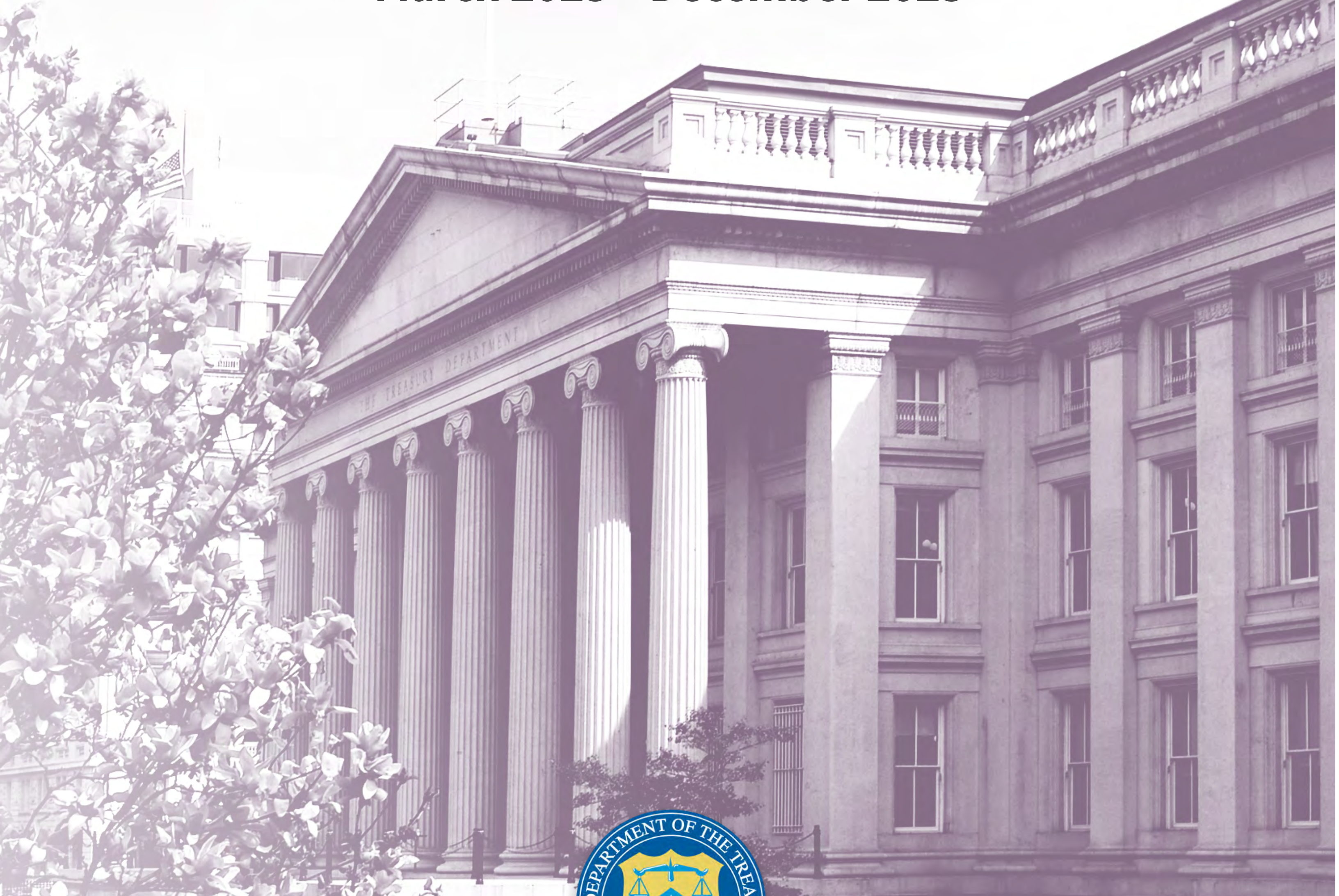
U.S. Department of the Treasury

Technical Progress Report to the Treasury Advisory Committee on Racial Equity (TACRE)

March 2023 – December 2023



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March 2023 – December 2023

April 18, 2024

Dear Members of the Treasury Advisory Committee on Racial Equity,

Since its first official convening in December of 2022, the Treasury Advisory Committee on Racial Equity has voted on over 40 recommendations on topics ranging from expanding research into the fairness of the tax system to improving capital delivery to underserved communities to modernizing the Internal Revenue Service to broadening opportunity in communities that have been historically excluded from major public investments. These recommendations – the product of more than a year's work by the Committee – have been presented to Secretary Yellen and Deputy Secretary Adeyemo and closely analyzed by experts in the Department. We are committed to taking further steps to unlock the economic potential of communities across the country and to build greater shared prosperity for all.

The Committee's work has come together at an extraordinary moment of investment in the American economy, especially through legislation championed by President Biden like the Bipartisan Infrastructure Law, the CHIPS and Science Act, and the Inflation Reduction Act, that will help improve economic opportunity for generations to come. Against the backdrop of this historic legislation, your input and recommendations have helped inform Treasury's efforts to address the needs of the most vulnerable and underserved in a sustained way and across a wide range of policy priorities.

This report summarizes Treasury's work on these issues and responds to the Committee's initial recommendations. I am proud that Treasury has accepted most of the recommendations received. Where the Department has been unable to accept a recommendation in full or part, Treasury has worked diligently to identify alternatives that meet the spirit of the Committee's input and laid the groundwork for further analysis and action.

The impact of the Committee on Treasury's efforts extends beyond the technical analysis of specific recommendations. Treasury has benefitted from the process of working through the Committee's advice and the Committee's focus on fairness and equity in our actions. Members have participated in Treasury events, webinars, and policy briefings, and Treasury leaders have traveled to participate in local events and meet with the constituents and stakeholders there. All of this has deepened the Department's understanding of the range of experiences, challenges, and opportunities facing historically marginalized or otherwise underserved communities and the role Treasury can play in bringing people, businesses, and communities more fully into the nation's economy.

Our work has truly just begun. My hope is that we are building a foundation for the ongoing work of the Committee. Thank you so much for your time and ideas, your collaboration, is essential to making the lasting and structural changes necessary to foster an economy that truly works for all.

Sincerely,

Janis Bowdler

Janis Bowdler
Counselor for Racial Equity

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Notes

This progress report uses the following general explanations for terms used, unless otherwise stated in the report:

- "Treasury" refers to the U.S. Department of the Treasury.
- "IRS" refers to the Internal Revenue Service.
- "TACRE" refers to the Treasury Advisory Committee on Racial Equity.

Janet L. Yellen
Secretary of the Treasury

"A critical piece of executing on our racial equity goals is bringing a wide set of outside perspectives and lived experiences to the decision-making table. The Treasury Advisory Committee on Racial Equity, made up of members with wide-ranging backgrounds and expertise, will provide important insight and advice to leadership across the department to bolster and inform our equity efforts."

- Secretary of the Treasury Janet L. Yellen

Executive Summary

The Treasury Advisory Committee on Racial Equity (TACRE) serves as a pivotal advisory body, established in March 2022 with the objective of scrutinizing and making recommendations to help the U.S. Department of the Treasury (Treasury) address economic disparities within the domestic economy that disproportionately affect Black, Latino, Asian American, Native Hawaiian, Pacific Islander, and other persons of color. The Committee's charter allows for review and advice on economic sectors and policies contributing to these disparities. By closely examining and understanding economic disparities by race and by recommending changes to the design and implementation of Treasury policies and programs to respond to identified and documented barriers to economic opportunity, TACRE helps Treasury fulfill its mission to promote an economy that is not just strong, but that lives up to its full potential—not just in aggregate but for everyone.

TACRE is composed of 24 members, organized into four subcommittees: Inflation Reduction Act (IRA) Implementation; Financial Health, Inclusion, Access to Capital; Research and Data Equity; and Internal Staffing and Culture. These subcommittees are dedicated to advancing a set of core principles across their activities, notably using data to identify opportunities to advance equity, defining actionable steps for Treasury and potential initiatives in the broader public and private sectors, enhancing the accessibility of programs coupled with a robust community outreach effort, and focusing on both geographic-based and individual-level outcomes within communities.

Over the course of four committee meetings in 2023, the committee members voted to submit more than 40 recommendations to Treasury. These recommendations have been shared with Secretary Yellen and other senior leaders and have helped inform Treasury's efforts on various issues.

This technical report summarizes Treasury's responses to the advice, insights, and recommendations received from TACRE. Where Treasury would be unable to implement the written recommendations, staff worked collaboratively with the Committee to explore potential alternatives. Key accomplishments included:

- Issuing an addendum to the FY2025 Greenbook outlining the impact tax policy has had on racial wealth inequality and showing the effects of three FY2025 revenue proposals on reducing the racial wealth gap.
- Issuing a CDFI Certification, strengthening standards for responsible lending and enhancing CDFIs' ability to direct services to Vietnamese, Filipino, Native Hawaiian, and Alaska Native families and communities.
- Publishing a Notice of Proposed Rulemaking that would authorize the Census Bureau to receive additional tax information for statistical purposes.
- Monitoring customer support questions during the Direct File pilot to identify taxpayer challenges and implementing product improvements that mitigate barriers to successful filing. During the pilot, IRS developed and launched the ability for Direct File users to automatically import their prior-year AGI from their IRS account into their return, addressing the most common error that keeps taxpayers from successfully filing their returns.

- Prioritizing persistent poverty counties, emerging businesses, and mission-based organizations in designing and launching the Low-Income Communities Bonus Tax Credit Program, which expands renewable energy technology for low-income families.
- Creating data-driven assessment tools to examine recruitment, retention, and mobility opportunities for Treasury employees.
- Conducting barrier analysis through review of available data, new surveys, and focus groups to create strategies that lower barriers for small businesses owned by members of historically underserved communities seeking contracting opportunities with Treasury.
- Establishing new templates and frameworks for soliciting community input, which inform policy design and help drive more inclusive approaches to meeting the needs of underserved communities.
- Reopening Individual Taxpayer Identification Number (ITIN) certified acceptance agent applications resulting in more than 1,000 new applications for agents that streamline access to ITINs and over 133,000 new ITINs issued as of March 2024.

TACRE's recommendations continue to inform Treasury to help ensure that individuals from all backgrounds and places can access capital and financial inclusion programs and leverage benefits, such as tax credits, available under the Inflation Reduction Act (IRA). Treasury continues to consult with TACRE about ways to expand access to and use data to ensure Treasury benefits from a workforce that reflects a broad range of perspectives and backgrounds and the country's rich diversity. Finally, TACRE's recommendations guide Treasury as it advances and supports opportunities for scholars within Treasury and outside of government to study equity in tax policy and tax administration.

Technical Progress Report:

Treasury Responses to TACRE Recommendations Received March 2023 – December 2023

Introduction

Treasury's mission is to maintain a strong economy by promoting conditions that enable equitable and sustainable economic growth at home and abroad, combating threats to and protecting the integrity of the financial system, and managing the U.S. government's finances and resources effectively. To achieve this mission, Treasury must address challenges such as the legacy of structural racism, gender-based discrimination, and negative climate and environmental impacts disproportionately affecting underserved people, poor environmental and climate policies, economic disadvantages facing rural communities, and economic exclusion that continue to keep some people, businesses, and communities from fully participating in and benefiting from our nation's economic growth and prosperity.

On his first day in office, President Biden issued Executive Order 13985, requiring federal agencies to examine the lingering legacies of policies that marginalized communities, impeded economic opportunities, and advanced solutions to create a truly inclusive economy.[1] In response, Treasury published an Equity Action Plan One Year Progress Report and an updated and expanded plan in February 2024. In these documents, Treasury outlined a new approach to pursuing an economy that unlocks the potential of all communities. Treasury's actions contributed to one of the most equitable recoveries on record.

In examining opportunities to strengthen Treasury's responsiveness to underserved and under-resourced communities, Treasury recognized the specific challenges facing Black, Hispanic, Asian American, Native Hawaiian, Pacific Islanders (AANHPI), and other communities of color. To aid in exploring solutions to address the economic challenges, Treasury established the Treasury Advisory Committee on Racial Equity (TACRE). TACRE is designated under the Federal Advisory Committee Act[2] and is structured to bring experts together to advise Treasury on advancing racial equity and addressing acute disparities among communities of color that have historically been underserved, marginalized, and adversely affected by persistent poverty and inequality.

TACRE's work has come at a critical time for Treasury. Recent investments authorized by Congress from the American Rescue Plan (ARP) Act, CHIPS and Science Act, Bipartisan Infrastructure Law (BIL), and Inflation Reduction Act (IRA) mark a transformative phase in the economy. As the nation fortifies and expands its infrastructure, restores critical supply chains, and enhances climate resilience, significant new opportunities arise for workers, small businesses, and communities. Secretary Yellen's Modern Supply Side economics emphasizes investments in long-overlooked sectors, people, and places, contributing to the advancement of marginalized communities and fostering a more robust economy for everyone. When all Americans have the tools and resources needed to fully participate in our nation's investments in manufacturing, infrastructure development, and climate transition, economic growth is more broadly shared, and our entire economy benefits.

1 The White House. (2021a, January 21). *Executive Order on Advancing Racial Equity and Support for Underserved Communities through the Federal Government*. https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/20/executive-order-advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government/

2 The U.S. General Services Administration (GSA). *The Federal Advisory Committee Act.* https://www.gsa.gov/policy-regulations/policy/federal-advisory-committee-management/legislation-and-regulations/federal-advisory-committee-act

Description of TACRE

TACRE members were selected through an open request for membership applications via the Federal Register on March 4, 2022. Treasury identified 25 inaugural members from several hundred applications that met the TACRE Membership Balance Plan requirements. Members represent a range of professional sectors and expertise, geographies, and disciplinary backgrounds. The inaugural committee members were named in October 2022 and hosted their first meeting in December 2022.

TACRE members defined key priorities to guide their work and established four subcommittees to delve deeper into key issues. Over the course of four meetings in 2023, the Committee voted to send Treasury more than 40 recommendations.

Recommendation Response Overview

Treasury conducted due diligence on each recommendation as it was received. Treasury will continue to work collaboratively with TACRE members to explore alternatives that meet the spirit of recommendations where it is not possible to implement a recommendation as written.

This Technical Progress Report summarizes the recommendations received in TACRE's first year and the actions and commitments Treasury takes in response.[3] The paper is organized according to TACRE's four subcommittees; however, all recommendations received were presented and voted upon by the full Committee. The four subcommittees are:

- Inflation Reduction Act Implementation
- Financial Health, Inclusion, Access to Capital
- Research and Data Equity
- Internal Staffing and Culture

The full text of the recommendations submitted by TACRE can be found in the Appendix.

3 Full meeting materials and recommendations can be found in the U.S. Department of the Treasury. *Treasury Advisory Committee on Racial Equity.* https://home.treasury.gov/about/offices/equity-hub/TACRE

Inflation Reduction Act Implementation Subcommittee

On August 16, 2022, President Biden signed the IRA into law, marking one of the largest investments in the American economy and the largest investment in energy security and climate resiliency that Congress has made in the nation's history. In part, the IRA intends to expand clean energy and accelerate the adoption of climate resiliency technologies. In addition to creating the infrastructure to lower household energy costs while reducing greenhouse gas emissions, the IRA also creates significant economic opportunities, strengthening domestic supply chains and creating jobs that pay prevailing wages. Treasury is responsible for implementing major elements of the law, including tax incentives that spur investment in clean energy and manufacturing, efforts to lower healthcare costs, corporate tax code reforms that enhance economic fairness, and the Internal Revenue Service's (IRS) efforts to dramatically improve customer service, modernize technology, and ensure the wealthy and large corporations pay the taxes they legally owe.

TACRE recognized the generational opportunity to advance structural change in our nation's economy and deliver tax credits and incentives that can lower energy costs, drive family financial security, and boost economic opportunity in underserved places.

After decades of underfunding, the IRA includes critical resources to modernize IRS. IRS published a Strategic Operating Plan (SOP) to guide its transformation over the next decade, outlining key initiatives to expand digitalization, improve customer service, improve tax credit uptake, and rebalance enforcement priorities to enhance fairness in tax administration. TACRE seized the opportunity to make timely recommendations to prioritize SOP initiatives and ensure the next phase of IRS service delivery is designed with vulnerable tax filers in mind.

