

**Tax Division**  
**United States Department of Justice**

**FY 2019 Congressional Budget**



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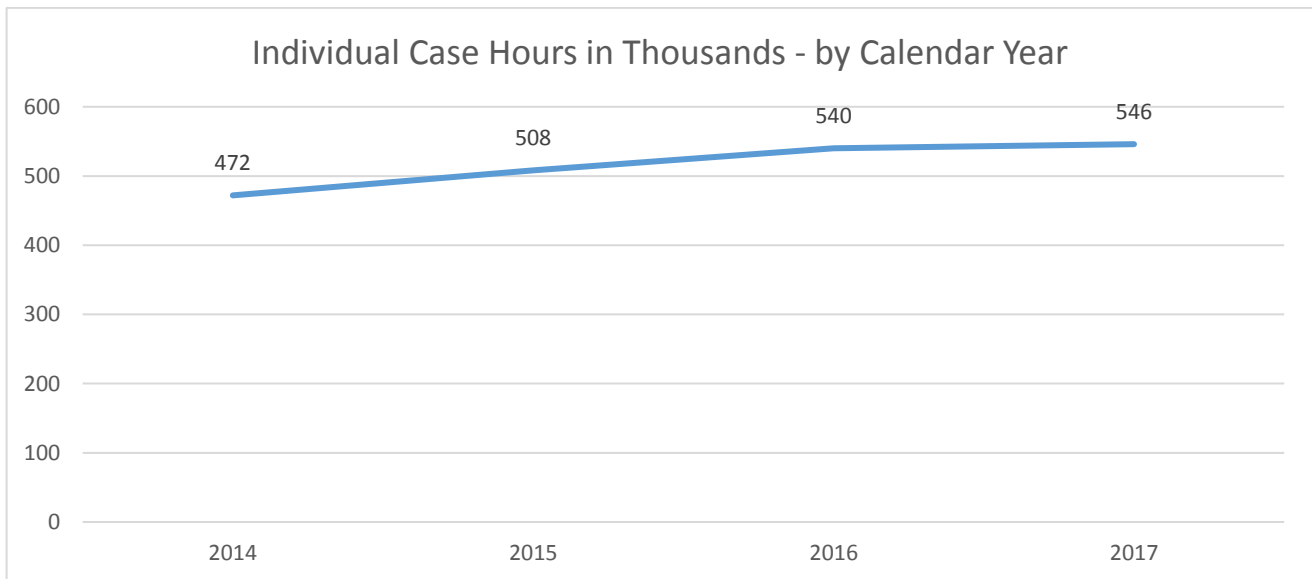
## I. Overview for Tax Division

### *Introduction*

The Tax Division's mission is to enforce the nation's tax laws fully, fairly, and consistently, through both criminal and civil litigation. The Tax Division represents the United States in virtually all litigation – civil and criminal, trial and appellate – arising under the internal revenue laws, in all state and federal courts, except the United States Tax Court. The Tax Division submits a budget request for \$105,435,000 for FY 2019, including 485 permanent positions (366 attorneys), and 482 full-time equivalent (FTE) work years.

#### *Practice Highlight:*

Between calendar year 2014 and calendar year 2017, Tax Division case hours rose by more than 15 percent:



### *The Tax Division's Primary Responsibilities*

The United States government engages with every American, and all those who benefit from our nation, through our tax system. Tax collections fund most federal government services, from national defense to national parks. The government lacks the resources to directly assess and audit each individual taxpayer; therefore, we ask our citizens, residents, and those who earn income in this country to report their confidential financial information annually, and to self-assess and pay their tax liabilities. In the United States, citizens file more than 150 million tax returns each year and pay more than \$2 trillion on time, representing approximately 82% of all tax dollars properly owed.<sup>1</sup> Such a high voluntary compliance rate depends on the Internal Revenue Service (the Service or IRS) and Tax Division maintaining an active and effective criminal and civil enforcement program. Those programs must both deter individuals and businesses who would consider violating the tax laws, and assure

<sup>1</sup> <https://www.irs.gov/uac/the-tax-gap>

taxpayers who pay their fair share that those who violate the laws will promptly and fully be held to account.

Tax Division litigators are charged with effectively enforcing federal tax laws by evaluating and supporting the IRS's investigations and determinations in civil cases, and prosecuting criminal violations of the revenue laws. On average, Tax Division civil litigators have nearly 6,700 civil cases in process annually, in which they seek to enforce the Service's requests for information in ongoing examinations, and to collect and defend tax assessments when the Service's examinations are complete. The Tax Division's civil appellate attorneys handle about 625 appeals annually, about half of which are from decisions of the Tax Court, where IRS attorneys represent the Commissioner. In criminal matters, Tax Division prosecutors authorize almost all grand jury investigations and prosecutions involving violations of the internal revenue laws, furthering uniformity in nationwide standards for such prosecutions. Between FY 2014 and FY 2017, the Division authorized between 1,300 and 1,800 criminal tax investigations annually. Tax Division prosecutors investigate and prosecute these crimes either alone or in conjunction with the United States Attorneys' Offices.

The Tax Division is not only a key component within the Department of Justice but plays a pivotal role in the functioning of our government. The Tax Division contributes to tax law enforcement by:

- Protecting the public fisc;
- Encouraging voluntary compliance with tax laws through the direct and indirect effects of civil and criminal litigation; and
- Ensuring fair and uniform enforcement of tax laws.

***Protecting the Public Fisc.*** The Tax Division is one of the principal guardians of public funds, and the resources committed to it pay substantial dividends. The Division's affirmative civil litigation typically brings in more each year than the Division's entire budget, averaging \$451 million from FY 2013 to FY 2017. The significant amounts obtained by the Division through affirmative litigation are nonetheless dwarfed by the public funds that the Division safeguards through its defensive civil litigation. The Division is currently defending refund suits that collectively involve over \$12 billion dollars. While these figures represent amounts directly at issue, they cannot fully capture the strong indirect effects of the Tax Division's affirmative and defensive litigation. Decisions in the Division's cases often reduce the need for future administrative and judicial tax proceedings by settling questions of law for millions of taxpayers.

***Improving Voluntary Compliance.*** The Tax Division's high litigation success rate (higher than 90%) has an enormous effect on voluntary tax compliance. By law, the IRS cannot make public the fact of an IRS audit, or its result. By contrast, the Tax Division's important tax litigation victories receive widespread media coverage, leading to a significant multiplier effect on voluntary compliance. A widely regarded study concluded that the marginal indirect revenue-to-cost ratio of a criminal conviction is more than 16 to 1.<sup>2</sup> While no comparable study of civil litigation exists, the same research suggests that IRS civil audits have an indirect effect on revenue that is more than 10 times the adjustments proposed in those audits.<sup>3</sup> Another predicts that an additional dollar allocated to civil audits would return \$67 in general deterrence, while an additional dollar allocated to criminal investigation results in

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<sup>2</sup> Alan H. Plumley, *The Determinants of Individual Income Tax Compliance*, pp. 35, 40, Internal Revenue Service Publication 1916 (1996). "For 2015, the IRS estimated that the cost of enforcement activities, combining enforcement and the relevant part of operations support, was \$5.6 billion, while the revenue generated was \$54.2 billion, for a return on investment of \$9.60 for every \$1 spent."

<sup>3</sup> *Id.*

\$55 of deterrence.<sup>4</sup> The positive effects of the IRS and the Tax Division's efforts on this front are seen in public opinion regarding voluntary compliance. According to a recent survey by the IRS oversight board, the public takes a very negative view of cheating on one's taxes, with 86% of the respondents indicating that it is never acceptable. Also, the IRS's Offshore Voluntary Disclosure Initiatives, operating alongside the Division's ongoing criminal and civil enforcement actions concerning unreported offshore accounts, have resulted in an unprecedented number of taxpayers – over 55,800 since 2009 – attempting to “return to the fold” by paying back taxes, interest and penalties totaling over \$10 billion dollars.

***Fair and Uniform Enforcement of Tax Law.*** The Tax Division plays a major role in assuring the public that the tax system is enforced uniformly and fairly. The Division independently reviews the merits of each case that the IRS requests be brought or defended to ensure that the Government's litigating positions are consistent with applicable law and policy.

### ***Tax Division's Impact on Department Priorities***

In carrying out its mission to enforce the nation's tax law laws fully, fairly, and consistently, the Tax Division plays an integral part in supporting the priorities set out by President and Attorney General, both directly and indirectly, as outlined below:

**Combatting financial fraud and transnational crime.** The Division focuses considerable resources on fighting financial fraud, abusive transactions, and transnational crime. Financial fraud and abusive transactions undermine the tax system and thus are a main target of the Division's criminal and civil litigation efforts. In particular, Tax Division criminal litigators, and their partners at the IRS and in the United States Attorneys' Offices, work tirelessly to hold wrongdoers accountable for corporate fraud, financial institution fraud, and health care fraud. For example:

- In July 2017, Christopher Swartz, a New York food and restaurant entrepreneur and franchisor was sentenced to more than 12 years in prison for evading more than \$4 million in taxes and defrauding more than 150 investors out of approximately \$21 million.
- In July 2016, Anton Drago, formerly known as Evan Fogarty, of Las Vegas, Nevada, was sentenced to serve 25 years in prison for orchestrating a large-scale Nigerian oil investment fraud scheme and falsely claiming thousands of dollars in unemployment compensation benefits from the VA.

The Division also cooperates with other law enforcement components to formulate national policies, programs, strategies and procedures for a coordinated attack on financial crime. On the civil side, Tax Division litigators seek to put tax-fraud promoters and fraudulent tax preparers out of business, and to fight against abusive transactions that seek to game the tax system. Financial fraud is a particular focus of our efforts. Currently the Tax Division is committed to the fight on transnational crime in whatever form it takes, from identifying, investigating, and holding accountable U.S. taxpayers who conceal foreign financial accounts in an effort to evade U.S. reporting and tax obligations to assisting in counterterrorism efforts to thwart those that intend harm to this nation and its citizens.

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<sup>4</sup> Jeffrey A. Dubin, *The Causes and Consequences of Income Tax Noncompliance* 256 (2012).

