



The Honorable Shalanda Young
Director
United States Office of Management and Budget
725 17th Street, NW
Washington, D.C. 20503

Dear Director Young:

On behalf of National Taxpayers Union (NTU), a non-partisan taxpayer advocacy group founded in 1969, I write first to offer belated congratulations on your confirmation as Director of the Office of Management and Budget.

NTU and its research and educational affiliate, National Taxpayers Union Foundation, have maintained a close and cordial working relationship with OMB leadership and staff on a variety of matters over the years. We have, for example, relied upon OMB's Paperwork Reduction Act information collection process to conduct estimates of comparative tax compliance burdens between the Internal Revenue Service and other federal agencies.¹ We have also admired and regularly consulted OMB's technical presentations on the federal budget, particularly the annual Analytical Perspectives document and associated supplemental materials.²

These interests bring me to the second purpose of NTU's communication to you. NTU has reached out to several other entities, including the Internal Revenue Service, the Environmental Protection Agency, and the Federal Aviation Administration, to name a few, on the importance of prioritizing to the greatest practical degree recommendations from the Government Accountability Office (GAO) that remain to be implemented. According to a July 15, 2022 communication sent to OMB from Comptroller Dodaro, there were at that time a total of 37 yet-to-be-implemented priority recommendations, plus seven new recommendations, that have been brought to the attention of your staff.³ Just a few of the areas the letter mentions, on which NTU is actively working with stakeholders, are:

- Three recommendations pertaining to improper payments, particularly surrounding the Do Not Pay system. While we believe that governments at all levels must embrace a wide range of anti-fraud remedies, ranging from biometric ID processes to blockchain technologies, Do Not Pay has significant promise to reduce waste in benefit programs across many agencies.

¹ See, for example, Brady, Demian. "Tax Complexity 2022: Increasing Complexity Brings Back Bigger Compliance Burdens." National Taxpayers Union Foundation, April 18, 2022. <https://www.ntu.org/foundation/detail/increasing-complexity-brings-back-bigger-compliance-burdens>

² See, for example, Brady, Demian. "One Simple Transparency Reform Will Reveal the True Extent of Federal Spending." National Taxpayers Union Foundation, September 29, 2022. <https://www.ntu.org/foundation/detail/one-simple-transparency-reform-will-reveal-the-true-extent-of-federal-spending>

³ Dodaro, Gene L. (Comptroller General of the United States). Letter to the Hon. Shalanda Young (Director, U.S. Office of Management and Budget). "Priority Open Recommendations: Office of Management and Budget." July 15, 2022. <https://www.gao.gov/assets/gao-22-105582.pdf>

- One recommendation concerning improvement of the federal real property inventory. In the post-pandemic environment, it will be even more critical for policymakers to identify cost-effective ways for shrinking the government’s real estate footprint, and offering the potential for billions of dollars in taxpayer savings.
- Nine recommendations to “help agencies improve the manner in which they procure, track, and manage the hundreds of billions of dollars in goods and services the federal government buys each year.” This would be worthwhile first and foremost for the Department of Defense – the Comptroller noted separately that the “processes used to prepare the consolidated financial statements and the Department of Defense’s financial management are long-standing impediments.” We fully agree with this assessment, and would note that poor acquisition practices at DoD are directly related to the larger problem of that agency’s persistent failure to produce auditable financial statements.
- Several of the 16 recommendations clustered around “improving government performance.” Given our interest in robust research and analytical capabilities for OMB, we are especially enthused about GAO’s advice about strengthening the federal program inventory, improving the robustness of the foreign assistance monitoring, and expanding performance assessments to include what the Comptroller terms tax expenditures.

To use the last point above as an example, NTU advocated for the original 2010 legislation calling for a program inventory, and has since encouraged subsequent administrations and Congresses to maintain this project, which recently included passage of the Taxpayers Right-to-Know Act (signed into law by President Biden).⁴ Furthermore, we strongly applauded the Foreign Assistance Dashboard, created as a result of then-President Obama’s Memorandum on Transparency and Open Government in 2009.⁵ More work remains to be done on these initiatives, and we would be proud to partner with OMB in ensuring that work is completed.

In his July 15 letter, Comptroller Dodaro also wrote that OMB and the Treasury Department should jointly “develop and implement a framework for conducting performance reviews of tax expenditures.” He remarked that, “[a]lthough revenue losses from tax expenditures exceed \$1 trillion each year, tax expenditures continue to not receive the same level of scrutiny within federal budget processes as discretionary spending.”