Subcommittee Priorities

The IRA subcommittee identified the following five priorities to guide its work:[4]

1. Advise the Treasury Department on the data collection practices and accountability metrics related to the IRA tax credits that will best support the equitable implementation of the Inflation Reduction Act. Relevant metrics include population uptake and utilization of benefits, infrastructure support, and audit disparities reporting. Note that this is important given the [Office of Management and Budget (OMB)]'s obligation, as mandated by the IRA, to track the agency's use of IRA dollars based on labor, equity, and environmental standards.
2. Provide advice to the Treasury Department regarding its plan to modernize and transform the IRS. TACRE will identify and recommend short-term and longer-term changes to ensure that all Americans receive the benefits for which they are eligible.
3. Provide recommendations to the Treasury Department on the policy design of its tax provisions in IRA, especially the place-based provisions (such as the Low-Income Communities Bonus Credit program), so that they best achieve equitable outcomes and directly benefit communities and individuals on the ground.
4. Provide guidance to the Treasury Department on using its authority and tools to protect communities and consumers from predatory activity and actors.
5. Work with the Treasury Department to develop outreach efforts to engage diverse communities in accessing new programs, address implementation barriers, and inform new stakeholders about the Treasury's transformational vision for the IRS.

4 Three subcommittees created a set of priorities to guide their efforts. All priorities can be found here: https://home.treasury.gov/system/files/136/TACRESubcommitteePriorities-April2023.pdf

Recommendations and Responses

Recommendations that originated with the IRA Implementation subcommittee focus on three topics: 1) Direct File, 2) IRA Clean Energy Credits, and 3) Reporting on IRA Outcomes.[5] Below is a summary of the recommendations and Treasury's responses.

TACRE Recommendations

1. **Direct File**
   - **Direct File - Equity-Focused Success Definition:** For the Direct File pilot program, the Committee recommends adopting a definition of success for the program that includes a 30 percent completion rate among taxpayers who start the process and, among those who do meet that criterion, a 50 percent completion rate within one hour, reaching households with income below the poverty line and irregular filing histories, and completion outcomes that are equitable across demographic and socioeconomic strata. TACRE advises dynamic monitoring of outcomes related to access to the pilot program throughout 2024 and suggests using sub-pilots to assess efforts to remove barriers to access experimentally. Upon the conclusion of the Direct File pilot program, TACRE advocates for adopting a comprehensive definition of success, encompassing completion rates, timelines, and equitable outcomes across demographic and socioeconomic strata for the Direct File Pilot Success Metrics.
   - **Direct File—Equity-Focused Program Enhancements:** Following the Direct File pilot, the Committee recommends that post-pilot decision-making prioritize accessibility and access. For example, the systems in place for identity verification could disproportionately impact some groups of people, reducing the accessibility of the Direct File pilot program.

Treasury Response

The Direct File pilot program represents a generational opportunity to advance IRS customer service by delivering a product that is accurate, easy to use, and saves taxpayers money on high-cost tax preparation services. Direct File shows taxpayers the math so they can be sure they receive the refund to which they are entitled. Treasury and IRS used focus groups and surveys in English and Spanish and extensive stakeholder engagement to design the initial pilot, launched in March 2024.

Treasury worked with IRS to design and launch a Direct File Pilot with diverse and vulnerable taxpayers in mind. During the 2024 filing season, IRS piloted Direct File. This historic new service allows eligible taxpayers to prepare and file their tax returns online, for free, directly with IRS. The pilot was available in 12 states (Arizona, California, Florida, Massachusetts, New Hampshire, New York, South Dakota, Tennessee, Texas, Washington, and Wyoming) for eligible taxpayers with relatively simple income situations, claiming the standard deduction and only claiming certain credits (EITC, Child Tax Credit, and Credit for Other Dependents). One innovative feature of Direct File is a live chat feature that allows users to get help from dedicated Direct File customer support representatives.

Direct File prioritized accessibility and inclusive design from the outset. Tax filing is an annual civic ritual, yet it can be stressful and burdensome for many taxpayers. Existing programs offering free tax preparation can have barriers to use, such as complex jargon, English-only interfaces, support services, online tools that do not meet accessibility standards, or volunteer assistance services that require travel to a physical location. While an online self-preparation option is not the preferred choice for everybody, anyone who wishes to prepare their taxes with Direct File should be able to do so. Some of the ways IRS prioritized inclusion and accessibility include:

- Creating guiding principles to articulate accessibility and inclusive design goals, including a principle that the tool would not launch without a high level of confidence that it was accessible for those with visual and hearing impairments, and using guiding principles when onboarding new team members to establish clear expectations.

5 The technical report's recommendations are edited for brevity. The full text is available in the Appendix and online at https://home.treasury.gov/about/offices/equity-hub/TACRE/tacre-meeting-materials.

- Hiring specialists to focus on accessibility, undergirded by an understanding across the team that building an accessible product was a shared responsibility.
- Using plain language and helper text to make complex tax topics easier to understand.
- Launching the pilot in English and Spanish for eligible tax filers with Social Security Numbers or ITINs. The customer service functions, including live chat with a real IRS customer support staff person, were also available in English and Spanish.
- Conducting usability testing with people with disabilities, including those who use assistive technology, to ensure Direct File is accessible and easy to use for everyone.
- Making visual design intentionally simple, limiting the presentation of each question to a single screen to help people focus on one task at a time.
- Targeting accessibility standards above and beyond those required by Section 508 and a development process that required accessibility checks for user-facing changes.

The Direct File pilot is an important tool for taxpayers interested in using the service and a signal to all taxpayers about Treasury priorities. In line with TACRE recommendations and the Treasury's commitments to assessing how policies and programs perpetuate barriers for underserved communities and developing strategies for removing those barriers, Treasury plans to rigorously study the usage of the 2024 Direct File pilot after the filing season; this will inform Treasury's and IRS's decision on continuing Direct File in the future and, if continued, how to build upon the product to better serve taxpayers.

Treasury designed a comprehensive evaluation plan for Direct File.
The success of the Direct File Pilot will be measured across multiple quantitative and qualitative evaluation methods. Quantitative data will be collected from Direct File and its related customer experience survey and looking at Google Analytics, IRS analytics, the Individual Taxpayer Burden survey, the 2024 Taxpayer Experience Survey, and Customer Support analytics, among other sources. Direct File users can also share qualitative feedback through opt-in, interview-style surveys.

Through the pilot evaluation, Treasury will learn about the impacts of the Direct File pilot, including identifying uptake and potential gaps where Direct File access may be increased. Another key lesson will be in Treasury's ability to capitalize on feedback loops by leveraging what is learned from customer support to inform product improvements. Critically, Treasury will focus its evaluation on identifying points of leverage that help ensure taxpayers successfully complete their returns via Direct File.

Looking ahead

Treasury is committed to continuous improvement and adopting innovative approaches to eliminate barriers and scale systems that meet the needs of all Americans. Specifically, Treasury plans to:

- **Evaluate the Direct File Pilot and identify potential areas of improvement for low-income filers.** IRS will use several key indicators to evaluate the Direct File pilot, including taxpayer experience, return accuracy, technological stability, security and privacy, customer support, integration with state tax filing, and fraud detection and mitigation. IRS will also review aggregate data to indicate barriers experienced, supplemented by surveys and qualitative research. IRS will employ ongoing user research with taxpayers who use Direct File, in addition to qualitative and quantitative surveys, including the long-standing Individual Taxpayer Burden survey and back-end analytics.

TACRE Recommendations

2. **IRA Clean Energy Credits**
   - **Reporting on Credit Outreach:** TACRE emphasizes the importance of setting clear goals for the equitable distribution of IRA benefits; this involves developing a comprehensive outreach strategy and actively engaging with affected communities as well as hiring dedicated staff to focus on outreach about IRA and other benefits among populations who have historically been left behind. A crucial aspect is reporting on these outreach strategies' racial and demographic focus, ensuring transparency and accountability.
   - **Credit Recipient Labor Standards:** TACRE recommends robust tracking and oversight of labor standards within the IRA's clean energy provisions, advocating for coordinated efforts with pre-qualified apprenticeship programs.
   - **Community and Consumer Protections:** TACRE puts forth strategic recommendations to combat predatory activities, particularly concerning clean energy credits. Key suggestions include mandating credit claimants to provide consumers with plain language disclosure forms, ensuring claimants report on equity impacts, integrating consumer protections into elections and transferability, and establishing a joint task force with the Consumer Financial Protection Bureau (CFPB).
   - **Community-Specific Outreach Strategies:** Additionally, TACRE provides a comprehensive list of community organizations, spanning nine types, with whom Treasury should actively engage. This inclusive approach recognizes these organizations' vital role in facilitating effective outreach and fostering community trust.
   - **IRA Clean Energy Credits -- Renter-Focused Outreach:** TACRE advocates for leveraging government resources in outreach efforts; this includes directing the IRS to communicate directly with households that have yet to file and engaging interagency and state agencies to reach taxpayers and ensure they are aware of and taking advantage of permitted benefits. TACRE also recommends outreach to enable renters to take maximum advantage of the benefits available under the IRA.
   - **Trusted Community Organization Outreach:** Regarding outreach effectiveness, TACRE underscores the need to collaborate with community organizers and consider the lived experiences of marginalized and underserved communities when assembling outreach teams. This approach aims to enhance the resonance and impact of engagement strategies, recognizing the unique perspectives and challenges different communities face. TACRE recommends that Treasury hire and empower a tax credit outreach team to reach target populations for clean energy and family credits. Members of the outreach team should include individuals representing target communities.

Treasury Response

Treasury is committed to building a framework and set of practices that bring local intelligence from those closest to the problem into the policy design and implementation processes. Treasury is building relationships with community leaders, academics, practitioners, and institutions to augment its understanding of the priorities of a broad range of communities, support data interpretation, and provide essential feedback on the effectiveness of its approach. This shift recognizes that policies designed without considering local objectives and cultural attributes may risk exclusion and other unintended consequences. Evidence shows that inclusive policies informed by local contexts and needs enhance economic opportunities more effectively for underserved families, businesses, and neighborhoods and boost local economic growth.[6]

Treasury is taking several steps to meet the recommendations made by TACRE in this area.

6 Pastor, M., & Benner, C. (2015). *Equity, Growth, and Community: What the Nation Can Learn from America's Metro Areas.* California: University of California Press. DOI: https://doi.org/10.1525/luminos.6

Treasury has hired an IRA outreach team whose efforts, including its work through trusted partners, are informed by TACRE's recommendations. The stakeholder and outreach team has several activities underway, including:

- **Establishing systematic communication and continuity with communities and key stakeholders.** Treasury has developed standardized presentation materials and outreach strategies to take crucial program information directly to people, businesses, and communities that most need the information. Key examples include:
  - Developing and disseminating the Direct File Partner Outreach Toolkit to ensure the Direct File pilot reached underserved tax filers who might be wary of working directly with IRS. The toolkit was shared with over 600 community partners to support their efforts to enroll participants in the Direct File Pilot. Treasury is partnering with White House engagement and policy teams to host weekly Direct File Stakeholder Convenings for feedback and sharing of best and promising practices among partners. On average, 65 stakeholders attended these weekly calls.
  - Executing on place-based initiatives for elective pay/transfer election uptake: Treasury launched "Comeback Cities," a 150 cities campaign to visit our country's most distressed and underserved areas, raising awareness and conducting dialogue on the IRA's elective pay and transfer election benefits, a new mechanism created by the IRA that allows tax-exempt entities such as nonprofits and state and local governments to access tax credit equity for the first time. Also, to maximize uptake on elective pay and transfer election in Puerto Rico, Treasury – with the Department of Energy and the Domestic Policy Council – will conduct in-person educational roundtables in April 2024 in San Juan. The Puerto Rico educational roundtables are being facilitated by one of the Environmental Justice Thriving Communities Technical Assistance Centers and will be held in Spanish and English.
  - Conducting weekly webinars and workshops with tax-exempt entities on unlocking the benefits of elective pay/transfer election, focusing on building relationships with universities and school districts.
    - Following Secretary Yellen's visit to Roxbury Community College in Boston, Massachusetts, Treasury published a blog titled "A Clean Energy Future for America's Colleges and Universities" to highlight the benefits and opportunities presented by the IRA to higher education institutions.
    - Treasury conducted a webinar with the American Council on Education to discuss the role of elective pay/transfer election in improving the sustainability of college campuses and the potential cost savings of many clean energy projects.
    - When in the area, Treasury has conducted individual outreach sessions with universities, including Dartmouth University, the University of Michigan, Pennsylvania State University, and Wayne State University. Additional sessions are planned for the coming months.
    - Treasury published an IRA fact sheet for K-12 school districts to educate stakeholders on elective pay/transfer election benefits.
  - Developing a labor engagement strategy in historically underserved communities. Most IRA-eligible projects are being constructed or manufactured in high-poverty areas with low graduation rates and lower-than-average wages. To support the surrounding communities and clean energy workforce, Treasury is doing the following:
    - In December, Treasury established a Labor Table to learn how unions think about growing in historically disadvantaged areas being revitalized with American Rescue Plan and IRA funds and how best to promote qualified apprenticeship programs.
    - Treasury is cross-walking remaining State and Local Fiscal Recovery Funds (SLFRF) for pre-apprenticeship programs with IRA project-heavy locations.
    - These specific efforts are buoyed by regular speaking engagements, webinars, and educational opportunities across various interested groups.

- Developing a strategy to prioritize broad small business stakeholder engagement.
  - Treasury has been working with the National Minority Supplier Development Council (NMSDC) as a means to engage with minority business enterprises. The Deputy Secretary recently met with NMSDC's President and CEO, and Treasury hosted a webinar with DC-area suppliers in coordination with the Department of Energy. Treasury is working to coordinate a follow-up engagement.
  - Treasury presented a widely attended small business webinar hosted by Public Private Strategies (PPS) in December 2023. PPS has been a critical partner in identifying more opportunities to engage with diverse and women business owners, specifically Black and Latino business leaders. Treasury is also engaging with PPS to help It continue to meet with community-level stakeholders to share information and highlight promising practices.
- In partnership with the Small Business Administration (SBA), Treasury is conducting a series of webinars with SBA field offices to increase awareness and uptake of applicable clean energy credits for small businesses, households, and consumers and to incorporate small business and community feedback from field office representatives.
- In close partnership with the National Auto Dealers Association (NADA), Treasury is registering over 12,000 new and used dealers with IRS Energy Credits Online to provide an upfront payment to customers seeking to purchase an eligible vehicle under the IRA's New and Used Clean Vehicle tax credits. Close to 100,000 time-of-sale reports and over half a billion dollars in advanced payments have been issued. While data on all eligible dealerships does not currently exist, NADA believes this is an overwhelming majority of dealers.
- Recognizing that more work needs to be done to ensure every eligible dealer and customer is made aware of the clean energy tax credits, Treasury is working with Poder Latinx, Sierra Club, Electrification Coalition, National Consumer Law Center, and Plug-In America to discuss additional outreach strategies to Spanish-speaking communities, non-franchised dealerships, and consumer protection materials needed to support this engagement.

- **Promoting targeted outreach to support local leaders.** As part of developing its stakeholder outreach efforts for local governments, the IRA Program Office – in concert with other offices – is working with high-poverty/low-capacity local governments to understand how they use ARP funds and their awareness of federal programs. These conversations with local government leadership – usually including mayors, city managers, or senior staff – have increased awareness of the IRA and other federal programs and created additional opportunities for feedback and support for those communities.
  - Supporting nonprofits and addressing barriers to access: The IRA program office has engaged with a wide range of nonprofit organizations that have helped deepen our understanding of barriers to uptake faced by tax-exempt entities and identify ways Treasury can help mitigate those barriers; this includes access to easily digestible tools, fact sheets, and documents, access to IRS customer support and access to technical assistance and upfront capital needed to build eligible IRA projects. The program office provides webinars and educational materials to address these barriers and ensure that the IRA tax provisions and related administrative processes are well understood. The program office also supports efforts to develop the broader ecosystem and address barriers such as the need for technical assistance.
  - Increasing face-to-face IRS support across all geographies: IRS has increased staffing at more than 350 Taxpayers Assistance Centers (TAC) nationwide to provide an additional 8,000 hours of in-person support. They plan to expand the utilization of "Pop-up Live Assistance Centers" to serve rural areas and other areas not located near a TAC.
  - Partnering with government agencies like the Department of Labor, the Department of Energy, and the Environmental Protection Agency (EPA) have been integral to outreach efforts for IRA tax credits. Leveraging these Departments' existing infrastructure and relationships with key audiences as trusted messengers ensures efficiency and increases Treasury's reach.