**Protect law enforcement.** The Tax Division effectively defends IRS agents and officers, and the Government itself, against frivolous damage suits. Without successful representation of the quality provided by the Division, these suits could cripple or seriously impair effective tax collection and enforcement. Moreover, some “tax defiers”<sup>5</sup> have resorted to violence against government officials, and it is essential that law enforcement be prepared to respond rapidly to threats against agents, prosecutors, and judges. The Tax Division has implemented a comprehensive strategy using both civil and criminal enforcement tools to address the serious and corrosive effect of tax defier and sovereign citizen activity. For example, in April 2017, Teresa Marty, the owner of a Placerville, California tax return preparation business, was sentenced to 10 years in prison. Marty filed tax returns for clients in 26 states that sought more than \$60 million in fraudulent refunds and resulted in the IRS paying out more than \$9 million. Marty also assisted clients in filing fraudulent multi-million dollar liens against government officials, including IRS employees involved in collection activity of clients who received fraudulent refunds and an Acting United States Attorney, which unlawfully disclosed personal identification information. Marty also assisted clients in hiring a collection agency to enforce a \$500,000 false lien filed against an IRS revenue officer.

**Counterterrorism.** Tax Division attorneys play an important role in the fight against international terrorism. Tax Division attorneys lend their expertise to attorneys at the National Security Division and at U.S. Attorneys’ Offices in prosecuting those who take advantage of the tax laws to fund terrorism through the use of tax-exempt organizations. A Tax Division Senior Litigation Counsel manages this effort. In the last two years, we have worked with AUSAs and Joint Terrorism Task Forces to authorize tax charges when other criminal violations were not available and currently are reviewing and approving a number of terrorist financing investigations.

### ***Full Program Costs***

In the FY 2019 budget request, approximately 72% of the Division’s resources are for Civil Tax Litigation and Appeals, and 28% percent for Criminal Tax Prosecution and Appeals. This budget request incorporates all costs, including mission costs related to cases and matters, mission costs related to oversight and policy, and overhead.

### ***Environmental Accountability***

The Tax Division has in place existing policies to incorporate environmental accountability in its day-to-day operations. These include green purchasing policies such as:

- Mandating the purchase of recycled paper products (copier/printer paper, paper towels) and;
- Training and written guidance on green purchasing for those employees responsible for purchasing office supplies.

In addition, the Tax Division reduces waste and environmental impact by:

- Setting the default on printers to two-sided printing;

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<sup>5</sup> Tax defiers, also known as illegal tax protestors, advance frivolous arguments and develop a wide variety of schemes to evade their income taxes, assist others in evading their taxes, and frustrate the IRS, all under the guise of constitutional and other meritless objections to the tax laws.



- Placing recycling bins for paper, glass, aluminum, and plastic in central locations and providing paper recycling containers for individual employee use;
- Recycling used printer cartridges;
- Promoting distribution of documents in electronic format only;
- Promoting scanning instead of photocopying;
- Recycling cell phones, laptops, computers and computer battery packs and;
- Sensitive materials are shredded and recycled.

The Division continues to work to reduce the environmental impact of its buildings. The Division is working with each building’s Property Manager as they pursue LEED Certifications for their facilities through the General Services Administration and U.S. Green Building Council. On May 25, 2012, the Patrick Henry Building earned a Prestigious “LEED Silver Certification. Tax-occupied space in the Judiciary Center Building has been retrofitted with energy-efficient light fixtures and light bulbs, and motion sensors have replaced light switches throughout the Patrick Henry Building. The Division works with construction and maintenance contractors to use green materials whenever possible.

### *External and Internal Performance Challenges*

The Tax Division faces serious and immediate challenges to accomplishing its mission.

#### **External**

**Reducing the Tax Gap.** The IRS collects more than \$3 trillion annually<sup>6</sup>. Enforcement actions brought in almost \$37.4 billion for FY2016<sup>7</sup>. The IRS estimates that the annual tax gap – the difference between taxes owed and taxes paid voluntarily and timely – is \$450 billion. The IRS Oversight Board cited “Enforcement programs allow the IRS to further voluntary compliance, help reduce the estimated \$450 billion tax gap, and provide much needed dollars to the federal purse.”<sup>8</sup> Improving compliance is the number one priority in the IRS Strategic Plan. The problem is exacerbated by the vast increase in financial globalization, which has expanded the opportunities for assets and income to be easily hidden offshore.

Reducing the tax gap will require increased enforcement. The challenge is to narrow that gap in a manner that not only collects the revenue due, but also assures the public that enforcement actions are vigorous, fair, and uniform.

#### **Internal**

The Tax Division’s vigorous civil and criminal enforcement program has not only enhanced deterrence and compliance – it also recovers substantial funds and more than pays for itself. The Division collects

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<sup>6</sup> Internal Revenue Service Data Book, 2016 page 1

<sup>7</sup> Internal Revenue Service Data Book, 2016 page 39

<sup>8</sup> IRS Oversight Board, FY 2015 Budget Recommendation, Special Report, May 2014.

through criminal and civil affirmative enforcement more than the annual cost of its budget. A significant portion of the Division’s enforcement work on tax issues that dovetail with other, significant Department’s priorities, as outlined above.

**Volatility in Resource Allocation.** In addition to its affirmative enforcement mandate, the Division is responsible for defending cases filed against the United States involving tax laws and refund claims. Because the plaintiffs file these suits at a time of their choosing, the Division has little choice in allocating resources to defending the suits at the time they are filed. Taxpayer refund suits brought by sophisticated corporate counsel put at risk billions of dollars, and require sophisticated and nuanced legal defense work by Division attorneys. On the other end of the spectrum, many taxpayers file frivolous claims against the United States, and it is critical that we vigorously defend those suits as well. Indeed the Tax Division saves taxpayers and the Treasury from paying millions of dollars each year in meritless damage claims. Because these suits are reactive in nature, we have little control over our defensive docket and must allocate the necessary attorney and staff resources required to defend these cases.

## II. Summary of Program Changes

The Tax Division is requesting \$500,000.00 for a Transnational Tax Evasion Unit of five attorneys and one paralegal. This unit will be responsible for criminal enforcement of transnational tax crimes.

## III. Appropriations Language and Analysis of Appropriations Language

No substantive changes proposed.

## IV. Program Activity Justification

### A. General Tax Matters

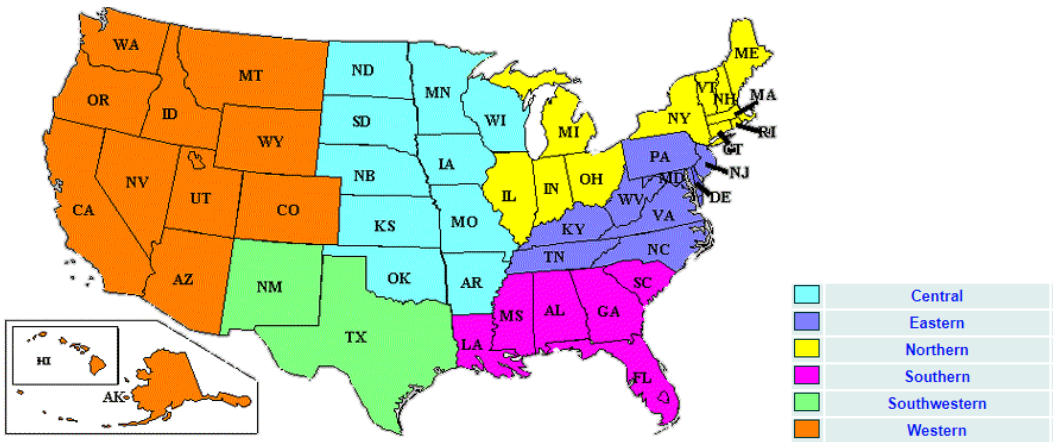
| <i>General Tax Matters</i>                    | <b>Direct Pos.</b> | <b>Estimate FTE</b> | <b>Amount</b> |
|---|--------------------|---------------------|---------------|
| 2017 Enacted                                  | 514                | 523                 | 106,979       |
| 2018 President’s Budget                       | 499                | 499                 | 106,253       |
| Adjustments to Base and Technical Adjustments | -20                | -20                 | -1,318        |
| 2019 Current Services                         | 479                | 479                 | 104,935       |
| 2019 Program Increases                        | 6                  | 3                   | 500           |
| 2019 Program Offsets                          | 0                  | 0                   | 0             |
| 2019 Request                                  | 485                | 482                 | 105,435       |
| <b>Total Change 2018-2019</b>                 | <b>-14</b>         | <b>-17</b>          | <b>-1,423</b> |

| <b>General Tax Matters-Information Technology Breakout (of Decision Unit Total)</b> | <b>Direct Pos.</b> | <b>Estimate FTE</b> | <b>Amount</b> |
|---|--------------------|---------------------|---------------|
| 2017 Enacted  | 12                 | 12                  | 5,600         |
| 2018 President's Budget   | 12                 | 12                  | 5,600         |
| Adjustments to Base and Technical Adjustments                                       | -6                 | -6                  | -750          |
| 2019 Current Services   | 6                  | 6                   | 4,850         |
| 2019 Program Increases  | 0                  | 0                   | 0             |
| 2019 Program Offsets  | 0                  | 0                   | 0             |
| 2019 Request  | 6                  | 6                   | 4,850         |
| <b>Total Change 2018-2019</b>   | <b>-6</b>          | <b>-6</b>           | <b>-750</b>   |

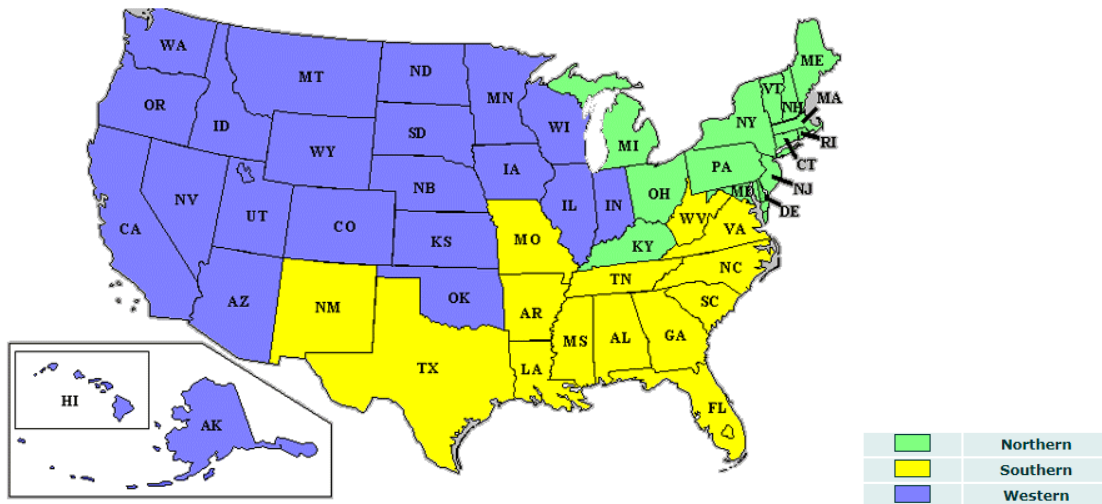
### 1. Program Description

The Tax Division represents the United States in both civil and criminal tax matters. The Division is composed of eleven litigating sections – civil trial (6), criminal enforcement (3), and appellate (2). All Tax Division sections are based in Washington, D.C., except for the Southwestern Civil Trial Section located in Dallas, Texas.