NTU has a somewhat different view from Comptroller Dodaro here. Allowing taxpayers to keep more of their own earnings does not, in our opinion, constitute an “expenditure” of resources in

⁴ See, for example, Lautz, Andrew. “Coalition Urges Swift Implementation of Taxpayers Right-to-Know Act.” National Taxpayers Union, et al., November 29, 2021.

<https://www.ntu.org/publications/detail/coalition-urges-swift-implementation-of-taxpayers-right-to-know-act>

⁵ See Swift, Nan. “NTU Supports the Foreign Aid Transparency and Accountability Act.” National Taxpayers Union Letter to Legislative Sponsors, April 23, 2014.

<https://www.ntu.org/publications/detail/ntu-supports-the-foreign-aid-transparency-and-accountability-act-s-127-1-and-hr-2638>

the way that direct spending or discretionary spending would. An exception, of course, are the refundable portions of numerous federal tax credit programs, which do represent outlays.⁶

Nonetheless, we do agree with GAO's general contention that numerous areas of tax law are rarely evaluated to "determine how well [they] work to achieve their goals." In fact, NTU has called upon Congress to regularly evaluate whether sound principles such as simplicity and neutrality are best being served in areas such as:

- **Energy tax credits, incentives, and preferences, particularly the complex maze of renewables.**⁷ In previous Congresses, legislation has been proposed to repeal many of these credits (affecting both traditional and renewable energy), and utilize the resulting combined revenue to "buy down" the general corporate tax rate. Although NTU could support such an approach,⁸ and OMB might have reservations, we would both be served by additional underlying technical research if it were conducted neutrally and systematically.
- **The administrability of the Earned Income Tax Credit and the Child Tax Credit programs, which continue to challenge tax filers when they meet often confusing qualification rules.** Evidence is accumulating that these programs can function to reduce child poverty, but optimizing their design to deliver tax benefits while minimizing improper payments remains an important task.⁹
- **The utility of various tax exemptions created decades ago when the economy was differently structured.** One example is the credit union tax exemption, created to provide underserved constituencies access to financial services. While some credit unions continue to perform this function, others have grown into multi-billion-dollar institutions that now compete with taxpaying banks.¹⁰ Some have suggested mixed approaches that may modify the exemption to a narrower class of institutions while offering a more attractive tax and regulatory on-ramp for larger credit unions to become banks. Others have suggested requiring federally chartered credit unions to file IRS Form 990s as a first step toward learning more about how their tax exemption may factor

⁶ See, for example, Brady, Demian. "What's the Deal with Refundable Tax Credits?" National Taxpayers Union Foundation, November 29, 2021.

<https://www.ntu.org/foundation/detail/whats-the-deal-with-refundable-tax-credits>

⁷ See Lautz, Andrew, and Aiello, Thomas. "What's the Deal with Energy Taxes?" National Taxpayers Union, September 20, 2021. <https://www.ntu.org/publications/detail/whats-the-deal-with-energy-taxes>

⁸ See Greife, Brandon. "NTU Supports H.R. 3308, the 'Energy Freedom and Economic Prosperity Act.'" Letter to Legislative Sponsors, November 30, 2011.

<https://www.ntu.org/publications/detail/ntu-supports-hr-3308-the-energy-freedom-and-economic-prosperity-act>

⁹ NTU has a forthcoming paper on this topic.

¹⁰ See, for example: Aiello, Thomas. "Due to Growing Concerns, Congress Should Take a Fresh Look at the Merits of the Credit Union Tax Exemption." National Taxpayers Union, February 18, 2020.

<https://www.ntu.org/publications/detail/due-to-growing-concerns-congress-should-take-a-fresh-look-at-the-merits-of-the-credit-union-tax-exemption>

Aiello, Thomas. "Congress Should Enact Transparency Reforms Before Raising the Cap on Credit Union Lending." National Taxpayers Union Letter to the Senate Committee on Banking, Housing, and Urban Affairs, July 16, 2020.

<https://www.ntu.org/publications/detail/congress-should-enact-transparency-measure-before-raising-the-cap-on-credit-union-lending>

Sepp, Pete. "Congress Should Explore Form 990 Reform, Simplification in 2022." National Taxpayers Union Letter to Members of the Senate Finance Committee and House Committee on Ways and Means, January 31, 2022. <https://www.ntu.org/publications/detail/congress-should-explore-form-990-reform-simplification-in-2022>

into their financial operations. In the case of a Form 990 filing requirement, OMB's input would be useful in determining the merits of these plans, as well as estimating the relative increase in paperwork burdens that would result.

