSEs as further discussed below.

In return for committing to maintain the GSEs' solvency by making a quarterly advance of funds to each GSE in an amount equal to any excess of the GSEs' total liabilities over its total assets as of the end of the previous quarter, we initially received from each GSE: *(i)* 1,000,000 shares of non-voting variable liquidation preference senior preferred stock with a liquidation preference value of $1,000 per share, and *(ii)* a non-transferable warrant for the purchase, at a nominal cost, of 79.9 percent of common stock on a fully-diluted basis. The warrants expire on September 7, 2028. We were entitled to distributions on our senior preferred stock equal to a 10.0 percent per annum fixed rate dividend on the total liquidation preference (as discussed below). In the third amendment to the SPSPAs in August 2012, this dividend structure was changed to a variable equivalent to the GSEs' positive net worth above a capital reserve amount. The capital reserve amount was initially set at $3.0 billion for calendar year 2013 and, upon nearing its scheduled decline to zero, was reset at $3.0 billion in calendar year 2017.

On September 27, 2019, the Department and FHFA amended the SPSPAs to increase the capital reserve amounts of Fannie Mae and Freddie Mac to $25 billion and $20 billion, respectively. In exchange, our liquidation preference in each GSE was scheduled to gradually increase up to the adjusted capital reserve amounts based on the quarterly earnings of each GSE.

On January 14, 2021, the Department and FHFA further amended the SPSPAs to replace the prior variable dividend with an alternative compensation plan for the Department that permits the GSEs to continue their recapitalization efforts, as prescribed by the GSE capital framework finalized by FHFA in 2020. Under the amended SPSPAs, each GSE is permitted to retain capital until the GSE has achieved its regulatory minimum capital requirement, including buffers (*i.e.,* the capital reserve end date), at which point its cash dividend obligations will resume along with the obligation to pay a periodic commitment fee. As compensation to Treasury for the replacement of the variable dividend, the liquidation preference of Treasury's senior preferred stock in each GSE will increase quarterly by the amount of retained capital until each GSE has achieved its capital reserve end date.

Additionally, the January 14 amendment, among other things, imposed restrictions on certain GSE business activities, including purchases of loans backed by investment properties, second homes, and multifamily properties, and on purchases

of loans with multiple high-risk characteristics or for cash consideration. On September 14, 2021, Treasury and FHFA entered into letter agreements to suspend certain business activity restrictions added to the SPSPAs by the January 14 amendment while FHFA undertook a review of the extent to which these requirements are redundant or inconsistent with existing FHFA standards, policies, and directives. On January 2, 2025, Treasury and FHFA entered into letter agreements and a related side letter to remove the suspended business activity restrictions added to the SPSPAs by the January 14 amendment, established a review process that will apply before a potential release of the GSEs from conservatorship, and made other non-substantive administrative and legal changes.

For the fiscal year ended September 30, 2026, Treasury's liquidation preference in Fannie Mae and Freddie Mac increased by $14.9 billion and $13.0 billion, respectively, compared to an increase of $15.2 billion and $11.6 billion, respectively, for the fiscal year ended September 30, 2025. The GSEs will not pay a quarterly dividend until after the capital reserve end date. We received no cash dividends for the fiscal year ended September 30, 2026 and 2025, as the GSEs had not achieved their capital reserve end date as of September 30, 2026 and 2025.

The SPSPAs, which have no expiration date, require us to disburse funds to either GSE if, at the end of any quarter, the FHFA determines that the liabilities of either GSE exceed its assets. Draws from the Department under the SPSPAs are designed to ensure that the GSEs maintain positive net worth, with a fixed maximum amount available to each GSE under this agreement, established as of December 31, 2012 (refer to the "*Contingent Liability to GSEs*" section below). Draws against the funding commitment of the SPSPAs do not result in the issuance of additional shares of senior preferred stock; instead, they increase the liquidation preference of the initial 1,000,000 shares by the amount of the draw. The combined cumulative liquidation preference totaled $388 billion and $360 billion as of September 30, 2026 and 2025, respectively. There were no payments to the GSEs for the fiscal year ended September 30, 2026 and 2025.

Accounting Treatment

Entity Transactions— If we estimate a probable and reasonably estimable contingent liability to the GSEs, we will accrue and report this liability on our Consolidated Balance Sheets and fund the liability through our direct appropriations. We will report the liability accrual, if any, at its gross amount as an "entity" cost on our Consolidated Statements of Net Cost, and within the line item, "*Cumulative Results of Operations*" on our Consolidated Balance Sheets, without considering the increase in senior preferred stock liquidation preference/fair value adjustments, and future dividend receipts from the GSEs.

Non-Entity Transactions— If we make actual payments to the GSEs, they will result in increases to the U.S. government's liquidation preference in the GSEs' senior preferred stock, and thus represent General Fund exchange revenue reported on our Consolidated Statements of Net Cost as "*GSEs Non-Entity Revenue, Net.*" Changes in the fair valuation of the GSE preferred stock and common stock warrants, and related dividends received, are General Fund-related costs and revenues which we report as "*GSEs Non-Entity Revenue, Net.*"

Investments in GSEs

As of September 30, 2026 and 2025, our investments in the GSEs consisted of the following:

GSEs Investments (in millions)	Gross Investments As of 9/30/26	Cumulative Valuation Gain/(Loss)	Fair Value As of 9/30/26
Fannie Mae Senior Preferred Stock	$ 237,836	$ (37,136)	$ 200,700
Freddie Mac Senior Preferred Stock	150,241	26,759	177,000
Fannie Mae Warrants Common Stock	3,104	14,966	18,070
Freddie Mac Warrants Common Stock	2,264	7,286	9,550
Total GSEs Investments	$ 393,445	$ 11,875	$ 405,320

GSEs Investments (in millions)	Gross Investments As of 9/30/25	Cumulative Valuation Gain/(Loss)	Fair Value As of 9/30/25
Fannie Mae Senior Preferred Stock	$ 222,974	$ (81,074)	$ 141,900
Freddie Mac Senior Preferred Stock	137,284	16,716	154,000
Fannie Mae Warrants Common Stock	3,104	47,326	50,430
Freddie Mac Warrants Common Stock	2,264	25,866	28,130
Total GSEs Investments	$ 365,626	$ 8,834	$ 374,460

Senior Preferred Stock and Warrants for Common Stock

In determining the fair value of the senior preferred stock and warrants for common stock, we relied on the GSEs' public filings and press releases concerning their financial statements, as well as non-public, long-term financial forecasts, monthly summaries, quarterly credit supplements, independent research regarding preferred stock trading, independent research regarding the GSEs' common stock trading on the OTC Market, discussions with each of the GSEs and FHFA, and other information pertinent to the valuations. Because the senior preferred stock is not publicly traded, there is no comparable trading information available. The fair valuation of the senior preferred stock relies on significant Level 3 unobservable inputs that reflect assumptions about the expectations that market participants would use in pricing (refer to Notes 1I and 1V).

The fair value of the senior preferred stock considers forecasted cash flows to equity holders and the traded prices of the GSE's other equity securities, including the GSE's common stock and junior preferred stock. The fair value of the senior preferred stock—as measured by unobservable and observable inputs—increased as of September 30, 2026, when compared to September 30, 2025. The increase in the senior preferred stock was primarily driven by higher projected cash flows.

Factors impacting the fair value of the warrants include the nominal exercise price and the large number of potential exercise shares, the market prices and trading volumes of the underlying common stock as of September 30, the principal market, and the market participants. Other factors impacting the fair value include, among other things, the holding period risk related directly to the assumption of the amount of time that it will take to sell the exercised shares without depressing the market. The fair value of the warrants is primarily determined using observable inputs, specifically the Level 1 fair value measurement based on the market price of the underlying common stock of each GSE, that decreased at the end of FY 2026, when compared to 2025.

Contingent Liability to GSEs

As part of the annual process, we prepare a series of long-term financial forecasts to assess, as of September 30, the likelihood and magnitude of future draws to be required by the GSEs under the SPSPAs within the forecast time horizon. We used 25-year financial forecasts prepared through year 2051 and 2050 in assessing if a contingent liability was required as of September 30, 2026 and 2025, respectively. If future payments under the SPSPAs are deemed to be probable within

the forecast horizon, and we can reasonably estimate such payment, we will accrue a contingent liability to the GSEs to reflect the forecasted equity deficits of the GSEs. We do not discount this accrued contingent liability, nor do we take into account any of the offsetting dividends that we could receive, as the dividends, if any, would be owed directly to the General Fund. We will adjust such recorded accruals in subsequent years as new information develops or circumstances change.

Based on our annual assessment, we estimated there was no probable future funding draws as of September 30, 2026 and 2025, and thereby accrued no contingent liability. However, it is reasonably possible that a period of sustained economic and housing market volatility could potentially cause the GSEs to generate quarterly losses of sufficient magnitude to result in future funding draws against our funding commitment. Due to challenges quantifying future market volatility or the timing, magnitude, and likelihood of such events, we could not estimate the total amount of this reasonably possible future funding liability as of September 30, 2026 and 2025. There were no payments to the GSEs for the fiscal year ended September 30, 2026 and 2025. At September 30, 2026 and 2025, the maximum remaining contractual commitment to the GSEs for the remaining life of the SPSPAs was $254.1 billion.

In assessing the need for an estimated contingent liability, we rely on the GSEs' public filings and press releases, including their financial statements, monthly business summaries, and quarterly credit supplements, as well as non-public, long-term financial forecasts, the FHFA House Price Index, discussions with each of the GSEs and FHFA, and other information pertinent to the liability estimates. The forecasts prepared in assessing the need for an estimated contingent liability as of September 30, 2026 and 2025, include two potential scenarios, with varying assumptions regarding the continuation of the GSEs new business activities, including purchasing mortgage loans and issuing new guaranteed mortgage-backed securities. The forecasts as of September 30, 2026 and 2025, also assumed the maintenance of the GSEs' retained mortgage portfolios below the maximum permitted under the amended SPSPAs.

Estimation Factors

Our forecasts concerning the GSEs may differ from actual results. Estimated senior preferred values and future draw amounts will depend on numerous factors that are difficult to predict including, but not limited to, changes in government policy with respect to the GSEs, the business cycle, inflation, home prices, unemployment rates, interest rates, changes in housing preferences, home financing alternatives, availability of debt financing, market rates of guarantee fees, outcomes of loan refinancings and modifications, new housing programs, and other applicable factors.

GSEs Non-Entity Revenue

For the fiscal year ended September 30, 2026 and 2025, GSEs Non-Entity Revenue, Net consisted of the following:

Summary of GSEs Non-Entity Revenue (in millions)	2026	2025
General Fund Revenue from Increase in Liquidation Preference of GSEs Preferred Stock	**(27,819)**	(26,742)
Fair Value Gain on GSEs Warrants/Preferred Stock	**(3,041)**	(41,918)
Total GSEs Non-Entity Revenue, Net	**(30,860)**	(68,660)

Regulatory Environment

To date, Congress has not passed legislation nor has FHFA taken action to end the GSEs' conservatorships. The GSEs continue to operate under the direction of FHFA as conservator.

The *Temporary Payroll Tax Cut Continuation Act of 2011* (P.L. 112-78) was funded by an increase of ten basis points in the GSEs' guarantee fees (referred to as "the incremental fees"), which began in April 2012, and was extended by the *Infrastructure Investment and Jobs Act of 2021* (P.L. 117-58) through September 30, 2032. The incremental fees are

remitted to us and not retained by the GSEs and, thus, do not affect the profitability of the GSEs. For FY 2026 and 2025, the GSEs remitted to us the incremental fees totaling $6.4 billion, respectively, which are reported within the line item "*Fines, Penalties, Interest and Other Revenue*" on our Statements of Custodial Activity.

12. INVESTMENTS IN MULTILATERAL DEVELOPMENT BANKS

As of September 30, 2026 and 2025, Investments in Multilateral Development Banks consisted of the following:

(in millions)	2026	2025
International Bank for Reconstruction and Development	$ 4,089	$ 4,089
Inter-American Development Bank [1]	2,099	2,023
Asian Development Bank	991	991
African Development Bank	762	707
European Bank for Reconstruction and Development	724	636
International Finance Corporation	569	569
North American Development Bank	450	450
Multilateral Investment Guarantee Agency	45	45
Total	$ 9,729	$ 9,510

Refer to Note 27 for a description of the additional commitments related to these institutions.
(1) Includes Inter-American Investment Corporation

13. OTHER INVESTMENTS, NET

Other Investments, Net include foreign currency holdings, equity securities held pursuant to the Emergency Capital Investment Program, and other investments, primarily consisting of our preferred equity interest in a Special Purpose Vehicle (SPV).

Foreign Currency Holdings

Foreign currency holdings are typically invested in interest-bearing securities issued or held through foreign governments or monetary authorities (refer to Note 5). The ESF holds most of our foreign currency investments. As of September 30, 2026 and 2025, the total fair value of our foreign investments, including interest receivable, was $12.5 billion and $5.3 billion, respectively. The increase was primarily due to the annual portfolio rebalancing and changes in the timing of investment maturities.

Emergency Capital Investment Program

Established under the CAA, the Emergency Capital Investment Program encourages low- and moderate-income community financial institutions to augment their efforts to support small businesses and consumers in their communities that may have been disproportionately impacted by the economic effects of the COVID-19 pandemic. The program had authority to provide up to $9.0 billion in capital directly to depository institutions and holding companies through purchases of preferred stock or subordinated debt from certified CDFIs or minority depository institutions (MDIs), which was fully disbursed by September 2023.

All cash proceeds we receive in connection with these investments, including dividend and interest payments, and proceeds from the sale of these investments, are transferred to the CDFI Fund—a Treasury component—to be used to provide financial and technical assistance pursuant to the *Community Development Banking and Financial Institutions Act of 1994*. We transferred cash proceeds of $117 million and $139 million to the CDFI Fund for the fiscal years ended September 30, 2026 and 2025, respectively.

We account for the preferred stock and subordinated debt investments at fair value, with changes in the fair value of these investments recorded as realized or unrealized gains or losses within the *"Economic Program"* on the Consolidated

Statements of Net Cost. As the incentives and other conditions of our capital investments result in more favorable terms than available to the CDFIs and MDIs from private investors and more favorable terms compared to investment pricing available in the conventional financial markets, their fair values are less than the amounts we paid at acquisition. As of September 30, 2026 and 2025, our preferred stock and subordinated debt investments were valued at $1.0 billion and $1.4 billion, respectively, which includes fair value losses of $360 million and $1.5 billion recognized for the fiscal years ended September 30, 2026 and 2025, respectively.

Investment in Special Purpose Vehicle

In FY 2020, pursuant to its emergency-lending authority under Section 13(3) of the Federal Reserve Act, the FRBNY and FRBB implemented certain emergency lending facilities. These facilities operated SPVs, which were governed by Limited Liability Company (LLC) agreements between Treasury and the applicable FRB. Through these SPVs, the FRBNY and FRBB issued loans and purchased debt and other commercial paper of eligible entities affected by COVID-19. Prior to FY 2025, all but one SPV facility was closed, and final distributions were made to Treasury. The MS Facilities 2020 LLC (MSF), the only remaining facility as of September 30, 2026, was established by the FRBB in May 2020 in which we disbursed $37.5 billion for a preferred equity interest in the SPV. Loans issued under this program have a five-year maturity, with principal and interest payments deferred for two years and one year, respectively. The SPV ceased purchasing loan participations in January 2021.

The FRBB is the managing member of the SPV and has the exclusive right to manage the business of the SPV and all the powers and rights necessary to carry out the purposes and business of the SPV. As a preferred equity member, we have no voting, consent, or control rights over the SPVs.

Upon dissolution of the SPV, we will be entitled to an amount equal to the cash balance of the preferred equity account plus 90 percent of the cash balance in all the other accounts of the SPV. The final distribution to Treasury upon dissolution will be used to repay Treasury's related outstanding debt and subsidy costs incurred associated with our preferred equity investment in the SPV. In accordance with the CARES Act, any remaining residual proceeds will be transferred to the Federal Old-Age and Survivors Insurance Trust Fund established under Section 201(a) of the *Social Security Act*. We treat this transfer as a non-entity transaction. We recorded a liability of $348 million and $0 million as of September 30, 2026 and 2025, respectively.

The SPV LLC agreement provides for semiannual interim distributions to Treasury. During the fiscal years ended September 30, 2026 and 2025, we received $2.0 billion and $2.9 billion in interim distributions, respectively, reducing our outstanding equity contribution as of September 30, 2026 and 2025 to $0.0 billion and $2.0 billion, respectively (excluding the cumulative fair valuation associated with this asset). We repaid Treasury's outstanding debt owed to the BFS incurred in connection with this investment transaction. The interim distributions to Treasury represent the amounts by which funds that were contributed by Treasury to the facility (and earnings thereon) exceeded the purchase price of the loan participations, as the case may be, within the facility at such time. We cannot use any of our funds remaining in the SPV funded under the CARES Act for further lending, asset purchases, or extensions of credit.

The table below presents the fair value measurements hierarchy classification by investment type:

	Fair Value Measurement of Other Investments, Net as of September 30, 2026			
Investment Type (in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign Investments	**$ 12,460**	**$ -**	**$ -**	**12,460**
Emergency Capital Investment Program	**-**	**-**	**1,004**	**1,004**
Other Investments	**71**	**-**	**756**	**827**
Total Fair Value Measurements	**$ 12,531**	**$ -**	**$ 1,760**	**14,291**

	Fair Value Measurement of Other Investments, Net as of September 30, 2025			
Investment Type (in millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign Investments	$ 5,320	$ -	$ -	5,320
Emergency Capital Investment Program	-	-	1,365	1,365
Other Investments	56	-	2,649	2,705
Total Fair Value Measurements	$ 5,376	$ -	$ 4,014	9,390

The following table provides a roll forward of our investment balances as of September 30, 2026 and 2025:

(in millions)	**2026**	**2025**
Beginning Balance	**$ 9,390**	$ 11,998
Acquisition of Investments[(1)]	**16,649**	12,882
Sale/Repayment of Investments[(1)]	**(10,998)**	(14,592)
Valuation Adjustments	**(622)**	(1,640)
(Loss)/Gain on Sales/Dispositions	**(238)**	746
Change in Accrued Dividend/Interest Income and Other	**110**	(4)
Ending Balance	**$ 14,291**	$ 9,390

(1) The significant change is primarily related to foreign investments activity.

14. PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30, 2026 and 2025, Property, Plant, and Equipment, Net consisted of the following:

(in millions)	Service Life [1]	Cost	Accumulated Depreciation/ Amortization	2026 Net Book Value
Buildings, Structures and Facilities	**3 - 50 years**	**$ 1,325**	**$ (707)**	**$ 618**
Furniture, Fixtures and Equipment	**2 - 20 years**	**2,551**	**(1,627)**	**924**
Construction-in-Progress	**N/A**	**410**	**-**	**410**
Internal-Use Software in Use	**2 - 15 years**	**5,753**	**(4,082)**	**1,671**
Internal-Use Software in Development	**N/A**	**370**	**-**	**370**
Right-To-Use Lease Assets	**2 - 20 years**	**609**	**(139)**	**470**
Leasehold Improvements	**2 - 20 years**	**472**	**(230)**	**242**
Total		**$ 11,490**	**$ (6,785)**	**$ 4,705**

(in millions)	Service Life [1]	Cost	Accumulated Depreciation/ Amortization	2025 Net Book Value
Buildings, Structures and Facilities	3 - 50 years	$ 1,334	$ (713)	$ 621
Furniture, Fixtures and Equipment	2 - 20 years	2,791	(1,921)	870
Construction-in-Progress	N/A	438	-	438
Land	N/A	12	-	12
Internal-Use Software in Use	2 - 15 years	4,862	(3,754)	1,108
Internal-Use Software in Development	N/A	1,560	-	1,560
Right-To-Use Lease Assets	2 - 20 years	602	(95)	507
Leasehold Improvements	2 - 20 years	501	(268)	233
Total		$ 12,100	$ (6,751)	$ 5,349

(1) The service life ranges vary significantly due to the diverse nature of PP&E we hold.

The following table provides a reconciliation of changes in PP&E, Net for the fiscal years ended September 30, 2026 and 2025:

(in millions)	2026	2025
Balance Beginning of Year, Unadjusted	**$ 5,349**	$ 4,677
Effects of Implementation of SFFAS 59 (FY 2026 Only)	**(12)**	-
Balance Beginning of Year, Adjusted	**5,337**	4,677
Capitalized Acquisitions	**503**	1,224
Right-To-Use Lease Assets Acquired	**9**	3
Dispositions	**(498)**	(64)
Transfers In/Out Without Reimbursement	**(2)**	-
Depreciation and Amortization Expense	**(644)**	(491)
Balance at End of Year	**$ 4,705**	$ 5,349

LAND AND HERITAGE ASSETS

We hold land for the operational use of the BEP and Mint in their production of U.S. currency and circulating coins. As of September 30, 2026 and 2025, the total estimated land acreage for operational use was 288 acres and 289 acres, respectively.

As of September 30, 2026 and 2025, we had 15 heritage assets, of which five are considered multi-use. The Treasury Complex (Main Treasury Building and Annex), declared a national historical landmark in 1972, is treated as a multi-use heritage asset, along with the collection of artifacts within, and is expected to be preserved indefinitely. The buildings that house the Mint in Denver, San Francisco, Fort Knox, and West Point are also multi-use heritage assets and included on the National Register of Historic Places. Additionally, the Mint maintains heritage assets consisting of four coin collections and six collections of historical artifacts. They include various coins produced over the years, furniture and equipment used in Mint's facilities, and examples of the coin manufacturing process. These items are collection-type assets that are maintained for exhibition and are preserved indefinitely because of their historical, cultural, educational, or artistic importance.

15. NON-ENTITY VS. ENTITY ASSETS

Non-entity assets are those that we hold and manage on behalf of the General Fund but are not available for our use. The table below shows our total assets, segregated between non-entity and entity, as of September 30, 2026 and 2025:

	2026		
(in millions)	**Non-Entity**	**Entity**	**Total**
Intra-Governmental			
Fund Balance (Note 2) [a]	**$ 49,637**	**$ 453,092**	**$ 502,729**
Loans Receivable:			
Loans and Interest Receivable (Note 3)	**2,050,588**	**226,988**	**2,277,576**
Advances to Trust Funds (Note 3)	**17,381**	**-**	**17,381**
Other Assets:			
Due From the General Fund (Note 4)	**40,006,922**	**-**	**40,006,922**
Other [b]	**2,905**	**24**	**2,929**
Total Intra-Governmental	**42,127,433**	**680,104**	**42,807,537**
Other Than Intra-Governmental			
Cash and Other Monetary Assets:			
Cash, Foreign Currency, and Other Monetary Assets (Note 5)	**964,571**	**179,237**	**1,143,808**
Gold and Silver Reserves (Note 6)	**11,062**	**-**	**11,062**
Reserve Position in the International Monetary Fund (Note 7)	**-**	**31,445**	**31,445**
Accounts Receivable, Net:			
Taxes, Interest, and Other Receivables, Net (Note 8)	**62,902**	**284**	**63,186**
Loans Receivable, Net:			
Credit Program Receivables, Net (Note 9)	**-**	**16,700**	**16,700**
Loans and Interest Receivable, Net (Note 9)	**7,674**	**-**	**7,674**
Advances and Prepayments (Note 10)	**-**	**13,936**	**13,936**
Investments in GSEs (Note 11)	**405,320**	**-**	**405,320**
Other Investments:			
Investments in Multilateral Development Banks (Note 12)	**-**	**9,729**	**9,729**
Other Investments, Net (Note 13)	**-**	**14,291**	**14,291**
Property, Plant, and Equipment, Net (Note 14)	**-**	**4,705**	**4,705**
Other Assets [c]	**-**	**4,016**	**4,016**
Total Other Than Intra-Governmental	**1,451,529**	**274,343**	**1,725,872**
Total Assets	**$ 43,578,962**	**$ 954,447**	**$ 44,533,409**

[a] *$42.1 billion of the non-entity balance represents assets held on behalf of the General Fund (refer to Note 4).*
[b] *Consists of accounts receivable, net and advances and prepayments totaling $2.9 billion and $9 million, respectively.*
[c] *Consists primarily of inventory and related property: forfeited property $2.1 billion, inventory $2.0billion, and operating materials and supplies $84 million.*

(in millions)	Non-Entity	2025 Entity	Total
Intra-Governmental			
Fund Balance (Note 2) [d]	$ 33,247	$ 471,453	$ 504,700
Loans Receivable:			
Loans and Interest Receivable (Note 3)	1,982,976	221,103	2,204,079
Advances to Trust Funds (Note 3)	24,291	-	24,291
Other Assets:			
Due From the General Fund (Note 4)	37,664,208	-	37,664,208
Other [e]	1,990	78	2,068
Total Intra-Governmental	39,706,712	692,634	40,399,346
Other Than Intra-Governmental			
Cash and Other Monetary Assets:			
Cash, Foreign Currency, and Other Monetary Assets (Note 5)	872,456	190,136	1,062,592
Gold and Silver Reserves (Note 6)	11,062	-	11,062
Reserve Position in the International Monetary Fund (Note 7)	-	30,368	30,368
Accounts Receivable, Net:			
Taxes, Interest, and Other Receivables, Net (Note 8)	93,704	195	93,899
Loans Receivable, Net:			
Credit Program Receivables, Net (Note 9)	-	8,190	8,190
Loans and Interest Receivable, Net (Note 9)	10,811	-	10,811
Advances and Prepayments (Note 10)	-	38,979	38,979
Investments in GSEs (Note 11)	374,460	-	374,460
Other Investments:			
Investments in Multilateral Development Banks (Note 12)	-	9,510	9,510
Other Investments, Net (Note 13)	1	9,389	9,390
Property, Plant, and Equipment, Net (Note 14)	-	5,349	5,349
Other Assets [f]	-	4,009	4,009
Total Other Than Intra-Governmental	1,362,494	296,125	1,658,619
Total Assets	$ 41,069,206	$ 988,759	$ 42,057,965

[d] $24.9 billion of the non-entity balance represents assets held on behalf of the General Fund (refer to Note 4).

[e] Consists of accounts receivable, net and advances and prepayments totaling $2.0 billion and $43 million, respectively.

[f] Consists primarily of inventory and related property: inventory $2.1 billion, forfeited property $1.9 billion, and operating materials and supplies $93 million.

16. Federal Debt and Interest Payable and Related Liabilities

Treasury is responsible for administering the federal debt on behalf of the U.S. government. The federal debt includes borrowings from the public as well as borrowings from federal agencies. The federal debt does not include debt other governmental agencies issue, including agencies such as the Tennessee Valley Authority or Department of Housing and Urban Development.

Debt held by the public primarily represents the amount the U.S. government has borrowed to finance cumulative cash deficits. In contrast, debt held by other federal agencies, primarily trust funds, represents balances of Treasury securities held by individual federal agencies with either the authority or the requirement to invest excess receipts in Treasury securities, with the principal and interest guaranteed by the full faith and credit of the U.S. government.

Federal Debt and Interest Payable as of September 30, 2026 and 2025 is as follows:

Held by Other Federal Agencies (Intra-Governmental) (in millions)		2026		2025
Beginning Balance	$	**7,316,769**	$	7,122,932
New Borrowings - Net of Repayments		**384,821**		193,837
Subtotal at Par Value		**7,701,590**		7,316,769
(Discount) Premium		**(259,367)**		(49,267)
Debt Principal Not Covered by Budgetary Resources (Note 19)		**7,442,223**		7,267,502
Interest Payable Covered by Budgetary Resources		**47,410**		42,250
Total	$	**7,489,633**	$	7,309,752

Held by the Public (in millions)		2026		2025
Beginning Balance	$	**30,277,766**	$	28,307,312
New Borrowings - Net of Repayments		**2,147,247**		1,970,454
Subtotal at Par Value		**32,425,013**		30,277,766
(Discount)		**(138,492)**		(125,629)
Debt Principal Not Covered by Budgetary Resources (Note 19)		**32,286,521**		30,152,137
Interest Payable Covered by Budgetary Resources		**180,666**		159,693
Total	$	**32,467,187**	$	30,311,830

Federal Debt Held by Other Federal Agencies

Certain federal agencies are allowed to invest excess funds in debt securities we issue on behalf of the U.S. government. The terms and the conditions of debt securities we issue allow the U.S. government to meet its cash needs. The vast majority of debt securities held by federal agencies are non-marketable securities issued at par value, but others are issued at market prices and interest rates that reflect market terms. The average intra-governmental interest rate for debt held by the federal entities, excluding Treasury Inflation-Protected Securities (TIPS) and Floating Rate Notes (FRNs), for FY 2026 and 2025 was 3.5 percent and 3.1 percent, respectively. The average intra-governmental interest rate on TIPS inflation-adjusted principal for FY 2026 and 2025 was 1.4 percent and 1.2 percent, respectively. The average interest rate on FRNs for FY 2026 and 2025 was 4.1 percent and 4.0 percent, respectively. The average interest rate represents the original issue weighted effective yield on securities outstanding at the end of the fiscal year.

The federal debt also includes intra-governmental marketable debt securities that certain agencies are permitted to buy and sell on the open market. The debt federal agencies held at par value (not including premium/discount or interest payable) as of September 30, 2026 and 2025 is as follows:

(in millions)	2026	2025
Department of Defense Agencies	$ **2,638,341**	$ 2,235,989
Social Security Administration	**2,441,060**	2,616,160
Office of Personnel Management	**1,289,865**	1,207,608
Department of Health and Human Services	**448,899**	411,296
All Other Federal Entities — Consolidated	**883,425**	845,716
Total Federal Debt Held by Other Federal Agencies	**$ 7,701,590**	$ 7,316,769

These amounts do not include intra-departmental debt and related interest that are eliminated from our financial statements.

FEDERAL DEBT HELD BY THE PUBLIC

Federal Debt Held by the Public at par value (not including premium/discount or interest payable) as of September 30, 2026 and 2025 consisted of the following:

(at par value in millions)	Term	Average Interest Rates	2026
Marketable:			
Treasury Bills	**1 Year or Less**	**3.9%**	**$ 7,117,937**
Treasury Notes	**Over 1 Year - 10 Years**	**3.4%**	**16,277,939**
Treasury Bonds	**Over 10 Years**	**3.5%**	**5,538,540**
Treasury Inflation-Protected Securities (TIPS)	**5 Years or More**	**1.1%**	**2,172,034**
Treasury Floating Rate Notes (FRN)	**2 Years**	**4.1%**	**707,947**
Total Marketable			**31,814,397**
Non-Marketable	**On Demand to Over 40 Years**	**4.3%**	**610,616**
Total Federal Debt Held by the Public			**$ 32,425,013**

(at par value in millions)	Term	Average Interest Rates	2025
Marketable:			
Treasury Bills	1 Year or Less	4.2%	$ 6,396,631
Treasury Notes	Over 1 Year - 10 Years	3.1%	15,387,391
Treasury Bonds	Over 10 Years	3.3%	5,133,118
Treasury Inflation-Protected Securities (TIPS)	5 Years or More	0.9%	2,087,362
Treasury Floating Rate Notes (FRN)	2 Years	4.0%	690,500
Total Marketable			29,695,002
Non-Marketable	On Demand to Over 40 Years	3.8%	582,764
Total Federal Debt Held by the Public			$ 30,277,766

We generally issue Treasury bills, notes, bonds, and TIPS to meet the borrowing needs of the U.S. government. We issue marketable bills at a discount or at par, and pay the par amount of the security upon maturity. The average interest rate on Treasury bills represents the original issue effective yield on securities outstanding at year end. We issue marketable notes and bonds as long-term securities that pay semi-annual interest based on the securities' stated interest rates. We issue these securities at either par value or at an amount that reflects a discount or premium. The average interest rate on marketable notes and bonds represents the stated interest rate adjusted by any discount or premium on securities outstanding at year-end.

We also issue TIPS that have interest and redemption payments tied to the Consumer Price Index (CPI) for all Urban Consumers, a widely used measurement of inflation. We adjust the principal for TIPS daily over the life of the security based on the CPI for all Urban Consumers. At maturity, TIPS are redeemed at the inflation-adjusted principal amount, or the original par value, whichever is greater. TIPS pay a semi-annual fixed rate of interest applied to the inflation-adjusted principal. The average interest rate on TIPS represents the stated interest rate on the inflation-adjusted principal, adjusted by any discount or premium on securities outstanding as of the end of the fiscal year. The inflation-adjusted TIPS principal balance of federal debt held by the public included inflation of $386.7 billion and $377.4 billion as of September 30, 2026 and 2025, respectively.

We also issue marketable FRNs which accrue interest daily and pay the aggregated interest on a quarterly basis. The interest rate is based on two components; the interest rate tied to the highest accepted discount rate of the most recent 13-week marketable bill auction and the spread rate, which is the highest accepted discount rate determined at auction when the FRN is first offered. Similar to marketable notes and bonds, we issue these securities at either par value or at an amount that reflects a discount or premium. The average interest rate on marketable FRNs represents the highest accepted discount rate of the most recent 13-week marketable auction as of September 30, adjusted by any discount or premium on securities outstanding as of that date.

In addition to issuing new securities, we are also authorized to redeem existing debt early. 31 USC 3111 authorizes us to use money received from the sale of an obligation and other money in the General Fund to "buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the United States Government." The authority to buy back securities enables us to better achieve debt management objectives of liquidity support, bolstering market liquidity and cash management, reducing volatility in Treasury cash balance and bill issuance, minimizing bill supply disruptions, and reducing borrowing costs over time. We use our fiscal agent, the FRBNY, to conduct buybacks of Treasury securities. A buyback occurs when we redeem outstanding marketable Treasury securities prior to their maturity dates. In a buyback, the owner of the security sells it to us on a voluntary basis at a price determined by a competitive auction process. Once the securities have been redeemed, the total public debt outstanding is reduced by the amount of the buyback operation.

The first of these buybacks occurred in FY 2000 and continued through FY 2002. We did not conduct buybacks again until FY 2015, when we conducted two small-value buybacks to ensure operational readiness of our buyback infrastructure. We continued to conduct regular small-value buyback operations periodically to ensure operational readiness through April 2024. In May 2024, we began regular buyback operations, which continued through the end of the fiscal year. The regular buybacks included liquidity support buybacks, from May 2024 through September 2024, and cash management buybacks in September 2024. In FY 2025, we continued regular buyback operations. During FY 2026, we conducted 76 regular buybacks, leading to total purchases of $262.3 billion in debt principal at a total cost of $241.7 billion, excluding accrued interest, and resulting in gains of $19.7 billion. This compares to 64 regular buybacks conducted in FY 2025, leading to total purchases of $185.3 billion in debt principal at a total cost of $171.6 billion, excluding accrued interest, and resulting in gains of $13.6 billion.

Federal Debt Held by the Public includes federal debt held outside of the U.S. government by individuals, corporations, FRBs, state and local governments, foreign governments, and central banks. As of September 30, 2026, the FRB's SOMA had total holdings of $4.6 trillion which: *(i)* includes $109.2 billion in Treasury securities used in overnight reverse repurchase transactions, and *(ii)* excludes a net of $4.0 billion held by the FRB as collateral for securities lending activities. As of September 30, 2025, the FRB's SOMA had total holdings of $4.2 trillion which: *(i)* includes $561.3 billion in Treasury

securities used in overnight reverse repurchase transactions, and *(ii)* excludes a net of $3.2 billion held by the FRB as collateral for securities lending activities. For the years ended September 30, 2026 and 2025, we incurred interest expense of $120.1 billion and $103.0 billion, respectively, related to Treasury securities held by the FRBs.

We issue non-marketable securities at either par value or at an amount that reflects a discount or a premium. The average interest rate on the non-marketable securities represents the original issue weighted effective yield on securities outstanding as of September 30, 2026 and 2025. Non-marketable securities are issued with a term of on demand out to 40 years.

STATUTORY DEBT LIMIT

The statutory debt limit is the total amount of money that the U.S. government is authorized to borrow to meet its existing legal obligations, with certain adjustments. Outstanding debt obligations subject to the debt limit were $40.0 trillion and $37.5 trillion as of September 30, 2026 and 2025, respectively. Congress has provided us with statutory authority to take certain extraordinary measures in the event that the public debt nears the debt limit and a delay in raising the debt limit occurs. These measures authorize us to deviate from our normal debt management operations – which include the investment (or non-investment) of trust fund balances in Treasury securities – to avoid exceeding the debt limit. We undertake these measures to meet the U.S. government's obligations as they come due without exceeding the debt limit.

During a period of delay in raising the debt limit, we may undertake the following extraordinary measures: *(i)* suspend new issuances of Treasury securities to the Government Securities Investment Fund (G Fund) of the FERS TSP, the Civil Service Retirement and Disability Fund (Civil Service Fund), the Postal Service Retiree Health Benefits Fund (Postal Benefits Fund), and the ESF; *(ii)* redeem early a certain amount of Treasury securities held by the Civil Service Fund and Postal Benefit Fund; (*iii*) suspend new issuances of State and Local Government Series (SLGS) securities; and *(iv)* utilize FFB to exchange outstanding Treasury securities held by the Civil Service Fund for non-Treasury securities (refer to Note 17).