#### Civil Trial Sections



## Criminal Enforcement Sections



## Civil Trial and Appellate Sections

Tax Division civil sections litigate all matters arising under the internal revenue laws in all state and federal trial courts, (with the exception of the United States Tax Court), and in appeals from all trial courts, including the Tax Court. Tax Division civil attorneys defend the United States in suits relating to the tax laws, including refund suits, tax shelter cases, and other suits seeking monetary or other relief. Tax Division trial attorneys also bring suits that the IRS has requested, including suits to stop tax scam promoters and preparers; suits to collect unpaid taxes; and suits to allow the IRS to obtain information needed for tax enforcement. Tax Division civil appellate attorneys represent the United States in all appeals from trial court decisions.

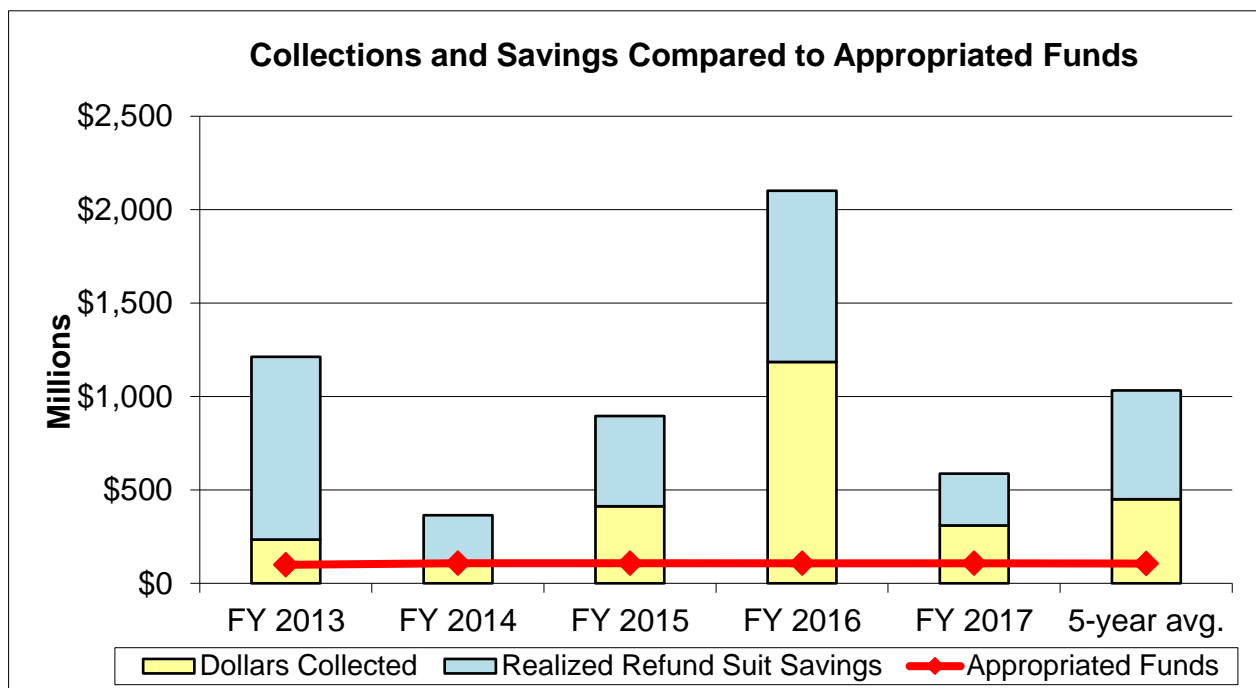
**Defending the United States.** Tax cases filed against the United States comprise approximately 66% of the Division's civil caseload, in terms of both the number of cases litigated and the number of attorney work hours devoted to them each year. These lawsuits include requests for tax refunds, challenges to federal tax laws, challenges to liens, claims of unauthorized disclosure of confidential tax information, and allegations of wrongdoing by IRS agents. The Division's representation of the government in these defensive suits saves the Treasury hundreds of millions of dollars annually, both by retaining money that taxpayers seek to recover and by fending off unjustified damage claims.

**Shutting Down Tax-Fraud Schemes and Fraudulent Return Preparers.** Since 2000, Tax Division attorneys have obtained injunctions against more than 500 tax-fraud promoters and return preparers. This number represents a dramatic increase over the 1990s, when the total number of promoters and preparers enjoined barely reached 25 for the entire decade. The schemes the Division has enjoined during the past several years had cost the Federal Treasury more than \$2 billion and placed an enormous administrative burden on the IRS. If permitted to continue unchecked, these schemes would

undermine public confidence in the integrity of our tax system, and require both the IRS and the Tax Division to devote tremendous resources to detecting, correcting, and collecting the resulting unpaid taxes.

**Assisting with IRS Information Collection and Examinations.** Individuals or businesses sometimes seek to thwart an IRS investigation by refusing to cooperate with IRS administrative summonses requesting information. When that happens, the IRS frequently asks the Tax Division to bring suit in federal court for an order to compel compliance with the summons. These judicial proceedings enable the government to obtain needed information, while also providing important procedural and substantive rights to those affected by the summons.

**Collecting Unpaid Taxes.** The Division collects unpaid tax liabilities, including income tax, employment tax, and a variety of penalties, by bringing affirmative civil litigation against delinquent taxpayers. Most of the affirmative collection suits that the Division handles are factually complex and time-consuming – debts that the IRS has been unable to collect administratively and that frequently involve fraudulent transfers of property or other unlawful attempts by taxpayers to conceal their income or assets or to delay the proceedings. Despite these difficulties, Tax Division attorneys collected over **\$1.1 billion** in taxes, interest, and penalties in FY 2016. Indeed, the Division’s affirmative litigation typically brings in more each year than the Division’s entire budget, as illustrated by the following chart and has averaged \$451 million from FY 2013 to FY 2017.



**Civil Appellate Cases.** Tax Division's civil appellate attorneys represent the interests of the United States in all civil tax cases held in federal and state courts of appeals. During FY 2017, the Appellate Section litigated approximately 625 tax appeals, and won (in whole or in part) over 95% of taxpayer appeals and 50% of Government appeals. In addition to preparing briefs and presenting oral arguments in courts of appeal, Appellate Section attorneys assist the Office of the Solicitor General in preparing briefs in the United States Supreme Court and prepare recommendations to the Solicitor General on whether to file an appeal. When the United States is not a party in cases that may affect the interest of the United States on tax-related issues, Appellate Section attorneys prepare amicus curiae briefs setting forth the Government's position on those issues.

### **Criminal Prosecutions and Appeals**

The Division's criminal enforcement goals are to prosecute criminal tax violations and to promote uniform nationwide criminal tax enforcement. In many cases, the Division receives requests from the IRS to prosecute violations after the IRS has completed an administrative investigation. In other cases, the IRS asks the Division to authorize grand jury investigations to determine whether prosecutable tax crimes have occurred. Division prosecutors review, analyze, and evaluate referrals to ensure that uniform standards of prosecution are applied to taxpayers across the country. In the past few years, the Division has authorized between 1,300 and 1,700 criminal tax investigations and prosecutions each year. After tax charges are authorized, cases are handled by a U.S. Attorney's Office, by a Division prosecutor, or by a team of prosecutors from both offices. Division prosecutors also conduct training for IRS criminal investigators and Assistant U.S. Attorneys, and provide advice to other federal law enforcement personnel, such as the Drug Enforcement Administration and the Federal Bureau of Investigation.

During FY 2017, Division prosecutors obtained 141 indictments and 128 convictions (not including the additional criminal tax prosecutions handled exclusively by United States Attorneys' Offices). The conviction rate for cases brought by Tax Division prosecutors for FY 2017 was 100%. Vigorous enforcement punishes violators, deters future violations, and reassures honest taxpayers that they will not bear an undue share of the federal tax burden.

**Offshore Tax Evasion.** For Tax Division's criminal enforcement sections, one of the top litigation priorities is identifying, investigating and holding accountable U.S. taxpayers who conceal foreign financial accounts in an effort to evade U.S. reporting and tax obligations. Use of foreign tax havens by U.S. taxpayers has been on the rise, aided by increasingly sophisticated financial instruments and the ease of moving money around the globe, irrespective of national borders. While the Division's enforcement focused initially on cross-border activities in Switzerland, it has expanded to include wrongdoing by U.S. accountholders, financial institutions, and other facilitators globally, including publicly disclosed enforcement concerning banking activities in India, Israel, Liechtenstein, Luxembourg, Belize, Hong Kong and the Caribbean.