Treasury is using community feedback to inform IRA implementation and ensure that families and communities can access the incentives they are eligible for under the IRA. Treasury acknowledges the importance of closely examining the issues faced by historically marginalized people and places and of developing approaches grounded in local assets, needs, and realities. Treasury is building institutional relationships with community leaders, academics, practitioners, and institutions to augment Treasury's understanding of the priorities held by a broad range of communities, support data interpretation, and provide essential feedback on the effectiveness of its approach. These steps correspond with TACRE recommendations and feedback on what worked well in Treasury's early outreach related to ARP and other programs. Key actions include:

- **Providing additional stakeholder input mechanisms.** Treasury has used Requests for Information and Requests for Comment (RFC) to open communication channels between Treasury and the public on implementation issues. These mechanisms enable Treasury to hear from more stakeholders, including local communities, smaller nonprofits, and civil leaders. In addition to regulatory comment processes, Treasury has sought public engagement and input for the IRA's clean energy tax provisions through RFCs, stakeholder meeting sessions, stakeholder roundtables, multi-stakeholder convenings, and Tribal consultations. Through these processes, Treasury has heard and will continue to hear from thousands of parties with different perspectives. Treasury has made a concerted effort to receive input from frontline communities, including communities of color, that are exposed to the threats from climate change.
- **Pioneering accessible feedback loops to improve implementation**. With the passage of the IRA, Treasury built new relationships with communities most at risk of being left behind in the transition to clean energy and the institutions best positioned to serve them; this included solar companies, technical assistance providers, environmental justice advocates, and climate entrepreneurs that serve diverse constituencies like low-income, Tribal, and rural communities. For example, to inform the design and implementation of the IRA's Low-Income Communities Bonus Credit, Treasury hosted three virtual roundtables, webinars, and individual meetings that created a venue for hundreds of stakeholders.[7] Treasury also made it easier for stakeholders to provide feedback about the program.
- **Prioritizing renters and low-income families in developing the Low-Income Community Bonus Credit Program.** The IRA provides a significant incentive on top of the existing 30% Investment Tax Credit to support deploying renewable energy technology to benefit low-income communities, Indian lands, affordable housing, and low-income households. As Treasury developed policy for this provision, stakeholders highlighted the importance of ensuring low-income families, emerging businesses, and community institutions benefit. Businesses and institutions best positioned to serve low-income households often need additional time to develop projects and put together competitive applications. To address these barriers, Treasury prioritized at least 50 percent of the program's initial capacity each year for facilities in areas with the highest energy costs and the least investment and facilities owned by Tribal enterprises, nonprofits including local and Tribal governments, consumers or worker cooperatives, and emerging market businesses. In the first year of the program, the program received over 46,000 applications within the first 30 days. Nearly a quarter of those applications met the priority criteria.

Treasury is addressing abusive practices. The renewable energy industry has expanded significantly in recent years, multiplying the number of energy companies serving consumers, especially in the residential solar market. This expansion has also generated an increase in consumer complaints about solar companies that prey on low-income, elderly, and disabled homeowners by pressuring them into unaffordable contracts and loans for solar panels that, in some cases, are never installed or activated. According to advocates and federal and state regulators, the increased consumer complaints have typically centered on misrepresentations about the costs and savings benefits afforded by the residential solar power systems, misrepresentations about financing and federal and state tax credits, and the companies' aggressive sales and marketing tactics in persuading consumers to lease or purchase

7 U.S. Department of the Treasury. (2024, March 19). *READOUT: The Treasury Department convenes a roundtable discussion on the Inflation Reduction Act's incentives for underserved communities.* https://home.treasury.gov/news/press-releases/jy1447

them. Treasury is also aware of other potential opportunities for deceptive practices targeted to consumers relative to incentives for clean vehicles, energy efficiency improvements, and other clean energy credits.

Treasury is working with interagency partners such as the CFPB, Federal Trade Commission, and the Department of Energy to increase public awareness of potential predatory practices and harms. Treasury and IRS generally do not have the authority to condition tax credits on additional standards or reporting beyond what is necessary to administer the statutory requirements of the credits. Still, where Congress has a competitive process for allocating tax credits, Treasury is taking meaningful steps to prioritize and protect consumers. For example, in the Low-Income Communities Bonus Credit application process, applicants are required to attest to compliance with all Federal, State, and Tribal laws, including consumer protection laws.

Other ongoing efforts include collaborating with interagency regulatory partners to understand consumer complaints in the market better. Treasury plans to include information for consumers about deceptive and abusive practices and where to file complaints with consumer regulatory agencies on Treasury IRA website.

Treasury is expanding access to quality jobs. Expanding access to quality jobs is a cornerstone of the Administration's IRA, CHIPS, and BIL implementation strategy. Treasury's research shows that since the passage of the IRA, more than 80 percent of announced clean energy investments have gone to counties with below-average college graduation rates, and 75 percent have gone to counties with median household incomes below the U.S. median.[8] Because the IRA makes 12 clean energy tax incentives five times larger if prevailing wage and apprenticeship (PWA) requirements are met, there is a strong likelihood of strengthening local economic opportunity through IRA investments. Treasury's key actions taken in response to TACRE recommendations include:

- **Creating good jobs and expanding pathways into clean energy fields.** In August 2023, Treasury published proposed regulations on the PWA requirements that would provide employers and workers with clarity and direction. The proposed rules would also incentivize employers to adopt worker-centric practices and to use Project Labor Agreements for clean energy projects. In addition, Treasury's implementation of the 48C Advanced Energy Credit incorporates workforce and community engagement. Applicants for that allocated credit must submit a community engagement plan providing information about (among other things):
  - jobs created;
  - partnerships with apprenticeship programs and other organizations, including those serving workers who face systematic barriers to employment;
  - engagement with community and labor stakeholders and efforts to ensure workforce availability, including training programs that serve workers underrepresented in the sector; and
  - local environmental impacts.

- **Treasury and the White House released best practices for State and Local Fiscal Recovery Funds (SLFRF) recipients to build on their over $12.8 billion investment in the workforce.** In September 2023, the White House released a playbook highlighting state and local government initiatives that leverage ARP funds to build a diverse, skilled workforce.[9] Through October 2023, state and local governments that received SLFRF have budgeted $12.8 billion to support workers in over 2,000 jurisdictions totaling over 4,000 projects. Primary areas of workforce investment include helping impacted workers enter in-demand careers and focusing on assisting

8 U.S. Department of The Treasury. (2024, March 19). *The Inflation Reduction Act: A Place-Based Analysis*. https://home.treasury.gov/news/featured-stories/the-inflation-reduction-act-a-place-based-analysis#:~:text=More%20than%2080%20percent%20of,below%2Daverage%20college%20graduation%20rates.

9 The White House. (2023). *Playbook: Workforce Investments that Work.* https://www.whitehouse.gov/wp-content/uploads/2023/09/playbook_workforce_investments.pdf

people who face barriers to employment. The BIL, the CHIPS and Science Act, and the IRA are expanding economic opportunity to urban and rural communities in every corner of the U.S., and the SLFRF program's investments in workforce development are making sure that those opportunities are available to American workers – whether or not they have a college degree.

Looking ahead

Treasury plans to do the following:

- **Help eligible taxpayers claim credits and deductions:** Consistent with its Strategic Operating Plan, IRS will continue its work to remove barriers to claiming credits for eligible individuals and small businesses -- including those who are not required to file tax returns -- while maintaining robust measures to prevent errors, fraud, and abuse; this includes reviewing and revising policies and processes to make the process for taxpayers to claim credits and deductions more efficient.
- **Improve outreach to people eligible for credits and deductions they do not claim:** Treasury and IRS also continue to build on past outreach efforts, including mailing campaigns for people who may be eligible for the EITC and CTC and mailing campaigns for people who appear to lack health insurance and may be eligible for financial assistance for purchasing health insurance. The agencies will look for avenues for additional outreach going forward, focusing on simplifying notices and partnering with local organizations.
- **Treasury will continue engaging stakeholders through its "last mile" approach, focused on consumers, small businesses, labor, and tax-exempt entities.** The partnerships outlined above will continue to allow Treasury to reach potential taxpayers and beneficiaries through many possible channels.
- **Conduct outreach via ongoing focus groups, surveys, and other participatory mechanisms to ensure that marginalized communities' diverse needs and priorities inform policy design processes.** Treasury aims to set a standard for inclusive and equitable policy design across various domains, reflecting a commitment to fostering an economy that serves all Americans.

TACRE Recommendations

3. **Reporting Equitable Outcomes**
    - **Annual and Real-Time Reporting:** Annual public reporting on key outcomes relating to the equitable implementation of the IRA, including coverage rates of key family and worker credits (such as the EITC and CTC), key characteristics of covered populations (such as income, family size, whether a household is required to file), and the characteristics of uncovered populations. Where possible, Treasury should publish additional, if limited, real-time reports with key headline statistics to support program momentum, drive outreach, and inform participants of available credit allotments.
    - **Recipient Characteristics:** The Treasury Department should publish robust data on IRS processing times for returns and other key processes; this would include publishing the demographic characteristics of the recipients of clean energy credits, including the characteristics of the communities in which commercial recipients operate relative to the estimated universe of eligible claimants.
    - **Processing Times:** TACRE recommends publishing robust data on IRS return processing times and other key processes (e.g., identity verification processes or resolutions of duplicate dependent claims) and examining and reporting differences by income, race, ethnicity, and English proficiency.

Treasury Response

Treasury and IRS are tracking and publishing refundable tax credit participation rates. IRS will continue to disseminate information on EITC participation rates, and information on the CTC, the Premium Tax Credit (PTC), and other credits will be added to that. This information will then inform outreach strategies. To the extent possible, IRS will seek to improve the accuracy of returns by assisting taxpayers who have filed a return and appear eligible for a credit to claim the credit.

Treasury, IRS, and the Department of Energy are providing information about available credit allotments. A dashboard hosted on the Department of Energy website reports the total capacity and remaining capacity in each of the four statutory categories, including sub-categories, for the Low-Income Communities Bonus Credit. Treasury and IRS, in partnership with the U.S. Department of Energy, have announced up to $4 billion in a first round of Advanced Energy Project Tax Credits for projects that expand clean energy manufacturing and recycling and critical materials refining, processing, and recycling, and for projects that reduce greenhouse gas emissions at industrial facilities.[10] Treasury and IRS will also publicly announce information about additional application rounds of the Advanced Energy Credit and Low-Income Communities Bonus Credit programs once further details are available. Other IRA clean energy credits and deductions not subject to allocation are available to all eligible taxpayers.

Treasury and IRS are developing processes for reporting clean energy credit data as that data becomes available. Because many of the clean energy credits will be claimed on returns filed after April 15 but before the deadline for taxpayers who request an extension, much of this information will be available only with a substantial lag. More details about this reporting will be available as returns are filed and processed.

IRS has launched a new public-facing dashboard on IRS.gov that details the current wait times for key forms, letters, and notices. IRS included forms with significant volumes of submissions in paper format, which led to follow-on action for the taxpayer after submissions were processed, such as forms that triggered refunds or the receipt of an Individual Taxpayer Identification Number (ITIN). The page is updated weekly to reflect the current processing status.

10 U.S. Department of Energy. *Biden-Harris administration announces $4 billion in tax credits to build a clean energy supply chain, drive investments, and lower costs in energy communities*. (2024, March 29). https://www.energy.gov/articles/biden-harris-administration-announces-4-billion-tax-credits-build-clean-energy-supply

Financial Health, Inclusion, Access to Capital Subcommittee

Access to capital can open doors to asset ownership and opportunities to build intergenerational community wealth. However, sources of affordable and responsible capital are often out of reach for many financially underserved people, businesses, and neighborhoods. Treasury administers a range of programs that support capital delivery to underserved communities, including the Emergency Capital Investment Program (ECIP), the State Small Business Credit Initiative (SSBCI), and numerous programs administered by the Community Development Financial Institutions Fund (CDFI Fund).

Community financial institutions, such as Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs),[11] play a critical role in our nation's financial infrastructure, delivering responsible capital and credit to diverse, financially underserved market segments. Since early 2021, Treasury has deployed a historic amount of capital to CDFIs and MDIs; this has included $12 billion in one-time emergency appropriations for ECIP, the CDFI Rapid Response Program, and the CDFI Equitable Recovery Program (ERP). The CDFI Fund has also made nearly $1.4 billion in grants through its flagship Financial Assistance program, the Bank Enterprise Awards, the affordable housing-focused Capital Magnet Fund, and the Small Dollar Loan Program. The CDFI Fund also provided more than $755 million in guarantee authority under the CDFI Bond Guarantee Program and made $15 billion in tax credit allocations under the New Markets Tax Credit Program.

Reauthorized and expanded by the American Rescue Plan Act of 2021, the SSBCI is a nearly $10 billion program designed to support small businesses and entrepreneurship in communities across the nation by providing capital and technical assistance to promote small business stability, growth, and success. SSBCI aims to catalyze private capital through loans to and investments in small businesses, especially in historically underserved communities and among entrepreneurs who may have otherwise lacked the support to pursue their business ambitions.

TACRE focused on Treasury's capital delivery mechanisms, underscoring the importance of enhanced transparency, data collection and demographic analysis, and innovation in capital access program design and implementation that could help institutions successfully reach underserved communities and support new actors entering the market.

Subcommittee Priorities

The Financial Health, Inclusion, Access to Capital subcommittee identified the following three priorities.

1. Provide recommendations to the Treasury Department on reporting requirements and incentive programs targeted at nonprofits and for-profit entities that can best promote diversity in their workforce, board, investment managers, brokerage firms, and suppliers; this is important given Treasury's oversight of financial institutions and its obligation to ensure the responsible use of taxpayer dollars for all Americans.
2. Provide guidance and recommended steps for the Treasury Department, such that it can help ensure that individuals from all backgrounds, including those with language and other barriers, can access capital and financial inclusion programs. TACRE will also work with the Treasury Department to identify ways to strengthen BIPOC-led community institutions (including CDFIs, MDIs, and other recipients) with a proven focus and track record of reach, trust, and impact in underserved target markets; this is important given Treasury's mandate to serve the entire American public, and the President's recent Racial Equity Executive Orders and AANHPI whole-of-government strategy.
3. Advise Treasury on improved demographic disaggregated data collection and analysis practices that will provide increased transparency and more robust baseline evidence to support inclusive policy making and program implementation and allow a range of community-serving institutions to work with Treasury on the improved design and delivery of capital access programs and services.

11 Note that certain Minority Depository Institutions are also certified Community Development Financial Institutions.

Recommendations and Responses

Recommendations that originated with the Financial Health, Inclusion, Access to Capital subcommittee focus on four topics: 1) Strengthening Community Financial Institutions Serving Underserved; 2) Capital Access Data Collection; 3) Business Diversity and Asset Management; and 4) ITINs. Below is a summary of the recommendations and Treasury's responses.

TACRE recommendation

1. **Strengthening Community Financial Institutions Serving Underserved**
   - **Strengthening CDFI Certification Requirements:** Certified CDFIs are required to allocate a minimum of 60% of their capital to BIPOC clients and communities. Emphasize equitable resource deployment across demographic groups and geographical areas, including BIPOC communities, with disaggregated impacts considered in the certification and recertification process. Include Asian American, Native Hawaiian, and Pacific Islander (AANHPI) communities within target markets.

Treasury Response

While Treasury lacks the authority to direct CDFIs to allocate a percentage of their capital to BIPOC communities and clients specifically, Treasury has prioritized capital delivery partners with demonstrated track records of reaching those most likely to be cut off from traditional sources of financing to address the shortage of asset-building capital for underserved communities.

Treasury is strengthening CDFIs led by and supporting underserved communities through enhanced certification standards. In December 2023, Treasury's CDFI Fund revised the CDFI certification application and related guidance, including establishing clear standards for responsible lending, increasing data collection, and expanding the targeted populations served.[12] The CDFI Fund's previous certification application did not do enough to distinguish a CDFI with a community development mission from other lenders without such a mission. The revised CDFI certification application now identifies responsible financing standards for CDFIs, including a specific list of products and services inconsistent with CDFI certification. The updated application also provides greater clarity about how an applicant for CDFI certification will be determined to be accountable to its target market, to which the CDFI is, in most cases, required to direct 60% of its financing activity. These and other improvements will enhance transparency and help CDFIs deliver responsible capital and credit to their communities. This greater clarity about what it means to be a CDFI may also facilitate the flow of private, socially motivated capital through these institutions and into financially underserved communities.