When the period of delay in raising the debt limit ends, we discontinue using extraordinary measures and resume our normal debt management operations. Furthermore, we are required by the relevant statutes to issue to the G Fund, along with the OPM-administered Civil Service Fund and Postal Benefits Fund (the OPM funds), Treasury securities that bear such interest rates and maturity dates necessary to replicate the investments the funds would have held had the delay not occurred (the unissued securities). In addition, relevant statutes require us to pay these funds the related lost interest (foregone interest) on the unissued securities. While we may reinvest the ESF, relevant statutes do not permit us to pay the ESF interest lost during a period of delay.

On June 3, 2023, Congress enacted the *Fiscal Responsibility Act of 2023* (P.L. 118-5), which temporarily suspended the debt limit through January 1, 2025. On January 21, 2025, a delay in raising the debt limit commenced at which time we departed from our normal debt management operations and undertook extraordinary measures to avoid exceeding the statutory debt limit. On July 4, 2025, Congress enacted the *One Big Beautiful Bill Act* (P. L. 119-21) which raised the debt limit from $36.1 trillion to $41.1 trillion. On July 7, 2025, we discontinued the use of extraordinary measures and resumed normal debt management operations. On this date, we restored uninvested principal totaling $359.2 billion, of which $185.5 billion was restored to the G Fund and $173.7 billion was restored to the OPM-administered Civil Service Fund and the Postal Benefits Fund. We restored foregone interest totaling $4.4 billion to the G Fund on July 8, 2025. We restored $444 million in foregone interest to the OPM funds on the next semi-annual interest payment date of December 31, 2025.

17. Other Federal Debt and Interest Payable

Through FFB, we have outstanding borrowings and related accrued interest owed to the Civil Service Fund. At September 30, 2026 and 2025, FFB had outstanding borrowings of $3.6 billion and $4.1 billion, inclusive of $22 million and $25 million of accrued interest payable, respectively. The outstanding borrowings at September 30, 2026, had stated interest rates that ranged from 2.25 percent to 3.00 percent per annum, and an effective interest rate of 2.38 percent. The outstanding borrowings at September 30, 2025, had stated interest rates that ranged from 2.25 percent to 3.00 percent per annum, and an effective interest rate of 2.39 percent. Maturity dates ranged from June 30, 2027, to June 30, 2035, for outstanding borrowings at September 30, 2026, and from June 30, 2026 to June 30, 2035 for outstanding borrowings at September 30, 2025.

18. D.C. Federal Pension and Judicial Retirement Actuarial Liability

Title XI of the *Balanced Budget Act of 1997*, as amended, was intended to relieve the D.C. government of the burden of unfunded pension liabilities transferred to the District by the U.S. government in 1979. To fulfill our responsibility, we manage two funds — the District of Columbia Teachers, Police Officers, and Firefighters Federal Pension Fund (the D.C. Federal Pension Fund) and the District of Columbia Judicial Retirement and Survivors Annuity Fund (the Judicial Retirement Fund). We are required to make annual amortized payments from the General Fund to the D.C. Federal Pension Fund and the Judicial Retirement Fund. The D.C. Federal Pension Fund benefit payments relate to creditable service performed on or before June 30, 1997, while the Judicial Retirement Fund benefit payments relate to all creditable service.

A reconciliation of the combined actuarial pension liability for the D.C. Federal Pension Fund and the Judicial Retirement Fund as of September 30, 2026 and 2025 is as follows:

(in millions)		2026		2025
Beginning Liability Balance	**$**	**8,214**	$	8,541
Pension Expense:				
Normal Cost		**10**		10
Interest on Pension Liability During the Year		**178**		153
Actuarial (Gains) Losses During the Year:				
From Experience		**14**		(1)
From Discount Rate Assumption Change		**(116)**		(84)
From Other Economic Assumption Changes		**158**		172
From Non-Economic Assumption Changes		**(176)**		-
Total Pension Expense		**68**		250
Less Amounts Paid		**(571)**		(577)
Ending Liability Balance	**$**	**7,711**	$	8,214

Additional Information ($ in millions):	D.C. Federal Pension Fund	Judicial Retirement Fund	2026 Total
Amount Received from the General Fund	**$ 696**	**$ 26**	**$ 722**
Annual Rate of Investment Return Assumption	**2.51% - 3.65%**	**2.51% - 3.65%**	
Future Annual Rate of Inflation and Cost-Of-Living Adjustment:			
Police Officers	**3.23%**	**N/A**	
Firefighters	**3.23%**	**N/A**	
Teachers	**3.25%**	**N/A**	
Judicial	**N/A**	**3.11%**	
Future Annual Rate of Salary Increases:			
Police Officers	**3.45%**	**N/A**	
Firefighters	**2.45%**	**N/A**	
Teachers	**2.75%**	**N/A**	
Judicial	**N/A**	**2.10%**	

Additional Information ($ in millions):	D.C. Federal Pension Fund	Judicial Retirement Fund	2025 Total
Amount Received from the General Fund	$ 684	$ 25	$ 709
Annual Rate of Investment Return Assumption	2.20% - 3.45%	2.20% - 3.45%	
Future Annual Rate of Inflation and Cost-Of-Living Adjustment:			
Police Officers	3.03%	N/A	
Firefighters	3.03%	N/A	
Teachers	3.03%	N/A	
Judicial	N/A	2.83%	
Future Annual Rate of Salary Increases:			
Police Officers	2.75%	N/A	
Firefighters	2.45%	N/A	
Teachers	2.54%	N/A	
Judicial	N/A	2.10%	

19. LIABILITIES

LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

As of September 30, 2026 and 2025, liabilities not covered by budgetary resources consisted of the following:

(in millions)	2026	2025
Intra-Governmental Liabilities Not Covered by Budgetary Resources		
Federal Debt Principal, Premium/Discount (Note 16)	**$ 7,442,223**	$ 7,267,502
Other Intra-Governmental Liabilities	**78**	76
Total Intra-Governmental Liabilities Not Covered by Budgetary Resources	**7,442,301**	7,267,578
Federal Debt Principal, Premium/Discount (Note 16)	**32,286,521**	30,152,137
Other Liabilities	**1,331**	1,411
Total Liabilities Not Covered by Budgetary Resources	**39,730,153**	37,421,126
Total Liabilities Covered by or Not Requiring Budgetary Resources(1)	**4,237,825**	4,028,038
Total Liabilities	**$ 43,967,978**	$ 41,449,164

(1) *Consists primarily of liabilities that do not require the use of budgetary resources and are covered by assets that we hold and manage on behalf of the U.S. government including Due to the General Fund (refer to Note 4), SDR allocations and SDR certificates issued to the Federal Reserve (refer to Note 5), Gold Certificates issued to the FRBs (refer to Note 6), and liability for non-fiduciary deposit funds and clearing accounts.*

OTHER LIABILITIES

The "*Other*" line item within "*Other Liabilities*" displayed on the Consolidated Balance Sheets consists of liabilities that are covered by, not covered by, and not requiring budgetary resources. The "*Other*" line item within "*Other Liabilities*" at September 30, 2026 and 2025, consisted of the following:

	2026			2025		
(in millions)	Current	Non-Current	Total	Current	Non-Current	Total
Intra-Governmental						
Accounts Payable	**$ 753**	**$ -**	**753**	$ 884	$ -	$ 884
Advances From Others and Deferred Revenue	**260**	**-**	**260**	377	-	377
Other Accrued Liabilities	**764**	**39**	**803**	400	38	438
Total Intra-Governmental	**$ 1,777**	**$ 39**	**1,816**	$ 1,661	$ 38	$ 1,699
Other Than Intra-Governmental						
Federal Employee Salary, Leave and Benefits Payable	**$ 992**	**$ -**	**992**	$ 1,285	$ -	$ 1,285
Pension and Post-Employment Benefits Payable	**1**	**471**	**472**	1	533	534
Loan Guarantee Liabilities	**15**	**-**	**15**	15	-	15
Advances From Others and Deferred Revenue	**2,385**	**-**	**2,385**	2,157	-	2,157
Other Liabilities Without Related Budgetary Obligations	**380**	**29**	**409**	423	29	452
Other Liabilities With Related Budgetary Obligations	**735**	**206**	**941**	427	206	633
Lessee Lease Liability	**103**	**412**	**515**	111	431	542
Unearned Lessor Revenue	**3**	**-**	**3**	2	-	2
Liability for Non-Fiduciary Deposit Funds and Clearing Accounts	**7,791**	**-**	**7,791**	7,921	-	7,921
Total Other Than Intra-Governmental	**$ 12,405**	**$ 1,118**	**13,523**	$ 12,342	$ 1,199	$ 13,541

20. NET POSITION

Unexpended Appropriations represents the amount of spending authorized as of year-end that is unliquidated or unobligated and has not lapsed, been rescinded, or withdrawn. No-year appropriations remain available for obligation until expended. Annual appropriations remain available for upward or downward adjustment of obligations until canceled. We report adjustments related to unexpended appropriations, such as cancellations of expired funds or rescissions, as "*Other Adjustments*" on the Consolidated Statements of Changes in Net Position.

Cumulative Results of Operations represents the net results of operations since inception, and includes cumulative amounts related to investments in capitalized assets and donations and transfers of assets in and out without reimbursement. Also included as a reduction in Cumulative Results of Operations are accruals for which the related expenses require funding from future appropriations and assessments. These future funding requirements include, among others: (a) accumulated annual leave earned but not taken; (b) accrued FECA; (c) credit reform cost re-estimates; (d) unfunded D.C. Federal pension; and (e) expenses for contingent liabilities.

APPROPRIATIONS RECEIVED

Congress appropriates the amount reported as "*Appropriations Received*" from the General Fund receipts, such as income taxes, which are not dedicated by law for a specific purpose. This amount will not necessarily agree with the "*Appropriations (discretionary and mandatory)*" amount reported on the Combined Statements of Budgetary Resources because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated receipts are recorded as "*Appropriations (discretionary and mandatory)*" on the Combined Statements of Budgetary Resources, but are recognized as exchange or non-exchange revenue (*i.e.,* typically in revolving, special, and non-revolving trust funds) and reported on the Consolidated Statements of Changes in Net Position in accordance with SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, as amended.

TRANSFERS TO THE GENERAL FUND AND OTHER

The amount reported as "*Transfers to the General Fund and Other*" on the Consolidated Statements of Changes in Net Position includes the following for the years ended September 30, 2026 and 2025:

(in millions)		2026		2025
Categories of Transfers to the General Fund and Other				
Interest Revenue		**(71,719)**		(66,426)
Increase in Liquidation Preference of GSEs Preferred Stock and Valuation Changes (Note 11)	**$**	**(30,860)**	$	(68,660)
Federal Debt Buyback Gain (Note 16)		**(19,715)**		(13,573)
Other		**(3,668)**		(2,056)
Total	**$**	**(125,962)**	$	(150,715)

Included in "*Transfers to the General Fund and Other*" is the increase in liquidation preference in the GSE Senior Preferred Stock investments and annual valuation adjustment. Also included is accrued interest revenue on inter-agency loans held on behalf of the U.S. government. We report a corresponding amount on the Consolidated Statements of Net Cost under "*Non-Entity Costs: Less Interest Revenue from Loans*." Eliminations between our bureaus reduce the amount reported on the Consolidated Statements of Net Cost. Additionally, our "*Federal Debt Buyback Gain*" is the resulting gains from buybacks that occur when we redeem outstanding marketable Treasury securities prior to their maturity dates.

21. Consolidated Statements of Net Cost and Net Costs of Treasury Sub-Organizations

Our Consolidated Statements of Net Cost displays information on a consolidated basis. We consist of Departmental Offices (DO) and seven operating bureaus that we provide supporting schedules for Net Cost in the notes to the financial statements (refer to Note 1). These supporting schedules provide consolidating information, which fully displays the costs, revenues, and net cost of DO and each operating bureau.

The classification of sub-organizations has been determined in accordance with SFFAS 4, *Managerial Cost Accounting Standards and Concepts* which states that the predominant factor is the reporting entity's organization structure and existing responsibility components, such as bureaus, administrations, offices, and divisions within a department.

Each sub-organization is responsible for accumulating costs. The assignment of the costs to Department-wide programs is the result of using the following cost assignment methods: (1) direct costs, (2) cause and effect, and (3) cost allocation.

Intra-Departmental Costs/Revenues

We report intra-departmental costs/revenues from providing goods and/or services on a reimbursable basis among our sub-organizations as costs by providing sub-organizations and as revenues by receiving sub-organizations. We recognized intra-departmental imputed costs, such as un-reimbursed payments made from the Treasury Judgment Fund on our behalf, on the Consolidated Statements of Net Cost of $1.2 billion and $1.5 billion during FY 2026 and 2025, respectively. Accordingly, we eliminated such costs or revenues in the consolidation process.

Intra-governmental Costs

Intra-governmental costs relate to the source of goods and services we purchased and not to the classification of the related intra-governmental revenue.

In certain cases, other federal agencies incur costs that are directly identifiable to our operations. In accordance with SFFAS 4, as amended, we recognize identified costs paid on our behalf by other agencies. The imputed intra-governmental financing sources we currently recognize include the actual cost of future benefits for the federal pension plans, and the Federal Employees Health Benefits Program that other federal entities pay on our behalf. We reflect the funding for these costs as costs on the Consolidated Statements of Net Cost, and as imputed financing sources on the Consolidated Statements of Changes in Net Position. Costs other agencies pay on our behalf were $1.3 billion and $1.8 billion for the fiscal years ended September 30, 2026 and 2025, respectively.

Consolidated Statements of Net Cost Presentation

Basis of Presentation

On our Consolidated Statements of Net Cost, we present the net cost of operations by major programs. Specifically, we present our gross costs and earned revenues by three major program categories aligned with Treasury's mission: (i) *Economic program* – our mission of promoting economic prosperity and maintaining stability, encouraging sustainable and global economic growth; (ii) *Financial program* – our mission of managing the government's finances and resources effectively, protecting the integrity of financial systems that are critical to the nation's financial infrastructure, and fostering

improved governance in financial institutions; and (iii) *Security program* – our mission of enhancing national security by implementing economic sanctions against foreign threats to the U.S., identifying and targeting the financial support networks of national security threats, and improving the safeguards of the financial systems. We assign each of our bureaus and reporting entities to one of the above three program categories based on their major function and core mission responsibility. Our bureaus' and reporting entities' gross costs and earned revenues fall within a single program category in the Consolidated Statements of Net Cost, with the exception of DO for which we allocate gross costs and earned revenues to multiple programs.

Non-Entity Costs and Revenues

Our Consolidated Statements of Net Cost also present interest expense on the federal debt, other federal costs incurred, and non-entity exchange revenues earned on behalf of the U.S. government. We present these costs and revenues separately from the net cost of Treasury operations. We eliminate these costs in the consolidation process to the extent that they involve transactions with our sub-organizations.

Non-entity other federal costs shown on the Consolidated Statements of Net Cost for the fiscal years ended September 30, 2026 and 2025 consisted of the following:

(in millions)		2026		2025
Credit Reform Interest on Uninvested Funds (Intra-Governmental)	**$**	**10,331**	$	12,271
Judgment Claims and Contract Disputes		**5,500**		3,763
Resolution Funding Corporation		**920**		920
Legal Services Corporation		**540**		560
All Other Payments		**423**		1,201
Total	**$**	**17,714**	$	18,715

21. CONSOLIDATED STATEMENT OF NET COST AND NET COSTS OF TREASURY SUB-ORGANIZATIONS (IN MILLIONS)

For Fiscal Year Ended September 30, 2026

Program Costs	Bureau of Engraving & Printing	Bureau of the Fiscal Service	Depart-mental Offices[a]	Financial Crimes Enforcement Network	Internal Revenue Service	U.S. Mint
ECONOMIC PROGRAM						
Gross Cost	$ -	$ -	$ 52,426	$ -	$ -	$ -
Less Earned Revenue	-	-	(22,283)	-	-	-
Net Program Cost	-	-	30,143	-	-	-
FINANCIAL PROGRAM						
Gross Cost	946	3,505	11,280	-	17,789	3,978
Less Earned Revenue	(984)	(870)	(11,214)	-	(543)	(4,196)
Net Program Cost	(38)	2,635	66	-	17,246	(218)
SECURITY PROGRAM						
Gross Cost	-	-	592	181	-	-
Less Earned Revenue	-	-	(27)	(3)	-	-
Net Program Cost	-	-	565	178	-	-
Total Net Cost of (Revenue From) Treasury Operations	**$ (38)**	**$ 2,635**	**$ 30,774**	**$ 178**	**$ 17,246**	**$ (218)**

(a) The total $30.1 billion of the Economic Program net costs DO reported consisted of $29.0 billion of net costs from OCA with $25.0 billion for Coronavirus State and Local Fiscal Recovery Funds, $2.7 billion for Coronavirus Capital Projects Fund, $1.6 billion for State Small Business Credit Initiative, offset by $0.3 billion of recoveries from other COVID-19 relief programs; and $1.1 billion of net costs from IAP; partially offset by $0.9 billion of net income from ESF. The remaining net costs consisted of net costs from other DO programs or offices.

21. CONSOLIDATED STATEMENT OF NET COST AND NET COSTS OF TREASURY SUB-ORGANIZATIONS (IN MILLIONS) (CON'T):

For Fiscal Year Ended September 30, 2026

Program Costs	Office of the Comptroller of the Currency	Alcohol and Tobacco Tax and Trade Bureau	Combined Total	Eliminations	2026 Consolidated
ECONOMIC PROGRAM					
Gross Cost	$ -	$ 155	$ 52,581	$ 779	$ 51,802
Less Earned Revenue	-	(9)	(22,292)	(1,068)	(21,224)
Net Program Cost	-	146	30,289	(289)	30,578
FINANCIAL PROGRAM					
Gross Cost	1,091	-	38,589	11,186	27,403
Less Earned Revenue	(1,150)	-	(18,957)	(1,945)	(17,012)
Net Program Cost	(59)	-	19,632	9,241	10,391
SECURITY PROGRAM					
Gross Cost	-	-	773	156	617
Less Earned Revenue	-	-	(30)	(16)	(14)
Net Program Cost	-	-	743	140	603
Total Net Cost of (Revenue From) Treasury Operations	**$ (59)**	**$ 146**	**$ 50,664**	**$ 9,092**	**$ 41,572**

21. CONSOLIDATED STATEMENT OF NET COST AND NET COSTS OF TREASURY SUB-ORGANIZATIONS (IN MILLIONS) (CON'T):

For Fiscal Year Ended September 30, 2025

Program Costs	Bureau of Engraving & Printing	Bureau of the Fiscal Service	Depart-mental Offices[a]	Financial Crimes Enforcement Network	Internal Revenue Service	U.S. Mint
ECONOMIC PROGRAM						
Gross Cost	$ -	$ -	$ 112,370	$ -	$ -	-
Less Earned Revenue	-	-	(29,293)	-	-	-
Net Program Cost	-	-	83,077	-	-	-
FINANCIAL PROGRAM						
Gross Cost	996	3,358	11,487	-	21,741	2,654
Less Earned Revenue	(1,069)	(678)	(11,291)	-	(549)	(2,581)
Net Program Cost	(73)	2,680	196	-	21,192	73
SECURITY PROGRAM						
Gross Cost	-	-	543	214	-	-
Less Earned Revenue	-	-	(23)	(3)	-	-
Net Program Cost	-	-	520	211	-	-
Total Net Cost of (Revenue From) Treasury Operations	$ (73)	$ 2,680	$ 83,793	$ 211	$ 21,192	$ 73

(a) The total $83.1 billion of the Economic Program net costs DO reported consisted of $82.0 billion of net costs from OCA with $75.2 billion for Coronavirus State and Local Fiscal Recovery Funds, $2.0 billion for State Small Business Credit Initiative, $1.8 billion for Emergency Rental Assistance, $1.5 billion for Coronavirus Capital Projects Fund, $1.4 billion for Emergency Capital Investment Program, and $0.1 billion for other COVID-19 relief programs; $1.8 billion of net costs from IAP; and $1.0 billion of net costs from CDFI; partially offset by $1.9 billion of net income from ESF. The remaining net costs consisted of net costs from other DO programs or offices.

21. CONSOLIDATED STATEMENT OF NET COST AND NET COSTS OF TREASURY SUB-ORGANIZATIONS (IN MILLIONS) (CON'T):

For Fiscal Year Ended September 30, 2025

Program Costs	Office of the Comptroller of the Currency	Alcohol and Tobacco Tax and Trade Bureau	Combined Total	Eliminations	2025 Consolidated
ECONOMIC PROGRAM					
Gross Cost	$ -	$ 168	$ 112,538	$ 466	$ 112,072
Less Earned Revenue	-	(9)	(29,302)	(965)	(28,337)
Net Program Cost	-	159	83,236	(499)	83,735
FINANCIAL PROGRAM					
Gross Cost	1,369	-	41,605	11,439	30,166
Less Earned Revenue	(1,307)	-	(17,475)	(2,139)	(15,336)
Net Program Cost	62	-	24,130	9,300	14,830
SECURITY PROGRAM					
Gross Cost	-	-	757	141	616
Less Earned Revenue	-	-	(26)	(15)	(11)
Net Program Cost	-	-	731	126	605
Total Net Cost of (Revenue From) Treasury Operations	$ 62	$ 159	$ 108,097	$ 8,927	$ 99,170

22. Additional Information Related to the Combined Statements of Budgetary Resources

Net Adjustments to Unobligated Balance, Brought Forward, October 1

Net adjustments to unobligated balance, brought forward, October 1 as of September 30, 2026 and 2025 consisted of the following:

(in millions)	2026	2025
Unobligated Balance, Brought Forward From Prior Year	**$ 352,180**	$ 372,232
Adjustments to Budgetary Resources Made During Current Year		
Downward Adjustments of Prior Year Undelivered Orders	**2,288**	625
Downward Adjustments of Prior Year Delivered Orders	**1,841**	299
Other Adjustments	**(3,002)**	7,185
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	**$ 353,307**	$ 380,341

Undelivered Orders

Undelivered orders represent goods and services ordered and obligated which have not been received. This includes any orders for which we have paid in advance, but for which delivery or performance has not yet occurred. The decrease in Undelivered Orders – Paid as of September 30, 2026, primarily reflects the continued decline in drawdowns of advances related to the SLFRF Program based on recipient reported expenditures as the program matures. The decrease in Undelivered Orders – Unpaid as of September 30, 2026, is primarily attributable to loan disbursements during FY 2026 for the Poverty Reduction and Growth Trust (PRGT) lending facility. Undelivered orders as of September 30, 2026 and 2025 consisted of the following:

	2026			2025		
(in millions)	Federal	Non-Federal	Total	Federal	Non-Federal	Total
Paid	**$ 239**	**$ 22,211**	**$ 22,450**	$ 420	$ 55,796	$ 56,216
Unpaid	**1,121**	**21,860**	**22,981**	1,062	36,504	37,566
Undelivered Orders at the End of the Year	**$ 1,360**	**$ 44,071**	**$ 45,431**	$ 1,482	$ 92,300	$ 93,782

Contributed Capital

Contributed capital represents the current year authority and prior year balances of amounts actually transferred through non-expenditure transfers to miscellaneous receipt accounts of the General Fund to repay a portion of a capital investment or transfer seigniorage and numismatic profits. Contributed capital for the fiscal years ended September 30, 2026 and 2025 was $90 million and $28 million respectively.

Terms of Borrowing Authority Used

Several of our programs have authority to borrow under the FCRA, as amended. The FCRA provides indefinite borrowing authority to financing accounts to fund the unsubsidized portion of direct loans and to satisfy obligations in the event the financing account's resources are insufficient. OMB Circular No. A-11 defines repayment requirements. We calculate interest expense due based on the beginning balance of borrowings outstanding and the borrowings/repayments activity that occurred during the fiscal year. Undisbursed Departmental borrowings earn interest at the same rate as the financing account pays on its debt owed to the BFS. In the event that principal and interest collections exceed the interest expense

due, we receive the excess payment. If principal and interest do not exceed interest expense due, we will borrow the difference. We make periodic principal repayments based on the analysis of cash balances and future disbursement needs. All interest on borrowings is due on September 30. Interest rates on FCRA borrowings range from 0.59 percent to 5.83 percent.

AVAILABLE BORROWING

The available borrowing authority and related changes in available borrowing authority as of and for the fiscal years ended September 30, 2026 and 2025 are shown below:

(in millions)		2026		2025
Beginning Balance	$	**23,562**	$	29,009
Current Authority [1]		**1,581**		228
Borrowing Authority Converted to Cash[2]		**(10,174)**		(5,675)
Ending Balance	$	**14,969**		23,562

(1) The increase in Current Authority primarily reflects borrowing authority extended to the U.S. Mint to support silver hedging activities. Rapid increases in silver prices in late 2025 triggered margin calls requiring cash payments to trading partners.

(2) The increase in Borrowing Authority Converted to Cash primarily reflects the unsubsidized portion of loans disbursed in FY 2026 related to the IMF PRGT Program, as well as borrowings for the U.S. Mint to support silver hedging activities.

RECONCILIATION OF THE PRESIDENT'S BUDGET

The Budget of the United States (also known as the President's Budget), with actual numbers for FY 2026, was not published at the time that these financial statements were issued. We expect OMB to publish the FY 2028 President's Budget in February 2027, and will be available from the U.S. Government Publishing Office. The following chart displays the differences between the Combined Statement of Budgetary Resources (SBR) in the FY 2025 AFR and the actual FY 2025 balances included in the FY 2027 President's Budget.

Reconciliation of FY 2025 Combined Statement of Budgetary Resources to the FY 2027 President's Budget

(in millions)	Budgetary Resources	New Obligations and Upward Adjustments	Outlays (net of offsetting collections)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources (SBR) Amounts	**$ 1,643,311**	**$ 1,291,131**	**$ 1,269,810**	**$ (79,044)**	**$ 1,190,766**
IRS non-entity tax credit payments and other outlays not in SBR [1]	294,092	294,092	271,791	-	271,791
Tax and Trade Bureau (TTB) non-entity collections for Puerto Rico not in SBR	395	395	395	-	395
Expired funds in SBR (not in PB)	(1,521)	-	-	-	-
Non-Treasury offsetting receipts (not in SBR)	-	-	-	(34)	(34)
Non-expenditure capital transfer	-	-	-	19	19
Non-Budgetary Financing Disbursements, net [2]	-	-	2,762	-	2,762
Other	3	4	3	-	3
President's Budget Amounts	**$ 1,936,280**	**$ 1,585,622**	**$ 1,544,761**	**$ (79,059)**	**$ 1,465,702**

[1] *These are primarily refundable Earned Income Tax Credit and Refundable Premium Tax Credit that are reported with refunds as custodial activities in our financial statements and thus are not reported as budgetary resources.*

[2] *These are credit reform financing account net outlays. The SBR excludes gross disbursements and offsetting collections from credit financing accounts.*

Legal Arrangements Affecting Use of Unobligated Balances

The use of unobligated balances is restricted based on annual legislation requirements or enabling authorities. Funds are presumed to be available for only one fiscal year unless otherwise noted in the annual appropriation language. Unobligated balances in unexpired Treasury account fund symbols are available in the next fiscal year for new obligations unless some restrictions have been placed on those funds by law. In those situations, the restricted funding will be temporarily unavailable until such time as the reasons for the restriction have been satisfied or legislation has been enacted to remove the restriction.

Amounts in expired Treasury account fund symbols are not available for new obligations, but may be used to make adjustments to reflect, and make disbursements to liquidate, obligations that were created before the budgetary authority expired.

23. SOURCES AND DISPOSITION OF CUSTODIAL REVENUE

We collect the majority of federal revenue from income and excise taxes. The table below shows collection activity, by revenue type and tax year, for the fiscal years ended September 30, 2026 and 2025:

	Tax Year				
(in millions)	2026	2025	2024	Pre-2024	2026 Collections
Individual Income and FICA Taxes	$ 3,106,561	$ 1,739,976	$ 74,856	$ 43,150	$ 4,964,543
Corporate Income Taxes	268,395	133,873	13,935	26,728	442,931
Estate and Gift Taxes	1,650	33,218	2,395	2,769	40,032
Excise Taxes	78,173	24,926	(92)	357	103,364
Railroad Retirement Taxes	5,675	1,659	9	10	7,353
Unemployment Taxes	5,108	3,319	37	124	8,588
Fines, Penalties, Interest & Other Revenue - Tax Related	326	3	-	9	338
Tax Related Revenue Received	3,465,888	1,936,974	91,140	73,147	5,567,149
Deposit of Earnings, Federal Reserve System	8,745	1,735	-	-	10,480
Fines, Penalties, Interest & Other Revenue - Non-Tax Related	8,691	1,614	-	-	10,305
Non-Tax Related Revenue Received	17,436	3,349	-	-	20,785
Total Revenue Received	$ 3,483,324	$ 1,940,323	$ 91,140	$ 73,147	$ 5,587,934
Less Amounts Collected for Non-Federal Entities					(412)
Total Revenues Collected for Federal Entities					$ 5,587,522

	Tax Year				
(in millions)	2025	2024	2023	Pre-2023	2025 Collections
Individual Income and FICA Taxes	$ 2,941,407	$ 1,648,518	$ 59,497	$ 39,363	$ 4,688,785
Corporate Income Taxes	242,808	170,629	5,916	67,031	486,384
Estate and Gift Taxes	3,287	22,740	2,015	3,069	31,111
Excise Taxes	75,171	29,945	295	589	106,000
Railroad Retirement Taxes	5,564	1,687	1	6	7,258
Unemployment Taxes	5,072	3,483	26	196	8,777
Fines, Penalties, Interest & Other Revenue - Tax Related	832	5	2	1	840
Tax Related Revenue Received	3,274,141	1,877,007	67,752	110,255	5,329,155
Deposit of Earnings, Federal Reserve System	4,546	944	-	-	5,490
Fines, Penalties, Interest & Other Revenue - Non-Tax Related	8,019	1,721	-	-	9,740
Non-Tax Related Revenue Received	12,565	2,665	-	-	15,230
Total Revenue Received	$ 3,286,706	$ 1,879,672	$ 67,752	$ 110,255	$ 5,344,385
Less Amounts Collected for Non-Federal Entities					(400)
Total Revenues Collected for Federal Entities					$ 5,343,985

AMOUNTS PROVIDED TO FUND THE U.S. GOVERNMENT

For the fiscal years ended September 30, 2026 and 2025, collections of custodial revenue transferred to other federal entities were as follows:

(in millions)	2026	2025
General Fund	**$ 4,915,342**	$ 4,702,388
Other Federal Agencies	**1,365**	2,026
Total	**$ 4,916,707**	$ 4,704,414

FEDERAL TAX REFUNDS AND OTHER PAYMENTS

Federal tax refunds and other payments include amounts paid to taxpayers who have paid more than the actual taxes they owe, as well as payments for various refundable tax credits. Refunds and other payments, by revenue type and tax year, were as follows for the years ended September 30, 2026 and 2025:

	Tax Year				
(in millions)	2026	2025	2024	Pre-2024	2026 Refunds/ Payments
Individual Income and FICA Taxes	**$ 150,817**	**$ 369,758**	**$ 44,342**	**$ 36,247**	**$ 601,164**
Corporate Income Taxes	**1,580**	**17,345**	**25,954**	**19,483**	**64,362**
Estate and Gift Taxes	**-**	**471**	**651**	**298**	**1,420**
Excise Taxes	**969**	**1,323**	**682**	**611**	**3,585**
Railroad Retirement Taxes	**-**	**12**	**(18)**	**33**	**27**
Unemployment Taxes	**-**	**149**	**30**	**76**	**255**
Fines, Penalties, Interest & Other Revenue	**-**	**-**	**1**	**1**	**2**
Total	**$ 153,366**	**$ 389,058**	**$ 71,642**	**$ 56,749**	**$ 670,815**

	Tax Year				
(in millions)	2025	2024	2023	Pre-2023	2025 Refunds/ Payments
Individual Income and FICA Taxes	$ 152,305	$ 308,129	$ 46,418	$ 88,439	$ 595,291
Corporate Income Taxes	1,843	6,895	14,101	13,691	36,530
Estate and Gift Taxes	-	435	596	770	1,801
Excise Taxes	1,111	3,529	327	805	5,772
Railroad Retirement Taxes	-	23	(1)	4	26
Unemployment Taxes	-	82	11	56	149
Fines, Penalties, Interest & Other Revenue	-	-	-	2	2
Total	$ 155,259	$ 319,093	$ 61,452	$ 103,767	$ 639,571

24. FUNDS FROM DEDICATED COLLECTIONS

The ESF represents the majority of our FDC activities. In addition, such funds managed by BEP, Mint, and OCC (our non-appropriated bureaus) and certain funds managed by the IRS, and FinCEN's Financial Integrity Fund, are public enterprise (or revolving) funds and receive no appropriations from the Congress. BFS, DO, IRS, OFR, TEOAF, and the CDFI Fund manage other miscellaneous FDCs.

The following is a list of FDCs and a brief description of the purpose, accounting, and uses of these funds.

Bureau	Fund Code	Fund Title/Description
Exchange Stabilization Fund (ESF)		
ESF	020X4444	Exchange Stabilization Fund
Public Enterprise/Revolving/Trust Revolving		
BEP	020X4502	Bureau of Engraving and Printing Fund
Mint	020X4159	United States Mint Public Enterprise Fund
OCC	020X8413	Assessment Funds
IRS	020X4413	Federal Tax Lien Revolving Fund
FinCEN	020X4394	Financial Integrity Fund
Other FDC Funds		
BFS	020X5080	Gifts to Reduce Public Debt
BFS	020X5081	Presidential Election Campaign
BFS	020X8625	Gulf Coast Restoration Trust Fund
BFS	5805585001	Travel Promotion Fund, Corp for Travel Promotion
BFS	580X5585	Travel Promotion Fund, Corp for Travel Promotion
BFS	020X5581	HOPE Reserve Fund
BFS	0205445002	Debt Collection Special Fund
BFS	0205445003	Debt Collection Special Fund
BFS	020X5445	Debt Collection Special Fund
BFS	0200/15445	Debt Collection Special Fund
BFS	020X5680	Guam World War II Claims Fund
BFS	0205680001	Taxes, Duties and Fees, Guam World War II Claims Fund
DO	020X8790	Gifts and Bequests Trust Fund
IRS	020X5510	Private Collection Agent Program
IRS	020X5433	Informant Reimbursement
IRS	020X5622	Special Compliance Personnel Program Account
OFR	020X5590	Financial Research Fund
TEOAF	020X5697	Treasury Forfeiture Fund
CDFI	020X8524	Capital Magnet Fund

Pursuant to the legal authority found in Section 10 of the *Gold Reserve Act of 1934*, as amended, consistent with the obligations of the U.S. government in the IMF on orderly exchange arrangements and a stable system of exchange rates, the Secretary, with the approval of the President, may use the ESF, to deal in gold, foreign exchange, and other instruments of credit and securities the Secretary considers necessary. The ESF accounts for and reports its holdings to the BFS on the Standard Form 224, "*Statement of Transactions*," and provides other reports to Congress. Interest on holdings, investments in Treasury securities, and investments in foreign currency assets are the ESF's primary sources of revenue. The ESF's interest and realized gains on foreign currency assets, along with the interest on SDR holdings represent inflows of resources to the government, and the interest revenues earned from Treasury securities are the result of intra-departmental flows.

The BEP, FinCEN, Mint, OCC, and IRS operate "public enterprise/revolving funds" to account for all or some of their respective revenues and expenses. 31 USC 5142 established the Bureau of Engraving and Printing Fund for BEP to account for revenue and expenses related to the production of currency and other federal security documents. P.L. 104-52 (31 USC 5136) established the Public Enterprise Fund for the Mint to account for all revenue and expenses related to the production and sale of numismatic products and circulating coinage. Revenues and other financing sources at the Mint are mainly from the sale of numismatic and bullion products and the sale of circulating coins to the FRB system. These revenues represent inflows of resources to the government. 12 USC 16, 481 and 482 established the Assessment Funds for OCC. Revenue and financing sources are from the bank assessments for the oversight of the national banks, federal savings associations, and federal branches and agencies of foreign banks. These non-appropriated funds contribute to the inflows of resources to the government to specifically fund these entities' operations. 26 USC 7810 established the Federal Tax Lien Revolving Fund to account for revenue and expenses from the sale of property foreclosed upon by a holder of a lien. Such revenue represents inflows of resources to the U.S. government. The *Anti-Money Laundering Whistleblower Improvement Act*, which was enacted as part of the *Consolidated Appropriations Act, 2023* (P.L. 117-328), enhanced FinCEN's whistleblower program by establishing a $300 million revolving fund, the Financial Integrity Fund, to pay eligible whistleblowers. There are minimal transactions with other government agencies.