Ten banks and financial institutions have entered into guilty pleas, deferred prosecution agreements (DPA) and non-prosecution agreements (NPA) with the Department. Among the most notable are:

- UBS AG, Switzerland's largest financial institution, paying approximately \$1.1 billion;
- Wegelin Bank, the oldest private bank in Switzerland, paying approximately \$74 million to the United States; and

- Credit Suisse AG, paying a total of \$2.6 billion – \$1.8 billion to the Department of Justice for the U.S. Treasury (as restitution for lost tax revenue), \$100 million to the Federal Reserve, and \$715 million to the New York State Department of Financial Services, and \$196 million in disgorgement, interest and penalties to the Securities and Exchange Commission (SEC).

Among the most notable to have entered into DPAs are:

- Bank Leumi, a major Israeli international bank, paying \$270 million to the United States, providing the names of more than 1,500 of its U.S. account holders, and cooperating with related ongoing investigations, marking the first time an Israeli bank admitted to such criminal conduct; and
- Bank Julius Baer & Co Ltd., headquartered in Switzerland, paying \$547 million in restitution, forfeiture and penalties.

In addition, through the Swiss Bank Program, the Department entered into 78 NPAs with 80 banks that collectively paid more than \$1.36 billion in penalties and are providing valuable leads concerning U.S. taxpayers maintaining secret accounts.<sup>9</sup> The Program encouraged Swiss banks, about which the Department had little or no information, to come forward, disclose conduct and account information related to U.S. offshore accounts, and to cooperate with ongoing offshore enforcement efforts to target U.S. accountholders and the bankers and advisers who facilitated them.

The investigation and prosecution of professionals, including lawyers, financial advisors, and return preparers, who facilitate offshore tax evasion is an essential part of the Tax Division’s efforts in this area. The Department has publicly charged approximately 42 bankers and advisors with violations arising from offshore banking activities; many remain fugitives. Furthermore, over 120 accountholders have pleaded guilty or been convicted at trial. For example:

- In July 2017, Casey Padula, a Port Charlotte, Florida businessman, was sentenced to 57 months in prison for tax and bank fraud. Padula concealed approximately \$2.5 million in secret accounts in Belize and fraudulently deducted the offshore transfers as business expenses on his corporate returns.
- In March 2017, Masud Sarshar, a Los Angeles, California, businessman, was sentenced to 24 months in prison for concealing more than \$23.5 million in Israeli bank accounts and evading more than \$8.3 million in taxes.
- In April 2017, Dan and David Kalili and David Azarian, of Orange County, California, were sentenced to prison for hiding millions of dollars in secret accounts in Israel and Switzerland for more than a decade. Collectively, they also paid approximately \$5.9 million in penalties and \$780,000 in restitution to the IRS.

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<sup>9</sup> These banks are referred to as “Category 2” banks. The Program established four categories of banks. The Program expressly excluded the fourteen banks, referred to in the Program as “Category 1 banks,” that were authorized for investigation in connection with their Swiss banking activity related to U.S. account holders before the Program was announced. Category 2 banks are Swiss banks that were not under investigation as of the date the Program was announced but believed they had committed tax-related offenses. Category 2 banks were required to provide detailed information regarding their cross-border activities, employees and representatives, and U.S.-related accounts, and were required to pay a penalty that could be mitigated if the bank established that a particular account was declared or came into compliance through the IRS offshore voluntary disclosure programs. Category 3 and 4 banks are Swiss banks that did not commit any violations of U.S. law but sought a non-target letter after providing information required under the Program.

The high profile prosecutions of financial institutions, facilitators, and accountholders created pressure on non-compliant taxpayers to correct their tax returns to report previously undisclosed accounts. According to the IRS, since the inception of the investigation against UBS, over 55,800 taxpayers have reported previously secret accounts through the IRS's offshore voluntary disclosure programs, and an additional 48,000 have made use of separate streamlined procedures to correct prior non-willful omissions. In total, the IRS has collected more than \$10 billion in back taxes, interest, and penalties through these programs. These enforcement efforts not only remedy past wrongdoing, but also bring into the system tax revenue from taxpayers who become compliant going forward. Through the voluntary disclosure programs, taxpayers are required to cooperate, providing leads on banks and facilitators.

**International Cooperation to Investigate Tax Evasion.** The Tax Division regularly provides advice and assistance to Assistant United States Attorneys and IRS agents seeking extradition, information, and cooperation from other countries for both civil and criminal tax investigations and cases. The Tax Division also provides assistance to attorneys from other federal agencies and offices, including the Federal Bureau of Investigation, the Securities and Exchange Commission, and the Department of Homeland Security as needed.

**Pure Tax Crimes.** Legal-source income tax cases are the core of Tax Division's criminal enforcement mission. These cases encompass tax crimes where the source of the individual's income is earned through legitimate means, and the examples are legion: a restaurateur who skims cash receipts; a corporation that maintains two sets of books, one reporting its true gross receipts and the other – used for tax purposes – showing lower amounts; a self-employed individual who hides taxable income or inflates deductible expenses to reduce the amount of tax due and owing; or, an individual who, although aware of the duty to file a return, knowingly and intentionally refuses to do so. The focus on legal-source income cases is important because tax crimes of this type significantly erode the tax base and, when such conduct is left unaddressed, have the potential to encourage tax cheating by otherwise law-abiding citizens. Prosecutions in these cases often receive substantial local media coverage, and convictions assure law-abiding citizens who pay their taxes that those who cheat are punished. During the past year, Tax Division attorneys investigated and prosecuted cases involving tax crimes committed by individuals from all walks of life. For example:

- In July 2017, Thomas Daly, a Fort Lauderdale, Florida salesman, was sentenced to prison for evading taxes on more than \$1.5 million and obstructing the IRS's collection efforts.
- In June 2017, Thomas G. Paine, a corporate officer for a Madison, Wisconsin produce vendor, was indicted for alleged tax evasion and failing to file corporate tax returns.
- In May 2017, Christopher Wolf, a Brooklyn, New York precious metals brokerage firm operator, was indicted for alleged tax evasion. Wolf is alleged to have filed false personal and corporate returns and used shell corporations to conceal his income.
- In May 2017, Henti Lucian Baird, a former IRS revenue officer and owner of a tax consulting business in Greensboro, North Carolina, was sentenced to 43 months in prison for tax evasion and obstructing the IRS.



- In April 2017, Michael Thiel, a Hammond, Louisiana criminal defense attorney, was sentenced to 30 months in prison for evading approximately \$1 million in income and employment taxes.
- In January 2017, Semere Tsehaye, the owner of more than 20 Instant Tax Service franchise locations was sentenced to 27 months in prison for evading approximately \$581,000 in taxes.

**Employment Tax Crimes.** Recently, Tax Division, working in close partnership with CI, sharpened its focus on employers who willfully fail to collect, truthfully account for, and pay over employment taxes to the IRS. Employers have a legal obligation to withhold federal income, Social Security, and Medicare taxes from their employees' wages, hold these funds in trust, and then pay them over, along with a matching amount of Social Security and Medicare tax, to the IRS. Employment and income tax withheld comprise 70% of the total revenues collected by the IRS<sup>10</sup>, and as of June 2016, nearly \$59.4 million of employment tax reported on quarterly employment tax returns remained unpaid. The Division has handled several notable employment tax cases this year. For example:

- In July 2017, Sreedar Potarazu, a Maryland surgeon and entrepreneur, was sentenced to almost ten years in prison for failing to pay over \$7.5 million in employment taxes and defrauding shareholders of more than \$49 million. Instead of paying over the employment tax, Potarazu spent millions on personal expenses including transferring funds to himself and others, travel, car service and the publication of a book.
- In July 2017, Richard Tatum, a Houston, Texas, business owner of an industrial staffing company, was sentenced to 36 months in prison for failing to pay more than \$18 million in employment taxes. He used the money for luxury travel and to make payments on his ranch
- In June 2017, Fesum Ogbazion, the owner and CEO of ITS Financial LLC, which was the national franchisor of Instant Tax Service, a tax preparation business, was convicted by a federal jury for evading employment taxes and defrauding taxpayer clients. Ogbazion conspired with others at ITS to generate more than \$70 million in loan and tax preparation fees evaded the IRS's collection of more than \$1.3 million in employment taxes.

**Prosecuting Abusive Promotions.** The Department continues to actively target those who promote the use of fraudulent tax shelters and other schemes to evade taxes and hide assets. Some schemes use domestic or foreign trusts to evade taxes. Promoters of these schemes often use the internet to aggressively market these trusts to the public, and rely upon strained, if not demonstrably false, interpretations of the tax laws. Employing what they often call "asset protection trusts" (ostensibly designed to guard an individual's assets from legitimate creditors, including the IRS), these promoters are in fact assisting taxpayers to fraudulently assign income and conceal ownership of income-producing assets in order to evade paying their taxes. The Tax Division and U.S. Attorneys' Offices are vigorously employing a range of criminal and civil tools, including injunctive relief, to address these abusive activities.

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<sup>10</sup> Internal Revenue Service Data Book, 2016 Table 1 Collections and Refunds by Type of Tax

**Stolen Identity Refund Fraud.** While we have made substantial progress, Stolen Identity Refund Fraud (SIRF) crimes continue to be committed across the country, with many defendants filing thousands of false returns, resulting in millions of dollars in fraudulent refund claims. Moreover, their level of sophistication has risen, with a number of SIRF crimes now involving a cyber component. Victims hail from all segments of our society. The elderly are particularly vulnerable as a result of their contact with hospitals, assisted living centers, nursing homes, but they are not alone. SIRF victims include state and federal employees, the imprisoned, young children, the infirm, and members of our armed forces deployed overseas.

To deal efficiently with these cases, we have delegated to local U.S. Attorneys' Offices the authority to initiate tax-related grand jury investigations in SIRF matters, to charge those involved in SIRF crimes by complaint, and to obtain seizure warrants for forfeiture of criminally-derived proceeds arising from SIRF crimes, all without prior authorization from the Tax Division. We also formed a SIRF Advisory Board, consisting of experienced Division SIRF prosecutors, which serves as resource for prosecutors in the field and sets a national strategy to investigate and prosecute these crimes.