TACRE further pointed to the significant disparities that exist within the Asian American community that are often masked by the aggregation of data across Asian subpopulations, explicitly calling for Treasury and the CDFI Fund to enhance CDFI's ability to focus on Asian American populations that are underserved. The current process for CDFI certification and recertification requires applicants to define target markets, which may include geographical areas, low-income populations, and other targeted populations (OTPs) that lack adequate access to financial products or financial services institutions that choose OTP categories as part of their target market are required to report on their lending to that target market. However, a CDFI with multiple target markets may have yet to have any activity to report for each target market annually. As part of the new CDFI certification standards, the CDFI Fund certification and reporting process now expressly considers services to Vietnamese and Filipino populations, reflecting the work the CDFI Fund documented and the lack of access to capital experienced by Vietnamese and Filipino families. In addition, the CDFI Fund eliminated the requirement that Native Hawaiians, Alaska Native,

12 US Department of the Treasury Community Development Financial Institutions (CDFI) Fund. *CDFI Fund releases Final revised CDFI Certification Application* | Community Development Financial Institutions Fund. (2023, December 7). https://www.cdfifund.gov/news/553

and Other Pacific Islanders could only be counted as OTP if they resided in Hawaiian homelands, native Alaskan areas, or the Pacific Islands, respectively, effectively permitting consideration of services to these populations throughout the United States. The CDFI Fund continues to analyze other potential updates to its target market and targeted population frameworks.

Looking ahead

The CDFI Fund is working to implement a Minority Lending Institution (MLI) designation, which Congress authorized in the Consolidated Appropriations Act of 2021. Once implemented, this designation will recognize CDFIs with high service levels and accountability to minority populations, making it easier for the public and investors to understand what resources flow to these entities.

TACRE recommendations

2. **Capital Access Data Collection**
    - **Horizontal Data Collection, Analysis, And Reporting:** Perform demographic and race disaggregated data collection, analysis, and reporting across all Treasury financial inclusion and capital access programs with a focus on measuring the impact of programs on historically underserved communities, small businesses, and individuals. As one goal of this recommendation, such data collection, analysis, and reporting are intended to improve policy design and delivery of capital access and services programs to allow smaller and mid-size institutions access to private partnerships and capital markets.
    - **CDFI Applicant and Loan Data:** Data on CDFI-certified institutions will be released, detailing how they deploy capital and their certification success rates.
    - **Annual CDFI And Similar Programs Reporting:** Require demographic and race-disaggregated data collection, analysis, and reporting for all financial inclusion and capital access programs. As part of this recommendation, TACRE recommends that CDFI Fund and other capital access programs conduct and release analysis on racial equity as part of their annual reports.
    - **Support Secondary Markets and Technology for CDFI—and MDI-Issued Loans:** To innovate the CDFI industry, TACRE recommends that the Treasury bolster robust secondary markets for CDFI-originated assets by supporting programs that provide credit enhancement or risk capital to securities backed by CDFI—or MDI-originated loans and create definitions for transaction-level loan terms to enable securitization. TACRE further suggests that Treasury make federal investments in market-tailored technology solutions to accelerate the creation and adoption of technology across the industry.

Treasury Response

Enhanced data collection and public reporting of programmatic outcomes provide transparency into the use of public funds. These data are often essential for private investors, philanthropies, and partners to collaborate and leverage public programs. Treasury is committed to collecting robust data and sharing these data and analyses with the public.

Treasury is gathering demographic data on programs allowed by statute and using that data to inform the public, investors, and future policy design. Performance data is essential to understanding the extent to which Treasury programs reach all people, places, and businesses eligible to receive services, grants, or other investments. The Equal Credit Opportunity Act (ECOA) and its implementing regulations, which are intended to protect applicants from discrimination in any aspect of a credit transaction, include provisions that restrict the ability of loan funds, regulated banks, and credit unions to collect certain demographic information at the time of application. Mindful of these requirements, Treasury is collecting more demographic information from the capital access program awardees than before and appropriately analyzing that information. Key examples include:

- **Gathering disaggregated demographic data on the lending of participants in the Emergency Capital Access Program (ECIP) and the CDFI Equitable Recovery Program (ERP)**. The Consolidated Appropriations Act of 2021, which authorized the CDFI ERP and ECIP, among other programs, provides a waiver of the ECOA restrictions on demographic data collection for participating institutions. As a result, ECIP has been able to collect information from awardees and highlight particularly impactful ECIP recipients.[13] The CDFI Fund will have a similar opportunity when it receives reports from grantees under the ERP. Once it has received and reviewed reports from award recipients, the CDFI Fund will share ERP data publicly.
- **Collecting information on the activities of all CDFIs.** Prior to December 2023, the CDFI Fund only collected a Transaction Level Report (TLR) from CDFIs that received grants and other resources from CDFI Fund programs (there are many CDFIs that are certified but do not apply for any grants or other resources from the CDFI Fund). With the release of the revised CDFI Certification Application and policies in December 2023, the CDFI Fund revised the TLR requirements to align with the new policies. All applicants for CDFI Certification are now required to submit a version of the TLR as part of their CDFI Certification Application. In addition, all certified CDFIs will be required to submit a TLR as part of their Annual Certification and Data Collection Report (DCR) submission. As a result, the CDFI Fund now asks for racial and ethnic data on every Financial Product transaction conducted by a CDFI within the constraints related to ECOA regulations.
- **Collecting demographic information on the board members and executive leaders of CDFIs.** The revised CDFI certification application will now collect demographic information such as race and ethnicity of board members and executive leadership of CDFIs through the Certification Application and the DCR; this can shed light on the backgrounds of the leadership of CDFIs.
- **Collecting detailed data annually on SSBCI capital deployed to small businesses.** Jurisdictions participating in SSBCI will report on information collected from small businesses that receive capital through the program, including data on race and ethnicity, among others, on an annual basis.[14] Building on the approach taken in the first iteration of SSBCI, Treasury intends to release public reporting that leverages and summarizes key data over the program lifecycle.

Looking ahead

TACRE recommended that Treasury consider ways to enhance liquidity for CDFIs working in deeply underserved communities that often operate with balance sheet constraints. Treasury shares the goal of helping high-impact lenders to scale their operations. The recommendation of qualified issuance standards as a threshold for accessing some guarantee is potentially one of numerous ways to enhance the liquidity of CDFIs. Treasury would likely need legislative action to appropriate resources to take any actions authorized under Section 113.

Finally, Treasury shares the goal of the TACRE recommendation related to supporting technology innovation among CDFIs and acknowledges that technology will be critical to the future of community finance. The CDFI Fund is actively considering whether new actions can be taken to support CDFIs in developing mission-aligned technologies specifically.

13 CDFI Fund. (2023). *Guidance on Demographic Data Collection for the CDFI Equitable Recovery Program* (CDFI ERP). https://www.cdfifund.gov/sites/cdfi/files/2023-09/CDFI_ERP_Demographic_Data_Guidance_FINAL.pdf; US Department of the Treasury. (2024a). *Emergency Capital Investment Program (ECIP) Instructions for Quarterly Supplemental Report for IDIs, BHCs, and SLHCs.* https://home.treasury.gov/system/files/136/QSR-Instructions-BHC-3.0.pdf.

14 US Department of the Treasury. (2024). *Capital Program Reporting Guidance.* https://home.treasury.gov/system/files/136/SSBCI-Reporting-Guidance.pdf

TACRE Recommendations

3. **Business Diversity and Asset Management**
   - **Not-For-Profit Survey And Report:** Enhance disclosure and transparency on the demographics of owners, asset managers, and vendors working with nonprofit entities: create and distribute a survey to all US not-for-profits with over $50 million in assets under management, asking for voluntary disclosure of firms being awarded contracts noted in the Statement of Functional Expenses for Management, Legal, Accounting, Advertising and Promotion and Information Technology as well as managers being utilized for portfolio asset management, their demographics of ownership and the related dollar amounts awarded.
   - **IRS Form 990 Procurement Demographics Line Item:** Explore the feasibility of a more formalized approach for enhancing disclosure, as described above, by amending the Form 990 reporting process. Consider a model from the State of California's recent legislation requiring demographic information for the founding teams of all businesses where venture capital firms made a venture capital investment.[15]
   - **Quarterly Showcase:** Present successful business diversity program stories in quarterly events to highlight best practices and bring minority- and women-owned businesses to the forefront.
   - **Expand PBGC Smaller Asset Managers Pilot.** Using the Pension Benefit Guaranty Corporation (PBGC) as an example, expand the PBGC Smaller Asset Managers pilot program designed for diverse asset managers. This program has been lauded as a success both in terms of (1) the number of participating and eligible diverse managers and (2) asset classes beyond US Core Fixed Income, such as International Fixed Income.

Treasury Response

Treasury appreciates supporting underserved businesses and small and emerging asset managers. Treasury is working with other federal agencies, expanding its business with MDIs, and partnering with SSBCI administrators to work with small and emerging asset managers. Key actions include:

Treasury supports PBGC's Smaller Asset Managers Pilot Program. This important effort is designed to reduce barriers to competition for smaller asset managers while maintaining rigorous investment risk and control standards. Given the program's success, PBGC, with support from Treasury, has made the pilot a permanent program that would expand the number of participants.

Treasury is expanding opportunities for broader financial institutions, including MDIs. For example, in March 2024, Treasury signed a new agreement with Liberty Bank & Trust (Liberty) to receive and process over-the-counter cash and check deposits from the IRS Kansas City Service Center. Liberty is a Black-owned bank and a member of Treasury's Minority Bank Deposit Program.[16] The IRS Kansas City Service Center has the most over-the-counter deposits of any agency location in the country, depositing $725 million in FY23.

Treasury unlocks opportunities for asset managers and business owners through the State Small Business Credit Initiative. Data for SSBCI-supported venture capital programs is preliminary, but as of April 2024, initial data suggest that 47 venture capital funds have received an SSBCI capital commitment, of which 30 are owned or managed by diverse or underserved fund managers or have an investment strategy that includes a focus on supporting companies with underserved founders or leaders.

In addition, Treasury is acting in the spirit of the recommendation to highlight success stories and raise awareness of potential diverse business partners and asset managers. The Internal Staffing and Culture section of this report provides greater detail on efforts to expand Treasury's contracting with small and underserved businesses, including expanding the Mentor-Protégé program and establishing the Business Partner Network.

15 California Legislative Information. (2023, October 10). Bill Text - *SB-54 Venture capital companies: reporting*. https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB54

16 Bureau of the Fiscal Service. (2023, March 14) *Minority Bank Deposit Program.* https://www.fiscal.treasury.gov/mbdp/. Accessed on April 15, 2024.

Looking ahead

Along with other partners, Treasury continues to look for ways to enable the growth and expansion of asset managers and capital allocators led by and supporting underserved communities. Although constrained in its authority to amend IRS Form 990, Treasury is committed to working with partners to find other ways to foster transparency in the nonprofit sector.

TACRE Recommendations

4. **Individual Tax Identification Numbers**
   - **Enhance access to tax benefits through ITIN modernization**; this includes exploring new pathways for administering ITINs through opportunity assessments and feasibility studies to reduce dependencies between ITIN applications and tax filing. The reinforcement of ITIN administration is advocated through the enactment and expansion of the ITIN Modernization Plan. TACRE recommends establishing a specialized customer service ITIN Unit to complement existing processing centers, aiming for a people-centered approach. Additionally, TACRE recommends that the Treasury engage with the Consumer Financial Protection Bureau (CFPB) in light of their publication of *"Joint Statement on Fair Lending and Credit Opportunities for Noncitizen Borrowers under the Equal Credit Opportunity Act,"*[17] and with other federal agencies to encourage enforcement of fair lending laws concerning lenders' use of ITINs.

Treasury Responses

The number one objective in IRS's Strategic Operating Plan is to dramatically improve services to help taxpayers meet their obligations and receive the tax incentives they are eligible for, including a commitment to strengthen and modernize ITIN administration.[18]

Treasury and IRS are ensuring ITINs are accessible to eligible tax filers and exploring steps to enable a more digitized system. In January 2024, the ITIN Certifying Acceptance Agents (CAA) application moratorium ended with the simultaneous launch of the new digital Acceptance Agents (AA) application and AA Document Upload Tools. This new AA tool converted the prior CAA paper application process to an electronic application process. IRS has officially resumed accepting new ITIN AA applications and, as of March 2024, has received approximately 1,000 applications for new agents. As a result, 133,000 ITINs have already been issued in 2024, with 115,000 new ITINs and 18,000 renewed ITINs. IRS is also exploring new opportunities to modernize the ITIN process, including potentially expanding the number of Taxpayer Assistance Centers (TACs) and Volunteer Income Tax Assistance (VITA) sites that offer CAA services.

17 The Consumer Financial Protection Bureau. *Joint Statement on Fair Lending and Credit Opportunities for Noncitizen Borrowers under the Equal Credit Opportunity Act*. (October 2023). In Joint Statement. https://files.consumerfinance.gov/f/documents/cfpb-joint-statement-on-fair-lending-and-credit-opportunities-for-noncitizen-b_jA2oRDf.pdf

18 Internal Revenue Service, & Werfel, D. I. (2023b). *IRS Inflation Reduction Act Strategic Operating Plan*. https://www.irs.gov/pub/irs-pdf/p3744.pdfhttps://www.irs.gov/pub/irs-pdf/p3744.pdf

Engagement with agencies on enforcement of fair lending laws concerning lenders' use of ITINs. Treasury is committed to a marketplace where credit is available to all applicants on fair terms and without regard to race, ethnicity, or national origin. Since the CFPB and the Department of Justice issued a "*Joint Statement on Fair Lending and Credit Opportunities for Noncitizen Borrowers*" in October 2023, the CFPB has reiterated its dedication to fair lending and to enforcing ECOA, both in general and concerning a lender's unnecessary or overbroad use of an applicant's immigration status. The CFPB has continued to enforce ECOA since the release of the joint statement, including initiating two fair lending enforcement actions. In November 2023, the CFPB brought an action against a lender who intentionally denied certain applicants based on their national origin and provided false reasons for those denials to the applicants. Then, in December 2023, the CFPB sued affiliated land developers and lenders for targeting Hispanic consumers with predatory loans while exploiting their limited English proficiency during the closing process.[19] The CFPB has also noted that banking supervision activity is generally non-public, pursuant to applicable statutes and regulations that prohibit the CFPB and other federal regulators from disclosing information about ongoing supervisory and potential enforcement activity.

Looking ahead

Treasury continues to work with IRS to explore future initiatives such as modernizing and digitizing pathways for administering ITINs, examining regulatory mechanisms to enforce fair lending practices, and considering dependencies between ITIN applications and tax filing. Treasury and IRS will engage with CFPB as appropriate on lenders' use of ITINs.

19 CFPB Consent Order, 2023-CFPB-0013, In the Matter of Citibank, NA (November 8, 2023); CFPB v. Colony Ridge Development, LLC, et al., No. 23-cv-4729 (SD Tex. December 20, 2023).

Research and Data Equity Subcommittee

Gathering the data necessary to understand how programs affect people who are often underserved, underrepresented, or at risk of being harmed by a policy is essential to determining the impact and success of Treasury's aspirations to drive a more equitable and inclusive economy. Moreover, transparency in reporting on implementing and administering programs and core public services is a cornerstone in establishing trust between Treasury and the public, ensuring accountability for taxpayer dollars.

Subcommittee Priorities

The Research and Data Equity subcommittee did not define specific priority areas but has focused on ways in which deeper analysis by race and ethnicity can be built into the structure of Treasury and IRS standard research and data practices to illuminate the impact of tax and economic policies on communities of color. The subcommittee has focused on improving transparency by collecting new data and reporting on existing practices. They have also focused on ways to expand opportunities for a diverse group of researchers.

Recommendations and Responses

The Research and Data Equity subcommittee originated seven recommendations that were advanced by the full Committee. They focused on four topics: 1) Expanding Research on Race and Equity, 2) Collecting New Information on IRS Forms, 3) Understanding and Reducing Racial Disparities in Audits, and 4) Balancing Reporting on Tax Noncompliance. Below is a summary of the recommendations, followed by Treasury's responses.