There are other FDCs at several of our bureaus, such as donations to the Presidential Election Campaign Fund, gifts to reduce the public debt, and other enforcement related activities. Public laws and the U.S. Code established and authorized the use of these funds. Sources of revenues and other financing sources include contributions, cash and property forfeited in enforcement activities, public donations, and other allocations, all which represent inflows to the government.

Intra-governmental Investments in Treasury Securities

The U.S. government does not set aside assets to pay future benefits or other expenditures associated with FDCs. Our bureaus and other federal agencies invest some of the funds that they collect from the public, if they have the statutory authority to do so, in Treasury securities. The BFS collects cash and makes deposits in the General Fund, which is then available for general government purposes.

When our bureaus or other federal agencies redeem these securities to make expenditures, the government finances those redemptions out of accumulated cash balances, by collecting taxes or other receipts, by borrowing from the public, or by curtailing expenditures. This is the same way that the government finances all other expenditures.

The securities are an asset to our bureaus and other federal agencies and a liability of the General Fund. Because our bureaus and other federal agencies are parts of the U.S. government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. government-wide financial statements.

Our financial statements do not display the balances related to the investments made by our bureaus because the bureaus are subcomponents of the Department. However, the General Fund remains liable to the BFS for the invested balances and the BFS remains liable to the investing bureaus (refer to Note 4).

Summary Information for Funds from Dedicated Collections as of and for the Fiscal Year Ended September 30, 2026

(in millions)	Exchange Stabilization Fund	Public Enterprise/ Revolving/ Trust Revolving Funds	Other FDC Funds	Combined FDC Funds	Eliminations between FDC Funds	2026 Consolidated FDC Funds
Balance Sheet						
ASSETS						
Intra-Governmental:						
Fund Balance	$ -	$ 1,465	$ 1,952	$ 3,417	$ -	$ 3,417
Investments, Net	24,867	3,199	6,736	34,802	-	34,802
Other Assets	-	4	699	703	698	5
Total Intra-Governmental	**24,867**	**4,668**	**9,387**	**38,922**	**698**	**38,224**
Other Than Intra-Governmental						
Cash, Foreign Currency, and Other Monetary Assets	178,902	-	47	178,949	-	178,949
Taxes, Interest, and Other Receivables, Net	-	164	77	241	-	241
Advances and Prepayments	-	1	191	192	-	192
Other Investments, Net	12,460	24	-	12,484	-	12,484
Property, Plant, and Equipment, Net	-	1,941	19	1,960	-	1,960
Other Assets	-	1,950	2,066	4,016	-	4,016
Total Other Than Intra-Governmental	**191,362**	**4,080**	**2,400**	**197,842**	**-**	**197,842**
Total Assets	**$ 216,229**	**$ 8,748**	**$ 11,787**	**$ 236,764**	**$ 698**	**$ 236,066**
LIABILITIES						
Intra-Governmental						
Due To the General Fund	$ -	$ -	$ 128	$ 128	$ -	$ 128
Other	-	33	1,475	1,508	698	810
Total Intra-Governmental	**-**	**33**	**1,603**	**1,636**	**698**	**938**
Other Than Intra-Governmental						
Other Payables	768	75	473	1,316	-	1,316
Special Drawing Right Certificates Issued to the Federal Reserve	15,200	-	-	15,200	-	15,200
Allocation of Special Drawing Rights	156,183	-	-	156,183	-	156,183
Other	-	1,117	2,287	3,404	-	3,404
Total Other Than Intra-Governmental	**172,151**	**1,192**	**2,760**	**176,103**	**-**	**176,103**
Total Liabilities	**172,151**	**1,225**	**4,363**	**177,739**	**698**	**177,041**
Net Position						
Unexpended Appropriations	200	-	-	200	-	200
Cumulative Results of Operations	43,878	7,523	7,424	58,825	-	58,825
Total Liabilities and Net Position	**$ 216,229**	**$ 8,748**	**$ 11,787**	**$ 236,764**	**$ 698**	**$ 236,066**

Summary Information for Funds from Dedicated Collections as of and for the Fiscal Year Ended September 30, 2026

(in millions)	Exchange Stabilization Fund	Public Enterprise/ Revolving/ Trust Revolving Funds	Other FDC Funds	Combined FDC Funds	Eliminations between FDC Funds	2026 Consolidated FDC Funds
Statement of Net Cost						
Gross Cost	$ 20,936	$ 6,014	$ 1,245	$ 28,195	$ 1	$ 28,194
Less: Earned Revenue	(21,474)	(6,330)	(394)	(28,198)	(1)	(28,197)
Total Net Cost of (Revenue From) Operations	**$ (538)**	**$ (316)**	**$ 851**	**$ (3)**	**$ -**	**$ (3)**
Statement of Changes in Net Position						
Cumulative Results of Operations:						
Beginning Balance	$ 43,340	$ 7,037	$ 8,280	$ 58,657	$ -	$ 58,657
Changes in Accounting Principles	-	(10)	(1)	(11)	-	(11)
Beginning Balance, as Adjusted	43,340	7,027	8,279	58,646	-	58,646
Appropriations Used	-	-	49	49	-	49
Individual Income Tax	-	-	19	19	-	19
Intra-Governmental Non-Exchange Revenue	-	37	1,162	1,199	155	1,044
Donations and Forfeitures of Cash/Equivalent	-	-	(142)	(142)	-	(142)
Transfers In/(Out) Without Reimbursement	(796)	(2)	(930)	(1,728)	-	(1,728)
Donation/Forfeiture of Property	-	-	(188)	(188)	-	(188)
Imputed Financing Sources	-	109	9	118	-	118
Transfers to the General Fund and Other	796	36	17	849	(155)	1,004
Net Revenue (Cost) of Operations	538	316	(851)	3	-	3
Net Change in Cumulative Results of Operations	538	496	(855)	179	-	179
Ending Balance	**$ 43,878**	**$ 7,523**	**$ 7,424**	**$ 58,825**	**$ -**	**$ 58,825**

Summary Information for Funds from Dedicated Collections as of and for the Fiscal Year Ended September 30, 2025

(in millions)	Exchange Stabilization Fund	Public Enterprise/ Revolving/ Trust Revolving Funds	Other FDC Funds	Combined FDC Funds	Eliminations between FDC Funds	2025 Consolidated FDC Funds
Balance Sheet						
ASSETS						
Intra-Governmental:						
Fund Balance	$ -	$ 1,114	$ 1,563	$ 2,677	$ -	$ 2,677
Investments, Net	21,865	3,063	7,528	32,456	-	32,456
Other Assets	-	3	543	546	543	3
Total Intra-Governmental	21,865	4,180	9,634	35,679	543	35,136
Other Than Intra-Governmental						
Cash, Foreign Currency, and Other Monetary Assets	189,785	-	61	189,846	-	189,846
Taxes, Interest, and Other Receivables, Net	-	117	59	176	-	176
Advances and Prepayments	-	1	360	361	-	361
Other Investments, Net	5,320	23	-	5,343	-	5,343
Property, Plant, and Equipment, Net	-	1,932	23	1,955	-	1,955
Other Assets	-	2,157	1,852	4,009	-	4,009
Total Other Than Intra-Governmental	195,105	4,230	2,355	201,690	-	201,690
Total Assets	$ 216,970	$ 8,410	$ 11,989	$ 237,369	$ 543	$ 236,826
LIABILITIES						
Intra-Governmental						
Due To the General Fund	$ -	$ -	$ 119	$ 119	$ -	$ 119
Other	-	33	1,453	1,486	543	943
Total Intra-Governmental	-	33	1,572	1,605	543	1,062
Other Than Intra-Governmental						
Other Payables	758	145	62	965	-	965
Special Drawing Right Certificates Issued to the Federal Reserve	15,200	-	-	15,200	-	15,200
Allocation of Special Drawing Rights	157,472	-	-	157,472	-	157,472
Other	-	1,195	2,075	3,270	-	3,270
Total Other Than Intra-Governmental	173,430	1,340	2,137	176,907	-	176,907
Total Liabilities	173,430	1,373	3,709	178,512	543	177,969
Net Position						
Unexpended Appropriations	200	-	-	200	-	200
Cumulative Results of Operations	43,340	7,037	8,280	58,657	-	58,657
Total Liabilities and Net Position	$ 216,970	$ 8,410	$ 11,989	$ 237,369	$ 543	$ 236,826

Summary Information for Funds from Dedicated Collections as of and for the Fiscal Year Ended September 30, 2025

(in millions)	Exchange Stabilization Fund	Public Enterprise/ Revolving/ Trust Revolving Funds	Other FDC Funds	Combined FDC Funds	Eliminations between FDC Funds	2025 Consolidated FDC Funds
Statement of Net Cost						
Gross Cost	$ 26,379	$ 5,018	$ 1,320	$ 32,717	$ 1	$ 32,716
Less: Earned Revenue	(28,794)	(4,956)	(286)	(34,036)	(1)	(34,035)
Total Net Cost of (Revenue From) Operations	$ (2,415)	$ 62	$ 1,034	$ (1,319)	$ -	$ (1,319)
Statement of Changes in Net Position						
Cumulative Results of Operations:						
Beginning Balance	$ 40,925	$ 6,119	$ 6,272	$ 53,316	$ -	$ 53,316
Individual Income Tax	-	-	20	20	-	20
Intra-Governmental Non-Exchange Revenue	-	795	1,168	1,963	118	1,845
Donations and Forfeitures of Cash/Equivalent	-	-	1,375	1,375	-	1,375
Transfers In/(Out) Without Reimbursement	(852)	-	(642)	(1,494)	-	(1,494)
Donation/Forfeiture of Property	-	-	993	993	-	993
Imputed Financing Sources	-	142	24	166	-	166
Transfers to the General Fund and Other	852	43	104	999	(118)	1,117
Net Revenue (Cost) of Operations	2,415	(62)	(1,034)	1,319	-	1,319
Net Change in Cumulative Results of Operations	2,415	918	2,008	5,341	-	5,341
Ending Balance	$ 43,340	$ 7,037	$ 8,280	$ 58,657	$ -	$ 58,657

25. Reconciliation of Net Cost of Treasury Operations and Non-Entity Costs to Agency Outlays, Net

The Reconciliation of Net Cost of Treasury Operations and Non-Entity Costs (referred to as "Net Cost" for purposes of this note) to Agency Outlays, Net (referred to as "Net Outlays" for purposes of this note) depicts the difference between proprietary information and budgetary accounting information. Proprietary financial accounting information is intended to depict the U.S. government's financial operations and financial position presented on an accrual basis in accordance with GAAP. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. In contrast, we use budgetary accounting information for planning and control purposes, and it includes net outlays that reflect both the receipt and use of cash, as well as reporting of the federal deficit. "*Agency Outlays, Net*" also includes $180.7 billion and $159.7 billion of interest accrued on outstanding public debt as of September 30, 2026 and 2025, respectively; as well as $264.1 billion and $279.9 billion of net amortization of discounts on outstanding public debt as of September 30, 2026 and 2025, respectively. These amounts represent non-cash outlays that have not yet been disbursed. The reconciliation of Net Cost (presented on an accrual basis) and Net Outlays (presented on a budgetary basis) reflects the relationship between proprietary accounting and budgetary information. The reconciliation serves not only to identify costs paid in the past and those that will be paid in the future, but also to assure integrity between financial and budgetary accounting. The following is a description of principal transactions that result in differences between our proprietary net costs and budgetary net outlays:

- Non-Entity Activity – Represents activity related to assets that we hold and manage on behalf of the General Fund but are not available for our use. We removed this activity from Net Cost through inclusion of change in asset activity, however, it has no impact on either Net Cost or Net Outlays and must be included as an Other Reconciling Item.

For the fiscal year ended September 30, 2026 and 2025, the Reconciliation of Net Cost of Treasury Operations and Non-Entity Costs to Agency Outlays, Net consisted of the following:

(in millions)		Intra-Governmental	Other Than Intra-Governmental	2026 Total
Total Net Cost of Treasury Operations and Non-Entity Costs	**$**	**214,760**	**$ 1,086,257**	**$ 1,301,017**
Components of Net Operating Cost Not Part of Budgetary Outlays:				
Liquidation Preference of GSEs Preferred Stock and Valuation Changes (Notes 11 and 20)		-	**30,860**	**30,860**
PP&E Depreciation and Amortization Expense and Dispositions (Note 14)		-	**(1,148)**	**(1,148)**
Unrealized Valuation Loss on Special Drawing Rights Holdings/Allocations (Note 5)		-	**(132)**	**(132)**
Unrealized Net Loss on Valuation and Sales/Dispositions of Investments (Note 13)		-	**(1,457)**	**(1,457)**
Year-End Credit Reform Subsidy Accrual Re-Estimates		-	**(75)**	**(75)**
Adjustments to Prior Year Credit Reform Re-Estimates Accrual		-	**(61)**	**(61)**
Increase/(Decrease) in Assets:				
Advances to Trust Funds (Note 3)		**114**	-	**114**
Taxes, Interest, and Other Receivables, Net (Note 8)		-	**94**	**94**
Loans receivable, Net (Non-FCRA) (Notes 3 and 9)		**2,069**	**(3,137)**	**(1,068)**
Advances and Prepayments (Note 10)		-	**(25,043)**	**(25,043)**
Interest Receivable on SDR and FCDAs		-	**(7)**	**(7)**
Interest Receivable on Other Investments		-	**113**	**113**
Investments in Multilateral Development Banks (Note 12)		-	**219**	**219**
Other Assets		**869**	**(7)**	**862**
(Increase)/Decrease in Liabilities:				
Other Payables		-	**(337)**	**(337)**
D.C. Federal Pension and Judicial Retirement Actuarial Liability (Note 18)		-	**503**	**503**
Other Liabilities		**249**	**(155)**	**94**
Other Financing Sources:				
Imputed Costs		**(1,279)**	-	**(1,279)**
Total Components of Net Operating Cost Not Part of Budgetary Outlays		**2,022**	**230**	**2,252**
Components of Budgetary Outlays That Are Not Part of Net Cost:				
Acquisition of Property, Plant and Equipment (Note 14)		-	**503**	**503**
Acquisition of Other Investments, Net (Note 13)		-	**1**	**1**
Sale/Repayment of Other Investments, Net (Note 13)		-	**(1)**	**(1)**
Effect of Prior Year Credit Reform Subsidy Re-Estimates		-	**156**	**156**
Other Financing Sources:				
Donated Revenue		-	**142**	**142**
Transfers (In)/Out Without Reimbursement		**194**	-	**194**
Total Components of Budgetary Outlays That Are Not Part of Net Cost		**194**	**801**	**995**
Other Reconciling Items:				
Distributed Offsetting Receipts		-	**(86,879)**	**(86,879)**
Custodial/Non-Exchange Revenue		**(651,547)**	**650,135**	**(1,412)**
Non-Entity Activity		**126,824**	**(30,860)**	**95,964**
Appropriated Receipts for Trust/Special Funds		**1,825**	**1,396**	**3,221**
Seigniorage		-	**(34)**	**(34)**
Other		**2,317**	-	**2,317**
Total Other Reconciling Items		**(520,581)**	**533,758**	**13,177**
Agency Outlays, Net	**$**	**(303,605)**	**$ 1,621,046**	**$ 1,317,441**

(in millions)		Intra-Governmental	Other Than Intra-Governmental	2025 Total
Total Net Cost of Treasury Operations and Non-Entity Costs	$	186,485 $	1,012,528 $	1,199,013
Components of Net Operating Cost Not Part of Budgetary Outlays:				
Liquidation Preference of GSEs Preferred Stock and Valuation Changes (Notes 11 and 20)		-	68,660	68,660
PP&E Depreciation and Amortization Expense and Dispositions (Note 14)		-	(553)	(553)
Unrealized Valuation Gain on Special Drawing Rights Holdings/Allocations (Note 5)		-	224	224
Unrealized Net Loss on Valuation and Sales/Dispositions of Investments (Note 13)		-	(985)	(985)
Year-End Credit Reform Subsidy Accrual Re-Estimates		-	(95)	(95)
Adjustments to Prior Year Credit Reform Re-Estimates Accrual		-	4	4
Increase/(Decrease) in Assets:				
Advances to Trust Funds (Note 3)		131	-	131
Taxes, Interest, and Other Receivables, Net (Note 8)		-	11	11
Loans receivable, Net (Non-FCRA) (Notes 3 and 9)		2,345	(2,576)	(231)
Advances and Prepayments (Note 10)		-	(77,325)	(77,325)
Interest Receivable on SDR and FCDAs		-	(240)	(240)
Interest Receivable on Other Investments		-	6	6
Investments in Multilateral Development Banks (Note 12)		-	261	261
Other Assets		553	266	819
(Increase)/Decrease in Liabilities:				
Other Payables		-	10	10
D.C. Federal Pension and Judicial Retirement Actuarial Liability (Note 18)		-	327	327
Other Liabilities		264	755	1,019
Other Financing Sources:				
Imputed Costs		(1,808)	-	(1,808)
Total Components of Net Operating Cost Not Part of Budgetary Outlays		1,485	(11,250)	(9,765)
Components of Budgetary Outlays That Are Not Part of Net Cost:				
Acquisition of Property, Plant and Equipment (Note 14)		-	1,224	1,224
Acquisition of Other Investments, Net (Note 13)		-	1	1
Sale/Repayment of Other Investments, Net (Note 13)		-	(7)	(7)
Effect of Prior Year Credit Reform Subsidy Re-Estimates		-	(15)	(15)
Other Financing Sources:				
Donated Revenue		-	(1,375)	(1,375)
Transfers (In)/Out Without Reimbursement		620	-	620
Total Components of Budgetary Outlays That Are Not Part of Net Cost		620	(172)	448
Other Reconciling Items:				
Distributed Offsetting Receipts		-	(79,044)	(79,044)
Custodial/Non-Exchange Revenue		(626,534)	624,190	(2,344)
Non-Entity Activity		152,155	(68,660)	83,495
Appropriated Receipts for Trust/Special Funds		1,799	3,808	5,607
Seigniorage		-	(43)	(43)
Other		(6,612)	11	(6,601)
Total Other Reconciling Items		(479,192)	480,262	1,070
Agency Outlays, Net	$	(290,602)$	1,481,368 $	1,190,766

26. SCHEDULE OF FIDUCIARY ACTIVITY

We have identified the following 14 funds as meeting the criteria for fiduciary activity. Details of the funds are provided below.

Bureau	Fund Code	Authority	Fund Title/Description
BFS	020X6133	31 USC 1322	Payment of Unclaimed Monies
BEP	020X6513.013	31 USC 5119	Mutilated Currency Claims Funds
BFS	020X6045	31 USC 3328	Proceeds, Payments of Unpaid Checks
BFS	020X6048	31 USC 3329, 3330	Proceeds of Withheld Foreign Checks
BFS	020X6092	31 USC 1321	Debt Management Operations
BFS	020X6501.018	31 USC 3513	Small Escrow Amounts
BFS	020X6720	31 USC 3513	Small Difference Account for Deposit and Check Adjustments
BFS	020X6830	104 Stat. 1061	Net Interest Payments to/from State
BFS	020X6999	31 USC 3513	Accounts Payable, Check Issue Underdrafts
BFS	020X6317.001	22 USC 2431	Belize Escrow, Debt Reduction
IRS	020X6737	90 Stat. 269-270	Internal Revenue Collections for Northern Mariana Island
IRS	020X6738	31 USC 3513	Coverover Withholdings-U.S. Virgin Islands
IRS	020X6740	31 USC 3515	Coverover Withholdings-Guam
IRS	020X6741	31 USC 3513	Coverover Withholdings-American Samoa

"Payment of Unclaimed Monies" is a fund authorized by 31 USC 1322, permitting the BFS to collect unclaimed monies on behalf of the public. Our other fiduciary activities as listed above are included in All Other Fiduciary Funds.

Schedule of Fiduciary Activity

	2026			2025		
(in millions)	Payment of Unclaimed Monies Fund	All Other Fiduciary Funds	Total Fiduciary Funds	Payment of Unclaimed Monies Fund	All Other Fiduciary Funds	Total Fiduciary Funds
Fiduciary Net Assets, Beginning of the Year	**$ 1,412**	**$ 174**	**$ 1,586**	$ 1,266	$ 236	$ 1,502
Increases:						
Contributions to Fiduciary Net Assets	**333**	**2,017**	**2,350**	146	1,376	1,522
Total Increases	**333**	**2,017**	**2,350**	146	1,376	1,522
Decreases:						
Disbursements to and on behalf of beneficiaries	**-**	**(2,009)**	**(2,009)**	-	(1,438)	(1,438)
Total Decreases	**-**	**(2,009)**	**(2,009)**	-	(1,438)	(1,438)
Net Increase (Decrease) in Fiduciary Assets	**333**	**8**	**341**	146	(62)	84
Fiduciary Net Assets, End of Year	**$ 1,745**	**$ 182**	**$ 1,927**	$ 1,412	$ 174	$ 1,586

Schedule of Fiduciary Net Assets

(in millions)	2026 Payment of Unclaimed Monies Fund	2026 All Other Fiduciary Funds	2026 Total Fiduciary Funds	2025 Payment of Unclaimed Monies Fund	2025 All Other Fiduciary Funds	2025 Total Fiduciary Funds
Fiduciary Net Assets						
Fund Balance with Treasury	$ 1,745	$ 181	$ 1,926	$ 1,412	$ 173	$ 1,585
Investments in Treasury Securities	-	1	1	-	1	1
Total Fiduciary Assets	1,745	182	1,927	1,412	174	1,586
Total Fiduciary Net Assets	$ 1,745	$ 182	$ 1,927	$ 1,412	$ 174	$ 1,586

27. COMMITMENTS AND CONTINGENCIES

LEGAL CONTINGENCIES

We are a party in various administrative proceedings, legal actions, and claims, which may ultimately result in settlements or decisions adverse to the U.S. government. These contingent liabilities arise in the normal course of operations, and their ultimate disposition is unknown. We disclose contingent liabilities where the conditions for liability recognition have not been met and the likelihood of unfavorable outcome is more than remote. We do not accrue for possible losses related to cases where we cannot estimate the potential loss or the likelihood of an unfavorable outcome is less than probable.

In some cases, a portion of any loss that may occur may be paid by our Judgment Fund, which is separate from our operating resources. For cases related to the *Contract Disputes Act of 1978* (P.L. 95-563) and awards under federal anti-discrimination and whistle-blower protection acts, we must reimburse the Judgment Fund from future appropriations.

In the opinion of our management and legal counsel, based on information available as of the date of this report, the expected outcome of other legal actions, individually or in the aggregate, will not have a materially adverse effect on our consolidated financial statements, except for the pending legal actions described below which may have a materially adverse impact on our consolidated financial statements depending on the outcomes of the cases.

Pending Legal Actions

- *Tribal Trust Cases:* Numerous Native American tribes have filed cases in U.S. District Courts seeking a declaration that the U.S. has not provided the tribes with a full and complete accounting of their trust funds and non-monetary trust assets, and also seeking an order requiring the U.S. government to provide such an accounting. In addition, plaintiff tribes have filed a number of related cases seeking damages in the U.S. Court of Federal Claims, which do not name Treasury as a defendant. The majority of the Tribal Trust cases have been resolved through negotiated settlements, and the U.S. government is currently in discussion with counsel representing most of the remaining plaintiff tribes with pending cases about the feasibility of an out-of-court settlement. Plaintiff tribes in some of the pending cases have chosen to pursue active litigation, rather than settlement discussion, and the U.S. government is litigating those cases vigorously. We are unable to determine the likelihood of an unfavorable outcome or an estimate of potential loss at this time.

- *Steele et al. v. United States:* The plaintiffs filed a class claim in the U.S. District Court for the District of Columbia seeking refunds of all user fees paid, plus interest, to obtain a preparer tax identification number (PTIN). Additionally,

the plaintiffs seek to force IRS to cease charging a user fee to obtain a PTIN and asking for more information than is necessary to issue a PTIN. On June 1, 2017, the U.S. District Court for the District of Columbia found for the plaintiffs in the previously mentioned matters, and the U.S. government appealed. In March 2019, the U.S. Court of Appeals for the District of Columbia Circuit reversed the lower court's opinion and determined that IRS is entitled to charge a PTIN user fee. The case was remanded back to the lower court to determine whether the amount of the fees previously charged was appropriate. As of September 30, 2026 and 2025, we have determined the likelihood of an unfavorable outcome as reasonably possible and estimated a potential loss within a range of $230 million to $270 million, and $0 to $270 million, respectively.

- *American Recovery and Reinvestment Tax Act of 2009 (ARRA) Cases:* A number of cases were filed in the U.S. Court of Federal Claims alleging that the U.S. government violated statutory and regulatory mandates to make proper payments to plaintiffs under ARRA, Section 1603, for having placed certain energy properties into service. On October 28, 2016, the U.S. Court of Federal Claims entered judgment against the U. S. in the amount of $207 million in one of the cases. The U.S. government appealed the judgment, and on July 27, 2018, the Federal Circuit reversed the trial court's decision, vacated judgment, and remanded the case to the U.S. Court of Federal Claims for reassignment to a new judge. The case remains in litigation. As of September 30, 2026, we have determined that there is a probable likelihood of an unfavorable outcome in some of the cases totaling approximately $49 million, and there is a reasonably possible likelihood of an unfavorable outcome in one case totaling approximately $40 million. As of September 30, 2025, we determined that there is a reasonably possible likelihood of an unfavorable outcome in some of the cases totaling approximately $265 million.

- *Treaty Claim:* A Notice of Arbitration was filed under the United Nations Commission of International Trade Law Arbitration Rules alleging that Treasury's Office of Foreign Assets Control acted in violation of U.S. obligations under a U.S. bilateral investment treaty. As of September 30, 2026 and 2025, we have determined the likelihood of an unfavorable outcome as reasonably possible and estimated a potential loss within a range of $0 to $181 million, respectively.

- *U.S. Victims of State Sponsored Terrorism Fund (USVSST) Related Cases*: A number of cases were filed in the U.S. District Court for the District of Columbia challenging the Department of Justice's interpretation of the USVSST Fund's eligibility language, their process for determining eligibility of certain cases, and the distribution of funds forfeited or otherwise paid as fines and penalties in a specific case. As of September 30, 2026 and 2025, we have determined the likelihood of an unfavorable outcome is reasonably possible and estimates a potential loss within a range of $0 to $112 million, respectively.

- *Anonymous Whistleblower v. United States*: A number of whistleblower cases were filed in the U.S. Tax Court under seal, appealing the denial of an award by the IRS Whistleblower Office. The anonymous claimants allegedly provided confidential information about tax fraud committed by a taxpayer to the IRS. As of September 30, 2026 and 2025, we have determined that there is a probable likelihood of an unfavorable outcome in some of these cases, with potential awards ranging from $51 million to $281 million, respectively. As of September 30, 2026 and 2025, we have determined the likelihood of an unfavorable outcome in one of these cases is reasonably possible and estimates a potential loss within a range of $92 million to $185 million, respectively.

- *Safe Harbor International LLC v. Booz Allen Hamilton, Inc., et al.:* A class action complaint was filed in the U.S. District Court for the District of Maryland alleging liability for unauthorized disclosure of tax returns and information

for over 400,000 taxpayers. As of September 30, 2026 and 2025, we have determined the likelihood of an unfavorable outcome is reasonably possible and estimates a potential loss within a range of $800 million to $2 billion, and $800 million or greater, respectively.

- *Gribbon, et al. v. Office of Personnel Mgmt., et al.:* The plaintiffs filed a class claim in the U.S. District Court for the District of Columbia seeking actual and statutory damages for allegedly disclosing their personal sensitive information and taxpayer return information to Elon Musk and the Department of Government Efficiency (DOGE) employees in violation of IRS return information statutes, the Privacy Act, and the Administrative Procedure Act. As of September 30, 2026, we have determined that there is a reasonably possible likelihood of an unfavorable outcome in the case. We are unable to determine an estimate of potential loss at this time.

- *Nemeth-Greenleaf, et al. v. Office of Personnel Mgmt., et al:* The plaintiffs filed a class claim in the U.S. District Court for the District of Columbia seeking actual and statutory damages for allegedly disclosing their personal, health, and financial information to Elon Musk and the DOGE employees in violation of the Privacy Act. As of September 30, 2026, we have determined that there is a reasonably possible likelihood of an unfavorable outcome in the case. We are unable to determine an estimate of potential loss at this time.

- *e-Numerate Solutions, Inc. v. United States:* The plaintiff filed a claim in the Court of Federal Claims alleging that several federal agencies, including Treasury infringed on patents for the eXtensible Business Reporting Language (XBRL). More specifically, the plaintiff asserts that Treasury, along with OMB, requires all federal agencies to report spending and award data that is either: (i) in XBRL format; and/or (ii) converted by Treasury into XBRL format for further processing. The plaintiff contends that this use of XBRL violates two U.S. patents. We are unable to determine the likelihood of an unfavorable outcome or an estimate of potential loss in this case at this time.

- *Other Legal Actions:* We are also involved in employment related legal actions (e.g., matters alleging discrimination and other claims before federal courts, the Equal Employment Opportunity Commission, and the Merit Systems Protection Board) for which an unfavorable outcome is reasonably possible, but for which an estimate of potential loss cannot be determined at this time. We do not expect that these cases will have a material adverse effect on our consolidated financial position or results.

OTHER COMMITMENTS AND CONTINGENCIES

Loan Commitments

Through the FFB, we make loan commitments with federal agencies, or private sector borrowers with loans guaranteed by federal agencies, to extend them credit for their own use (refer to Notes 1Q and 3). As of September 30, 2026 and 2025, we had remaining loan commitments totaling $361.7 billion and $319.6 billion, respectively.

In addition to the loan commitments, the FFB has agreements with agencies that permit FFB to issue loans up to amounts authorized in those agencies' annual program appropriations.

Multilateral Development Banks

On behalf of the U.S., we have subscribed to shares of certain MDBs, of which some shares represent capital commitments that are callable under certain limited circumstances to meet the obligations of the respective MDB. There has never been,

nor is there anticipated, a call on the U.S. commitment for these subscriptions. As of September 30, 2026 and 2025, U.S. callable capital in MDBs was as follows:

(in millions)		2026		2025
International Bank for Reconstruction and Development	$	**52,048**	$	52,048
Inter-American Development Bank		**49,181**		49,181
Asian Development Bank		**18,702**		18,702
African Development Bank		**18,545**		9,889
European Bank for Reconstruction and Development		**3,055**		3,055
North American Development Bank		**1,530**		1,530
Multilateral Investment Guarantee Agency [(1)]		**315**		315
Total	$	**143,376**	$	134,720

(1) Both FY 2026 and 2025 include commitments of $22 million for the undisbursed portion of the subscription to paid-in capital investments.

Terrorism Risk Insurance Program

Congress created the Terrorism Risk Insurance Program (TRIP) under the *Terrorism Risk Insurance Act* (TRIA) in November 2002, which was enacted in response to the market disruptions resulting from the terrorist attacks on September 11, 2001. Most recently, the *Terrorism Risk Insurance Program Reauthorization Act of 2019* (P.L. 116-94) extended the TRIP until December 31, 2027. The TRIP helps to ensure available and affordable commercial property and casualty insurance for terrorism risk, and simultaneously allows private markets to stabilize. The authority to pay claims under the TRIP is activated when the Secretary (in consultation with the Secretary of the Department of Homeland Security and the Attorney General of the United States) certifies an "act of terrorism," as defined under TRIA. In the event of certification of an "act of terrorism," insurers may be eligible to receive reimbursement from the U.S. government for associated insured losses – assuming an aggregate insured loss threshold ("program trigger") has been reached – once a particular insurer has satisfied its designated deductible amount. For calendar years 2026 and 2025, the program trigger amount was $200 million. Insurance companies and the U.S. government will share insured losses above insurer deductibles. The TRIP includes both mandatory and discretionary authority for Treasury to recoup federal payments made under the TRIP through policyholder surcharges under certain circumstances, and contains provisions designed to manage litigation arising from or relating to a certified act of terrorism. There were no claims under the TRIP as of September 30, 2026 or 2025.

Exchange Stabilization Agreements

The Exchange Stabilization Agreement (ESA) with Mexico, which was amended and restated in 2018 and which is renewed annually, implements the North American Framework Agreement (NAFA), signed with Mexico and Canada on April 26, 1994, which is also renewed annually. Treasury, through the ESF, offers Mexico a swap line up to $9.0 billion. There were no drawings outstanding on the ESF swap line with Mexico as of September 30, 2026 and 2025.

On October 18, 2025, Treasury, through the ESF, entered into an ESA with the Banco Central de la República Argentina (BCRA) for up to $20.0 billion. Pursuant to the ESA, Treasury and the BCRA negotiated and executed a swap agreement in October 2025 whereby the BCRA drew $2.5 billion in exchange for an equivalent amount of Argentine pesos. In December 2025, the BCRA fully repaid the $2.5 billion and the swap position was closed. There were no drawings outstanding on the ESF swap line with Argentina as of September 30, 2026.

28. Reclassification of Agency Financial Statements to Financial Report of the U.S. Government Format

To prepare the *Financial Report of the U.S. Government* (Financial Report), federal agencies submit to the BFS a trial balance containing financial statement account ending balances and activity. The BFS uses this trial balance information to reclassify agencies' account balances and activity in a manner that conforms to the format of the financial statement presentation in the Financial Report. Our reclassified financial statements—including the Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position—are accessed using the Government-wide Treasury Account Symbol Adjusted Trial Balance System. The BFS eliminates all intragovernmental balances and activity between federal agencies in generating the Financial Report consolidated financial statements. This note depicts how our AFR Consolidated Statement of Net Cost and Consolidated Statement of Changes in Net Position are adjusted to derive the Financial Report reclassified financial statements prior to the elimination of intragovernmental balances and prior to the aggregation of repeated Financial Report line items. A copy of the FY 2025 Financial Report can be found on the BFS website and a copy of the FY 2026 Financial Report will be posted to the site as soon as it is released.

Consolidated Statement of Net Cost
For the Fiscal Year Ended September 30, 2026

AFR Financial Statement Line	Amounts (in millions)	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations between Dedicated and Other than Dedicated	Total (in millions)	Reclassified Financial Statement Line
COST OF TREASURY OPERATIONS:							
Total Program Gross Costs	$ 79,822	$ 27,151	$ -	$ 46,440	$ -	$ 73,591	Non-Federal Gross Costs
							Intra-governmental Costs
		271	-	2,249	-	2,520	Benefit Program Costs
		118	-	1,170	9	1,279	Imputed Costs
		487	1	1,480	245	1,721	Buy/Sell Cost
		9	-	6	-	15	Purchase of Assets
		-	-	95	-	95	Federal Securities Interest Expense
		7	-	-	7	-	Borrowing and Other Interest Expenses
		-	-	17	-	17	Borrowing Losses
		20	-	579	-	599	Other Expenses (without Reciprocals)
		(9)	-	(6)	-	(15)	Purchase of Assets Offset
		903	1	5,590	261	6,231	*Total Intra-governmental Costs*
Total Program Gross Costs	**79,822**	**28,054**	**1**	**52,030**	**261**	**79,822**	**Total**
Total Program Earned Revenues	(38,250)	(27,072)	-	(1,403)	-	(28,475)	Non-Federal Earned Revenue
							Intra-governmental Revenue
		(47)	(1)	(934)	(238)	(742)	Buy/Sell Revenue
		(949)	-	-	(949)	-	Federal Securities Interest Revenue Including Associated Gains and Losses
		-	-	(8,905)	(2)	(8,903)	Borrowing and Other Interest Revenue
		(130)	-	-	-	(130)	Collections Transferred into a TAS Other Than the General Fund of the U.S. Government - Exchange
		(1,126)	(1)	(9,839)	(1,189)	(9,775)	*Total Intra-governmental Earned Revenue*
Total Program Earned Revenues	**(38,250)**	**(28,198)**	**(1)**	**(11,242)**	**(1,189)**	**(38,250)**	**Total**
Total Net Cost of Treasury Operations	**41,572**	**(144)**	**-**	**40,788**	**(928)**	**41,572**	**Total**

Consolidated Statement of Net Cost
For the Fiscal Year Ended September 30, 2026

AFR Financial Statement Line	Amounts (in millions)	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations between Dedicated and Other than Dedicated	Total (in millions)	Reclassified Financial Statement Line
NON-ENTITY COSTS:							
Federal Debt Interest	$ 1,356,426	$ -	$ -	$ 1,083,708	$ -	$ 1,083,708	Interest on Debt Held by the Public (Non-Federal)
		-	-	274,038	1,320	272,718	Federal Securities Interest Expense (Federal)
Total Federal Debt Interest	1,356,426	-	-	1,357,746	1,320	1,356,426	*Total*
Restoration of Foregone Federal Debt Interest	(193)	-	-	(193)	-	(193)	Federal Securities Interest Expense (Federal)
Less Interest Revenue from Loans	(62,606)	-	-	20	-	20	Borrowing losses (Federal)
							Intra-governmental Revenue
		-	-	(62,627)	(5)	(62,622)	Borrowing and Other Interest Revenue (Federal)
		-	-	(4)	-	(4)	Borrowing Gains
		-	-	(62,631)	(5)	(62,626)	*Total Intra-governmental Earned Revenue*
Total Less Interest Revenue from Loans	(62,606)	-	-	(62,611)	(5)	(62,606)	*Total*
Other Federal Costs, Net	17,714	45	-	8,269	-	8,314	Non-Federal Gross Costs
							Intra-governmental Costs
		10	-	89	-	99	Buy/Sell Cost
		-	-	10,332	-	10,332	Borrowing and Other Interest Expenses
		10	-	10,421	-	10,431	*Total Intra-governmental Costs*
		-	-	(1,031)	-	(1,031)	Buy/Sell Revenue (Federal)
Total Other Federal Costs, Net	17,714	55	-	17,659	-	17,714	*Total*
GSEs Non-Entity Revenue, Net	(30,860)	-	-	(30,860)	-	(30,860)	Non-Federal Earned Revenue
Federal Debt Buyback Gain	(19,715)	-	-	(19,715)	-	(19,715)	Non-Federal Earned Revenue

Consolidated Statement of Net Cost
For the Fiscal Year Ended September 30, 2026

AFR Financial Statement Line	Amounts (in millions)	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations between Dedicated and Other than Dedicated	Total (in millions)	Reclassified Financial Statement Line
Other, Net	(1,321)	86	-	116	-	202	Non-Federal Gross Costs
		-	-	(510)	-	(510)	Non-Federal Earned Revenue
		-	-	(1,013)	-	(1,013)	Buy/Sell Revenue (Federal)
Total Other, Net	(1,321)	86	-	(1,407)	-	(1,321)	*Total*
Total Net Non-Entity Costs	**1,259,445**	**141**	**-**	**1,260,619**	**1,315**	**1,259,445**	**Total**
		61	-	265,640	-	265,701	Non-Federal Gross Costs [(1)]
Total Net Cost of Treasury Operations and Non-Entity Costs	**$ 1,301,017**	**$ 58**	**$ -**	**$ 1,567,047**	**$ 387**	**$ 1,566,718**	**Total Net Cost** [(1)]

(1) Includes income tax credits of $265.7 billion, which are reported on the Treasury Statement of Custodial Activity within the "Less Refunds and Other Payments" line item. These costs are reported as part of net cost on the reclassified financial statements for the purpose of presenting these costs in the manner presented in the Financial Report.