As a result of our streamlined procedures, USAOs, have been able to respond quickly to SIRF type cases, and the Tax Division has authorized more than 1,300 SIRF investigations involving more than 2,000 subjects. The Tax Division and the U.S. Attorneys' Offices have brought approximately 1000 prosecutions involving more than 1,900 individuals. And the courts are responding with substantial sentences. Among the recent SIRF prosecutions handled by the Division are:

- In July 2017, Kevin Kunlay Williams, a Nigerian citizen, who resided in St. Louis, Missouri, pleaded guilty to a \$12 million stolen identity refund scheme. Williams and others stole public school employees' identities from a payroll company and used them to file more than 2,000 returns seeking more than \$12 million in refunds.
- In July 2017, Cynthia Lozano, a California return preparer was sentenced to more than 14 years in prison for using stolen identities to file fraudulent returns seeking more than \$2 million in refunds. Lozano stole the names and social security numbers of actual and prospective Section 8 tenants, who submitted applications for properties that she owned, and used these identities to file returns with the IRS.
- In July 2017, Anthony Gosha, a Montgomery, Alabama resident, was indicted for his alleged role in a \$19 million stolen identity refund scheme. Gosha is alleged to have conspired with others to file more than 7,000 fraudulent returns with the IRS using stolen identities, to include those of inmates.

**Return-Preparer Fraud.** Corrupt accountants and tax return preparers continue to present a serious law enforcement concern. Some accountants and return preparers deceive unwitting clients into filing false and fraudulent returns, while others serve as willing "enablers," providing a veneer of legitimacy for clients predisposed to cheat. In addition to the significant adverse impact these individuals have on the U.S. Treasury, their status as professionals may be perceived as legitimizing tax evasion, thereby promoting disrespect for the law. We have prosecuted many such return preparer cases during the past year. Two recent cases include:

- Herbert Lee Martin, a Rockingham, North Carolina return preparer, who was sentenced in May 2017 to 11 years in prison for filing fraudulent tax returns causing a loss of more than \$10.6 million, and
- Cheryl Singleton, an Atlanta, Georgia tax return preparer, who was sentenced in January 2017 to serve 150 months in prison for filing fraudulent returns seeking more than \$20 million in refunds.

**National Tax Defier Initiative.** Tax defiers, also known as illegal tax protesters, have long been a focus of the Tax Division's investigative and prosecution efforts. Tax defiers advance frivolous arguments and develop a wide variety of schemes to evade their income taxes, assist others in evading their taxes, and frustrate the IRS, all under the guise of constitutional and other meritless objections to the tax laws. Frivolous arguments used by tax defiers include, for example, spurious claims that an individual is a "sovereign citizen" not subject to the laws of the United States, that the federal income tax is unconstitutional, and that wages are not income. Because a segment of the tax defier community may and has resorted to violence to advance their cause, it is essential that law enforcement be prepared to respond rapidly to threats against agents, prosecutors, and judges. Tax Division has implemented a comprehensive strategy using both civil and criminal enforcement tools to address the serious and corrosive effect of tax defier and sovereign citizen activity. Led by a National Director, the Tax Division's Tax Defier Initiative facilitates coordination with representatives of IRS Criminal Investigations, Treasury Inspector General for Tax Administration, the FBI Domestic Terrorism Operations Unit, and the Department's National Security Division to attack this problem. We have been leaders in developing and implementing a national training program for prosecutors and investigators.

As in other areas, the Tax Division has made important strides in combating tax defier activity. In April 2017, Winston ShROUT, one of the most prominent sovereign citizen tax defier promoters, was convicted following a jury trial. ShROUT was highly influential in the sovereign citizen movement and has a significant following across the country and abroad. From approximately 2008 through 2015, ShROUT created and submitted more than 1,000 bogus financial instruments. He held worldwide seminars and private meetings to promote and market the use of these fake financial instruments to pay off debts, including federal taxes. ShROUT sold recordings of his seminars, templates for fake financial instruments and other materials through his website.

**Corporate Fraud and other Financial Crimes.** The Division investigates and prosecutes financial crimes such as corporate fraud and mortgage fraud. The Division also cooperates with other law enforcement components in formulating national policies, programs, strategies and procedures in a coordinated attack on financial crime.

## 2. Performance Tables

Performance materials will be provided at a later date

### **3. Performance, Resources, and Strategies**

Performance materials will be proved at a later date

### **V. Program Increase by Item**

#### **Transnational Tax Evasion Unit**

The Tax Division is requesting \$500,000.00 for a Transnational Tax Evasion Unit of five attorneys and one paralegal. This unit will be responsible for criminal enforcement of transnational tax crimes.

One of the Tax Division's top litigation priorities is identifying, investigating and holding accountable U.S. taxpayers who conceal foreign financial accounts in an effort to evade U.S. reporting and tax obligations. Use of foreign tax havens by U.S. taxpayers has been on the rise, aided by increasingly sophisticated financial instruments and the ease of moving money around the globe, irrespective of national borders. While the Division's enforcement focused initially on cross-border activities in Switzerland, it must continue to expand to include wrongdoing by U.S. accountholders, financial institutions, and other facilitators globally. Indeed, we already have engaged in publicly disclosed enforcement concerning banking activities in India, Israel, Liechtenstein, Luxembourg, Belize, Hong Kong and the Caribbean.

According to a 2008 report issued by the Permanent Subcommittee on Investigations, Committee on Homeland Security and Government Affairs, United States Senate, the use of undeclared offshore accounts to evade U.S. taxes at that time cost the Treasury at least \$100 billion annually. Using tax havens facilitates evasion of U.S. taxes and related financial crimes, and fosters the perception that, if people have enough money and access to unscrupulous professionals, they can get away with hiding money offshore. Thanks to the considerable and highly publicized efforts of the Tax Division and the IRS, reality has caught up with those who have chosen to engage in this illegal behavior.

Since 2009, when the Tax Division reached a groundbreaking deferred prosecution agreement with UBS AG, Switzerland's largest financial institution, the Department has publicly charged more than 130 accountholders and more than 40 bankers and advisors with violations arising from offshore banking activities. Over 120 accountholders have pleaded guilty or been convicted at trial, and several are either awaiting trial or in fugitive status. Approximately 17 bankers and financial advisors have either pleaded guilty or been convicted at trial; many remain fugitives.

The prosecution of professionals, including lawyers, financial advisors, and return preparers, who facilitate offshore tax evasion, is an essential part of the Tax Division's efforts in this area. In December 2014, the Tax Division secured convictions against David and Nadav Kalai, two California tax return preparers, for conspiracy to defraud the IRS and willfully failing to file a Report of Foreign Bank and Financial Accounts (FBAR). The Kalais prepared false individual income tax returns that did not disclose their clients' foreign financial accounts and did not report the income earned from those accounts. To conceal their clients' ownership and control of assets and to conceal their clients' income from the IRS, the Kalais incorporated offshore companies in

Belize and elsewhere and helped their clients open secret bank accounts at the Luxembourg locations of two Israeli banks.

The high profile prosecutions of financial institutions, facilitators, and accountholders created pressure on non-compliant taxpayers to correct their tax returns to report previously undisclosed accounts. According to the IRS, since the inception of the investigation against UBS, more than 55,800 taxpayers have reported previously secret accounts through the IRS's offshore voluntary disclosure programs, and an additional 48,000 have made use of separate streamlined procedures to correct prior non-willful omissions. In total, the IRS has collected more than \$10 billion in back taxes, interest, and penalties through these programs. These enforcement efforts not only remedy past wrongdoing, but also bring into the system tax revenue from taxpayers who become compliant going forward. Through the voluntary disclosure programs, taxpayers are required to cooperate, providing leads on banks and facilitators.

The Department is successfully using a variety of law enforcement tools to gather information that we believe will lead to admissible evidence in future enforcement efforts. For example, in recent years the Department obtained orders authorizing the issuance of John Doe summonses for information about U.S. taxpayers using accounts based in Switzerland, India, Bahamas, Barbados, Cayman Islands, Guernsey, Hong Kong, Malta, Belize, and the United Kingdom. The Tax Division continues to work with the IRS and the United States Attorneys to gather information about taxpayers who seek to avoid or evade paying their taxes.

The Tax Division and the IRS have worked closely for several years to combat offshore tax evasion. That effort has largely focused on Switzerland – the US taxpayers holding secret accounts there and the Swiss financial institutions, bankers and asset managers who have helped these taxpayers evade US taxes and reporting requirements. IRS Criminal Investigations (CI) believes now is the time to ramp up and quickly expand such work. Currently CI is in the process of shifting a significant portion of its limited work force and resources to offshore tax enforcement. Indeed, it is restructuring the way in which it identifies, investigates and prosecutes offshore violations, by creating a centralized and dedicated unit of seasoned agents in the Washington D.C. area. This new unit will use the information and investigative approaches developed while working with Tax Division attorneys on prior cases to follow the flow of money to tax havens in Asia, Latin America and elsewhere around the world.

The Tax Division has dedicated significant attorney resources to offshore tax enforcement, but CI has asked that the Division enhance its work on this effort. Offshore tax enforcement is a highly complex and specialized area. To flag leads that are worth pursuing and to successfully investigate and prosecute them requires a combination of skills and experience, rarely acquired by federal prosecutors. However, the Tax Division has gained considerable expertise in such cases over the past several years. We have learned, along with CI, that close coordination between the agents and the prosecutors from the outset is critical to success. Experience also shows that a singular focus on these cases is imperative to bring them to an expeditious and successful conclusion.

To bolster its work in this area, the Tax Division proposes creating a unit of five attorneys and one paralegal to work directly with the IRS and experienced offshore prosecutors in the Division. To provide a reservoir of expertise for CI and the Division as a whole, we expect that each attorney will master the intricacies of one of the top five countries that data and information collected indicate are facilitating tax evasion by U.S. taxpayers. As a result, these prosecutors will well positioned to provide critical guidance on issues such as:

- Each foreign country's bank secrecy and data protection statutes,
- Deployment of MLATs, tax treaties, required-records subpoenas and other techniques to overcome obstacles in acquiring evidence abroad, and
- Expertise in the relevant IRS statutes and Treasury reporting requirements.

Of course, these attorneys and other seasoned prosecutors in the Tax Division will be prepared to give CI direction on significant and substantial offshore evasion matters that may arise in other countries around the world.