TACRE Recommendations

1. **Expanding Research on Race and Equity**
    - **Expand Census Data Sharing:** TACRE urges the prioritization of changes to IRS regulations to facilitate sharing additional IRS data with the Census. This enhanced data sharing is envisioned to provide a more comprehensive understanding of the economic landscape, particularly in relation to racial disparities.
    - **Publish Distributional Analysis in the Treasury Greenbook:** TACRE proposes the integration of distributional analyses by race within the Greenbook, underscoring the importance of examining the impact of economic policies on different demographic groups. This analytical approach aligns with TACRE's commitment to transparency and equity in economic assessments.
    - **Prioritize Independent Equity-Focused Research at Treasury:** TACRE recommends the continued prioritization of research on racial disparities within the Office of Tax Analysis. The Committee advocates for proactive outreach to scholars possessing expertise in this domain, fostering a collaborative approach to addressing and understanding racial inequities.
    - **Support New Research Opportunities:** TACRE recommends a collaborative initiative between the Treasury and the Census Bureau to significantly augment the production of research on issues of racial equity. This initiative involves issuing and funding a targeted call for research proposals on various topics related to racial equity. The call for proposals would delineate specific areas of focus, requiring submissions to explicitly articulate the connection between the proposed research and one or more of these areas. Proposals would also identify the necessary data for project completion, with assurances from the IRS and the Census Bureau to provide access to the required data for selected projects. Treasury would spearhead program management, project approval processes, and financial support, mirroring the successful model of the Social Security Administration's Retirement-Disability Research Consortium.

Treasury Response

Treasury is committed to expanding research on the intersections of tax, fiscal and economic policy, and race and ethnicity. Under Secretary Yellen, Treasury has sharpened its focus on new research and analysis on these issues.

Treasury published a Notice of Proposed Rulemaking that would authorize the sharing of additional tax data with the Census Bureau for statistical purposes. IRS has a long history of sharing tax information with the Census Bureau to improve the Bureau's statistical programs, and the regulations that govern this sharing have been updated periodically to facilitate the Bureau's work. On March 29, 2024 Treasury and IRS issued a Notice of Proposed Rulemaking (NPRM) that would update these regulations to provide the Census Bureau with additional information requested by the Secretary of Commerce. This request includes additional information on individual incomes, deductions, and credits; business deductions; health insurance coverage; and gig economy and contingent work arrangements, among other items. Treasury will carefully consider public feedback before issuing any final rules.

Treasury published the first-ever Greenbook distributional analysis by race, covering three Administration tax proposals. Treasury released an addendum to the Greenbook that acknowledges stark racial wealth gaps and that some elements of the tax code exacerbate differences in income and wealth accumulations by different racial groups, leading to greater inequality. It then describes the impact of several of the Administration's tax proposals on racial income inequality. It finds that, in addition to their other benefits, proposals such as limiting the preferential tax rates on capital income and expanding the EITC for childless workers and the CTC will contribute to reducing the longstanding and troubling racial wealth gaps.[20]

Treasury continues to expand tax research on race and ethnicity. Treasury staff have published an unprecedented quantity of research on the intersection of race and tax. Much of this research is made possible by imputing race and ethnicity information to tax data, allowing researchers to use existing tax models to answer new questions. Highlights of Treasury's equity work include:

- **Groundbreaking research on the distribution of tax expenditures by race and ethnicity.** This analysis finds that the preferential rates for capital gains and dividends, the deduction for pass-through income, the charitable deduction, the home mortgage interest deduction, and the deduction for employer-provided health insurance disproportionately benefit White families.
- **A collaboration with the Census Bureau in 2020 to conduct new research on recipients of Economic Impact Payments (EIPs)**. This analysis found that 92 percent of potentially eligible individuals received an EIP, outpacing estimated receipt rates for other tax credits and non-tax benefits. Receipt rates were near 90 percent for most race and ethnicity groups. However, they were highest for White individuals and lowest for Hispanic individuals and individuals of a race other than American Indian or Alaska Native, Asian, Black, Native Hawaiian or Pacific Islander, or White.
- **A new working paper on the distribution of marriage penalties and bonuses by race and ethnicity.** The paper detailed how the distribution of income in married couples reported on tax returns differs from data reported in public use datasets. This analysis affirmed research conducted outside of Treasury that showed Black and Hispanic couples are more likely to face a marriage penalty than White couples in several income classes above $100,000, resulting in large part from both earners in the couple having similar earnings. In contrast, Treasury analysis suggested that White couples in several lower income categories face a higher penalty rate than Black couples; this is because the tax model data do not indicate a higher prevalence of two equal-earning spouses among Black families than White families in this income range.[21]

20 US Department of the Treasury (2024, March 19). *Revenue proposals.* https://home.treasury.gov/policy-issues/tax-policy/revenue-proposals
21 Costello, R., DeFilippes, P., Fisher, R., Klemens, B., Lin, E. Y., & Office of Tax Analysis. (2024). Marriage Penalties and Bonuses by Race and Ethnicity: An Application of Race and Ethnicity Imputation. In Office of Tax Analysis Working Paper 124. https://home.treasury.gov/system/files/131/WP-124.pdf; *Racial disparities in the income tax treatment of marriage*. (2023, February 14). Tax Policy Center. https://

In addition, Treasury staff coordinated the discussion of research on methods to impute race and ethnicity in administrative data. The Office of Tax Analysis organized a session at the 2024 annual meeting of the Allied Social Sciences Associations on Advances in Imputing Race and Ethnicity to Administrative Data. The panel at the Allied Social Sciences Associations meeting included new research on imputing race from researchers across government, including the Congressional Budget Office, the Joint Committee on Taxation, and the Census Bureau.

Looking ahead

Treasury will develop a final regulation on data sharing with the Census Bureau. Following the closing of the comment period for the NPRM on data sharing with the Census Bureau, Treasury will carefully review public feedback and develop a final regulation informed by those comments.

IRS will expand research opportunities for outside scholars. Treasury and IRS do not have the funding to directly support outside scholars, as modeled by the Social Security Administration. However, IRS plans to issue an annual call for research under the Joint Statistical Research Program. The next call is anticipated to take place in June 2024. That call will be published widely and will be paired with outreach to a broad range of networks and intermediaries such as the Black Economic Alliance and Historically Black Colleges and Universities, American Society for Hispanic Economists, Sadie Collective, National Economic Association, and the Joint Center for Political and Economic Studies.

TACRE Recommendation

2. **Collecting New Information on IRS Forms**

    - **Report demographic information on Form 990**. TACRE recommends that Form 990 be amended to report demographic information about the board members of nonprofit organizations by race and ethnicity in line with the Race of Principal Owners, Ethnicity of Principal Owners, and Middle Eastern or North African ancestry of Principal Owners; this will increase transparency in the tax-exempt sector.

Treasury Response

As described in the Financial Health, Inclusion, Access to Capital section, Treasury is constrained in its authority to amend IRS Form 990. However, it is committed to working with partners to find other ways to foster transparency in the nonprofit sector.

www.taxpolicycenter.org/publications/racial-disparities-income-tax-treatment-marriage

TACRE Recommendation

3. **Understanding and Reducing Racial Disparities in Audit Selection**
   - **Reduce disparities in audits.** TACRE recommends that the IRS publish audit rates by race, study the source of disparate audit rates, and focus tax enforcement efforts in ways that will contribute most to reducing the tax gap – the difference between taxes paid on time and taxes owed.

Treasury Response

IRS is addressing audit disparities. Research conducted by scholars at several universities and Treasury found that Black taxpayers are more likely to be audited than non-Black taxpayers. In implementing the Strategic Operating Plan, IRS has announced several steps to improve fairness while increasing payment accuracy. As part of those efforts, IRS is substantially reducing the number of audits focused specifically on refundable credits, including the EITC, American Opportunity Tax Credit (AOTC), Health Insurance Premium Tax Credit (PTC), and Additional Child Tax Credit (ACTC).[22] This change will reduce racial disparities in audits while increasing payment accuracy. IRS recognizes that over-reliance on audits to resolve basic errors can lead to fewer taxpayers receiving credits and deductions for which they are eligible.[23] As a result, IRS has increased education and outreach to help taxpayers avoid common mistakes.

In addition, IRS is piloting changes in the risk-scoring system used to select EITC cases for audit. Internal testing suggests this will increase the expected return on investment for cases selected for audit while simultaneously reducing disparities in who is selected for audit. IRS is also piloting two additional alternative approaches to selecting EITC cases for audit.

Looking ahead

IRS will test for disparities in audit rates among Hispanic tax filers and other marginalized populations. Building on work from scholars at IRS and several universities, IRS is extending its analysis of potential disparities in audit treatment to determine whether Hispanic taxpayers and other tax-filing populations may also face disparate audit rates. Consistent with TACRE's recommendation, IRS has also committed to publicly report on the results of the pilot studies, and if they yield the anticipated improvement for fairness, the alternative approaches for audit selection could be the basis for further changes in a future filing season.

Going forward, IRS will continually refine its approaches to compliance and enforcement to improve fairness in tax administration and maintain accountability to taxpayers, as informed by research.

22 Werfel, D., Department of the Treasury, & Internal Revenue Service. (2023, September 15). *Prepared remarks: TACRE Quarterly meeting*. https://home.treasury.gov/system/files/136/Werfel_Remarks_TACRE-1.pdf

23 Guyton, J., Leibel, K., Manoli, D., Patel, A., Payne, M., & Schafer, B. (2019). *The effects of EITC Correspondence Audits on Low-Income Earners.* https://www.irs.gov/pub/irs-soi/19rpeitccorresponenceaudit.pdf

TACRE Recommendation

4. Balancing Reporting on Tax Noncompliance

- TACRE recommends that the Secretary increase reporting requirements for the IRS on all sources of tax non-compliance to match those currently required by the Payment Integrity Information Act (PIIA) for the EITC and other refundable tax credits. Alternatively, the Secretary could request that OMB remove the EITC and other refundable tax credits from the PIIA's reporting regime.

Treasury Response

IRS is emphasizing tax noncompliance reporting from all sources. Treasury and IRS agree with the importance of providing comprehensive reporting on all sources of noncompliance. Consistent with TACRE's recommendation, IRS transitioned to annual reporting on the tax gap beginning in 2022 to provide more timely statistics on noncompliance, including underpayment of tax. Specifically, IRS will release tax gap projections or estimates (or both) annually. In October 2022, IRS released tax gap estimates for tax years 2014-2016 and tax gap projections for 2017-2019.[24] In October 2023, IRS released tax gap projections for 2020-2021.[25] In addition, while Treasury reports improper payment rates for certain refundable credits, Treasury has long held that these refundable credits are more appropriately addressed as part of the comprehensive tax gap estimates, consistent with TACRE's recommendation.[26]

24 *IRS updates tax gap estimates; new data indicates enhancing taxpayer service and compliance efforts | Internal Revenue Service. (n.d.-b).* https://www.irs.gov/newsroom/irs-updates-tax-gap-estimates-new-data-points-the-way-toward-enhancing-taxpayer-service-compliance-efforts

25 Krause, M. R., Johnson, B. W., Rose, P. J., Rosenbaum, D., Internal Revenue Service, Research, Applied Analytics & Statistics, Ayers II, L., Black, T., Fieman, J., Johns, A., Kachanovskaya, V., Langetieg, P., Leibel, K., Payne, M., Plumley, A., Schuh, T., & Spitzer, E. (2023). *Federal Tax Compliance Research: Tax gap Projections for tax years 2020 and 2021*. https://www.irs.gov/pub/irs-pdf/p5869.pdf

26 US Department of the Treasury. (2024, March 19) *Agency Financial Report*. https://home.treasury.gov/about/budget-financial-reporting-planning-and-performance/agency-financial-report

Internal Staffing and Culture Subcommittee

Secretary Yellen is committed to building a Treasury that reflects the diversity of the American public it serves. Under Secretary Yellen's leadership, Treasury has seen historic levels of representation. People of color represent 44 percent of appointees, and over half of senior positions are now occupied by women. Treasury is building an infrastructure of career subject matter experts that will shepherd this work in the long term. For example, in 2022, Treasury launched the Equity Hub, a team of career policy experts working across Treasury policy teams to support equity analysis, policy design, and reporting. In January 2024, Treasury welcomed its first Chief Diversity, Equity, Inclusion, and Accessibility Officer, who will serve as the highest-ranking career official to lead these efforts across Bureaus and partnerships with other federal agencies. Treasury is taking steps to become a more vital partner and customer for small businesses by removing barriers for traditionally underserved businesses; this is consistent with President Biden's goal of increasing the share of federal contracts going to small and disadvantaged businesses to 15 percent.

Subcommittee Priorities

This subcommittee identified the following priorities.

1. TACRE will offer recommendations to the Treasury Department on the steps it can take to create a more inclusive culture, including the various resources and assessment tools helpful in benchmarking and evaluating its current approach.
2. TACRE will advise how the Treasury Department can implement best-practice employment transactions. This will include recommendations on which current pathways and professional development opportunities at the Treasury should be reviewed, including opportunities for Senior Executive Service (SES).
3. Resources must be committed to internal change within the Department. TACRE will provide advice and recommendations on steps the Treasury can take to review current practices and commit resources to ensure appropriate investment to implement internal changes effectively.
4. TACRE will provide advice and recommendations on steps the Treasury can take to further its efforts to implement equitable procurement practices. This advice could be based on a review of data on purchasing by industries and geography, subcontracting opportunities, other federal agencies' investments in the Office of Minority and Women Inclusion (OMWI), and outreach practices to all small businesses.

Recommendations and Responses

Recommendations that originated with the Internal Staffing & Culture subcommittee focus on two topics: 1) Equitable Procurement and 2) Building Talent Diagnostics. Below is a summary of the recommendations and Treasury's responses.

TACRE Recommendation

1. **Equitable Procurement**
   - **Employ a data-driven approach to level the playing field in agency procurement.** TACRE recommends collecting relevant, reliable, disaggregated data on the agency's procurement practices' outcomes and comparing outcomes for small businesses and businesses owned by people of color based on availability in the marketplace.
   - **Conduct fact-finding about the barriers to inform outreach and onboarding strategies.** Audit a representative sample of procurement practices to determine and correct the impact of network exclusion on small businesses and businesses owned by people of color; this includes leveraging existing capacity-building resources at other federal agencies, investigating the effect of cumbersome compliance practices, and streamlining procurement onboarding and compliance requirements where appropriate for small businesses.

- **Increase accessibility of procurement opportunities.** TACRE recommends providing interpretation of materials in various languages. Additionally, TACRE proposes supporting capacity-building for new diverse entrants, emphasizing expanding the Mentor-Protégé program.

Treasury Response

The vision for the Federal Acquisition System is to deliver the best value product or service to the customer on a timely basis while maintaining the public's trust and fulfilling public policy objectives.[27] Treasury is committed to establishing a level playing field in agency procurement. TACRE's recommendations are helping Treasury combine several new tools to create holistic, intentional strategies to remove barriers to businesses seeking to become vendors with Treasury. In Fiscal Year 2023, Treasury obligated over $1.2 billion in prime contracting dollars to small disadvantaged businesses, a $244 million increase over Fiscal Year 2022.

Treasury is taking deliberate steps to remove barriers to business with Treasury.

- **Identifying barriers to entry.** As part of Treasury's response to EO 13985 in 2021, Treasury developed an Equity Action Plan to identify and remove barriers hindering equal access to Treasury's programs and services, the nation's financial systems, and Treasury's procurement and contracting opportunities. In 2023 and 2024, Treasury set strategic procurement objectives that reflect the importance of that broad goal. Bureaus are required to report to Treasury how their strategies and management controls are advancing equity in Treasury procurement and reducing barriers to small, minority-owned, and women-owned businesses serving as Treasury contractors.

  Treasury will continue to identify and assess barriers to entry for small and underserved businesses. Consistent with TACRE's recommendations, Treasury will take steps like soliciting formal feedback via the Federal Register, reviewing publicly available sources of information on barriers to entry, convening industry engagement sessions with individual companies and senior officials, and hosting outreach sessions to underrepresented communities to obtain direct feedback on specific issues that may impede their ability to access agency procurement and contracting opportunities.