Consolidated Statement of Changes in Net Position and Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2026

AFR Financial Statement Line	Amounts (in millions)	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations between Dedicated and Other than Dedicated	Total (in millions)	Reclassified Financial Statement Line
STATEMENT OF CHANGES IN NET POSITION							
UNEXPENDED APPROPRIATIONS							
Beginning Balance	$ 519,409	$ 200	$ -	$ 519,209	$ -	$ 519,409	Net Position, Beginning of Period
Appropriations Received	1,377,899	-	-	1,377,899	-	1,377,899	Appropriations Received as Adjusted
Appropriations Transferred In	-	49	-	(49)	-	-	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
Other Adjustments	(17,392)	-	-	(17,392)	-	(17,392)	Appropriations Received as Adjusted
Appropriations Used	(1,404,909)	(49)	-	(1,404,860)	-	(1,404,909)	Appropriations Used
Net Change in Unexpended Appropriations	(44,402)	-	-	(44,402)	-	(44,402)	Total
Total Unexpended Appropriations	**475,007**	**200**	**-**	**474,807**	**-**	**475,007**	**Total**
CUMULATIVE RESULTS OF OPERATIONS							
Beginning Balance	89,392	58,657	-	30,735	-	89,392	Net Position, Beginning of Period
Changes in Accounting Principles	(12)	(11)	-	(1)	-	(12)	Change in Accounting Principles
Beginning Balance, as Adjusted	**89,380**	**58,646**	**-**	**30,734**	**-**	**89,380**	**Net Position, Beginning of Period - Adjusted**
Appropriations Used	1,404,909	49	-	1,404,860	-	1,404,909	Appropriations Expended
Non-Exchange Revenue	696	673	-	194	-	867	Collections Transferred Into a TAS Other Than the General Fund of the U.S. Government
		155	155	-	-	-	Accruals for entity amounts to be collected in a TAS other than the General Fund of the US Government - Nonexchange
		19	-	-	-	19	Individual Income Tax and Tax Withholdings
		-	-	(183)	-	(183)	Other Taxes and Receipts
		371	-	-	378	(7)	Federal Securities Interest Revenue Including Associated Gains and Losses (Non-Exchange)
Total Non-Exchange Revenue	696	1,218	155	11	378	696	*Total*

Consolidated Statement of Changes in Net Position and Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2026

AFR Financial Statement Line	Amounts (in millions)	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations between Dedicated and Other than Dedicated	Total (in millions)	Reclassified Financial Statement Line
Donations and Forfeitures of Cash/Equivalent	(142)	(142)	-	-	-	(142)	Other Taxes and Receipts
Transfers In/Out Without Reimbursement	(546)	27	27	-	-	-	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-In
		(27)	(27)	-	-	-	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-Out
		-	-	49	49	-	Non-expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		(49)	-	-	(49)	-	Non-expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		25	-	834	835	24	Expenditure Transfers-In of Financing Sources
		(1,046)	-	(4)	(835)	(215)	Expenditure Transfers-Out of Financing Sources
		-	-	656	656	-	Non-expenditure Transfers-In of Financing Sources - Capital Transfers
		(656)	-	-	(656)	-	Non-expenditure Transfers-Out of Financing Sources - Capital Transfers
		2,276	2,276	-	-	-	Transfers-In Without Reimbursement
		(2,278)	(2,276)	(353)	-	(355)	Transfers-Out Without Reimbursement
Total Transfers In/Out Without Reimbursement	(546)	(1,728)	-	1,182	-	(546)	*Total*
Donation/Forfeiture of Property	(188)	(188)	-	-	-	(188)	Other Taxes and Receipts
Accrued Interest and Discount on Debt	22,015	-	-	22,015	-	22,015	Other Non-Budgetary Financing Sources for Debt Accruals/Amortization
Imputed Financing Sources	1,279	118	-	1,170	9	1,279	Imputed Financing Sources

Consolidated Statement of Changes in Net Position and Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2026

AFR Financial Statement Line	Amounts (in millions)	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations between Dedicated and Other than Dedicated	Total (in millions)	Reclassified Financial Statement Line
Transfers to the General Fund and Other	(125,962)	-	-	110	-	110	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
		-	-	(126,824)	-	(126,824)	Non-Entity Collections Transferred to the General Fund
		786	-	17	-	803	Other Financing Sources with Budgetary Impact
		(155)	(155)	-	-	-	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government-Nonexchange
		-	-	(1)	-	(1)	Other Non-Budgetary Financing Sources
		218	-	(268)	-	(50)	Other Taxes and Receipts
Total Transfers to the General Fund and Other	(125,962)	849	(155)	(126,966)	-	(125,962)	*Total*
Net Cost of Treasury Operations and Non-Entity Costs	(1,301,017)	(58)	-	(1,567,047)	(387)	(1,566,718)	Net Cost of Operations [2]
Net Change in Cumulative Results of Operations	1,044	118	-	(264,775)	-	(264,657)	Total
Total Cumulative Results of Operations	**$ 90,424**	**$ 58,764**	**$ -**	**$ (234,041)**	**$ -**	**$ (175,277)**	**Total**
STATEMENT OF CUSTODIAL ACTIVITY							
Sources of Custodial Revenue							
Individual Income and FICA Taxes	$ 4,964,543	$ 61	$ -	$ 4,964,482	-	$ 4,964,543	Individual Income Tax and Tax Withholdings
Corporate Income Taxes	442,931	-	-	442,931	-	442,931	Corporation Income Taxes
Estate and Gift Taxes	40,032	-	-	40,032	-	40,032	Estate and Gift Taxes
Excise Taxes	103,364	-	-	103,364	-	103,364	Excise Taxes
Railroad Retirement Taxes	7,353	-	-	7,353	-	7,353	Other Taxes and Receipts
Unemployment Taxes	8,588	-	-	8,588	-	8,588	Unemployment Taxes
Deposit of Earnings, Federal Reserve System	10,480	-	-	10,480	-	10,480	Other Taxes and Receipts
Fines, Penalties, Interest and Other Revenue	10,643	-	-	10,641	-	10,641	Other Taxes and Receipts
		-	-	2	-	2	Borrowing and Other Interest Revenue
Total Fines, Penalties, Interest and Other Revenue	10,643	-	-	10,643	-	10,643	*Total*

(2) Includes income tax credits of $265.7 billion, which are reported on the Treasury Statement of Custodial Activity within the "Less Refunds and Other Payments" line item. These tax credits are reported as part of net cost on the reclassified financial statements for the purpose of presenting these costs in the manner presented in the Financial Report.

Consolidated Statement of Changes in Net Position and Statement of Custodial Activity
For the Fiscal Year Ended September 30, 2026

AFR Financial Statement Line	Amounts (in millions)	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations between Dedicated and Other than Dedicated	Total (in millions)	Reclassified Financial Statement Line
Less Refunds and Other Payments	(670,815)	-	-	(365,653)	-	(365,653)	Individual Income Tax and Tax Withholdings
		-	-	(34,417)	-	(34,417)	Corporation Income Taxes
		-	-	(243)	-	(243)	Unemployment Taxes
		-	-	(3,470)	-	(3,470)	Excise Taxes
		-	-	(1,311)	-	(1,311)	Estate and Gift Taxes
		-	-	(20)	-	(20)	Other Taxes and Receipts
Total Less Refunds and Other Payments	(670,815)	-	-	(405,114)	-	(405,114)	*Total*
Non-Cash Accrual Adjustment	(34,781)	-	-	(30,789)	-	(30,789)	Other Taxes and Receipts
		-	-	(14)	-	(14)	Excise Taxes
		-	-	(3,978)	-	(3,978)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
Total Non-Cash Accrual Adjustment	(34,781)	-	-	(34,781)	-	(34,781)	*Total*
Disposition of Custodial Revenue							
Amounts Provided to Fund Non-Federal Entities	(412)	-	-	(412)	-	(412)	Other Taxes and Receipts
Amounts Provided to Fund the Federal Government	(4,916,707)	-	-	(4,915,342)	-	(4,915,342)	Non-Entity Collections Transferred to the General Fund
		-	-	(1,365)		(1,365)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
Total Amounts Provided to Fund the Federal Government	(4,916,707)	-	-	(4,916,707)	-	(4,916,707)	*Total*
Non-Cash Accrual Adjustment	34,781	-	-	34,791	-	34,791	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government
		-	-	(10)	-	(10)	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
Total Non-Cash Accrual Adjustment	34,781	-	-	34,781	-	34,781	*Total*
Total Statement of Changes in Net Position and Statement of Custodial Activity	**565,431**	**59,025**	**-**	**506,406**	**-**	**565,431**	**Total Reclassified Statement of Operations and Changes in Net Position**

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED – SEE ACCOMPANYING AUDITORS' REPORT)

INTRODUCTION

This section provides the Required Supplementary Information as prescribed by accounting standards.

OTHER CLAIMS FOR REFUNDS

We estimated that $4.7 billion and $6.3 billion as of September 30, 2026 and 2025, respectively, may be payable as other claims for tax refunds. This estimate represents amounts (principal and interest) that we may pay for claims pending judicial review by the federal courts or internally by the Independent Office of Appeals. In FY 2026, the total estimated payout (including principal and interest) for claims pending judicial review by the federal courts and the Independent Office of Appeals is $0.3 billion and $4.4 billion, respectively. In FY 2025, the total estimated payout (including principal and interest) for claims pending judicial review by the federal courts and the Independent Office of Appeals is $2.0 billion and $4.3 billion, respectively. To the extent judgments against the government in these cases prompt other similarly situated taxpayers to file similar refund claims, these amounts could become significantly greater.

IRS FEDERAL TAXES RECEIVABLE, NET

In accordance with SFFAS 7, some unpaid tax assessments do not meet the criteria for financial statement recognition. Internal Revenue Code (IRC) 6201 authorizes and requires us to make inquiries, determinations, and assessments of all taxes that taxpayers have not duly paid (including interest, additions to the tax, and assessable penalties) under the law. Unpaid assessments result from taxpayers filing returns without sufficient payment, as well as from tax compliance programs such as examination, under-reporter, substitute for return, and combined annual wage reporting. We also have authority to abate the paid or unpaid portion of an assessed tax, interest, and penalty. Abatements occur for a number of reasons and are a normal part of the tax administration process. Abatements may result in claims for refunds or a reduction of the unpaid assessed amount.

Under federal accounting standards, we consider unpaid assessments agreed to by the taxpayer or the court federal taxes receivable. We consider assessments not agreed to by taxpayer or the court compliance assessments. Due to the lack of agreement, these compliance assessments are less likely to have future collection potential than those unpaid assessments that we consider federal taxes receivable.

We call assessments with little or no future collection potential write-offs. Write-offs principally consist of amounts owed by deceased, bankrupt, or defunct taxpayers. Write-offs have little or no future collection potential, but statutory provisions require that we maintain these assessments until the statute for collection expires.

Although we do not consider compliance assessments and write-offs receivables under federal accounting standards, they represent legally enforceable claims of the U.S. government.

The components of the total unpaid assessments at September 30, 2026 and 2025 were as follows:

(in millions)		2026	2025
Total Unpaid Assessments	$	**518,548**	$ 540,318
Less Compliance Assessments		**(81,064)**	(86,142)
Less Write-Offs		**(98,017)**	(92,836)
Federal Taxes Receivable, Gross		**339,467**	361,340
Less Allowance for Doubtful Accounts		**(278,958)**	(269,925)
Federal Taxes Receivable, Net	$	**60,509**	$ 91,415

ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

As an agent of the U.S. government and as authorized by 26 USC, the TTB collects excise taxes from alcohol, tobacco, firearms, and ammunition industries. In addition, the TTB collects special occupational taxes from certain alcohol and tobacco businesses. During FY 2026 and 2025, TTB collected approximately $14.1 billion and $15.4 billion in taxes, interest, and other revenues, respectively. TTB also collects federal excise taxes on certain articles produced in Puerto Rico and the U.S. Virgin Islands, and imported into the U.S. In accordance with 26 USC 7652, such taxes collected on rum imported into the U.S. are "covered over" or paid into the treasuries of Puerto Rico and the U.S. Virgin Islands.

TTB remits substantially all of the taxes collected, net of related refund disbursements, to the General Fund. We further distribute this revenue to federal agencies in accordance with various laws and regulations. The firearms and ammunition excise taxes are an exception. TTB remits those revenues to the Fish and Wildlife Restoration Fund under provisions of the *Pittman-Robertson Act of 1937*.

DEFERRED MAINTENANCE AND REPAIRS

In FY 2026 and 2025, we had no material amounts of deferred maintenance and repair costs to report on vehicles, buildings, heritage assets, and structures we owned.

Deferred maintenance and repairs applies to owned PP&E. Deferred maintenance and repairs are maintenance and repair activity that we had not performed when it should have been, or scheduled to be, and put off or delayed for a future period. We define maintenance and repairs as the act of keeping capitalized assets in an "acceptable condition" to serve their required mission. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected useful life. Deferred maintenance and repairs excludes activities aimed at expanding the capacity or significantly upgrading the assets to a different form than it was originally intended *(i.e.,* activities related to capitalized improvements, modernization, and/or restoration).

Logistic personnel use condition assessment surveys and/or the total life-cycle cost methods to determine if there are any deferred maintenance and repairs needed to keep an asset in acceptable operating condition. We use periodic condition assessments, physical inspections, and review of manufacturing and engineering specifications, work orders, and building and other structure logistics reports under these methodologies.

Statement of Budgetary Resources Disaggregated by Treasury Reporting Entity

The following tables provide the Statement of Budgetary Resources for the fiscal years ended September 30, 2026 and 2025 disaggregated by Treasury reporting entity rather than by Treasury major budget account, since we manage our budget at the reporting entity level.

Fiscal Year 2026 Combining Statement of Budgetary Resources Disaggregated by Sub-organization Accounts

(in millions):	Bureau of Engraving & Printing	Bureau of the Fiscal Service	Departmental Offices (a)	Fin. Crimes Enforcement Network	Internal Revenue Service
BUDGETARY RESOURCES					
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 3,031	$ 1,867	$ 320,973	$ 1,029	$ 24,289
Appropriations (discretionary and mandatory)	-	1,382,592	4,880	176	165
Borrowing authority (discretionary and mandatory)	-	-	436	-	-
Spending authority from offsetting collections (discretionary and mandatory)	162	271	11,329	83	137
Total Budgetary Resources	**$ 3,193**	**$ 1,384,730**	**$ 337,618**	**$ 1,288**	**$ 24,591**
STATUS OF BUDGETARY RESOURCES					
New obligations and upward adjustments	$ 918	$ 1,382,596	$ 15,494	$ 186	$ 15,232
Unobligated balance, end of year:					
Apportioned, unexpired accounts	2,275	1,851	265,598	96	8,441
Exempt from apportionment, unexpired accounts	-	140	97	-	7
Unapportioned, unexpired accounts	-	130	56,125	994	506
Unexpired unobligated balance, end of year	2,275	2,121	321,820	1,090	8,954
Expired unobligated balance, end of year	-	13	304	12	405
Unobligated balance, end of year	2,275	2,134	322,124	1,102	9,359
Total Status of Budgetary Resources	**$ 3,193**	**$ 1,384,730**	**$ 337,618**	**$ 1,288**	**$ 24,591**
OUTLAYS, NET, AND DISBURSEMENTS, NET					
Outlays, net (discretionary and mandatory)	$ 95	$ 1,382,824	$ 6,656	$ 131	$ 15,002
Distributed offsetting receipts	-	(71,598)	(14,617)	-	(656)
Agency Outlays, Net (Discretionary and Mandatory)	**$ 95**	**$ 1,311,226**	**$ (7,961)**	**$ 131**	**$ 14,346**
Disbursements, net (mandatory)	$ -	$ -	$ 6,246	$ -	$ -

(a) Of the $338 billion of Total Budgetary Resources for DO, GSE, ESF, IAP, and FFB had $254 billion, $43 billion, $15 billion and $11 billion, respectively. The remainder is spread throughout other offices.

Fiscal Year 2026 Combining Statement of Budgetary Resources Disaggregated by Sub-organization Accounts

(in millions):	U. S. Mint	Office of the Comptroller of the Currency	Alcohol and Tobacco Tax and Trade Bureau	Budgetary	Non-Budgetary
BUDGETARY RESOURCES					
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 317	$ 1,793	$ 8	$ 353,156	$ 151
Appropriations (discretionary and mandatory)	-	-	153	1,387,966	-
Borrowing authority (discretionary and mandatory)	1,140	-	-	1,140	436
Spending authority from offsetting collections (discretionary and mandatory)	3,012	1,163	9	15,611	555
Total Budgetary Resources	**$ 4,469**	**$ 2,956**	**170**	**$ 1,757,873**	**$ 1,142**
STATUS OF BUDGETARY RESOURCES					
New obligations and upward adjustments	$ 3,692	$ 1,024	$ 163	$ 1,418,379	$ 926
Unobligated balance, end of year:					
Apportioned, unexpired accounts	777	-	5	278,886	157
Exempt from apportionment, unexpired accounts	-	1,932	-	2,176	-
Unapportioned, unexpired accounts	-	-	-	57,696	59
Unexpired unobligated balance, end of year	777	1,932	5	338,758	216
Expired unobligated balance, end of year	-	-	2	736	-
Unobligated balance, end of year	777	1,932	7	339,494	216
Total Status of Budgetary Resources	**$ 4,469**	**$ 2,956**	**170**	**$ 1,757,873**	**$ 1,142**
OUTLAYS, NET, AND DISBURSEMENTS, NET					
Outlays, net (discretionary and mandatory)	$ (458)	$ (78)	$ 148	$ 1,404,320	$ -
Distributed offsetting receipts	(8)	-	-	(86,879)	-
Agency Outlays, Net (Discretionary and Mandatory)	**$ (466)**	**$ (78)**	**$ 148**	**$ 1,317,441**	**$ -**
Disbursements, net (mandatory)	$ -	$ -	$ -		$ 6,246

Fiscal Year 2025 Combining Statement of Budgetary Resources Disaggregated by Sub-organization Accounts

(in millions):	Bureau of Engraving & Printing	Bureau of the Fiscal Service	Departmental Offices (a)	Fin. Crimes Enforcement Network	Internal Revenue Service
BUDGETARY RESOURCES					
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 932	$ 1,667	$ 324,074	$ 271	$ 50,632
Appropriations (discretionary and mandatory)	-	1,243,480	8,102	181	(7,392)
Borrowing authority (discretionary and mandatory)	-	-	228	-	-
Spending authority from offsetting collections (discretionary and mandatory)	1,658	571	11,192	762	138
Total Budgetary Resources	$ 2,590	$ 1,245,718	$ 343,596	$ 1,214	$ 43,378
STATUS OF BUDGETARY RESOURCES					
New obligations and upward adjustments	$ 1,096	$ 1,243,910	$ 21,768	$ 189	$ 19,418
Unobligated balance, end of year:					
Apportioned, unexpired accounts	1,494	1,533	263,880	99	23,356
Exempt from apportionment, unexpired accounts	-	146	117	-	7
Unapportioned, unexpired accounts	-	114	56,796	914	222
Unexpired unobligated balance, end of year	1,494	1,793	320,793	1,013	23,585
Expired unobligated balance, end of year	-	15	1,035	12	375
Unobligated balance, end of year	1,494	1,808	321,828	1,025	23,960
Total Status of Budgetary Resources	$ 2,590	$ 1,245,718	$ 343,596	$ 1,214	$ 43,378
OUTLAYS, NET, AND DISBURSEMENTS, NET					
Outlays, net (discretionary and mandatory)	$ (55)	$ 1,242,559	$ 7,895	$ (616)	$ 19,164
Distributed offsetting receipts	-	(66,274)	(11,630)	-	(1,140)
Agency Outlays, Net (Discretionary and Mandatory)	$ (55)	$ 1,176,285	$ (3,735)	$ (616)	$ 18,024
Disbursements, net (mandatory)	$ -	$ -	$ 2,762	$ -	$ -

(a) Of the $344 billion of Total Budgetary Resources for DO, GSE, ESF, IAP, and FFB had $254 billion, $50 billion, $15 billion and $10 billion, respectively. The remainder is spread throughout other offices.

Fiscal Year 2025 Combining Statement of Budgetary Resources Disaggregated by Sub-organization Accounts

(in millions):	U. S. Mint	Office of the Comptroller of the Currency	Alcohol and Tobacco Tax and Trade Bureau	Budgetary	Non-Budgetary
BUDGETARY RESOURCES					
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 959	$ 1,797	$ 9	$ 379,980	$ 361
Appropriations (discretionary and mandatory)	-	-	158	1,244,529	-
Borrowing authority (discretionary and mandatory)	-	-	-	-	228
Spending authority from offsetting collections (discretionary and mandatory)	2,616	1,267	9	17,887	326
Total Budgetary Resources	$ 3,575	$ 3,064	$ 176	$ 1,642,396	$ 915
STATUS OF BUDGETARY RESOURCES					
New obligations and upward adjustments	$ 3,279	$ 1,302	$ 169	$ 1,290,413	$ 718
Unobligated balance, end of year:					
Apportioned, unexpired accounts	296	-	5	290,533	130
Exempt from apportionment, unexpired accounts	-	1,762	-	2,032	-
Unapportioned, unexpired accounts	-	-	-	57,979	67
Unexpired unobligated balance, end of year	296	1,762	5	350,544	197
Expired unobligated balance, end of year	-	-	2	1,439	-
Unobligated balance, end of year	296	1,762	7	351,983	197
Total Status of Budgetary Resources	$ 3,575	$ 3,064	$ 176	$ 1,642,396	$ 915
OUTLAYS, NET, AND DISBURSEMENTS, NET					
Outlays, net (discretionary and mandatory)	$ 723	$ (14)	$ 154	$ 1,269,810	$ -
Distributed offsetting receipts	-	-	-	(79,044)	-
Agency Outlays, Net (Discretionary and Mandatory)	$ 723	$ (14)	$ 154	$ 1,190,766	$ -
Disbursements, net (mandatory)	$ -	$ -	$ -	$	$ 2,762

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PART 3:

OTHER INFORMATION

(UNAUDITED)

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THE UNITED STATES OF AMERICA
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SECTION A: SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables summarize the results of our financial statement audit, as well as management's assurances regarding conformance with the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) and compliance with the *Federal Financial Management Improvement Act of 1996* (FFMIA).

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion: Unmodified
Restatement: No

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

SUMMARY OF MANAGEMENT ASSURANCES

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA SECTION 2)

Statement of Assurance: Unmodified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA SECTION 2)

Statement of Assurance: Unmodified

Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

CONFORMANCE WITH FMFIA SECTION 4

Statement of Assurance: Federal systems conform, except for instances of nonconformance with financial management system requirements

Nonconformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IRS's Unpaid Assessments [1]	1	0	0	0	0	1
Total nonconformances	1	0	0	0	0	1

[1] *Refer to Independent Auditors' Report in Part 2 of this report.*

COMPLIANCE WITH FFMIA SECTION 803(a)

	Agency	Auditor
1. Federal Financial Management System Requirements	Lack of substantial compliance noted	Lack of substantial compliance noted
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. U.S. Standard General Ledger (USSGL) at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

FMFIA AND FFMIA REQUIREMENTS

The FMFIA requires agencies to establish and maintain internal controls to ensure that federal programs operate efficiently, effectively, and in compliance with laws and regulations. The Secretary must evaluate and report annually on (a) whether there is reasonable assurance that the Agency's controls are achieving their intended objectives, and (b) material weaknesses in the Agency's controls (FMFIA Section 2). Additionally, the Secretary must evaluate and report separately on whether the Agency's financial management systems comply with government-wide requirements (FMFIA Section 4). The FFMIA requires agencies to implement and maintain financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the USSGL at the transaction level. The requirements of the FMFIA serve as an umbrella under which other reviews, evaluations, and audits should be coordinated and considered to support management's assertion about the effectiveness of internal control over operations, reporting, and compliance with laws and regulations.

As of September 30, 2026, we had no material weaknesses under Section 2 or Section 4 of the FMFIA. However, as of the end of FY 2026, we had one instance of nonconformance with the federal financial management systems requirements of Section 4 of the FMFIA.

The nonconformance is the result of the IRS's significant deficiency related to unpaid tax assessments. This nonconformance constitutes a lack of substantial compliance with federal financial management system requirements, as reported above under Compliance with FFMIA Section 803(a). Refer to the section in Part 1 entitled *Systems, Controls and Legal Compliance* and the section in Part 2 entitled *Independent Auditors' Report* for additional information on the nonconformance issue.

SECTION B: TAX GAP AND TAX BURDEN

TAX GAP

The gross tax gap is the amount of true tax liability for a given tax year not paid voluntarily and/or timely. Tax gap estimates provide insight on the level of overall non-compliance during the relevant tax periods and under the IRC provisions in effect at the time. They also provide the IRS with periodic appraisals about the nature and extent of noncompliance for use in formulating tax administration strategies.

The IRS develops tax gap estimates on a periodic basis. A particular challenge for tax gap estimation is the time it takes to collect certain compliance data, especially data on underreporting that come from completed audits. This results in a timing difference between when the compliance behavior occurred and the development of tax gap estimates. To address this issue, the IRS produces tax gap projections to provide more current tax gap information. The IRS published its most recent tax gap projections in October 2024, which included tax gap projections for Tax Year (TY) 2022 and revised projections for TYs 2020 and 2021.

Measuring and reporting on taxpayer compliance related to various tax provisions is inherently complex and challenging. As a result, the IRS develops estimates of the tax gap to measure overall compliance with the current tax system. The IRS also undertakes analyses of compliance behavior with respect to specific tax provisions, such as refundable and non-refundable tax credits. The IRS enforcement strategies and legislative proposals are influenced by its National Research Program (NRP), which involves conducting detailed audits of a statistically representative sample of taxpayers to estimate compliance with individual income tax provisions and provides data on misreporting on voluntarily filed returns. To provide greater reliability and precision of the compliance estimates, the IRS groups multiple years of data together. This results in a timing difference between the time period from which the IRS generates the reported data and issues the report. Misreporting can be in favor of the taxpayer or the government, although estimates indicate that the majority of misreporting is associated with tax underreporting. Underreporting can manifest as either understatements of the liability due at the time the taxpayer files the return, the taxpayer claiming and receiving an excessive refund, or a combination of both.

Tax Gap Projections

The projected gross tax gap for TY 2022 is $696 billion. The revised projection of the TY 2021 gross tax gap is $708 billion. The net tax gap is the gross tax gap less tax that the IRS projects will be subsequently paid, either voluntarily but late, or collected as a result of IRS administrative and enforcement activities. In effect, the net tax gap is the portion of the gross tax gap that will not be paid. We project that $90 billion of the gross tax gap for TY 2022 will eventually be paid, resulting in a net tax gap of $606 billion.

The tax gap projections separate noncompliance into components by the type of tax and source of noncompliance. The three primary sources of noncompliance that result in payment of less than the tax owed are:

(i) the non-filing tax gap ($63 billion of the projected gross tax gap for TY 2022): the tax not paid on time by those who do not file required returns on time;

(ii) the underreporting tax gap ($539 billion): the net understatement of tax on timely filed returns; and

(iii) the underpayment tax gap ($94 billion): the amount of tax reported on timely filed returns that is not paid on time.[1]

[1] *Detail may not add to the total due to rounding.*

We also group the gross tax gap projections for TY 2022 by type of tax: individual income tax ($514 billion), corporate income tax ($50 billion), employment tax ($127 billion), and estate tax ($5 billion).[2]

TAX GAP MAP: TAX GAP PROJECTIONS FOR TAX YEAR 2022 (EXCERPT) ($ IN BILLIONS)

Total True Tax Liability	Tax Paid Voluntarily & Timely	Gross Tax Gap				Enforced & Other Late Payments	Net Tax Gap (Tax Not Collected)
		Nonfiling	Underreporting	Under-payment	Gross Tax Gap		
$4,635	$3,939	$63	+ $539	+ $94	= $696	- $90	= $606
By Type of Tax							
Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax	Individual Income Tax
$2,557	$2,042	$53	+ $381	+ $80	= $514	- $68	= $447
			Business Income $194; Non-Business Income $87; Credits $48; Income Offsets [1] $27; Filing Status $7; Other Taxes [2] $4; Unallocated Marginal Effects [3] $15				
Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax	Corporation Income Tax
$392	$342	#	+ $44	+ $6	= $50	- $10	= $40
			Large Corpo-rations $25; Small Corpo-rations $19				
Employment Tax	Employment Tax	Employment Tax [4]	Employment Tax	Employment Tax	Employment Tax	Employment Tax	Employment Tax
$1,585	$1,459	$9	+ $111	+ $6	= $127	- $8	= $119
			Self-Employ-ment Tax $71; FICA & Uncollected FICA TAX $39; FUTA $1				
Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax	Estate Tax
$35	$30	$1	+ $2	+ $1	= $5	- $4	= $0.4

Notes:

**Totals include Excise Tax*

 # - No estimate

Detail may not add to totals due to rounding.

(1) Includes adjustments, deductions, and exemptions.

(2) Includes the Alternative Minimum Tax and taxes reported in the "Other Taxes" section of the Form 1040 except for self-employment tax and unreported Social Security and Medicare tax (which are included in the employment tax gap projections).

(3) The difference between: (1) the projection of the individual income tax underreporting tax gap where underreported tax is calculated based on all misreporting combined and, (2) the projection of the individual income tax underreporting tax gap based on the sum of the tax gaps associated with each line item where the line-item tax gap is calculated based on the misreporting of that item only. There may be differences if the marginal tax rates are different in these two situations.

(4) Self-employment tax only.

Tax Gap Data and Methodology Limitations

Given the complexity of the tax systems and available data, we cannot use a single approach to estimate each component of the tax gap. Each approach is subject to measurement or non-sampling error; the component estimates that are based on samples are also subject to sampling error. The individual income tax NRP compliance studies are the foundation for the individual income tax underreporting tax gap estimates and projections. For the individual income tax underreporting tax gap, we use a statistical procedure to adjust for measurement errors that result when we do not detect some existing noncompliance during an audit.[3] We use other statistical techniques to control for bias in estimates based on corporate operational audit data. Due to the heterogenous nature of the estimation methodology, we do not report standard errors, however, the user should be mindful of these limitations when using these estimates. In addition to sampling error and measurement error, there is estimation error and coverage error. In some components of the tax system where compliance

[2] *These projections are excerpted from the tax gap "map" shown below; the full version can be found at https://www.irs.gov/pub/irs-pdf/p5869.pdf.*
[3] See https://www.irs.gov/pub/irs-pdf/p5869.pdf for more details.

data are more limited, such as it relates to income from flow-through entities, foreign or illegal activities, digital assets, and pandemic credits, the estimates do not present as clear a picture as areas with greater compliance data, such as examination data from the individual income tax NRP study. Since the underreporting projections for TY 2022 assume compliance rates have not changed from the prior TY 2014 – 2016 tax gap estimates, they are subject to the same data limitations as those tax gap estimates. The projections are also subject to projection error.

Individual Income Tax Underreporting Tax Gap Projections for Tax Year 2022

The projections in the table below provide a breakout of the components of the individual income tax underreporting tax gap, which is the largest single contributor to the gross tax gap. For each income component, we show the component's share of both the gross tax gap and the individual income tax underreporting tax gap. Business income accounts for 51 percent of the total individual income tax underreporting tax gap for TY 2022. This primarily consists of nonfarm proprietor income (31 percent); income from flow-through entities—partnerships, S corporations, and estates and trusts (11 percent); rent and royalty income (7 percent); and farm income (2 percent).

INDIVIDUAL INCOME TAX UNDERREPORTING TAX GAP PROJECTIONS BY SOURCE: TAX YEAR 2022 [1]

($ IN BILLIONS)

Tax Return Line Items		Tax Gap	Share of Gross Tax Gap	Share of Individual Income Tax Underreporting Tax Gap
Gross Tax Gap	**$**	**696**	**100%**	**N/A**
Individual Income Tax Underreporting Tax Gap	**$**	**381**	**55%**	**100%**
Items Subject to Substantial Information Reporting and Withholding	**$**	**9**	**1%**	**2%**
Wages, salaries, tips	$	9	1%	2%
Items Subject to Substantial Information Reporting	**$**	**22**	**3%**	**6%**
Interest income		1	(2)	(2)
Dividend income	$	2	(2)	(2)
State income tax refunds	$	(2)	(2)	(2)
Pension & annuities	$	9	1%	2%
Unemployment Compensation		(2)	(2)	(2)
Taxable Social Security benefits	$	10	1%	3%
Items Subject to Some Information Reporting	**$**	**71**	**10%**	**19%**
Partnership, S-Corp, Estate & Trust, etc.	$	42	6%	11%
Alimony income		(2)	(2)	(2)
Capital Gains	$	30	4%	8%
Items Subject to Little or No Information Reporting	**$**	**179**	**26%**	**47%**
Form 4797 income	$	5	1%	1%
Other income	$	21	3%	6%
Nonfarm proprietor income	$	117	17%	31%
Farm income	$	7	1%	2%
Rents and royalties	$	28	4%	7%
Total Credits	$	**48**	**7%**	**12%**
Child Tax Credit and Additional Child Tax Credit	$	17	2%	4%
EITC	$	24	4%	6%
Education Credits	$	3	(2)	1%
All Other Credits	$	3	(2)	1%
Other Taxes	**$**	**4**	**1%**	**1%**
Unallocated Marginal Effects	**$**	**15**	**2%**	**4%**
Income Offsets (Adjustments, Deductions, Exemptions)	**$**	**27**	**4%**	**7%**
Filing Status	**$**	**7**	**1%**	**2%**

[1] These figures will be updated as more complete compliance data becomes available.

[2] Less than 0.5 percent or $0.5 billion.

Note: Individual amounts may not add to total due to rounding.

Individual Income Tax Credits

The IRS is responsible for administering 21 refundable and non-refundable individual income tax credits, including the Earned Income Tax Credit (EITC), the American Opportunity Tax Credit (AOTC), the Child Tax Credit (CTC), the Additional Child Tax Credit (ACTC), and the Premium Tax Credit (PTC). Total tax credits account for 12 percent of the

individual income tax underreporting tax gap. The EITC accounts for 6 percent of the individual income tax underreporting tax gap, followed by the CTC and ACTC (4 percent), and the refundable and non-refundable education credits (1 percent).

Relationship of Tax Compliance Estimation to Improper Payments

The *Payment Integrity Information Act* (PIIA) includes specific reporting requirements for payment programs that are determined to be susceptible to significant improper payments. The focus of PIIA, as well as related guidance from the OMB, is on implementing internal controls to prevent and detect improper payments. PIIA does not take into consideration all aspects of administering tax provisions in a system that relies heavily on voluntary reporting. In keeping with PIIA requirements, the IRS reports improper payment (*i.e.,* overclaim) estimates for four refundable tax credits, the EITC, AOTC, ACTC and net PTC, deemed susceptible to significant improper payments (refer to Part 3, Section D: *Payment Integrity*, of this report).