We are confident that such a unit working closely with CI's new unit is the most effective and cost-efficient way to match the IRS's commitment in this area, enhance the Tax Division's continuing robust work on offshore matters, and bring the types of cases needed to hold wrongdoers accountable and to achieve maximum deterrence and compliance.

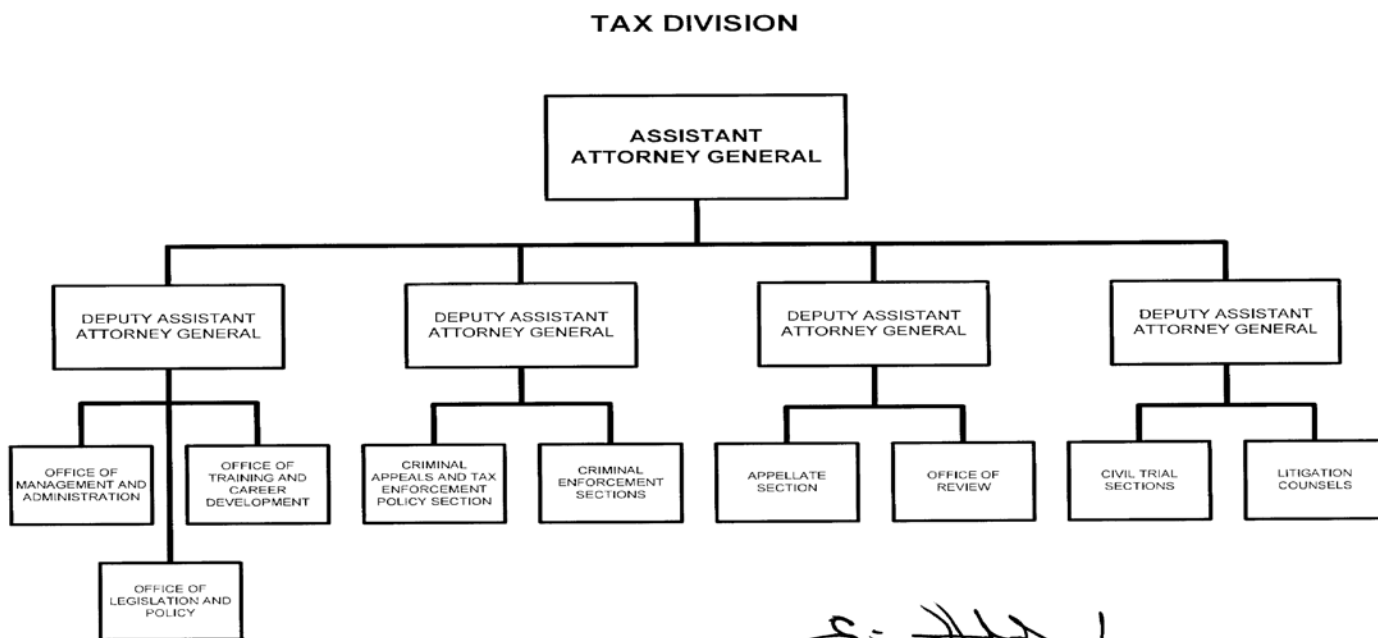
## **VI. Program Offsets by Item**

No offsets proposed.


## **VII. Exhibits**



# A: Organizational Chart



The Principal or ranking Deputy is determined via an internal written designation by the Attorney General or other authorized official.

Approved by:  Date: 11/26/12

ERIC H. HOLDER, JR.  
Attorney General

B. Summary of Requirements

## Summary of Requirements

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

|   | FY 2019 Request |              |         |
|---|-----------------|--------------|---------|
|   | Positions       | Estimate FTE | Amount  |
| <b>2017 Enacted 1/</b>                      | 514             | 523          | 106,979 |
| <b>Total 2017 Enacted</b>                   | 514             | 523          | 106,979 |
| <b>2018 Continuing Resolution</b>           | 499             | 499          | 106,253 |
| <b>Technical Adjustments</b>                |                 |              |         |
| CR Base Adjustment                          | 0               | 0            | 605     |
| <b>Total Technical Adjustments</b>          | 0               | 0            | 605     |
| <b>Base Adjustments</b>                     |                 |              |         |
| Pay and Benefits                            | 0               | 0            | 573     |
| Domestic Rent and Facilities                | 0               | 0            | 1,080   |
| Other Adjustments                           | -20             | -20          | -3,576  |
| <b>Total Base Adjustments</b>               | -20             | -20          | -1,923  |
| <b>Total Technical and Base Adjustments</b> | -20             | -20          | -1,318  |
| <b>2019 Current Services</b>                | 479             | 479          | 104,935 |
| <b>Program Changes</b>                      |                 |              |         |
| Increases:                                  |                 |              |         |
| Transnational Crime and Tax Evasion         | 6               | 3            | 500     |
| Subtotal, Increases                         | 6               | 3            | 500     |
| <b>Total Program Changes</b>                | 6               | 3            | 500     |
| <b>2019 Total Request</b>                   | 485             | 482          | 105,435 |
| 2018 - 2019 Total Change                    | -14             | -17          | -818    |

<sup>1/</sup> FY 2017 FTE is actual

**Summary of Requirements**  
 Tax Division  
 Salaries and Expenses  
 (Dollars in Thousands)

| Program Activity                    | FY 2017 Enacted |            |                | FY 2018 Continuing Resolution |            |                | FY 2019 Technical and Base Adjustments |            |               | FY 2019 Current Services |            |                |
|-------------------------------------|-----------------|------------|----------------|-------------------------------|------------|----------------|--|------------|---------------|--------------------------|------------|----------------|
|                                     | Positions       | Actual FTE | Amount         | Positions                     | Est. FTE   | Amount         | Positions                              | Est. FTE   | Amount        | Positions                | Est. FTE   | Amount         |
| General Tax Matters                 | 514             | 523        | 106,979        | 499                           | 499        | 106,253        | -20                                    | -20        | -1,318        | 479                      | 479        | 104,935        |
| <b>Total Direct</b>                 | <b>514</b>      | <b>523</b> | <b>106,979</b> | <b>499</b>                    | <b>499</b> | <b>106,253</b> | <b>-20</b>                             | <b>-20</b> | <b>-1,318</b> | <b>479</b>               | <b>479</b> | <b>104,935</b> |
| Balance Rescission                  |                 |            | 0              |                               |            | 0              |  |            | 0             |                          |            | 0              |
| <b>Total Direct with Rescission</b> |                 |            | <b>106,979</b> |                               |            | <b>106,253</b> |  |            | <b>-1,318</b> |                          |            | <b>104,935</b> |
| Reimbursable FTE                    |                 | 0          |                |                               | 0          |                |  | 0          |               |                          | 0          |                |
| <b>Total Direct and Reimb. FTE</b>  |                 | <b>523</b> |                |                               | <b>499</b> |                |  | <b>-20</b> |               |                          | <b>479</b> |                |
| Other FTE:                          |                 |            |                |                               |            |                |  |            |               |                          |            |                |
| LEAP                                |                 | 0          |                |                               | 0          |                |  | 0          |               |                          | 0          |                |
| Overtime                            |                 | 0          |                |                               | 0          |                |  | 0          |               |                          | 0          |                |
| <b>Grand Total, FTE</b>             |                 | <b>523</b> |                |                               | <b>499</b> |                |  | <b>-20</b> |               |                          | <b>479</b> |                |

| Program Activity                    | 2019 Increases |          |            | 2019 Offsets |          |          | 2019 Request |            |                |
|-------------------------------------|----------------|----------|------------|--------------|----------|----------|--------------|------------|----------------|
|                                     | Positions      | Est. FTE | Amount     | Positions    | Est. FTE | Amount   | Positions    | Est. FTE   | Amount         |
| General Tax Matters                 | 6              | 3        | 500        | 0            | 0        | 0        | 485          | 482        | 105,435        |
| <b>Total Direct</b>                 | <b>6</b>       | <b>3</b> | <b>500</b> | <b>0</b>     | <b>0</b> | <b>0</b> | <b>485</b>   | <b>482</b> | <b>105,435</b> |
| Balance Rescission                  |                |          | 0          |              |          | 0        |              |            | 0              |
| <b>Total Direct with Rescission</b> |                |          | <b>500</b> |              |          | <b>0</b> |              |            | <b>105,435</b> |
| Reimbursable FTE                    |                | 0        |            |              | 0        |          |              | 0          |                |
| <b>Total Direct and Reimb. FTE</b>  |                | <b>3</b> |            |              | <b>0</b> |          |              | <b>482</b> |                |
| Other FTE:                          |                |          |            |              |          |          |              |            |                |
| LEAP                                |                | 0        |            |              | 0        |          |              | 0          |                |
| Overtime                            |                | 0        |            |              | 0        |          |              | 0          |                |
| <b>Grand Total, FTE</b>             |                | <b>3</b> |            |              | <b>0</b> |          |              | <b>482</b> |                |

**FY 2019 Program Increases/Offsets by Decision Unit**

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

| Program Increases                   | Location of Description by Program Activity | General Tax Matters |            |          |            | Total Increases |            |          |            |
|-------------------------------------|---|---------------------|------------|----------|------------|-----------------|------------|----------|------------|
|                                     |   | Positions           | Agt./Atty. | Est. FTE | Amount     | Positions       | Agt./Atty. | Est. FTE | Amount     |
| Transnational Crime and Tax Evasion |   | 6                   | 5          | 3        | 500        | 6               | 5          | 3        | 500        |
| <b>Total Program Increases</b>      |   | <b>6</b>            | <b>5</b>   | <b>3</b> | <b>500</b> | <b>6</b>        | <b>5</b>   | <b>3</b> | <b>500</b> |

| Program Offsets              | Location of Description by Program Activity | General Tax Matters |            |          |        | Total Offsets |            |          |        |
|------------------------------|---|---------------------|------------|----------|--------|---------------|------------|----------|--------|
|                              |   | Positions           | Agt./Atty. | Est. FTE | Amount | Positions     | Agt./Atty. | Est. FTE | Amount |
| No Program Offsets           |   |                     |            |          |        |               |            |          |        |
| <b>Total Program Offsets</b> |   |                     |            |          |        |               |            |          |        |

D. Resources by DOJ Strategic Goal and Strategic Objective

**Resources by Department of Justice Strategic Goal and Objective**

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

Performance materials will be provided at a later date.