- **The quality and scope of information collections.** Requisite to any comprehensive evaluation of “tax expenditures” is complete and accurate data on the compliance burdens that various credits and deductions (as well as information returns and even tax reporting forms) impose. As an example, OMB and IRS could work more closely to calculate the out-of-pocket expenses under the Paperwork Reduction Act for widely-used or often-criticized forms such as Form 4562, regarding Depreciation and Amortization. It is implausible that a form that imposes a time cost of nearly 450 million hours has no out-of-pocket costs associated with it, suggesting that compliance burdens could remain significantly underreported in some ways. Another is Form 1099-B (which requires brokerage firms to report taxpayers' gains or losses for stocks, bonds, and other securities). Tax preparers have labeled it the worst tax form because of filing delays it causes.¹¹
- **The link between “tax expenditure” reductions and offsetting revenue losses as well as paperwork increases.** For instance, the massive expansion of the 1099-K reporting requirements on tens of millions of taxpayers mandated by the American Rescue Plan Act,¹² are estimated to yield a 10-year revenue increase of \$8.8 billion. We believe that the private sector compliance costs could exceed this projection; in fact, the lost time and productivity associated with this information reporting effort could cut into the profit margins of small and large businesses, and therefore the tax collections associated with those profits. What might those metrics be? OMB could provide an additional voice on the matter.

Under the framework GAO suggests, we would not necessarily agree with OMB's analysis of every tax-law provision that is evaluated. However, NTU certainly believes that the work of your agency, combined with that of the Joint Committee on Taxation, the Treasury Inspector General for Tax Administration, the National Taxpayer Advocate, and others, would valuably contribute to the body of knowledge that decision makers in the legislative and executive branches need to calibrate federal tax policies on a regular and more methodical basis.

Indeed, institutions outside of government could also be well-served by some of the work that OMB could perform in the tax space – including NTU. In December 2021, we conducted a systematic examination of 30 expiring tax provisions, most of which are popularly known as

¹¹ See Brady, Demian. “Tax Complexity 2021: Compliance Burdens Ease for Third Year Since Tax Reform.” National Taxpayers Union Foundation, April 15, 2021. <https://www.ntu.org/foundation/detail/tax-complexity-2021-compliance-burdens-ease-for-third-year-since-tax-reform>

¹² See Wilford, Andrew, and Moylan, Andrew. “Congress Needs to Act to Provide Relief to Taxpayers (and the IRS) from Burdensome 1099-K Requirement.” National Taxpayers Union Foundation, March 8, 2022. <https://www.ntu.org/foundation/detail/congress-needs-to-act-to-provide-relief-to-taxpayers-and-the-irs-from-burdensome-1099-k-requirement>. See also, Brady, Demian. “IRS Silence on New 1099-K Paperwork Burdens Leaves Taxpayers in a Lurch.” National Taxpayers Union Foundation, October 7, 2022. <https://www.ntu.org/foundation/detail/irs-silence-on-new-1099-k-paperwork-burdens-leaves-taxpayers-in-the-lurch>

“extenders.”¹³ NTU weighed the pros and cons with the 22 provisions related to our mission. In many cases, sufficient fiscal, econometric, and program effectiveness data existed from numerous sources. However, effectiveness information was thin in at least half a dozen of the provisions we analyzed.

Here again, while we might not concur with OMB’s assessment in every case and OMB might not concur with the assessment of other agencies, the evaluation of your staff would furnish additional insight to areas of the Tax Code that receive only superficial attention from policymakers who are often most concerned with how an overall legislative package will “score.” While revenue impact is of course an important factor, we would contend that other aspects, such as whether a given provision is economically distortionary, or has been rendered less effective by other programs, deserve consideration as well.

With the possible exception of the General Services Administration, we know of no other executive branch entity that other agencies consult and respect more on managerial or fiscal policy than OMB. Your continued leadership on program integrity, contracting reform, open government, and policy analysis is crucial for taxpayers.

We hope we have provided a useful perspective on which priorities and recommendations we may be able to assist OMB in implementing during the weeks and months ahead. Toward that end, we are at your service, and would be pleased to meet with you or any members of your team at any time. Thank you for your consideration.

Sincerely,

Pete Sepp
President

¹³ See Lautz, Andrew and Yopez, Will. “Not All Tax Extenders Are Created Equal – 2021.” National Taxpayers Union, December 1, 2021. <https://www.ntu.org/publications/detail/not-all-tax-extenders-are-created-equal-2021>