The IRS follows the practice of reporting improper payment estimates largely because refundable tax credits may result in a payment to the taxpayer in excess of the taxpayer's tax liability. It can be challenging to distinguish between the portion of a credit that offsets an individual tax liability versus the portion that is refunded. Determining the improper payment of the refunded portion of a refundable tax credit depends on multiple variables, including other return elements and information the taxpayer provides, some of which are unrelated to the refundable tax credit in question.

The same features of the tax system and taxpayer behaviors that create the compliance problems with refundable tax credits also create the risk of noncompliance with other tax provisions. Several credits Congress enacted to promote social and economic objectives (*e.g.*, assisting particular groups of individuals or businesses) have eligibility rules that are complex and often lead to high overclaim rates.

Tax refunds, which constitute a transfer of cash from the federal government to a taxpayer, are an integral part of the tax system as a whole. The IRS tax gap estimation process measures compliance with the current tax system and always includes noncompliance with refundable and non-refundable tax credits. Whether a tax credit results in a refund instead of a reduction in tax liability depends on all of the taxpayers' characteristics, such as income, deductions, and other credits claimed, and is not simply driven by the credit itself.

The IRS's risk assessments on refundable tax credits have consistently concluded that overclaims are not rooted in internal control deficiencies but instead are due to the complexities of verifying eligibility, including unavailability of relevant third-party data, for refundable tax credits within the time periods the tax system prescribes. Consequently, errors in taxpayer claims for credits are the result of factors beyond our control under current law and existing authority, and are therefore, included in the analysis of tax compliance.

Refundable Tax Credits and the Challenges of Compliance

Refundable tax credits (RTC) generally have complex eligibility rules, often relating to personal family and living arrangements, and these eligibility rules can vary across RTCs. These two issues contribute to errors by taxpayers when claiming RTCs and relatively high overclaim error rates for these credits. In some cases, due also in part to the complex rules, overclaims by an ineligible taxpayer could go to another family member who is eligible for, but fails to claim, the tax credit. Additionally, these eligibility rules are difficult for the IRS to verify, particularly at the time the taxpayer files a return, due to the lack of available and relevant third-party data. Much of the information necessary to validate the accuracy of an RTC claim before issuing a tax refund is not comprehensively available in any U.S. government database.

The IRS also has limited authority to correct mismatches at filing and traditionally uses audits to correct errors. The IRS runs various automated checks of certain data on a tax return before paying a refund but is otherwise limited in its ability to

question and correct the taxpayer's claim. The IRS continually looks for complete and accurate data sources to verify eligibility for claimed refundable credits to reduce the burden on compliant taxpayers.

Faced with the complexities of the eligibility rules for certain refundable credits, many potential credit recipients seek help filing their tax returns from paid preparers. One-half of taxpayers claiming refundable credits use paid preparers. Preparer education and outreach are major components of the IRS's overall strategy to address the tax gap and to reduce errors. The IRS's education and outreach efforts seek to inform preparers about the availability of the credits and about the eligibility requirements that taxpayers must meet to claim the credits. The IRS uses many communication vehicles to send important and useful messages to the return preparer community.

TAX BURDEN

The Internal Revenue Code (IRC) creates the basis for a progressive tax system that applies higher rates of taxation to progressively higher levels of income. The amount of taxable income can be adjusted through the application of exemptions and deductions, which influence the amount of taxes taxpayers owe. In addition, many taxpayers qualify for one or more refundable tax credits, which collectively have a significant impact on tax administration, federal tax revenues, and refund payments.[4]

The IRS measures tax liability by income level for individuals, and by revenue and assets for corporations. Using these data, it is possible to illustrate how tax liability rises with increases in Adjusted Gross Income (AGI) for individuals (Figures 1.1 and 1.2 and Table 1). Similar data for corporations shows the tax burden based on the percentage of taxable income (Figure 2 and Table 2). This information is the most recent data available for individuals (TY 2023) and corporations (TY 2022).

[4] Refundable tax credits that exceed income tax liability are not included in the calculation in Figures 1.1 and 1.2 and Table 1. Figure F of IRS Publication 1304 (Rev. 1-2025) shows information about income tax minus refundable credits. https://www.irs.gov/pub/irs-pdf/p1304.pdf

INDIVIDUAL INCOME TAX LIABILITY

FIGURE 1.1: AVERAGE AGI REPORTED AND AVERAGE INDIVIDUAL INCOME TAX LIABILITY FOR TY 2023

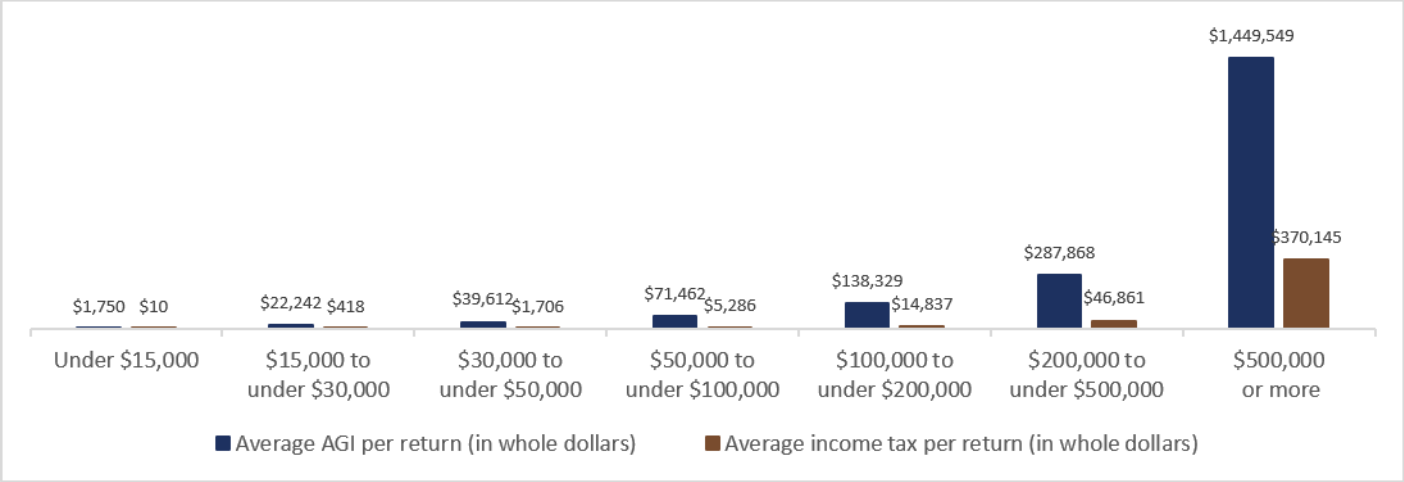


FIGURE 1.2: INDIVIDUAL INCOME TAX LIABILITY AS A PERCENTAGE OF AGI FOR TY 2023

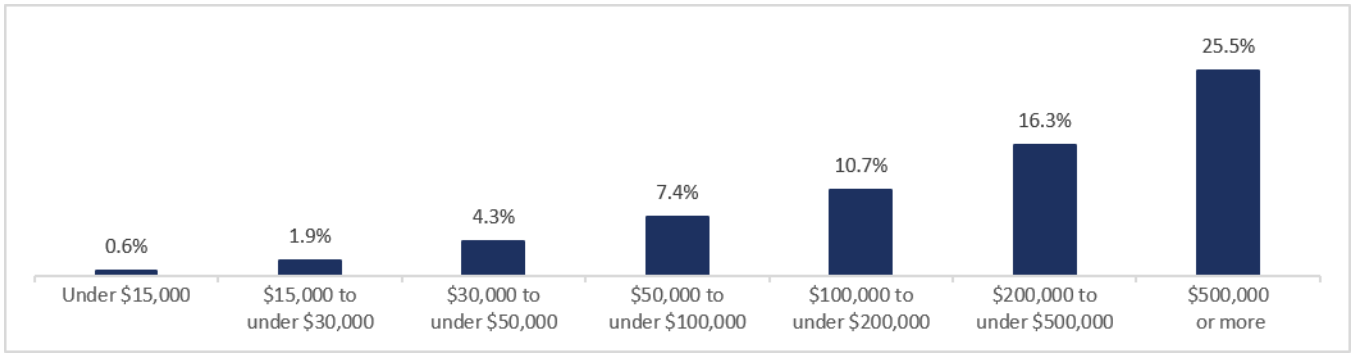


TABLE 1: INDIVIDUAL INCOME TAX DATA BY AGI FOR TY 2023

Adjusted Gross Income (AGI)	Number of taxable returns (in thousands)	Total AGI (in millions)	Total income tax (in millions)	Average AGI per return (in dollars)	Average income tax per return (in dollars)	Income tax as a percentage of AGI
Under $15,000	26,602 $	46,558 $	260 $	1,750 $	10	0.6%
$15,000 to under $30,000	24,222	538,749	10,127	22,242	418	1.9%
$30,000 to under $50,000	28,729	1,138,025	49,020	39,612	1,706	4.3%
$50,000 to under $100,000	39,911	2,852,127	210,957	71,462	5,286	7.4%
$100,000 to under $200,000	27,603	3,818,295	409,533	138,329	14,837	10.7%
$200,000 to under $500,000	10,956	3,153,877	513,407	287,868	46,861	16.3%
$500,000 or more	2,579	3,738,386	954,605	1,449,549	370,145	25.5%
Total	**160,602 $**	**15,286,017 $**	**2,147,909**			

CORPORATION TAX LIABILITY

FIGURE 2: CORPORATION TAX LIABILITY AS A PERCENTAGE OF TAXABLE INCOME FOR TY 2022

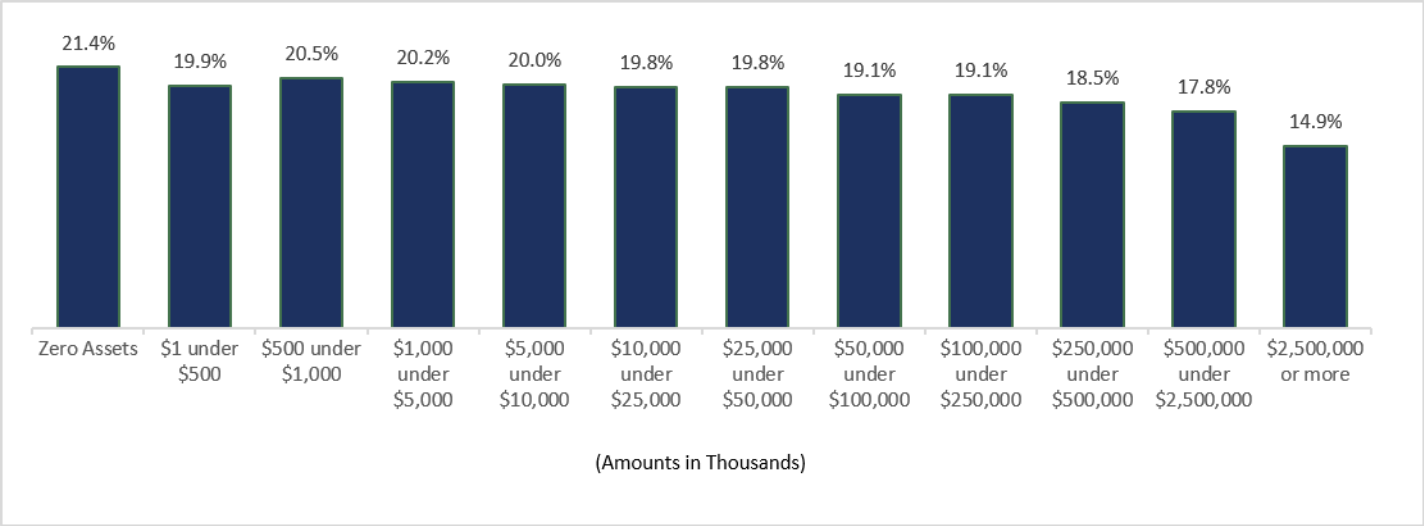


TABLE 2: CORPORATION TAX DATA BY TOTAL ASSETS FOR TY 2022

Total Assets (in thousands)	Income subject to tax (in millions)	Total income tax after credits (in millions)	Percentage of income tax after credits to taxable income
Zero Assets	$ 39,860	$ 8,511	21.4%
$1 under $500	8,964	1,785	19.9%
$500 under $1,000	6,421	1,315	20.5%
$1,000 under $5,000	26,244	5,293	20.2%
$5,000 under $10,000	16,767	3,352	20.0%
$10,000 under $25,000	28,365	5,629	19.8%
$25,000 under $50,000	27,042	5,365	19.8%
$50,000 under $100,000	30,864	5,904	19.1%
$100,000 under $250,000	50,041	9,564	19.1%
$250,000 under $500,000	46,720	8,637	18.5%
$500,000 under $2,500,000	196,451	34,905	17.8%
$2,500,000 or more	2,401,362	358,461	14.9%
Total	**$ 2,879,101**	**$ 448,721**	

SECTION C: MANAGEMENT AND PERFORMANCE CHALLENGES AND TREASURY RESPONSE

In accordance with the *Reports Consolidation Act of 2000*, the Inspectors General are required to identify specific management and performance challenges we face. At the end of each fiscal year, the Treasury Office of Inspector General (OIG) and Treasury Inspector General for Tax Administration (TIGTA) send an update of these management challenges to the Secretary and cite any new challenges for the upcoming fiscal year. This section contains the management and performance challenges OIG and TIGTA identified and management's response.

TREASURY INSPECTOR GENERAL MANAGEMENT CHALLENGES

OFFICE OF INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

October 15, 2026

INFORMATION MEMORANDUM FOR SECRETARY BESSENT

FROM: Loren J. Sciurba
Deputy Inspector General

SUBJECT: Management and Performance Challenges Facing the Department of the Treasury (OIG-CA-27-004)

In accordance with the Reports Consolidation Act of 2000, we are providing our perspective on the most serious management and performance challenges facing the Department of the Treasury (herein "Treasury" or "the Department"). In this year's memorandum, my office is reiterating the five challenges identified last year, incorporating updates as appropriate.

The challenges discussed in detail below are as follows:

- Resource Optimization (Repeat)
- Evolving Cyber Landscape (Repeat)
- Super Intelligence Adoption (Repeat)
- Anti-Money Laundering/Terrorist Financing and Bank Secrecy Act Enforcement (Repeat)
- Crypto and Digital Assets Growth (Repeat)

These challenges were identified based on the threats they pose to Treasury's mission and stakeholders' interests. We acknowledge within each challenge, if applicable, the Department's accomplishments and efforts over the past year to mitigate these risks.

In addition to the five challenges, we are reporting concerns about the following matters: (1) preventing and reducing improper payments, (2) ongoing management of Coronavirus Disease 2019 (COVID-19) pandemic relief programs, and (3) administration of federal student assistance programs.

We are available to discuss our views on the management and performance challenges and the other matters expressed in this memorandum in more detail.

cc: Kevin Hennecken, Acting Assistant Secretary for Management

Challenge 1: Resource Optimization (Repeat)

In response to our 2025 Management Challenges memorandum, Treasury noted that it has taken several steps to modernize and strengthen the Treasury workforce, including implementing targeted workforce reduction programs, enhancing Treasury's human resource management system with position budget management capabilities, developing the fiscal year 2026 Agency Staffing Plan, and establishing the Treasury Common Services Center (TCSC). These initiatives are aimed at modernizing workforce management and aligning with Administration goals to enhance efficiency and reduce waste.

Despite these initiatives, resource optimization remains a significant challenge for the Department. As Treasury streamlines internal processes to address critical staffing needs, it still faces challenges recruiting skilled talent in such areas as information technology, cybersecurity, manufacturing trades and crafts, and law enforcement (primarily within the Bureau of Engraving and Printing and the United States Mint). As such, reduced funding and personnel may continue to limit the Department's ability to meet mission demands, implement new initiatives, address audit recommendations, and maintain oversight functions. Furthermore, while TCSC service consolidations may generate cost savings, it requires ongoing oversight to ensure service levels are maintained or improved and not adversely affected.

The Department faces the ongoing task of finding ways to reduce costs while maintaining high-quality and timely government services. Given persistent resource constraints, it is imperative to adopt strategies that improve efficiency without compromising mission standards or accountability. Accordingly, Treasury must remain intensely committed to strategic workforce planning and continue investing in tools and processes that facilitate resource optimization. Continued assessment and adaptation are essential to meeting evolving Administration priorities, supporting workforce needs, and ensuring efficient use of Treasury resources. My office will continue to monitor the Department's progress in enhancing operational efficiencies, while balancing limited resources with competing mission demands and executing the Administration's priorities.

Challenge 2: Evolving Cyber Landscape (Repeat)

Treasury operates in a rapidly evolving cyber landscape, where both technology and the threat environment change quickly, and the Department must continually adapt to new or updated regulations and requirements. Because Treasury's information systems underpin both core government operations and the nation's financial infrastructure, the Department must continuously strengthen and modernize its cybersecurity posture while optimizing its resources. Threat actors, including criminal groups and nation-states, use increasingly sophisticated methods to take advantage of vulnerabilities in trusted connections and supply chains to infiltrate federal systems. While managing known risks is an ongoing challenge, Treasury must remain agile to address new requirements and unforeseen events as they arise. Additionally, the rise of Super Intelligence (SI)[5] tools has continued to lower the barrier for launching successful cyber-attacks.

In response to last year's memorandum, the Department noted it has implemented a series of initiatives to address cyber risks across the financial sector and within Treasury, such as expanding Project Fortress, an effort centered around enhancing the security and resilience of the financial services sector. The Department

[5] EO 14434, "Inaugurating the Era of Super Intelligence" (September 29, 2026)

also reported that TCSC continued to streamline cybersecurity operations, including migrating web properties to a secure enterprise hosting platform with integrated controls.

Our ongoing yearly Federal Information Systems Modernization Act work will continue to monitor Treasury's progress in maintaining its overall cybersecurity posture while balancing its resource constraints.

Challenge 3: Super Intelligence Adoption (Repeat)

SI (formerly referred to as Artificial Intelligence or AI), is rapidly changing how organizations across government and the private sector operate. For the Department, SI represents both an opportunity and a risk. While it offers the potential to improve efficiency, refine analysis, and strengthen oversight, the technology remains an emerging and imperfect tool, with results that depend heavily on the quality of the data it uses. Results derived from SI can sometimes be biased, incomplete, or potentially fabricated. Risks related to information security and privacy increase as agencies adopt and scale SI infrastructure and usage. In addition, SI technology is evolving at a pace that can create challenges for existing policies and oversight structures. These realities make responsible and effective use of SI a significant management challenge for the Department.

Federal leaders have made clear that SI is a national priority and the President has issued several executive orders (EOs) on SI adoption,[6] education,[7] workforce readiness,[8] unbiased SI principles,[9] and protection of American innovation abroad.[10] More recent guidance, including EO 14365, "Ensuring a National Policy Framework for Artificial Intelligence" and EO 14409, "Promoting Advanced Artificial Intelligence Innovation and Security" further emphasizes accelerating SI innovation and adoption while strengthening governance, oversight, and security. EO 14409 also positions Treasury as the lead, in consultation with other agency directors, in creating an SI cybersecurity clearinghouse. Together, these actions underscore that SI is a core responsibility that demands sustained attention.

In response to last year's memorandum, Treasury noted it established an SI Governance Board, chaired by the Deputy Secretary, and an SI Council, comprised of SI and technical leads from Treasury's bureaus and departmental offices. In June 2025, the Secretary also advanced formalizing SI adoption by naming the Department's first Chief SI Officer. Treasury's Chief SI Officer is leading the Department's strategic use of SI to enhance mission delivery and strengthen the resilience of the U.S. financial system, while also establishing baseline processes for assessing and managing the risks associated with SI technologies. As part of the Department's SI strategy, Treasury reported that its Office of the Chief Information Officer oversees Treasury's broader SI advancement efforts, including infrastructure development, workforce training, and engagement with public and private sector partners. Moving forward, Treasury needs to remain vigilant, continue to strengthen its governance capacity, and adapt continuously to the rapid pace of technological change to ensure SI serves the public interest effectively and responsibly.

[6] EO 14179, "Removing Barriers to American Leadership in Artificial Intelligence" (January 23, 2025)
[7] EO 14277, "Advancing Artificial Intelligence Education for American Youth" (April 23, 2025)
[8] EO 14278, "Preparing Americans for High-Paying Skilled Trade Jobs of the Future" (April 23, 2025)
[9] EO 14319, "Preventing Woke AI in the Federal Government" (July 23, 2025)
[10] EO 14320, "Promoting the Export of the American AI Technology Stack" (July 23, 2025)

Challenge 4: Anti-Money Laundering/Terrorist Financing and Bank Secrecy Act Enforcement (Repeat)

The Office of Terrorism and Financial Intelligence (TFI) remains dedicated to countering the ability of financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats to national security through intelligence analysis, sanctions, and international private-sector cooperation. Identifying, disrupting, and dismantling these networks continues to be challenging as criminals and other bad actors develop increasingly sophisticated money laundering methods to avoid detection.

TFI's authorities are essential tools in implementing U.S. policy to pressure foreign countries, hostile regimes, and rogue actors, such as terrorists, narcotics traffickers, and malicious cyber groups. The Department leverages a range of targeted financial measures, such as economic sanctions, to achieve this objective. TFI authorities, including its Bank Secrecy Act (BSA) authorities,[11] have supported Administration priorities, including countering narcotics trafficking and ensuring border security. TFI's counter-terrorism designations disrupt the financial networks that support terrorist organizations. Other TFI tools, such as diplomatic and private sector engagement, regulatory oversight, and intelligence analysis, also play an important role. Disrupting terrorist financing depends on a whole-of-government approach and requires collaboration and coordination within Treasury, and with other federal agencies, the private sector, and international partners.

Collaboration and coordination are key to successfully identifying and disrupting illicit financial networks and meeting TFI's mission. This effort requires effective and efficient working relationships among components within TFI and the Intelligence Community. Treasury officials stated that TFI continues to strengthen its collaborative approach to achieve its mission to effectively implement U.S. policy and disrupt these financial networks. We continue to consider anti-money laundering and combating terrorist financing programs and operations as inherently high risk.

Data privacy, security, and information sharing are challenges for the Financial Crimes Enforcement Network (FinCEN), which previously experienced unauthorized disclosures of information. FinCEN is required to maintain a highly secure database for financial institutions to report BSA information. FinCEN recognizes that the success of that system depends on the financial sector's confidence that those reports are adequately protected, and that incidents of unauthorized disclosure pose a risk to that confidence. The challenge for FinCEN is to ensure the BSA information remains secure to maintain the confidence of the financial sector, while meeting the access needs of law enforcement, regulatory, and intelligence partners.

TFI and its components have a wide range of responsibilities in combatting terrorists, criminals, and other bad actors. As such, it is critical that TFI has the resources and tools needed to stay ahead of sophisticated terrorists' financial networks and criminal money laundering schemes.

[11] Certain parts of the Currency and Foreign Transactions Reporting Act, its amendments, and the other statutes relating to the subject matter of that Act, have come to be referred to as the BSA. These statutes are codified at 12 U.S.C. 1829b, 12 U.S.C. 1951–1960, and 31 U.S.C. 5311–5314 and 5316–5336 and notes thereto, with implementing regulations at 31 CFR chapter X.

Challenge 5: Crypto and Digital Assets Growth (Repeat)

With the growth of crypto and digital assets, Treasury's challenges include managing rapid digital-asset expansion while implementing new legislative and regulatory requirements designed to safeguard the U.S. financial system. As interest in digital assets expands, so does the complexity of risks Treasury must address. In 2025, United States banking agencies experienced a surge in bank charter applications ranging from fintech companies and payment platforms to crypto and brokerage firms. Application types include traditional bank charters conferring full bank status and uninsured national trust bank charters that are non-depositories and thus exempt from Federal Deposit Insurance Corporation deposit insurance requirements. As of April 28, 2026, over 20 digital asset companies, lenders, payment providers, and neobanks[12] had applied for or conditionally received bank charters from the Office of the Comptroller of the Currency (OCC).[13]

The U.S. financial system's strength, size, and reliability make it a notable target, and misuse by illicit actors affects matters of national security.[14] Digital assets, similar to other mediums of exchange, enable rapid cross-border transfers and offer a perceived level of anonymity—features that illicit actors can exploit to facilitate money laundering and terrorist financing, as well as other predicate offenses, crimes, and fraud.[15] As digital-asset activity expands, gaps in oversight or regulatory safeguards increase opportunities for cyber actors, ransomware groups, traffickers, sanctions evaders, and fraudsters to use cryptocurrencies and other digital assets to transfer and launder illicit funds. The borderless nature of digital asset markets, combined with a developing legal and regulatory framework, further complicates efforts to counter money laundering and terrorist financing.

Volatility in the crypto-asset market also poses risks to the traditional financial system. As of June 2026, the crypto-asset market reached a combined market capitalization of $2.2 trillion, down from approximately $3.9 trillion in August 2025.[16] Financial institutions that develop concentrations in or build their business models around partnering with or providing traditional banking products and services to a single industry, including the crypto-asset market, may be adversely impacted by disruptions in that industry.[17]

The Guiding and Establishing National Innovation for U.S. Stablecoins Act (GENIUS Act)[18] marked the United States' first major legislative step towards federally regulating stablecoins. The GENIUS Act expands Treasury's authority and responsibilities related to cryptocurrencies and digital assets. Under the Act, the OCC gained regulatory or enforcement authority over certain permitted payment stablecoin issuers,

[12] Neobanks are financial technology companies that typically offer banking accounts through mobile apps and web browsers. Some neobanks offer savings accounts, loans, credit cards and investing products.
[13] EO 14405, "Integrating Financial Technology Innovation in Regulatory Frameworks" (May 19, 2026), directs regulators to take steps to encourage innovation by, and growth of, fintech firms and federally regulated institutions of all sizes.
[14] President's Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology* (July 30, 2025) Strengthening American Leadership in Digital Financial Technology – The White House, p. 100
[15] Financial Stability Oversight Council, *2025 Annual Report*, p. 43
[16] Cryptocurrency Prices, Charts, and Crypto Market Cap (accessed June 10, 2026)
[17] This volatility was demonstrated in the spring of 2023, when residual risks adjacent to the 2022 "crypto winter" contributed to the failure of Silvergate, Silicon Valley, and Signature banks (e.g., liquidity and asset/liability risk management, concentration risk management). A crypto winter refers to a period when stocks and currencies in the crypto world lose popularity and value, becoming stagnant. The 2022 crypto winter was triggered, in part, by high inflation rates in the U.S., leading to aggressive interest rate increases by the Board of Governors of the Federal Reserve System.
[18] P.L. 119-27, GENIUS Act (July 18, 2025)

including subsidiaries of national banks or federal savings associations, federal qualified payment stablecoin issuers, registered foreign payment stablecoin issuers, and certain state qualified payment stablecoin issuers.

In implementing the GENIUS Act, Treasury issued several notices of proposed rulemaking in 2026. For example, in February 2026, the OCC issued a Notice of Proposed Rulemaking (NPRM) addressing all the regulations the OCC is required to promulgate under the GENIUS Act, other than those related to the BSA, anti-money laundering, and Office of Foreign Asset Control sanctions. In April 2026, FinCEN and the Office of Foreign Assets Control issued a joint NPRM to implement the GENIUS Act's anti-money laundering and sanctions compliance program requirements. In June 2026, FinCEN and the OCC, together with the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration, issued a joint NPRM to implement the GENIUS Act customer identification program requirements, which directs that permitted payment stablecoin issuers be treated as financial institutions under the BSA and be required to maintain effective customer identification programs. The OCC also issued an NPRM to implement the BSA and sanctions compliance standards applicable to OCC-supervised permitted payment stablecoin issuers. Collectively, these proposed rules aim to support innovation while establishing a risk-based regulatory framework that mitigates illicit-finance risks and protects the financial system and national security.

Given recent legislative changes, the speed at which these changes are being implemented, and continued growth and interest in digital assets, including cryptocurrencies, Treasury must find ways to leverage emerging opportunities while ensuring robust risk-mitigation frameworks that preserve the safety and soundness of the U.S. financial system.

Other Matters of Concern

Although we are not reporting these as management and performance challenges, we are highlighting three areas of concern: (1) preventing and reducing improper payments, (2) ongoing management of COVID-19 pandemic relief programs, and (3) administration of federal student assistance programs.

Preventing and Reducing Improper Payments

Preventing and reducing improper payment remains a government-wide priority and a persistent challenge for Treasury. Treasury is working to improve payment integrity and to increase the use and effectiveness of the "Do Not Pay" (DNP) Working System. Notably, pursuant to the Ending Improper Payments to Deceased People Act,[19] which established permanent access to the Death Master File, Treasury is supporting agency efforts to prevent improper payments to deceased individuals. Treasury has also implemented measures to comply with executive orders[20] to ensure that agencies follow strict protocols for payment processing, which include regular reviews and audits to identify and address any potential issues related to improper payments. Other notable accomplishments include, but are not limited to, expanding risk-based screenings, identifying and prioritizing high-risk transactions, using SI to identify check fraud, improving payment processing schedules, and expanding pre-payment verification screening aimed at

[19] P.L. 119-77, Ending Improper Payments to Deceased People Act (February 10, 2026)
[20] *See, e.g.*, EO 14249, "Protecting America's Bank Account Against Fraud, Waste, and Abuse" (March 25, 2025)

avoiding improper payments over the long term. Despite these efforts, improper payments persist[21] and require continued attention from Treasury.

While screening for payments to deceased individuals is essential, these payments constitute only a minor portion of overall improper overpayments. Moreover, in January 2026, the adoption of the DNP Working System was limited to approximately 4 percent of eligible programs fully utilizing its functionalities. Since then, Treasury has significantly expanded access to DNP data, reporting in October 2026 that approximately 99 percent of federal programs can access all DNP data sources for which they are legally authorized. Treasury management must continue to promote effective use of the DNP Working System, work with federal agencies to expand data availability, enhance performance measurement, and focus on strengthening payment verification capabilities and program controls. Ongoing diligence will be vital in meeting expanded oversight responsibilities and reducing risks of improper payments.

Ongoing Management of COVID-19 Pandemic Relief Programs

Treasury's ongoing management of pandemic programs to ensure compliance with funding requirements and its ability to identify and recover fraudulent or improper payments remains a challenge. The Department established the Office of Capital Access (OCA) to oversee and manage these programs to assist communities during the COVID-19 pandemic. The Department disbursed over $650 billion in aid to more than 30,000 recipients supporting transportation industry workers, small businesses, renters and homeowners, states, and government entities. Treasury's pandemic programs provided needed support to many people and businesses but were also subject to losses from fraud and other improper payments. OCA, as the program office, has authority and responsibility to recoup improper or fraudulent payments for all pandemic programs. Audits, reviews, and investigations conducted by my office identified fraud, questioned costs, and overpayments within Treasury's pandemic programs. The Government Accountability Office also highlighted Treasury's need to strengthen its post-payment controls over certain pandemic program funds to more effectively recover overpayments, adding that, until Treasury strengthens these controls, its ability to recover overpayments will be delayed or impossible. Considering OCA's resource constraints and the conclusion of many pandemic programs, Treasury's ability to recover overpayments is weakened.

In response to last year's memorandum, Treasury noted that more than $902 million was recovered for the first Emergency Rental Assistance program and that it was conducting desk reviews for the second Emergency Rental Assistance program and the Homeowners Assistance Fund to ensure the proper use of funds. The Department plans to continue these desk reviews through fiscal year 2027. Further, Treasury is developing a system to collect information from recipients and other parties regarding implementation of financial assistance programs administered by the Department. Treasury may use the information to evaluate compliance with program requirements, including compliance with applicable federal laws, regulations, and executive orders; to support other audit and program oversight activities; to identify potential waste, fraud, and abuse; and for research and statistical purposes. My office will monitor how this system of records will assist Treasury with executing monitoring and oversight of the pandemic programs

[21] Treasury OIG, *Fiscal Service's Sensitive Payment Systems' Controls are Generally Adequate but Weaknesses and Deficiencies Exist*, OIG-26-032 (June 8, 2026)

and the recovery of funds, recognizing that OCA continues to wind down most of its programs and dedicated resources.

Administration of Federal Student Assistance Programs

On March 19, 2026, the Department of Education (Education) signed an interagency agreement with Treasury to procure services supporting the administration of federal student assistance programs[22]—a $1.7 trillion federal student loan portfolio. The agreement provides a three-phase approach. For the first phase, Treasury "will revoke its exemption for referral of defaulted student loan collections to Education and carry out default collections through integration of Federal Student Aid's Default Resolution Group with its existing Cross-Servicing program." During Phase 2, Treasury will take over "responsibility for administrative operations for servicing of Education's non-defaulted debt, to the extent practicable, following Treasury's assessment of the portfolio and its operations." The third phase has Treasury "reviewing the programmatic and policy requirements that govern the eligibility for students to receive federal student financial assistance, including but not limited to the administration of the Free Application for Federal Student Aid and eligibility for institutions of higher education to gain and retain eligibility for federal student financial assistance, including but not limited to origination of loans, oversight, and enforcement activities." The agreement outlines general roles and responsibilities to be executed for the first phase of the plan but lacks details on the other two phases and does not specify timelines for implementation. The agreement also allows for modification from "time to time" if agreed to by both Treasury and Education.

In an April 16, 2026, letter[23] to Congress, Treasury stated that Treasury and Education began the early stages of implementing Phase 1 and achieved two milestones. First, on March 20, 2026, Treasury published a Request for Information to obtain input on draft solicitation for default resolution agents (previously referred to as private collection agencies). Second, on April 3, 2026, an agreement was signed to detail Education employees to Treasury and Treasury employees to Education with the initial focus on transitioning operational responsibility for the defaulted portfolio to Treasury. Subsequently, in August 2026, Treasury announced its intent to create a "Default Resolution Hub," to help borrowers plan steps to get out of default, including guidance on repayment options and secure sharing of tax information. Given the size and complexity of the federal student loan portfolio, and Treasury's efforts to optimize resources and reduce improper payments, managing all aspects of federal student assistance programs could become a significant challenge for Treasury.

[22] https://www.ed.gov/media/document/ed-treasury-interagency-agreement-federal-student-assistance-partnership-march-19-2026-113468.pdf (accessed August 2026)
[23] https://www.warren.senate.gov/wp-content/uploads/media/doc/response_from_treasury.pdf (accessed August 2026)

TREASURY MANAGEMENT RESPONSE TO THE OFFICE OF INSPECTOR GENERAL (OIG) IDENTIFIED CHALLENGES

OIG Challenge 1 –Resource Optimization (Repeat): *Treasury has taken several steps to modernize and strengthen the Treasury workforce including initiatives aimed at modernizing workforce management and aligning with Administration goals to enhance efficiency and reduce waste. Despite these initiatives, resource optimization remains a significant challenge. Reduced funding and personnel may continue to limit the Department's ability to meet mission demands, implement new initiatives, address audit recommendations, and maintain oversight functions. The Department faces the ongoing task of finding ways to reduce costs while maintaining high-quality and timely government services. Treasury must remain intensely committed to strategic workforce planning and continue investing in tools and processes that facilitate resource optimization.*

Management's Response: In an effort to improve workforce management, we implemented Position Budget Management (PBM) across the Department in FY 2026 within HRConnect, our web-based human resources management system. PBM established a centralized capability to manage authorized positions, strengthen workforce controls, and support more effective alignment of staffing resources with approved position ceilings. Additionally, we developed our FY 2026–2030 People Strategy and established a tiered Mission Critical Occupation framework. This framework uses workforce data, mission priorities, and occupational risk assessments to identify critical workforce needs and guide recruitment, workforce development, and resource allocation decisions.

Future initiatives include advancing StaffPlan360, an automated staffing planning and reporting solution designed to improve workforce forecasting, monitor hiring execution, and reduce manual data collection and reporting requirements. This initiative will strengthen our ability to identify workforce gaps and make timely, data-informed staffing decisions. In addition, we are implementing targeted recruitment and workforce development initiatives for mission-critical occupations. These efforts include strengthening specialized talent pipelines, expanding skills-based hiring practices, improving succession planning, and prioritizing recruitment and retention incentives where workforce risks are greatest.

OIG Challenge 2 – Evolving Cyber Landscape (Repeat): *Treasury operates in a rapidly evolving cyber landscape, where both technology and the threat environment change quickly. The Department must continually adapt to new or updated regulations and strengthen and modernize its cybersecurity posture while optimizing its resources. While managing risks is an ongoing challenge, Treasury must remain agile to address new requirements and unforeseen events as they arise, including the rise of Super Intelligence (SI) tools which has lowered the barrier for launching successful cyber-attacks.*

Management Response: In FY 2026, we continued to mature our enterprise cybersecurity monitoring and detection capabilities by expanding centralized security logging, cloud telemetry, threat analytics, and 24x7 monitoring across Treasury environments. We also broadened the Treasury Enterprise Security Information and Event Management System to additional bureau, cloud, and emerging technology environments and strengthened Treasury Security Operations Center capabilities to improve enterprise visibility and the detection and response to cyber threats. We also continued consolidating cybersecurity capabilities and services at the enterprise level to strengthen security consistency, reduce duplication, and improve Department-wide cyber risk management. Additionally, we expanded centralized cybersecurity services across bureau environments, including security operations, asset visibility, identity and access management, vulnerability management, and common cybersecurity tooling.