- **Lowering barriers to entry.** Treasury has already used the data gathered through these methods to inform changes to its procurement practices to level the playing field. Key recent changes include:
  - Cross-posting opportunities from the eBuy system to SAM.gov, which is not required in federal regulation but was identified as an action that could increase small business access to opportunities;
  - Revising requirements for approvals of acquisition strategy to prioritize approaches that award to small disadvantaged businesses;
  - Increasing scrutiny of consolidation and bundling that might raise barriers to entry; and
  - Introducing focusing on using small business participation as a primary evaluation factor in contract awards.
- **Enabling procurement teams to take informed action.** Treasury has developed tools to disaggregate data to provide procurement teams with market research that shows opportunities for strengthening supplier diversity. For example, Treasury has created an Equity Heat Map to identify expiring contracts with opportunities for small businesses. Also, Treasury's Socio-Economic Category Spend Tables provide a breakdown of Treasury-wide common spending by the same disaggregated groups defined by the Small Business Administration (SBA) and OMWI to see where additional opportunities are available for small businesses. The Office of Small and Disadvantaged Business Utilization (OSDBU) created two interactive tools: 1) a robust market research tool that disaggregates small business vendors by NAICS codes and socioeconomic categories where the workforce can

27 Statement of guiding principles for the Federal Acquisition System, Federal Acquisition Regulation (FAR) 1.102.

quickly identify capable vendors and 2) an interactive map. The interactive map allows Treasury program offices and industry to hover over states to find where there is a low volume of Treasury contracting dollars, the number of businesses in the state doing business with Treasury, and the different outreach events available in each state to locate under-utilized markets. This interactive map helps drive the 50 State Initiative and allows for more focused outreach to underserved and under-resourced communities.

- **Creating feedback loops for new entrants to inform Treasury practice.** Treasury is launching New and Recent Entrant Roundtables to learn from successful small businesses recently obtaining their first Treasury contract. These roundtables are designed to identify barriers to entry, practices that best enable businesses to overcome these barriers, and additional barriers that remain. The goal is to replicate these successes for more businesses and to lower or remove remaining barriers to entry.

Treasury is building the capacity of potential new entrants to obtain a contract with Treasury. To support capacity building and break down barriers for new entrants, Treasury OSDBU instituted a Business Partner Network (BPN) that brings Treasury's prime contractors and their subcontractors into a partnership agreement with Treasury OSDBU. The BPN works in conjunction with SBA's Mentor-Protégé program, which builds capacity among small and diverse businesses. The BPN focuses on building partnerships between prime contractors and subcontractors and provides insight into who is doing business with Treasury. The BPN aims to focus on the prime-to-subcontractor relationship, increase small business subcontracting in Treasury contracts, and assist prime contractors in locating new entrants[28] as subcontractors.

Treasury is enhancing transparency. Treasury's Office of Minority and Women Inclusion (OMWI) publishes an annual report to Congress analyzing Treasury Departmental Offices' contract obligations, total awards, and percentages of awards by minority status, specific race/ethnic group ownership, as well as businesses owned by women (including minority women). In response to TACRE recommendations, OMWI also has further analyzed disaggregated Treasury contracting data by specific underrepresented business groups compared with 1) broader federal government contracting data and 2) census data of relative representation in the market. This assessment allows Treasury to contextualize its track record with peers and industry standards.

Treasury is increasing accessibility by marketing and providing marketing materials in multiple languages. To increase accessibility and transparency, Treasury has provided reasonable accommodation tools such as sign language interpreters, braille embossed business cards, large print materials, and interpreted materials in Mandarin Chinese and Spanish. Treasury also hosts industry days that incorporate a Spanish interpreter with subtitles in English.

Looking ahead

- **Auditing procurement requirements.** As resources allow, Treasury intends to audit procurement requirements to understand the motivators and obstacles that dissuade small businesses from responding to or pursuing Treasury contracting opportunities. The audit aims to directly target businesses considering a contracting opportunity and obtain specific feedback on their decision-making process. The insight gained from the audit may lead to process improvements within the procurement process.
- **Refine and expand accessibility strategies.** Treasury plans to build upon these initiatives, refining and developing strategies to make business interactions more accessible. Future initiatives will focus on continuous improvement, ensuring that systems, policies, and practices evolve to meet businesses' changing needs. This forward-looking approach underscores Treasury's dedication to fostering an equitable procurement environment.

28 The Office of Federal Procurement Policy defines new entrants as entities that have received a prime federal contract award over the micro-purchase threshold ($10,000.00) for the first time (also referred to as a "first-time entrant") or after not having received an award in the previous five fiscal years (also referred to as a "reentrant").

TACRE Recommendations

2. **Talent Diagnostics**
    - **Conduct multi-faceted baseline talent diagnostics to analyze all employment transactions.** TACRE recommends that the Treasury assess the current state of Treasury's diversity, equity, inclusion, and accessibility efforts; this includes benchmarking the Treasury's HR and DEIA policies and programs relative to industry standards and peer organizations, developing a talent diagnostic tool, expanding the Inclusion Survey, meeting annually with the Secretary, and auditing testing practices.

Treasury Response

On June 25, 2021, President Biden signed EO 14035, Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce, to launch a whole-of-government initiative to cultivate a federal workforce that draws from the full diversity of the nation and that advances equitable employment opportunities.[29] Consistent with TACRE's recommendations:

Treasury is committed to using data and diagnostic tools to develop and retain talent and to create a thriving workplace. Key actions include:

- **Deploying a tool to track workforce representation.** To better inform its data-driven approach to assessing workforce equity, Treasury's OMWI has developed a tool to track representation in the workforce across race, ethnicity, and gender by grade level and within mission-critical occupations; this will help provide greater insight into trends or gaps that may signal barriers to employment and advancement.
- **Obtaining new data to track the diversity of job applicants.** Treasury's OMWI has made diversity in outreach and recruitment a priority by initiating a partnership with a service that automatically retrieves Treasury-wide job vacancies from USAJOBS.gov and distributes them daily to nearly 40 diverse networks of job seekers, including people of color, women, LGBTQ+, veterans, and people with disabilities. In the first year of this service, more than 16,500 new job applications from these diverse networks were initiated for thousands of Treasury jobs.

Treasury is expanding the Inclusion Survey. Treasury began conducting a separate Inclusion Survey in 2022 after the Office of Personnel Management removed the former Inclusion Index from the Federal Employment Viewpoint Survey. Funding constraints limited the Treasury Inclusion Survey sample size to about 13 percent of the entire Treasury workforce in 2022 and 2023. Following TACRE's recommendation to expand the survey, the administration of the 2024 survey was reconfigured and conducted on the full census of the workforce in all Treasury bureaus, except for IRS, for which sampling was conducted due to the size of its workforce. As a result, a more significant number of employees participated in the survey, which will lead to greater validity of results.

Treasury is expanding mentorship staff development programs. Ensuring that mentorship is available to all employees who seek it is an important priority. All Treasury managers are taking mentorship training and offered other resources, such as "Mentor in a Box," a compilation of recordings by key Treasury leaders who provide career advice, which was accessible to all Treasury employees.

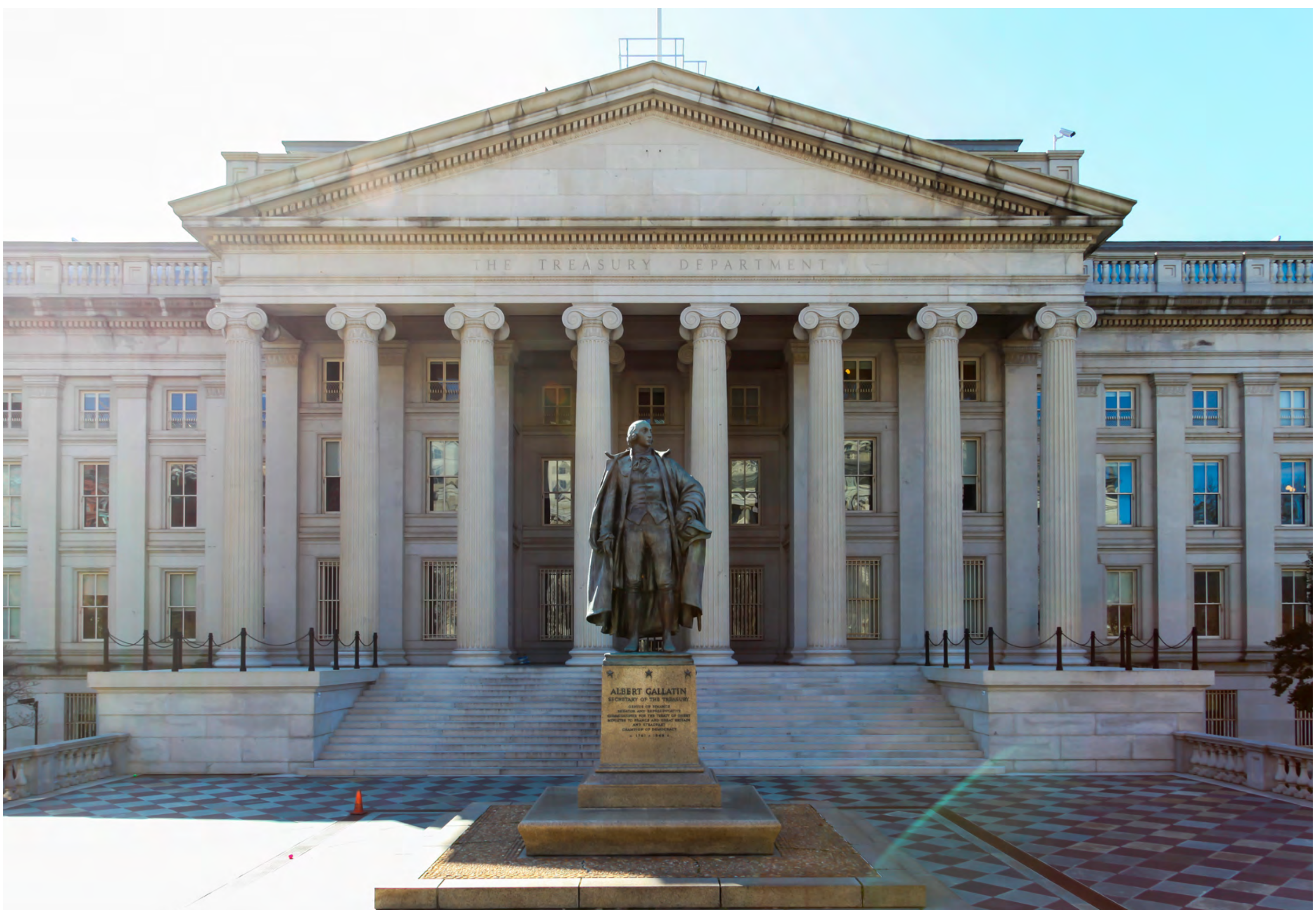
Treasury leadership meets regularly to examine the state of workplace operations and practices that support an inclusive work environment, build talent pipelines, and promote mobility within Treasury. These considerations are built into the key documents that guide and govern its daily operations, such as Treasury's five-year strategic plan. Regular meeting cadences and reporting maintain accountability and course correction as needed.

29 The White House (2021b, June 25). *Executive Order on Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce*. https://www.whitehouse.gov/briefing-room/presidential-actions/2021/06/25/executive-order-on-diversity-equity-inclusion-and-accessibility-in-the-federal-workforce/

Looking ahead

Future plans include further refining approaches and strategies to ensure ongoing progress in building talent pipelines, fostering an inclusive culture, and facilitating career mobility. Treasury aims to highlight the tangible outcomes of its data-driven approach in creating a workplace that values diversity, promotes inclusivity, and supports its employees' professional growth and mobility.

- **Improving data collection to track the diversity of applicant pools.** Treasury is restoring the technological system necessary to understand the diversity of the applicant pool for positions across the various stages of eligibility. This technology will help identify and reduce any barriers in the process that may impede fair consideration of all qualified candidates for a Treasury position.
- **Treasury is exploring additional functionality for electronic dashboard systems to track performance management.** Electronic dashboard systems currently display and filter data on performance ratings and awards, performance improvement plan assignments, and promotion rates. Treasury is analyzing how disaggregated data could be incorporated into these systems to help provide insights into these processes.



Appendix

The Department of the Treasury is dedicated to fostering transparency and collaboration with TACRE and the communities they serve. As an essential component of this commitment, Treasury provides an appendix reproducing the full text of the recommendations TACRE officially submitted in 2023. This appendix serves as a centralized repository of the recommendations as submitted by TACRE to Treasury. More information is available on the TACRE meeting materials website. By facilitating open access to these resources, we aim to promote inclusivity, accountability, and informed decision-making within our work.

March Subcommittee Principles and Priorities

June TACRE Subcommittee Recommendations

September TACRE Subcommittee Recommendations

December TACRE Subcommittee Recommendations

To: Janis Bowdler, Counselor to the Secretary (Racial Equity) and Snider Page, Acting Chief, Office of Diversity, Equity, and Inclusion
Fr: Mayor Michael Nutter, Chair; and Felicia Wong, Vice-Chair, TACRE
Re: TACRE Subcommittee Principles and Priorities
Dt: April 4, 2023

Please find below a compiled list of priorities from the TACRE Subcommittees, as well as action recommendations from the Data and Research Subcommittee and cross-cutting principles for all of TACRE's priority work. We do anticipate re-examining these after six months of work and research. Thank you for the opportunity to serve.

Cross-Cutting Principles

Throughout all of the TACRE priority work, subcommittees will seek to emphasize the following cross-cutting principles:

- Equitable data management
- Clarity on what Treasury itself can do, and what it can catalyze elsewhere in the public or private sectors
- The accessibility of programs and a focus on community outreach
- A focus on both place-based outcomes, and outcomes for individuals and families within communities

IRA Implementation (5 priorities)

- Advise the Treasury Department on the data collection practices and metrics for accountability related to the IRA tax credits that will best support the equitable implementation of the Inflation Reduction Act. Relevant metrics might include, for example, population uptake and utilization of benefits, infrastructure support, and audit disparities reporting. Note that this is important given OMB's obligation, as mandated by the IRA, to track the use of IRA dollars by agency on the basis of labor, equity, and environmental standards.

- Provide advice to the Treasury Department regardings its plan to modernize and transform the IRS. TACRE will Identify and recommend both short-term and longer-term changes, with the aim of ensuring that all Americans receive the benefits for which they are eligible.

- Provide recommendations to the Treasury Department on the policy design of its tax provisions in IRA, especially the place-based provisions (such as the 48(e) program) so that they best achieve equitable outcomes, and so that communities and individuals on the ground directly benefit from them.

- Provide guidance to the Treasury Department on how it can use its authority and tools to protect communities and consumers from predatory activity and actors.

- Work with the Treasury Department to develop outreach efforts that will engage diverse communities in accessing new programs, address implementation barriers, and inform new stakeholders about the Treasury's transformational vision for the IRS.

Financial Health Inclusion & Access to Capital (3 priorities)

- Provide recommendations to the Treasury Department on reporting requirements and incentive programs targeted at nonprofits and for-profit entities that can best promote diversity of their workforce, board, investment managers and brokerage firms, and suppliers. This is important given Treasury's oversight of financial institutions, and its obligation to ensure the responsible use of taxpayer dollars for all Americans.

- Provide guidance and recommended steps for the Treasury Department, such that it can help ensure that individuals from all backgrounds, including those with language and other barriers, are able to access capital and financial inclusion programs. TACRE will also work with the Treasury Department to identify ways to strengthen BIPOC led community institutions (including CDFIs, MDIs, other recipients), with a proven focus and track record of reach, trust, and impact in underserved target markets. This is important given Treasury's mandate to serve the entire American public, and the President's recent Racial Equity Executive Orders and AANHPI whole-of-government strategy.

- Advise Treasury on improved demographic disaggregated data collection and analysis practices that will provide increased transparency, and stronger baseline evidence to support inclusive policy making and program implementation; and allow a range of community-serving institutions to work with Treasury on the improved design and delivery of capital access programs and services.

Internal Staffing & Culture (4 priorities)

- TACRE will offer recommendations to the Treasury Department on the steps it can take to create a more inclusive culture, including the various resources and assessment tools helpful in benchmarking and evaluating its current approach.
- TACRE will provide advice for how the Treasury Department can implement best practice employment transactions. This will include recommendations on which current pathways and professional development opportunities available at Treasury should be reviewed, including opportunities for Senior Executive Service (SES).
- Resources must be committed for internal change within the Department. TACRE will provide advice and recommendations on steps the Treasury can take to review current practices and to commit resources that ensure appropriate levels of investment are made to effectively implement internal changes.
- TACRE will provide advice and recommendations on steps the Treasury can take to further its efforts to implement equitable procurement practices. This advice could be

based on a review of data on purchasing by industries and geography; subcontracting opportunities; other federal agencies' investments in OMWI (Office of Minority and Women Inclusion); and outreach practices to all small businesses.

Data and Research (2 action recommendations)

- Conduct Distributional Analyses in the Greenbook: In addition to aggregate revenue impacts, the administration should publish analyses of how revenues proposals would differentially affect households of different race and income levels.