## Justifications for Technical and Base Adjustments

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

|   | Positions | Estimate<br>FTE | Amount     |
|---|-----------|-----------------|------------|
| <b>Technical Adjustments</b>  |           |                 |            |
| 1 <b>CR Base Adjustment</b><br>Because no final 2018 appropriations bills have been enacted, this technical adjustment is to reflect the difference between the 2018 President's Budget and the annualized amounts provided in the Continuing Appropriations Act, 2018 (P.L. 115-56) (CR).  | 0         | 0               | 605        |
| <b>Subtotal, Technical Adjustments</b>  | <b>0</b>  | <b>0</b>        | <b>605</b> |
| <b>Pay and Benefits</b>   |           |                 |            |
| 1 <b>Annualization of 2018 Pay Raise</b><br>This pay annualization represents first quarter amounts (October through December) of the 2018 pay increase of 1.9% included in the 2018 President's Budget. The amount requested \$377, represents the pay amounts for 1/4 of the fiscal year plus appropriate benefits (\$290 for pay and \$87 for benefits).   | 0         | 0               | 377        |
| 2 <b>Health Insurance</b><br>Effective January 2019, the component's contribution to Federal employees' health insurance increases by 2.9 percent. Applied against the 2018 estimate of \$3,869, the additional amount required is \$110.   | 0         | 0               | 110        |
| 3 <b>Retirement</b><br>Agency retirement contributions increase as employees under CSRS retire and are replaced by FERS employees. Based on U.S. Department of Justice Agency estimates, we project that the DOJ workforce will convert from CSRS to FERS at a rate of 0.8 percent per year, for both LEO and Non-LEO, based on the past 5 years of DOJ retirement data. The requested increase of \$86 is necessary to meet our increased retirement obligations as a result of this conversion.   | 0         | 0               | 86         |
| <b>Subtotal, Pay and Benefits</b>   | <b>0</b>  | <b>0</b>        | <b>573</b> |
| <b>Domestic Rent and Facilities</b>   |           |                 |            |
| 1 <b>GSA Rent</b><br>GSA will continue to charge rental rates that approximate those charged to commercial tenants for equivalent space and related services. The requested increase of \$920 is required to meet our commitment to GSA. The costs associated with GSA rent were derived through the use of an automated system, which uses the latest inventory data, including rate increases to be effective FY 2019 for each building currently occupied by Department of Justice components, as well as the costs of new space to be occupied. | 0         | 0               | 920        |
| 2 <b>Guard Service</b><br>This includes Department of Homeland Security (DHS) Federal Protective Service charges, Justice Protective Service charges and other security services across the country. The requested increase of \$160 is required to meet these commitments.   | 0         | 0               | 160        |

## Justifications for Technical and Base Adjustments

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

|   | Positions  | Estimate<br>FTE | Amount        |
|---|------------|-----------------|---------------|
| <b>Subtotal, Domestic Rent and Facilities</b>   | <b>0</b>   | <b>0</b>        | <b>1,080</b>  |
| <b>Other Adjustments</b>  |            |                 |               |
| 1 <u>Administrative Reduction</u><br><br><u>The budget consolidates position functions for certain offices, reducing positions and identifying cost savings.</u>  | -14        | -14             | -2,938        |
| 2 <u>IT Consolidation</u><br><br>Supports the migration of back office infrastructure to Core Enterprise Facilities and to Cloud providers enables the Department to gain economies of scale in managing computing infrastructure at reduced cost. The support of mission applications, case management, litigation support, and e-Discovery are functions that remain core to and will be managed by each component, along with an IT Business Relationship Manager residing within each organization. GS-2210 Information Technology Specialist positions supporting back office IT operations and infrastructure services will be moved into OCIO. | -6         | -6              | -750          |
| 3 <u>Working Capital Fund - Trusted Internet Connection (TIC)</u><br>This request continues efforts to provide additional cybersecurity to our IT infrastructure and systems.   | 0          | 0               | 112           |
| <b>Subtotal, Other Adjustments</b>  | <b>-20</b> | <b>-20</b>      | <b>-3,576</b> |
| <b>TOTAL DIRECT TECHNICAL and BASE ADJUSTMENTS</b>  | <b>-20</b> | <b>-20</b>      | <b>-1,318</b> |

### Crosswalk of 2017 Availability

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

| Program Activity             | FY 2017 Enacted |               |                | Reprogramming/Transfers |               |              | Carryover | Recoveries/<br>Refunds | FY 2017 Availability |               |                |
|------------------------------|-----------------|---------------|----------------|-------------------------|---------------|--------------|-----------|------------------------|----------------------|---------------|----------------|
|                              | Position<br>s   | Actual<br>FTE | Amount         | Position<br>s           | Actual<br>FTE | Amount       | Amount    | Amount                 | Position<br>s        | Actual<br>FTE | Amount         |
| General Tax Matters          | 514             | 523           | 106,979        | 0                       | 0             | 1,177        | 40        | 2                      | 514                  | 523           | 108,198        |
| <b>Total Direct</b>          | <b>514</b>      | <b>523</b>    | <b>106,979</b> | <b>0</b>                | <b>0</b>      | <b>1,177</b> | <b>40</b> | <b>2</b>               | <b>514</b>           | <b>523</b>    | <b>108,198</b> |
| Balance Rescission           |                 |               | 0              |                         |               | 0            | 0         | 0                      |                      |               | 0              |
| Total Direct with Rescission |                 |               | 106,979        |                         |               | 1,177        | 40        | 2                      |                      |               | 108,198        |
| Reimbursable FTE             |                 | 0             |                |                         | 0             |              |           |                        |                      | 0             |                |
| Total Direct and Reimb. FTE  |                 | 523           |                |                         | 0             |              |           |                        |                      | 523           |                |
| Other FTE:                   |                 |               |                |                         |               |              |           |                        |                      |               |                |
| LEAP FTE                     |                 | 0             |                |                         | 0             |              |           |                        |                      | 0             |                |
| Overtime                     |                 | 0             |                |                         | 0             |              |           |                        |                      | 0             |                |
| Grand Total, FTE             |                 | 523           |                |                         | 0             |              |           |                        |                      | 523           |                |

**Reprogramming/Transfers:**

Funding of 1.177 million was reallocated from GLA's ALS account.

**Carryover:**

Funds were carried over into FY 2017 from GLA's 2016 no year account.

**Recoveries/Refunds:**



**Crosswalk of 2018 Availability**  
 Tax Division  
 Salaries and Expenses  
 (Dollars in Thousands)

| Program Activity             | FY 2018 Continuing Resolution |            |                | Reprogramming/Transfers |          |          | Carryover | Recoveries/Refunds | FY 2018 Availability |            |                |
|------------------------------|-------------------------------|------------|----------------|-------------------------|----------|----------|-----------|--------------------|----------------------|------------|----------------|
|                              | Positions                     | Est. FTE   | Amount         | Positions               | Est. FTE | Amount   | Amount    | Amount             | Positions            | Est. FTE   | Amount         |
| General Tax Matters          | 499                           | 499        | 106,252        | 0                       | 0        | 0        | 11        | 0                  | 499                  | 499        | 106,263        |
| <b>Total Direct</b>          | <b>499</b>                    | <b>499</b> | <b>106,252</b> | <b>0</b>                | <b>0</b> | <b>0</b> | <b>11</b> | <b>0</b>           | <b>499</b>           | <b>499</b> | <b>106,263</b> |
| Balance Rescission           |                               |            | 0              |                         |          | 0        | 0         | 0                  |                      |            | 0              |
| Total Direct with Rescission |                               |            | 106,252        |                         |          | 0        | 11        | 0                  |                      |            | 106,263        |
| Reimbursable FTE             |                               | 0          |                |                         | 0        |          |           |                    |                      | 0          |                |
| Total Direct and Reimb. FTE  |                               | 499        |                |                         | 0        |          |           |                    |                      | 499        |                |
| Other FTE:                   |                               |            |                |                         |          |          |           |                    |                      |            |                |
| LEAP FTE                     |                               | 0          |                |                         | 0        |          |           |                    |                      | 0          |                |
| Overtime                     |                               | 0          |                |                         | 0        |          |           |                    |                      | 0          |                |
| Grand Total, FTE             |                               | 499        |                |                         | 0        |          |           |                    |                      | 499        |                |

**Reprogramming/Transfers:**

**Carryover:**

Funds were carried over into FY 2018 from GLA's FY 2017 no year account.

**Recoveries/Refunds:**

### Summary of Reimbursable Resources

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

| Collections by Source                                  | 2017 Actual |            |               | 2018 Estimate |            |               | 2019 Request |            |              | Increase/Decrease |            |               |
|--|-------------|------------|---------------|---------------|------------|---------------|--------------|------------|--------------|-------------------|------------|---------------|
|  | Reimb. Pos. | Reimb. FTE | Amount        | Reimb. Pos.   | Reimb. FTE | Amount        | Reimb. Pos.  | Reimb. FTE | Amount       | Reimb. Pos.       | Reimb. FTE | Amount        |
| Debt Collection 3% Fund-<br>Personnel/Special Projects | 0           | 0          | 12,190        | 0             | 0          | 12,040        | 0            | 0          | 6,070        | 0                 | 0          | -5,970        |
| <b>Budgetary Resources</b>                             | <b>0</b>    | <b>0</b>   | <b>12,190</b> | <b>0</b>      | <b>0</b>   | <b>12,040</b> | <b>0</b>     | <b>0</b>   | <b>6,070</b> | <b>0</b>          | <b>0</b>   | <b>-5,970</b> |

| Obligations by Program Activity | 2017 Actual |            |               | 2018 Estimate |            |               | 2019 Request |            |              | Increase/Decrease |            |               |
|---------------------------------|-------------|------------|---------------|---------------|------------|---------------|--------------|------------|--------------|-------------------|------------|---------------|
|                                 | Reimb. Pos. | Reimb. FTE | Amount        | Reimb. Pos.   | Reimb. FTE | Amount        | Reimb. Pos.  | Reimb. FTE | Amount       | Reimb. Pos.       | Reimb. FTE | Amount        |
| General Tax Matters             | 0           | 0          | 12,190        | 0             | 0          | 12,040        | 0            | 0          | 6,070        | 0                 | 0          | -5,970        |
| <b>Budgetary Resources</b>      | <b>0</b>    | <b>0</b>   | <b>12,190</b> | <b>0</b>      | <b>0</b>   | <b>12,040</b> | <b>0</b>     | <b>0</b>   | <b>6,070</b> | <b>0</b>          | <b>0</b>   | <b>-5,970</b> |