From May to September 2026, the Office of Cybersecurity and Critical Infrastructure Protection produced a series of nine products in collaboration with the Department of War's Defense Cyber Crime Center. These reports highlighted how

financial institutions can better protect themselves from potential adversary use of advanced and frontier SI models. Additionally, our work within the G7 Cyber Experts Group has led to the development of guidance on securing against SI-related threats as well as guidance on preparing for post-quantum migration. We hosted a series of meetings with G7 partners and principles to discuss these aims and ensure alignment and understanding in the global financial ecosystem. We also led the coordination and collaboration between Treasury, the Cybersecurity and Infrastructure Security Agency, and the National Security Agency to develop and launch Gold Eagle in response to Executive Order (EO) 14409, *Promoting Advanced Artificial Intelligence Innovation and Security*. Gold Eagle serves as an at-scale ingestion platform, allowing organizations to submit vulnerabilities identified by advanced SI tools for coordinated vulnerability disclosure.

We are also leading the Quantum Readiness Task Force, in partnership with the Financial Services Sector Coordinating Council and the Finance and Banking Information Infrastructure Committee. This task force is working with private sector partners and regulatory agencies to develop plans for migrating to quantum capabilities and enhancing the understanding of how to properly secure networks in a post quantum world. We continue to lead Treasury's efforts in support of EO 14390 *Combatting Cybercrime, Fraud, and Predatory Schemes Against American Citizens*. In support of the EO, we developed advisory and informational reports, enhanced public-private sector partnerships and information sharing, and supported to policy development across Treasury.

OIG Challenge 3 - Super Intelligence Adoption (Repeat): ***Super Intelligence, formerly referred to as Artificial Intelligence, is rapidly changing how organizations across government and the private sector operate. While it offers the potential to improve efficiency, refine analysis, and strengthen oversight, the technology remains an emerging and imperfect tool, with results that depend heavily on the quality of the data it uses. Federal leaders, including the President, have made clear that SI is a national priority. Several executive orders emphasize accelerating SI innovation and adoption while also strengthening governance, oversight, and security. Moving forward, Treasury needs to remain vigilant, continue to strengthen its governance capacity, and adapt continuously to the rapid pace of technological change to ensure SI serves the public interest effectively and responsibly.***

Management Response: In FY 2026, we accelerated enterprise SI Adoption and workforce transformation by expanding approved SI capabilities to approximately 25,000 active ChatGPT users across Treasury, complemented by workforce training, executive engagement, and centralized knowledge-sharing resources. These initiatives strengthened organizational readiness and positioned SI as a tool to enhance enterprise productivity. We also strengthened SI governance, risk management, and federal compliance by institutionalizing a department-wide SI governance framework through the SI Transformation Office, SI Governance Board, and SI Council. Additionally, we advanced our SI strategy, compliance framework, and risk management policies to strengthen accountability, establish decision-making authorities, and align enterprise adoption with federal requirements. We developed Treasury-specific SI governance and risk management policies, advanced integration with cybersecurity and other oversight functions, and strengthened coordination with OMB and federal stakeholders to support compliance, transparency, and responsible deployment.

OIG Challenge 4 – Anti-Money Laundering/Terrorist Financing and Bank Secrecy Act Enforcement (Repeat): ***The Office of Terrorism and Financial Intelligence (TFI) remains dedicated to countering the ability of financial networks that support terrorists, organized transnational crime, weapons of mass destruction proliferators, and other threats to international security through intelligence analysis, sanctions, and international private-sector cooperation. Identifying, disrupting, and dismantling these networks continues to be a challenge. Additionally, data privacy, security, and information sharing are challenges for the Financial Crimes Enforcement Network (FinCEN), which is required to maintain a highly secure database for financial institutions to report Bank Secrecy Act (BSA) information. TFI and its components have a wide range of responsibilities in combatting terrorists, criminals, and other actors, so it is critical TFI***

has the resources and tools needed to stay ahead of sophisticated terrorists' financial networks and criminal money laundering schemes.

Management Response: Over the past year, TFI (including FinCEN) has made significant progress on several anti-money laundering and countering the financing of terrorism (AML/CFT) initiatives while also protecting the financial sector from abuse. This includes:

- imposing maximum economic pressure on Iran. Since the issuance of National Security Presidential Memorandum-2 in February 2025, TFI has leveraged the full range of its tools and authorities to impose maximum economic pressure on the Iranian regime. Through successive campaigns—including Maximum Pressure 2.0, Operation Economic Fury, and now Operation Economic Outcast—TFI has dramatically increased Iran's isolation from the international financial system. As of the end of FY 2026, we have designated more than 1,500 persons, vessels, and aircraft under Iran-related authorities, suspended longstanding General Licenses, and identified seven sectors of Iran's economy as subject to increased sanctions risk. Additionally, TFI has engaged over 50 foreign governments to press for a collective approach to address Iran's destabilizing activity. Initial results include, among other developments, the suspension of Iranian airline flights and restrictions on Iranian commercial and banking activities across the Middle East, Europe, and the Caucasus region.

- spearheading the Financial Action Task Force (FATF) Mutual Evaluation of the United States. The Office of Terrorist Financing and Financial Crimes (the TFI policy arm) spearheaded, on behalf of the United States government, the FATF's Mutual Evaluation of the United States, which is expected to be completed in late October 2026. This process defends the United States' effectiveness over a 10-year period in combatting money laundering, terrorist financing, and proliferation financing, as well as demonstrates U.S. leadership at the forefront of global efforts to combat financial crime.

- enhancing secure access to BSA Information. FinCEN is committed to ensuring that management of user access to the records contained in BSA systems complies with all relevant laws, regulations, policies, and procedures. In FY 2026, FinCEN enhanced secure access to BSA information through several initiatives. First, FinCEN began providing agencies with secure access to special collections data through the BSA Portal. Second, FinCEN completed termination of platform program access to BSA information, having transitioned all users to alternative access options. Third, FinCEN is completing a significant update to, and comprehensive compilation of, existing standard operating procedures into a new Standard Operating Procedure: Bank Secrecy Act (BSA) External Agency Access & Audit Handbook (BSA Handbook) that will address OIG's recent recommended updates to the relevant standard operating procedures. Finally, FinCEN expanded its stakeholder engagement and training efforts, including providing additional secure access training for external partners and further enhancing FinCEN's existing training module for internal BSA usage, which is required annually for all FinCEN employees to help ensure they have access to the most updated information about the many steps FinCEN takes to safeguard BSA information and reinforce their responsibilities in this regard.

Ongoing initiatives include:

- modernizing sanctions. We are undertaking a broad effort to ensure our sanctions remain fit for purpose, can be implemented by the public, and achieve meaningful impact. These efforts include focusing on both our sanction programs and individual listings themselves. To date, the Office of Foreign Assets Control (OFAC) has taken down three sanctions programs—Syria, Hong Kong, and Ethiopia; removed over 300 outdated entries from the Specially Designated National & Blocked Persons List, including deceased individuals, scrapped or decommissioned vessels, and defunct entities that no longer present an active sanctions risk. OFAC also, for the third year in a row, closed

over 9,000 pending specific licensing cases, a significant outcome that continues to outpace the number of incoming license applications OFAC has received.

- countering fraud and narco-trafficking. TFI remains acutely focused on countering fraud and crime, both within our borders and overseas, which targets everyday Americans. OFAC has acted against over 200 entities and individuals involved in the set-up, operation, and support of overseas-based scam centers, as well as disrupted timeshare fraud scams run by Mexican cartels, to prevent these criminal enterprises from defrauding Americans of their hard-earned savings. This work continues, utilizing the full range of TFI tools and authorities.

- continuing a counter-illicit finance partnership with Mexico. Since early 2025, TFI has worked with the government of Mexico to advance a joint strategy aimed at combatting cartels and illicit financing. This continuing, TFI-wide bilateral work with Mexican authorities has resulted in meaningful action by Mexico to improve resourcing for AML/CFT investigations, supervision, and enforcement to safeguard the Mexican and U.S. financial systems from cartel activity.

- regulatory modernization by working across Treasury and the Federal Banking Agencies. TFI continues to deliver on priority regulatory reforms aimed at making the U.S. AML/CFT regulatory regime more risk-based, fit-for-purpose, and effective. This includes the ongoing implementation of the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act and proposals to modernize financial institutions' AML/CFT program obligations.

- refreshing memoranda of understanding (MOUs) and enhancing compliance requirements. FinCEN continues to expand access to BSA information through MOUs with government agencies by allowing agencies to directly access BSA information via the BSA Portal. FinCEN is also focusing on strengthening coordination and accelerating investigative efforts related to countering illicit finance, fraud, and synthetic drug trafficking. To ensure that the MOUs reflect the most up-to-date security requirements and risk mitigation measures, FinCEN has been updating existing MOUs and has now updated and fully executed 307 of the 406 MOUs identified for updates. In this process, FinCEN also is reviewing and confirming that agencies maintain their justifications for accessing BSA data. The refreshed MOUs have a five-year expiration date and may be renewed on the same terms for additional five-year terms upon mutual agreement between FinCEN and the agency.

OIG Challenge 5 – Crypto and Digital Assets Growth (Repeat): ***The rapid growth of cryptocurrencies and digital assets presents significant challenges for Treasury in balancing financial innovation with protecting the safety and soundness of the U.S. financial system. Expanded digital-asset activity, market volatility, and evolving financial technologies introduces risks related to money laundering, terrorist financing, fraud, cybersecurity, and financial stability. The GENIUS Act expands Treasury's authority and responsibilities related to cryptocurrencies and digital assets, requiring the development and implementation of new rules governing stablecoins, anti-money laundering, sanctions compliance, and customer identification. As the digital-asset industry continues to evolve, Treasury must effectively implement these regulatory requirements, strengthen oversight, and mitigate emerging risks while supporting responsible financial innovation.***

Management Response: In FY 2026, the OCC's Chartering, Organization and Structure (CO&S) department continues to review applications from new entrants into and conversions within the federal banking system. This includes welcoming innovative business models into the federal banking system through the chartering process and approving national trust bank charters and other applications involving firms operating at the forefront of digital finance. In FY 2026, CO&S granted preliminary or final approval for 17 de novo charters and approved four conversion applications from institutions primarily engaged in digital asset related activities.

The OCC continues to implement the GENIUS Act, which expanded the agency's authority to regulate, license, and supervise certain nonbank permitted payment stablecoin issuers (PPSIs) and foreign payment stablecoin issuers. The OCC proposed rules implementing the GENIUS Act and expects to finalize those rules this year. The OCC's work in this area will continue to help ensure responsible innovation and risk-appropriate oversight in the emerging digital-asset ecosystem for entities and activities within the agency's remit. In FY 2026, the agency created a new Specialty Assets supervision unit focused on digital assets at banks and non-banks. It also developed and is finalizing a PPSI-specific supervisory framework, which includes risk assessment criteria, supervisory procedures, and expanded guidance. The OCC also established training and operational structures necessary to fulfill its expanded statutory responsibilities.

In addition to the accomplishments listed above, the OCC is advancing a coordinated implementation effort with us and other stakeholders to finalize the GENIUS Act's payment stablecoin framework. This initiative includes finalizing regulations under the code of federal regulations, 12 CFR 15, for permitted payment stablecoin issuers and foreign payment stablecoin issuers. Consistent with the statute, the regulations include requirements related to issuance, reserve assets, redemption, risk management, reporting, supervision, and custody. The OCC is also preparing public-facing guidance and application materials for entities seeking a license or to register with the OCC.

Additionally, the OCC continues to develop and staff the policy and supervisory processes necessary to oversee approved permitted payment stablecoin issuers and foreign payment stablecoin issuers. Current activities include establishing internal procedures for application review, decision-making, periodic reporting, ongoing monitoring, and examination planning, including examination guidance. The agency also continues to enhance digital asset training and coordination across its supervision and policy functions. This allows us to effectively assess an approved bank or nonbank payment stable coin issuer's financial condition, risk management, and compliance with the GENIUS Act and implementing regulations, as well as other safety and soundness considerations.

Matters of Concern

OIG Concern 1: **Preventing and Reducing Improper Payments:** ***Preventing and reducing improper payments remains a government-wide priority and a persistent challenge for Treasury. Treasury is working to improve payment integrity and to increase the use and effectiveness of the Do Not Pay (DNP) Working System. Notable accomplishments include expanding risk-based screenings, identifying and prioritizing high-risk transactions, using SI to identify check fraud, improving payment processing schedules, and expanding pre-payment verification screening aimed at avoiding improper payments over the long term. Despite these efforts, improper payments persist and require continued attention from Treasury. Treasury management must continue to promote effective use of the DNP Working System, work with federal agencies to expand data availability, enhance performance measurement, and focus on strengthening payment verification capabilities and program controls.***

Management Response: In FY 2026, we expanded DNP across the federal government by securing participation from all 23 major federal agencies and expanded the use of DNP before federal funds are sent. At the end of FY 2026, over 3,000 federal programs, representing 99 percent of programs from large agencies can access all DNP data sources for which they are legally authorized, compared with approximately 4 percent at the end of FY 2025. We also expanded DNP by nine datasets and tripled screening volume to an estimated 2.1 billion records.

Additionally, we launched payment verification screening. We designed, built, and deployed Payment Verification in one year, screening more than 1.1 billion federal payments totaling $3.7 trillion and returning over 13,500 payments to

deceased payees totaling $175 million in FY 2026. We also piloted additional verification capabilities to validate bank account ownership and the presence and format of Taxpayer Identification Numbers associated with federal payments. These capabilities became fully operational on September 30, 2026, enabling us to identify and return payments that fail established verification requirements before we disburse funds.

In FY 2027, we will continue to improve payment verification capabilities to further improve financial integrity controls, increase accounting traceability, and streamline agency payment and reconciliation processes. We will also work to increase DNP adoption through small agencies and states that administer federal funds. Additionally, we will further improve the value of DNP by designating new high-value data sources and implementing enhanced technology and analytic approaches to provide actionable results to DNP users.

OIG Concern 2: Ongoing Management of COVID-19 Pandemic Relief Programs: *Treasury's ongoing management of pandemic programs to ensure compliance with funding requirements and its ability to identify and recover fraudulent or improper payments remains a challenge. The Department disbursed over $650 billion in aid to more than 30,000 recipients supporting transportation industry workers, small businesses, renters and homeowners, states, and government entities. Treasury's pandemic programs provided needed support to many people and businesses but were also subject to losses from fraud and other improper payments. The Office of Capital Access (OCA), as the program office, has authority and responsibility to recoup improper or fraudulent payments for all pandemic programs. Audits, reviews, and investigations conducted by OIG identified fraud, questioned costs, and overpayments within Treasury's pandemic programs.*

Management Response: OCA continues to wind down the second Emergency Rental Assistance (ERA2) and Homeowner Assistance Fund (HAF) programs while maintaining rigorous oversight of federal funds. In FY 2026, we completed 80 percent of planned ERA2 desk reviews and closed out more than half of ERA2 recipients. The desk reviews across ERA2 and HAF identified $10 million in improper payments that OCA is working on recovering. These efforts strengthen accountability, support the recovery of federal funds, and facilitate an orderly program wind-down. Remaining desk reviews and closeout activities will continue in FY 2027.

Additionally, we implemented a standardized fraud reporting and review process across ERA1, ERA2, and HAF to systematically identify known fraud, assess its financial impact, and determine amounts subject to recovery. As of September 2026, this process identified approximately $69 million in confirmed fraud across ERA1, ERA2, and HAF, of which $55 million was determined to have been returned to Treasury after accounting for prior recoveries and eligible programmatic reimbursements. We will continue reviewing identified cases and pursuing recovery of funds in FY 2027, reinforcing our commitment to protecting taxpayer dollars.

In FY 2026, we issued nearly 800 Management Decision Letters (MDLs) for over 1,000 findings, including $313 million in questioned costs and $87 million in disallowed costs. These MDLs represent over half of total findings. We will continue to prioritize review of single audit reports with questioned costs in FY 2027.

We remain committed to strengthening oversight and accountability for our financial assistance programs, including efforts to identify potential waste, fraud, and abuse, and recover funds where appropriate. As part of these efforts, we will continue to evaluate opportunities to enhance our information collection, monitoring, and compliance capabilities and continue to work towards addressing public comments for the proposed system of records notice and assess potential use through a pilot project.

OIG Concern 3: Administration of Federal Student Assistance Programs: *In March 2026, the Department of Education signed an interagency agreement with Treasury to procure services supporting the administration of federal student assistance programs—a $1.7 trillion federal student loan portfolio. The agreement provides a three-phase approach, which outlines general roles and responsibilities to be executed for the first phase of the plan but lacks details on the other two phases and does not specify timelines for implementation. Given the size and complexity of the federal student loan portfolio, and Treasury's efforts to optimize resources and reduce improper payments, managing all aspects of federal student assistance programs could become a significant challenge for Treasury.*

Management Response: In partnership with the U.S. Department of Education (ED), we delivered the new Defaulted Loans Support Center, which replaced outdated websites and burdensome mail and fax based processes with a streamlined online portal. In the first six months of the official launch of the Treasury-ED Federal Student Assistance Partnership, we delivered a 69 percent increase in approved applications for loan rehabilitation, and consolidations out of default have increased by 95 percent. We continue work to establish the Default Resolution Hub and provide additional support for defaulted borrowers, including ongoing procurement activities building on the previously released Requests for Information and Request for Proposal. Additionally, we continue to evaluate the current state of Student Assistance Programs and are committed to working closely with ED to improve the experience of borrowers and delivering value to the taxpayer.

TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION MANAGEMENT CHALLENGES

DEPARTMENT OF THE TREASURY
INSPECTOR GENERAL FOR TAX ADMINISTRATION
WASHINGTON, D.C. 20024

October 15, 2026

MEMORANDUM FOR SECRETARY BESSENT

FROM: Heather M. Hill
Principal Deputy Inspector General performing the duties of the
Inspector General

SUBJECT: Management and Performance Challenges Facing the
Internal Revenue Service for Fiscal Year 2027

The Reports Consolidation Act of 2000 requires the Treasury Inspector General for Tax Administration (TIGTA) to summarize its perspective on the most serious management and performance challenges confronting the Internal Revenue Service (IRS) for inclusion in the annual *Department of the Treasury Agency Financial Report*.

Each year, we evaluate IRS programs, operations, and management functions to identify the most vulnerable areas in the nation's tax system. For Fiscal Year (FY) 2027, we identified the IRS's top management and performance challenges, in no particular order, as:

- Managing Resources;
- Improving Operational Efficiencies;
- Protecting Taxpayer Data;
- Implementing Tax Law Changes;
- Improving Taxpayer Service and Protecting Taxpayers' Rights;
- Modernizing Information Technology; and
- Ensuring Tax Compliance.

The following describes the challenges in detail and is provided to promote the economy, efficiency, and effectiveness of federal tax administration.

MANAGING RESOURCES

What's the challenge?

Between January 2025 and January 2026, the number of IRS employees decreased from approximately 103,000 to 74,000 (30 percent). Although this is consistent with historical staffing, the reductions occurred rapidly and resulted in the departure of many experienced employees.

In addition, the enacted FY 2026 budget reduced IRS's annual funding by approximately 20 percent. Although the Inflation Reduction Act of 2022 (IRA) previously provided the IRS with nearly $80 billion in supplemental funding over a 10-year period, Congress subsequently reduced it to $26 billion. As of March 31, 2026, the IRS has spent $16.5 billion of its IRA funds (64 percent).

Completing modernization projects, providing quality service to taxpayers, and enforcing tax laws with a reduced workforce and budget are challenges for the IRS. For example, we reported that the IRS started 30 percent fewer taxpayer examinations in FY 2025 compared to FY 2024. Further, examination closures and additional tax assessments proposed by the IRS's Small Business/Self-Employed Division notably declined during the period that coincided with workforce reductions. Therefore, the IRS needs to continue leveraging technology to deliver on its mission cost effectively. In particular, the IRS will need to continue introducing and adopting greater use of automation, super intelligence (SI), and other technology-based tools and solutions to help offset IRS workforce reductions and enhance tax collections.

Although technology offers many opportunities, the IRS will still need to hire employees for certain core operations. However, a new hiring process delayed the posting of job announcements for employees the IRS was seeking to hire for the 2026 Filing Season. We reported that as of February 27, 2026:

- The Submission Processing function (which processes tax returns) was unable to hire about 58 percent (1,100 of 1,900) of its approved positions.
- The Accounts Management function (which handles taxpayer contacts and adjusts tax accounts) was unable to hire 34 percent (1,200 of 3,500) of its approved positions.

In addition, these functions were unable to onboard and train all the individuals they hired before the filing season began.

To compensate for staffing reductions, the IRS required employees in certain divisions to work overtime to help manage increases in key tax return processing inventories. Comparing January through September for Calendar Years 2024 and 2025, paid overtime hours increased by 12 percent. This resulted in a year-over-year increase of approximately $27 million in overtime costs.

Strategic recruitment and hiring will be important to ensure the agency can provide top-quality service to taxpayers, ensure compliance, and deliver a successful filing season.

What progress has the IRS made?

During the 2026 Filing Season, we found the agency expanded its use of technology to streamline tax return processing. The IRS began converting paper tax returns into a digital format so they could be electronically processed, expanded its use of an automated tool that corrects specific errors on a tax return, and automated the processing of some amended tax returns.

Taxpayers are increasingly relying on IRS self-service tools. We found that the number of online account users exceeded 64 million in 2026 (an increase of nearly 13 million users from the prior year). An online account allows taxpayers to view specific details about their federal tax account, such as their balance, payment history, digital notices, and audit status.

In addition, the IRS began to backfill select positions. As of January 2026, approximately 2,000 employees have been hired. The IRS will continue to use its Direct Hire Authority, which eliminates certain steps in the hiring process, to fill these positions. The IRS also announced a new initiative (the *One IRS Initiative*) that trains existing employees to temporarily assist other functions as needed. However, the results of this effort are currently unknown.

Further, the IRS is using SI to help offset IRS workforce reductions and enhance tax collections. For example, the IRS is developing Taxpayer 360, which will provide intuitive, SI-enabled tools, and user-friendly interfaces to enable more efficient issue resolution for taxpayers and the IRS.

What key recommendations has the IRS implemented?

- The IRS implemented several of our recommendations to improve its new employee onboarding program. This is important given that the IRS has resumed selected hiring, and it may help improve the likelihood that new employees remain with the agency.
- When taxpayers need the IRS to adjust their tax accounts, the IRS office that makes the adjustment is required to send all documentation supporting the adjustment to one of its Tax Processing Centers. To address a backlog, the IRS executed a plan to rebalance certain workloads across the Tax Processing Centers.

What ongoing work does TIGTA have to address the challenge?

Given the extent of staffing and funding reductions, we will review the IRS's performance during the 2027 Filing Season and its efforts to use enhanced technology to improve tax compliance in its Examination and Collection functions.

We planned 11 reviews to address this challenge.

We will also assess whether the IRS's succession planning strategically addresses staffing losses and complies with recent executive orders and initiatives. In addition, we will evaluate the IRS's staffing and reassignment strategy (including the *One IRS Initiative*) to achieve customer service goals and the effectiveness of controls over and use of premium pay, including mandatory overtime.

IMPROVING OPERATIONAL EFFICIENCIES

What's the challenge?

A March 2025 Executive Order, *Modernizing Payments to and From America's Bank Account*, mandates the transition to electronic payments for all federal disbursements and receipts (with limited exceptions) to help reduce fraud. As a result, the IRS must issue refunds to taxpayers electronically and only accept electronic payments from taxpayers.

However, there are several challenges the IRS must overcome to help increase the number of taxpayers that send or receive electronic payments. Some of these challenges are acknowledged in the executive order,

including taxpayers who are unbanked, hold certain religious beliefs (which would exempt them), or have limited access to technology. In addition, we found that the IRS needs to further increase public awareness, modify additional tax forms to allow taxpayers to include bank account information, notify affected business taxpayers, and update tax account features for businesses so they can provide banking information.

In January 2025, the President issued a Return to In-Person Work directive requiring executive branch agencies to take steps, as soon as practicable, to end remote work arrangements and require employees to return to full-time, in-person work. However, the IRS may encounter several challenges assessing its compliance with the return-to-office directive. For example:

- IRS employees may routinely perform tasks outside of a normal in-office setting, which makes it difficult to confirm if the employee is complying with return-to-office policies. For instance, revenue officers frequently conduct face-to-face interviews with taxpayers outside the office.
- The IRS cannot easily verify whether its employees worked a full in-office day because not all offices require employees to badge in and out.
- Some IRS employees are assigned to locations without access card data.

We also reported in February 2026 that the IRS has made limited progress implementing the Zero Paper Initiative (ZPI), which aims to digitize paper tax returns and correspondence. After delays selecting contractors, the ones supporting the initiative have not been able to hire enough staff. And for those they have hired, the staffing cuts at the IRS have made it difficult to provide the required clearances on time. As a result, contractors have yet to scan large volumes of paper-filed tax returns.

What progress has the IRS made?

The agency continues to make progress adopting technologies—like SI—to administer the tax system more effectively. As of November 2025, the IRS reported 175 projects that involve the use of SI to improve overall IRS operations, customer service, and enforcement. For instance, the IRS piloted automation to process amended tax returns during the 2026 Filing Season.

To implement paperless disbursements and receipts, the IRS:

- Created a notice (the CP53E) to send to taxpayers who either did not provide a direct deposit account on their tax return or provided an incorrect direct deposit account. As of March 31, 2026, the IRS issued more than 1.9 million CP53E notices to taxpayers.
- Designated an informational toll-free line with message prompts explaining the new direct deposit process and what actions to take. As of March 28, 2026, there were 351,957 calls to this toll-free line.
- Updated the Individual Online Account so taxpayers can add a direct deposit account. As of March 26, 2026, the IRS reported that 469,290 taxpayers updated their direct deposit account using their account.

What key recommendations has the IRS implemented?

- The IRS entered into an interagency agreement to develop a new grants management system for the Low-Income Tax Clinic Program Office. This will streamline processes by centralizing operations, reducing manual tasks, and minimizing reliance on other systems. Previously, we reported that the

process and procedures used to administer and monitor Low-Income Tax Clinic grants are a manual and labor-intensive process.

- Deployed a new Taxpayer Advocate Service case and systemic issue management system that includes dashboard and reporting features that will allow case advocates and managers to more effectively monitor the status of requests and take appropriate follow-up actions. The system also includes an automated process to keep congressional staff informed about the status of their cases.

What ongoing work does TIGTA have to address the challenge?

We will continue to evaluate the IRS's efforts to modernize paper processing of tax returns, correspondence, and information documents.

We planned 20 reviews to address this challenge.

Sufficient contracting practices are critical to efforts to automate systems and processes. We will evaluate whether Blanket Purchase Agreements awarded and administered by the IRS comply with procurement regulations and IRS policy. Given declining IRS budgets, we will also assess the costs, benefits, and barriers to expanding the Private Debt Collection program.

PROTECTING TAXPAYER DATA

What's the challenge?

The IRS accumulates vast amounts of data as it annually processes hundreds of millions of tax returns and other forms. Much of this data is sensitive and stored in different computer systems available to IRS employees and contractors. However, preventing unauthorized access to, and disclosure of, sensitive taxpayer information continues to be a challenge for the IRS.

Specifically, we found that some IRS employees who were on administrative leave because they accepted the Deferred Resignation Program either 1) continued to retain access to the IRS's network or sensitive systems 2) did not return their hardware or equipment or 3) accessed an IRS facility. Additionally, we found that more than half of the nearly 1,200 employees and contractors hired between January and August 2025 did not complete appropriate security awareness training before gaining access to sensitive systems.

Insufficient controls at ZPI contractor sites increased the risk of unauthorized access to taxpayer data. We reported that employees at ZPI contractor sites accessed areas with taxpayer information without being authorized by the IRS. For example, the perimeter fence and the loading dock used to receive taxpayer information were open and not properly secured. Additionally, security vulnerabilities in contractor software were not timely resolved.

Another March 2025 Executive Order, *Stopping Waste, Fraud, and Abuse by Eliminating Information Silos*, aims to remove barriers and promote interagency data sharing. This may accelerate data sharing between the IRS and other agencies, a trend that has already significantly increased over the last two decades. For example, we identified more than 1,100 known data sharing agreements between the IRS and external organizations that receive Federal Tax Information (FTI). Most of these agreements support state and local tax administration. However, the IRS cannot readily identify all data sharing agreements because it lacks a centralized database. Specifically, the IRS office responsible for managing these agreements was unaware of 30 additional FTI-related agreements established by other IRS business units.

In addition, we found that the Department of Homeland Security (specifically Immigration and Customs Enforcement) did not meet safeguarding standards before signing a data sharing agreement with the Department of Treasury. As a result, there is a potential risk that Immigration and Customs Enforcement could fail to properly safeguard taxpayer data it received from the IRS.

What progress has the IRS made?

The IRS addressed 22 prior recommendations to improve the security of data placed in the cloud (cloud-computing enables convenient, on-demand network access to a shared pool of configurable computing resources, such as networks and servers).

After we identified security vulnerabilities in the information systems used to process taxpayer information at some ZPI contractor sites, IRS management developed a monthly review process to identify un-remediated aged vulnerabilities for applicable updates. For example, we found that a system was using a version of software that was no longer supported by the vendor. This is a critical vulnerability because unsupported software will no longer receive security updates, which increases the risk that the software could be exploited using known weaknesses.

What key recommendations has the IRS implemented?

The IRS has:

- Reviewed existing rules and policy within the Data Loss Prevention tool to prevent taxpayer information from being sent externally and identified additional rules or controls to be implemented to improve data security. They implemented additional rules, policy, and controls along with ongoing monitoring and reporting.
- Ensured a process is in place to validate that all audit trail data elements, including investigative elements provided by TIGTA Office of Investigations, are being captured.
- Ensured that access to sensitive systems is immediately suspended or disabled when a contractor is identified as not having a favorable background determination. Further, the IRS is evaluating the feasibility of streamlining the access removal process, which requires integrating different IRS and Treasury Department systems.

What ongoing work does TIGTA have to address the challenge?

We planned 15 reviews to address this challenge.

We plan to assess the IRS's efforts to provide effective governance, management, and oversight of SI implementation. We also plan to assess contractor compliance with cybersecurity controls as well as physical security of taxpayer data at contractor and Volunteer Income Tax Assistance sites. We will also evaluate controls to ensure Credentialed Service Providers (these are entities authorized to issue, manage, and validate digital or electronic credentials) are meeting requirements and following industry best practices for identity proofing.

IMPLEMENTING TAX LAW CHANGES

What's the challenge?

The Working Families Tax Cuts Act[1] (WFTC) created four new individual tax deductions related to tips, overtime compensation, car loan interest, and senior deductions. Because the legislation was enacted shortly before Filing Season 2026, the IRS had limited time to develop taxpayer guidance, update tax forms and information reporting, and implement submission processing and compliance controls.

Although the IRS generally implemented select WFTC provisions successfully, we identified some limitations in the IRS's guidance, processing controls, and compliance strategy. For example, we determined that the guidance for the overtime deduction did not explain certain exemption rules, increasing the risk that taxpayers may incorrectly determine eligibility for the deduction.

Additionally, we identified significant limitations in controls related to the car loan interest deduction. As a result, we identified that the IRS accepted more than 470,000 returns claiming $977 million in questionable deductions (with a total estimated tax effect of $122 million).

What progress has the IRS made?

New and modified e-file business rules (which the IRS uses to identify errors on electronically filed tax returns when they are filed) associated with the Child Tax Credit, State and Local Tax Deduction, and Adoption Credit are working as intended. We found the IRS was accurately rejecting tax returns when applicable and determined whether any tax returns that should have been rejected were accepted for processing.

The IRS also continued to implement the provisions of prior legislation. For example, the IRS implemented actions to address previous concerns we reported about the processing of Qualified Small Business Payroll Tax Credit claims. Additionally, the IRS took action to address errors brought to their attention by taxpayers that prevented them from reporting the maximum allowed credit.

What key recommendations has the IRS implemented?

- The Taxpayer First Act of 2019 changed the name of the "Office of Appeals" to the "IRS Independent Office of Appeals." In response, the IRS updated more than 150 forms, publications, and letters sent to taxpayers, prioritizing updates to external-facing materials to underscore to taxpayers and representatives that their appeal is being heard by an independent function within the IRS.
- The IRS evaluated the expanded use of soft notices to address potentially erroneous Premium Tax Credit claims. In addition, it evaluated potential treatments for notifying taxpayers of potential Premium Tax Credit benefits to which they may be eligible.

What ongoing work does TIGTA have to address the challenge?

We plan to determine the IRS's strategy and implementation of the tax deductions for tips, overtime, and vehicle interest enacted in the WFTC. We are also evaluating the IRS's efforts to implement tax provisions to remove certain tax benefits for non-citizens.

We planned eight reviews to address this challenge.

We will also follow up on prior recommendations related to Opportunity Zones and Qualified Business Income Deductions and assess the implementation of newly enacted changes to both benefits.

[1] Pub. L. No. 119-21, 139 Stat. 72 (2025). This bill is also commonly referred to as the One Big Beautiful Bill Act.

IMPROVING TAXPAYER SERVICE AND PROTECTING TAXPAYERS' RIGHTS

What's the challenge?

Every year, millions of taxpayers seek assistance from the IRS via its website, telephone helplines, Taxpayer Assistance Centers, social media platforms, and more. These various service channels should help taxpayers quickly, accurately, and without the need for additional contact. However, taxpayers do not always receive the quality service they deserve.

For example, we estimated (based on a sample of 200 call recordings we reviewed) that approximately 1 million taxpayers that called certain IRS telephone lines between February and May 2025 did not receive quality service. Some IRS representatives were unprofessional or used technical jargon, and some taxpayers received inaccurate information. Additionally, some calls were disconnected, dropped, or not transferred.

In lieu of calling the IRS, taxpayers can use chat applications to exchange text messages, files, web pages, and other information with IRS assistors. However, the IRS has not sufficiently evaluated the effectiveness of chat applications used by its Automated Collection Service function. Compounding this issue, the data currently collected to measure program performance is unreliable, limiting the IRS's ability to determine if the program is operating effectively. We also found that many live assistors worked multiple chats concurrently, which can affect customer service and increase the risk that taxpayer information will be inappropriately disclosed to another taxpayer.

Taxpayers that are potential victims of identity theft continue to face lengthy delays in resolving their cases. For example, identity theft cases take nearly two years, on average, to close. We found that most of this time is spent waiting for an assistor to become available to work the case. These delays are burdensome for victims and costly to the government. For example, we determined that over a two-year period, the IRS paid more than $124 million in refund interest to taxpayers. In addition, the loss of nearly 300 trained identity theft assistors to the Deferred Resignation Program, combined with the continued receipt of new cases, may make it more difficult for the IRS to reduce processing times.

Quality taxpayer service extends to respecting taxpayers rights. We are required to annually report on the IRS's compliance with provisions that restrict direct contact with represented taxpayers. In most cases, the IRS must suspend an interview when a taxpayer requests to consult with a representative, such as an attorney. However, we continue to find it difficult to determine if the IRS complies with direct contact requirements because the agency lacks a system to identify potential violations. Additionally, our interviews with some managers and employees revealed an inconsistent understanding of certain procedures, such as a taxpayers' right to audio record in-person interviews related to the determination or collection of taxes.

What progress has the IRS made?

The IRS has added payment options to help make payments easier for individuals and business taxpayers. For example, the Direct Pay option added additional electronic tax forms that businesses can use to make payments without needing to register an account.

In December 2023, the IRS announced that it would waive the Failure to Pay penalty that accrued during the pandemic when automated collection notices were suspended. The penalty relief period ended in

March 2024. We reported that the IRS accurately identified and issued penalty relief to more than 99 percent of the 4.9 million taxpayers who were eligible.

IRS employees generally protect taxpayers' rights when taking enforcement actions. For example, we reported that the IRS complied with the requirement to notify taxpayers of their right to a Collection Due Process hearing when filing a tax lien. Revenue officers also provided the required notice and challenge period for more than 98 percent of levies we reviewed.

What key recommendations have been implemented

- The IRS implemented appropriate procedures to track receipts, rejections, closures, and substantiations for unidentified taxpayer payments. We made this recommendation because the IRS did not have processes to track these types of payments and monitor their resolution. Unidentified payments are payments the IRS receives but cannot associate with the correct taxpayer or tax period.
- The IRS Independent Office of Appeals worked with relevant stakeholders to develop procedures for addressing prohibited levy actions involving tax periods for which a taxpayer requests a levy Collection Due Process hearing under Internal Revenue Code section 6330(b).