- Prioritize Changes to IRS Regulations to Facilitate Additional Sharing of IRS Data with Census: Census has already asked for IRS to share additional data and variables; these variables would be crucial for expanding our ability to assess racial disparities and how policies affect them. This process requires considerable administrative steps, including a revision to IRS regulations. Treasury should prioritize whatever actions are necessary to ensure that these data are transferred as soon as possible.

To: **Janis Bowdler, Counselor to the Secretary (Racial Equity) and Snider Page, Acting Chief, Office of Diversity, Equity, and Inclusion**
Fr: **Mayor Michael Nutter, Chair; and Felicia Wong, Vice-Chair, TACRE**
Re: **TACRE Data and Research Subcommittee Recommendations**
Dt: **July 3, 2023**

Please find below three recommendations from the TACRE Data and Research Subcommittee. All TACRE members have had the opportunity to review and comment on these, and as such these are ready for your inclusion in any communications to Secretary Yellen.

Please let us know if you have any questions. Thank you for the opportunity to serve.

Recommendation #1: Addressing the Issue of Racial Disparities in Audits

Recent research has highlighted disparities in audit rates between Black and non-Black taxpayers (with particularly large disparities among those claiming the EITC) that are not easily explained by differences in tax circumstances. As a result, the Committee makes several recommendations.

We recommend that Treasury "develop its in-house analytical capacity in support of vulnerable taxpayers" (Jan 11, 2023 Briefing Memorandum to Members of TACRE) by prioritizing investments in tax equity analysis in the following offices: (i) Treasury's Office of Tax Analysis (OTA); (ii) IRS Statistics of Income (SOI); and (iii) IRS's Research, Applied Analytics and Statistics Division (RAAS). This will better enable the Administration to fairly enforce our tax laws.

In order to provide transparency, continual updates on the sources of these disparities, and whether current policy efforts are being successful in eliminating this disparity, the Committee recommends that the Secretary request an annual report from IRS providing updated numbers on racial disparities in audit rates in order to increase transparency. Such reports should include:

- An overall estimate of audit rates by racial and ethnic group (including all primary Census classification of race and Hispanic ethnicity) not limited to the EITC-eligible population.
- Estimates of the racial differences in audit rates within sub-groups which are affected by different pieces of salient tax law (such as EITC claimants and non-EITC claimants, Schedule C filers and non-Schedule C filers, etc…).
- A *publicly released* data set of audit rate disparities broken down by geographic unit, including state and (where population sizes allow) county and ZIP Code ("geographic audit report") **to be provided within 90 days**.
- Whatever more disaggregated numbers the IRS Commissioner believes would clarify the sources of these disparities or the success of policy efforts to reduce them. For instance, if IRS believes that increased funding for VITA sites in under-resourced areas

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would help reduce disparities through increased access to high-quality tax preparation support, then the report could provide statistics for filers in areas in which VITA funding is increasing.

- To the extent that clarifying the sources of the racial disparities in audits rates presents an unacceptable risk of public information release about the IRS audit process, the Commissioner should also brief the Secretary on the precise aspects of the audit algorithm that generate the racial disparities in audit rates among EITC filers reported in Elzayn et al.
- As the IRS reviews its algorithm in accordance with Commissioner Werfel's letter of May 15, 2023, we recommend that the IRS assess how to focus enforcement efforts in ways that will contribute most to closing the tax gap, ie reducing the total dollars of taxes that are unpaid.

This annual report is similar to those already produced on audit rates and feasible with data currently available to IRS researchers. It is also consistent with the IRS's Strategic Operating Plan: Objective 3, Initiative 3.7: Promote fairness in enforcement activities. Although IRS does not currently provide such statistics on racial disparities in audit rates, it does provide data on audit rates by income and EITC filing status. IRS similarly already provides information at disaggregated levels of geography in the County-to-County migration patterns tables. The IRS does not collect information on an individual tax filer's race or ethnicity, but the above report would be feasible using either an imputation of race and ethnicity based on information that IRS does collect or via merging audit data with information on race and ethnicity from Census. The recent collaboration between Treasury, IRS, and Census which produced an analysis of the economic impact payments in Clark et al. could be used as a model.

IRS Commissioner Werfel stated in his May 15 letter: "I will stay laser-focused on this to ensure that we identify and implement changes prior to next tax filing season." Therefore, the Committee recommends that the first such annual report be due to the Secretary **no later than March 2024**.

The Committee further recommends that the Secretary request that IRS Commissioner Werfel attend the September TACRE meeting and provide an update since his May 15 letter to members of the Senate Finance Committee, including a progress report on the geographic audit report, and an update on the Joint Statistical Research Program proposals received (see Recommendation #2).

Recommendation #2: Increase Independent Research into Racial Disparities in Tax Administration

IRS has not historically focused on issues of racial equity in its publication of data and analysis. Although we are encouraged by the Commissioner's recent focus on these issues, and we are hopeful that IRS will increase research and reporting on these issues going forward (pursuant in part to Recommendation #1), IRS reports alone will never substitute for the value of independent research into racial disparities in our tax system. Two recent independent research (i.e., without IRS sponsorship or current IRS staff as coauthors) papers studying racial disparities in audit rates (Elzayn et al. 2023) and tax expenditure usage (Cronin et al. 2023) both highlight the importance of such research.

The Committee recommends that the Secretary increase the volume of independent research on this important issue. Such steps should include (though not be limited to):

- Continue to prioritize research on racial disparities within the Office of Tax Analysis. Among the two papers mentioned above, two of seven coauthors of Elzayn et al. and all three coauthors of Cronin et al are OTA researchers. This work is outstanding and should be further encouraged.

- Prioritize research on these issues in the upcoming IRS Call for Proposals in the Joint Statistical Research Program (JSRP). IRS should additionally conduct outreach to scholars with expertise in this area to ensure that they are aware of this research opportunity and have an opportunity to apply. The call for proposals is June 1-30, 2023, and therefore **time is of the essence**.

- Where tax law permits, increase availability of Title 26 data at Census to permit broader study of racial disparities in tax administration using merged IRS and Census data (since race and ethnicity of individual tax filers can, in most cases, be directly observed with the Census secure data environment).

Recommendation #3: Equalize Reporting on Tax Non-Compliance Between Refundable Credits and Underpayment of Taxes

Under the current interpretation of the Payment Integrity Information Act (PIIA) of 2019, IRS must report more frequently and in more detail on tax non-compliance in the use of refundable tax credits than on other aspects of tax non-compliance (e.g., underpayment of taxes by Schedule C filers). Such imbalanced reporting draws attention away from underpayment of taxes by high-income filers and towards non-compliance of low-income filers, despite the former contributing substantially more to the tax gap than the latter.

Because more information is helpful to draw public attention to monitor IRS activities, we recommend that the Secretary increase reporting requirements for IRS on all sources of tax non-compliance to match those currently required by the PIIA for the EITC and other refundable tax credits. Alternatively, the Secretary could request that OMB remove the EITC and other refundable tax credits from the PIIA's reporting regime.

The Honorable Janet Yellen
Secretary of the Treasury
October 31, 2023

The Treasury Advisory Committee on Race Equity (TACRE) is grateful for the opportunity to participate in the Biden Administration's historic whole-of-government racial equity effort. The Committee is pleased and proud to submit this report of recommendations to the Treasury Department on ways to advance that agenda.

President Biden formed this Committee in the fall of 2022 as one component of a broad and coordinated federal effort to root out the entrenched disparities that have historically locked out millions of families of color from full economic participation and inhibited our collective growth. The Committee, composed of twenty-four policymakers and practitioners from a range of backgrounds and industries, chose to embark on its work to further that mission by organizing into four Subcommittees: on Financial Health and Access to Capital, on Inflation Reduction Act (IRA) Implementation, on Internal Staffing and Culture, and on Research and Data Equity.

Over the last several months, these Subcommittees have been hard at work designing, deliberating on, and formalizing a slate of recommendations to advance a comprehensive racial equity agenda within the Treasury Department and its operations. On September 19, 2023, the full Committee came together in Washington DC, as it does each quarter, to discuss and vote to approve this slate of recommendations.

These recommendations—and the thoughtful and substantive discussions that precipitated them—make great strides toward solving the economic and social challenges of our time equitably. Racial equity is essential to building a strong and sustainable economy and society. We can only create greater financial security for families across generations and a greater shared prosperity for us all when we repair past racial harms and equitably invest in our collective future. Achieving that vision requires a systematic, affirmative approach to embedding fairness in decision-making processes, executive departments, and agencies.

In an Executive Order on race equity that preceded this Committee, President Biden wrote, "Our Nation deserves an ambitious whole-of-government equity agenda that matches the scale of the opportunities and challenges that we face." The work of this Committee, including the below slate of recommendations to the Department, advances that vision. We look forward to continuing that vital work in the year ahead.

Mayor Michael Nutter, Chair
Felicia Wong, Vice Chair
Members of the Treasury Advisory Committee on Race Equity

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Recommendations from the Treasury Advisory Committee on Racial Equity
Approved September 19, 2023

The Subcommittee on Financial Health and Access to Capital offers the following recommendations to support the Treasury Department in ensuring that individuals from all backgrounds, including those with language and other barriers, are able to access capital and financial inclusion programs, and to identify ways to strengthen BIPOC led community institutions (including CDFIs, MDIs, other recipients), with a proven focus and track record of reach, trust, and impact in underserved target markets:

- In order to provide timely recommendations to the Treasury Department, particularly with respect to ongoing changes to CDFI certification requirements, the Committee recommends that Treasury adopt the following:
    - Require, as part of the CDFI certification update, at least 60 percent or more of capital deployed to be invested in BIPOC clients and communities (beyond the 60 percent low-moderate income threshold)
    - Attention, measurement, and accountability should be directed to equitable deployment of capital across various demographic groups in the service area
    - CDFI certification and recertification should be granted with consideration and accountability to geographical areas that are inclusive of BIPOC communities, disaggregated by specific racial and ethnic characterization, and
    - Include AANHPI within target markets per the President's racial equity executive order and AANHPI whole of government strategy.

The Subcommittee on Financial Health and Access to Capital offers the following recommendations on ways to improve demographic disaggregated data collection and analysis practices to provide increased transparency, and stronger baseline evidence to support inclusive policy making and program implementation; and allow a range of community-serving institutions to work with Treasury on the improved design and delivery of capital access programs and services:

- Require demographic and race disaggregated data collection, analysis, and reporting across financial inclusion and capital access programs at Treasury and improve access to, and leverage of, private partnerships and capital markets. With this improved collection, the impact of capital access programs can be more easily measured in order to ensure that they are reaching the most intended consumers and small business owners in low-income and communities of color . It will also increase transparency, allow community institutions to work with Treasury to improve the design and delivery of capital access programs and services going forward, and allow smaller and mid -size institutions, which don't currently have access to the private capital markets, to bundle portfolios in ways that could improve their liquidity and financial positions.

- In order to bolster robust secondary markets for CDFI-originated assets, the Treasury Department should support programs that provide credit enhancement or risk capital to securities backed by CDFI- or MDI-originated loans. For instance, the Treasury Department could create "qualified issuance" standards that, if met, would provide access to a government guarantee. In addition, Treasury could create definitions for transaction-level loan terms that the industry can coalesce around, and include those definitions in any federal programs that collect transaction-level data. These moves could make the practice of collecting transaction-level data more common to allow the industry to start building asset-by-asset datasets, reduce the complexity and administrative burden of loan-level guarantees that already exist, and dramatically drive down the cost of capital—savings that would be passed along to consumers of the community finance products and services.

- In order to provide greater clarity into the CDFI Fund, and related access to capital and financial health programs at Treasury, the Treasury Department should release data and statistics that include information about the institutions (size, type, location) more or less likely to apply for—and receive—CDFI certification; the ways CDFI-certified institutions deploy their capital, specifically the race and demographic disaggregated transaction level records from all CDFI certified institutions; and, for CDFI institutions, information about the ways that project beneficiaries and project locations vary and why, including information about application and application success rates disaggregated by geographic location and types of institution.

- Request an annual report from the CDFI Fund and other access to capital programs. The report should assess the extent to which the programs and certification are being deployed so as to improve racial equity in financial access across the country.

- Treasury should make federal investments in market-tailored technology solutions, similar to how the Department of Energy invests in scaling new technologies that support the clean energy transition or the Defense Advanced Research Projects Agency (DARPA) invests in new technologies to support America's military. This would be game-changing. This public, non-dilutive source of funds—with a requirement to offer products and solutions back to the sector—would vastly accelerate the creation and adoption of technology across the industry.

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The Inflation Reduction Act (IRA) Subcommittee offers the following recommendations to promote equitable access to the tax system and ensure that modernization efforts positively impact low-income taxpayers in the near term; specifically, by ensuring that the 2024 Direct File pilot is assessed on and is successful on equity terms, so it can expand in future years:

- The Treasury Department should rigorously define what success means–as working well for those who need it most–for the 2024 Direct File pilot, in ways that are achievable, and defined with an eye toward equity, reaching those populations who need Direct File most. "Working well" should be defined defined collaboratively with the Direct File team, which is more familiar with technical details of the product; possible criteria could include a completion rate of at least 30 percent among taxpayers who start the process,[1] and at least 50 percent of taxpayers who use Direct File complete the entire return in a single sitting, in under an hour. "Those who need it most" should be defined as households below the poverty line, or households with irregular filing histories (taxpayers who did not file in one or more of the last three years). The Treasury Department should further define success for the Direct File pilot as providing a service that is equitable across demographic and socioeconomic strata; that is, key user experience outcomes (e.g., completion rates, completion times) are equivalent across axes of interest of demographic and socioeconomic variation (e.g. racial and ethnic groups, native vs non-native English speakers, income range).

- The Treasury Department should make all program decisions in light of the success metrics described above, ruthlessly prioritizing accessibility and access. This includes:

    - Paying particular attention to any barriers that disproportionately impact the target populations, and Direct File must ruthlessly remove barriers that are likely to block target populations from using the tool, including, e.g., overly rigorous identity verification.

    - Ensuring that the 2024 Direct File scope generally meets the needs of the target populations. While not all taxpayers will be in scope for 2024, the scope should disproportionately serve the taxpayers who need Direct File most—including the types of income they have and the types of credits they claim.

    - Tracking outcomes and making dynamic adjustments throughout 2024. The Direct File team should assess the success metrics dynamically throughout the pilot season, and make real-time adjustments. For example, if a particular page in the tool or aspect of the process is causing large numbers of target taxpayers to drop off, the team must quickly identify and address the barrier. This should include regularly scheduled reporting back to the Subcommittee.

    - As needed, using sub-pilots to experimentally assess the impact of removing particular barriers. If there are particular processes that may or may not be barriers, or onerous requirements that are mandatory at scale in the short term for compliance reasons, the Direct File team may consider establishing smaller

[1] "Start" should be defined as an action that shows an intention of going on to file. The standard is relatively low because of well-established comparison-shopping behavior by taxpayers.

sub-pilots within the 2024 pilot that rigorously and experimentally measure the impact of removing the particular barrier.

The Inflation Reduction Act Subcommittee offers the following recommendations to center equity considerations in the implementation of the IRA's green credits and tax provisions, including through proactively protecting communities and consumers from predatory activities and actors:

- The Treasury Department should ensure that non-profits, community-based organizations, state/local/tribal governments, and small businesses can take full and fair advantage of IRA green provisions by periodically publishing information about how much of each active tax credit's allotment remains available and the expected timelines for allocation, with clear details by location. This will help nonprofits, community based-organizations, and other small businesses that do not have dedicated legal and compliance teams to accurately assess and take advantage of their respective credit application opportunities.

- The Treasury Department should ensure that labor requirements, practices, and standards for green provision claimants are strong and promote equity across demographics, by requiring robust tracking and oversight with relation to labor standards from developers and other project sponsors, including data pertaining to the stated hiring goals, hiring and local hiring plans, and demographic details of resulting hires of the IRA's commercial credit beneficiaries. In addition, the Treasury Department should require entities receiving green commercial credits to coordinate with qualified pre-apprenticeship programs, in addition to apprenticeship programs, in order to strengthen existing labor standards and help workers forge pathways to permanent professional opportunities in trade and construction industries.

- The Treasury Department should protect communities and consumers from predatory activities and actors by:

    - Requiring corporations, developers, and project sponsors subsidized by IRA investment and production credits to provide plain language disclosure forms to consumers that clearly explain the subsidy received and the product being sold. These forms can be modeled on credit card statements, and should be designed in consultation with the Consumer Financial Protection Bureau (CFPB) and/or other regulatory agencies.