**Detail of Permanent Positions by Category**

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

| Category                                 | FY 2017 Enacted |             | FY 2018 Continuing Resolution |             | FY 2019 Request |                   |                 |                   |                   |
|--|-----------------|-------------|-------------------------------|-------------|-----------------|-------------------|-----------------|-------------------|-------------------|
|  | Direct Pos.     | Reimb. Pos. | Direct Pos.                   | Reimb. Pos. | ATBs            | Program Increases | Program Offsets | Total Direct Pos. | Total Reimb. Pos. |
| Security Specialists (080)               | 0               | 0           | 1                             | 0           | 0               | 0                 | 0               | 1                 | 0                 |
| Personnel Management (0200-0260)         | 8               | 0           | 6                             | 0           | 0               | 0                 | 0               | 6                 | 0                 |
| Clerical and Office Services (0300-0399) | 108             | 0           | 20                            | 0           | 0               | 0                 | 0               | 20                | 0                 |
| Misc Admin & Prog (0301)                 | 0               | 0           | 24                            | 0           | 0               | 0                 | 0               | 24                | 0                 |
| Accounting and Budget (500-599)          | 9               | 0           | 7                             | 0           | 0               | 0                 | 0               | 7                 | 0                 |
| Paralegals / Other Law (900-998)         | 125             | 0           | 7                             | 0           | 0               | 0                 | 0               | 7                 | 0                 |
| Attorneys (905)                          | 377             | 0           | 377                           | 0           | -14             | 5                 | 0               | 368               | 0                 |
| Paralegal Specialist (0950)              | 0               | 0           | 43                            | 0           | 0               | 1                 | 0               | 44                | 0                 |
| Business & Industry (1100-1199)          | 0               | 0           | 1                             | 0           | 0               | 0                 | 0               | 1                 | 0                 |
| Library (1400-1499)                      | 1               | 0           | 1                             | 0           | 0               | 0                 | 0               | 1                 | 0                 |
| Information Technology Mgmt (2210-2299)  | 11              | 0           | 12                            | 0           | -6              | 0                 | 0               | 6                 | 0                 |
| Ungraded                                 | -125            | 0           | 0                             | 0           | 0               | 0                 | 0               | 0                 | 0                 |
| <b>Total</b>                             | <b>514</b>      | <b>0</b>    | <b>499</b>                    | <b>0</b>    | <b>-20</b>      | <b>6</b>          | <b>0</b>        | <b>485</b>        | <b>0</b>          |
| Headquarters Washington D.C.             | 486             | 0           | 471                           | 0           | -20             | 6                 | 0               | 457               | 0                 |
| US Fields                                | 28              | 0           | 28                            | 0           | 0               | 0                 | 0               | 28                | 0                 |
| Foreign Field                            | 0               | 0           | 0                             | 0           | 0               | 0                 | 0               | 0                 | 0                 |
| <b>Total</b>                             | <b>514</b>      | <b>0</b>    | <b>499</b>                    | <b>0</b>    | <b>-20</b>      | <b>6</b>          | <b>0</b>        | <b>485</b>        | <b>0</b>          |

**Financial Analysis of Program Changes**

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

| Grades                                       | General Tax Matters |            |                   |          | Total Program Changes |            |
|--|---------------------|------------|-------------------|----------|-----------------------|------------|
|  | Program Increases   |            | Program Decreases |          | Positions             | Amount     |
|  | Positions           | Amount     | Positions         | Amount   |                       |            |
| Ungraded                                     | 6                   | 500        | 0                 | 0        | 6                     | 500        |
| <b>Total Positions and Annual Amount</b>     | <b>6</b>            | <b>500</b> | <b>0</b>          | <b>0</b> | <b>6</b>              | <b>500</b> |
| Lapse (-)                                    | -3                  | -25        | 0                 | 0        | -3                    | -25        |
| 11.5 - Other personnel compensation          |                     | 0          |                   | 0        |                       | 0          |
| <b>Total FTEs and Personnel Compensation</b> | <b>3</b>            | <b>475</b> | <b>0</b>          | <b>0</b> | <b>3</b>              | <b>475</b> |
| 21.0 - Travel and transportation of persons  |                     | 25         |                   | 0        |                       | 25         |
| <b>Total Program Change Requests</b>         | <b>3</b>            | <b>500</b> | <b>0</b>          | <b>0</b> | <b>3</b>              | <b>500</b> |

### Summary of Requirements by Object Class

Tax Division  
Salaries and Expenses  
(Dollars in Thousands)

| Object Class  | FY 2017 Actual |                | FY 2018 Continuing |                | FY 2019 Request |                | Increase/Decrease |               |
|---|----------------|----------------|--------------------|----------------|-----------------|----------------|-------------------|---------------|
|   | Act. FTE       | Amount         | Resolution         |                | Direct FTE      | Amount         | Direct FTE        | Amount        |
|   |                |                | Direct FTE         | Amount         |                 |                |                   |               |
| 11.1 - Full-time permanent                                  | 523            | 56,813         | 499                | 57,371         | 482             | 55,542         | -17               | -1,829        |
| 11.3 - Other than full-time permanent                       | 0              | 3,172          | 0                  | 3,172          | 0               | 3,172          | 0                 | 0             |
| 11.5 - Other personnel compensation                         | 0              | 1,104          | 0                  | 1,117          | 0               | 1,117          | 0                 | 0             |
| <i>Overtime</i>   | 0              | 0              | 0                  | 0              | 0               | 0              | 0                 | 0             |
| <i>Other Compensation</i>                                   | 0              | 0              | 0                  | 0              | 0               | 0              | 0                 | 0             |
| 11.8 - Special personal services payments                   | 0              | -5             | 0                  | 10             | 0               | 10             | 0                 | 0             |
| <b>Total</b>  | <b>523</b>     | <b>61,084</b>  | <b>499</b>         | <b>61,670</b>  | <b>482</b>      | <b>59,841</b>  | <b>-17</b>        | <b>-1,829</b> |
| <b>Other Object Classes</b>                                 |                |                |                    |                |                 |                |                   |               |
| 12.1 - Civilian personnel benefits                          |                | 18,117         |                    | 18,459         |                 | 17,640         | 0                 | -819          |
| 13.0 - Benefits for former personnel                        |                | 0              |                    | 0              |                 | 9              | 0                 | 9             |
| 21.0 - Travel and transportation of persons                 |                | 3,270          |                    | 2,877          |                 | 3,300          | 0                 | 423           |
| 22.0 - Transportation of things                             |                | 714            |                    | 714            |                 | 714            | 0                 | 0             |
| 23.1 - Rental payments to GSA                               |                | 11,012         |                    | 11,336         |                 | 11,666         | 0                 | 330           |
| 23.2 - Rental payments to others                            |                | 452            |                    | 452            |                 | 452            | 0                 | 0             |
| 23.3 - Communications, utilities, and miscellaneous charges |                | 1,286          |                    | 1,286          |                 | 1,286          | 0                 | 0             |
| 24.0 - Printing and reproduction                            |                | 57             |                    | 57             |                 | 57             | 0                 | 0             |
| 25.1 - Advisory and assistance services                     |                | 1,908          |                    | 1,785          |                 | 1,785          | 0                 | 0             |
| 25.2 - Other services from non-federal sources              |                | 5,621          |                    | 1,210          |                 | 1,200          | 0                 | -10           |
| 25.3 - Other goods and services from federal sources        |                | 3,003          |                    | 3,003          |                 | 3,003          | 0                 | 0             |
| 25.4 - Operation and maintenance of facilities              |                | 13             |                    | 15             |                 | 15             | 0                 | 0             |
| 25.6 - Medical care   |                | 51             |                    | 51             |                 | 51             | 0                 | 0             |
| 25.7 - Operation and maintenance of equipment               |                | 263            |                    | 2,763          |                 | 2,763          | 0                 | 0             |
| 26.0 - Supplies and materials                               |                | 456            |                    | 456            |                 | 456            | 0                 | 0             |
| 31.0 - Equipment  |                | 321            |                    | 129            |                 | 129            | 0                 | 0             |
| 32.0 - Land and structures                                  |                | 0              |                    | 0              |                 | 1,068          | 0                 | 1,068         |
| 41.0 - Grants, subsidies, and contributions                 |                | 350            |                    | 0              |                 | 0              | 0                 | 0             |
| <b>Total Obligations</b>                                    |                | <b>107,978</b> |                    | <b>106,263</b> |                 | <b>105,435</b> | <b>0</b>          | <b>-828</b>   |
| <b>Net of:</b>  |                |                |                    |                |                 |                |                   |               |
| Unobligated Balance, Start-of-Year                          |                | -40            |                    | -11            |                 | 0              | 0                 | 11            |
| Transfers/Reprogramming                                     |                | -1,177         |                    | 0              |                 | 0              | 0                 | 0             |
| Recoveries/Refunds  |                | -2             |                    | 0              |                 | 0              | 0                 | 0             |
| Balance Rescission  |                | 0              |                    | 0              |                 | 0              | 0                 | 0             |
| Unobligated End-of-Year, Available                          |                | 11             |                    | 0              |                 | 0              | 0                 | 0             |
| Unobligated End-of-Year, Expiring                           |                | 209            |                    | 0              |                 | 0              | 0                 | 0             |
| <b>Total Direct Requirements</b>                            |                | <b>106,979</b> |                    | <b>106,252</b> |                 | <b>105,435</b> |                   | <b>-817</b>   |
| Reimbursable FTE  |                |                |                    |                |                 |                |                   |               |
| Full-Time Permanent   | 0              |                | 0                  |                | 0               |                | 0                 | 0             |