What ongoing work does TIGTA have to address the challenge?

We will determine if training adequately prepares Customer Service Representatives to provide quality service. We plan to evaluate the readiness of local Taxpayer Advocate Service telephone lines and the consistency of information posted online. We also plan to assess taxpayers' experience authenticating across various channels (in-person, telephone, and online).

We planned 28 reviews to address this challenge.

MODERNIZING INFORMATION TECHNOLOGY

What's the challenge?

The modernization of IRS information technology (IT) and business systems is essential to fulfilling its mission of providing America's taxpayers with top quality service, helping them understand and meet their tax responsibilities, and enforcing the law with integrity and fairness. However, the IRS has a history of cost overruns and delays in its IT modernization efforts.

As the IRS modernizes its systems, adequate security controls must be in place to manage access to sensitive taxpayer data. The IRS transitioned to SharePoint Online (SPO) to modernize its technology and improve efficiency and collaboration across the enterprise. However, 99 percent of the more than 18,000 SPO sites we reviewed were either missing audit logs or did not report an access control method. In addition, the IRS could not migrate a scanning tool it uses to identify sensitive information (*e.g.,* Personally Identifiable Information or Federal Tax Information) that should not be stored on SPO sites. As a result, some files containing sensitive information were accessible to SPO users. Lastly, the migration to SPO took two years longer than originally scheduled, costing the IRS $1 million to maintain its older system.

We reported similar issues with the Enterprise Data Platform, which was deployed to improve data storage and management in support of improved taxpayer services and enforcement. Because of integration issues,

none of the platform's privileged user accounts are managed by the Privileged User Management Access System as required by the IRS's policy.[2] In addition, the IRS was unable to provide us with any evidence that privileged user accounts were monitored.

What progress has the IRS made?

The IRS continued advancing transformation efforts in 2026. These advancements include modernizing tax account processing, promoting agility across operations, implementing new technology solutions, strengthening network communications, reinforcing enterprise security, and enhancing operations.

The IRS also continues to make progress with its recently developed Information Returns Intake System (IRIS), which will replace a similar legacy system. In short, IRIS allows taxpayers to file Forms 1099 through two different submission methods. The IRS established tools to share with and assist stakeholders in using IRIS, including conducting forums and engaging with state tax administrators and others to introduce and provide updates about IRIS. The agency also held monthly IRIS working group meetings with state participants, tax return transmitters and preparers, and software developers to help users avoid filing errors and address known issues.

What key recommendations have been implemented?

The IRS continues to expand its use of SI, which has the potential to improve everyday operations of the IRS as well as creating operational efficiencies and more effective ways to deliver tax administration. In response to our recommendation, the IRS improved its SI governance framework. For example, the agency hired additional IRS employees to support the governance functions and refined approval procedures for SI use cases based on lessons learned. These actions will help ensure the safe, secure, and trustworthy development and use of SI.

What ongoing work does TIGTA have to address the challenge?

We planned six reviews to address this challenge.

We plan to assess the impact of the IT organization restructuring on the IRS's transformation goals. We also plan to evaluate whether the IRS properly identified IT systems that met its revised legacy definition and used this information to inform its modernization plans. We also plan to assess the quality of data managed by the Enterprise Data Platform.

ENSURING TAX COMPLIANCE

What's the challenge?

One of the IRS's key responsibilities is to ensure taxpayer compliance with the Internal Revenue Code. This is important because small declines in compliance cost the government billions of dollars in lost revenue and shift the tax burden from those who do not pay their taxes to those who pay on time every year.

However, examination rates have decreased for certain taxpayer segments. For example, the IRS's examination rate for partnerships with at least $10 million in total assets decreased from 2.7 percent in 2011 to less than 0.1 percent in 2023. We recently reported that the IRS's Large Partnership Compliance Program began using SI to better identify partnerships for potential examination, which could help lower

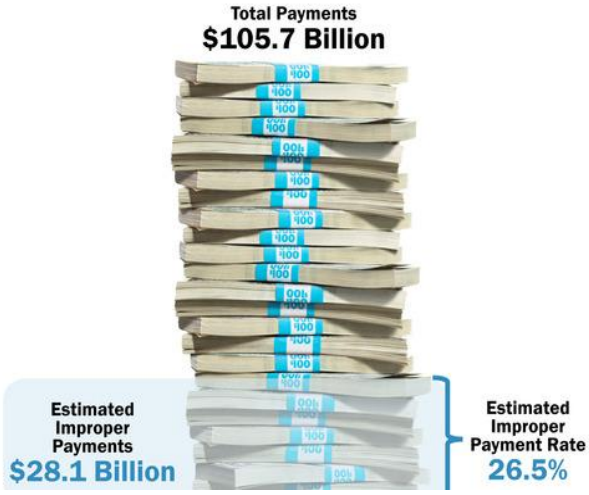
[2] A privileged account means that users have elevated access and can perform actions beyond those of a standard user, *e.g.*, modify system settings, install software, *etc.*

no-change rates (*i.e.,* the examination produced no tax adjustments to the partnership's return). However, 92 percent of the program's closed examinations resulted in no changes. Although preliminary, these results indicate that the IRS may need to continue to further refine its selection models to ensure that it is selecting returns with the highest compliance risk.

The gross Tax Gap is the estimated difference between the amount of tax owed, and the amount paid voluntarily on time. For Tax Year 2022, the projected gross Tax Gap was $696 billion. Approximately $63 billion (9 percent) is due to nonfilers (taxpayers who do not timely file a required tax return). The IRS generally sends two notices requesting that selected nonfilers file a return. However, we recently reported nearly 33,700 taxpayers remained in first notice status, preventing further collection action. We estimate that continuing the enforcement process on these taxpayers could result in secured returns or tax assessments for nearly 10,500 cases involving 9,100 taxpayers and approximately $321 million in potential additional tax due. After we raised this issue, the IRS moved the cases out of first notice status in March 2026.

Certain refundable tax credits remain challenging for the IRS to administer because it has limited ability and information to timely verify taxpayer eligibility. The IRS has not reduced the improper payment rate estimates to less than 10 percent (the goal required by the Payment Integrity Information Act) for any of its reported high-risk programs. In FY 2025, the IRS estimated an overall improper payment rate of 26.5 percent and estimated improper payments totaling $28.1 billion for the Additional Child Tax Credit, American Opportunity Tax Credit, Earned Income Tax Credit (EITC), and Net Premium Tax Credit.

Figure 1: Total Improper Payments for the IRS's Four High-Risk Programs



Source: FY 2025 Treasury Department Agency Financial Report.

What progress has the IRS made?

For Calendar Years 2024 and 2025 (as of November 2025), the IRS protected $7 billion in fraudulent tax refunds related to individual identity theft fraud. The IRS also continues to benefit from external partnerships that share real-time alerts about fraud schemes. The IRS subsequently adjusts existing or implements new identity theft filters based on information received from these alerts. These alerts have contributed to almost $278 million in protected revenue since 2017. For example, the IRS updated three other identity theft filters that addressed the Sick and Family Leave Credit, Fuel Tax Credit, and high-income tax withholdings.

The IRS also made progress preventing ineligible individuals with a nonwork Social Security Number (SSN) from receiving the EITC. This progress was accomplished manually because the IRS does not have sufficient or reliable data to systemically prevent these individuals from receiving the credit. For Processing Years 2023 and 2024, the IRS manually examined 5,100 tax returns with nonwork SSNs and found that nearly 90 percent of these selected tax returns were ineligible to claim the EITC. As a result, the IRS protected almost $11 million in revenue.

What key recommendations have been implemented?

- After we reported that the IRS could collect over a billion dollars in unreported wagering income, the agency conducted an environment scan of the current and potential future conditions of the sports betting and online gambling industries, the industries' risks and impact on tax compliance, and updated existing or created new charters to identify noncompliance.
- In response to our finding that vague and outdated guidance created challenges for the IRS to oversee tax-exempt hospital oversight, the IRS shared our report with the Department of the Treasury Office of Tax Policy. This collaboration is important because it could lead to a legislative proposal to amend appropriate provisions of existing law to clearly and specifically define community benefit, a standard that must be satisfied to obtain and maintain status as a tax-exempt organization.

What ongoing work does TIGTA have to address the challenge?

We will evaluate the IRS's efforts to identify taxpayers with significant Form 1099 income who do not file tax returns. We also plan to evaluate the use of SI to select cases for review in the Examination and Automated Underreporter Programs.

We planned 25 reviews to address this challenge.

We also plan to assess the strengths and weaknesses of the Office of Fraud Enforcement in the IRS's overall strategy to combat fraud.

Conclusion

This memorandum is provided as our annual summary of the most serious major management and performance challenges confronting the IRS in FY 2027. Our Annual Program Plan contains our proposed reviews for FY 2027 and will be published on our website.

cc: Deputy Secretary of the Treasury

Assistant Secretary for Management

Deputy Chief Financial Officer

Chief Executive Officer of the Internal Revenue Service

Appendix: Significant TIGTA Reports Referenced

2026-308-047, *Agencywide Coordination Could Enhance the IRS's Approach to Nonfilers* (August 2026).

2026-300-048, *Fiscal Year 2026 Statutory Review of Restrictions on Directly Contacting Represented Taxpayers* (August 2026).

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IRS MANAGEMENT RESPONSE TO TIGTA IDENTIFIED CHALLENGES FACING THE IRS FOR FISCAL YEAR 2027

The IRS appreciates TIGTA's identification of management and performance challenges and uses these challenges to identify opportunities to improve tax administration. In FY 2026, the IRS made progress in addressing these challenges while managing workforce and budget reductions. The IRS focused on improving taxpayer services, strengthening tax compliance, protecting taxpayer information, and increasing operational efficiency. The following sections highlight the IRS's accomplishments and ongoing efforts in each of the seven challenge areas.

TIGTA Challenge 1 - Managing Resources

The IRS has a responsibility to be a good steward of the resources entrusted to it by the American people. Effective management of its workforce and financial resources is essential to delivering quality taxpayer service, administering the nation's tax laws, and maintaining public trust. Balancing these responsibilities with available resources requires the IRS to prioritize its operations carefully, adapt to changing workforce availability, and identify opportunities to improve efficiency. In FY 2026, the IRS maintained essential tax administration operations with fewer resources by prioritizing critical staffing needs, strategically reassigning employees to support high-demand functions, and expanding automation to reduce manual workloads. These FY 2026 highlights include:

- 100x faster data processing. The IRS increased processing speeds for its Digital Assets computational tool from approximately 5 to 500 rows per second.
- approximately 11 million paper returns digitally processed. The IRS scanned and electronically processed approximately 11 million paper-filed tax returns through its Zero-Paper Initiative.
- nearly 11,000 employees trained. The IRS delivered approximately 180 workforce development training offerings to nearly 11,000 participants.

Managing and Developing the Workforce

In FY 2026, the IRS streamlined its hiring processes through expanded recruitment, automated selection approvals, and enhanced training for Human Resources specialists, reducing external hiring time from 80 days to approximately 65 days. The IRS continued using Direct Hire Authority to fill mission-critical positions, including Customer Service Representatives, Tax Examiners, and Submission Processing Clerks, while maintaining a net-neutral headcount throughout the fiscal year. In September 2026, the IRS implemented a reasonable accommodations application to simplify employee requests and reduce processing times. The IRS is sharing the application with other federal agencies to support their reasonable accommodation processes.

The IRS increased workforce agility by using the One IRS initiative to train employees to support other functions temporarily as needed. During the 2026 filing season, the IRS reassigned approximately 800 employees to assist with amended tax return processing, providing specialized training to prepare them for their new responsibilities. The IRS also delivered approximately 180 training offerings to nearly 11,000 participants, 58 management learning events to more than 1,600 managers, and approximately 4,900 mission-critical training events. The IRS established a standardized five-day onboarding model to streamline administrative processing, credentialing, and employee readiness, with implementation planned for FY 2027.

Maintaining Filing Season Operations

The annual filing season is one of the IRS's most demanding responsibilities, requiring the IRS to process millions of tax returns, issue refunds, and provide timely assistance to taxpayers. In FY 2026, the IRS maintained these essential operations while implementing significant tax law changes and managing workforce constraints.

The IRS processed approximately 276 million individual tax returns and forms during FY 2026, reflecting the scale of its filing season and year-round processing responsibilities. To address processing backlogs, the IRS also rebalanced certain workloads across its Tax Processing Centers, including documentation supporting taxpayer account adjustments. This redistribution helped the IRS make more effective use of available processing capacity.

Expanding Automation

Automation plays an important role in helping the IRS manage increasing workloads and make effective use of its workforce. By reducing repetitive, labor-intensive tasks, the IRS can direct employees toward more complex work that requires specialized knowledge and judgment. In FY 2026, the IRS expanded automated processing capabilities to improve efficiency, increase processing capacity, and support essential tax administration operations.

Through the Zero Paper Initiative, the IRS expanded its ability to convert paper-filed tax returns into digital formats for electronic processing. From January through September 2026, the IRS scanned and electronically processed approximately 11 million paper-filed returns, representing 55 percent of the approximately 19 million returns processed across five supported forms. This initiative reduces reliance on manual data entry and establishes a foundation for more efficient processing of paper submissions.

The IRS expanded automated processing of amended tax returns and certain return-processing errors, allowing eligible returns to be processed and corrected electronically. These capabilities reduce manual adjustments and allow employees to focus on cases requiring additional review.

Strengthening Examination and Collection Efficiency

In FY 2026, the IRS expanded its use of technology, advanced analytics, and automation to improve the efficiency of examination and collection activities. These capabilities help employees identify potential noncompliance, prioritize higher-risk cases, and reduce time spent on manual research and administrative tasks.

The IRS improved examination case selection through enhanced analytical tools and compliance models. In FY 2026, the IRS transitioned its Large Partnership Compliance, Global High Wealth, and High Income/High Wealth models to the Advanced Analytics Platform to support faster case selection beginning in FY 2027. The platform also supported the analysis of billions of Forms 1099-DA to identify potential noncompliance. Enhancements to the Digital Assets computational tool increased processing speeds from approximately 5 to 500 rows per second, a 100-fold improvement.

Within Collection, the IRS advanced the use of predictive analytics, improved case routing, and expanded digital workflows to streamline case management and support earlier resolution of taxpayer issues. These efforts help employees prioritize workloads, reduce repetitive administrative tasks, and focus resources on cases requiring direct assistance or enforcement action.

Looking Ahead

The IRS enters FY 2027 focused on making the most of its workforce, developing employee capabilities, and improving operations with available resources. Workforce priorities include implementing the standardized five-day onboarding

program, redesigning New Manager Training, expanding succession planning and internal mobility opportunities, and strengthening recruitment through merit-based hiring and targeted outreach to veterans and military spouses. The IRS also plans to streamline human capital systems through automation, expand workforce analytics, and monitor performance measures to improve workforce planning and management.

Technology will help the IRS manage workloads, improve operational efficiency, and make better use of employee expertise. The IRS will continue expanding its use of the Advanced Analytics Platform to improve examination case selection for large partnerships and high-income taxpayers. The IRS also plans to deploy the Prioritization and Risk Intelligent Scoring Model to automate referral reviews. Additional analytical tools will streamline research and document reviews while maintaining employee oversight. The IRS also plans to extend the Zero Paper Initiative to paper correspondence and introduce a Digital Intake User Interface to improve document processing.

TIGTA Challenge 2 – Improving Operational Efficiencies

Every improvement in how the IRS operates is an opportunity to make tax administration simpler for taxpayers and more efficient for the IRS. As taxpayers' needs and expectations evolve, the IRS must continually evaluate its processes, reduce unnecessary administrative burdens, and identify ways to provide services more effectively. In FY 2026, the IRS advanced initiatives to simplify taxpayer interactions, expand digital services, and streamline operations through technology and automation. These efforts included expanding electronic payment options, improving access to online accounts, reducing reliance on paper-based processes, and providing employees with tools to resolve taxpayer issues more efficiently. These FY 2026 highlights include:

- approximately two million notices issued. The IRS issued CP53E notices informing taxpayers about missing or invalid direct deposit information and the steps needed to receive their refunds.
- more than 469,000 taxpayers updated direct deposit information. The IRS enabled taxpayers to update their direct deposit information securely through Individual Online Account.
- 63 percent reduction in notice development time. The IRS improved its correspondence development processes, reducing the time required to develop taxpayer notices by 63 percent.

Increasing Electronic Payments

Electronic payments offer taxpayers a faster, more secure, and more convenient way to meet their tax obligations and receive refunds. They also reduce the costs and administrative work associated with paper checks. In FY 2026, as part of its efforts to implement EO 14247, *Modernizing Payments To and From America's Bank Account*, the IRS expanded electronic payment options, emphasizing direct deposit and helping taxpayers understand their available options.

The IRS updated Individual Online Account to allow taxpayers to provide direct deposit information electronically, with more than 469,000 taxpayers using this feature. The IRS also issued more than 1.9 million notices informing taxpayers about missing or invalid direct deposit information and expanded electronic payment options through Business Tax Account. In September 2026, the IRS redesigned its online payment information pages and updated guidance to help taxpayers understand payment requirements and available alternatives, including options for those with limited access to banking services or technology.

Expanding Digital Services

The IRS is making it easier for taxpayers and tax professionals to manage their tax matters without relying on traditional paper correspondence or telephone assistance. In FY 2026, Individual Online Account reached about 38 million users, Business Tax Account reached nearly 2 million users, and Tax Pro Account reached 513,000 users, increases of 34 percent, 52 percent, and 57 percent, respectively, from FY 2025. The IRS expanded these services through introducing and enabling additional secure document uploads, more digital notices, additional payment options, and improved access to taxpayer information. In September 2026, the IRS launched the new IRS App, replacing IRS2Go and giving taxpayers easier mobile access to online account services, including account balances, payments, refund status, notices, and tax records.

The IRS expanded Business Tax Account access to more than six million additional entities and added over 200 digital notices. Tax Pro Account also gained new capabilities for authorized representatives to manage employee authorizations and access business taxpayer information. Taxpayers increasingly used digital services throughout FY 2026, with approximately 953 million visits to IRS.gov, 224 million Individual Online Account logins, and 469 million refund status checks through Where's My Refund?

Improving Correspondence and Paper Processing

Clear, accurate, and timely correspondence helps taxpayers understand their obligations and take appropriate action when they receive an IRS notice. In FY 2026, the IRS improved notice development and review processes while expanding digital capabilities to reduce reliance on paper-based operations.

The IRS developed or revised 97 notices associated with major tax law changes and improved processes involving 622 notices, reducing development time by 63 percent. The IRS also reviewed 2,113 notice samples, identified 553 errors, including 14 critical issues, and resolved all identified errors before mailing. Additional technology improvements helped the IRS route and manage scanned documents electronically, reducing manual handling and reliance on older applications.

Looking Ahead

In FY 2027, the IRS will focus on making tax administration simpler and more efficient by expanding digital services and giving taxpayers more opportunities to manage their tax matters independently. Planned improvements include additional electronic payment options, expanded digital notices, secure document submission, and electronic signature capabilities. The IRS will also enhance online account services to provide taxpayers and authorized representatives with easier access to information and more convenient ways to complete transactions.

The IRS will also expand digital intake capabilities for paper correspondence and introduce a Digital Intake User Interface to improve document processing and reduce reliance on older systems. These improvements will support more efficient operations while maintaining accessible service options for taxpayers with different needs.

TIGTA Challenge 3 – Protecting Taxpayer Data

Taxpayers entrust the IRS with some of their most sensitive personal and financial information. As cybersecurity threats evolve and the IRS expands its digital services, protecting that information requires strong security controls, vigilant oversight, and measures to prevent unauthorized access and disclosure. In FY 2026, the IRS advanced its Zero Trust security strategy, strengthened safeguards against unauthorized access and disclosure, improved application and contractor security, and expanded protections for sensitive taxpayer information across its systems and operations. These FY 2026 highlights include:

- 75 percent of high-severity vulnerabilities remediated. The IRS remediated 96 of the 128 high-severity vulnerabilities identified through super intelligence-assisted source code reviews of contractor-developed applications.
- 471 systems with expanded data encryption. The IRS expanded data-at-rest encryption across 471 on-premises and cloud systems.
- 12 priority security functions improved. The IRS advanced Zero Trust maturity across 12 priority security functions spanning all five Zero Trust pillars.

Advancing Cybersecurity and Data Protection

The IRS's Zero Trust strategy provides a framework for strengthening cybersecurity across its systems, applications, and data. In FY 2026, the IRS advanced this strategy through improvements to identity and access management, network security, and protections for sensitive taxpayer information.

The IRS improved security maturity across 12 priority functions spanning all five Zero Trust pillars: Identity, Devices, Networks, Applications and Workloads, and Data. Access Management advanced from Initial to Advanced maturity through improved access controls, enhanced multifactor authentication, and greater automation of least-privilege access.

The IRS also expanded data-at-rest encryption across 471 cloud and on-premises systems and improved automated capabilities to identify and protect sensitive information. Enhanced Data Loss Prevention controls help detect and restrict inappropriate handling or transmission of taxpayer data.

Preventing Unauthorized Access and Disclosure

Protecting taxpayer information extends beyond cybersecurity systems to the policies, procedures, and oversight that govern how sensitive information is accessed and shared. The IRS maintains safeguards to prevent unauthorized access and disclosure, reinforce employee responsibilities, and ensure that taxpayer information is handled in accordance with federal law. In FY 2026, the IRS advanced its Unauthorized Access, Attempted Access, or Inspection of Taxpayer Records Program through updated policies, greater oversight, and expanded employee awareness efforts.

The IRS revised Internal Revenue Manual 10.5.5 to clarify requirements for preventing unauthorized access to taxpayer records and expanded oversight of its Taxpayer Data Access Library. The IRS also conducted a Servicewide awareness campaign to reinforce employee responsibilities for protecting taxpayer information.

The IRS conducted independent monitoring of privacy controls across its systems and contractor operations and completed 87 safeguard reviews of federal, state, and local partners. The IRS also provided safeguard awareness training to external partner organizations and established a centralized Data Exchange Agreement Library to improve oversight of authorized information sharing.

Enhancing Application and Contractor Security

Maintaining strong application security is essential to protecting taxpayer information and ensuring the reliability of IRS systems. In FY 2026, the IRS expanded its application security capabilities through enhanced vulnerability assessments, automated code analysis, and improved monitoring of contractor-developed applications.

The IRS transitioned 80% of enterprise application code reviews from AppScan to SonarQube, expanding automated vulnerability analysis while maintaining uninterrupted security reviews. The IRS piloted super intelligence-assisted source

code reviews of contractor-developed applications. These reviews identified 128 high-severity vulnerabilities, of which the IRS remediated 96, or 75 percent. The IRS continues tracking the remaining vulnerabilities through established corrective action processes.

Looking Ahead

In FY 2027, the IRS will advance its Zero Trust strategy, with an emphasis on data protection, application security, and automated monitoring. The IRS aims to achieve Advanced maturity in Data Encryption by March 31, 2027. Planned improvements also include expanding super intelligence-assisted source code reviews to additional contractor-developed applications, integrating automated security testing, and improving oversight of sensitive information shared with authorized government partners.

TIGTA Challenge 4 – Implementing Tax Law Changes

New legislation often introduces significant changes to tax benefits, filing requirements, and compliance responsibilities, requiring the IRS to update its systems, develop guidance, and prepare taxpayers and tax professionals for new requirements. The IRS must balance these demands with its ongoing responsibility to administer existing tax laws and maintain essential services. In FY 2026, the IRS advanced implementation of the Working Families Tax Cuts, including new and expanded tax benefits for individuals and businesses. These FY 2026 highlights include:

- more than 160 tax products updated. The IRS updated more than 160 tax products to reflect the Working Families Tax Cuts.
- about 96 percent of critical tax products issued ahead of filing season. The IRS issued about 96 percent of its critical Tax Exempt/Government Entities and Business tax products one week before the 2026 filing season began.
- digital-first solutions developed in less than six months. The IRS developed a digital-first solution for the four-year installment payment requirements for qualifying farmland sales in less than six months.

Implementing the Working Families Tax Cuts

The Working Families Tax Cuts introduced significant changes to the federal tax code, including new deductions, expanded tax benefits, and revised requirements affecting individuals and businesses. The IRS developed compliance strategies for new deductions involving qualified tips, overtime compensation, and interest on certain vehicle loans. These strategies included plans for taxpayer education, soft notices, and targeted compliance activities.

In FY 2026, the IRS coordinated implementation efforts across its business units to prepare tax forms, guidance, processing systems, and taxpayer communications for these changes. The IRS updated more than 160 tax products to reflect the new legislation. One week before the official start of the filing season, the IRS issued approximately 93 percent of its Critical Individual Filing Season tax products and 96 percent of its Critical Tax Exempt/Government Entities and Business tax products.

The IRS also developed a digital-first solution in less than six months to administer the four-year installment payment requirements for qualifying farmland sales. The IRS also updated volunteer tax preparation training materials and provided virtual training to taxpayer outreach and education employees to prepare them to assist taxpayers with legislative changes.

The IRS also advanced implementation of the permanent Opportunity Zones framework, which takes effect January 1, 2027, by issuing four guidance items, revising forms and instructions, and developing compliance strategies. In addition, the IRS

updated Forms 8995 and 8995-A and advanced regulatory guidance to implement changes to the Qualified Business Income Deduction.

Improving Tax Credit Administration

Accurate administration of tax credits requires the IRS to maintain reliable processing systems, provide clear guidance, and address potential errors that can affect taxpayers and the integrity of the tax system. In FY 2026, the IRS supported accurate tax credit administration through updated guidance, taxpayer education, and efforts to address potentially erroneous claims.

Administering refundable tax credits requires the IRS to balance the timely delivery of benefits to eligible taxpayers with its responsibility to prevent improper payments and protect federal resources. Improper payments associated with refundable tax credits are not the result of internal control weaknesses but are primarily attributable to taxpayer misunderstandings of complex statutory eligibility requirements and limitations in the information available to verify taxpayer claims independently before refunds are issued. The IRS addresses these challenges through compliance activities, taxpayer education, and efforts to improve the accuracy of credit claims.

The IRS expanded taxpayer education and outreach related to the Premium Tax Credit. Updates to IRS.gov and educational materials provided clearer information about eligibility, claiming and reconciliation requirements, advance payments, and resolving Form 8962-related return issues. The Premium Tax Credit overview online page received more than 40,000 views during FY 2026. The IRS also developed draft notices to address potentially erroneous claims, although limitations in available data affected its ability to identify taxpayers reliably for targeted outreach.

Looking Ahead

In FY 2027, the IRS will continue implementing the Working Families Tax Cuts by updating tax forms and guidance, continue training employees, and supporting filing season readiness. The IRS will also advance the permanent Opportunity Zones framework through additional guidance and compliance strategies. Planned educational outreach and targeted compliance activities will address new deductions involving tips, overtime compensation, and vehicle loan interest. The IRS will continue preparing examination personnel will continue preparing to administer changes to the Qualified Business Income Deduction.

The IRS will continue improving payment integrity by evaluating notification strategies for refundable tax credit programs and refining methods to identify taxpayers who may benefit from additional information. These efforts will focus on addressing potentially erroneous claims through taxpayer education and outreach, particularly where complex eligibility requirements and limited third-party information present challenges.

TIGTA Challenge 5 – Improving Taxpayer Service and Protecting Taxpayer Rights

Taxpayers depend on timely, accurate, and accessible assistance to understand their obligations, resolve tax matters, and exercise their rights under the law. Meeting these needs requires the IRS to maintain reliable service across multiple channels, simplify taxpayer interactions, and ensure fair and consistent treatment throughout the tax administration process. In FY 2026, the IRS expanded taxpayer assistance options, improved access to information and services, and reinforced procedural safeguards to protect taxpayer rights. These FY 2026 highlights include:

- nearly three million tax returns prepared at no cost. More than 84,500 volunteers helped taxpayers prepare and file nearly 3 million federal tax returns through the Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs.

- average telephone answer times under 10 minutes. The IRS maintained average telephone answer times below 10 minutes during the filing season.
- 66 percent of chatbot interactions resolved through self-service. The IRS resolved approximately 66 percent of chatbot interactions through self-service.

Improving Taxpayer Assistance and Accessibility

Taxpayers have different needs and preferences when seeking assistance from the IRS. While some can resolve their questions through online services, others depend on telephone or face-to-face assistance. In FY 2026, the IRS expanded opportunities for taxpayers to obtain help through multiple service channels, including extended in-person assistance, community-based tax preparation, and improvements to telephone operations.

During the 2026 filing season, improved workforce scheduling for approximately 16,000 customer service representatives reduced employee idle time by nearly 50 percent while maintaining average telephone answer times below 10 minutes. The IRS also expanded Taxpayer 360 research tools to help employees access information and assist taxpayers more efficiently.

The IRS expanded face-to-face assistance through extended weekday hours at more than 200 Taxpayer Assistance Centers and special Saturday openings. More than 13,000 taxpayers received assistance during the Saturday events as of June 2026. In addition, more than 84,500 volunteers helped taxpayers prepare and file nearly 3 million federal tax returns at no cost through the Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs.

The IRS also launched a Chat-to-Call pilot that allows authenticated taxpayers to transition from live chat to telephone assistance with the same Collection representative without repeating authentication. The IRS improved its Spanish-language chatbot to better recognize taxpayer questions and keywords, making automated assistance more accessible to Spanish-speaking taxpayers. The IRS also revised its centralized authentication policy to support more consistent practices across service channels.

Protecting Taxpayer Rights

Taxpayers have the right to fair treatment and due process throughout the tax administration process, including opportunities to challenge collection actions and receive the notifications required by law. In FY 2026, the IRS reinforced these protections through updated procedures, improved employee guidance, and additional safeguards to support consistent application of taxpayer rights.

The IRS Independent Office of Appeals maintains procedures to identify and address prohibited levies during Collection Due Process hearings. Appeals Officers review taxpayer account transcripts, identify levies issued after timely hearing requests, and coordinate with Collection on appropriate corrective actions, including releasing levies and returning property when required. The IRS also updated Collection guidance to reinforce revenue officers' responsibility to issue all required notices before initiating levy actions.

Looking Ahead

The IRS will continue improving taxpayer assistance through more accessible services and better coordination across service channels. Planned Taxpayer 360 enhancements include secure two-way messaging, expanded research capabilities, language translation, and additional chat features. The IRS will also evaluate its Chat-to-Call pilot for broader implementation to reduce repeated authentication and improve continuity between service channels.

Protecting taxpayer rights will remain a priority through continued oversight of Collection Due Process procedures and coordination between Collection and the IRS Independent Office of Appeals. These efforts will help identify and resolve procedural issues and ensure taxpayers receive required notifications and opportunities to exercise their rights.

TIGTA Challenge 6 – Modernizing Information Technology

The IRS depends on reliable, secure, and adaptable technology to carry out its tax administration responsibilities and deliver quality service to taxpayers. As technology evolves, the IRS must transform aging systems, improve how information is managed and shared, and ensure that its technology infrastructure can support changing operational needs. In FY 2026, the IRS advanced the transformation of its core tax processing systems, expanded enterprise case management capabilities, and improved its technology infrastructure and data management processes while continuing to replace legacy applications. These FY 2026 highlights include:

- phase 2 of data migration completed. The IRS completed the second phase of its Data Authorization and Transfer Service migration.
- contact center infrastructure transformed. The IRS implemented a cloud-based platform supporting voice automation and future contact center improvements.
- modern taxpayer account access deployed. The IRS placed modern taxpayer account-access capabilities into production through its Tax Processing Platform.

Transforming Tax Processing Systems

The IRS continues to transform its core tax processing systems to support accurate, reliable, and timely administration of the nation's tax laws. These systems manage large volumes of taxpayer information and support essential functions, including processing returns, maintaining taxpayer accounts, and receiving information reported by third parties. In FY 2026, the IRS placed modern taxpayer account-access capabilities into production through its Tax Processing Platform, advancing the transition away from legacy tax processing components. In September 2026, the IRS launched the new IRS App, replacing IRS2Go and giving taxpayers easier mobile access to online account services, including account balances, payments, refund status, notices, and tax records.

The IRS also advanced development of the Information Returns Intake System to transform how it receives and processes information returns. In FY 2026, the IRS completed readiness activities, prepared infrastructure to transfer information to other processing systems, and began connecting services to validate taxpayer identification numbers and addresses.

Replacing Legacy Systems and Infrastructure

The IRS continues replacing aging applications and infrastructure with modern technology to support reliable tax administration and changing operational needs. In FY 2026, the IRS advanced several initiatives to move essential functions onto modern platforms while maintaining continuity of operations.

The IRS expanded its Enterprise Case Management capabilities, moving additional work from aging case-management applications to a more integrated platform. The IRS also began transitioning workloads away from legacy VMware infrastructure through its Virtual Infrastructure Replacement initiative while maintaining the reliability of essential systems.

The IRS transformed its contact center infrastructure through the Contact Center Innovation and Voice Automation platform, incorporating cloud-based technology and super intelligence-enabled voice automation. The platform supports future improvements to call routing, automated assistance, and contact center operations.

The IRS also completed the second phase of its Data Authorization and Transfer Service migration, improving how information returns are used for authorized data exchanges and other tax administration activities. The IRS operated new and legacy extraction processes in parallel to verify data accuracy before retiring older processes.

Looking Ahead

The IRS will continue transforming its tax processing systems and technology infrastructure as new capabilities become available. Planned improvements to the Information Returns Intake System will expand information return processing and support the transition away from legacy intake methods. The IRS will also advance its Tax Processing Platform and Enterprise Case Management initiatives, moving additional functions onto modern platforms and retiring older applications as replacement capabilities become operational. Additional plans include migrating workloads from legacy VMware infrastructure and expanding Enterprise Data Platform capabilities through reusable data services, new pipelines, and a secure cloud environment.

TIGTA Challenge 7 – Ensuring Tax Compliance

The nation's tax system relies on the voluntary compliance of millions of taxpayers to generate the revenue that funds government operations, supports essential public services, and sustains the nation's ability to meet its obligations. The IRS plays a vital role in maintaining this system by helping taxpayers meet their responsibilities and addressing noncompliance to protect the integrity of the tax system. As tax laws and compliance risks evolve, the IRS must adapt its enforcement strategies, combat increasingly sophisticated fraud schemes, and make effective use of available resources while protecting taxpayer rights. In FY 2026, the IRS advanced its compliance efforts through improved examination and collection processes, expanded use of data analytics, and initiatives to identify emerging tax schemes and prevent fraudulent claims. These FY 2026 highlights include:

- approximately $14 million in fraudulent refunds intercepted through targeted detection efforts. The IRS intercepted approximately $14 million in fraudulent refunds through enhanced identity theft detection, fraud intelligence, and analytical capabilities.
- 33 criminal cases recommended for prosecution. The IRS recommended 33 sports betting and gambling-related cases for prosecution, initiated 35 investigations, and secured seven convictions during FY 2026.
- high-priority nonfiler cases advanced. The IRS removed a system restriction that prevented certain high-priority nonfiler cases from progressing beyond the initial notice stage, allowing appropriate compliance actions to proceed.

Improving Examination and Collection Effectiveness

Effective examination and collection activities help ensure that taxpayers meet their obligations and that the IRS collects the taxes owed under the law. The IRS uses risk-based compliance strategies to identify potential noncompliance, prioritize cases requiring additional review, and direct enforcement resources where they are most needed. In FY 2026, the IRS refined its examination and collection processes to support more targeted compliance activities, improve case management, and address emerging compliance risks.

The IRS improved examination case selection through enhanced analytical models and risk-based approaches. In FY 2026, the IRS refined its partnership examination selection methods to identify potential noncompliance involving real estate partnerships, Qualified Opportunity Funds, syndicated conservation easements, and other potentially abusive transactions. The IRS also continued developing methods to identify amended corporate returns requiring compliance review.

Within Collection, the IRS improved case routing, predictive analytics, and digital workflows to help employees prioritize workloads and identify appropriate collection treatments. The IRS also expanded online resolution options, providing taxpayers with additional ways to address outstanding liabilities.

Combating Tax Fraud and Emerging Schemes

Tax fraud continues to evolve as criminals develop new methods to exploit the tax system, steal taxpayer information, and obtain fraudulent refunds. The growing sophistication of these schemes requires the IRS to continually adapt its detection methods, strengthen fraud prevention capabilities, and work across organizational boundaries to identify emerging threats. In FY 2026, the IRS expanded its use of data analytics, automated detection tools, and fraud intelligence to identify suspicious activity and prevent fraudulent claims.

In FY 2026, the IRS improved identity theft and refund fraud detection through enhanced filters, automated alerts, and analytical tools to identify suspicious activity. These efforts, including information-sharing and investigative support, contributed to the interception of approximately $14 million in fraudulent refunds. The IRS also refined its fraud detection models to address abusive tax schemes promoted through social media and developed a Dynamic Selection List to identify repeat participants in these schemes.