    - Requiring corporations, developers, and project sponsors to report information necessary to assess equity impact of credits—including but not limited to information about the project's impact to community energy resiliency; the quantity and quality of clean energy jobs generated; and demographic data on race, ethnicity, income, and geographic location

- Building consumer protections into market-based provisions, including the transferability provisions, to ensure low-income taxpayers, and democratically-controlled entities do not feel undue pressure to enter transactions that do not provide them with a reasonable value of the tax credits.

- Creating a joint task force with CFPB and/or other regulatory agencies to intake IRA-specific complaints and investigate fraud, operable for the entire length of the IRA funding period, and determining clawback authority, in consultation with the CFPB and other regulatory agencies, should fraudulent or nefarious behavior be determined.

The Inflation Reduction Act Subcommittee offers the following recommendations to ensure that outreach strategies for low-income tax credits and green credits reach populations who have historically been left behind:

- The Treasury Department should hire and empower a high-quality outreach team with a clear mandate to reach target populations—for both green credits and low-income worker/family credits. The outreach team should identify clear and measurable goals for what constitutes an equitable distribution of IRA benefits, and should drive an outreach and engagement strategy that builds backwards from concrete coverage targets. Metrics should prioritize beneficiaries that are from (in the case of individual credits) or serving in (in the case of commercial credits) low-income and historically marginalized communities. The Department should measure and report on the racial and demographic focus of various outreach activities to ensure outreach efforts are equitable; and make dynamic adjustments as needed to ensure equity.

- The Treasury Department, through its outreach team, must have regular and ongoing engagement with affected communities, as well as with a range of organizations and leaders that are led by and operate in communities of color. More broadly, Treasury should consider co-creating outreach and engagement strategies in concert with community organizers who are engaging in outreach strategies to ensure that Americans know and understand the Inflation Reduction Act and what it means for them. Treasury and IRS should require lived experience in marginalized and underserved communities as a key consideration in assembling the federal outreach team.

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- The Treasury Department should leverage existing government entities in a government-wide outreach push—especially for low-income worker/family credits. Based on successful pilots during the pandemic,[2] the IRS should continue to communicate directly with households who have not filed, based on its robust non-filer data. This should include direct mail with clear and simple calls to action; and pilot programs regarding the possibility of the IRS communicating directly via text message or other mediums. In addition, IRS should leverage interagency coordination with federal agencies that have

[2] For public data on the possible impact of these pilots, see GetCTC Report 2021, p. 61.

been expanding their outreach, including the Small Business Administration, Commerce, Energy, EPA, and Education. Consider leveraging existing federal resources in communities, such as Post Offices. In addition, based on the success of CTC and stimulus outreach via state benefits agencies, Treasury and/or IRS should run a comprehensive program to engage state agencies and support them in doing robust tax benefits outreach to their beneficiaries.

- The Treasury Department should ensure outreach messaging and strategy is inclusive—for both green credits and low-income worker/family credits. This requires designing outreach methods and materials—especially for green credits and Direct file—that center and authentically engage historically marginalized communities across income, race, and geographic location as well as civic organizations representing those constituencies; and co-create these methods and materials in concert with community power building organizations and organizers. The Department should target specific at risk populations, by creating materials and strategies that explicitly include populations, like low-income people who do not file taxes, who my not know or believe that they are intended beneficiaries of relevant programs, to reassure this population that they can and should file. In addition, the Department should create multilingual outreach materials, including at least the seven languages other than English prioritized by the IRS, as well as multi-format materials for differently-abled populations.

- The Treasury Department should pay particular attention to developing an outreach strategy to enable renters to take maximum advantage of the benefits available under the Inflation Reduction Act. This is particularly important given the racist history of redlining and ongoing housing market discrimination, which has led to a persistent and growing 30-point gap between Black and white homeownership rates. Expressly attending to renters is necessary to help mitigate the potential for property owners to overwhelmingly benefit from green credits in ways that exacerbate this persistent racial inequity.

- The Treasury Department should engage organizations that have built trust in communities of color and other historically underrepresented communities, as partners in outreach design and implementation—for both green credits and low-income worker/family credits.(engaging community organizations with trust in communities of color). This should include the following:

    - Community based power building organizations. Example organizations include Color of Change, Working Families Party, Faith in Action, Center for Popular Democracy, Community Change.

    - BIPOC industry organizations that represent and promote BIPOC business leaders, and have access to a large network of such leaders across the country. Example organizations include the National Association of Black Accountants (NABA), Real Estate Executive Council, National Black MBA Association

(NBMBAA), National Urban League, U.S. Black Chamber of Commerce, U.S. Hispanic Chamber of Commerce, Asian American Chamber of Commerce, National Minority Supplier Development Council, National Black Nurses Association.

- Culturally significant media outlets that speak to current issues in the Black community and have large followings. Examples include the ReidOut, The Breakfast Club, local radio stations.

- Historically Black Colleges and Universities.

- Fraternal and sororal organizations. Example organizations include Delta Sigma Theta, Alpha Kappa Alpha, Zeta Phi Beta, Omega Psi Phi, Kappa Alpha Psi, Phi Beta Sigma

- BIPOC climate groups. Example organizations include the Chisholm Legacy Project, Black Owners of Solar Services.

- Utility companies, which have detailed data on where LMI customers live

- Alaska Native tribes, tribal nonprofits, and Native corporations, including organizations that enhance and advance the voice of the Alaska Native community, and have an unmatched network of tribal, tribal non-profit, and Native corporation leaders across Alaska. Example organizations include Alaska Federation of Natives (AFN), ANCSA Regional Association (ARA), Alaska Native Village Corporation Association (ANVCA), and the Alaska Tribal Administrators Association (ATAA).

- Elected officials of color and their representative organizations, especially including elected officials of color at the local/municipal level.

The Inflation Reduction Act Subcommittee offers the following recommendations to facilitate a strong and enduring focus on equity-linked outcomes and outcomes for low-income populations, helping policymakers dynamically adjust program choices, and helping advocates identify important new areas of work, by providing regular, comprehensive, and publicly-available reports on critical outcomes of relevance to an equitable implementation of the IRA:

- The Treasury Department should prepare and publish an annual public report to Congress and other stakeholders on key coverage outcomes of relevance to an equitable implementation of the IRA. This should include the publication of reliable and robust coverage rates of key family and worker credits (including EITC and CTC), and characteristics of the uncovered populations.[3] Coverage should be reported along key

[3] Further details available in Code for America's proposal for Annual Report on Refundable Credits.

axes of heterogeneity, including households with and without children, households in phase-in, plateau, and phase-out income ranges of the credit, households who did versus did not file a return, and households who are versus are not required to file. Published data should be adjusted for the issue of children who are claimed by the "wrong" household, which could account for a majority of the reported EITC participation gap.[4] Published data should draw on data from IRS (including information returns), Census, and SSA (Numident).

- In addition, the Treasury Department should publish characteristics of the recipients of green credits, including demographic characteristics of the communities commercial recipients operate in, relative to the estimated universe of eligible claimants.

- The Treasury Department should publish robust data on IRS processing times for returns and other key processes (e.g., identity verification processes, or resolutions of duplicate dependent claims). In all data, the Department should examine and report heterogeneities by income band; race and ethnicity (using imputed data based on names and zip codes, as needed); and English proficiency (using imputed data and/or evidence from Schedule LEP filings).

- Finally, the Treasury Department should publish additional real-time reporting, as feasible. Real-time data publications are necessarily more limited, especially due to the risk of compromising taxpayer privacy with small-batch updates to aggregate data. Still, Treasury and IRS should seek to release headline statistics where possible, so as to help build momentum and drive outreach campaigns.

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The Subcommittee on Internal Hiring and Culture offers the following recommendations to promote procurement systems, processes, and practices that afford a substantial return on investment for taxpayers and business owners over and above the material requirements of the product or service being procured, including opportunities for supply chain diversity, job creation, and opportunities to reduce the racial wealth gap:

- The Treasury Department should ensure that procurement systems, policies, and practices create a level playing field for small businesses and businesses owned by people of color and women, by:
    - Collecting relevant, reliable, disaggregated data on outcomes of the agency's procurement practices and compare outcomes for small businesses and businesses owned by people of color based on availability in the marketplace. Treasury can test the efficacy of the Office of Minority and Women Initiatives (OMWI) prototype approach to procurement equity analysis to compare

[4] See Code for America's proposal for Annual Report on Refundable Credits, page 4.

designated underrepresented business groups to the relevant government contracting market. This data collection and analysis level will better ensure that the internal procurement practices are narrowly tailored to address disparities around race, ethnicity, and gender, as required by the Supreme Court for race and gender-conscious procurement practices. This practice also maximizes Treasury's ability to respond to the governmental responsibility for socio-economic and geographic distributional equity in the delivery of the benefits of government spending. Moreover, a procurement equity analysis not only addresses barriers of intentional and unintentional discrimination in a legally defensible manner, but also provides an opportunity for Treasury to ensure the overarching value proposition of supply chain diversity, competitiveness, and job creation.

  - Providing interpretation and translation of materials, resources, and services to those with limited English proficiency (LEP) at the same level of services received by individuals who are not LEP.

  - Auditing a representative sample of procurement practices to determine and correct the impact of network exclusion on small businesses and businesses owned by people of color. Audit findings should identify if race-blind procurement practices result in unintended barriers for all businesses including businesses owned by people of color, women, and non-minority businesses. A level playing field must be a non-zero-sum game, and must ensure that all businesses, regardless of the race, ethnicity, or gender of the business owner, have the ability to compete in a fair procurement process.

  - Investigating the unintended impact of cumbersome compliance practices and identifying opportunities to simplify and streamline the compliance requirements for these businesses. This can include unbundling projects and offering procurement opportunities that are right-sized for the available small businesses, and creating a more streamlined onboarding process and compliance tools. The procurement systems and processes for the Treasury should not impose undue burdens on small businesses and businesses owned by people of color. Compliance with federal regulations is an important part of government contracting. Streamlining these practices through electronic tools and accessible specialized training (e.g., webinars, etc.) is much needed to support participation by small and diverse businesses with Treasury Department contracting opportunities.

- The Treasury Department should invest in new and leverage inter-agency resources for capacity building for small businesses and businesses owned by people of color to compete for opportunities to do business with the Department of Treasury by:

- Building out a comprehensive approach for capacity building that leverages the resources of the Office of Minority and Women Inclusion (OMWI) of the Federal Reserve, the Office of Small and Disadvantaged Business Utilization (OSDBU) of the Treasury, Small Business Administration (SBA), and the Minority Business Development Agency (MBDA) is recommended as a wrap-around capacity building approach for Treasury. A wrap-around approach that leverages the existing federal resources can be utilized to build the capacity of small and emerging businesses, providing the training and technical assistance that is available within the federal network. Treasury can catalog these resources and make them available through their outreach and education efforts, particularly for new market entrants.

- Maximizing the agency's Mentor/Protégé program, successfully deployed in the Treasury Bank by OMWI and the Bureau of Fiscal Services (BFS), as a mechanism for capacity building for small and diverse businesses and also for breaking down the barriers of exclusionary networks. This model, in which the protégé firm gets training, technical assistance, and business counseling from a prime contractor or large business that is already providing services to the government agency, offer the opportunity for new small and diverse businesses entering the federal contracting space to connect directly, or through their mentor, with procurement and contracting officers to demonstrate their capacity to deliver quality products and services and to build the network relationships needed that will ultimately enable these firms to compete as prime contractors on large projects.

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The Subcommittee on Research and Data Equity offers the following recommendation to ensure that all IRS programs operate in a manner that is free from bias and promotes racial equity, and that IRS publishes statistics such that it is transparent to the public whether this is the case:

- The Internal Revenue Service should revise Form 990 to request information on how, in the aggregate, board members of tax-exempt organizations self-identify by race and ethnicity in line with the Race of Principal Owners, Ethnicity of Principal Owners, and Middle Eastern or North African ancestry of Principal Owners, requirements under the State Small Business Credit Initiative. IRS has reported that, in 2019, nearly 300,000 tax-exempt organizations file under Section 501(c); these organizations manage more than $5.5 trillion of assets and spend more than $2 trillion annually (with the majority on program services). Unfortunately, the IRS lacks any data on racial disparities in the management of tax-exempt entities, making impossible the necessary transparency. Such information would enable the IRS to produce statistics that would increase transparency of the regulation of the tax-exempt sector. Researchers could also use such data to understand better how the tax-exempt sector serves communities and supports racial equity, at both the federal and state level.

From:	Michael Nutter
To:	Bowdler, Janis; Lim, Diane; Sebastiani, Michael (Detailee); TACRE; Page, Snider; Somani, Aditi
Subject:	Submission of TACRE Recommendations
Date:	Thursday, January 11, 2024 2:20:33 PM
Attachments:	Consolidated TACRE recommendations passed at Dec 2023 meeting - FINAL CLEAN 01.04.24.docx

** **Caution:** External email from: [Michael Nutter] Pay attention to suspicious links and attachments. Send suspicious email to suspect@treasury.gov **

Dear Treasury TACRE Team -

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

Michael A. Nutter

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

Internal Staffing & Culture Recommendations: Analyzing all employment transactions

Conducting a baseline talent diagnostic to analyze all employment transactions is critical in assessing the current state of the U.S. Department of the Treasury's Diversity Equity Inclusion and Accessibility efforts. Treasury already collects a large amount of information in its DEI Data Map, with over 600 data points. There is an opportunity to utilize the Data Map to provide a fact-based perspective and generate valuable insights by identifying the current representation and advancement opportunities for employees from underserved communities[1] within the U.S. Treasury and its Bureaus. The gathering and analysis, following the EEOC's MD-715 guidelines, should support the Treasury's organizational effectiveness by improving the experience of current employees and making it an employer of choice for candidates of any demographic profile.

The Talent Diagnostic should be split into four main parts:

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

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

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

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

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

Recommendation:

- Create and distribute a survey from the Treasury Department to all U.S. not-for-profits with over $50 million in assets under management, asking for voluntary disclosure of firms being awarded contracts noted in the Statement of Functional Expenses for Management, Legal, Accounting, Advertising and Promotion and Information Technology as well as managers being utilized for portfolio asset management, their demographics of ownership and the related dollar amounts awarded.

- Create a process to review, analyze, and report on the data findings, potentially with aligned partners in the corporate and civic sectors; and based on these findings create the actual report.

- Aspirationally work towards a more formalized approach for this disclosure transparency via the 990 reporting process. The State of California's recent reporting legislation for venture capital firms may serve as a useful model.

- Using a successful business diversity program as a guide (such as the program at the University of Chicago), create once a quarter "showcase" events at the U.S. Treasury or related entities to identify best practices, highlight success stories and bring MWBEs to the forefront for consideration in both categories (asset management and business contracting).

- Using the Pension Benefit Guaranty Corporation (PBGC) as an example, expand the PBGC Smaller Asset Managers pilot program designed for diversity of asset managers which has been lauded as a success both as to (1) the number of participating and eligible diverse managers and (2) asset classes beyond US Core Fixed Income, such as International Fixed Income. Follow the Biden-Harris administration's example in its announced goal of increasing the share of federal contracts going to small disadvantaged businesses to 15% by 2025.[2] Apply best practices for the nonprofit efforts and further apply the example of PBGC to other industries in which Treasury controls contracting spend (e.g., legal, accounting.)

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

Financial Health and Access to Capital Subcommittee – Recommendation on ITINs

Recommendations

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

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

1. **Exploring New Pathways to administering ITINs**

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

2. **Strengthening ITIN administration**
   A. **Ensure that the ITIN Modernization Plan as laid out in the 2023 IRSAC Annual Report (pages 163-167) is enacted and expanded, particularly in the following ways:**
      - **We recommend prioritizing the pre-fill ITIN application procedure (#1 IRSAC Modernization Plan).** This will reduce errors and administrative burden, which is especially high for ITIN holders who also face barriers to applying due to a lack of multilingual resources and limited access to digital literacy education.
      - **We recommend prioritizing the user testing with ITIN holders of the Direct File pilot (#6 IRSAC Modernization Plan).** In addition, we ask for a report on the results with a feasibility assessment to include ITIN holders in the Direct File system.
      - **We recommend the testing of digital ITIN application and tax filing (#9-11 IRSAC Modernization Plan).** This will significantly reduce the burden of mailing, and possibility for loss, of original documents as is currently required.

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

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

3. Expanding ITIN Usage

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

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

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

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

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

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

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

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

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

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

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


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