The IRS addressed compliance risks involving sports betting and online gambling, including unreported income, money laundering, and tax evasion. In FY 2026, IRS Criminal Investigation initiated 35 investigations, recommended 33 cases for prosecution, and secured seven convictions involving gambling-related activities. The IRS also conducted outreach to educate taxpayers about reporting gambling winnings and losses.

Promoting Voluntary Compliance

Voluntary compliance involves more than paying taxes owed; it also requires taxpayers to file accurate and timely returns and report their income as required by law. The IRS encourages compliance through taxpayer education, outreach, and early intervention while identifying taxpayers who may require additional assistance or enforcement action. In FY 2026, the IRS expanded its use of third-party information and analytical tools to identify potential nonfilers, improve compliance case selection, and address outstanding filing obligations.

The IRS used information reported on Forms 1099, W-2, and Schedule K-1 to identify taxpayers with substantial income who had not filed required tax returns. The IRS also resolved a system restriction that prevented certain high-priority nonfiler cases from advancing beyond the initial notice stage, allowing appropriate enforcement actions to proceed. Through its High-Income Non-Filer project, the IRS reviewed taxpayers with previous examination or collection activity and developed investigative referrals for cases warranting additional consideration.

Looking Ahead

The IRS will continue improving its ability to identify and address emerging compliance risks through more targeted examination case selection, expanded analytical capabilities, and enhanced fraud detection. Planned improvements include greater use of machine learning and statistical analysis to identify potential noncompliance, automate fraud-related alerts, and improve data matching. The IRS will also expand analytical tools to identify high-income nonfilers and address compliance risks involving sports betting and online gambling while maintaining appropriate employee oversight of enforcement decisions.

Promoting voluntary compliance will remain an important part of the IRS's approach to tax administration. The IRS will continue using taxpayer education, early outreach, and targeted compliance treatments to help taxpayers understand their filing and payment obligations and resolve issues before more extensive enforcement action becomes necessary.

SECTION D: PAYMENT INTEGRITY

Executive Summary

Our FY 2026 Payment Integrity reporting includes information required by the PIIA and Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement* (OMB Appendix C). Additional information on current and prior year payment integrity information can be accessed at https://paymentaccuracy.gov/. The following reports may be accessed by navigating from the *Resources* page on https://paymentaccuracy.gov/ to the *Congressional Reports* page and then selecting the relevant report from the dropdown list for the Department of Treasury for the relevant fiscal year:

(i) the Annual Risk Assessment Report required under 31 U.S.C. § 3352(a)(3)(C);

(ii) the Agency Annual High-Priority Program Report required under 31 U.S.C. §3352(b)(2)(A)-(D);

(iii) the Annual Improper Payment Estimation Report required as accompanying materials under 31 U.S.C. § 3352(c);

(iv) the Annual Report on Actions to Reduce Improper Payments required as accompanying materials under 31 U.S.C. § 3352(d);

(v) the Annual Report on Actions to Recover Improper Payments Identified in a Recovery Audit required as accompanying materials under 31 U.S.C. § 3352(e);

(vi) the Agency Compliance Plan required under 31 U.S.C. § 3353(b)(1); and

(vii) the Agency Noncompliance Report required under 31 U.S.C. § 3353(b)(5).

Each year, bureaus and offices (hereafter referred to as "components") are required to conduct PIIA risk assessments on all material programs (i.e., programs with total non-federal disbursement amounts equal to or greater than $10 million) at least once every three years to identify the risk of susceptibility to significant improper payments. OMB defines susceptibility to significant improper payments as gross annual improper payments exceeding both 1.5 percent and $10 million in total program outlays, or $100 million at any rate. We require an off-cycle improper payment risk assessment for programs that had a significant change in legislation or funding levels. For off-cycle years, we require programs to complete a certification that states there have been no major changes to program funding or legislation that could impact the risk of improper payments.

In FY 2026, 35 programs completed an improper payment risk assessment based on prior year non-federal disbursements. Three IRS programs—U.S. Coronavirus Payments[1], U.S. Coronavirus Refundable Credits[2], and Child and Dependent Care Tax Credit (CDCTC)—were determined to be susceptible to significant improper payments. These three programs were deemed susceptible to significant improper payments in prior years, however, since they do not report error rates, they remain in the three-year risk assessment rotation schedule. The remaining 32 programs for which we conducted risk assessments were determined not susceptible to significant improper payments.

We report error rates as outlined in PIIA and the OMB Appendix C, for four IRS RTCs: 1.) EITC, 2.) AOTC, 3.) ACTC, and 4.) net PTC. The IRS estimates that for FY 2026, 32.2 percent ($22.7 billion) of the total EITC payments of $70.6 billion were improper. For the AOTC, the IRS estimates that for FY 2026, 33.8 percent ($1.7 billion) of the total payments of $4.9

[1] *U.S. Coronavirus Payments include the economic impact payments and the associated recovery rebate credits.*
[2] *U.S. Coronavirus Refundable Credits include the paid sick and family leave credit and the employee retention credit.*

billion were improper. For the ACTC, the IRS estimates that for FY 2026, 15.6 percent ($5.4 billion) of the total payments of $34.3 billion were improper. For net PTC, the IRS estimates that for FY 2026, 33.3 percent ($1.0 billion) of the total payments of $3.0 billion were improper. The root cause of these overpayments include the inability to authenticate data, primarily because the data does not exist. Authentication is difficult because the IRS relies primarily on self-reported information from taxpayers, and there is a lack of internal or external databases available with information that would help the IRS determine eligibility. These overpayments also include the inability to authenticate data due to program design limitations. Barriers caused by program design occur when information needed to confirm payment accuracy is not available at the time the return is processed. The IRS has a robust enforcement program for its refundable tax credits, which consist of examinations, math error notices, and document matching. Further discussion of these RTCs, along with root cause and mitigation strategies, are summarized in the following sections.

In addition to the four IRS RTC programs, certain COVID-19 pandemic relief programs were determined to be susceptible to significant improper payments. Because of their short-term nature, we did not report estimates of improper payments for these programs. However, we continue to conduct risk assessments of these programs in accordance with OMB guidelines.

One of our COVID-19 pandemic relief programs, the Emergency Rental Assistance Program (ERA), is susceptible to significant improper payments. At Congress' direction, we created and implemented this program under extraordinary emergency conditions and on an expedited timeframe. We are actively identifying and attempting to recover those payments deemed to be improper under this program.

In addition, the three IRS COVID-19 pandemic relief programs discussed above—the CDCTC, U.S. Coronavirus Payments, and U.S. Coronavirus Refundable Credits—are susceptible to significant improper payments. The *American Rescue Plan Act of 2021* temporarily expanded the CDCTC for Tax Year 2021, including making the credit refundable and increasing the amount of eligible expenses and the maximum credit rate. The IRS emphasized outreach and education to help taxpayers, tax preparers, and filing platforms understand the temporary eligibility requirements and changes to the credit, rather than relying on additional pre-refund audits. Although the temporary provisions have expired, the IRS continues to address Tax Year 2021 claims through its established compliance process.

Treasury's Office of Inspector General (OIG) concluded that we were non-compliant with two of the 10 PIIA reporting requirements for FY 2025. Specifically, we did not comply with the requirements to report an improper payment rate of less than 10 percent for four of the IRS RTC programs mentioned above (EITC, AOTC, ACTC, and net PTC) and did not demonstrate improvements to payment integrity. The OIG did not provide any recommendations regarding these non-compliant criteria. Refundable tax credit overclaims do not result from internal control weaknesses that the IRS can remediate internally. Rather, they stem from factors beyond the agency's control under current law and existing authority. Without significant legislative action, meeting a target compliance date is a significant challenge.

Do Not Pay

In FY 2026, we continued implementing Do Not Pay (DNP) capabilities to support EO 14249, *Protecting America's Bank Account Against Fraud, Waste, and Abuse*, PIIA, and OMB Memorandum M-25-32*, Preventing Improper Payments and Protecting Privacy through Do Not Pay*. We expanded technical connections to enable award eligibility screening within financial and award systems and advanced implementation of DNP Payment Verification capabilities through Department-wide governance, bureau planning, technical working sessions, executive oversight, and collaboration with the Bureau of the Fiscal Service's Do Not Pay Program Management Office.

During FY 2026, we completed the first five phases of DNP onboarding, providing Department-wide access to pre-award and pre-payment eligibility screening. Activities included completing System of Records Notice reviews, submitting Program Assistance Listings, executing standard agency agreements, submitting required service requests and attestations, conducting matching program assessments, publishing Federal Register notices for applicable waivers, and completing technical onboarding and user training. We are preparing Computer Matching Agreements (CMAs) for FY 2027 for programs that are not eligible for a waiver under OMB Memorandum M-25-32.

With regards to payment verification, we completed Business Rule Request and Notification or programmatic exemption activities for the Deceased Payee, Taxpayer Identification Number (TIN), and Bank Account Verification services. Beginning in January 2026, we initiated reviews of Death Master File flags and returned payments. In May 2026, we expanded monitoring to include TIN and Bank Account Verification results. We continue to review flagged transactions and returned payments in accordance with the DNP implementation schedule. As of April 2026, approximately 124 of our programs were using DNP services.

We use a range of DNP pre-award and pre-payment services to strengthen payment integrity and prevent improper awards. These services include Web Portal Search, which enables both single and multi-record searches. In FY 2026, our users conducted over 28,000 searches, and identified over 319,000 matches against DNP data sources. In FY 2026, we also employed Do Not Pay Connect where Treasury users conducted over 180,000 searches and identified over 161,000 matches. We continue to use legacy services, such as Batch Matching and Continuous Monitoring on a limited basis to compare agency-submitted files against DNP sources, either as a one-time check or through ongoing updates. Screening frequency for Continuous Monitoring varies by file—occurring daily, weekly, or monthly as needed—and, as of August 2026, we screened over 21 million Batch Match and Continuous Monitoring records.

Additionally, we leverage DNP services to enhance payment verification processes, including the identification of deceased individuals to prevent improper payments. These efforts are part of the broader pre-award and pre-payment strategies, which involve tools like Web Portal Search for online single and multi-record checks. These services ensure that payments are not issued to ineligible recipients, thereby supporting payment integrity and reducing financial risk. In FY 2026, we screened over 21 million payments during the payment verification phase, totaling approximately $300 billion, and returned over 7,000 improper payments, totaling approximately $161 million.

These efforts support our payment integrity objectives by identifying potentially ineligible recipients before we issue awards and make payments, strengthening internal controls, and reducing the risk of improper payments.

Refundable Tax Credit Programs

In addition to reporting erroneous payments for RTCs within this section in accordance with the improper payment reporting requirements of the PIIA and OMB, Appendix C, we also report these erroneous payments as part of the tax gap estimate program (see Part 3, Section B: *Tax Gap and Tax Burden),* as we have long held that these RTCs are more

appropriately addressed in this section. Improper payment reporting does not simultaneously provide a comprehensive understanding of the extent and nature of taxpayer compliance with Internal Revenue Code tax credit provisions needed for tax administration purposes. The IRS's tax gap estimate and enterprise risk management framework better equip the IRS to analyze and address noncompliance throughout the federal tax system.

Moreover, while internal control deficiencies are generally considered to be a principal root cause of improper payments, internal control issues are not the root cause of RTC errors. Instead, they are largely the result of factors beyond the IRS's control, such as the statutory design of the RTCs, the complexity of the eligibility requirements, the lack of comprehensive third-party data for verification, and the IRS's reliance on taxpayers' self-certification of the accuracy of their returns. TIGTA agreed that risk assessments the IRS conducted indicate that improper payments from RTCs are not rooted in internal control weaknesses, financial management deficiencies, or reporting failures. Both GAO and TIGTA concur with our view by similarly reporting that RTC errors are largely due to the statutory design and complexity of the RTC programs, and the IRS's need to rely on self-certified, taxpayer-provided information that cannot be verified at the time of filing. We continue to support the reporting of RTC errors as part of the tax gap estimate.



Source: Adobe Stock

Primary Causes of RTC Errors

- Complex statutory eligibility rules
- Inability to verify taxpayer-provided information prior to refunding due to lack of independent data sources
- Lack of correctable error authority
- Statutory requirement to issue tax refunds within 45 days of the filing deadline without paying interest

We refer to erroneous claims for RTCs as "overclaims" and improper payment rates as "error" rates. Accordingly, we report error rates as outlined in the PIIA and OMB Appendix C, for four refundable tax credits—the EITC, AOTC, ACTC, and net PTC—which have error rates similar in concept to "significant improper payments." Each of these RTCs is described below.

Earned Income Tax Credit

Congress enacted the EITC in 1975 through the *Tax Reduction Act* (Public Law (P.L.) 94-12), as a temporary anti-poverty measure to offset inflation and rising Social Security payroll taxes. In addition to encouraging work and reducing dependence on cash welfare, the credit was also viewed as a means to encourage economic growth in the face of the 1974 recession and rising food and energy prices.[3] Since then, the EITC has undergone numerous legislative changes, most notably by the *Revenue Act of 1978* (P.L. 95-600), which made the EITC a permanent refundable tax credit. Congress believed the EITC would be an effective way to provide financial assistance to working families, with or without children, who might otherwise rely on government subsidized welfare payments.

American Opportunity Tax Credit

Education tax credits have generally been intended to provide federal financial assistance to students from middle-income families who may not benefit from other forms of traditional student aid.[4] Congress enacted the AOTC as part of the *American Recovery and Reinvestment Act of 2009* (P.L. 111-5) to replace the Hope Credit and to expand the education tax credit to lower- and upper-income students. The AOTC is a partially refundable tax credit that provides financial assistance

[3] *Congressional Research Report, The Earned Income Tax Credit (EITC): A Brief Legislative History, March 20, 2018*
[4] *Congressional Research Report, The American Opportunity Tax Credit: Overview, Analysis, and Policy Options, Updated June 4, 2018*

to taxpayers (or their children) with qualified educational expenses who are pursuing a higher education. Like other education tax credits, the AOTC was enacted with the goal of making higher education more affordable.

Child Tax Credit (CTC) and Additional Child Tax Credit

Congress enacted the CTC to help ease the financial burdens for families with children as part of the *Taxpayer Relief Act of 1997* (P.L. 105-34). If the CTC exceeds the tax liability, taxpayers may receive a portion of the credit as a refund, known as the ACTC. Various legislative changes over the past 30 years have made significant changes to the CTC, which have expanded it from a non-refundable credit generally available only to the middle- and upper-middle class, to a partially refundable credit that more low-income families are eligible to claim. The *Tax Cuts and Jobs Act of 2017* (P.L. 115-97) doubled the maximum CTC amount per qualifying child, increased the amount that taxpayers could claim as a refund, and extended eligibility to include more upper-middle class families. The *One Big Beautiful Bill Act* (P.L. 119-21) increased the maximum credit amount per qualifying child, effective for Tax Year 2025, and adjusted it for inflation thereafter.

Net Premium Tax Credit

The Premium Tax Credit, created under the *Affordable Care Act of 2010* (P.L. 111-148), was designed to make health insurance more affordable for individuals and families with lower incomes and helps cover the premiums for their health insurance purchased through the Health Insurance Marketplace. This program is operationally divided between the Department of Health and Human Services (HHS) and Treasury. The HHS, through the Centers for Medicare & Medicaid Services (CMS), administers advance payments to insurance providers on behalf of applicants/taxpayers through the federally facilitated exchange. These payments are referred to as advance payments of the Premium Tax Credit or "advance PTC". Treasury and the IRS administer the federal income tax return process where a tax credit (a repayment or zero repayment are other possibilities) is based on reconciliation of advance PTC amounts with final allowable PTC amount determined in tax filing. Payment of this credit is referred to as "net PTC".

REDUCING RTC ERRORS

Compliance with the improper payment legislation and OMB reporting guidance requires reducing each program's improper payment rate to 10 percent or less. Currently, the IRS must deploy a variety of costly enforcement tools, including audits, to verify the information on the tax return prior to paying tax refunds or collecting any tax due. The IRS allocation of enforcement resources needs to be carefully considered in compliance with PIIA. To meet OMB's metric of reducing the improper payment rate to 10 percent or less for FY 2026, RTC programs would need to reduce erroneous payments by $19.5 billion, based on FY 2026 estimates. Table 1 below, which shows the total RTC claims, estimated improper payments, and estimated improper payment rates for the EITC, ACTC, AOTC, and net PTC, illustrates the reductions needed to meet the 10 percent metric.

TABLE 1:

RTC Claims and Improper Payments, TY 2024 [1] (dollars in billions)				Reduction of Improper Payments to 10% of claims value	
Program	Claims	Improper Payments	Improper Payment Rates [2] [4]	10% of claims value	Reduction needed for ≤ 10%
EITC	$70.6	$22.7	32.2%	7.1	$15.6
ACTC	34.3	5.4	15.6%	3.4	2.0
AOTC	4.9	1.7	33.8%	0.5	1.2
net PTC [3]	3.0	1.0	33.3%	0.3	0.7
Total [5]	**$112.8**	**$30.8**	**27.3%**	**$11.3**	**$19.5**

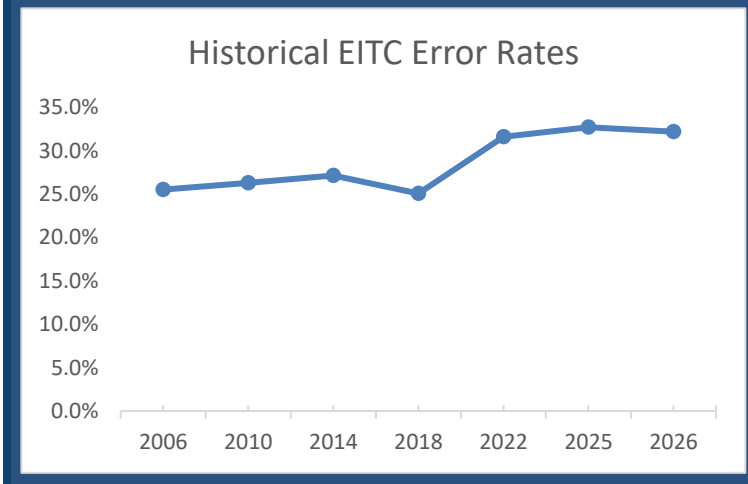
(1) In FY 2026, we are reporting on claims and improper payments associated with tax year 2024 tax returns filed in 2025 and 2026.
(2) Total improper payments ÷ Total RTC claims ($30.8 ÷ $112.8).
(3) Includes amounts for federal and state exchanges.
(4) Percentages may not calculate due to rounding.
(5) Total amounts may not calculate due to rounding.

The estimated improper payment rates for the RTCs for FY 2026 were not statistically different from the estimated rates reported for FY 2025. The sample precision margins at 95 percent confidence, for FY 2026 estimated rates are +/- 4.20 percent for EITC, +/- 1.69 percent for ACTC, +/- 5.14 percent for AOTC, and +/- 4.93 percent for net PTC. A two-sample test with 95% confidence determined that the differences in the FY 2026 EITC, ACTC, AOTC, and net PTC estimated improper payment rates, and the respective FY 2025 improper payment rates, are not statistically significantly different from zero. Accordingly, based on these samples, there is not significant evidence that the true population improper payment rates for EITC, ACTC, AOTC, or net PTC have changed.

As PTC has been determined to be susceptible to significant improper payments, the IRS and Treasury collaborated with HHS to develop a joint methodology for reporting improper payment information for advance PTC (reported by HHS) and net PTC (reported by Treasury).

Treasury reports net PTC for both the federal and state exchanges in Table 1 above. HHS reports advance PTC in its improper payment table within its AFR. Both agencies disclose a combined advance and net PTC rate in their AFRs. To satisfy reporting to OMB and PaymentAccuracy.gov requirements, the HHS reports disbursements/outlays, estimated error rates, and other data for advance PTC. The IRS similarly reports estimated overclaims and error rates for net PTC. The combined advance and net PTC rates are for informational purposes only and will not be included in either agency's overall improper payment rate as reported on PaymentAccuracy.gov. For TY 2024, the HHS reported advance PTC outlays of $99.1 billion and improper payments of $830.37 million. For TY 2024, IRS reported net PTC claims for federal exchanges of $1.7 billion and estimated improper payments of $552.2 million. The combined advance PTC and net PTC improper payment estimate for federal exchanges is $1.4 billion out of $100.8 billion total Premium Tax Credit outlays/claims, or a combined improper payment rate of 1.37 percent.[5]

The error rate for EITC has averaged 26.5 percent from FY 2006 to FY 2026 despite the ongoing base enforcement and EITC compliance strategies. The current improper payment statutory framework does not consider recoveries of improper payments as reductions to the error rate. Therefore, remediation efforts would need to be preventive in nature, which create challenges given the tax framework and the need to process returns timely or incur interest payment obligations. Accordingly, all enforcement activity would need to be in the pre-refund environment to be considered as a reduction of errors. The control activities specific to reducing the improper payment rate to less than ten percent are the same as those being deployed to reduce the RTC portion of the tax gap: additional audits, system build-outs or enhancements (upgrades), increased outreach, additional or enhanced third-party databases to verify taxpayer data, and others. The IRS would have to increase these control activities significantly in an entirely pre-refund environment to reduce the erroneous RTC payments, which would come with highly diminishing



Estimated Errors Have Averaged 26.5% Despite Efforts to Reduce Error Rates

EITC estimated error rates have ranged from 22.8 percent to 33.5 percent between FY 2006 and FY 2026, with an average annual error rate estimate of 26.5 percent.

[5] *The combined APTC and net PTC improper payment amounts in this paragraph reflect payment amounts for taxpayers using the federal exchange only.*

returns. Refer to Table 2 for other tax administration strategies.

The FY 2026 estimates are projected using multiple years of historical sample data from the National Research Program (NRP) Individual Income Tax reporting compliance studies. In response to smaller NRP sample sizes and the expected impact on the precision of the estimates, the IRS used statistical models to estimate the improper payment rate for each refundable credit (ACTC, AOTC, EITC, and the Net PTC) beginning in FY 2025. Using statistical models to improve the precision of estimates with limited samples is a common practice by U.S. statistical agencies, and the IRS uses models to estimate portions of the tax gap. The statistical models are unique to each credit and are trained on NRP data from 2010 (2014 for Net PTC) to 2020 and then applied to the TY 2024 universe of returns.

RTC Improper Payment Reduction Strategies

Much of the information necessary to validate the accuracy of RTC claims before issuing a tax refund is not comprehensively available in any U.S. government database. As a result, the IRS historically allocated enforcement resources to audit returns that claim one or more RTCs. Over-reliance on pre-refund audits to resolve basic errors results in interest costs to the U.S. government by delaying the issuance of refunds to taxpayers. In response to these challenges, the IRS is realigning resources internally to accelerate progress toward its strategic priorities. The IRS seeks to inform preparers about the availability of the credits and about the eligibility requirements that taxpayers must meet to claim the credits. The IRS uses many communication vehicles to send important and useful messages to the return preparer community. Table 2 highlights the IRS's RTC improper payment reduction strategies.

TABLE 2:

RTC Improper Payment Reduction Strategies	
Nationwide Tax Forum	The IRS hosts annual tax forums that offer tax professionals the opportunities to learn the latest news and gain valuable insight on the tax industry from the IRS leadership and experts. In FY 2026, preparers attended presentations entitled, *How Much Do You Know About Refundable Credits,* and *The Details Matter When It Comes to Your Due Diligence.* The presentations were intended to increase preparers' understanding of the eligibility rules and the due diligence requirements for the refundable tax credits.
Interactive Due Diligence Training Module	The IRS Paid Preparer Due Diligence Training Module on IRS.gov provides technical guidance on tax preparers' due diligence requirements. In FY 2026, more than 30,000 tax preparers earned a certificate of completion.
Tax Preparer Toolkit	The IRS Tax Preparer Toolkit on IRS.gov provides resources to help tax return preparers correctly claim the Earned Income Tax Credit (EITC), Additional Child Tax Credit (ACTC), American Opportunity Tax Credit (AOTC), Net Premium Tax Credit (net PTC), and other tax benefits. In FY 2026, the Toolkit received approximately 60,000 page visits.
Software Developers Working Group	The IRS holds meetings with members of tax preparation companies and software industry representatives to identify software enhancements that can help reduce refundable credit errors and to assist paid preparers in meeting their due diligence requirements.
Filing Season Readiness Webinars	The IRS conducts educational webinars and relays messages to educate and provide legislative information to tax professionals. In FY 2026, over 21,000 preparers attended the virtual webinar on refundable tax credit eligibility and due diligence requirements entitled, *Stand Out as a Trusted Tax Professional, A Guide to Prepare Accurate Refundable Tax Credit Returns for Your Clients,* and *Law and Audit: The Due Diligence Process.*
Tax Preparer Alerts	IRS updates alerts on IRS.gov to provide return preparers with current news and information on key refundable credit and return filing topics.
Refundable Credits Summit	In FY 2026, the IRS held its annual summit attended by external organizations and agencies. The objectives of the 2026 Summit were to share information on IRS compliance and outreach activities, and to solicit input on ways to increase participation, improve administration and reduce overclaims of refundable credits.
Dependent Database (DDb) Meeting	In FY 2026, IRS held its annual Dependent Database (DDb) meeting with all stakeholders that have a vested interest in refundable tax credits. The meeting was held to evaluate the value of prior-year compliance filters and audit selection criteria and to discuss improvement opportunities to refundable tax credits for the next filing season.

Further improving the payment integrity of the RTC programs will take actions beyond our control. Legislative changes over time have been proposed to provide the IRS with more effective tools for managing RTCs, including expanding penalties for paid preparers, increasing oversight of e-file participants, and clarifying the Secretary's authority to regulate preparer conduct. Recognizing that education is a critical tool in preventing errors, the IRS continues to invest in extensive outreach to taxpayer and tax professionals. As outlined in the chart above, these efforts include targeted communications, updates to guidance, and expanded engagement with tax professionals to address common filing issues. These efforts, combined with systemic filter calibration, interagency data matching, and targeted taxpayer education, reflect a combination of approaches to mitigate improper payment risks inherent in RTC administration.

SECTION E: CIVIL MONETARY PENALTIES INFLATION ADJUSTMENT

The *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* (2015 Act) amended the *Federal Civil Penalties Inflation Adjustment Act of 1990* (Inflation Adjustment Act), to improve the effectiveness of civil monetary penalties (CMPs) and to maintain their deterrent effect. The 2015 Act requires agencies to annually adjust the level of CMPs for inflation and report on these adjustments in AFRs. Agencies are required to follow annual OMB guidance to make inflation adjustments and publish the latest penalty levels in the Federal Register no later than January 15 each year. The Inflation Adjustment Act and the 2015 Act exclude penalties under the IRC and the *Tariff Act of 1930*.

Information about the latest inflation adjustments to the CMPs within our jurisdiction can be found at the following locations:

Alcohol and Tobacco Tax and Trade Bureau: 90 FR 4634
https://www.federalregister.gov/documents/2025/01/16/2025-00912/civil-monetary-penalty-inflation-adjustment-alcoholic-beverage-labeling-act

Financial Crimes Enforcement Network: 90 FR 5629
https://www.federalregister.gov/documents/2025/01/17/2025-01374/financial-crimes-enforcement-network-inflation-adjustment-of-civil-monetary-penalties

Office of Investment Security: 90 FR 8429
https://www.federalregister.gov/documents/2025/01/29/2025-01633/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties-for-violations-of-provisions

Office of Foreign Assets Control: 90 FR 3687
https://www.federalregister.gov/documents/2025/01/15/2025-00786/inflation-adjustment-of-civil-monetary-penalties

Office of the Comptroller of the Currency: 90 FR 1848
https://www.federalregister.gov/documents/2025/01/10/2025-00374/notification-of-inflation-adjustments-for-civil-money-penalties

Terrorism Risk Insurance Program and Treasury-wide: 90 FR 25483
https://www.federalregister.gov/documents/2025/06/17/2025-10963/inflation-adjustment-of-civil-monetary-penalties

SECTION F: GRANTS PROGRAMS

The summary table below shows the total number and balances of federal grants and cooperative agreements that we awarded for which closeout has not yet occurred and the period of performance has elapsed by more than two years.

CATEGORY	2-3 Years	4-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	95	67	-
Number of Grants/Cooperative Agreements with Undisbursed Balances	24	25	-
Total Amount of Undisbursed Balances	**$ 534,747**	**$ 679,492**	**$ -**

The majority of these awards are with IRS's Volunteer Income Tax Assistance, Tax Counseling for the Elderly, and Low Income Taxpayer Clinics grant programs. The IRS continues to make the closeout of awards a priority every fiscal year, and has reduced the number of expired grant and cooperative agreements with a period of performance over two years from 290 in FY 2025 to 207 in FY 2026. The Grants Program Office (GPO) added a special group to address outstanding awards and has made substantial progress in reducing the backlog of awards pending closeout. Since 2024, GPO has closed more than 200 grants. Despite this progress, employee turnover, staffing vacancies, competing priorities, and operational challenges associated with the grants management system have affected the timely reconciliation and closeout of awards. To address the remaining backlog, GPO will continue prioritizing aging awards, strengthening staff training and workload management, resolving outstanding system-related issues, and monitoring closeout milestones to ensure awards are closed as promptly as possible.

APPENDIX: GLOSSARY OF ACRONYMS

Abbreviation	Description
2015 Act	Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015
ACTC	Additional Child Tax Credit
AFR	Agency Financial Report
AGI	Adjusted Gross Income
AML/CFT	Anti-Money Laundering and Countering the Financing of Terrorism
AOTC	American Opportunity Tax Credit
APR	Annual Performance Report
APTC	Advance Premium Tax Credit
ARP	American Rescue Plan Act of 2021
ARRA	American Recovery and Reinvestment Tax Act of 2009
ASM	Assistant Secretary for Management
BCRA	Banco Central de la República Argentina
BEP	Bureau of Engraving and Printing
BFS	Bureau of the Fiscal Service
BGP	Bond Guarantee Program
BSA	Bank Secrecy Act
CAA	Consolidated Appropriations Act, 2021
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDCTC	Child and Dependent Care Tax Credit
CDFI	Community Development Financial Institutions
CFIUS	Committee on Foreign Investment in the United States
CFO	Chief Financial Officer
CFM	Center for Financial Management
CIFS	Critical Individual Filing Season
CIO	Chief Information Officer
Civil Service Fund	Civil Service Retirement and Disability Trust Fund
CMA	Computer Matching Agreements
CMP	Civil Monetary Penalties
CMS	Centers for Medicare & Medicaid Services
CO&S	Chartering, Organization and Structure
Compliance Framework	FFMIA Compliance Determination Framework
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CRO	Chief Risk Officer
CSRS	Civil Service Retirement System
CTC	Child Tax Credit
D.C.	District of Columbia
D.C. Federal Pension Fund	D.C. Teachers', Police Officers', and Firefighters' Federal Pension Fund
DDb	Dependent Database
DF	Domestic Finance

Abbreviation	Description
DNP	Do Not Pay
DO	Departmental Offices
DOGE	Department of Government Efficiency
DOL	Department of Labor
Do Not Pay	Do Not Pay Working System
ED or Education	Department of Education
EFT	Electronic Funds Transfer
EITC	Earned Income Tax Credit
EO	Executive Order
EP	Economic Policy
ERA	Emergency Rental Assistance
ERM	Enterprise Risk Management
ESA	Exchange Stabilization Agreement
ESF	Exchange Stabilization Fund
Fannie Mae	Federal National Mortgage Association
FARS	Financial Analysis and Reporting System
FASAB	Federal Accounting Standards Advisory Board
FATF	Financial Action Task Force
FCDA	Foreign Currency Denominated Assets
FCRA	Federal Credit Reform Act
FDC	Funds from Dedicated Collections
FECA	Federal Employees' Compensation Act
Federal Reserve Act	Federal Reserve Act of 1913
Federal Reserve Board or Board	Federal Reserve Board of Governors
FEGLI	Federal Employees Group Life Insurance
FEHBP	Federal Employees Health Benefits Program
FERS	Federal Employees' Retirement System
FFB	Federal Financing Bank
FFMIA	Federal Financial Management Improvement Act of 1996
FHFA	Federal Housing Finance Agency
FIFA	International Federation of Association Football
Financial Report	Financial Report of the U.S. Government
FinCEN	Financial Crimes Enforcement Network
FISMA	Federal Information Security Modernization Act
FMFIA	Federal Managers' Financial Integrity Act
FOMC	Federal Open Market Committee
FR System	Federal Reserve System
FRB	Federal Reserve Bank
FRBB	Federal Reserve Bank of Boston
FRBNY	Federal Reserve Bank of New York
Freddie Mac	Federal Home Loan Mortgage Corporation
FRN	Floating Rate Note

Abbreviation	Description
FTI	Federal Tax Information
FTO	Fine Troy Ounce
FY	Fiscal Year
G Fund	Government Securities Investment Fund
G-Invoicing	Government Invoicing
G7	Group of Seven
G20	Group of 20
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GDP	Gross Domestic Product
General Fund	General Fund of the U.S. Government
GENIUS Act	Guiding and Establishing National Innovation for U.S. Stablecoins Act
GPO	Grants Program Office
GPRA	Government Performance and Results Act
GSA	General Services Administration
GSE	Government Sponsored Enterprise
HAF	Homeowner Assistance Fund
HERA	Housing and Economic Recovery Act of 2008
HFA	Housing Finance Agency
HHS	Department of Health and Human Services
HR	Human Resources
HVA	High Value Asset
IA	International Affairs
IAP	International Assistance Programs
IMF	International Monetary Fund
Inflation Adjustment Act	Federal Civil Penalties Inflation Adjustment Act of 1990
IRA	Inflation Reduction Act
IRC	Internal Revenue Code
IRIS	Information Returns Intake System
IRS	Internal Revenue Service
IT	Information Technology
Judicial Retirement Fund	District of Columbia Judicial Retirement and Survivors Annuity Fund
LLC	Limited Liability Company
MDB	Multilateral Development Bank
MDI	Minority Deposit Institution
MDL	Management Decision Letter
MOU	Memorandum of Understanding
MSF	MS Facilities 2020 LLC
NAB	New Arrangements to Borrow
NAFA	North American Framework Agreement
NIBP	New Issue Bond Program
NIST	National Institute of Standards and Technology

Abbreviation	Description
NRP	National Research Program
NRPM	Notice of Proposed Rulemaking
OCA	Office of Capital Access
OCC	Office of the Comptroller of the Currency
ODCP	Office of D.C. Pensions
OFAC	Office of Foreign Assets Control
OFAS	Office of the Fiscal Assistant Secretary
OFR	Office of Financial Research
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPEB	Other Post-Employment Benefits
OPM	Office of Personnel Management
OPM Funds	Civil Service Fund and Postal Benefits Fund
ORB	Other Retirement Benefits
OTC	Over-the-Counter
P.L.	Public Law
PA	Public Affairs
PBM	Position Budget Management
PEP	Platform Evolution Program
PIIA	Payment Integrity Information Act of 2019
PIK	Payment-in-Kind
PIO	Performance Improvement Officer
Postal Benefits Fund	Postal Service Retiree Health Benefits Fund
PP&E	Property, Plant, and Equipment
PPSI	Permitted Payment Stablecoin Issuers
PRGT	Poverty Reduction and Growth Trust
PSP	Payroll Support Program
PTC	Premium Tax Credit
PTIN	Preparer Tax Identification Number
RTC	Refundable Tax Credits
SAR	Suspicious Activity Report
SBLF	Small Business Lending Fund
SBR	Statement of Budgetary Resources
SDR	Special Drawing Rights
Secretary	Secretary of the Treasury
SFFAS	Statement of Federal Financial Accounting Standards
SI	Super Intelligence
SLFRF	Coronavirus State and Local Fiscal Recovery Funds
SLGS	State and Local Government Series
SOAR	Strategic Objective Annual Review
SOMA	System Open Market Account
SPO	SharePoint Online

Abbreviation	Description
SPSPA	Senior Preferred Stock Purchase Agreements
SPV	Special Purpose Vehicle
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
TCSC	Treasury Common Services Center
TEOAF	Treasury Executive Office of Asset Forfeiture
TFI	Office of Terrorism and Financial Intelligence
TFS	TIER Financial Statements
TGA	Treasury General Account
TIER	Treasury Information Executive Repository
TIGTA	Treasury Inspector General for Tax Administration
TIN	Taxpayer Identification Number
TIPS	Treasury Inflation-Protected Securities
TP	Tax Policy
TREAS	Treasurer of the United States
TRIA	Terrorism Risk Insurance Act
TRIP	Terrorism Risk Insurance Program
TSP	Thrift Savings Plan
TTB	Alcohol and Tobacco Tax and Trade Bureau
TY	Tax Year
U.S.	United States
U.S. Mint or Mint	United States Mint
USC	United States Code
USDA	United States Department of Agriculture
USPS	United States Postal Service
USSGL	United States Standard General Ledger
USVSST	U.S. Victims of State Sponsored Terrorism
WFTC	Working Families Tax Cut Act
XBRL	eXtensible Business Reporting Language
ZPI	Zero Paper Initiative

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